

**Announcement No.2022-054**



**Yunnan Energy New Material Co., Ltd.**

**2021 Annual Report**

**April 2022**

## Section 1 Important Notes, Contents and Definitions

The Board of Directors and its members, the Supervisory Committee and its members, and the senior management warrant that the contents of the Annual Report are truthful, accurate and complete, without any false statement, misrepresentation or major omission, and that they are jointly and severally liable for them.

Paul Xiaoming Lee, the Company's legal representative, Li Jian, financial controller, and Deng Jinhuan, financial manager ("Accounting Principal") hereby declare and warrant that the contents of the Financial Statements in this Annual Report are truthful, accurate and complete.

All Directors were present at the Board meeting to review this Annual Report.

The forward-looking statements in this Annual Report, such as estimates of operating results, are among the planned matters of the Company, subjected to uncertainties and do not constitute material commitments of the Company to investors. Investors are advised to pay attention to investment risks. The future plans, development strategies and other forward-looking descriptions in this Report do not constitute material commitments of the Company to investors. Investors and related persons should be fully aware of the risks in connection therewith and should understand the difference between plan, forecast and commitment. Investors are advised to pay attention to investment risks.

For details, please refer to the "3. Risks The Company May Face" under the "XI. Outlook for the Company's Future Prospects" in the Section 3 "Management Discussion and Analysis" of this Report.

### 1. Risk relating to lithium-ion battery separator film business being regulated by national policies

In recent years, various countries have intensively introduced industry policies to support the development of new energy vehicle industry. Benefiting from policy support, the production value of new energy vehicle industry rapidly increased, driving the rapid development of the upstream lithium battery industry. If there are significant adverse changes in domestic and overseas subsidy policy, carbon emissions, renewable energy application and other relevant industry policies in the future, the relevant policies may have a negative impact on the development of the whole industry chain of new energy vehicle, thus having an adverse impact on the upstream lithium-ion battery separator film industry and the Company's operation result.

### 2. Fierce market competition risk

The rapid growth of the new energy vehicle industry has driven the fast development of lithium-ion battery separator film in the upstream part. With the high gross profit margin of lithium-ion battery separator film, many domestic enterprises are attracted to invest in this segment. Massive investment funds are driving the rapid increase in production capacity, and this segment is currently becoming increasingly competitive. The increasingly fierce competition will have an adverse impact on the results of the Company if it can't deeply understand the law of industrial development and make constant efforts for technological innovation and operational management improvement to improve product quality and reduce production costs.

### 3. Risk of price fluctuation of major raw materials

The major raw materials used by the Company are subjected to price fluctuation to some extent, especially polypropylene and polyethylene, whose prices are affected by the strong fluctuations of the international crude oil price. The results of the Company may be adversely affected by the gross profit margin which may be affected to some extent if the prices of major raw materials fluctuate sharply due to the macroeconomic developments, the demand and supply relation for enterprises in the upstream and downstream parts and other factors.

### 4. Risk relating to construction in progress

The Company needs a great amount of investment funds for the under-construction projects in the production bases, such as Jiangsu Energy, Jiangsu Ruijie, Chongqing Energy, Jiangxi Ruijie, Hungary Project and Jiangxi Enpo. If the Company fails to raise sufficient funds in time, or complete the projects and put into operation on schedule, the production, operation and profitability will be adversely affected.

### 5. Risk of technology leakage and talent outflow

An enterprise engaging in lithium-ion battery separator film requires advanced technology and process, rich management experience and deep understanding of the industry. To ensure the ability of constant innovation and the steady growth of business, the Company should have teams consisting of steady high-quality employees in scientific research, management and sales. The Company constantly improves the mechanisms for talent cultivation, incentive, promotion and restriction, but there is still the possibility of the outflow of core employees from the Company. In case of leakage of the core technology or the departure of core employees, the production and operation of the Company may be adversely affected.

### 6. Risk of technological progress and alternatives

Lithium-ion battery is mainly used for mobile phones, computers, new energy vehicles and energy storage power stations. After development for many years, lithium-ion batteries have been superior to traditional secondary batteries, such as nickel-cadmium batteries, nickel-hydrogen batteries and lead-acid batteries with respect to volumetric specific energy, mass specific energy, mass specific power, cycle life, charge/discharge efficiency, becoming a new energy industry with priority support and key development from the governments. Although the lithium-ion battery is currently the first choice for electronics and pure electric vehicles, and other emerging batteries like all-solid-state batteries and other technologies

are not yet mature and still need a long time before commercialization, the market demand for lithium-ion battery will be affected when emerging batteries such as all-solid-state batteries break the technical bottlenecks, achieve mass production and are fully commercialized, and the lithium-ion battery separator film in the industry chain will also be affected adversely.

#### 7. Risk of exchange rate fluctuation

The export sales volume of the Company increases constantly as it expands its business scale and gradually strengthens the development in the international market. If the RMB exchange rate and the foreign exchange rate in the countries where our products were sold fluctuate sharply in the future, the results of the Company may be affected to some extent.

#### 8. Risk of China-US trade frictions

Since 2018, China-US trade disputes have occurred frequently. The U.S. has restricted import of Chinese products by means of tariff increases to reduce the trade deficit with China. Lithium-ion batteries are also among the products subject to the tariff increase. From the perspective of industry chain, the total revenue of the Company has been less affected by the China-US trade disputes because the exports to US account for a small proportion in the total revenue of the Company. However, if the demands of the downstream customers change due to the China-US trade frictions, the results of the Company may be affected adversely. In addition, some of the Company's raw materials and mechanical equipment are imported from overseas. If the trade frictions between the U.S. and China intensifies and results in changes in the global trade environment, but the Company fails to make timely adjustments, the stability of the Company's supply chain may be adversely affected.

#### 9. Risk of COVID-19 pandemic

Since 2020, the COVID-19 pandemic broke out in China and other parts of the world, and spread rapidly. During the Reporting Period, the Company has resumed normal production and operation in all respects. However, there still exists great uncertainty about the global pandemic situation and its control, and the overseas spread also imposes risk of importing cases to China. If the international pandemic can't be controlled effectively in the future and spread continuously for a long time, the global economy and new energy vehicle industry will be affected adversely, and the results of the Company will be affected negatively.

#### 10. Management risk after expansion of business scale

With the development of the Company's business, the scale of the Company's assets and business will be further expanded, which raises higher requirements for the management level of the Company. The management risk arises if the capabilities of the Company to manage the production, sales, quality control and risks can't meet the requirements for scale expansion, and the systems for talent cultivation, organization pattern and management are not further improved.

**The Board of Directors has reviewed and approved the following profit distribution scheme: To distribute a cash dividend of RMB 3.03 (tax inclusive) and 0 bonus share (tax inclusive) for every 10 shares to all the shareholders, taking 890,821,385 shares as the base, without converting the reserve fund into share capital.**

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## **Documents Available for Inspection**

- I. Financial statements signed and sealed by the legal representative, the person in charge of finance and the person in charge of the accounting department of the Company.
- II. The original copy of audit report containing the seal of the accounting firm and the signature and seal of the certified public accountant.
- III. The original copies of all documents and announcements of the Company which have been publicly disclosed in newspapers designated by the China Securities Regulatory Commission during the Reporting Period.
- IV. The original text of the 2021 annual report signed by the chairman of the Board of Directors.
- V. The place where the above documents are maintained: the Company's Securities Department.

## Definitions

Term	Definition
Energy Technology, the listed company, this Company, the Company	Yunnan Energy New Material Co., Ltd.
Actual controller, Paul Xiaoming Lee family	PAUL XIAOMING LEE, Li Xiaohua, Yan Ma, Yanyang Hui, Sherry Lee, JERRY YANG LI
Hongta Plastic	Yunnan Hongta Plastic Co., Ltd., a wholly-owned subsidiary of the Company
Dexin Paper	Yunnan Dexin Paper Co., Ltd., a wholly-owned subsidiary of the Company
Hongchuang Packaging	Yunnan Hongchuang Packaging Co., Ltd., a controlled subsidiary of the Company
Shanghai Energy	Shanghai Energy New Material Technology Co., Ltd., a controlled subsidiary of the Company
Zhuhai Energy	Zhuhai Energy New Material Technology Co., Ltd., a wholly-owned subsidiary of Shanghai Energy
Wuxi Energy	Wuxi Energy New Material Technology Co., Ltd., a wholly-owned subsidiary of Shanghai Energy
Newmi Tech	Chongqing Energy Newmi Technological Co., Ltd., a controlled subsidiary of Shanghai Energy
Chongqing Energy	Chongqing Energy New Material Technology Co., Ltd., a wholly-owned subsidiary of Shanghai Energy
Jiangxi Tonry	Jiangxi Tonry New Energy Technology Development Co., Ltd., a wholly-owned subsidiary of Shanghai Energy
Jiangxi Energy	Jiangxi Energy New Materials Technology Co., Ltd., a wholly-owned subsidiary of Shanghai Energy
Jiangxi Enpo	Jiangxi Enpo New Materials Co., Ltd., formerly known as Jiangxi Mingyang New Material Technology Co., Ltd., a controlled subsidiary of Shanghai Energy
Jiangsu Energy	Jiangsu Energy New Materials Technology Co., Ltd., a wholly-owned subsidiary of Shanghai Energy
Jiangsu Ruijie	Jiangsu Ruijie New Materials Technology Co., Ltd., a wholly-owned subsidiary of Shanghai Energy
Jiangxi Ruijie	Jiangxi Ruijie New Material Technology Co., Ltd., a controlled subsidiary of Jiangsu Ruijie
Suzhou Green Power	Suzhou Green Power New Energy Material Co., Ltd., a wholly-owned subsidiary of Shanghai Energy
Hong Kong Chuangxin	Chuangxin New Material (Hong Kong) Co., Ltd., a wholly-owned sub-subsidiary of Shanghai Energy
SEMCORP Global Holdings KFT	SEMCORP Global Holdings Korlátolt Felelősségű Társaság (Hungary), a wholly-owned subsidiary of Hong Kong Chuangxin
SEMCORP Hungary KFT	SEMCORP Hungary Korlátolt Felelősségű Társaság (Hungary), a wholly-owned subsidiary of SEMCORP Global Holdings KFT
Heyi Investment	Yuxi Heyi Investment Co., Ltd., a shareholder of the Company holding more than 5% shares
Heli Investment	Yuxi Heli Investment Co., Ltd., a shareholder of the Company
Shanghai Hengzou	Shanghai Hengzou Enterprise Management Office (Limited Partnership), formerly known as Shanghai Hengzou Enterprise Management Office (Limited Partnership), a shareholder of the Company
Kunshasi	Yuxi Kunshasi Plastic Masterbatch Co., Ltd., a joint-stock Company of Hongta Plastic Co., Ltd.

General Meeting of Shareholders	The general meeting of shareholders of Yunnan Energy New Material Co., Ltd.
Board of Directors	The Board of Directors of Yunnan Energy New Material Co., Ltd.
Board of Supervisors	The Board of Supervisors of Yunnan Energy New Material Co., Ltd.
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
CSDCC Shenzhen Branch	Shenzhen Branch of China Securities Depository and Clearing Company Limited
Company Law	Company Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
Articles of Association	Articles of Association of Yunnan Energy New Material Co., Ltd.
CITIC Securities	CITIC Securities Co., Ltd., the sponsor and financial advisor of the Company
cninfo.com	www.cninfo.com.cn
Media designated for information disclosure	China Securities Journal, Shanghai Securities Journal, Securities Times, Securities Daily, cninfo.com
RMB, RMB 10 thousand, RMB 100 million	RMB, RMB 10 thousand, RMB 100 million
Reporting Period, this Reporting Period	January 1, 2021 to December 31, 2021
Same period last year	January 1, 2020 to December 31, 2020
Lithium-ion battery, lithium battery	Rechargeable battery (chargeable battery), which works through the lithium ion movement between the positive and negative electrodes. It generally used the electrodes contain lithium materials, and is representative of modern high-performance battery.
Lithium-ion battery separator film	In the structure of lithium battery, the film is one of the key inner components. Its main function is to separate the positive and negative electrodes of the battery, prevent the contact between the two poles and short circuit, and achieve the function of blocking current conduction and preventing the battery from overheating
Aluminum laminated film	Aluminum laminated composite film for lithium-ion pouch cell, a packaging material for lithium-ion batteries, which protects the internal materials of lithium-ion batteries
Base film	The film immersed in the electrolyte of lithium battery is widely distributed with nano-scale micropores on its surface to allow lithium ion to move freely between the positive and negative electrodes
Coating film	The film with coating treatment
Wet-process, Wet processing	A production process of lithium-ion battery separator film, also known as phase separation or thermal phase separation. It is a preparation process of microporous film material by adding small molecules with high boiling point into polyolefin as pore forming agent, heating and melting into a uniform system, extruding the casting piece by screw, extracting the pore forming agent with organic solvent after simultaneous or sequential stretching, and then heat setting with stretching amplitude.
Dry-process, Dry processing	Also known as melt-stretching method, including unilateral stretching and biaxial stretching process, and blow molding process. It refers to a preparation process of melting and extruding polyolefin resin into crystalline thin polymer film, obtaining high crystallinity structure after crystallization treatment and annealing, and then further stretching at high temperature to peel off the crystalline interface to form porous structure.
Cigarette label	Cigarette external packing, commonly known as "cigarette box"
Aseptic packaging	Composite packaging materials for aseptic filling of dairy products or non-carbonated soft drinks
Special paper	Special paper refers to paper with special functions, a general term for all kinds of special purpose paper or art paper. The term "special paper" in this Report mainly refers to special packaging paper.
BOPP film	The film made of high polymer polypropylene melt is drawn at a certain temperature and speed in a special drawing machine before proper process (e.g. corona, coating)

Cigarette film	BOPP film used for external packing of cigarette, also known as “BOPP cigarette film”
Flat film	BOPP film for general packaging, also known as “BOPP flat film”
Panasonic	Panasonic Corporation
Samsung	Samsung SDI, a subsidiary of Samsung Group in the field of electronics
LGES	LG Energy Solution, Ltd., formerly known as LG Chem, Ltd
CATL Group, CATL	Contemporary Amperex Technology Co., Ltd.
BYD	Shenzhen BYD Lithium Battery Co., Ltd.
GOTION HIGH-TECH	GOTION HIGH-TECH Co., Ltd.
Farasis Energy	Farasis Energy (Ganzhou) Co., Ltd.
Lishen	Tianjin Lishen Battery Joint-Stock Co., Ltd.
Convertible Bonds, Energy Convertible Bonds	The convertible corporate bonds of RMB1.6 billion issued on February 11, 2020, with an abbreviation of “Energy Convertible Bonds, and a code of 128095.
Non-public issuance in 2020	Non-public issuance of 69,444,444 new shares and the funds raised (including issuance expenses) of RMB49,999,999,680,000 in 2020
Non-public issuance in 2021	Non-public issuance of no more than 267,721,996 new shares and the total amount of funds raised (including issuance expenses) of no more than RMB12.8 billion in 2021

## Section 2 Company Profile & Key Financial Indicators

### I. Corporate Information

Stock Name	Energy Technology	Stock Code	002812
Stock Exchange	Shenzhen Stock Exchange		
Name of the Company in Chinese	云南恩捷新材料股份有限公司		
Short Name of the Company in Chinese	恩捷股份		
Name of the Company in English (If Any)	YUNNAN ENERGY NEW MATERIAL CO., LTD.		
Short Name of the Company in English (If Any)	ENERGY TECHNOLOGY		
Legal Representative of the Company	Paul Xiaoming Lee		
Registered Address	No.125, Fuxian Road, High-tech Zone, Yuxi City, Yunnan Province		
Postal Code for Registered Address	653100		
Historical Changes of the Registered Address of the Company	No		
Office Address	No.125, Fuxian Road, High-tech Zone, Yuxi City, Yunnan Province		
Postal Code for Office Address	653100		
Official Website	www.cxxcl.cn		
Email	groupheadquarter@cxxcl.cn		

### II. Contact Information

	Board Secretary	Securities Affairs Representative
Name	Yu Xue	
Correspondence Address	No.125, Fuxian Road, High-tech Zone, Yuxi City, Yunnan Province	
Tel.	0877-8888661	
Fax	0877-8888677	
Email	groupheadquarter@cxxcl.cn	

### III. Information Disclosure and Place Where the Annual Report Is Kept

Stock Exchange Website for the Annual Report Disclosed by the Company	Shenzhen Stock Exchange (www.szse.cn)
Media Name and Website for the Annual Report Disclosed by the Company	Securities Times, China Securities Journal, Shanghai Securities Journal, Securities Daily and the Cninfo website (www.cninfo.com.cn)
Place Where the Annual Report Is Kept	Securities Department of the Company

## IV. Registration Changes

Organization Code	91530000727317703K
Changes in Main Businesses Since the Company's Listing (If Any)	When the Company was listed, its main businesses were divided into two categories: (1) packaging materials: BOPP films (cigarette film and flat film) and special paper products (laser transfer anti-counterfeiting paper, direct plating paper and cellophane); (2) packaging printing: mainly including cigarette label products and aseptic packaging products. Upon the completion of major asset restructuring in 2018, the Company's main businesses were divided into three categories: (1) Film products (lithium-ion battery separator film, cigarette film and flat film); (2) packaging printing products (cigarette label and aseptic packaging); (3) packaging products (special paper, holographic anti-counterfeiting electrochemical aluminum and other products).
Changes of Previous Controlling Shareholders (If Any)	Mr. Paul Xiaoming Lee and Ms. Sherry Lee, who are shareholders of the Company and members of Xiaoming Lee's family and the de facto controllers of the Company, signed the Power of Attorney for Shareholding on January 14, 2020, by which Ms. Sherry Lee fully delegated the shareholders' rights, such as rights to question, proposal and vote, in connection with all the shares she held in the Company, to her father Mr. Paul Xiaoming Lee, for a period of three years from the date of the Power of Attorney. After the signing of the above-mentioned Power of Attorney for Shareholding, Mr. Paul Xiaoming Lee becomes the single shareholder of the Company with the most voting shares, and the controlling shareholder of the Company is changed from Heyi Investment to Mr. Paul Xiaoming Lee.

## V. Other Related Information

Accounting firm hired by the Company

Name of Accounting Firm	Dahua CPAs (SGP)
Office Address of the Accounting Firm	Floor 12, Building 7, 16 West 4th Ring Middle Road, Haidian District, Beijing
Name of Accountant (Signature)	Kang Wenjun, Yao Rui

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

Applicable  N/A

Name of Sponsor	Office Address	Name of Sponsor Representative	Continuous Supervision Period
CITIC Securities	CITIC Securities Building, 48 Liangmaqiao Road, Chaoyang District, Beijing	Wang Jiaji, Liu Chunqin	July 18, 2019 to December 31, 2021

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

Applicable  N/A

Name of Financial Adviser	Office Address	Name of Principal of Financial Adviser	Continuous Supervision Period
CITIC Securities	CITIC Securities Building, 48 Liangmaqiao Road, Chaoyang District, Beijing	Wang Jiaji, Liu Chunqin	July 18, 2019 to December 31, 2021

## VI. Key Accounting Data and Financial Indicators

Whether the Company is required to retroactively adjust or restate prior years' accounting data

Yes  No

	2021	2020	YoY Increase or Decrease	2019
Operating income (RMB)	7,982,426,810.59	4,283,007,589.11	86.37%	3,159,561,554.91
Net profits attributable to shareholders of the listed company (RMB)	2,717,628,798.01	1,115,604,020.47	143.60%	849,837,425.81
Net profits attributable to shareholders of the listed company (without non-recurring profit and loss) (RMB)	2,567,054,537.19	990,507,177.08	159.17%	752,823,445.85

Net cash flows from operating activities (RMB)	1,418,645,377.82	1,055,180,013.19	34.45%	763,297,007.77
Basic earnings per share (RMB/share)	3.06	1.34	128.36%	1.06
Diluted earnings per share (RMB/share)	3.05	1.34	127.28%	1.06
Weighted average return on net assets	21.85%	17.15%	4.70%	20.36%
	End of 2021	End of 2020	YoY Increase or Decrease	End of 2019
Total assets (RMB)	26,122,184,844.54	20,572,234,846.40	26.98%	12,193,188,361.42
Net assets attributable to shareholders of the listed company (RMB)	13,831,866,927.31	11,102,880,648.67	24.58%	4,551,052,876.43

The lower of the Company's net profit before and after deduction of non-recurring gains or losses for the last three fiscal years is negative, and the audit report for the latest year shows that there is uncertainty about the Company's ability to continue as a going concern

Yes  No

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

Yes  No

## VII. Differences in Accounting Data under Accounting Standards of the PRC and the International Accounting Standards

### 1. Differences in net profits and net assets disclosed in the financial reports prepared under the accounting standards of the PRC and international accounting standards

Applicable  N/A

There is no difference in the net profits and net assets disclosed in the financial reports for the Reporting Period prepared under the accounting standards of the PRC and international accounting standards.

### 2. Differences in net profit and net assets disclosed in the financial reports prepared under the accounting standards of the PRC and overseas accounting standards.

Applicable  N/A

There is no difference in the net profits and net assets disclosed in the financial reports for the Reporting Period prepared under the accounting standards of the PRC and overseas accounting standards.

## VIII. Key Financial Indicators by Quarter

Unit: RMB

	Q1	Q2	Q3	Q4
Operating income	1,443,231,634.43	1,950,587,674.69	1,945,267,100.88	2,643,340,400.59
Net profits attributable to shareholders of the listed company	432,093,790.46	618,098,908.97	705,230,709.23	962,205,389.35
Net profits attributable to shareholders of the listed company (without non-recurring profit and loss)	404,953,748.72	578,801,911.27	644,625,664.09	938,673,213.11
Net cash flows from operating activities	196,836,825.69	47,016,582.63	229,748,349.31	945,043,620.19

Whether the above financial indicators or their sums are materially different from those disclosed in the quarterly and semiannual reports of the Company

Yes  No

## IX. Items and Amounts of Non-Recurring Gains or Losses

√ Applicable □ N/A

Unit: RMB

Item	Amount in 2021	Amount in 2020	Amount in 2019	Description
Gains or losses on disposal of non-current assets (including the write-off portion of the provision for asset impairment)	-1,303,244.16	-144,872.28	2,066.58	
Government subsidies recognized in current gains or losses (except for those closely related to the Company's normal business, comply with the provisions of national policies and are either in fixed amounts or determined under quantitative methods in accordance with a certain standard)	140,888,128.01	139,305,009.71	121,993,732.08	
Profit generated for the costs of the Company in the acquisition of subsidiaries, associates or joint ventures are lower than the fair value of the Company's share in the identifiable net assets of the investees		673,727.72		
Gains or losses on entrusted investments or assets management	25,422,322.79	7,111,089.67	191,780.82	
Gains or losses from changes in fair value arising from the holding of trading financial assets and trading financial liabilities and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, excluding the effective hedging business related to the Company's normal business operations	137,194.34	10,951,914.18		
Write back of the provision for impairment of accounts receivable that is individually tested for impairment	11,749,733.34			
Other non-operating income/expenses other than items above-mentioned	4,316,746.86	-4,201,996.76	-549,671.34	
Other items within the definition of non-recurring gains or losses	5,038,461.95	357,802.66	4,692,941.18	
Less: amount affected by the income tax	27,937,401.47	23,107,901.22	18,944,093.93	
Influences on minority interest (after tax)	7,737,680.84	5,847,930.29	10,372,775.43	
Total	150,574,260.82	125,096,843.39	97,013,979.96	--

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

□ Applicable √ N/A

The Company didn't have details of other profit and loss items that meet the definition of non-recurring profit or loss.

Description of defining the non-recurring profit or loss items illustrated in the Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 – Non-recurring Profit or Loss as recurring profit or loss items

□ Applicable √ N/A

The Company didn't define the non-recurring profit or loss items illustrated in the Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 – Non-recurring Profit or Loss as recurring profit or loss items.

## Section 3 Management Discussion and Analysis

### I. Industry Overview of the Company during the Reporting Period

The Company is required to comply with the disclosure requirements for “rubber and plastic product manufacturing” in “chemical industry-related business” set forth in the *Self-Regulatory Guidelines for Listed Companies of the Shenzhen Stock Exchange No. 3 – Industry Information Disclosure*.

#### 1. Industry conditions and the industry position of the Company

In 2021, the global NEV market underwent a period of rapid growth. Major countries around the world have been consistently increasing investment in new energy industries focused on lithium battery technology. Against the backdrop of China’s national strategic objectives of carbon neutrality and carbon peaking, China’s NEV and energy storage industries will also continue to develop rapidly. As one of the four key components of lithium batteries, separators are playing an important role in the development of new energy industries in China and even the world.

The Company is a world leader in the lithium battery separator industry, capable of competing on the global scale in terms of production capacity, product quality, cost efficiency, and technology R&D. The Company has been integrated into the supply chain systems of most mainstream lithium battery manufacturers around the world, supplying products covering the major application fields of power lithium batteries, consumer lithium batteries and energy storage lithium batteries. The Company experienced rapid growth in 2021 as production capacity and revenue grew substantially, ranking first in the world in terms of production capacity and shipments of separators. In order to actively seize upon development opportunities in the industry, the Company will continue to expand production capacity and diligently explore domestic and foreign markets, thereby meeting the demand of global mid-to-high-end lithium battery customers for the Company’s highly consistent and safe wet process separator products and services.

#### 2. Industry development trends

The high-speed growth of NEVs worldwide and expanding market scale of the lithium battery industry have brought broad market prospects and historic development opportunities to the lithium battery separator industry. According to a research report by Chuancai Securities, the domestic yield of separators in 2021 was 7.9 billion sq m, representing a YoY increase of 112.5%, among which the yield of wet separators is 6.06 billion sq m, accounting for 76.7%, representing a YoY growth of 132%. In the future, the rapid growth of energy storage will further bring about an incremental market for wet and dry separators.

(1) Downstream customers continue to increase their production capacity requirements of separator companies. With the rapid growth of the NEV and energy storage markets, the production capacity and output of lithium battery manufacturers continue to expand. According to announcements and public information of the Company’s main downstream customers, the production capacity of the Company’s existing customers will reach 1,396GWh by 2025, an increase of more than 1,000GWh from the end of 2020, corresponding to an annual demand for separators in excess of 15 billion sq m. Lithium battery separators are an indispensable and important raw material for lithium battery manufacturing, and stable and reliable production capacity has become an important prerequisite for separator companies to undertake large-scale orders from downstream customers. Therefore, separator manufacturers with production capacity advantages can continue to deepen cooperation with important customers, which is conducive to further increasing market share.

(2) The proportion of coating films in lithium-ion battery applications is on the rise. The lithium-ion battery is one of the core components in new energy vehicles. As the new energy vehicle market is switching from being policy-oriented to market-driven, manufacturers have continuously raised their requirements of the key indicators such as battery safety, battery life, and service life. While coating inorganic ceramic materials, PVDF, and aramid on the base film can effectively enhance the puncture resistance and heat resistance of lithium-ion battery separator films and provide liquid absorption capacity, improving battery safety, service life and other performances. Therefore, the shipment of coating films occupies an increasing proportion of lithium-ion battery separator films. This trend provides greater future development space for separator companies that have mastered the core formulation and processing of high-quality separator coatings. In addition, with safety guaranteed, separator films are becoming thinner and lighter. Thinner and lighter lithium-ion battery separator films effectively raise the energy density in lithium-ion batteries so that more electrode materials can be accommodated in the battery per volume or weight, thereby improving battery life. Therefore, regardless of consumer-related or power-related, under the premise of ensuring safety and service life as well as high-rate and high-power charging/discharging, the thinner is the better. Becoming thinner and lighter is an important trend in the development of lithium-ion battery separator film industry.

In addition, polypropylene, polyethylene and other polyolefin materials are the main base materials of film materials, which are also further expanded. It is a key direction in the research and development of the base material to improve the temperature resistance of the base material through chemical modification or by adding inorganic filler and other composite materials based on the existing base material system. In addition, because the polarity of polyolefin material is greatly different from that of electrolyte solution, it is also an important direction in the research and development of base material for power lithium-ion battery separator film to improve the electrolyte affinity of polyolefin separator by chemical and physical methods.

(3) Against the backdrop of the rapid growth in downstream demand, lithium battery manufacturers have put forward higher requirements for the product quality of upstream separator manufacturers in order to ensure the competitiveness of their products in terms of quality and stability. At the same time, with the rapid increase in overall production capacity of the lithium battery separator industry, competition industry-wide has become increasingly fierce. In this context, the importance of product quality, production

efficiency and cost control to separator companies has become increasingly prominent.

In addition, the Company has extensive product offerings in other segments such as BOPP film, aseptic packaging, cigarette packs, specialty papers and aluminum laminated film. Over the last three decades, the BOPP film industry in China has undergone technological advancements and intensified market competition. The future development of the industry is trending towards producing differentiated products that meet customer demand, such as cigarette pack wrapping film and laser film, which are used in cigarettes, food and other packaging segments with broad development prospects. The continuous development of these end markets will drive growth in the BOPP film industry. With the advancement in recent years, China's aseptic packaging market has established a product system with mature technologies, complete product mixes, and adaptability for the aseptic filling of various liquids. The downstream industries of aseptic packaging are primarily food and consumer goods such as liquid dairy products and non-carbonated beverages. With China's sustained and rapid economic growth and the rise in the disposable income of urban residents, together with the increasingly sophisticated consumption and health concepts, dairy products and non-carbonated beverages have been enjoying a booming market. As the government and consumers pay increasing attention to food safety, the food and beverage industries have raised their requirements and demand for packaging materials, particularly aseptic packaging. Although international packaging giants still occupy a leading position by leveraging the first-mover advantage in the market, in recent years, with the continuous progress of material technology and production technology of domestic manufacturers, China's aseptic packaging market began to grow rapidly. Based on the existing trend, domestic manufacturers will gradually enter high-end aseptic packaging market from the medium and low-end market in the future thanks to the cost-effective advantages, and the market share of domestic aseptic packaging manufacturers will gradually increase.

The cigarette label printing industry is a sub-segment of the packaging and printing industry, and is characterized by advanced technologies, complex printing processes and high added value. Its development is highly aligned with the development and changes of the larger cigarette industry, i.e., the stable development of the cigarette industry ensures stable demand for cigarette labels. The cigarette label printing industry is constantly innovating in terms of printing materials, ink materials and technical processes to remain relevant in the ever-developing cigarette industry. With the increased scrutiny of environmental protection and energy conservation in modern society, the scope of specialty packaging paper used in downstream industries such as tobacco, alcohol, cosmetics and food are becoming more and more extensive, and market application will develop towards differentiation to meet the unique demands of different customers. China's specialty paper industry is developing in the direction of improving and enhancing the special functions of products, enriching product varieties, reducing consumption, vigorously advocating comprehensive development and utilization of resources, and high-quality, high-value-added and serialized production and processing.

As the packaging material used in pouch cells, aluminum laminated film is one of the most technically difficult links in the pouch cell industry chain, and has a crucial impact on the quality of the pouch cell. Compared with cylindrical cell and prismatic cell, pouch cell enjoy certain advantages in energy density, cycle life, safety and flexibility. pouch cell have gradually become the standard in high-capacity, thin and lightweight consumer electronics. According to Techno Systems Research, in 2020, pouch cells were used in more than 80% of mobile phones and laptop computers. In the power battery field, the European and American NEV markets have shown a preference for soft-pack power batteries. According to GGII, among the top 20 electric vehicle models sold in Europe in 2020, 15 use pouch cells. International car companies such as Volkswagen, Daimler, Mercedes-Benz and Renault have adopted pouch cells as the main battery technology, accounting for more than 70% of the European electric vehicle market. With the steady growth of the consumer electronics market represented by 5G communications and emerging consumer electronics products as well as the rapid increase in sales of NEVs from European and American manufacturers, the market demand for pouch cells and aluminum laminated film will continue to expand. During the Reporting Period, the Company launched the Jiangsu Ruijie Power Automobile Lithium Battery Aluminum Laminated Film Industrialization Project, expanded its footprint in the pouch cell field, diversified its product line, strengthened its cooperation with downstream manufacturers, and enhanced its overall competitiveness, which were important steps for deepening its industrial penetration in the field of new energy materials.

### 3. Industry policies

The Company's main product, lithium battery separators, is one of the key components of lithium batteries, and stands as one of the national key support industries. Relevant industrial policies promulgated by the State in recent years include:

Date	Issuing Authority	Name of Policy or Regulation	Main Content
February 2017	MIIT, NDRC, MOST, MOF	<i>Plan of Action for Promoting the Development of Automotive Battery Industry</i>	"By 2020, key materials and components such as positive and negative electrodes, separators, and electrolytes will reach world-class status, the upstream industrial chain will achieve balanced and coordinated development, and innovative backbone enterprises with core competitiveness will be formed."
June 2017	MIIT	<i>Catalogue of the First Batch of Application Demonstration Guidance for Key New Materials (2017 Edition)</i>	Includes high-performance lithium battery separators to the first batch of application demonstration guidelines for key new materials
December 2017	NDRC	<i>Implementation Plan for the Industrialization of Key Technologies for New Materials</i>	Focuses on the development of functional film materials such as flexible packaging films for lithium-ion batteries
June 2018	SAMR, Standardization Administration of China	National Standard for <i>Polyolefin Separators for Lithium-ion Separators</i>	Specifies the terms and definitions, classifications, requirements, test methods, inspection rules, packaging, marking, transportation and storage of polyolefin separators for lithium-ion batteries.
September 2018	MIIT	<i>Catalogue of the First Batch of Application Demonstration Guidance for Key New Materials (2018 Edition)</i>	Includes nonwoven ceramic separators for high-performance lithium-ion batteries in the first batch of application demonstration guidelines for key new materials

Date	Issuing Authority	Name of Policy or Regulation	Main Content
January 2019	MIIT	<i>Industry Regulation Requirements Lithium-ion Batteries</i>	Further improves the criteria that relevant enterprises need to meet, and adds relevant requirements for R&D expenditure and actual output; in addition, encourages enterprises to engage in intelligent manufacturing and green manufacturing, proposes to reduce operating costs and improve production efficiency through intelligent manufacturing, and establishes resource-saving and eco-friendly procurement, production, marketing, recycling and logistics systems through green manufacturing to produce green products.

Date	Issuing Authority	Name of Policy or Regulation	Main Content
August 2019	NDRC	<i>Catalogue for Guiding Industry Restructuring (2019 Edition)</i>	Continues to include “functional separator materials” in the encouraged category
December 2019	MIIT	<i>Catalogue of the First Batch of Application Demonstration Guidance for Key New Materials (2019 Edition)</i>	Includes ultrafine alumina material for lithium battery separator coating in the first batch of application demonstration guidelines for key new materials
November 2020	State Council	<i>New Energy Vehicle Industrial Development Plan (2021-2035)</i>	The plan proposes to implement battery technology breakthrough initiatives in core technology research projects on new energy vehicles. Research should be carried out on critical technologies such as positive and negative electrodes, electrolytes, separators, and membrane electrodes, technical research on short-board technologies for high-strength, lightweight, high-safety, low-cost, and long-lasting power batteries and fuel cell systems should be strengthened, and research and development and industrialization of solid-state power battery technology should be accelerated.
December 2020	NDRC, MOST, MIIT, MNR	<i>Catalogue of Promoted Green Technologies (2020)</i>	Accelerates the promotion and application of advanced green technologies; the promotional catalogue includes single large-capacity and solid-state polymer lithium-ion battery technologies packaged with aluminum laminated film
June 2021	MIIT	<i>China Electric Vehicle Standardization Roadmap (2021)</i>	Focuses on key areas and accelerates the development of automotive standards in strategic emerging areas. In the field of new energy vehicles, the roadmap mainly includes strengthening the safety guarantee of electric vehicles, focusing on improving the overall performance of electric vehicles, focusing on the use of fuel cell electric vehicles, supporting the innovative development of battery swapping models and supporting the green development of electric vehicles
July 2021	China Plastics Processing Industry Association	<i>Guiding Opinions on Scientific and Technological Innovation for the Plastics Processing Industry in the 14th Five-Year Plan</i>	Incorporates “anti-hydrolysis, anti-aging flame retardant film for power batteries, ultra-thin high-temperature resistant separators, BOPA film for lithium battery packaging, and multi-purpose coating separator material” into the development direction of battery film during the 14th Five-Year Plan
July 2021	NDRC, NEA	<i>Guiding Opinions on Accelerating the Development of New Energy Storage</i>	Proposes to “promote research on energy storage theories and key materials, units, modules, and short-board technologies in the system, accelerate the realization of autonomy of core technologies, and strengthen research on electrochemical energy storage safety technology, while adhering to the diversification of energy storage technologies, and promoting continuous cost reduction and commercialization of mature new energy storage technologies such as lithium-ion batteries.”

As an excellent backup power source, energy storage power stations are gradually becoming one of the key technologies for constructing a modern power system. Lithium-ion batteries are currently the most widely used energy storage batteries. Compared with electric vehicles, energy storage power stations have higher requirements for the capacity of lithium-ion batteries, as well as a wider range of application.

## II. Main Businesses of the Company during the Reporting Period

### 1. Main businesses and products of the Company

During the Reporting Period, the Company’s main products are divided into three categories: (1) film products, mainly including lithium-ion battery separator film (base film and coated film), BOPP film (cigarette film and flat film); (2) packaging printing products, mainly including cigarette label and aseptic packaging; (3) paper packaging, mainly including special paper products (laser transfer anti-counterfeiting paper, direct plating paper and coated paper), holographic anti-counterfeiting electrochemical aluminum, transfer film and other products.

The wet-process lithium-ion battery separator film produced by the Company is mainly used for manufacturing lithium-ion battery for the new energy vehicle, 3C products and energy storage; cigarette film is mainly used for cigarette manufacturing; flat film is mainly used for printing, food, cosmetics and other industries; cigarette label is applied to cigarette packing materials; aseptic packaging is mainly applied to milk boxes, beverage boxes, etc.; among special paper products, laser transfer anti-counterfeiting paper is mainly applied to cigarette labels, cosmetic boxes, toothpaste boxes, pharmaceutical boxes, etc., direct plating paper is mainly used for lining of cigarette label, and packing chocolate and other food, and coated paper is mainly applied to tobacco, food, pharmaceutical, cosmetic and food industries. The major customers of the Company are large domestic and foreign producers of lithium-ion battery, cigarette, food and beverage and plastic packaging, and printers. The major customers of wet-process lithium-ion battery separator film of the Company include Panasonic, LGES, Samsung, CATL Group, GOTION HIGH-TECH, BYD, Farasis Energy, Lishen and other domestic well-established lithium-ion battery enterprises. The Company is the a-class supplier of non-exclusive cigarette material in Yunnan province. The main customers of its cigarette label products are the large domestic cigarette manufacturing enterprises, including Yunnan

Zhongyan Material (Group) Co., Ltd. and Chongqing Zhongyan Industrial Co., Ltd., etc. Our products are widely used in “Yuxi”, “Hongtashan”, “Yunyan”, “Honghe”, “Snow World”, “Longfengchengxiang”, and other well-known domestic brand of cigarettes. The major customers of cigarette films of the Company include cigarette plants of domestic well-known cigarette producers, such as Yunnan Zhongyan, Sichuan Zhongyan, Chongqing Zhongyan, Hunan Zhongyan, Anhui Zhongyan, Hubei Zhongyan, Guizhou Zhongyan, Heilongjiang Tobacco, Jiangxi Zhongyan, and Gansu Tobacco. The major customers of aseptic packaging products of the Company include Yili, Mengniu, Bright Dairy, Dongpeng, Royal Group, Dali Foods Group, Guizhou Haoyiduo Dairy, Wondersun Sunshine Dairy, Yunnan Ouya Dairy, and Beijing Sanyuan Food, etc.. Some companies became our new customers in 2021, such as New Hope Dairy Co., Ltd., Shenzhen Chenguang Dairy Co., Ltd., Zhuhai VV Bigshot Dairy Co., Ltd., etc.

## 2. Business models

The Company adopts different business models for different products. Customization applies to wet-process lithium-ion battery separator films, cigarette labels, aseptic packaging, special paper, aluminum laminated film products and cigarette films, subject to the customer requirements, while flat films are produced based on sales prospects, with appropriate number of inventory stocked up.

(1) Procurement mode: the Supply Department of the Company makes a List of Qualified Suppliers (or a List of Qualified Suppliers/Materials) after evaluating and selecting suppliers. The materials listed on the purchase list can only be purchased from suppliers included on the List of Qualified Suppliers. For each type of materials, at least 2 suppliers should be selected. The Company conducts a comprehensive supplier evaluation every year and updates the List of Qualified Suppliers (or the List of Qualified Suppliers/Materials) in time.

(2) Production mode: the Company carries out production based on orders and centralized scheduling so as to reasonably control the costs and improve the efficiency. The Production Scheduling Department makes the production schedule based on orders and sales plan, and manages the production and quality in a unified manner so as to ensure the completion of production tasks within the standards in terms of quality, quantity and time frame.

(3) Sales mode: direct selling is adopted for wet-process lithium-ion battery separator film, and the salespersons of the Marketing Department are responsible for the sale, promotion and order solicitation; customization is adopted for cigarette label and cigarette film whose production and sale are organized based on the orders the Company obtains through the participation in the nationwide bids called for by the downstream cigarette enterprises in the cigarette label printing industry according to Administrative Measures for Cigarette Materials Procurement; flat films are produced based on sales prospects, with appropriate number of inventory stocked up; aseptic packaging and special paper products are customized pursuant to the customer requirements.

## 3. Market position of the Company

### (1) Film products

The film products of the Company are divided into two categories: lithium-ion battery separator film, and BOPP film. From a global perspective, the Company and a few other domestic manufacturers have entered the supply chain of the global major battery manufacturers by virtue of their technological accumulation and business scale. The Company has established a good cooperative relationship with three major foreign lithium-ion battery manufacturers, namely Panasonic, Samsung, LGES, and other domestic well-established lithium-ion battery enterprises, including CATL Group, BYD, GOTION HIGH-TECH, Farasis Energy and Lishen. With the improvement of technology and capacity scale of domestic lithium-ion battery manufacturers, the domestic demands for the separator films are basically satisfied by local manufacturers. With the fierce competition, manufacturers of lithium-ion battery separator film without independent R&D design capacity will have narrower space of development. Domestic competition will focus on raw materials and formula technology, micropore preparation technology and design capacity of complete equipment, product quality and sales channels, etc.. Manufacturers with independent core technology, stable product quality and sales channels will grow their market shares. Relying on the accurate market judgment made by the management team and the technical advantages of its own R&D team, the Company is currently a leader in wet-process lithium-ion battery separator film, with global competitiveness in terms of capacity scale, product quality, cost efficiency, and technological research and development. The Company has established production bases of separator film in Shanghai, Wuxi, Jiangxi, Zhuhai, Suzhou, Changzhou, Chongqing, etc. and constructed the first overseas production base of lithium-ion battery separator film in Hungary to expand the overseas market, and meet the demands of the global medium and high-end lithium-ion battery customers for wet-process separator films and services with high consistency and safety. The Company has established a good brand image in the global medium and high-end separator film markets, as its wet-process separator films have stable quality and large production capacity. Besides, with the global growth of new energy vehicles and the rapid rise of the energy storage market, the demands for dry-process lithium-ion battery separator films will increase rapidly in the power battery segment and the energy storage field which all have low requirements for energy density, brightening the market outlook. During the Reporting period, the Company has started the production base project for dry-process lithium-ion battery separator films in Jiangxi to meet the market demand for dry-process lithium-ion battery separator films in the future.

As a director member, Shanghai Energy established the Separator Film Manufacturers Association to build an exemplary image and lead the positive and healthy development of China's separator film industry. In addition, Shanghai Energy has received many titles and awards, such as “National High-Tech Enterprise”, “Shanghai Municipal Technology Center”, “Top 10 Exemplary Headquarters in Pudong New Area”, and “Shanghai Specialized, Sophisticated, Special and New SMEs”.

BOPP films are produced by Hongta Plastic and Chengdu Hongta Plastic, its subsidiary, which are among the few Chinese enterprises with ability to produce BOPP cigarette films, and anti-counterfeit printing cigarette films. The production scale of BOPP films ranked among the best of its kind in the Southwest China. Hongta Plastic is a national high-tech enterprise, and was awarded the titles such as “Yunnan Provincial Excellent and Strong Industrial Enterprises”, “Yunnan Provincial Innovative Enterprises”, and “Yunnan Provincial Private Small Giant Enterprises”, and undertook two National Torch Plan projects. The trademark of “Hongta Plastic Plus Symbol” (“红塑及图”) was recognized by the Trademark Office of the State Administration for Industry and Commerce as a national well-known trademark and was awarded the titles of “Yunnan Provincial Famous Trademark” and “Yunnan Provincial Famous Brand Product”. Chengdu Hongta Plastic was recognized as a “high-tech enterprise”, “Sichuan Enterprise Technology Center”, etc.

### (2) Packaging printing products

The Company is one of the important cigarette label suppliers in China and Class-A suppliers of the non-exclusive cigarette materials in Yunnan, and its major customers are large domestic well-known cigarette manufacturers. Its products have been widely used by domestic famous cigarette brands.

The Company independently develops roll-form aseptic brick package, pre-made aseptic brick package, A-type gable top package (mainly used for fresh milk) and B-type gable top package (mainly used for tea drinks, fruit juice and non-carbonated beverages), making it become one of the few enterprises able to produce roll-form aseptic brick package, pre-made aseptic brick package and gable top package. Domestic famous large dairy and beverage producers are the major customers of HongChuang Packaging, such as Yili, Mengniu, Bright Dairy, New Hope Dairy, Dali, Dongpeng,

Beijing Sanyuan Food, Royal Group, Guizhou Haoyiduo Dairy, Wondersun and Ouya Dairy. The product quality and service of HongChuang Packaging have gained recognition of a large number of customers. “Hongchuang Packaging” (红创包装) has been recognized as a Yunnan Province famous trademark by Yunnan Administration for Industry and Commerce. The “paper-based aluminum-plastic eight-layer composite packing paper” was certified as the national key new product, and Hongchuang Packaging was awarded the titles of “High-Tech Enterprise”, “Yunnan Provincial Enterprise Technology Center”, “Yunnan Provincial Leading Packaging Enterprise”, “Yunnan Provincial Growing SMEs”, etc.

### (3) Special paper and other products

Dexin Paper mainly produces special paper products, holographic anti-counterfeiting electrochemical aluminum products and transfer films. They are widely used for the cigarette labels for domestic famous cigarette brands, such as “Yunyan”, “Hongtashan”, “Yuxi”, “Hongshuangxi”, “Jiaozi”, “Chunghwa”, etc. Thanks to the Company’s strong capability in product development, excellent product quality and good adaptability, the special paper products have developed rapidly and fill the gap of no special paper deep processing enterprise in Southwest China where a large number of packaging printing enterprises operate. As a national high-tech enterprise, Dexin Paper has won recognition of downstream customers by virtue of the seam avoidance technology of laser transfer paper, the positioning and transfer technology of pre-printed cursor, and the transfer technology of water-based films. Its “rainbow laser transfer anti-counterfeiting paperboard” was certified as National Key New Product and Yunnan Provincial Key New Product. Dexin Paper was awarded the titles of “Yunnan Provincial Enterprise Technology Center”, “Yunnan Provincial Technology SMEs”, “Yunnan Provincial Specialization, Refinement, Uniqueness and Innovation”, etc.

### 4. Main performance drivers

The Company focuses its development on lithium-ion battery separator film products and actively exploits in the fields of lithium-ion battery separator films, BOPP films, cigarette labels, aseptic packaging, special paper and aluminum laminated film products, etc. Making in-depth cooperation with customers in the lithium-ion battery separator film business, the Company’s revenue from lithium-ion battery separator film products increased substantially in the wake of growth of market demands and continuous development of new products. The Company gathers extensive experience in the industry, puts forth efforts to introduce and cultivate advanced technical talents and invest more in the technology research and development, while giving quick responses to provide customized products and service solutions for customers. The Company has a strict quality control system and rigorous quality control measures, ensuring its products can meet the higher industrial requirements and be recognized by customers from various business areas, so as to keep long-term and stable relationships with customers.

## III. Core Competitiveness Analysis

### 1. Scale advantage

As at the end of the Reporting Period, the Company has the world’s first production scale of wet-process lithium-ion battery separator film, with the world’s largest supply capacity. As a supplier of wet-process lithium-ion battery separator film with the world’s first shipments, the Company is capable of undertaking large-scale orders from large battery manufacturers, such as LGES, Samsung SDI, Panasonic, CATL, and CALB. Furthermore, the Company’s scale advantage also improves the production efficiency, creates the procurement advantage, and effectively reduces the cost. In terms of cost control, the Company’s scale advantage firstly creates the cost advantage for raw materials procurement. Large-scale centralized procurement makes the cost of raw materials lower than that of the competitors in this industry. Secondly, the Company’s huge sales scale brings a large number of orders to the Company, so that the Company can effectively reduce the frequency of downtime during production and effectively reduce the cost caused by downtime through reasonable production scheduling. As a result, the Company has the largest operating rate and capacity utilization rate. In terms of sales development, the industry concentration of the lithium-ion battery is increasing day by day. The existing and under-construction production lines of domestic first-class lithium-ion battery manufacturers boast huge production scale. Therefore, whether they have a supply capacity to satisfy the current and future demands of international first-class lithium-ion battery manufacturers will be the first consideration in their selection of suppliers. As the world’s largest lithium-ion battery separator film supplier, the Company has a competitive advantage thanks to its sufficient supply capacity.

### 2. Cost advantage

The Company has long been committed to development and improvement of production technology for advanced wet-process lithium-ion battery separator film. Thanks to the continuous improvement of production equipment and production process by the Company’s production management and technical teams, the Company’s output from a single production equipment line of lithium-ion battery separator film ranks the best in the industry to further reduce the cost in unit depreciation, energy consumption and labor. Moreover, thanks to the Company’s continuous improvement of production technology and production management, the Company’s yield coefficient and first pass yield of lithium-ion battery separator film rank the best in the industry. Besides, the Company continues to improve the recovery efficiency of auxiliary materials, so that the consumption of auxiliary materials is far lower than that of counterparts in the industry.

In addition, the Company, after years of R&D and constant improvement, has applied the online coating technology to its production lines, making it become the only separator film producer in the industry that has grasped this technology and applied it to production lines. Compared with the conventional offline coating technology, the online coating technology can omit pre-coating processes, such as rolling and slitting, so as to significantly enhance production efficiency and save production costs. Also, it can strengthen products’ indicator consistency, such as the uniformity of thickness, thermal contraction, and permeability and effectively reduce the negative influence of offline processes on product quality. On the whole, the Company’s cost advantage is the result of synthetic action, including continuous improvement of production equipment, continuous improvement of production technology, continuous investment in research and development, constant improvement of production management, strong market development ability and huge production scale, and the Company will maintain this advantage for a long term.

### 3. Product advantage

The Company has long been committed to the research and development of lithium-ion battery separator film and committed to creating value for customers with high-quality products and excellent service. Mainstream lithium-ion battery manufacturers, especially international first-class lithium-ion battery manufacturers, have strict requirements for material quality. As one of the core materials for lithium-ion batteries, the separator film has high technical barrier and its performance directly affects the discharge capacity, cycle life and safety of lithium-ion battery. Lithium-ion battery manufacturing requires strong properties of separator films, such as the size, distribution uniformity and consistency of separator film micropores. Mainstream lithium-ion battery manufacturers apply a long system verification process covering product, technology and production flow to introduce material suppliers. So far, the Company has successfully passed the product certification of most domestic and foreign mainstream lithium-ion battery manufacturers, and entered the overseas power battery supply chain system with the most stringent requirements. The product quality has been recognized by many lithium-ion battery manufacturers. In addition, the Company continues to invest in the development of new

products, and carry out product research and forward-looking technical reserve while meeting customized needs. So far, the Company has become a supplier with the most diversified lithium-ion battery separator film products to meet multiple demands of different customers.

#### 4. R&D advantage

The Company has established a research and development team with sound system through years of accumulation. The research and development scope covers the separator film and coated production equipment, separator film preparation process, raw & auxiliary materials improvement, coating process, slurry formula, recovery and energy saving technology, as well as R&D for forward-looking technical reserve projects. The Company's research and development team of lithium-ion battery separator film has made a series of achievements in improving production efficiency, enhancing the quality of lithium-ion battery separator film and developing new products. So far, the Company has had 280 effective patents currently, including 13 international patents, and 236 ongoing patent applications, including 56 international patent applications. What's more, the Company's research and development team of lithium-ion battery separator film can not only customize a variety of new products for downstream customers, but also jointly develop products with downstream customers to meet their diversified demands.

#### 5. Talent advantage

The lithium-ion battery separator film is currently an emerging industry in China, with only more than ten years of history. With the rapid global growth of energy industry in recent years, there are insufficient talents and no qualified professionals in the whole industry of lithium-ion battery separator film. The Company relies on the talents accumulated in more than 20 years in BOPP film industry that is similar to the lithium-ion battery separator film industry. The Company has established a good talent incentive mechanism and also recruited talents worldwide. As at the end of the Reporting Period, the Company has more than 100 professionals with master's degree or above in the lithium-ion battery separator film, and has established a core technology research and development team composed of professional research and development staff from the United States, Japan, South Korea and other countries. Furthermore, through long-term efforts, the Company has established a complete professional team in production management, system construction, quality control, market expansion and equipment design, installation and maintenance, etc. All teams of the Company have achieved fruitful results in their respective professional fields to jointly grow the Company into an internationally competitive leader in the lithium-ion battery separator film.

#### 6. Advantage of market and customer resources

In 2021, the Company still maintained the leading position in the market of wet-process lithium-ion battery separator film. So far, the Company has entered the supply chain system of most mainstream lithium-ion battery manufacturers in the world, including overseas lithium-ion battery production giants, such as Panasonic, LGES and Samsung, and domestic mainstream lithium-ion battery enterprises such as CATL, BYD, GOTION HIGH-TECH, Farasis Energy and Lishen. The Company has established a stable and good cooperation relationship with downstream customers, and had an in-depth technical exchange with them during cooperation. Therefore, the Company has a profound understanding of customer needs and is able to quickly respond to customer needs and provide corresponding services. With the rapid development of the industry and continuous release of the capacity, the Company will grow along with the rapid growth of downstream customers.

## IV. Analysis on Main Businesses

### 1. Overview

2021 marked the beginning of China's "14th Five-year" Plan period. In the context of the strategic goals of peak carbon emissions and carbon neutrality, the markets of new energy electric vehicles and energy storage have flourished, as driven by the demand in the global new energy market. Moreover, the sharp increase in the demand for lithium-ion batteries has stimulated the rapid growth in the demand for separator films. During the reporting period, under the leadership of the Board of Directors and thanks to the concerted effort of all employees, the Company fought against the pandemic, seized opportunities, and endeavored to make breakthroughs. Amid the market environment where the demand of the industry grew rapidly while the supply of materials was tight, the Company, as a leading player in the industry, vigorously expanded its capacity, continuously enhanced its management and operation efficiency, and strove to ensure the stable and timely supply of high-quality lithium-ion battery separator films to downstream customers. Furthermore, it raised the technological level and product standard of the whole industry through constant improvements in processes, product R&D, and better product quality. Meanwhile, the reporting period witnessed constant growth in the Company's business scale, profitability, and market position. In 2021, the Company recorded a consolidated operating income of RMB7,982 million, up by 86.37% year on year (YoY), and net profit attributable to shareholders of the listed company of RMB2,718 million, surging by 143.60% YoY.

#### (1) Description of film products

The Company has focused on the separator film business, kept raising its input in capacity, earnestly expanded its market presence at home and abroad, and reinforced its market status and core competitiveness.

The rapid growth in the markets of new energy vehicles (NEVs) and energy storage has benefited the prominent increases in the income scale and profitability of the Company's lithium-ion battery separator film business. More than 3 billion square meters of lithium-ion battery separator films were delivered during the reporting period, accounting for a leading market share in the industry. In 2021, Shanghai Energy's operating income stood at RMB6,437 million, and its net profit attributable to the listed company amounted to RMB2,452 million. Thanks to the accelerated progress of the industry, domestic and overseas lithium-ion battery manufacturers are raising their capacities and outputs. Therefore, a stable and reliable capacity has become an essential prerequisite for the Company to deliver large orders from downstream customers. It is worth mentioning that the Company is ranked top globally in terms of capacity. Its separator film production bases can be found in Shanghai, Wuxi, Jiangxi, Zhuhai, and Suzhou, with a total capacity of up to RMB5 billion square meters. Besides, the first overseas lithium-ion battery separator film production base is being constructed in Hungary. Additionally, during the reporting period, the Company kept speeding up the investment in and building of production lines, including the Chongqing Energy High-performance Lithium-ion Battery Micropore Separator Film Project consisting of 16 production lines, the Jiangsu Energy EV Lithium Battery Separator Film Industrialization Project consisting of 16 production lines, and the Suzhou Green Power Project of Annual Production of 200 Million Square Meters of Lithium-ion Battery Coating Separator Films. Concurrently, the Company constantly raised its capacity to meet the demand for wet-process separator film products and services featuring high consistency and safety from mid- and high-end lithium-ion battery customers worldwide. At present, the Company's new projects are in progress. As at the date of disclosure of this report, three production lines

in the lithium-ion battery separator film project (Phase I) of Chongqing Energy had been put into production, while the rest production lines are being developed, as scheduled. For the coating film project of Suzhou Green Power, the foundation construction and the basic steel-frame structure had been completed, and the subsequent construction is in progress. The project is expected to be put into production by December 2022. The separator film project of the Management Committee of Jiangsu Jintan Economic Development Zone had been filed, and the approval documents on environmental assessment had been obtained. Preparation is being made for civil engineering. Besides, the Hungarian project of wet-process lithium-ion battery separator films is being promoted orderly. The project, after being put into operation, will locally supply 400 million square meters of wet-process lithium-ion battery separator films to rapidly respond to the demand of the European market and customers. Along with the implementation of new projects, the Company will gradually release its capacity and is well positioned to further raise its global market share.

Currently, because of the favorable stability, high consistency, and rich variety (more than 110 types) of its lithium-ion battery separator film products, the Company can satisfy customers' customized and diverse demands and has joined the global supply chain system consisting of the majority of mainstream lithium-ion battery manufacturers. Based on the strong demand for separator films brought by the rapid growth in the new energy industry and its competitive edges in products, technologies, and costs, the Company has actively expanded its footprint in domestic and overseas markets and deepened its cooperation with strategic downstream customers. Specifically, during the reporting period, the Company and CATL, a leader in the global lithium-ion battery industry, cooperated to invest in a project of dry-process and wet-process lithium-ion battery separator films with a total planned investment of RMB8 billion. Besides, a joint venture agreement was signed with EVE Energy Co., Ltd. (EVE), a leading player in the lithium-ion battery industry, to build a project of wet-process lithium-ion battery separator films of 1.6 billion square meters with a total planned investment of RMB5.2 billion in Jingmen City, Hubei Province. Additionally, the Company signed separator film supply agreements with multiple high-end customers at home and abroad, such as CATL, CALB, and a large-scale overseas automobile enterprise, to constantly deepen the long-term cooperation with important customers and reinforce its competitiveness.

The Company has established a strong presence in the separator film industry and established pioneering advantages in capacity, product quality, technological R&D, and market expansion. Given the increasingly fierce industry competition, production efficiency and cost control are turning prominent day by day. Thus, the Company maximizes the continuous output efficiency of a single production line, based on advanced equipment and adequate orders from quality customers, and adopts measures to cut production costs, such as the recovery of auxiliary materials. In addition, by virtue of technological advantages, it keeps improving equipment and optimizes processes to raise production efficiency, further reduce costs, and strengthen the comprehensive competitiveness of products. During the reporting period, the Company applied the worldwide first online coating technology to its production lines, making it become the only separator film producer in the industry that has grasped this technology and applied it to mass production. Due to the removal of pre-coating processes, such as rolling and slitting, the online coating technology can significantly enhance production efficiency and save production costs. Meanwhile, it plays a vital role in improving the indicators of product quality, such as the uniformity of thickness, thermal contraction, and permeability. Moreover, the Company will extensively apply this technology to new projects, build up its strength in coating films, and push forward the unceasing progress of the technological level of the industry.

As a separator film manufacturer with independent core technologies and processes, the Company has accumulated rich experience in equipment upgrading. With a strong and improving ability in equipment upgrading, the Company, started to jointly manufacture domestic separator film production equipment with its de facto controller and its designated third party, Suzhou Victory Precision Manufacture Co., Ltd. (Victory Precision), through equity participation, during the reporting period. Additionally, the Company has further reinforced internal management by building digital factories. During the reporting period, a system management platform based on the manufacturing execution system (MES) was created at Wuxi Energy. Other factories will successively implement the project of digital factories, which is beneficial to the enhancement of the Company's overall management and production efficiency.

During the reporting period, in order to further improve its strategic layout in the separator film field, the Company completed the integration with Newmi Tech, initiated the Suzhou Green Power Project of Annual Production of 200 Million Square Meters of Lithium-ion Battery Coating Separator Films, raised the capacity and supply of consumer separator films, and earnestly expanded the consumer battery market. In addition, the energy storage market has broad prospects and plays a significant role in promoting peak carbon emissions and carbon neutrality in the energy field. In order to meet the future demand in the energy storage market, the Company, during the reporting period, continuously promoted the joint venture project of dry-process lithium-ion battery separator films with Celgard. The capacity will be built up gradually in 2022 to offer more cost-effective products. In the meantime, after years of R&D input and technological accumulation, the Company launched the project of Jiangsu Ruijie of eight production lines of aluminum laminated film during the reporting period, with a planned investment of RMB1.6 billion and an annual capacity of approximately 280 square meters. Aluminum laminated film are mainly used to pack soft-packing batteries. This project will further enrich the Company's product lines, further consolidate the presence in the industry chain of new energy materials, based on separator films, and facilitate the Company to raise its status and sustainable development in the new energy industry. Additionally, during the reporting period, the Company cooperated with Beijing WeLion New Energy Technology Co., Ltd. (WeLion) and Ipsilon to develop the projects of coating separator films and special and customized coating separator films as a push into the field of semi-solid and solid batteries.

During the reporting period, the Company's BOPP film business improved steadily by 8.08% YoY. The BOPP separator film upgrade and expansion project of Hongta Plastics with an annual output of 70,000 tons was steadily promoted and is expected to be completed in 2022.

## (2) Packaging printing products and special paper

The aseptic packaging business of the Company is well developed, focusing on large-scale dairy enterprises and regionally famous dairy enterprises. By constantly developing new products and providing its customers with customized services, the Company has rapidly raised the sales of aseptic packaging products. The year 2021 witnessed rapid growth in the Company's aseptic packaging business. The operating income reached RMB578 million, with a YoY increase of 43.25%, and the sales amounted to 2,898 million, rising by 25.49% YoY. Characterized by superb heat-sealing performance, strong machine compatibility, and low losses during filling, the Company's aseptic packaging products are leading in the industry in both quality and performance. In the future, the Company will keep expanding its market presence, join hands with large-scale dairy enterprises to seize opportunities for market growth, and drive the rapid development of the aseptic packaging business. During the reporting period, the aseptic packaging customers served by the Company included Yili, Mengniu, Bright Dairy, Eastroc Beverage, Dali Food Group, Europe-Asia, and Royal Group, all of which are large-scale and renowned dairy enterprises and regionally famous dairy enterprises. Meanwhile, Hongchuang Packaging established strategic cooperation with New Hope Dairy Holdings Co., Ltd. and Grass Green Group during the reporting period, became their preferred partners, and propose innovative measures to turn food packaging materials greener and more personalized and better retain freshness. Thanks to the

growth in the markets of liquid dairy products and non-carbonated beverages in China, the demand for aseptic packaging is rising. During the reporting period, the Company launched an aseptic packaging project in Changzhou to expand the capacity of such packaging. Currently, preparation for the project is being made orderly. In the meantime, the Company will redouble its effort for packaging printing products and utilize its good product design, material optimization, customization, and timely after-sales services to constantly raise its market share.

The cigarette label business recorded an operating income of RMB115 million, down by 10.52% year on year, during the reporting period, mainly because of the price reduction of some products. The sales of special paper rose steadily during the reporting period, and its operating income was RMB203 million, with a year-on-year increase of 16.45%. The Company vigorously expanded its market presence, rapidly responded to customer requirements, refined its management, and kept reducing costs and strengthening efficiency.

### (3) Review of other works

During the Reporting Period, the Company started the non-public offering, and intended to raise no more than RMB12.8 billion, which will be used for the Chongqing Energy High-performance Lithium-ion Battery Micropore Separator Film Project Phase I and Phase II, Jiangsu EV Lithium Battery Separator Film Industrialization Project, Jiangsu Ruijie EV Lithium Battery Aluminum Laminated Film Industrialization Project, Suzhou Green Power Annual Production of 200 Million Square Meters of Lithium-ion Battery Coating Separator Films Project, and to supplement the working capital. The proposed proceeds raised will all be invested in projects related to the Company's main businesses, which is commensurate with the Company's strategic development. The implementation of such projects will help the Company further increase its capacity of separator films and improve the technological level of the industry. Besides, the Company will expand its business layout and seize opportunities for industrial development to lay a solid foundation for future expansion and development of potential customers, and consolidate its leading position in the field of new energy materials.

The Company repurchased 1,585,437 shares during the reporting period to implement the equity incentive plan so as to further establish and improve its long-acting incentive mechanism, attract and retain excellent talents, arouse the working enthusiasm of the senior and middle management personnel as well as core technical and business elites, effectively combine the interests of shareholders, the Company, the core team, and employees, and guide all parties to pay attention to the Company's long-term development. So far, the Company has completed the repurchase and the registration of the granting of stock options.

The Company plans to invest no more than RMB1.72 billion to construct the New Energy Shanghai Management Headquarters, the Energy Institute, and the Overseas Operations Headquarters at the Jinqiao Economic and Technological Development Zone in Pudong New Area, Shanghai, to address the issue of inadequate sites for R&D and work, provide a strong guarantee for the mid- and long-term development strategies, effectively improve the R&D and office environment, boost its image, improve hardware facilities for production, R&D, operations, management, and market expansion, better attract and retain high-caliber talent at home and abroad, and further intensify its comprehensive strengths.

During the Reporting Period, the Company signed the *Strategic Cooperation Framework Agreement* with Yuxi Municipal People's Government, based on which the Company will help to introduce manufacturers of battery and battery materials, including but not limited to positive and negative battery materials, separator films, electrolyte and other battery materials, through the development and utilization of lithium, nickel and other mineral resources in Yuxi City. In February 2022, the Company signed the New Energy Battery Industry Chain Project Cooperation Agreement with Yuxi Municipal People's Government, EVE Energy Co., Ltd., Zhejiang Huayou Holding Co., Ltd. and Yunnan Yuntianhua Co., Ltd., based on which the parties will establish 2 joint ventures in Yuxi city, and jointly engage in the mining of mineral resources, mineral deep processing, research and development, production and sales of new energy battery and new energy battery upstream and downstream materials after obtaining exploration and mining rights through the joint venture company in accordance with laws and regulations, so as to promote the construction of new energy battery industry chain, and promote the formation of the whole industry chain cluster of new energy battery in Yuxi City. In March 2022, the Company and the People's Government of Hongta District, Yuxi City, entered into an Investment Agreement and a supplementary agreement. The Company will invest approximately RMB4.5 billion in total to establish a company with an independent legal personality in Hongta District, Yuxi City, as the implementation entity of a project of lithium-ion battery separator films with a capacity of 1.6 billion square meters.

Multiple breakthroughs in technological innovation were achieved during the Reporting Period. As at the end of the Reporting Period, the Company and its subsidiaries had accumulatively obtained 459 patents, including 362 utility model patents, 86 invention patents (including 13 international patents), and 11 design patents. In addition, the Company emphasizes the development of overseas patents. The applications for the registration of 56 international patents and 191 domestic patents have been accepted.

## 2. Income and cost

### (1) Breakdown of operating income

Unit: RMB

	2021		2020		Year-on-year increase or decrease
	Amount	Proportion in the operating income	Amount	Proportion in the operating income	
Total operation income	7,982,426,810.59	100%	4,283,007,589.11	100%	86.37%
By industry					
Manufacturing	7,866,428,440.28	98.55%	4,205,724,684.56	98.20%	87.04%
Other businesses	115,998,370.31	1.45%	77,282,904.55	1.80%	50.10%
By product					

Film products	6,913,272,941.66	86.61%	3,464,096,284.00	80.88%	99.57%
Cigarette label	115,404,633.29	1.45%	128,976,058.50	3.01%	-10.52%
Aseptic packaging	578,035,152.65	7.24%	403,513,678.80	9.42%	43.25%
Special paper	203,465,665.68	2.55%	174,724,290.56	4.08%	16.45%
Other Products	56,250,047.00	0.70%	34,414,372.70	0.80%	63.45%
Other businesses	115,998,370.31	1.45%	77,282,904.55	1.80%	50.10%
<b>By region</b>					
Southwest	1,055,816,267.84	13.23%	652,445,734.88	15.23%	59.04%
East	3,940,320,948.30	49.36%	1,834,948,385.75	42.84%	109.83%
North	220,578,356.55	2.76%	112,167,705.95	2.62%	96.65%
South Central	1,525,714,178.36	19.11%	809,685,998.42	18.90%	87.71%
Northwest	295,656,593.50	3.70%	137,124,648.48	3.20%	115.55%
Northeast	38,818,315.58	0.49%	32,064,502.66	0.75%	21.06%
Abroad	905,522,150.46	11.34%	704,570,612.97	16.45%	28.27%
Direct sale	7,982,426,810.59	100.00%	4,283,007,589.11	100.00%	0.00%

**(2) Industries, products, regions or sales models with a proportion more than 10% in the Company's operating income or operating profit**

√ Applicable □ N/A

Unit: RMB

	Operating income	Operating cost	Gross margin rate	Year-on-year increase or decrease in operating income	Year-on-year increase or decrease in operating cost	Year-on-year increase or decrease in gross margin rate
<b>By industry</b>						
Manufacturing	7,866,428,440.28	3,978,342,250.24	49.43%	87.04%	63.63%	7.24%
<b>By product</b>						
Film products	6,913,272,941.66	3,234,546,911.19	53.21%	99.57%	70.99%	7.82%
<b>By region</b>						
Southwest	1,055,816,267.84	724,100,518.38	31.42%	63.92%	49.98%	6.37%
East	3,940,320,948.30	1,676,989,802.60	57.44%	114.74%	97.70%	3.67%
South Central	1,525,714,178.36	939,241,849.72	38.44%	88.43%	50.39%	15.57%
Abroad	905,522,150.46	388,967,091.51	57.04%	28.52%	24.58%	1.36%
<b>By sales model</b>						
Direct sale	7,982,426,810.59	4,002,023,714.23	49.86%	86.37%	62.88%	7.23%

Under the circumstances that the statistical standards for the Company's main business data adjusted in the Reporting Period, the Company's main business data in the recent year is calculated based on adjusted statistical standards at the end of the Reporting Period.

Applicable  N/A

### (3) Whether revenue from physical sales is higher than service revenue

Yes  No

Business segment	Item	Unit	2021	2020	Year-on-year increase or decrease
Film products	Sales	Ton	78,666.40	68,730.73	14.46%
	Production	Ton	78,928.36	70,450.72	12.03%
	Inventory	Ton	7,060.70	6,798.75	3.85%
Cigarette label	Sales	10,000 boxes	43.12	40.43	6.65%
	Production	10,000 boxes	49.01	36.21	35.34%
	Inventory	10,000 boxes	9.48	3.59	164.00%
Aseptic packaging	Sales	10,000	289,803.12	230,943.97	25.49%
	Production	10,000	288,974.57	232,814.28	24.12%
	Inventory	10,000	25,841.93	26,670.48	-3.11%
Special paper	Sales	Ton	13,821.64	14,066.68	-1.74%
	Production	Ton	15,701.69	14,243.59	10.24%
	Inventory	Ton	3,363.19	1,483.14	126.76%

Reason for any over 30% YoY movements in the data above

Applicable  N/A

During the reporting period, the significant year-on-year increase in the Company's production and inventory of cigarette label products and the inventory of special paper is mainly because the Company responded to customer demand, prepared stock to ensure the timeliness of supply, and waited for customer's notice of delivery.

### (4) Execution of significant sales contracts and significant purchase contracts signed by the Company as at the Reporting Period

Applicable  N/A

Execution of significant sales contracts signed by the Company as at the Reporting Period

Applicable  N/A

Contract object	Counterparty	Total contract amount	Total amount paid	Amount paid in the current Reporting Period	Amount to be paid	Normal execution or not	Amount of sales revenue recognized for the current period or accumulatively	Recovery of accounts receivable
Lithium-ion battery separator film	LGES	No more than \$6.17 million	RMB1,127,512,300	RMB422,798,600	No more than RMB2.883 billion (converted at the exchange rate of 6.5)	Yes	The sales revenue was RMB423 million, and the accumulated sales revenue was RMB1.128 billion during the reporting period	The accounts receivable at the end of the Reporting Period was RMB82 million. The amount recovered accumulatively after the Reporting Period at the end of the first quarter of 2022 was RMB46 million, accounting for 55.27%, representing a normal progress of recovery.

Major difference of the progress of the significant contracts from the agreement of the contracts which affects more than 30% of the contract amount

Applicable  N/A

Execution of significant purchase contracts signed by the Company as at the Reporting Period

Applicable  N/A

## (5) Breakdown of operating cost

Product category

Unit: RMB

Product category	Item	2021		2020		Year-on-year increase or decrease
		Amount	As a percentage of total operating cost	Amount	As a percentage of total operating cost	
Film products	Raw material	2,082,659,169.66	64.39%	1,085,857,106.87	57.40%	91.80%
	Labor	154,825,073.99	4.79%	112,590,099.47	5.95%	37.51%
	Manufacturing costs	671,396,304.17	20.76%	385,575,292.18	20.38%	74.13%
	Energy	325,666,363.37	10.07%	307,683,375.40	16.26%	5.84%
Cigarette label	Raw material	59,056,240.47	88.33%	56,404,482.20	87.35%	4.70%
	Labor	1,641,719.57	2.46%	5,455,678.38	8.45%	-69.91%
	Manufacturing costs	5,555,699.73	8.31%	2,434,225.49	3.77%	128.23%
	Energy	604,911.23	0.90%	276,988.96	0.43%	118.39%
Aseptic packaging	Raw material	442,144,630.94	91.70%	277,755,799.13	89.34%	59.18%
	Labor	22,368,092.22	4.64%	15,819,168.05	5.09%	41.40%
	Manufacturing costs	13,133,577.93	2.72%	13,039,212.57	4.19%	0.72%
	Energy	4,492,472.93	0.93%	4,278,899.77	1.38%	4.99%
Special paper	Raw material	147,608,537.66	93.00%	115,016,516.52	82.12%	28.34%
	Labor	3,842,056.17	2.42%	8,604,180.09	6.14%	-55.35%
	Manufacturing costs	4,932,633.82	3.11%	10,722,052.01	7.66%	-54.00%
	Energy	2,328,616.99	1.47%	5,717,968.26	4.08%	-59.28%
Other Products	Raw material	32,072,764.23	88.88%	16,618,594.08	68.83%	92.99%
	Labor	1,480,837.59	4.10%	370,795.25	1.54%	299.37%
	Manufacturing costs	1,540,063.23	4.27%	5,180,564.15	21.46%	-70.27%
	Energy	992,484.33	2.75%	1,973,589.92	8.17%	-49.71%

Notes

1. "Film products" include BOPP cigarette film, BOPP flat film and lithium-ion battery separator film products.

2. “Other products” referred to in the “Breakdown of operating income” and “Breakdown of operating cost” in Section IV of this Report mainly include holographic electrochemical aluminum, film products, manual packaging film, aluminum laminated film and other irregular products and disposed products. This category has a smaller sales volume, and smaller proportion in the total sales, so it is classified as other products within the main business.
3. “Other businesses” referred to in the “Breakdown of operating income” in Section IV of this Report mainly refers to the Company’s income from material sales, asset leasing and scrap sales outside of the main business.

## (6) Changes in the scope of the consolidated financial statements for the Reporting Period

Yes  No

Compared with the previous year, 9 new entities were included in and 3 entities were removed from the consolidated financial statements in the current year:

New subsidiaries included in the consolidated financial statements in the current year:

Name	Reason for change
Jiangsu Ruijie New Materials Technology Co., Ltd.	Newly established
Jiangxi Enpo New Materials Co., Ltd.	Newly established
Jiangsu Energy New Materials Technology Co., Ltd.	Newly established
Hunan Energy Advanced New Materials Technology Co., Ltd.	Newly established
Ningbo Energy New Materials Co., Ltd.	Newly established
Jiangxi Energy New Materials Technology Co., Ltd.	Newly established
Chongqing Energy New Materials Technology Co., Ltd.	Newly established
Hubei Energy New Materials Technology Co., Ltd.	Newly established
Jiangsu Sanhe Battery Material Technology Co., Ltd.	Newly established

Subsidiaries removed from the consolidated financial statements in the current year:

Name	Reason for change
Shenzhen Qingsong Jinze Technology Development Co., Ltd.	Canceled
Hunan Qingsong Jingze Technology Development Co., Ltd.	Canceled
Wuxi Energy Trading Co., Ltd.	Canceled

## (7) Major changes or adjustments in the business, products or services in the Reporting Period

Applicable  N/A

## (8) Major customers and suppliers

Major customers of the Company

Total sales amount from the top five customers (RMB)	4,704,969,327.48
Total sales amount from the top five customers in proportion of total annual sales	58.94%
Total sales amount from related parties in the top five customers in proportion of total annual sales	0.00%

Information on top five customers

No.	Customer Name	Sales (RMB)	As a percentage of the total sales revenue for the Year
1	Customer 1	2,666,501,538.70	33.40%
2	Customer 2	1,200,887,664.60	15.04%
3	Customer 3	449,471,512.69	5.63%
4	Customer 4	216,958,341.21	2.72%
5	Customer 5	171,150,270.28	2.14%

Other information on major customers

√ Applicable □ N/A

Major suppliers of the Company

Total purchase amount of the top five suppliers (RMB)	1,844,969,538.22
Total purchase amount of the top five suppliers in proportion of total annual purchase amount	27.77%
Total purchase amount of related parties in the top five suppliers in proportion of total annual purchase amount	0.00%

Information on top five suppliers

No.	Supplier Name	Purchase Amount (RMB)	As a percentage of the total purchase amount for the Year
1	Supplier 1	908,503,587.81	13.67%
2	Supplier 2	368,314,581.87	5.54%
3	Supplier 3	197,095,161.83	2.97%
4	Supplier 4	189,482,720.54	2.85%
5	Supplier 5	181,573,486.17	2.73%

Other information on major suppliers

√ Applicable □ N/A

### 3. Expense

Unit: RMB

	2021	2020	Year-on-year increase or decrease	Explanation on any material change
Selling expenses	74,035,002.36	56,365,549.96	31.35%	Mainly due to the expansion of the Company's business scale
Administrative expenses	216,333,939.36	155,800,391.65	38.85%	Mainly due to the expansion of the Company's business scale
Financial expenses	152,982,055.47	188,876,241.53	-19.00%	
R&D expenses	409,178,730.28	178,243,333.28	129.56%	Mainly due to the increase of R&D investment

### 4. R&D investment

√ Applicable □ N/A

Main R&D project name	Project purpose	Project progress	Objectives to be achieved	Expected impact on the future development of the Company
Development of high safety base film products with lower shut down temperature	The next generation of base film products for international high-end customers	The project entered the pilot test stage	The shut down temperature is lower and the puncture is higher than that of conventional products	Improve the product safety and increase the overseas market share of lithium-ion batteries separators
Development of solvent-based	Development of high-end overseas customers	The mass production was completed	To complete mass production introduction	Create economic and brand benefits and enhance the overseas

coated power battery			according to customer requirements	sales volume
Study on advanced separator for semi-solid state battery	Advanced research and development of electrolyte/separator for semi-solid batteries and solid batteries	The sample preparation at laboratory stage was completed, and the technical route for the development of the separator was defined.	To study the feasibility and verify technical route/flow.	Prospective research of the technical reserves
Development of 2 $\mu$ m water-based coated film with alumina with high resistance to up to 150 °C temperature	Development of the new generation of ultrathin and heat-resisting coated film to keep the technological leadership	The feasibility test of the production line was completed, and the production line can meet the target of MD & TD thermal shrinkage @ 150°C/h<5%	To pass the mass production feasibility verification	Upgrade the product performance to ensure the technological leadership
Development of ceramic coating product with high heat resistance and low moisture	The product enters the supply chain of local battery companies in Europe to achieve batch supply	Shipment	To achieve homogenization of the microstructure of the base film, develop high heat-resistant coatings with low moisture and achieve batch supply	Increase the sales of the Company's separator film products and raise the stickiness of high-quality, major overseas customers to build stable partnership
Development of base film with high safety at simultaneous process	Batch supply for a Japanese customer	The project entered lab-scale test with all physical properties meeting customer needs	To achieve batch supply	Increase the sales of the Company's separator film products and raise the stickiness of high-quality, major overseas customers to build stable partnership
Development of solvent-based PVDF-coated separator film for power	Batch supply for a Japanese customer	Mass production and shipment	To achieve batch supply	Increase the sales of the Company's separator film products and raise the stickiness of high-quality, major overseas customers to build stable partnership
Development of aramid-coated film	Batch supply for a US end customer	Mass production and shipment	To achieve batch supply	Raise the added value of the Company's products and enter the supply chain of high-end overseas consumer customers to enhance the Company's core competitiveness
Development of separate film with high safety for large cylindrical batteries	Batch supply for the need of an overseas customer for large cylindrical batteries	Mass production and shipment	To achieve batch supply	Increase the sales of the Company's separator film products and raise the stickiness of high-quality, major overseas customers to build stable partnership
Development of base film with ultra-large porosity and ultra-high strength	Improve film rate performance and cycle life while ensuring safety	The project passed lab-scale tests at some customers	Porosity $\geq$ 45%, puncture intensity $\geq$ 50gf/ $\mu$ m	Use technology innovation to offer power-typed batteries to consolidate market share
Industrialization of online coating	The project is applied in production and reduces costs	Successfully put into mass production	To put into mass production	Improve the quality of coating film and reduce costs to increase competitiveness
Development of water treatment membranes for household water purification	Expand the Company's business scope and widen separator film applications	Sales increased	To achieve sales in batch supply	Expand separator film applications and the Company's business scope to enhance competitiveness
Development of water treatment membranes for municipal wastewater and industrial wastewater	Expand the Company's business scope and widen separator film applications	Lab-scale test	To achieve sales in batch supply	Expand separator film applications and the Company's business scope to enhance competitiveness
Development of aluminum laminated film	Expand the Company's business scope	Completion of four types of aluminum laminated film,	To achieve sales in batch supply, with all performance indicators	Fully improve product performance to reach globally advanced level, which will lay a

		including high-forming, high-durability, high-insulation, and black, with promotion started among customers	meeting or exceeding the level of overseas manufacturers	solid foundation for entering the high-end market and enhance the Company's competitiveness
Development of ultrathin separator film	Corresponds to the development of 4μm ultrathin separator films for lithium-ion batteries with high-energy density	The mass production and shipment	To achieve the mass production and shipment	Enhance the product competitiveness
Research and development of new-type degradable film materials	Technical reserve for adaption to market demands	Lab-scale test	To develop degradable film materials	It is in line with the requirement for ecological and environmental protection, complies with relevant regulations and policies, performs social responsibilities, and benefits the improvement of the market competitiveness of the Company's products and enhancement of its economic benefits and enterprise image
Development of high safety base film products with lower shut down temperature	The next generation of base film products for international high-end customers	The project entered the pilot test stage	The shut down temperature is lower and the puncture is higher than that of conventional products	Improve the product safety and increase the overseas market share of lithium-ion batteries separators
Development of solvent-based coated power battery	Development of high-end overseas customers	The mass production was completed	To complete mass production introduction according to customer requirements	Create economic and brand benefits and enhance the overseas sales volume

## Information about the Company's R&amp;D personnel

	2021	2020	Year-on-year change (%)
Number of R&D personnel (Person)	409	369	10.84%
R&D personnel as a percentage in total employees	6.87%	7.32%	-0.45%
Educational background structure of R&D personnel	—	—	—
Bachelor's degree and below	334	313	6.71%
Master's degree and above	75	56	26.53%
Age structure of R&D personnel	—	—	—
Under 30	140	126	3.97%
Aged 30-40	199	185	2.70%

## Information about R&amp;D investment

	2021	2020	Year-on-year change (%)
R&D investment (RMB)	409,178,730.28	178,243,333.28	129.56%

R&D investment as a percentage in operating income	5.13%	4.16%	0.97%
Capitalized R&D investment (RMB)	0.00	0.00	0.00%
Capitalized R&D investment as a percentage in total R&D investment	0.00%	0.00%	0.00%

Reason for and impact of any significant change of composition of the Company's R&D personnel

Applicable  N/A

The Company's business scale was expanded and the investment in R&D personnel was increased, and R&D personnel with master's degree and above increased by 33.93% year on year, which is conducive to further improving the talent advantage and consolidating the core competitiveness of the Company.

Reason for any significant year-on-year change in the percentage of the R&D investment in the operating income

Applicable  N/A

Explanation of reason and rationality for any sharp variation in the percentage of the capitalized R&D investment

Applicable  N/A

## 5. Cash flow

Unit: RMB

Item	2021	2020	Year-on-year increase or decrease
Subtotal of cash inflows from operating activities	6,846,043,812.83	3,780,284,210.92	81.10%
Subtotal of cash outflows due to operating activities	5,427,398,435.01	2,725,104,197.73	99.16%
Net cash flows from operating activities	1,418,645,377.82	1,055,180,013.19	34.45%
Subtotal of cash inflows from investment activities	1,814,884,845.70	873,613,933.13	107.74%
Subtotal of cash outflows due to investment activities	5,530,360,175.52	6,149,118,177.71	-10.06%
Net cash flows from investment activities	-3,715,475,329.82	-5,275,504,244.58	-29.57%
Subtotal of cash inflows from financing activities	6,116,519,647.62	13,221,955,416.70	-53.74%
Subtotal of cash outflows from financing activities	4,503,459,616.59	7,662,371,315.54	-41.23%
Net cash flows from financing activities	1,613,060,031.03	5,559,584,101.16	-70.99%
Net increase in cash and cash equivalents	-685,616,215.95	1,339,259,869.77	-151.19%

Explanation of main reasons for any significant year-on-year change in the data above

Applicable  N/A

- (1) The significant increase in cash inflows from operating activities is mainly due to the Company's rapid business growth, and increase of the Company's recovery of sales. The significant increase in cash outflows due to operating activities is mainly due to the Company's rapid business growth. The significant increase in net cash flows from operating activities is mainly due to the Company's rapid business growth during the Reporting Period, resulting in the significant increase in cash inflows from operating activities;
- (2) The significant increase in cash inflows from investment activities is mainly due to the Company's recovery of due financial products;
- (3) The significant decrease in cash inflows from financing activities is mainly due to the Company's major refinancing that has not been completed during the Reporting Period. The significant decrease in cash outflows from financing activities is mainly due to the decrease in debt repayment of the Company and the Company's controlled subsidiary. Therefore, net cash flows from financing activities decreased significantly;
- (4) The significant decrease in net increase in cash and cash equivalents is mainly due to the decrease in net cash flows from financing activities.

Explanation of main reasons leading to the material difference between net cash flow from operating activities during the Reporting Period and net profit for the Year

Applicable  N/A

## V. Analysis of Non-main Business

Applicable  N/A

## VI. Analysis of Assets and Liabilities

### 1. Material changes of composition of assets

Unit: RMB

	End of 2021		Beginning of 2021		Increase or decrease in percentage	Explanation on any material change
	Amount	As a percentage of total assets	Amount	As a percentage of total assets		
Monetary capital	1,833,450,205.69	7.02%	2,374,743,862.70	11.55%	-4.53%	Mainly due to the Company's repayment of due debts during the Reporting Period, increased construction of production lines of lithium battery separator film business and business growth, resulting in increased capital demand
Accounts receivable	4,405,436,085.52	16.86%	2,328,215,706.27	11.33%	5.53%	Mainly due to the Company's rapid business growth during the Reporting Period, and the accounts receivable increased accordingly
Inventories	1,681,448,170.29	6.44%	1,157,030,660.71	5.63%	0.81%	
Investment properties	8,933,531.66	0.03%	9,467,762.78	0.05%	-0.02%	
Long-term equity investments	3,545,984.21	0.01%	3,375,208.87	0.02%	-0.01%	
Fixed assets	10,877,888,212.91	41.64%	8,420,764,216.20	40.97%	0.67%	
Construction in progress	1,752,915,718.82	6.71%	1,639,803,967.92	7.98%	-1.27%	
Short-term borrowings	4,116,148,340.30	15.76%	1,795,679,528.91	8.74%	7.02%	Mainly due to the Company's business growth, increased demand for capitals from daily operating activities and borrowings from the bank
Contractual liabilities	761,923,312.38	2.92%	7,677,129.87	0.04%	2.88%	
Long-term borrowings	2,803,108,832.30	10.73%	2,666,911,132.37	12.97%	-2.24%	

High percentage of overseas assets

Applicable  N/A

### 2. Assets and liabilities measured at fair value

Applicable  N/A

Unit: RMB

Item	Beginning amount	Gain or loss from change at fair value during the current period	Accumulated changes at fair value recognized in equity	Provision for impairment for the current period	Amount of purchase during the current period	Amount of sales during the current period	Other changes	Ending amount
Financial assets								
1. Held-for-trading financial assets (excluding derivative financial assets)	1,340,551,914.18				84,637,194.34	1,420,051,914.18		5,137,194.34
4. Investment in other equity instruments					110,000,000.00			110,000,000.00
Others	399,552,829.70				526,473,335.53	399,552,829.70	-	526,473,335.53
Of which: bank acceptance draft	22,174,829.70				412,477,885.83	22,174,829.70		412,477,885.83
Accounts receivable	377,378,000.00				113,995,449.70	377,378,000.00		113,995,449.70
Total of the above items	1,740,104,743.88				721,110,529.87	1,819,604,743.88		641,610,529.87
Financial liabilities	0.00							0.00

Other changes

Whether there are any significant changes in the measurement attributes of the Company's major assets during the Reporting Period

 Yes  No

### 3. Restricted asset rights as of the end of the Reporting Period

Item	Balance	Reason for restriction
Monetary capital	462,772,214.04	Bank draft deposit, L/C deposit, L/G deposit
Other non-current assets	387,856,800.77	Bank loan obtained by pledge
Receivable financing	154,912,704.68	Bank borrowings obtained by pledge and bank acceptance draft issued
Notes receivable	17,141,467.20	Bank loan obtained by pledge
Accounts receivable	6,769,341.65	Bank loan obtained by pledge
Fixed assets	2,488,699,031.50	Bank unified credit and loan obtained by mortgage
Intangible assets	224,635,117.58	Bank unified credit and loan obtained by mortgage
Total	3,742,786,677.42	

## VII. Analysis of Investments Made

### 1. Summary

Applicable  N/A

Total investment amount during the Reporting Period (RMB)	Total investment amount in the prior year (RMB)	Change (%)
6,676,555,356.59	3,919,952,513.22	70.32%

### 2. Significant equity investment made in the Reporting Period

Applicable  N/A

### 3. Significant non-equity investments ongoing in the Reporting Period

√ Applicable □ N/A

Unit: RMB

Item name	Way of investment	Investment in fixed assets or not	Industry involved in the investment project	Investment amount in the Reporting Period	Accumulative actual investment amount as at the end of the Reporting Period	Source of fund	Progress of project	Projected earnings	Accumulative income realized as at the end of the Reporting Period	Reasons for the failure to make the planned progress and receive the projected earnings	Disclosure date (if any)	Index to disclosed information (if any)
Wuxi Energy New Material Industrial Base	Self-construction	Yes	Lithium-ion Battery Separator Film	130,471,895.31	2,034,833,716.09	1. self owned and self raised funds; 2. raise funds by convertible bonds	100.00%	--	335,452,403.82	N/A	July 4, 2018	Please refer to the Announcement on Implementation of Wuxi Energy New Material Industrial Base by Wuxi Energy (No.: 2018-062) disclosed on the Cninfo website.
Wuxi Energy New Material Industrial Base Phase II	Self-construction	Yes	Lithium-ion Battery Separator Film	850,220,080.02	1,567,099,065.44	1. self owned and self raised funds; 2. raise funds by way of non-public offering in 2020	80.98%	--	92,379,524.47	N/A	July 2, 2019	Please refer to the Announcement on Capital Increase by Shanghai Energy to Wuxi Energy and Investment in Wuxi Energy New Material Industrial Base Phase II - Lithium-ion Battery Separator Film (No.: 2019-076) disclosed on the Cninfo website.
Zhuhai Energy Phase II	Self-construction	Yes	Lithium-ion Battery Separator Film	133,438,580.66	1,338,898,253.74	Self owned and self raised funds	99.00%	--	396,956,751.53	N/A	March 15, 2019	Please refer to the Announcement on Investment by Zhuhai Energy in Lithium-ion Battery Separator Film Project Phase II (No.: 2019-024) disclosed on the Cninfo website.
Jiangxi Tonry Phase I	Self-construction	Yes	Lithium-ion Battery Separator Film	36,146,910.85	1,737,363,651.08	1. self owned and self raised funds; 2. raise funds by convertible bonds	96.65%	--	469,491,825.03	N/A	November 2, 2018	Please refer to the Announcement on A Controlled Subsidiary's Acquisition of 100% Equity of Jiangxi Tonry New Energy Technology Development Co., Ltd.(No.: 2018-141) disclosed on the Cninfo website.

Jiangxi Tonry Phase I Expansion	Self-construction	Yes	Lithium-ion Battery Separator Film	1,493,902,276.43	1,633,307,273.14	1. self owned and self raised funds; 2. raise funds by way of non-public offering in 2020	71.35%	--	77,181,618.56	N/A	March 24, 2020	Please refer to the Announcement on Plan for Non-public Offering of A Shares in 2020 (No.: 2020-050) disclosed on the Cninfo website.
Hungary Lithium Battery Separator Film	Self-construction	Yes	Lithium-ion Battery Separator Film	80,981,499.95	80,981,499.95	Self owned and self raised funds	8.12%	--	0.00	N/A	November 11, 2020	Please refer to the Announcement on Construction of Wet-process Lithium Battery Separator Film Project in Hungary (No.: 2020-204) disclosed on the Cninfo website.
Chongqing Energy High-performance Lithium Battery Micropore Separator Film (Phase I)	Self-construction	Yes	Lithium-ion Battery Separator Film	238,309,290.62	238,309,290.62	Self owned and self raised funds	16.41%	--	0.00	N/A	November 23, 2021	Please refer to the Announcement on Plan for Non-public Offering of A Shares in 2021 (No.: 2021-188) disclosed on the Cninfo website.
Chongqing Energy High-performance Lithium Battery Micropore Separator Film (Phase II)	Self-construction	Yes	Lithium-ion Battery Separator Film	1,078,827.36	1,078,827.36	Self owned and self raised funds	0.04%	--	0.00	N/A	November 23, 2021	Please refer to the Announcement on Plan for Non-public Offering of A Shares in 2021 (No.: 2021-188) disclosed on the Cninfo website.
Chongqing Energy High-performance Lithium Battery Micropore Separator Film (Phase III)	Self-construction	Yes	Lithium-ion Battery Separator Film	334,467.92	334,467.92	Self owned and self raised funds	0.01%	--	0.00	N/A	December 8, 2021	Please refer to the Announcement on the Progress of Chongqing Energy High-performance Lithium Battery Micropore Separator Film Project (No.: 2021-203) disclosed on the Cninfo website.
Jiangsu Energy EV Lithium Battery Separator Film Industrialization Project	Self-construction	Yes	Lithium-ion Battery Separator Film	124,028.69	124,028.69	Self owned and self raised funds	0.00%	--	0.00	N/A	November 23, 2021	Please refer to the Announcement on Plan for Non-public Offering of A Shares in 2021 (No.: 2021-188) disclosed on the Cninfo website.

Jiangsu Ruijie EV Lithium Battery Aluminum Laminated Film Industrialization Project	Self-construction	Yes	Aluminum laminated film	485,204.19	485,204.19	Self owned and self raised funds	0.00%	--	0.00	N/A	November 23, 2021	Please refer to the Announcement on Plan for Non-public Offering of A Shares in 2021 (No.: 2021-188) disclosed on the Cninfo website.
Suzhou Green Power Annual Production of 200 Million Square Meters of Lithium-ion Battery Coating Separator Films Project	Self-construction	Yes	Lithium-ion Battery Separator Film	2,050,087.72	2,050,087.72	Self owned and self raised funds	0.21%	--	0.00	N/A	November 23, 2021	Please refer to the Announcement on Plan for Non-public Offering of A Shares in 2021 (No.: 2021-188) disclosed on the Cninfo website.
Dry-process Lithium-ion Battery Separator Films Project	Self-construction	Yes	Lithium-ion Battery Separator Film	53,280,407.11	53,280,407.11	Self owned and self raised funds	4.63%	--	0.00	N/A	February 1, 2021	Announcement on Gaoan Municipal People's Government in Jiangxi Province Signing the Contract for the Construction of Dry-process Lithium-ion Battery Separator Films Project (Announcement No.: 2021-018) disclosed on the Cninfo website.
Total	--	--	--	3,020,823,556.83	8,688,145,773.05	--	--	--	1,371,462,123.41	--	--	--

#### 4. Financial asset investments

##### (1) Securities investments

Applicable  N/A

No such cases in the Reporting Period.

##### (2) Derivatives investments

Applicable  N/A

No such cases in the Reporting Period.

## 5. Use of funds raised

√ Applicable □ N/A

### (1) Overall use of funds raised

√ Applicable □ N/A

Unit: RMB'0,000

Year of raising	Way of raising	Total amount of funds raised	Total amount used from the funds raised in the Year	Total amount accumulatedly used from the funds raised	Total amount of funds raised with change in use during the Reporting Period	Total accumulated amount of funds raised with change in use	Percentage of the total accumulated amount funds raised with change in use	Total amount of unused funds raised	Purpose and investment direction of unused funds raised	Amount of funds raised that have been idle for more than two years
2016	Initial public offering	74,776.7	0	74,776.7	0	10,588.68	14.16%	10,588.68	Deposited in the bank's special account for raised funds	10,588.68
2020	Public offering of convertible corporate bonds in 2020	158,612.26	0	158,612.26	0	0	0.00%	0	N/A	0
2020	Non-public offering of shares in 2020	498,250.46	263,774.31	489,127.2	0	0	0.00%	10,782.04	Deposited in the bank's special account for raised funds	0
Total	--	731,639.42	263,774.31	722,516.16	0	10,588.68	1.45%	21,370.72	--	10,588.68

#### Explanation on the general use of the funds raised

##### I. Initial Public Offering

With the approval of CSRC ZJXX [2016] No. 1886, the Company made its initial public offering of 33.48 million RMB-denominated ordinary shares. China Merchants Securities Co., Ltd., the main underwriter, issued 33.48 million shares by combining offline inquiry and allotment to investors and online subscription based on market value to public investors. This issuance is all new shares, without transfer of old shares. Among them, 3.348 million shares were allotted offline, 30.1320 million shares were issued online at a price of RMB23.41/share. In addition, after deducting RMB3,599.98 of newly increased external expenses directly related to the issuance of equity securities, such as online issuance fee, prospectus printing fee, reporting accountant fee, lawyer fee and evaluation fee, the net amount of raised funds was RMB747.767 million. The availability of the above raised funds was verified by Dahua CPAs (SGP) with the capital verification report of "DHYZ [2016] No. 000897". As of September 30, 2016, the self-owned funds invested for the projects for which funds were raised reached RMB236.6591 million, which was audited by Dahua CPAs (SGP) with the appraisal report of DHHZ [2016] No. 004562. In 2017, the total amount of used funds raised was RMB26,067,736.89; in 2018, the total amount of used funds raised was RMB36,288,006.85; in 2019, the total amount of used funds raised was RMB24,728,775.11; in 2020, the total amount of used funds raised was RMB0.00; in this year, the total amount of used funds raised was RMB0.00. As of December 31, 2020, the balance of funds raised is RMB113,962,434.57 (including the net amount of RMB8,075,670.62 as interest income of raised funds after deducting bank charges).

## II. Public Offering of Convertible Corporate Bonds in 2020

Upon approval from the CSRC with the Reply to Yunnan Energy New Material Co., Ltd. to Approve Its Public Offering of Convertible Corporate Bonds (ZJXK [2019] No. 2701), the Company publicly issued 16 million convertible corporate bonds on February 11, 2020, with a face value of RMB100 each bond and a total amount of RMB1,600,000,000. After deducting the underwriting and sponsorship fees (excluding tax) of RMB9,433,962.26 and other offering expenses (excluding tax) of RMB4,443,396.23 from the total amount of proceeds from public offering of convertible corporate bonds, the net amount of proceeds from offering by the Company was RMB1,586,122,641.51. The availability of funds raised this time was verified by Dahua CPAs (SGP) with the capital verification report of "DHYZ [2020] No. 000047". As of March 16, 2020, before the availability of funds raised, the self-owned funds invested for the projects for which funds were raised reached RMB1,697,984,425.54, which was replaced fully with the RMB1,586,122,641.51 of funds raised through issuing convertible corporate bonds, and was audited by Dahua CPAs (SGP) with the appraisal report of DHHZ [2020] No. 001799. As of December 31, 2020, the Company's proceeds from offering of convertible corporate bonds were all replaced, and the balance of the special account was RMB0.00. The Company completed the cancellation procedure for the special account.

## III. Non-public Offering of Shares in 2020

Upon approval from the CSRC with the Reply to Yunnan Energy New Material Co., Ltd. to Approve Its Non-public Offering of Shares (ZJXK [2020] No. 1476), the Company non-publicly issued 69,444,444 RMB-denominated ordinary shares to 22 specific investors on August 17, 2020, with a face value of RMB 1.00 each share, at the offering price of RMB72.00/share, and the total proceeds from this offering was RMB4,999,999,968.00. After deducting the underwriting and sponsorship fees (excluding tax) of RMB14,150,943.40 and other offering expenses (excluding tax) of RMB3,344,470.11 from the total amount of proceeds from this offering, the net amount of proceeds from this offering by the Company was RMB4,982,504,554.49. The availability of funds raised through this offering was verified by Dahua CPAs (SGP) with the capital verification report of "DHYZ [2020] No. 000460". Before the availability of funds raised, the self-owned funds invested for the projects for which funds were raised reached RMB 254,221,260.11, which was audited by Dahua CPAs (SGP) with the appraisal report of DHHZ [2020] No. 007436. The amount of used funds raised was RMB1,999,307,646.21 in 2020. The amount of used funds raised was RMB2,637,743,136.15 this year. As of December 31, 2021, the balance in the account of funds raised was RMB144,989,592.08 (including the net amount of RMB53,757,080.06 as interest income of raised funds after deducting bank charges)

## (2) Projects with committed use of funds raised

√ Applicable □ N/A

Unit: RMB'0,000

Project with committed investment and investment direction of funds excessively raised	Whether the project has been changed, including part change	Total committed investment amount of funds raised	Total investment amount after adjustment (1)	Investment amount in the Reporting Period	Accumulative investment amount as at the end of the Reporting Period (2)	Investment progress as at the end of the Reporting Period (3) = (2)/(1)	Date of project reaching intended usable condition	Benefits achieved in the Reporting Period	Whether the expected benefits are achieved	Whether the feasibility of the project has changed significantly
Project with committed investment										
1. Reconstruction and expansion project of color packaging boxes with annual production output of 3 billion pieces	No	28,414.7	28,414.7	0	28,414.7	100.00%	August 15, 2019	4,928.75	No	No
2. Reconstruction and expansion project of high-grade environmental-friendly special paper with annual production output of 13,000 tons	Yes	10,684.57	3,617.5	0	3,617.5	100.00%			N/A	Yes

3. R&D center construction project	Yes	4,993.17	1,471.56	0	1,471.56	100.00%			N/A	Yes
4. Repayment of bank loans	No	20,000	20,000	0	20,000	100.00%			Yes	No
5. Addition to current capital (IPO)	No	10,684.26	10,684.26	0	10,684.26	100.00%			Yes	No
6. Lithium-ion battery separator film project (Phase I) with annual production output of 400 million square meters of Jiangxi Tonry New Energy Technology Development Co., Ltd.	No	58,612.26	58,612.26	0	58,612.26	100.00%	December 31, 2019	42,580.38	No	No
7. Wuxi Energy New Material Industrial Base	No	100,000	100,000	0	100,000	100.00%	September 30, 2020	26,819.24	No	No
8. Expansion of lithium-ion battery separator film project (Phase I) of Jiangxi Tonry New Energy Technology Development Co., Ltd.	No	148,250.46	148,250.46	109,520.12	149,909.24	100.00%	July 31, 2022	8,870.91	No	No
9. Expansion of Wuxi Energy New Material Industrial Base Phase II	No	200,000	200,000	154,254.19	189,217.96	94.61%	June 30, 2022	10,429.7	No	No
10. Addition to current capital (non-public offering)	No	150,000	150,000	0	150,000	100.00%			Yes	No
Subtotal of committed investment projects	--	731,639.42	721,050.74	263,774.31	711,927.48	--	--	93,628.98	--	--
Investment direction of funds excessively raised										
None										
Total	--	731,639.42	721,050.74	263,774.31	711,927.48	--	--	93,628.98	--	--
Cases and reasons for failing to reach the planned progress or predicted return (by specific projects)	The projected earnings are the estimated annual net profit when the project reaches a usable state and the production capacity is fully released. As of December 31, 2021, the reconstruction and expansion project of color packaging boxes with 3 billion pieces annual production output has reached the production capacity, while the benefit of the current year failed to meet the expected target due to the increase in the price of bulk raw materials; the lithium-ion battery separator film project (Phase I) with annual production output of 400 million square meters of Jiangxi Tonry New Energy Technology Development Co., Ltd., and the Wuxi Energy New Material Industrial Base project are in the climbing up stage; the expansion of lithium-ion battery separator film project (Phase I) of Jiangxi Tonry New Energy Technology Development Co., Ltd., and the expansion of Wuxi Energy New Material Industrial Base Phase II have not been completed.									
Significant changes in the feasibility of projects	<p>I. Initial Public Offering</p> <p>1. The “reconstruction and expansion project of high-grade environmental-friendly special paper with annual production output of 13,000 tons” was planned by the Company based on the market situation and the Company’s production capacity before listing. As time goes by, the market has changed dramatically. Since 2016, the purchase mode of downstream tobacco manufacturers for special paper products has been adjusted from quantity allocation by cigarette manufacturers to the independent purchasing mode through centralized bidding or commercial negotiation by cigarette label printing enterprises. Cigarette-related enterprises can expand the bargaining range from region to the whole country by means of bidding or the commercial negotiation mode of public market inquiry and price negotiation by themselves, breaking the original competition pattern featuring fixed share and region. As a result, special paper manufacturers took active competition strategies like price reduction to seize orders, and the industry pattern changed. As a result of the above industrial policy adjustment, the special paper industry has formed a new pattern featuring full market competition, with more fierce market competition and sharp drop in price. If the</p>									

	<p>project went on as scheduled previously, it may face the risks that the utilization rate of raised funds will decline and the expected investment objective may not be achieved. Therefore, the Company terminated the implementation of this project in 2019.</p> <p>2. “R&amp;D center construction project” was to meet the demand of the R&amp;D for the main business before listing. With the completion of the Company’s major asset restructuring in 2018, the Company’s main business covered lithium-ion battery separator film, which has high technological requirements. The manufacturing of lithium-ion battery has a high requirement for the characteristics of separator film materials, especially the consistency, and also for the uniformity of the size and distribution of separator film micropores. Based on the Company’s business development plan and market demand, in order to better implement the Company’s development strategy, the Company planned to integrate the technology centers currently scattered in each subordinate company, so as to ensure that the Company’s R&amp;D technology can further improve production efficiency, product quality and new product development capacity. The above change was approved at the 27th meeting of the third Board of Directors of the Company, the 22nd meeting of the third Supervisory Committee and the 2018 General Meeting of Shareholders.</p>
Amount, purpose and actual use of funds excessively raised	N/A
Change in location to implement the projects with investments out of the funds raised	Applicable
	Change in previous year
	<p>Upon the deliberation and approval for the Proposal on Changing Some Projects with Investments Out of the Funds Raised at the 27th meeting of the 3rd Board of Directors of the Company, it was agreed to terminate the “reconstruction and expansion project of high-grade environmental-friendly special paper with annual production output of 13,000 tons” and the “R&amp;D center construction project”, and invest the balance of the funds raised for these two projects, totaling RMB105.8868 million, and the interest income, in the new project - Energy Technology Research Institute. The Company will invest to establish a wholly-owned subsidiary (which has not been registered so far, subject to the approval of the business registry) as the entity to implement the project of Energy Technology Research Institute, and lease the experimental building in the factory area of Shanghai Energy. The location to implement the project is changed to 155 Nanlu Road, Pudong New Area, Shanghai.</p>
Adjustment to the implementation method of projects with investment out of funds raised	N/A
Preliminary investment in projects and replacement with the funds raised	Applicable
	I. Initial Public Offering
	<p>With the deliberation and approval at the 18th meeting of the second Board of Directors of the Company on the Proposal on Use of Funds Raised to Replace the Preliminarily Invested Self-raised Funds, it is agreed to replace the self-raised funds of RMB236,659,100 that have been invested in the projects for which the funds were raised. RMB197,935,700 was preliminarily invested in the “the reconstruction and expansion project of color packaging boxes with an annual production output of 3 billion pieces”, RMB24,213,800 was preliminarily invested in the “reconstruction and expansion project of high-grade environmental-friendly special paper with annual production output of 13,000 tons”, and RMB14,509,600 was preliminarily invested in the “R&amp;D center construction project”.</p> <p>II. Public Offering of Convertible Corporate Bonds in 2020</p> <p>At the 42nd meeting of the third Board of Directors of the Company, the Proposal on the Use of Proceeds from Convertible Corporate Bonds to Replace Self-raised Funds Preliminarily Invested in Fund-raising Investment Projects was deliberated and approved, and it was agreed that the Company used the proceeds from this offering to replace part self-raised funds already invested in the projects for which the funds were raised. As of March 16, 2020, the Company accumulatively used self-raised funds of RMB1.6979844 billion for the projects, and the</p>

	<p>net amount of proceeds from this offering of convertible corporate bonds was RMB1.5861226 billion, which was used fully to replace the preliminarily invested self-raised funds, including RMB596.8886 million invested for “Wuxi Energy New Material Industrial Base” and replaced with the proceeds of RMB586.1226 million; RMB1.1010959 billion invested for the “lithium-ion battery separator film project (Phase I) with annual production output of 400 million square meters of Jiangxi Tonry New Energy Technology Development Co., Ltd.” and replaced with the proceeds of RMB1.00 billion.</p> <p>III. Non-public Offering of Shares in 2020</p> <p>At the 11st meeting of the fourth Board of Directors and the 11st meeting of the fourth Supervisory Committee, the Proposal on Replacement of Preliminarily Invested Self-raised Funds with the Proceeds from the Non-public Offering of A Shares in 2020 was deliberated and approved, and it was agreed to replace the self-raised funds of RMB254.2213 million already invested in the projects with the proceeds. RMB157.1693 million was preliminarily invested in the “expansion project of lithium-ion battery separator film (Phase I) of Jiangxi Tonry New Energy Technology Development Co., Ltd.”; RMB97.0520 million was preliminarily invested in the “expansion project of Wuxi Energy New Material Industrial Base Phase II”.</p>
Unused proceeds temporarily added to current capital	<p>Applicable</p> <p>I. Initial Public Offering</p> <p>On February 24, 2020, at the 41st meeting of the third Board of Directors, and the 36th meeting of the third Supervisory Committee, the Proposal on Use of Part Unused Proceeds to Temporarily Supplement the Current Capital was deliberated and approved, and it was agreed to use the unused proceeds to the extent of not more than RMB110 million to temporarily supplement the current capital within 12 months from the date the above proposal was approved, and the independent directors and sponsor also expressed the opinion to agree upon the proposal. On August 26, 2020, the Company transferred the above RMB110 million to the special account for the funds raised, and informed the sponsor CITIC Securities and its representative of such transfer.</p> <p>II. Non-public Offering of Shares in 2020</p> <p>On September 7, 2020, at the 11st meeting of the fourth Board of Directors and the 11st meeting of the fourth Supervisory Committee, the Proposal on Use of Part Unused Proceeds to Temporarily Supplement the Current Capital was deliberated and approved, and it was agreed to use the unused proceeds from the non-public offering of shares in 2020 to the extent of not more than RMB800 million to temporarily supplement the current capital for the production and operation related to the main business within 12 months from the date the sixth Extraordinary General Meeting of Shareholders of 2020 approved the proposal. The independent directors and sponsor also expressed the opinion to agree upon the proposal.</p>
Amount of and reason for any balance of the funds raised after the project implementation	N/A
Defects and other problems in utilization and disclosure of the Raised Funds	None

### (3) Project with changed use of funds raised

√ Applicable □ N/A

Unit: RMB'0,000

Project after change	Project before change	Total amount of intended investment from the funds raised in the changed project (1)	Actual investment amount in the Reporting Period	Actual accumulative investment amount as at the end of the Reporting Period (2)	Investment progress as at the end of the Reporting Period (3)=(2)/(1)	Date of project reaching intended usable condition	Benefits achieved in the Reporting Period	Whether the expected benefits are achieved	Whether the feasibility of the changed project has changed significantly
Project of Energy Research Institute	1. Reconstruction and expansion project of high-grade environmental-friendly special paper with annual production output of 13,000 tons; 2. R&D center construction project	10,588.68	0.00	0.00	0.00%		0.00	N/A	No
Total	--	10,588.68	0.00	0.00	--	--	0.00	--	--
Reason for change, decision making procedure and information disclosure (by specific project)	<p>1. The “reconstruction and expansion project of high-grade environmental-friendly special paper with annual production output of 13,000 tons” was planned by the Company based on the market situation and the Company’s production capacity before listing. As time goes by, the market has changed dramatically. Since 2016, the purchase mode of downstream tobacco manufacturers for special paper products has been adjusted from quantity allocation by cigarette manufacturers to the independent purchasing mode through centralized bidding or commercial negotiation by cigarette label printing enterprises. Cigarette-related enterprises can expand the bargaining range from region to the whole country by means of bidding or the commercial negotiation mode of public market inquiry and price negotiation by themselves, breaking the original competition pattern featuring fixed share and region. As a result, special paper manufacturers took active competition strategies like price reduction to seize orders, and the industry pattern changed. As a result of the above industrial policy adjustment, the special paper industry has formed a new pattern featuring full market competition, with more fierce market competition and sharp drop in price. If the project went on as scheduled previously, it may face the risks that the utilization rate of raised funds will decline and the expected investment objective may not be achieved. Therefore, the Company terminated the implementation of this project in 2019.</p> <p>2. “R&amp;D center construction project” was to meet the demand of the R&amp;D for the main business before listing. With the completion of the Company’s major asset restructuring in 2018, the Company’s main business covered lithium-ion battery separator film, which has high technological requirements. The manufacturing of lithium-ion battery has a high requirement for the characteristics of separator film materials, especially the consistency, and also for the uniformity of the size and distribution of separator film micropores. Based on the Company’s business development plan and market demand, in order to better implement the Company’s development strategy, the Company planned to integrate the technology centers currently scattered in each subordinate company, so as to ensure that the Company’s R&amp;D technology can further improve production efficiency, product quality and new product development capacity. The above change was approved at the 27th meeting of the third Board of Directors of the Company, the 22nd meeting of the third Supervisory Committee and the 2018 General Meeting of Shareholders. For details, please refer to the Announcement on Changing Part Investment Projects for Which Funds Were Raised (Announcement No.: 2019-041) published by the Company on the Cninfo website on April 26, 2019.</p>								
Status of and reason for the failure to make planned progress or projected earnings (by specific project)	N/A								
Description of major changes in project feasibility after changes	N/A								

## VIII. Sale of Significant Assets and Equity Interests

### 1. Sale of significant assets

Applicable  N/A

The Company did not sell any significant assets during the Reporting Period.

### 2. Sale of significant equity interests

Applicable  N/A

## IX. Analysis of Major Holding Companies and Joint Stock Companies

Applicable  N/A

Major subsidiaries and joint stock companies that contribute over 10% of net profits to the Company

Unit: RMB billion

Company name	Company Type	Main Business	Registered Capital	Total Assets	Net Assets	Operating Income	Operating Profit	Net Profit
Shanghai Energy	Subsidiary	Lithium-ion Battery Separator Film	0.39	23.71	6.86	6.44	2.90	2.60

Acquisition and disposal of subsidiaries during the Reporting Period

Applicable  N/A

Company name	Acquisition or Disposal of Subsidiaries During the Reporting Period	Impact on Overall Production Operations and Performance
Ningbo Energy New Material Co., Ltd.	Established by investment	Unavailable
Chongqing Energy New Material Technology Co., Ltd.	Established by investment	Under construction and has not been put into operation
Jiangxi Enpo New Materials Co., Ltd.	Established by investment	Under construction and has not been put into operation
Jiangxi Energy New Material Technology Co., Ltd.	Established by investment	Under construction and has not been put into operation
Jiangsu Energy New Material Technology Co., Ltd.	Established by investment	Under construction and has not been put into operation
Jiangsu Ruijie New Material Technology Co., Ltd.	Established by investment	Under construction and has not been put into operation
Hunan Energy Advanced New Material Technology Co., Ltd.	Established by investment	Unavailable
Hubei Energy New Material Technology Co., Ltd.	Established by investment	Under construction and has not been put into operation
Jiangsu Sanhe Battery Material Technology Co., Ltd.	Established by investment	Under construction and has not been put into operation

Explanation on major holding companies and joint-stock companies

Shanghai Energy is a controlled subsidiary of the Company. As at the end of the Reporting Period, the Company held its 95.22% equity, its major product is lithium-ion battery separator film, and its major subordinate companies include Zhuhai Energy, Wuxi Energy, Jiangxi Tonry, Suzhou Green Power and Newmi Tech. With the constant increase of the production capacity of the Company in lithium-ion battery separator film, Shanghai Energy achieved an operating income of RMB6,437 million in 2021, representing an increase of 141.99% year on year, and a net profit attributable to the owner of the parent company of RMB2,575 million, representing an increase of 166.52% year on year.

## X. Structured Bodies Controlled by the Company

Applicable  N/A

## XI. Outlook for the Company's Future Prospects

### 1. Corporate strategy

The Company will focus on the lithium-ion battery separator film sector, march towards the vision to become a "world-class polymer material research, development and production enterprise" and bear in mind the philosophy of creating values for customers with quality, price and service. The Company will continuously scale up the capacity, improve product quality, and strengthen research and development. The Company will enrich the product matrix, seek cost reduction and benefit enhancement through lean management, build up technical innovation capacity to identify new profit growth drives. The Company will integrate global technical and professional resources, actively expand domestic and overseas markets, improve the core market competitiveness, actively capture development opportunities in the new energy sector, and dedicate itself to creating values for customers. At the same time, the Company will attack the, sterile package, cigarette label, BOPP film, special paper AND aluminum laminated film sectors to become the most competitive new material producer in China.

### 2. Operating plan for 2022

The global new energy sector has been thriving. As a leader in the wet-process lithium-ion battery separator film sector, the Company offers products covering the markets of power lithium-ion battery separator film and lithium-ion battery separator film in the 3C field. Meanwhile, the Company continued to carry forward the dry-process separator film project in cooperation with Celgard, the global leader in the dry-process separator film sector, to edge into the energy storage market, and further improve the Company's strategic presence in the separator film field. The Company paid ongoing attention to the development of cutting-edge technologies, launched solid electrolyte separator film projects, and attached importance to the development of cutting-edge technologies, such as solid electrolyte coating separator film and other projects to further refine the strategic presence in the separator film field. In addition, the Company further improved its core competitiveness by actively edging into the aluminum laminated film business and enriching the product lines.

In the future, the Company will continue to expand the capacity, continue independent research and development and continuous innovation and consolidate its industrial position with its comprehensive advantages in technology, capacity, product quality, cost and market. (1) The Company will procure the world's most advanced production equipment and build eight separator film production bases in China and overseas regions. In 2022, the Company will further expand the capacity for lithium-ion battery separator film by accelerating the Jiangsu Energy EV Lithium Battery Separator Film Industrialization Project, the Chongqing Energy High-performance Lithium-ion Battery Micropore Separator Film Project, the lithium-ion battery coating separator film project of Suzhou Green Power with annual production of 200 million square meters, the wet-process lithium-ion battery separator film production line and supporting plant project in Hungary, the dry-process separator project in cooperation with Jiangxi Enpo, and project in cooperation with Hubei Energy, etc. The expansion plan of the Company matches its major downstream customers' large-scale expansion plans in the future. After the completion of these projects, the Company's market share will be further improved and its leading position in the industry will be consolidated. (2) In 2022, the Company will actively promote the Jiangsu Ruijie and Jiangxi Ruijie EV Lithium Battery Aluminum Laminated Film Industrialization Project to further enrich its product lines. Besides, the ability to supply multiple types of materials will further deepen the partnership between the Company and its downstream lithium battery customers, thereby raising its profitability as well as consolidating and strengthening its market position. Ongoing efforts have been made to push forward the aseptic liquid packaging board project in Changzhou established by the Company's controlled subsidiary Hongchuang Packaging and the BOPP separator film upgrade and expansion project by its exclusively-owned subsidiary Hongta Plastic. (3) The Company will promote lean management. In 2022, the Company will continue to carry forward the development of the supplier management platform, the budget management platform, and the financial sharing center in order to improve internal management efficiency and achieve mid- and long-term development targets. In addition, the Company will continuously improve its equipment, process and quality to ensure it can increase the production efficiency and enhance the product quality without cease. The Company will continue to scale up the research and development spending, cooperate with domestic research institutes and universities, reinforce the technical research, development and conversion capacity and gradually establish an integral and high-efficiency research and development system to ensure the Company can further increase the production efficiency through technical research and development, enhance the product quality and new product development capacity, provide a mighty technical support for the Company's implementation of functional polymer separator film products and provide new profit growth engines powering the future development.

### 3. Risks the Company may face

#### (1) National regulatory risk relating to lithium-ion battery separator film business

In recent years, various countries have intensively introduced industry policies to support the development of new energy vehicle industry. Benefiting from policy support, the production value of new energy vehicle industry rapidly increased, driving the rapid development of the upstream lithium battery industry. If there are significant adverse changes in domestic and overseas subsidy policy, carbon emissions, renewable energy application and other relevant industry policies in the future, the relevant policies may have a negative impact on the development of the whole industry chain of new energy vehicle, thus having an adverse impact on the upstream lithium-ion battery separator film industry and the Company's operation result.

Countermeasures: By actively investing in the R&D of new applications of film, the Company will explore its new commercial application market. At the same time, the Company also invests resources to distribute new product projects to diversify business risks and reduce the impact of policy fluctuations on the Company to a certain extent.

#### (2) Intensified market competition risk

The rapid growth of the new energy vehicle industry has driven the development of lithium-ion battery separator film in the upstream part, and the lithium-ion battery separator film industry has attracted many domestic enterprises due to its higher gross margin, with a lot of funds invested in it, increasing its capacity rapidly. Currently, the domestic competition in this segment is becoming increasingly fierce. The increasingly fierce competition will have an adverse impact on the results of the Company if it can't deeply understand the law of industrial development and make constant efforts for technological innovation and operational management improvement to improve product quality and reduce production costs.

Countermeasures: The Company's lithium-ion battery film business has formed certain advantages in production capacity, R&D capacity, product quality, lean management, business channels and other aspects. The company will continue to reduce costs and increase efficiency, improve the product quality and reduce the production costs through technological innovation, and develop diversified customer groups in domestic and overseas markets to reduce the impact of domestic and foreign market fluctuations on the Company's performance.

#### (3) Risk of price fluctuation of major raw materials

The major raw materials used by the Company are subjected to price fluctuation to some extent, especially polypropylene and polyethylene, whose prices are affected by the strong fluctuations of the international crude oil price. The results of the Company may be adversely affected by the gross profit margin which may be affected to some extent if the prices of major raw materials fluctuate sharply due to the macroeconomic fluctuations,

the demand and supply relation for enterprises in the upstream and downstream parts and other factors.

Countermeasures: The Company has established long-term and stable cooperative relations with major suppliers, established a strategic procurement system as a whole, and improved the bargaining power and reduced the cost of raw materials by means of large-scale procurement. The Company will also reduce the proportion of raw material cost in production cost through technological innovation, process equipment process transformation, production efficiency improvement and loss reduction.

(4) Risk relating to construction in progress

Current construction in progress includes Jiangxi Tonry, Jiangxi Enpo, Jiangxi Ruijie, Chongqing Energy, Jiangsu Enjie, Jiangsu Ruijie and other production bases, which require a large amount of capital. If the Company fails to raise funds in time, complete and put into operation on schedule, it will have a negative impact on the subsequent production and operation and future profits.

Countermeasures: The Company will make reasonable arrangements for future investment plans (including funds) by making private offering of A shares and increasing cooperation with financial institutions, and improving bank credit lines.

(5) Risk of technical loss and loss of core personnel

An enterprise engaging in lithium-ion battery separator film requires advanced technology and process, rich management experience and deep understanding of the industry. To ensure the ability of constant innovation and the steady growth of business, the Company should have teams consisting of steady high-quality employees in scientific research, management and sale. The Company constantly improves the mechanisms for talent cultivation, incentive, promotion and restriction, but there is still the possibility of the outflow of core employees from the Company. In case of leakage of the core technology or the departure of core employees, the production and operation of the Company may be adversely affected.

Countermeasures: The Company has implemented equity incentive to the core employees, so that the employees can share the value of the growth of the enterprise, but also make the interests of the Company and the interests of employees deeply tied. The Company will continue to increase the introduction and training of core technical personnel, further maintain the stability of core employees, continue to maintain the company's industry-leading technical level.

(6) Technological progress and product substitution risk

Lithium-ion battery is mainly used for mobile phones, computers, new energy vehicles, power station for energy storage and other industries. After development for many years, lithium-ion batteries have been superior to traditional storage batteries such as nickel-cadmium batteries, nickel-metal hydride batteries, lead-acid batteries in terms of volumetric specific energy, mass specific energy, mass specific power, cycle life, charge/discharge efficiency, etc., becoming a new energy industry with priority support and key development from national governments. Although the lithium-ion battery is the first choice for electronic products and pure electric vehicles, and it will take quite a long time to commercialize other emerging batteries such as all-solid-state batteries which are immature technically, the market demands for lithium-ion batteries will be affected when emerging batteries such as all-solid-state batteries break the technical bottleneck, achieve mass production and are fully commercialized, and the lithium-ion battery separator film in the industry chain will also be affected adversely.

Countermeasures: After years of R&D investment and technology accumulation, the Company has strong research on new products and prospective technology reserves. The R&D Department of the Company continues to pay attention to the market development trend, and organizes a discussion group on film technology development, develops project development plans for R&D, and actively develops other new products and technologies of functional film. In addition, the Company strengthens strategic cooperation with well-known lithium-ion battery manufacturers at home and abroad, develops products together with customers in-depth cooperation, timely grasps the technical development trend and complies with the market demand.

(7) Risk of exchange rate fluctuation

The export sales volume of the Company increases constantly as the Company expands its business scale and gradually strengthens the development in the international market. If the RMB exchange rate and the foreign exchange rate in the countries where our products were sold fluctuate sharply in the future, the results of the Company may be affected to some extent.

Countermeasures: The Company will avoid or reduce the exchange risk with such measures as closely watching the exchange rate, adjusting the product prices in time based on the exchange rate to guarantee the product profit, strengthening cost control and conducting the foreign exchange derivatives trading for the purpose of hedging.

(8) Risk of China-US trade frictions

Since 2018, China-US trade disputes have occurred frequently. The U.S. has restricted import of Chinese products by means of tariff increases to reduce the trade deficit with China. Lithium-ion batteries are also among the products subject to the tariff increase. From the perspective of industry chain, the total revenue of the Company has been less affected by the China-US trade disputes because the exports to US account for a very small proportion in the total revenue of the Company. However, if the demands of the downstream customers change due to the China-US trade frictions, the results of the Company may be affected adversely. In addition, some of the Company's raw materials and mechanical equipment are imported from overseas. If the trade frictions between the U.S. and China intensifies and results in changes in the global trade environment, but the Company fails to make timely adjustments, the stability of the Company's supply chain may be adversely affected.

Countermeasures: The current business portfolio of the Company, including printing product and paper product, mainly targets the domestic market and domestic customers, so it will suffer a limited impact from the China-US trade frictions. As to the lithium battery film business, China's lithium-ion battery industrial chain is getting increasingly sound, and the global lithium-ion battery industry is gradually shifting to China. At the same time, Europe and China have continuously improved their market statuses in the new energy vehicle sector, and downstream power battery customers of the Company, which are getting increasingly concentrated, mainly come from China, Japan and South Korea, and the China-US trade frictions are expected not to deliver a material adverse impact on the lithium-ion battery separator film business. However, the Company will continuously pay attention to the research, development and technical upgrade of products under different business lines, and improve product quality and production efficiency. The Company will strengthen market expansion in China and overseas regions while carrying forward cost reduction and efficiency enhancement, and actively establish stable business relations with global customers.

(9) Risk of COVID-19 Pandemic

Since 2020, the COVID-19 pandemic broke out in China and other parts of the world, and spread rapidly. During the Reporting Period, the Company has resumed normal production and operation in all respects. However, there exists still great uncertainty about the global pandemic situation and its control, and the overseas spread also imposes risk of importing cases to China. If the international pandemic can't be controlled effectively in the future and spread continuously for a long time, the global economy and new energy vehicle industry will be affected adversely, and the results of the Company will be affected negatively.

Countermeasures: While conducting the COVID-19 pandemic prevention and control in earnest, the Company and its subsidiaries will do the work in every aspect with a focus on the established annual operating plans in accordance with the general arrangements made by the governments in the regions of the Company and its subsidiaries. The Company will take multiple effective measures to stabilize production, maintain continuous production, research and development spending. The Company will deepen cooperation and communication with customers, and strengthen the effort to increase the management level and cost control, and minimize the impact of the pandemic on the production and operation of the Company. While the global pandemic is further coming under effective control, the market demand has recovered to some extent, and the negative impact of the pandemic on the production and operation of the Company will be further reduced.

(10) Management risk after expansion of business scale

With the development of the Company's business, the scale of the Company's assets and business will be further expanded, which raises higher requirements for the management level of the Company. The management risk arises if the capabilities of the Company to manage the production, sales, quality control and risks can't meet the requirements for scale expansion, and the systems for talent cultivation, organization pattern and management are not further improved.

Countermeasures: The Company will continuously refine its management system, assure efficient operation of different operation elements, including production, quality control, sales and management. In the meantime, the Company will strengthen talent cultivation, establish an effective incentive mechanism, and safeguard the Company's development with multiple measures, including share incentive and cultivation of management members.

## XII. Reception of Visitors to the Company for Purposes of Research, Communication, Interview during the Reporting Period

√ Applicable □ N/A

Reception Date	Reception Place	Reception Mode	Type of Received Visitor	Received Visitor	Major Discussion and Materials Provided	Index to Main Inquiry Information
January 13, 2021	Shanghai Energy Conference Room	Field research	Organization	UBS Securities, Green Court Capital Management, Franchise Capital Management, Evalueserve and other institutional investors	Impact of the introduction of semi-solid and solid batteries on the Company and its responses; progress of online coating technology; future development direction of lithium battery separator films.	<i>Record on Investor Relations Activities on January 13, 2021 (Updated Version)</i> disclosed at www.cninfo.com.cn
March 18, 2021	Livestreaming	Others	All investors	Investors' participation through the livestreaming platform	Future competition landscape of the wet-process separator film industry; the Company's competitive edge in expanding overseas markets; the Company's Hungary Project and online coating technology; the production capacity and output planning of the Company's products in global regions; the Company's results in the first quarter of 2021.	<i>Record on Investor Relations Activities on March 18, 2021</i> disclosed at www.cninfo.com.cn
August 27, 2021	Shanghai Energy Conference Room	Telephone communication	Organization	Hillhouse Capital, Changjiang Securities, CITIC Securities, UOB-Kay Hian, GF Fund Management, ABC-CA Fund Management, China Southern Fund Management, AEGON-Industrial Fund Management, Green Court Capital Management, Bosera Fund Management, ICBC Credit Suisse Asset Management, Orient Fund Management, Fullgoal Fund Management, CICC Fund Management, ZO Fund Management, and Goldman Sachs Assets Management (HK) and other institutional investors	Progress of the Company's self-produced equipment; industry and operation of the Company's separator film business and future capacity plan; the Company's online coating, equipment manufacturers, aluminum laminated film project, dry-process separator film project and Hungary Project; the Company's Stock Ownership Incentive Scheme.	<i>Record on Investor Relation Activities on August 27, 2021</i> disclosed at www.cninfo.com.cn

October 26, 2021	Shanghai Energy Conference Room	Telephone communication	Organization	Changjiang Securities, Soochow Securities, Bosera Fund Management, China Wealth Management, J.P. Morgan Asset Management, and CITIC Securities and other institutional investors	The Company's business operation of separator films; self-developed equipment, online coating and dry-process separator film project; supply of equipment, and raw materials; the Company's conventional businesses.	<i>Record on Investor Relations Activities on October 26, 2021</i> disclosed at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
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## Section 4 Corporate Governance

### I. Basic Information of Corporate Governance

During the Reporting Period, the Company established and improved the modern enterprise system in strict accordance with the Company Law, Securities Law, Shenzhen Stock Exchange Listing Rules, Code of Corporate Governance for Listed Companies in China and other relevant laws and regulations, and constantly improved the corporate governance structure, improved the internal control system and standardized the Company's operation.

During the Reporting Period, the Company held 8 shareholders' general meetings, 20 board meetings, 17 meetings of the Supervisory Committee. The procedures for holding the meetings are legal and the resolutions are legal and effective.

Were there any significant differences between the Company's actual governance status and laws, administrative regulations, and the regulations issued by CSRC on listed company governance

Yes  No

There was no difference between the Company's actual governance status and laws, administrative regulations, and the regulations issued by CSRC on listed company governance.

### II. Details of the Company's Separation from the Controlling Shareholder and Actual Controller with Respect to Corporate Assets, Personnel, Finance, Organization, Business, etc.

The Company is independent of its shareholders in terms of business, assets, personnel, institutions, financial affairs, etc., has an independent and complete business system and market-oriented independent operation ability, and has a complete supply, production and sales system.

#### 1. Assets integrity

The Company has independent and complete business assets that can be used for business activities. The Company has complete sites, facilities, instruments and equipment, trademarks, patents, etc. required for production independent of shareholders and other related parties. The Company's assets are strictly separated from the shareholders and actual controller, and there is no case that the shareholders and actual controller encroach on the Company's assets.

#### 2. Personnel independence

The General Manager, Deputy General Manager, Chief Financial Officer, Secretary of the Board and other senior managers of the Company are all full-time working in the Company and receiving remuneration, and there is no case that they hold any post other than director or supervisor at the controlling shareholder, actual controller and other enterprises under their control, or hold any position in other enterprises with the same or similar business with the Company. The Company's financial personnel are not doing part-time job in the controlling shareholders, actual controllers and other enterprises under their control. The Company is completely independent in terms of social security and salary.

#### 3. Finance independence

The Company has set up an independent financial department, and established an independent and complete financial accounting system according to the current accounting standards and relevant laws and regulations, which can help make financial decisions independently. The Company has a standardized financial accounting system and financial management system. The Company has set up an independent bank account and, as an independent taxpayer, has gone through tax registration with the tax bureau of Yuxi High-tech Zone. The Company does not guarantee the debts of shareholders or other related parties with the Company's assets, interests or reputation. The Company has complete control over all assets, and there is no case that monetary funds or other assets are occupied by shareholders and damage the Company's interests.

#### 4. Institutional independence

The Company has a production and operation place and organization independent of the controlling shareholder, and there is no mixed operation or joint office with the controlling shareholder. There is no interference of the controlling shareholder and any other units or individuals in the Company's organizational structure. In accordance with the requirements of the Company Law, the Company has established and improved the organizational structure system of the general meeting of shareholders, the Board of Directors, the Supervisory Committee, and the management, and is completely independent of the affiliated enterprises in terms of institutional setting. The shareholder unit nominates directors to participate in the management of the Company in accordance with the provisions of the Company Law and the Articles of Association, and does not directly interfere with the production and operation activities of the Company

#### 5. Business independence

The Company has an independent production, supply and marketing system, and independently carries out various businesses. There is no case of relying on or entrusting shareholders or other related parties to sell products, or relying on or entrusting shareholders or other related parties to purchase raw materials. There is no horizontal competition with the controlling shareholder, actual controller and the enterprises under their control.

### III. Horizontal Competition

Applicable  N/A

## IV. Details about the Annual General Meeting and Extraordinary General Meeting of Shareholders Convened during the Reporting Period

### 1. Details about the shareholders' general meeting during the Reporting Period

Meeting	Meeting Type	Investor Participation	Date Convened	Disclosure Date	Meeting Resolution
First Extraordinary General Meeting of Shareholders in 2021	Extraordinary General Meeting of Shareholders	60.14%	January 11, 2021	January 12, 2021	Announcement on Resolutions of the First Extraordinary General Meeting of Shareholders in 2021 (Announcement No.: 2021-007) on cninfo.com
Second Extraordinary General Meeting of Shareholders in 2021	Extraordinary General Meeting of Shareholders	58.96%	January 25, 2021	January 26, 2021	Announcement on Resolutions of the Second Extraordinary General Meeting of Shareholders in 2021 (Announcement No.: 2021-013) on cninfo.com
Annual General Meeting of Shareholders of 2020	Annual General Meeting of Shareholders	66.89%	April 8, 2021	April 9, 2021	Announcement on Resolutions of the Annual General Meeting of Shareholders of 2020 (Announcement No.: 2021-064) on cninfo.com
Third Extraordinary General Meeting of Shareholders in 2021	Extraordinary General Meeting of Shareholders	61.33%	April 15, 2021	April 16, 2021	Announcement on Resolutions of the Third Extraordinary General Meeting of Shareholders in 2021 (Announcement No.: 2021-065) on cninfo.com
Fourth Extraordinary General Meeting of Shareholders in 2021	Extraordinary General Meeting of Shareholders	62.49%	August 19, 2021	August 20, 2021	Announcement on Resolutions of the Fourth Extraordinary General Meeting of Shareholders in 2021 (Announcement No.: 2021-137) on cninfo.com
Fifth Extraordinary General Meeting of Shareholders in 2021	Extraordinary General Meeting of Shareholders	16.32%	October 25, 2021	October 26, 2021	Announcement on Resolutions of the Fifth Extraordinary General Meeting of Shareholders in 2021 (Announcement No.: 2021-165) on cninfo.com
Sixth Extraordinary General Meeting of Shareholders in 2021	Extraordinary General Meeting of Shareholders	56.18%	November 22, 2021	November 23, 2021	Announcement on Resolutions of the Sixth Extraordinary General Meeting of Shareholders in 2021 (Announcement No.: 2021-195) on cninfo.com
Seventh Extraordinary General Meeting of Shareholders in 2021	Extraordinary General Meeting of Shareholders	56.18%	December 2, 2021	December 3, 2021	Announcement on Resolutions of the Seventh Extraordinary General Meeting of Shareholders in 2021 (Announcement No.: 2021-200) on cninfo.com

### 2. Extraordinary general meeting requested by the preferred shareholder with restituted voting rights

Applicable  N/A

## V. Details on Directors, Supervisors, and Senior Management

### 1. Basic information

Name	Title	Service status	Gender	Age	Start date	End date	Shares held at	Share	Restricted	Quantity Of	Quantity of	Other increases	Quantity of	Reason for share
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							the beginning of the period (share)	option	shares granted (share)	shares increased in the current period (share)	shares decreased in the current period (share)	ed or decreased change s (share)	shares held at the end of the period (share)	increase/decrease
Paul Xiaoming Lee	Chairman	Current	Male	64	April 20, 2011	April 7, 2023	127,792,657				1,600,400		126,192,257	Own demand for funds
Li Xiaohua	Vice Chairman and General Manager	Current	Male	60	April 20, 2011	April 7, 2023	69,837,889						69,837,889	
Yan Ma	Director	Current	Female	63	April 20, 2011	April 7, 2023								
Alex Cheng	Director	Current	Male	64	April 8, 2020	April 7, 2023								
Ma Weihua	Director	Current	Male	55	November 22, 2021	April 7, 2023								
FengJie	Director	Current	Male	58	January 4, 2017	April 7, 2023								
Lu Jiankai	Independent Director	Current	Male	44	April 20, 2017	April 7, 2023								
Tang Changjiang	Independent Director	Current	Male	52	April 8, 2020	April 7, 2023								
Zheng Haiying	Independent Director	Current	Female	59	April 8, 2020	April 7, 2023								

Xu Ming	Director	Resigned	Male	47	August 31, 2013	November 4, 2021								
Zhang Tao	Chairman of the Supervisory Committee	Current	Male	45	January 3, 2019	April 7, 2023								
ChenTao	Supervisor	Current	Male	44	April 20, 2011	April 7, 2023								
Kang Wenting	Supervisor	Current	Female	35	April 8, 2020	April 7, 2023								
Yu Xue	Vice General Manager and Board Secretary	Current	Female	35	November 4, 2021	April 7, 2023	41,000			100			41,100	Recognition of corporate value
Li Jian	Chief Financial Officer	Current	Male	44	September 30, 2020	April 7, 2023								
Xiong Wei	Vice General Manager and Board Secretary	Resigned	Male	52	March 23, 2012	November 4, 2021	270,000						270,000	
Total	--	--	--	--	--	--	197,941,546			100	1,600,400		196,341,246	--

During the reporting Period, did any Director or Supervisor leave office or were any senior executive dismissed?

Yes  No

(1) On November 4, 2021, Mr. Xu Ming resigned from his position as a Director of the Company in order to focus on the development of Hongchuang Packaging, a controlled subsidiary of the Company. After the resignation, he will continue to serve as the General Manager of Hongchuang Packaging.

(2) On November 4, 2021, Mr. Xiong Wei resigned from the positions of Vice General Manager and Board Secretary of the Company for personal reasons. After the resignation, he will no longer serve in any position of the Company.

Changes of Directors, Supervisors, and Senior Executives

√ Applicable □ N/A

Name	Assumed Position	Type	Date	Reason
Xiong Wei	Board Secretary and Vice General Manager	Dismissed	November 4, 2021	Resigned from the positions of Vice General Manager and Board Secretary of the Company for personal reasons. After the resignation, he no longer serves in any position of the Company.
Yu Xue	Board Secretary and Vice General Manager	Engaged	November 4, 2021	Newly engaged
Xu Ming	Director	Resigned	November 4, 2021	Xu Ming also serves as the General Manager of the Company's holding subsidiary Hongchuang Packaging. He resigned from his position as a Director of the Company in order to focus on the development of Hongchuang Packaging. After the resignation, he continues to serve as the General Manager of Hongchuang Packaging.
Ma Weihua	Director	Elected	November 22, 2021	Newly appointed

## 2. Positions Held

Professional background, main working experience and main duties in the Company of current directors, supervisors, and senior executives of the Company

### (I) Members of the Board of Directors

1. Paul Xiaoming Lee, Chairman of the Company, male, born in 1958, American nationality with the right of residence in foreign country, and master's degree. Joined Kunming Plastic Research Institute of China in 1982, acted as the Vice President from 1984 to 1989, graduated from the polymer material discipline at the University of Massachusetts of America in December 1992, served as the Manager of the Technical Department of Inteplast Corporation in America from 1992 to 1995. Since April 1996, he has successively served as the Vice General Manager, General Manager, Vice Chairman and Chairman of Hongta Plastics, Chairman and General Manager of Dexin Paper, and Chairman of Chengdu Hongta Plastic (成都红塑). Joined Innovative Color Printing as the Chairman in 2006. Now, serves as the Chairman of the Company.

2. Li Xiaohua, Vice Chairman of the Company, male, born in 1962, Chinese nationality with the right of residence in foreign country, and master's degree. Graduated from the polymer material discipline at the University of Massachusetts of America in February 1993, and worked at World-Pak Corporation in the US from 1993 to 1996. Since April 1996, he has successively served as the Vice General Manager and Vice Chairman of Hongta Plastics, the Vice Chairman of Dexin Paper, and the Vice Chairman and General Manager of Chengdu Hongta Plastic. Joined Innovative Color Printing as the Vice Chairman and General Manager in 2006. Now, serves as the Vice Chairman and General Manager of the Company.

3. Yan Ma, Director of the Company, female, born in 1959, American nationality with the right of residence in foreign country, and junior college education. Worked at Kunming Yan'an Hospital from 1981 to 1990, and since April 2011, served as the Director of the Company.

4. Alex Cheng, Director of the Company, male, born in 1958, American nationality with the right of residence in foreign country, master's degree in plastic engineering conferred by the University of Massachusetts, and doctor's degree conferred by the Northeast Agricultural University. Acted as the Technical Manager of Inteplast Corporation in the US from September 1993 to September 2011. Served as the General Manager of Shanghai Energy, from February 2012 to June 2019. Now, serves as the Director of the Company.

5. Ma Weihua, Director of the Company, male, born in 1967, Chinese nationality, bachelor's degree, engineer. From 1989 to 1997, successively served as Deputy Section Chief of Equipment Section of Zhenyuan Gold Mine, Yunnan Province, and technician of Equipment Section of Yuxi Hydropower Equipment Factory; from 1997 to 2016, successively served as the Director of Production Department, Vice General Manager and Director of Hongta Plastics, a wholly-owned subsidiary of the Company. He is now a Director of the Company and General Manager of Shanghai Energy.

6. Feng Jie, Director of the Company, male, born in 1964, Chinese nationality, bachelor's degree and medium industrial economist. Served in Simao Industrial and Commercial Bank of China from 1981 to 1984; served as a statistician of the Comprehensive Management Section, Director of the Computer Center and the Secretary of the Communist Youth League at Yunnan Optical Instrument Factory from 1989 to 1997; served as a technician, statistical officer and Director of the General Manager's Office at Hongta Plastics Co., Ltd. from 1997 to 2005; served as the Director of Chengdu Office of Yunnan Hongta Plastics Co., Ltd. from 2005 to 2009; since 2009, has successively served as the Director of the Sales Department, the Vice General Manager and General Manager of Chengdu Hongta Plastic. He is now a Director of the Company as well as the Director of the Sales Department and General Manager of Chengdu Hongta Plastic.

7. Lu Jiankai, Independent Director of the Company, male, born in 1978, Chinese nationality, master's degree, Chinese Certified Public Accountant, is now the Executive Director and General Manager of Shanghai Yangyue Investment Management Co., Ltd. He worked at Ernst & Young Dahua Accounting Firm (Shanghai) as an auditor in 2001 to 2004. He worked at Deloitte Huayong Accounting Firm (Shanghai) as an auditor in 2004 to 2008. He served as the Vice President of the Real Estate and Equity Investment Division of Zhejiang Longsheng Group Co., Ltd. in 2009 to 2011. He served as the Officer of the Investment and Financing Department of Jiangsu Changfa Group Co., Ltd. in 2011 to 2013. He served as the Investment Officer of Shanghai Jingbang Equity Investment Management Co., Ltd. in 2013 to 2015. Now is an Independent Director of the Company.

8. Tang Changjiang, Independent Director of the Company, male, born in 1970, Chinese nationality, Executive Master of Business Administration (EMBA) at Tsinghua University and Master of Business Administration (MBA) at the University of Victoria of Switzerland. Served as the Vice General Manager of Kelin Side (Huizhou) Co., Ltd. from August 1994 to October 1996. Served as the Deputy Secretary-General of Shenzhen Electronic Industry Association from March 1998 to May 2002. Served as the Managing Director of Shenzhen Tangshi Electronic Co., Ltd. from January 2003 to June 2013. Served as the Director of Shenzhen Xinyuhuan Test Co., Ltd. from July 2013 to May 2019. Now is an Independent

Director of the Company.

9. Zheng Haiying, Independent Director of the Company, female, born in 1963, Chinese nationality, Doctor, Master's Tutor and Professor at the Accounting School of the Central University of Finance and Economics, Chinese Certified Public Accountant and a senior member of the Association of Chartered Certified Accountants (ACCA and FCCA). Taught at the Accounting Department of the Central Fiscal Management Cadres' College from July 1988 to April 1994 and worked on a part-time basis at the former Zhongzhou Certified Public Accountants in the same period. Engaged in the audit work at M.B.LEE & CO LTD of Hong Kong from April 1994 to April 1996. Taught at the Accounting Department of the Central Fiscal Management Cadres' College from April 1996 to April 1999. Since April 1999, has taught at the Accounting School of the Central University of Finance and Economics with the interest in financial accounting. Now is an Independent Director of the Company.

(II) Members of the Supervisory Committee

1. Zhang Tao, Chairman of the Supervisory Committee of the Company, male, born in 1977, Chinese nationality, bachelor's degree. Worked as a financial analyst at the Financial Center of Beijing Marketing Company of Haci Co., Ltd. from July 2000 to January 2001; worked as an accountant at the Finance Department of Yunnan Hongta Plastics Co., Ltd. from August 2001 to August 2006; and since September 2006, has served as the Manager of the Finance Department of Yunnan Dexin Paper Co., Ltd. Now serves as the Deputy Chief Financial Officer and Chairman of the Supervisory Committee of the Company.

2. Chen Tao, Supervisor of the Company, male, born in 1978, Chinese nationality, junior college education. Served as the technician of Global Color Printing from 1998 to 2003, joined Innovative Color Printing in 2004, and has successively acted as the technical supervisor, Deputy Director and Director of the Technical Center. Now is the Vice General Manager of Yunnan Hongchuang Package Co., Ltd. and a Supervisor of the Company.

3. Kang Wenting, Supervisor of the Company, female, born in 1987, Chinese nationality, bachelor's degree. Served as the Personnel Supervisor of Kunming Xinghe Spa Resort & Hotel from 2013 to 2014, and since 2015, has successively served as the Personnel Supervisor of the Human Resources Department and the Supervisor of the Human Resources Planning Department of the Company. Now, is the manager of the Operation Support Department and Administrative Department and Supervisor of the Company.

(III) Senior Management

1. Li Xiaohua, Vice Chairman of the Company, male, born in 1962, Chinese nationality with the right of residence in foreign country, and master's degree. Graduated from the polymer material discipline at the University of Massachusetts in February 1993, and worked at World-Pak Corporation in the US from 1993 to 1996. Since April 1996, has successively served as the Vice Chairman and Vice General Manager of Hongta Plastics, the Vice Chairman of Dexin Paper, and the Vice Chairman and General Manager of Chengdu Hongta Plastic. Joined Innovative Color Printing as the Vice Chairman and General Manager in 2006. Now, serves as the Vice Chairman and General Manager of the Company.

2. Yu Xue, Vice General Manager of the Company, Secretary of the Board of Directors, female, born in 1987, Chinese nationality, master's degree. Served as the Company's Securities Affairs Representative from March 2013 to November 2021. Now, serves as the Vice General Manager and Secretary of the Board of Directors of the Company.

3. Li Jian, Chief Financial Officer of the Company, male, Han, born in 1978, bachelor's degree, Chinese Certified Public Accountant and Chinese Certified Tax Agent. From 1997 to October 2016, has served as the General Budget Accountant at Liujiqiao Fiscal Office of the Finance Bureau of Chongren County, Jiangxi Province, the Financial Manager of Shunde Ouyadian Building Material Co., Ltd., the Project Manager of Shenzhen Pengcheng Accounting Firm, the Assistant to the Chief Financial Officer of Jiangsu Safety Steel Rope Co., Ltd. and the Chief Financial Officer of Suzhou ALTON Electric Industry Co., Ltd. Since October 2016, has served as the Chief Financial Officer of Shanghai Energy New Material Technology Co., Ltd. Now, serves as the Chief Financial Officer of the Company.

Positions held at the shareholder's entity

√ Applicable □ N/A

Name	Shareholder's Name	Position in shareholder	Start date	End date	Receiving remuneration and allowance at shareholder
Paul Xiaoming Lee	Heyi Investment	Chairman	November 3, 2010	April 11, 2022	No
Paul Xiaoming Lee	Heli Investment	Director	December 8, 2010	April 11, 2022	No
Li Xiaohua	Heyi Investment	Director	November 3, 2010	April 11, 2022	No
Li Xiaohua	Heli Investment	Chairman	December 8, 2010	April 11, 2022	No
Li Xiaohua	Shanghai Hengzou	Executive Partner	December 1, 2016	October 29, 2021	No
Description of positions held at the shareholder's entity			None		

Positions held at other entities

√ Applicable □ N/A

Name	Other Entity Names	Positions in other organizations	Start date	End date	Receiving remuneration and allowance at other entities
Paul Xiaoming Lee	Yuxi Kunshasi	Vice Chairman	May 1, 1996	April 11, 2022	No
Paul Xiaoming Lee	Shanghai Ruiji New Material Technology Co., Ltd.	Director	January 20, 2020	April 11, 2022	No
Li Xiaohua	Yuxi Kunshasi	Director and General Manager	May 1, 1996	April 11, 2022	No
Li Xiaohua	Suzhou Jiasheng Technology Co., Ltd.	Executive Director and General Manager	October 29, 2021	April 11, 2022	No
Li Xiaohua	Shanghai Ruiji New Material Technology Co., Ltd.	Chairman	January 20, 2020	April 11, 2022	No
Li Xiaohua	Jiangsu Jiasheng Intelligent Equipment Technology Co., Ltd.	Executive Director and General Manager	November 26, 2021	April 11, 2022	No
Alex Cheng	Shanghai Ruiji New Material Technology Co., Ltd.	Director	January 20, 2020	April 11, 2022	No
Lu Jiankai	Anqiu Huahang Environmental Technology Co., Ltd.	Executive Director and General Manager	October 13, 2021	April 11, 2022	No
Lu Jiankai	Dezhou Shayun Electronic Commerce Co., Ltd.	Director	October 30, 2019	April 11, 2022	No
Lu Jiankai	Qingdao Huahang Environmental Technology Co., Ltd.	Chairman	June 19, 2017	April 11, 2022	No
Lu Jiankai	Qingdao Bopu Photoelectric Technology Co., Ltd.	Executive Director and General Manager	August 3, 2016	April 11, 2022	No
Lu Jiankai	Shanghai Qikai Investment Management Co., Ltd.	Executive Director	May 18, 2012	May 17, 2021	No
Lu Jiankai	Shanghai Yangyue Investment Partners (Limited Partnership)	Executive President and Partner	July 12, 2012	July 11, 2021	No
Lu Jiankai	Shanghai Shengu Investment Management Co., Ltd.	Executive Director	August 16, 2012	August 15, 2021	No
Lu Jiankai	Fuzhou Shanghe Electronics Co., Ltd.	Director	November 5, 2015	November 4, 2021	No
Lu Jiankai	Shanghai Yangyue Investment Management Co., Ltd.	Executive Director and General Manager	February 13, 2019	February 12, 2022	Yes
Tang Changjiang	Guangdong Battery Association	Secretary-General	June 29, 2019	April 11, 2022	Yes
Tang Changjiang	Tianjin Guoan Mengguli New Materials Science & Technology Co., Ltd.	Independent Director	October 12, 2021	April 11, 2022	Yes

Tang Changjiang	Shenzhen Nengyi Testing Co., Ltd.	Director	June 15, 2015	April 11, 2022	No
Tang Changjiang	Shenzhen AGC Standard Technology Co., Ltd.	Director	September 13, 2013	April 11, 2022	No
Zheng Haiying	Central China Media Co., Ltd.	Independent Director	April 21, 2017	April 11, 2022	Yes
Zheng Haiying	Beijing Automic Technology Co., Ltd.	Independent Director	March 9, 2018	April 11, 2022	Yes
Zheng Haiying	Shandong Keyuan Pharmaceutical Co., Ltd.	Independent Director	April 23, 2019	April 11, 2022	Yes
Zheng Haiying	Arizon Radio Frequency Technology Co., Ltd.	Independent Director	April 23, 2019	April 11, 2022	Yes
Zheng Haiying	Orient Group	Independent Director	December 23, 2019	April 11, 2022	Yes
Zheng Haiying	Beijing Borui Hongyuan Data Technology Co., Ltd.	Independent Director	February 1, 2016	January 21, 2021	Yes
Zheng Haiying	China Marine Bunker (PetroChina) Co. Ltd.	Independent Director	July 15, 2007	July 9, 2021	No
Explanation on positions in other entities		None			

Penalties to the current directors, supervisors and senior management of the Company and those leaving office during the Reporting Period by securities regulatory agencies in the past three years

Applicable  N/A

### 3. Remuneration for Directors, Supervisors, and Senior Management

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

1. Decision-making procedure for remunerations of directors, supervisors and senior management: The Remuneration & Evaluation Committee of the Board of Directors of the Company studies and establishes the evaluation standard, remuneration policy and plan for the directors, General Manager and other senior management members of the Company, the Board of Directors reviews the remunerations for the senior management, the General Meeting of Shareholders reviews the remunerations of the directors and the supervisors, and the Human Resources Department and the Finance Department of the Company assist the Remuneration & Evaluation Committee of the Board of Directors to implement the remuneration plan for the directors and the senior management of the Company.

2. Basis for determining the remunerations of directors, supervisors and senior management: The remunerations for the directors and supervisors are determined in line with the actual working status of the Company and in combination of the current market situation. The remunerations of the senior management are determined in line with related provisions of the Company and in combination of the operating objectives of the Company in 2021 and specific job responsibilities the senior management members of the Company take to complete the annual operating objectives.

3. Actual payment of remunerations to the directors, supervisors and senior management: The remunerations of the Independent Directors are paid to personal accounts based on the standard and schedule every quarter. The remunerations of other people are paid based on respective evaluation result on a monthly basis or at the time specified by the remuneration payment policy.

Remuneration for directors, supervisors, and senior management during the Reporting Period

Unit: RMB0'000

Name	Title	Gender	Age	Service status	Total remunerations pre-tax received from the Company	Whether remuneration was received from related parties of the Company
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Paul Xiaoming Lee	Chairman	Male	64	Incumbent	161.97	No
Li Xiaohua	Vice Chairman and General Manager	Male	60	Incumbent	139.97	No
Yan Ma	Director	Female	63	Incumbent	0	No
Alex Cheng	Director	Male	64	Incumbent	57.83	No
Ma Weihua	Director	Male	55	Incumbent	9.57	No
Feng Jie	Director	Male	58	Incumbent	32.44	No
Lu Jiankai	Independent Director	Male	44	Incumbent	5	No
Tang Changjiang	Independent Director	Male	52	Incumbent	5	No
Zheng Haiying	Independent Director	Female	59	Incumbent	5	No
Xu Ming	Director	Male	47	Resigned	28.77	No
Zhang Tao	Chairman of the Supervisory Committee	Male	45	Incumbent	26.73	No
Chen Tao	Supervisor	Male	44	Incumbent	31.2	No
Kang Wenting	Supervisor	Female	35	Incumbent	10.44	No
Yu Xue	Vice General Manager and Board Secretary	Female	35	Incumbent	5.48	No
Li Jian	Chief Financial Officer	Male	44	Incumbent	56.8	No
Xiong Wei	Vice General Manager and Board Secretary	Male	52	Resigned	85.66	No
Total	--	--	--	--	661.86	--

## VI. Performance of Directors during the Reporting Period

### 1. Meetings of the Board of Directors during the Reporting Period

Meeting	Date Convened	Disclosure Date	Meeting Resolution
21 <sup>st</sup> meeting of the 4 <sup>th</sup> board of directors	January 8, 2021	January 8, 2021	The Proposal on Entry into the Agreement on the Investment in Projects of Changshou Economic and Technological Development Zone between Shanghai Energy and the Administrative Committee of Changshou Economic and Technological Development Zone and the Proposal on Holding the 2nd Extraordinary General Meeting of the Company in 2021 were deliberated and approved.
22 <sup>nd</sup> meeting of the 4 <sup>th</sup> board of directors	January 25, 2021	January 26, 2021	The Proposal on Not Exercising the Early Redemption of Energy Convertible Bonds was deliberated and approved.
23 <sup>rd</sup> meeting of the 4 <sup>th</sup> board of directors	January 31, 2021	February 1, 2021	The Proposal on Cooperation between Subsidiaries and Polypore and the Proposal on Entry into the Contract on Building the Dry-process Lithium Battery Separator Film Project and Its Supplementary Agreements between Jiangxi Mingyang New Material Technology Co., Ltd, the Subsidiary and Gaoan Municipal People's Government, Jiangxi Province were deliberated and approved.

24 <sup>th</sup> meeting of the 4 <sup>th</sup> board of directors	March 17, 2021	March 18, 2021	The Proposal on Work Report of Board of Directors for 2020 of the Company, the Proposal of the Final Accounts Report for 2020 of the Company and the Proposal on Profit Distribution Plan for 2020 were deliberated and approved.
25 <sup>th</sup> meeting of the 4 <sup>th</sup> board of directors	March 29, 2021	March 30, 2021	The Proposal on the Implementation of Investment Project in Changshou Economic and Technological Development Zone by Chongqing Energy, a Wholly-owned Subsidiary of Shanghai Energy, and the Proposal on Holding the 3rd Extraordinary General Meeting of the Company in 2021 were deliberated and approved.
26 <sup>th</sup> meeting of the 4 <sup>th</sup> board of directors	April 26, 2021	April 27, 2021	The Proposal on Change of Accounting Policies and the Proposal on the Full Text and Body of the 2021 Q1 Report of the Company were deliberated and approved.
27 <sup>th</sup> meeting of the 4 <sup>th</sup> board of directors	May 6, 2021	May 7, 2021	The Proposal on Changing the Registered Capital and Amending the Articles of Association and Handling the Change of Industrial and Commercial Registration was deliberated and approved.
28 <sup>th</sup> meeting of the 4 <sup>th</sup> board of directors	June 18, 2021	June 19, 2021	The Proposal on the Signing of the Investment Cooperation Agreement for Energy Aluminum Laminated Film Project between Shanghai Energy and the Administrative Committee of Jiangsu Jintan Economic Development Zone, and the Proposal on the Signing of the Investment Cooperation Agreement for Energy Membrane Project between Shanghai Energy and the Administrative Committee of Jiangsu Jintan Economic Development Zone were deliberated and approved.
29 <sup>th</sup> meeting of the 4 <sup>th</sup> board of directors	June 22, 2021	June 23, 2021	The Proposal on the Company Meeting the Conditions of Issuing Shares and Paying Cash to Purchase Assets and Raising Supporting Funds, the Proposal on the Company Purchasing Assets by Issuance of Shares and Payment of Cash and Raising Supporting Funds and the Related Party Transactions, and the Proposal on the Plan for Issuance of Shares and Cash Payment for Purchasing Assets and Raising Supporting Funds by Yunnan Energy New Material Co., Ltd. and the Connected Transaction and Its Summary were deliberated and approved.
30 <sup>th</sup> meeting of the 4 <sup>th</sup> board of directors	August 2, 2021	August 3, 2021	The Proposal on the Plan to Set Up a Joint Venture with EVE to Construct a Wet-Processing Lithium Battery Separator Film Project, the Proposal on the Plan to Sign the Framework Agreement on Acquisition of Suzhou RS Technology Co., Ltd. and JOT Automation Ltd with Family Members of Paul Xiaoming Lee, Victory Precision and Its Subsidiaries and the Related Party Transaction, and the Proposal on Holding the 4th Extraordinary General Meeting of the Company in 2021 were deliberated and approved.
31 <sup>st</sup> meeting of the 4 <sup>th</sup> board of directors	August 18, 2021	August 19, 2021	The Proposal on the Signing of "Memorandum of Cooperation on Some Properties of the R&D Project of Jinqiao Guopei Plot in Pudong, Shanghai" between the holding subsidiary Shanghai Energy and Shanghai Jinqiao (Group) Co., Ltd was deliberated and approved.
32 <sup>nd</sup> meeting of the 4 <sup>th</sup> board of directors	August 26, 2021	August 27, 2021	The Proposal on Semiannual Report for 2021 of the Company and Its Summary, and the Proposal on Deposit and Actual Use of the Funds Raised in Half Year of 2021 were deliberated and approved.
33 <sup>rd</sup> meeting of the 4 <sup>th</sup> board of directors	September 15, 2021	September 16, 2021	the Proposal on Signing the Equity Transfer Agreement with Family Members of Paul Xiaoming Lee, Victory Precision and Its Subsidiaries and the Related Party Transaction, and the Proposal on Not Holding a General Meeting Temporarily were deliberated and approved.

34 <sup>th</sup> meeting of the 4 <sup>th</sup> board of directors	October 25, 2021	October 26, 2021	The Proposal on 2021 Q3 Report of the Company was deliberated and approved.
35 <sup>th</sup> meeting of the 4 <sup>th</sup> board of directors	November 4, 2021	November 5, 2021	The Proposal on the Addition of Candidates for Independent Non-Executive Directors of the Company, the Proposal on Appointment of the Vice General Manager and Secretary of the Board of the Company, and the Proposal on Holding the 6th Extraordinary General Meeting of the Company in 2021 were deliberated and approved.
36 <sup>th</sup> meeting of the 4 <sup>th</sup> board of directors	November 10, 2021	November 11, 2021	The Proposal on Cooperation with CATL was deliberated and approved.
37 <sup>th</sup> meeting of the 4 <sup>th</sup> board of directors	November 15, 2021	November 16, 2021	The Proposal on Increasing the Amount of Guarantee Provided by the Company for Its Subsidiaries, and the Proposal on Holding the 7th Extraordinary General Meeting of the Company in 2021 were deliberated and approved.
38 <sup>th</sup> meeting of the 4 <sup>th</sup> board of directors	November 21, 2021	November 23, 2021	The Proposal on the Company Fulfilling the Conditions for Non-public Offering of Shares, the Proposal on the Plan of the Non-public Offering of Shares by the Company, the Proposal on the Plan of the Non-public Offering of Shares by the Company in 2021, the Proposal on the Termination of Purchasing Assets by Issuance of Shares and Payment of Cash and Raising Supporting Funds and the Related Party Transactions were deliberated and approved.
39 <sup>th</sup> meeting of the 4 <sup>th</sup> board of directors	December 20, 2021	December 21, 2021	The Proposal on the Signing of the Investment Cooperation Agreement for Energy Liquid Package Project between Hongchuang Packaging and the Administrative Committee of Jintan Economic Development Zone in Jiangsu Province, and the Proposal on Making Additional Investment in the Hungarian Wet-process Lithium Battery Isolation Membrane Project were deliberated and approved.
40 <sup>th</sup> meeting of the 4 <sup>th</sup> board of directors	December 30, 2021	December 31, 2021	The Proposal on Correcting the 2021 Q3 Report, and the Proposal on Holding the 1st Extraordinary General Meeting of the Company in 2022 were deliberated and approved.

## 2. Details of directors' attendance at board meetings and shareholders' general meetings

Details of directors' attendance at board meetings and shareholders' general meetings							
Name of director	Meetings required to attend during the Reporting Period (times)	Attendance in person (times)	Attendance by way of telecommunication (times)	Entrusted presence (times)	Absence (times)	Non-attendance in person for two consecutive times or not	Attendance in shareholders' general meeting
Paul Xiaoming Lee	20	18	2	0	0	No	8
Li Xiaohua	20	19	1	0	0	No	8
Yan Ma	20	20	0	0	0	No	8
Alex Cheng	20	18	2	0	0	No	8

Xu Ming	14	14	0	0	0	No	6
Ma Weihua	2	2	0	0	0	No	1
Feng Jie	20	20	0	0	0	No	8
Lu Jiankai	20	0	20	0	0	No	8
Tang Changjiang	20	0	20	0	0	No	8
Zheng Haiying	20	0	20	0	0	No	8

Explanations for non-attendance in person for two consecutive times

N/A

### 3. Details on directors' objection to relevant events

Did directors object to relevant events of the Company

Yes  No

During the Reporting Period, no directors objected to relevant events of the Company.

### 4. Other details about the performance of directors

Was advice to the Company from directors adopted

Yes  No

Explanation on advice to the Company from directors being adopted or not adopted

During the Reporting Period, directors of the Company were diligent, conscientious, honest and self-disciplined, and faithfully performed the responsibilities as directors. The directors carefully listened to the report of the Company's relevant principals on project construction, development strategy, profit distribution plan, effectiveness of internal control, appointment of financial audit institutions, etc., and actively expressed opinions on the Board of Directors. The independent directors issued independent, fair and objective opinions and prior acknowledgement on issues of the Company during the Reporting year that need independent directors' opinions, actively and effectively performed the responsibilities of independent directors, improved the Company's supervision mechanism, and safeguarded the legitimate rights and interests of the Company and minority shareholders.

## VII. Details on Special Committees under the Board of Directors during the Reporting Period

Committee Name	Members	Number of Meetings Held	Date Convened	Meeting Content	Important Opinions and Suggestions Proposed	Other Duty Performance Information	Details on Objection to Matters (If Any)
Strategy Committee of the 4th Board of Directors	Paul Xiaoming Lee, Li Xiaohua, Feng Jie, Zheng Haiying, Tang Changjiang	10	January 7, 2021	Deliberated on the Proposal on Entry into the Agreement on the Investment in Projects of Changshou Economic and Technological Development Zone between Shanghai Energy and the Administrative Committee of Changshou Economic and Technological Development Zone	The Strategy Committee of the Board of Directors carried out its work in strict accordance with the Company Law, Code of Corporate Governance for Listed Companies in China, Articles of Association, and Rules of Procedure for the Strategy Committee of the Board of Directors, put forward relevant opinions according to the actual circumstances of the Company, and unanimously passed the proposal after thorough communication and discussion.		None
			January 30, 2021	Deliberated on the Proposal on Subsidiary Cooperating with Polypore and Proposal on Subsidiary Jiangxi Mingyang New Material Technology Co., Ltd Signing the Contract on Building the Dry-process Lithium Battery Separator Film Project and Its Supplementary Agreements with Gao'an Municipal People's Government, Jiangxi Province.	The Strategy Committee of the Board of Directors carried out its work in strict accordance with the Company Law, Code of Corporate Governance for Listed Companies in China, Articles of Association, and Rules of Procedure for the Strategy Committee of the Board of Directors, put forward relevant opinions according to the actual circumstances of the Company, and unanimously passed the proposals after thorough communication and discussion.		None
			March 28, 2021	Deliberated on the Proposal on Shanghai Energy's Wholly-Owned Subsidiary Chongqing Energy Implementing Investment in Projects of Changshou Economic and Technological Development Zone.	The Strategy Committee of the Board of Directors carried out its work in strict accordance with the Company Law, Code of Corporate Governance for Listed Companies in China, Articles of Association, and Rules of Procedure for the Strategy Committee of the Board of Directors, put forward relevant opinions according to the actual circumstances of the Company, and unanimously passed the proposal after thorough communication and discussion.		None
			June 17, 2021	Deliberated on the Proposal on Signing of the Investment Cooperation Agreement for "Energy Aluminum Laminated Film Project" between Shanghai Energy and the Administrative Committee of Jiangsu Jintan Economic Development Zone and Proposal on the Signing of the Investment Cooperation Agreement for the "Energy Separator Film Project" between Shanghai Energy and the Administrative Committee of Jiangsu Jintan Economic Development Zone.	The Strategy Committee of the Board of Directors carried out its work in strict accordance with the Company Law, Code of Corporate Governance for Listed Companies in China, Articles of Association, and Rules of Procedure for the Strategy Committee of the Board of Directors, put forward relevant opinions according to the actual circumstances of the Company, and unanimously passed the proposals after thorough communication and discussion.		None
			June 21, 2021	Deliberated on the Proposal on the Company Meeting the Conditions for Issuing Shares and Paying Cash to Purchase Assets and Raise Supporting Funds, Proposal on the Company Issuing Shares and Paying Cash to Purchase Assets and Raise Supporting Funds and Related Party Transactions, Proposal on the Plan for Yunnan Energy New Material Co., Ltd. to Issue Shares and Pay Cash to Purchase Assets and Raise Supporting Funds and Related Party Transactions and Its Summary, and Proposal on Signing the Framework Agreement for Yunnan Energy New Material Co., Ltd. to Issue Shares and Pay Cash to Purchase Assets with Entry-into-Force Conditions Attached.	The Strategy Committee of the Board of Directors carried out its work in strict accordance with the Company Law, Code of Corporate Governance for Listed Companies in China, Articles of Association, and Rules of Procedure for the Strategy Committee of the Board of Directors, put forward relevant opinions according to the actual circumstances of the Company, and unanimously passed the proposals after thorough communication and discussion.		None

			August 1, 2021	Deliberated on the Proposal on the Plan to Set Up a Joint Venture with EVE to Construct a Wet-Processing Lithium Battery Separator Film Project, and Proposal on the Plan to Sign the Framework Agreement on Acquisition of Suzhou RS Technology Co., Ltd. and JOT Automation Ltd with Family Members of Paul Xiaoming Lee, Victory Precision, and Its Subsidiary and Related Party Transactions.	The Strategy Committee of the Board of Directors carried out its work in strict accordance with the Company Law, Code of Corporate Governance for Listed Companies in China, Articles of Association, and Rules of Procedure for the Strategy Committee of the Board of Directors, put forward relevant opinions according to the actual circumstances of the Company, and unanimously passed the proposals after thorough communication and discussion.		None
			September 14, 2021	Deliberated on the Proposal on the Company Signing an Equity Transfer Agreement with Family Members of Paul Xiaoming Lee, Victory Precision, and Its Subsidiary and Related Transactions.	The Strategy Committee of the Board of Directors carried out its work in strict accordance with the Company Law, Code of Corporate Governance for Listed Companies in China, Articles of Association, and Rules of Procedure for the Strategy Committee of the Board of Directors, put forward relevant opinions according to the actual circumstances of the Company, and unanimously passed the proposal after thorough communication and discussion.		None
			November 9, 2021	Deliberated on the Proposal on Cooperating with CATL.	The Strategy Committee of the Board of Directors carried out its work in strict accordance with the Company Law, Code of Corporate Governance for Listed Companies in China, Articles of Association, and Rules of Procedure for the Strategy Committee of the Board of Directors, put forward relevant opinions according to the actual circumstances of the Company, and unanimously passed the proposal after thorough communication and discussion.		None
			November 20, 2021	Deliberated on the Proposal on the Company Fulfilling the Conditions for Non-public Offering of Shares, the Proposal on the Plan of the Non-public Offering of Shares by the Company, the Proposal on the Plan of the Non-public Offering of Shares by the Company in 2021, the Proposal on the Termination of Purchasing Assets by Issuance of Shares and Payment of Cash and Raising Supporting Funds and the Related Party Transactions.	The Strategy Committee of the Board of Directors carried out its work in strict accordance with the Company Law, Code of Corporate Governance for Listed Companies in China, Articles of Association, and Rules of Procedure for the Strategy Committee of the Board of Directors, put forward relevant opinions according to the actual circumstances of the Company, and unanimously passed the proposals after thorough communication and discussion.		None
			December 19, 2021	Deliberated on the Proposal on the Signing of the Investment Cooperation Agreement for Energy Liquid Package Project between Hongchuang Packaging and the Administrative Committee of Jintan Economic Development Zone in Jiangsu Province, and the Proposal on Making Additional Investment in the Hungarian Wet-process Lithium Battery Isolation Membrane Project.	The Strategy Committee of the Board of Directors carried out its work in strict accordance with the Company Law, Code of Corporate Governance for Listed Companies in China, Articles of Association, and Rules of Procedure for the Strategy Committee of the Board of Directors, put forward relevant opinions according to the actual circumstances of the Company, and unanimously passed the proposals after thorough communication and discussion.		None
Nomination Committee of the 4th Board of Directors	Lu Jiankai, Tang Changjiang, Feng Jie	1	November 3, 2021	Deliberate on the Proposal on the Addition of Candidates for Independent Non-Executive Directors of the Company, the Proposal on Appointment of the Vice General Manager and Secretary of the Board of the Company.	The Nomination Committee reviewed the qualifications of the candidates and unanimously passed the proposals.		None
Remuneration and Appraisal Committee of the 4th Board of Directors	Paul Xiaoming Lee, Tang Changjiang, Zheng Haiying	1	March 16, 2021	Deliberated on the Proposal on 2020 Remunerations for the Company's Directors, Proposal on 2020 Remunerations for the Company's Senior Management, and Proposal on Adjusting 2020 Remunerations for the Company's Directors and Senior Management.	The Remuneration and Appraisal Committee of the Board of Directors carried out its work in strict accordance with the Company Law, Code of Corporate Governance for Listed Companies in China, Articles of Association, and Rules of Procedure for the Remuneration and Appraisal Committee of the Board of Directors, and according to the actual circumstances of the Company, unanimously passed the proposals after thorough communication and discussion.		None

Audit Committee of the 4 <sup>th</sup> Board of Directors	Li Xiaohua, Lu Jiankai, Zheng Haiying	5	March 16, 2021	Deliberated on the Proposal on the Company's 2020 Annual Audit Report and Proposal on Continued Engagement of Dahua CPAs (SGP) as the Company's Financial Audit Institution and Internal Control Audit Institution for 2021.	The Audit Committee of the Board of Directors carried out its work in strict accordance with the Company Law, Code of Corporate Governance for Listed Companies in China, Articles of Association, and Rules of Procedure for the Audit Committee of the Board of Directors, put forward relevant opinions according to the actual circumstances of the Company, and unanimously passed the proposals after thorough communication and discussion.		None
			April 25, 2021	Deliberated on the Proposal on the Full Text and Body of the Company's 2021 Q1 Report and the Proposal on Changes in Accounting Policies.	The Audit Committee of the Board of Directors carried out its work in strict accordance with the Company Law, Code of Corporate Governance for Listed Companies in China, Articles of Association, and Rules of Procedure for the Audit Committee of the Board of Directors, put forward relevant opinions according to the actual circumstances of the Company, and unanimously passed the proposals after thorough communication and discussion.		None
			August 25, 2021	Deliberated on the Proposal on the Company's 2021 Semiannual Report and Its Summary.	The Audit Committee of the Board of Directors carried out its work in strict accordance with the Company Law, Code of Corporate Governance for Listed Companies in China, Articles of Association, and Rules of Procedure for the Audit Committee of the Board of Directors, put forward relevant opinions according to the actual circumstances of the Company, and unanimously passed the proposal after thorough communication and discussion.		None
			October 24, 2021	Deliberated on the Proposal on the Company's 2021 Q3 Report.	The Audit Committee of the Board of Directors carried out its work in strict accordance with the Company Law, Code of Corporate Governance for Listed Companies in China, Articles of Association, and Rules of Procedure for the Audit Committee of the Board of Directors, put forward relevant opinions according to the actual circumstances of the Company, and unanimously passed the proposal after thorough communication and discussion.		None
			December 29, 2021	Deliberated on the Proposal on Correcting the 2021 Q3 Report.	The Audit Committee of the Board of Directors carried out its work in strict accordance with the Company Law, Code of Corporate Governance for Listed Companies in China, Articles of Association, and Rules of Procedure for the Audit Committee of the Board of Directors, put forward relevant opinions according to the actual circumstances of the Company, and unanimously passed the proposal after thorough communication and discussion.		None

### VIII. Details on the Work of the Supervisory Committee

Were there any risks in the Company according to the supervision of the Supervisory Committee during the Reporting Period

Yes  No

The Supervisory Committee raised no objection to matters under supervision during the Reporting Period.

## IX. Employees of the Company

### 1. Number of employees, composition by profession, and educational level

Incumbent staff of parent company at the end of the Reporting Period (person)	224
Incumbent staff of major subsidiary at the end of the Reporting Period (person)	4,979
Total incumbent staff at the end of the Reporting Period (person)	5,954
Total staff receiving remunerations in current period (person)	8,679
Number of retirees whose expenses shall be borne by the parent company and major subsidiaries (person)	0
Composition by profession	
Category of profession	Number of profession (person)
Production staff	4,816
Sales people	103
Technician	409
Financial staff	87
Administrative staff	539
Total	5,954
Educational level	
Category of educational level	Number (person)
Doctor's degree and above	17
Master's degree	89
Bachelor's degree	602
Junior college	1,258
Technical secondary school and below	3,988
Total	5,954

### 2. Remuneration policy

During the Reporting Period, the Company observed the principles of distribution based on labor, efficiency priority combining fairness and sustainable development, and on this basis, the Company made detailed policies in respect of staff's remuneration, fringe benefit, performance evaluation and other aspects. The Company built a new salary architecture featuring a wide range and "hierarchical ladder", and implemented the two-level salary distribution mechanism. At the same time, the Company has linked the salary and bonus to the working time at the Company, output, cost, fixed staff of every position, equipment maintenance and other factors, and established a reasonable evaluation mechanism. The Company has taken multifaceted measures, including diversification of internal remuneration structure, to motivate employees and attract high-quality human resources. These measures have helped the Company improve the overall performance, realized a sustainable development of the Company and made the Company more competitive in the market. The Company has actively explored and continuously deepened the income distribution system. In future, the Company will make a moderate adjustment to the remuneration system based on its performance, market situation and industry trend.

### 3. Training plan

During the Reporting Period, the Company kept taking in excellent talents, actively strengthened internal personnel training, established a sound training system and enhanced the professional development ability of employees. The Company has recorded a total of 2,476 training events,

including 2,400 internal training sessions and 76 external training sessions, and recorded a total of 75,403 class hours. These trainings have benefited a total of 38,800 people. These trainings cover new employee training, job skill training, general management training, certification training and reserve talent training.

#### **4. Labor outsourcing**

Applicable  N/A

### **X. Profit Distribution and Conversion of Capital Reserve into Share Capital**

Formulation, execution or adjustments of profit distribution policy, especially cash dividend policy, in the Reporting Period

Applicable  N/A

(I) According to the Articles of Association, the Company's profit distribution policy is as follows:

1. The Company's profit distribution policy shall focus on the reasonable investment return to investors, take into account the sustainable development of the Company, reflect the strong awareness of rewarding shareholders, and maintain continuity and stability.

2. Form of profit distribution, proportion of cash dividends: The Company pays dividends in cash or by shares in a positive manner. Where the Company's audited net profit is positive with no significant investment plan or significant cash expenditure in a year, the Company shall include the cash distribution in its profit distribution scheme for that year. The annual cash dividend of the Company shall not be less than 20% of the distributable profit realized in the current year (excluding the undistributed profit at the beginning of the year). Where available, the Company may distribute interim cash dividends. If the Company's revenue grows rapidly and the Board of Directors considers that the stock price of the Company does not match the size of the Company's share capital, it may make a Plan for dividend distribution by stock while satisfying the above requirement for cash dividend distribution.

3. Interval for profit distribution: subject to the satisfaction of the cash dividend conditions stipulated in paragraph 4 below, the Company shall, in principle, pay cash dividends once a year, and the Board of Directors of the Company may propose interim cash dividends based on the profit status and capital demands of the Company.

The Board of Directors of the Company shall, taking into account the characteristics of the industry in which it operates, its development stage, its own business model, its profitability level, and any plan of its significant capital expenditure, distinguish the following circumstances and propose a differentiated cash dividend policy in accordance with the procedures set forth in the Articles of Association of the Company:

(1) If the Company is in a maturity stage and has no plan of significant expenditure, the proportion of cash dividends in the overall profit distribution shall account for at least 80%;

(2) If the Company is in a maturity stage and has any plan of significant expenditure, the proportion of cash dividends in the overall profit distribution shall account for at least 40%;

(3) If the Company is in a growth stage and has any plan of significant expenditure, the proportion of cash dividends in the overall profit distribution shall account for at least 20%;

If the Company is in an unidentifiable stage and has any plan of significant expenditure, the above paragraphs shall apply.

4. Conditions for distributing cash dividends

(1) The remaining distributable profit of the Company is positive after the profit achieved in the current year is used for making up for the losses of previous years and making provision for surplus reserves.

(2) The auditor of the Company issues a standard unqualified audit report on the financial statements of the Company in the current year.

(3) The Company has no significant investment plans or significant cash expenditure.

Significant investment plan or significant cash expenditure means that the accumulative expenditure of the Company for the proposed external investment, assets acquisition or equipment purchase within the next twelve months reaches or exceeds 30% of the Company's latest audited net assets and exceeds RMB300 million.

5. Conditions for distributing stock dividends: where the Company is well-run, with rapid growth of operating income and net profit, and the Board of Directors believes that the Company is in the growth stage, the level of the Company's net assets is high and the stock price does not match the size of the share capital, it may propose a Plan for stock dividend distribution, subject to the consideration and approval at the general meeting of shareholders of the Company. Stock dividend may be distributed separately or in conjunction with cash dividend.

(II) The Company will disclose the profit distribution Plan in a timely manner in strict accordance with the relevant provisions of the China Securities Regulatory Commission and Shenzhen Stock Exchange, and disclose the profit distribution Plan and the implementation of the profit distribution Plan in the periodic report accordingly.

(III) During the Reporting Period, the Company implemented the 2020 equity distribution in compliance with the relevant provisions of the Articles of Association, in full consideration of the reasonable demands of investors and with full protection of the legitimate rights and interests of small and medium-sized investors. On March 18, 2021, the Company held the 24th meeting of the 4th Board of Directors to deliberate and approve

the Proposal on 2020 Profit Distribution Plan. The independent directors expressed their independent opinions to agree upon the Plan. The 2020 general meeting of the Company was held on April 8, 2021 where the Plan was deliberated and approved for implementation. For details, please refer to the Announcement on 2020 Profit Distribution Plan published on the Juchao Information Network (www.cninfo.com.cn) (announcement No.: 2021-032).

Special explanation on cash dividend distribution policy	
Whether or not the policy is in compliance with the provisions of the Articles of Association or requirements of the resolutions of the general meeting of shareholders of the Company:	Yes
Whether or not the standard and proportion of dividends are clear and defined:	Yes
Whether or not the relevant decision-making process and mechanism are complete:	Yes
Whether or not the independent directors fully perform their duties and play their roles:	Yes
Whether or not minority shareholders have the opportunity to voice their opinions and demands, and whether or not their legitimate rights and interests are fully protected:	Yes
If the cash dividend policy is adjusted or amended, whether or not the conditions and procedures are compliant and transparent:	Yes

1. The Company made a profit in the Reporting Period and the profit distributable to the shareholders of the parent Company was positive, but it did not put forward a plan for cash dividend distribution to shareholders

Applicable  N/A

Profit distribution and conversion of capital reserve into share capital during the Reporting Period

Applicable  N/A

Number of bonus shares distributed per 10 shares held	0
Number of dividends per 10 shares (RMB) (Inclusive of tax)	3.03
Equity base for the distribution scheme (shares)	890,821,385
Cash dividend amount (RMB) (tax inclusive)	270,000,000.00
Cash dividend amount by other means (such as share repurchase) (RMB)	204,444,302.78
Total cash dividends (including that distributed otherwise) (RMB)	474,444,302.78
Distributable Profit (RMB)	280,520,062.19
Proportion of total cash dividends (including those distributed by other others) in total profit distribution	100.00%
Cash dividend for this time	
If the development stage of the Company is in the growth stage and there are major capital expenditure arrangements, when making profit distribution, the proportion of cash dividends in the profit distribution shall be at least 20%.	
Particulars of profit distribution and conversion of capital reserves into share capital	
<p>A cash dividend of RMB 3.03 (tax inclusive) will be distributed for every 10 shares to all the shareholders, taking 890,821,385 shares, the balance of the total share capital of the Company as of December 31, 2021 deducting the shares in securities account for share repurchase of the Company, as the base, without converting the capital reserve into share capital. In total, a cash dividend of RMB 270,000,000.00 will be distributed, and no bonus shares will be distributed. As of December 31, 2021, the total share capital of the Company was 892,406,822 shares, including 1,585,437 shares in the securities account for share repurchase.</p> <p>According to the Self-regulatory Guidelines for Listed Companies No. 9 of Shenzhen Stock Exchange - Share Repurchase, the share repurchase amount of RMB 204,444,302.78 (excluding commission, transfer fee and other trading fees) paid by the Company in 2021 was deemed as cash dividend amount.</p> <p>If the total share capital of the Company is changed in the period from the disclosure of the distribution scheme to the implementation of distribution scheme due to new share listing, equity incentive vesting, conversion of convertible bonds to equity, share repurchase and other matters, the distribution proportion shall be adjusted correspondingly based on the principle that the total distribution amount remains unchanged.</p>	

## XI. Implementation of any Equity Incentive Scheme, Employee Stock Ownership Scheme or Other Incentive Measures for Employees

Applicable  N/A

During the Reporting Period, there was no equity incentive scheme, employee stock ownership scheme or other incentive measures for employees, or their implementation.

## XII. Internal Control System Construction and Implementation during the Reporting Period

### 1. Internal control construction and implementation

During the Reporting Period, the Company, in accordance with the Basic Norms for Enterprises' Internal Control and related guidelines, updated and perfected its internal control system in due time, and established an internal control system featuring scientific design, simplicity, applicability, and effective running. The Audit Committee of the Board of Directors and internal audit department jointly formed the Company's risk management and internal control organization system to supervise and evaluate the internal control management of the Company. Through the operation, analysis and evaluation of the internal control system, the Company effectively prevented risks in operational management and promoted the realization of internal control objectives.

### 2. Details on material weakness in the Company's internal control during the Reporting Period

Yes  No

## XIII. Company's Management and Control of Subsidiaries during the Reporting Period

Newmi Tech was included in the consolidated statement of the Company in December 2020. During the reporting period, the Company comprehensively integrated Newmi Tech from the aspects of supply chain, production equipment transformation, technology and process, production and operation efficiency, and achieved remarkable integration effect. Newmi Tech made a turnaround during the reporting period.

According to the Company Law, Articles of Association and other relevant laws, regulations and rules, the Company will continue to manage and supervise the standardized operation, information disclosure, financial capital, operation and other matters of its subsidiaries, and timely track the financial status of its subsidiaries and other important matters, in order to ensure the legal compliance of operation and management, asset safety, and the accuracy and completeness of the financial reports and related information, and further improve the operation and management and risk management capabilities of subsidiaries.

## XIV. Internal Control Self-Assessment Report or Internal Control Audit Report

### 1. Self-assessment report on internal control

Disclosure date of the assessment report on internal control	April 12, 2022	
Disclosure index of the assessment report on internal control	2021 Assessment Report on Internal Control disclosed on <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> on April 12, 2022	
Ratio of total assets of the unit included in the assessment scope to the total assets on the Company's consolidated financial statements		100.00%
Ratio of operating income of the unit included in the assessment scope to the operating income on the Company's consolidated financial statements		100.00%
Defect identification criteria		
Type	Financial report	Non-financial report
Qualitative criteria	General defects: There is little possibility that a failure to take any action will result in potential misstatement, economic loss or unachieved business objectives. Material defects: There is some possibility that a failure to take any action will result in potential	General defects: There is little possibility that a failure to take any action will result in potential misstatement, economic loss or unachieved business objectives. Material defects: There is some possibility that a failure to take any action will result in potential

	misstatement, economic loss or unachieved business objectives. Major defects: There is the possibility that a failure to take any action will result in potential misstatement, economic loss or unachieved business objectives.	misstatement, economic loss or unachieved business objectives. Major defects: There is the possibility that a failure to take any action will result in potential misstatement, economic loss or unachieved business objectives.
Quantitative criteria	General defects: < 0.25% of Total Assets, < 0.5% of Operating Income; material defects: ≥ 0.25% of Total Assets and < 1% of Total Assets, ≥ 0.5% of Operating Income and < 1.5% of Operating Income; major defects: ≥ 1% of Total Assets, ≥ 1.5% of Operating Income.	General defects: < 0.25% of Total Assets, < 0.5% of Operating Income; material defects: ≥ 0.25% of Total Assets and < 1% of Total Assets, ≥ 0.5% of Operating Income and < 1.5% of Operating Income; major defects: ≥ 1% of Total Assets, ≥ 1.5% of Operating Income.
Number of major defects in the financial report		0
Number of major defects in the non-financial report		0
Number of material defects in the financial report		0
Number of material defects in the non-financial report		0

## 2. Audit report on internal control

Applicable  N/A

Audit opinion in the audit report on internal control	
According to the identification of major defects in the internal control of the Company's financial report, there were no major defects in the internal control of the financial report as of the base date of the internal control assessment report. The Board of Directors believed that the Company maintained effective internal control over financial reporting in all major aspects in accordance with the requirements of the enterprise internal control standard system and related regulations. According to the identification of major defects in the internal control of the Company's non-financial report, there were no major defects in the internal control of the non-financial report as of the base date of the internal control assessment report. From the base date of the internal control assessment report to the issue date of the internal control assessment report, no factors affecting the assessment conclusion of the effectiveness of internal control occurred.	
Disclosure date of the audit report on internal control	April 12, 2022
Disclosure index of the audit report on internal control	The Authentication Report on Internal Control of Yunnan Energy New Material Co., Ltd. (Da Hua Nei Zi [2022] No. 004077) disclosed by the Company on <a href="http://www.cninfo.com.cn/">http://www.cninfo.com.cn/</a> on April 12, 2022
Type of opinion in the audit report on internal control	Standard unqualified opinion
Whether there was any major defect in the non-financial report	No

Did the accounting firm issue a qualified audit report on internal control

Yes  No

Was the audit report on internal control issued by the accounting firm consistent with the self-assessment report from the Board of Directors

Yes  No

## XV. Rectification of Problems Found in Self-Inspection of the Special Operation on Improving Corporate Governance of Listed Companies

According to the requirements of the Opinions on Further Improving the Quality of Listed Companies (Guo Fa (2020) No. 14) issued by the State Council, the Announcement of Special Action on the Governance of Listed Companies of China Securities Regulatory Commission ((2020) No. 69) and the Notice of Yunnan Securities Regulatory Bureau on Special Action of Listed Company Governance (Yun Zheng Jian Han (2021) No. 27) issued by Yunnan Securities Regulatory Bureau of China Securities Regulatory Commission, as well as other requirements and the relevant laws, regulations and rules, the Company carried out strict self-examination of corporate governance, internal control, information disclosure, code of conduct of stakeholders and controlling shareholders, actual controller, directors, supervisors, senior managers and other "key minority" from 2018 to 2020, and checked the fund occupation, illegal guarantee and other aspects. Based on the self-examination, the Company does not have any major violations affecting corporate governance, and it has established a complete and standardized corporate governance structure and internal control system in accordance with the Company Law, Securities Law, Listed Company Governance Standards and other relevant laws, regulations and normative documents. However, with the development of the Company and changes in the internal and external environment, the Company still needs to constantly strengthen standardized operation and internal governance, constantly improve the level of corporate governance and business management, and continuously improve the internal control system. The Company still needs to continuously strengthen the study and training of

controlling shareholders, directors, supervisors and senior managers in the relevant laws and regulations, and improve their standardization and self-discipline, so as to continuously and practically improve the standard operation level of the Company and the effectiveness of corporate governance, and promote the healthy and steady development of the Company.

## Section 5 Environment and Social Responsibility

## I. Major Environmental Protection Issues

Whether the listed company and its subsidiaries fell into major pollutant-discharge units published by the environmental protection authorities.

√ Yes □ No

Name of the Company or Subsidiary	Name of the Major Pollutants and Specific Pollutants	Discharge Method	Number of Discharge Outlets	Distribution of Discharge Outlets	Concentration of the Discharge	Pollutant Discharge Standards Implemented	Total Discharge (tons)	Total Discharge Approved (tons/year)	Excess Discharge
Shanghai Energy	NO <sub>x</sub>	Organized	8	Boiler room	50mg/m <sup>3</sup>	Comprehensive Emission Standard for Air Pollutant DB31/933-2015	8.47025	8.495300	None
	Particulate matter		8		10mg/m <sup>3</sup>		0.12000	0.127700	None
	SO <sub>2</sub>		8		20mg/m <sup>3</sup>		0.440000	0.443700	None
	Isopropanol		3	80mg/m <sup>3</sup>	--		No requirement	None	
	Dichloromethane		7	20mg/m <sup>3</sup>	--		None	None	
	NMHC		8	The whole plant	70mg/m <sup>3</sup>		Pollution Discharge Standard for Synthetic Resin Industry GB31572-2015	3.42 tons	4.218100 tons/year
Wuxi Energy	Dichloromethane	Organized	2	Recycling area in the plant	0.123mg/Nm <sup>3</sup>	Comprehensive Emission Standard for Air Pollutant DB31/933-2015	2.6678	49.845	None
	NO <sub>x</sub>	Organized	3	Workshop roof	8.1mg/Nm <sup>3</sup>		2.123406	5.88	None
	SO <sub>2</sub>	Organized	3		0mg/Nm <sup>3</sup>		0.235	3.36	None
	Particulate matter	Organized	3		2.65mg/Nm <sup>3</sup>		1.581096	2.5372	None
Suzhou Green Power	Spent bleaching clay	Transferred by qualified third party disposal unit				National Catalogue of Hazardous Wastes (2021 Edition)	123.6	200	None
	Sludge						40.76	100	None
	Spent activated carbon particle						116.3	150	None
	Spent paraffin oil						9.61	436	None

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Newmi Tech	Used mineral oil	Transfere				National	--	No	None
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Spent activated carbon					--	None
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#### Construction and Operation of Pollution Control Facilities

With great importance to the economical use of natural resources, the Company strictly complies with the laws and regulations on the prevention and control of environmental pollution, including the *Environmental Protection Law of the People's Republic of China*, *Law of the People's Republic of China on Environmental Impact Assessment*, *Water Law of the People's Republic of China*, *Law of the People's Republic of China on Energy Conservation*, the *Atmospheric Pollution Prevention and Control Law of the People's Republic of China*, *Water Pollution Prevention and Control Law of the People's Republic of China*, and *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes*, to build a resource-saving and environmentally-friendly enterprise, and strive to achieve the coordinated sustainable development of people, resources, and the environment. During the Reporting Period, Shanghai Energy and Wuxi Energy were listed as key pollutant discharge units for atmospheric environment by the administrative department of ecological environment, and Suzhou Green Power and Newmi Tech were listed as key pollutant discharge units for soil environment by the administrative department of ecological environment. These key pollutant discharge units rigorously implemented the national and local pollutant discharge standards, with all waste gases emitted with compliance, all solid wastes utilized comprehensively and disposed safely, and all hazardous wastes handed over to qualified entities for disposal and use. The Company formulated the *Responsibility System for the Prevention and Control of Environment Pollution Caused by Solid Waste* and the *Provisions on the Management of Solid Waste, Exhaust Gas, Wastewater and Noise*. In accordance with the standards of local environmental protection authorities, each company carried out internal spot inspection and supervision on the discharge of exhaust gas, wastewater, and waste, while accepting external inspections from time to time to ensure the discharge meets the standards.

##### 1. Exhaust emissions

The exhaust emissions generated by the Company mainly include greenhouse gas emissions, VOCs (volatile organic compounds) emissions, and ozone emissions. Specifically, VOCs, primarily generated from workshop exhaust gas, is discharged after being treated by exhaust gas recovery equipment and low-nitrogen burners to meet the standards, and the Company keeps investing in exhaust gas recovery equipment to reduce emissions. At the meantime, the Company set up monitoring instruments in the workshop to alert employees to evacuate once the emission level exceeds the preset concentration. The VOCs online monitoring system has been running in Wuxi Energy, supervising the emission concentration in real time.

##### 2. Wastewater discharge

Domestic sewage treatment equipment is placed in all factories of subsidiaries of the Company. For example, the factory of Shanghai Energy is equipped with a sewage treatment station, which discharges wastewater to the municipal pipe network after primary and secondary sedimentation and filtration treatment. The Company conducts strict and effective internal supervision on the compliance of wastewater discharge. Manual inspections are carried out by the research institute on a daily basis, and third parties are hired to conduct inspections and issue reports every month. The Company run spot inspections every quarter.

##### 3. Waste discharge

During its production and research and development, the Company generates certain types and quantities of hazardous waste and non-hazardous waste. Specifically, all hazardous waste is handed over to qualified third parties for disposal after being taken away from the factory. The Company carefully confirm their qualifications when signing contracts with third-party treatment agencies. Hazardous waste is stored in separate warehouses and disposed two to three times a year. Among the non-hazardous waste, paper and plastic bottles are recycled through the recycling bins placed in the Company, and domestic waste is handed over to and disposed by the disposal agencies recognized by the environmental protection authorities.

##### Assessment of the environmental impact of construction projects and other administrative licenses of environmental protection

For all construction projects, the Company carries out environmental impact assessment and acceptance in strict accordance with the regulations on environmental impact assessment, and obtain the approval of environmental impact assessment as well as the completion and environmental protection acceptance opinion issued by the environmental protection authorities. The Company and its subsidiaries hold the *Pollution Discharge Permit* in accordance with the laws and regulations, with complete environmental protection qualification procedures.

##### Environmental emergency response plan

In accordance with the *Environmental Protection Law of the People's Republic of China*, *Administrative Measures for Environmental Emergency Response Plan*, and *National Environmental Emergency Response Plan*, the Company prepared the *Environmental Emergency Response Plan* and submitted it to the competent authorities for filing. The Company and its subsidiaries deploy persons in charge of emergency management and regularly organize comprehensive emergency drills, with complete contingency rescue resources.

##### Environmental self-monitoring plan

The Company and its subsidiaries developed self-monitoring plans in accordance with the laws and regulations, installed automatic testing facilities in strict accordance with the plans, and regularly conduct or entrust qualified third parties to organize self-monitoring of pollutants such as the discharged exhaust gas, wastewater, and noise.

Administrative penalties imposed for environmental issues during the Reporting Period: None.

Other environmental information to be disclosed

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

√Applicable □ Not applicable

The Company is committed to developing green products with low carbon and environmental protection, and integrates the concept of low carbon and environmental protection into the process of product development, design and production.

In terms of new energy products, the Recycling and Energy Saving Research Institute is mainly responsible for the recycling and improvement of white oil, dichloromethane, DMAC, acetone and white soil used in the production process of lithium battery diaphragm, as well as the research on the recovery and treatment of waste water and waste gas. By designing effective solutions and using advanced separation and recovery equipment, we ensured the recovery of white oil, dichloromethane, DMAC, acetone and white soil, and improved the recovery rate of waste water and waste gas, making contribution to the energy conservation and consumption reduction and the environmental protection during the product R&D and design.

In terms of BOPP film products, to improve the rate of finished products, reduce waste film generation, and reduce environmental pollution, Chengdu Hongta Plastic adopted various measures, such as enhancing the incentive for offcuts absorption, increasing the reward for the team with maximum offcuts absorption, and improving the enthusiasm of the staff to absorb the offcuts, the film making workshop carrying out production in strict accordance with the “film making task list” and the effective width of jumbo roll, the technical quality department shall strictly controlling the sampling quantity of the jumbo roll according to the testing requirements, prohibiting excessive sampling and reducing cutting waste, in order to reduce the waste during the production.

In terms of packaging products, we have in-depth cooperation with leading enterprises in the industry to promote the green and recyclable development of the industrial chain. During the reporting period, Hongchuang Packaging signed strategic cooperation agreements with Grass Green and New Hope Dairy, to explore the use of alternative biodegradable materials and more renewable energy, improve packaging to reduce food residues and reduce packaging recycling and cleaning costs, and research on packaging lightweight, and make constant innovation in the environmental protection, personalization and preservation capacity of the food packaging materials.

Other information related to environmental protection

Putting resource conservation in a key position in its development strategy and operation method, the Company strengthened the management system of energy consumption and optimized the conservation measures to continuously monitor and improve the utilization efficiency of our energy and resources. Electricity and natural gas are the primarily used energy in the Company's production process. Specific targets are set for the consumption of electricity and natural gas, and each production machine is equipped with a water meter, an electricity meter, and a natural gas meter. With an order-based production, the Company reduces density of energy consumption by implementing scientific scheduling and time optimization, and improving equipment production efficiency. In production, water resources are mainly consumed in the heat exchange inside the equipment, which can be recycled directly without special treatment. Over the years, the Company has implemented management by objectives for energy consumption. At the end of each year, energy consumption objectives for the follow year will be formulated based on the actual consumption of the year, the forecast of the production in the next year, as well as the known plans for transformation of production equipment (e.g., boilers, refrigerators, and fiber-adsorbed dichloromethane recycling and transformation), the establishment of distributed power stations (i.e. self-power generation), and the use of equipment with lower energy consumption. In the future, the Company will try to establish medium and long-term management by objectives to further promote energy conservation and consumption reduction.

In the meantime, the Company made efforts in technological innovations to reduce the discharge of hazardous waste, using alcohol-based inks to replace lipid-based inks and planning to further replace lipid-based inks with water-based inks in feasible usage scenarios. The Company has invested a rotary regenerative combustion furnace as a gas recovery device in the factory in Jiangxi. By recycling the organic solvent gas emitted by the production equipment and conducting combustion oxidation treatment, the heat generated is returned to the production equipment for use, with the VOCs treatment efficiency more than 99.5%, reducing emissions and energy consumption. Strictly following the regulations on waste classification and disposal, each factory of the Company separates and empties the kitchen waste generated in the canteen. Meanwhile, waste classification instructions are posted on workplace bulletin boards to help employees comprehend the waste classification method.

## II. Social Responsibility

For details, please refer to the *2021 Environmental, Social and Governance Report* (ESG report) disclosed by the Company on April 12, 2022 at [www.cninfo.com.cn](http://www.cninfo.com.cn).

## III. Specifics of Consolidating and Extending the Achievements of Poverty Alleviation and Rural Revitalization

No actions were carried out during the Reporting Period.

## Section 6 Significant Events

### I. Performance of commitments

#### 1. Commitments of the Company's actual controller, shareholders, related parties and acquirer, as well as the Company and other commitment makers performed in the Reporting Period or ongoing at the end of the Reporting Period

√ Applicable □ N/A

Commitment	Commitment made by	Type of commitment	Details of commitment	Time of commitment	Term of commitment	Performance of commitment
Commitments made during asset restructuring	Energy Technology and all directors, supervisors and senior management	Commitment to submit true, accurate and complete information	1. There are no false records, misleading statements or major omissions in the information disclosed and application documents submitted by Energy Technology, and those making the commitments shall be jointly and severally liable for the authenticity, accuracy and integrity of such documents 2. If the information provided or disclosed for this major assets restructuring contains false records, misleading statements or major omissions, and is put on file by the judicial organ for investigation or by the CSRC for investigation, before the conclusion of the investigation is made, those making the commitments will not transfer the shares with interests in Energy Technology, and will submit the application for suspending the transfer and share accounts to the Board of Directors of the Energy Technology within two trading days after receiving the notice of the investigation, and the Board of Directors shall apply for lockup to the stock exchange and the registration and clearing company on behalf of those making the commitments; if the Board of Directors fails to submit the lockup application within two trading days, it will authorize the Board of Directors to directly submit the identity and account information of those making the commitments to the stock exchange and the registration and clearing company after verification and apply for lockup; if the Board of Directors fails to submit the identity and account information of those making the commitments to the stock exchange and the registration and clearing company, those making the commitments will authorize the stock exchange and the registration and clearing company to directly lock up the related shares. If the investigation found that there is any violation of laws or regulations, those making the commitments promise to use voluntarily the shares locked up to compensate the related investors.	June 13, 2017	Long term	Strictly performed
	The Company	Commitment on legal compliance	1. The Company and its controlling shareholder and actual controller have not been investigated by judicial authorities for suspected crimes or investigated by the CSRC for suspected violations of laws and regulations in recent 3 years; 2. the Company and its controlling shareholders and actual controllers have not been publicly censured by the stock exchange and have no other major acts of dishonesty in the past 12 months; 3. The Company and its incumbent directors and senior management have not been investigated by judicial authorities for suspected crimes or investigated by the CSRC for suspected violations of laws and regulations.	June 13, 2017	Long term	Strictly performed
	Directors and senior management of	Commitment on dilution of current return	1. I hereby commit neither to tunnel to other units or individuals without compensation or under unfair conditions, nor to damage the Company's interests in other ways; 2. I hereby commit to restrict my position-related consumption activities; 3. I hereby commit not to use the Company's assets for investment and consumption activities not related to execution of my	May 25, 2017	Long term	Strictly performed

Energy Technology	and remedial measures	duties; 4. I hereby commit to link the remuneration system formulated by the Board of Directors or the Remuneration Committee or Assessment Committee of the Company with the execution of the return recovery measures; 5. I hereby commit to link the vesting conditions with the implementation of the return recovery measures if the Company will implement any share incentive scheme in the future; 6. Since the date of this commitment up to completion of this major asset restructuring, if the CSRC imposes other new regulatory requirements in relation to the return recovery measures and its commitments and such commitments cannot meet such rules of the CSRC, I commit to issue supplemental undertakings in accordance with the latest requirements of the CSRC.			med
Counterparty	Commitment to submit true, accurate and complete information	The counterparty will timely provide Energy Technology with information related to restructuring, and guarantee the authenticity, accuracy and completeness of the information provided. In case of any false record, misleading statement or major omission of the information provided, resulting in any loss to Energy Technology or investors, it shall be liable for compensation according to law. In case of any false record, misleading statement or major omission in the information provided or disclosed in this material assets restructuring, which is put on file by the judicial organ for investigation or by the CSRC for investigation, the counterparty will suspend the transfer of the shares with interests in Energy Technology until the case investigation conclusion is clear.	June 13, 2017	Long term	Strictly performed
Counterparties	Commitment on legal compliance	1. Gao Xiang was the CFO of Shanghai Lvxin Packaging Materials Co., Ltd. (Shunhao). Due to Shunhao's failure to disclose related transactions with related natural persons according to law, in violation of the relevant provisions on information disclosure in the Securities Law and the Administrative Measures for Information Disclosure of Listed Companies, on July 27, 2016, Shanghai Securities Regulatory Bureau issued a warning to Shunhao and related parties, including Gao Xiang, and imposed an administrative penalty of RMB30,000 yuan on Gao Xiang; on January 5, 2017, Shenzhen Stock Exchange made the Decision on Criticism to Shanghai Shunhao New Materials Technology Co., Ltd. and Related Parties through Circulating Notices, and circulated notification of criticism to Shunhao and related parties, including Gao Xiang. In addition, other counterparties have not been subject to administrative or criminal penalties related to the securities market in the past five years, and have not involved in major civil litigation or arbitration related to economic disputes. 2. Counterparties are eligible to purchase shares not publicly offered by Energy Technology, and are not under any circumstances where they are not allowed to purchase shares not publicly offered by Energy Technology as stipulated by laws, regulations, rules or normative documents. 3. Over the last five years, the counterparties have not failed to repay a large amount of debts as scheduled, failed to fulfill its declaration, been subject to administrative measures by the CSRC or disciplined by the stock exchange and there are no ongoing or threatened administrative or judicial proceedings for investigation against my material violation of laws or regulations.	June 13, 2017	Long term	Strictly performed
Counterparties	Commitment on stock lockup period	1. Paul Xiaoming Lee, Li Xiaohua, Wang Yuhua (dead), Sherry Lee and Shanghai Hengzou hereby commit that if their compensation obligations (if any) under the Profit Forecast and Compensation Agreement have been performed at the end of 36 months since the date of listing of their consideration shares, their consideration shares can be unlocked. Within 6 months after the completion of this major asset restructuring, if the closing price of Energy Technology shares is lower than the issuing price for 20 consecutive trading days, or the closing price is lower than the issuing price at the end of 6 months after the completion of the transaction, the lockup period of the consideration shares held by Paul Xiaoming Lee, Li Xiaohua, Wang Yuhua, Sherry Lee and Shanghai Hengzou will be automatically extended for at least 6 months. 2. As of the date when the consideration shares are registered in the name of the counterparties, except Paul Xiaoming Lee, Li Xiaohua, Wang Yuhua (dead), Sherry Lee and Shanghai Hengzou, if the shares of Shanghai Energy used by other counterparties to subscribe for Energy Technology have been continuously owned for less than 12 months from the date of registration in their names, the consideration shares obtained through this major asset reconstruction shall not be listed for trading or transferred within 36 months from the date of registration of the shares in their names. Except the consideration shares mentioned above, the remaining consideration shares obtained by other counterparties through this major asset restructuring shall not be listed for trading or transferred within 12 months from the date of registration of the shares in their names; in order to ensure the performance of the performance commitment obligations in the Profit Forecast and Compensation Agreement, other counterparties (except Paul Xiaoming Lee, Li Xiaohua, Wang Yuhua (dead), Sherry Lee, Shanghai Hengzou and Future Industry Investment Fund mentioned above) commit that at least 25% of the consideration shares held by each of them shall	June 13, 2017	From August 15, 2018 to August 14, 2021 for performances by Paul Xiaoming Lee, Li Xiaohua, Wang Yuhua (dead), Sherry Lee and Shanghai Hengzou; the performance period for 75% of the shares of Energy Technology acquired through the major asset restructuring held by other counterparties and Future Industry Investment Fund, which shall bear their own profit forecast and compensation obligations and account for 1.0563% equity of Shanghai Energy, is from August 15, 2018 to August 14, 2019, and the performance period for the	Performed

			not be listed for trading or transferred to external parties within 36 months from the date of registration of the relevant shares of Energy Technology in their names until their compensation obligations under the Profit Forecast and Compensation Agreement, if any, have been fully discharged before they can be listed for trading or transferred to external parties; Future Industry Investment Fund commits that at least 25% of the shares of Energy Technology acquired through the major assets restructuring with the 1.0563% equity interest in Shanghai Energy held by it and subject to its own profit forecast compensation obligations shall not be listed for trading or transferred to external parties within 36 months from the date of registration of the relevant shares of Energy Technology in its name, until the compensation obligations of Future Industry Investment Fund under the Profit Forecast and Compensation Agreement, if any, have been fully performed. 3. After the completion of the implementation of the major assets restructuring, the additional shares of Energy Technology held by the counterparties as a result of bonus shares and conversion of share capital of Energy Technology shall also be subject to the above commitments. 4. Upon the expiration of the lockup period, the transfer and trading of the shares of Energy Technology acquired by the counterparties through the major assets restructuring shall be conducted in accordance with the laws and regulations and the rules of the Shenzhen Stock Exchange in force at the time.		remaining 25% is from August 15, 2018 to August 14, 2021; the performance period for the shares of Energy Technology acquired through the major asset restructuring held by the Future Industry Investment Fund, which shall not bear their own profit forecast and compensation obligations, is from August 15, 2018 to August 15, 2019.	
Counterparties	Commitment on integrity of asset ownership	1. Shares of Shanghai Energy held by counterparties according to law. The counterparty has performed its contribution obligation to Shanghai Energy in accordance with the law, and there is no false contribution, delayed contribution, withdrawal of capital and other acts in violation of its obligations and responsibilities as a shareholder, and there is no situation that may affect the legal survival of Shanghai Energy. 2. The equity of Shanghai Energy held by the counterparty is actually legally owned. There is no ownership dispute, there is no trust, entrusted shareholding or similar arrangement, and there is no pledge, freezing, sealing, property preservation or other rights restrictions on the equity of Shanghai Energy held by the counterparty.	June 13, 2017	Long term	Strictly performed	
Counterparties	Commitment on no insider trading	I/the enterprise and its main management do not leak any insider information of Energy Technology or leverage insider information to conduct insider trading. If the above commitments are violated, all losses caused to the listed company will be borne.	June 13, 2017	Long term	Strictly performed	
Heyi .Paul Xiaoming Lee family	Commitment to regulate related transactions	After the completion of the major asset restructuring, the enterprises that are controlled by those making the commitments will avoid and reduce the related transactions with Energy Technology as far as possible. For those related transactions that cannot be avoided or have reasonable reasons, the enterprises that are controlled by those making the commitments will sign agreements with Energy Technology and perform legal procedures in accordance with the principles of justice, fairness and compensation for equal value, and shall, in accordance with the provisions of relevant laws, regulations, other normative documents and the Articles of Association of Yunnan Energy New Material Co., Ltd., perform relevant internal decision-making approval procedures in accordance with the law and timely perform information disclosure obligations, guarantee not to trade with Energy Technology under unfair conditions compared with the market, guarantee not to illegally transfer the funds and profits of Energy Technology by using related party transactions, and do not use such transactions to engage in any behavior that damages the legitimate rights and interests of Energy Technology and other shareholders. If a breach of the above commitment results in damage to the interests of Energy Technology, those making the commitments will compensate the Energy Technology for the losses caused by the above acts to Energy Technology.	June 13, 2017	Long term	Strictly performed	
Heyi Investment, Paul Xiaoming Lee family	Commitment to avoid horizontal competition	1. At present, those making the commitments are not directly or indirectly engaged in the same or similar business with the existing business of Energy Technology or Shanghai Energy through other operating entities directly or indirectly controlled by it or in the name of natural person, and do not hold any position or act as any kind of consultant in any operating entity with the main business same as or similar to that in Energy Technology or Shanghai Energy, or engage in any other competition with Energy Technology or Shanghai Energy. 2. The commitment maker guarantees that after the completion of this major asset restructuring, it will not carry out or operate the same or similar business with the main business of Energy Technology or Shanghai Energy in its own way, directly or indirectly through other business entities under its direct or indirect control; do not hold any position or act as any kind of consultant in any operating entity with the same or similar business with Energy Technology or Shanghai Energy; do not provide technical services for existing customers of Energy	June 13, 2017	Long term	Strictly performed	

		Technology or Shanghai Energy in the name of other than Energy Technology or Shanghai Energy; avoid any horizontal competition. 3. If any loss is caused to Energy Technology or Shanghai Energy due to the commitment maker's breach of the above commitments, the operating profit obtained shall be owned by Energy Technology and all losses suffered by Energy Technology or Shanghai Energy shall be compensated.			
Heyi Investment, Paul Xiaoming Lee family	Commitment on ensuring the independence of the listed company	Before this major asset restructuring, Energy Technology has been completely separated from other enterprises controlled by the commitment maker in terms of business, assets, institutions, personnel and finance. Energy Technology's business, assets, institutions, personnel and finance are independent. After the completion of this major asset restructuring, the commitment maker undertakes not to use the identity of the controlling shareholder or actual controller of Energy Technology to affect the independence of Energy Technology, and to ensure the independence of Energy Technology in business, assets, institutions, personnel and finance as far as possible.	June 13, 2017	Long term	Strictly performed
Paul Xiaoming Lee family	Commitment on the existence of previous administrative penalty	There were administrative punishments in fire control and water affairs in Shanghai Energy. As of the date of this letter of commitment, Shanghai Energy and its subsidiaries do not have any administrative penalty that has not been implemented or rectified. In November 2015, Shanghai Pudong New Area Administration of Work Safety ordered Shanghai Energy to rectify the three dichloromethane storage tanks within a time limit. Shanghai Energy has completed the rectification, but has not completed the safety acceptance after the rectification. If the relevant competent departments in the local place where Shanghai Energy and its subordinate companies are located in have made administrative punishment to Shanghai Energy and its subordinate companies for fire control, water service or the three dichloromethane tanks at any time, the commitment maker promises to make cash compensation for all economic losses suffered by Shanghai Energy or its subsidiaries within 30 days after the actual punishment or loss amount is determined, so as to ensure that it will not have a material impact on the production, operation and financial situation of Shanghai Energy and its subsidiaries. Joint and several liability shall be borne by those making the commitments.	May 25, 2017	Long term	Strictly performed
Paul Xiaoming Lee family	Commitment on no other related transactions	Those making the commitments undertake that there are no other related parties and related transactions in Shanghai Energy except for the related transactions that have been publicly disclosed in the restructuring report, legal opinion and audit report.	May 25, 2017	Long term	Strictly performed
All partners of Shanghai Hengzou	Letter of commitment on stock lockup period	Within 36 months from the date of the registration of Energy Technology's shares in the name of Shanghai Hengzou, I promise that I will not require the shares of Energy Technology held by Shanghai Hengzou to be listed or transferred, and I promise not to transfer the property shares of Shanghai Hengzou until Shanghai Hengzou's compensation obligations (if any) under the Profit Forecast and Compensation Agreement are performed, it can be traded or transferred externally.	June 13, 2017	June 13, 2017 to August 15, 2021	Performed
Li Xiaohua	Commitment on capital source of Shanghai Energy	Although I hold the certificate of permanent residence right of the United States, I have not changed my nationality, I am still a Chinese nationality; my own investment in Shanghai Energy is all China's income, and does not involve the contribution of foreign exchange or foreign assets.	June 13, 2017	Long term	Strictly performed
Shanghai Hengzou	Commitment of the enterprise not belonging to private investment funds or a private fund	This enterprise is the employee stock ownership platform of Shanghai Energy, and the enterprise does not exist to raise funds in a non-public way to qualified investors. There is no asset management by the fund manager or general partner, nor does it serve as the manager of any private equity fund. Therefore, the enterprise does not belong to the private investment fund or a private fund manager in the Interim Measures for the Supervision and Administration of Private Investment Funds and the Measures for the Registration and Filing of Private Investment Fund Managers (for Trial Implementation), and does not need to follow the Interim Measures for the Supervision and Administration of Private Investment Funds and the Measures for the Registration and Filing of Private Investment Fund Managers (for Trial Implementation) and other relevant laws and regulations to fulfill the registration and filing procedures.	June 13, 2017	Long term	Strictly performed

	manager					
Huachen Investment	Commitment of the enterprise not belonging to private investment funds or a private fund manager	The Company is not established by raising funds from qualified investors in a non-public way, or doesn't have the assets managed by the fund manager or the general partner, or act as the manager of any private investment fund. Therefore, the Company does not belong to the private investment funds or a private fund manager in the Interim Measures for the Supervision and Administration of Private Investment Funds and the Measures for the Registration and Filing of Private Investment Fund Managers (for Trial Implementation), and does not need to follow the Interim Measures for the Supervision and Administration of Private Investment Funds and the Measures for the Registration and Filing of Private Investment Fund Managers (for Trial Implementation) and other relevant laws and regulations to fulfill the registration and filing procedures.	June 13, 2017	Long term	Strictly performed	
Paul Xiaoming Lee, Li Xiaohua	Commitment of term of service	Within 3 years from the closing date, he shall continue to serve in Shanghai Energy and fulfill his due diligence obligations. If he voluntarily proposes to leave Shanghai Energy before the expiration of his term of office (except for the case with the consent of Energy Technology), or causes serious losses to Energy Technology and Shanghai Energy due to dereliction of duty, malpractice or other acts that damage the interests of Shanghai Energy and is dismissed by Shanghai Energy according to law, he shall bear the liability for breach of contract to Energy Technology. Energy technology has the right to require the defaulting party to pay the consideration it has obtained in this purchase of assets to Energy Technology as compensation, as follows: 1. If the term of office is less than 12 months since the closing date, the defaulting party shall pay 50% of the total consideration obtained in this purchase of assets to the listed company in cash as compensation; 2. If the term of office has expired from 12 months to 24 months since the closing date, the defaulting party shall pay 40% of the total consideration obtained in this purchase of assets to the listed company in cash as compensation; 3. If he has worked for 24 months but less than 36 months since the closing date, the defaulting party shall pay 30% of the total consideration obtained in this purchase of assets to the listed company in cash as compensation.	May 2, 2017	July 31, 2018 to July 30, 2021	Fulfilled	
Paul Xiaoming Lee, Li Xiaohua	Non-competition commitment	During the term of office of Shanghai Energy or within 2 years after the resignation of Shanghai Energy, it will not directly or indirectly operate the same or similar business with Energy Technology or Shanghai Energy on its own or in the name of others, nor will it hold any post or provide any service in entities with the same or similar business with Energy Technology or Shanghai Energy; if they violate the aforesaid non-competition commitment, they shall pay a penalty of RMB5 million yuan to Energy Technology, and shall turn over all the operating profits, wages, remuneration and other income earned by them due to the violation of the commitment to Energy Technology. The aforesaid compensation still cannot make up for Energy Technology therefore, Energy Technology has the right to request the breach party to be liable for the loss suffered by Energy Technology.	May 2, 2017	Term of service and within two years after resignation	Within the performance period, strictly performed	
Paul Xiaoming Lee, Li Xiaohua	Commitment on no part-time work	During the term of office at Shanghai Energy, without the consent of Energy Technology, it is not allowed to work part-time (except for directors and supervisors) in other companies, and the income violating the prohibition of concurrent operation shall be owned by Innovation Co., Ltd.	May 2, 2017	Term of service	Within the performance period, strictly performed	

Jerry Yang Li	Commitment on the lockup period	Due to the death of Ms. Wang Yuhua, a member of Paul Xiaoming Lee's family who is the shareholder and actual controller of the Company, I, as one of the heirs, inherited 10,416,022 shares of the Company held by her according to her will and the contribution of the Company's controlling shareholder Heyi Investment of RMB17.955 million. After succession, I directly and indirectly hold 54,655,167 shares of the Company through Heyi Investment, accounting for 11.53% of the total share capital of the Company. As one of the counterparties, Ms. Wang Yuhua directly holds the Company's shares and purchases the shares of Shanghai Energy through the Company's issuance of shares. Therefore, with regard to the lock-in period of the Company's shares directly held by me, I hereby commit as follows: I have obtained the new shares of the listed company through this restructuring, and the shares shall not be traded or transferred externally within 36 months from the date of the end of this issue. Until the compensation obligation under the Profit Forecast and Compensation Agreement (if any) is performed, the shares can be traded or transferred externally. At the same time, the shares of the listed company held by me before the restructuring shall not be transferred within 12 months after the completion of this transaction; if the closing price of the shares of the listed company is lower than the issuing price for 20 consecutive trading days within 6 months after the completion of this transaction, or the closing price is lower than the issuing price at the end of 6 months after the completion of the transaction, the lock-in period of the shares of the Company held by me shall be automatically extended for at least 6 months. If the transaction is put on file by the judicial organ or the CSRC for investigation due to the false records, misleading statements or major omissions of the information provided or disclosed, before the case investigation conclusion is clear, the shares in the listed company owned by myself shall not be transferred.	October 25, 2018	October 25, 2018 to August 14, 2021	Within the performance period, strictly performed
Jerry Yang Li	Commitment to legal compliance	Due to the death of Ms. Wang Yuhua, a member of Paul Xiaoming Lee's family who is the shareholder and actual controller of the Company, I, as one of the heirs, inherited 10,416,022 shares of the Company held by her according to her will and the contribution of the Company's controlling shareholder Heyi Investment of RMB17.955 million. After succession, I directly and indirectly hold 54,655,167 shares of the Company through Heyi Investment, accounting for 11.53% of the total share capital of the Company. My directly holding shares is acquired by Ms. Wang Yuhua as one of counterparties, through purchasing the equity of Shanghai Energy New Material Technology Co., Ltd. through issuing shares of the Company, I hereby commit as follows: 1. I have not been subject to administrative or criminal penalties related to the securities market in the past five years, and have not involved in major civil litigation or arbitration related to economic disputes; 2. I am eligible to purchase shares not publicly offered by Energy Technology, and are not under any circumstances where they are not allowed to purchase shares not publicly offered by Energy Technology as stipulated by laws, regulations, rules or normative documents; 3. Over the last five years, I have not failed to repay a large amount of debts as scheduled, failed to fulfill its declaration, been subject to administrative measures by the CSRC or disciplined by the stock exchange and there are no ongoing or threatened administrative or judicial proceedings for investigation against my material violation of laws or regulations.	October 25, 2018	Long term	Strictly performed
Jerry Yang Li	Commitment to ensure the independence of listed companies	Due to the death of Ms. Wang Yuhua, a member of Paul Xiaoming Lee's family who is the shareholder and actual controller of the Company, I, as one of the heirs, inherited 10,416,022 shares of the Company held by her according to her will and the contribution of the Company's controlling shareholder Heyi Investment of RMB17.955 million. After succession, I directly and indirectly hold 54,655,167 shares of the Company through Heyi Investment, accounting for 11.53% of the total share capital of the Company. My directly holding shares is acquired by Ms. Wang Yuhua as one of counterparties, through purchasing the equity of Shanghai Energy through issuing shares of the Company. Therefore, with regard to the independence of listed companies involved in this restructuring, I hereby make the following confirmation and commitment: before this restructuring, Shanghai Energy has been completely separated from other enterprises under my control in terms of business, assets, institutions, personnel and finance, and Shanghai Energy's business, assets, institutions, personnel and finance are independent. After the completion of this restructuring, I promise not to use the identity of the actual controller	October 25, 2018	Long term	Strictly performed

			of the listed company to affect the independence of the listed company, and to ensure the independence of the listed company in business, assets, institutions, personnel and finance as far as possible.			
Jerry Yang Li	Commitment on regulating related transactions	Due to the death of Ms. Wang Yuhua, a member of Paul Xiaoming Lee's family who is the shareholder and actual controller of the Company, I, as one of the heirs, inherited 10,416,022 shares of the Company held by her according to her will and the contribution of the Company's controlling shareholder Heyi Investment of RMB17.955 million. After succession, I directly and indirectly hold 54,655,167 shares of the Company through Heyi Investment, accounting for 11.53% of the total share capital of the Company. My directly holding shares is acquired by Ms. Wang Yuhua as one of counterparties, through purchasing the equity of Shanghai Energy through issuing shares of the Company. In order to reduce and standardize the related transactions that may occur with the listed company, I hereby make the following commitments: after the completion of this restructuring, the enterprises under my control will avoid and reduce the related transactions with the listed company as much as possible. For the related transactions that cannot be avoided or have reasonable reasons, the enterprises under my control will follow the principles of justice, fairness, equal value and compensation with the listed company in accordance with the law sign the agreement, perform the legal procedures, and in accordance with the provisions of relevant laws, regulations, other normative documents and the Articles of Association of Yunnan Energy New Material Co., Ltd., perform the relevant internal decision-making approval procedures in accordance with the law and timely perform the obligation of information disclosure, ensure that transactions with listed companies will not be conducted in an unfair manner compared with the market, and that the funds and profits of listed companies should not be transferred illegally by related transactions, nor will they engage in any act that damages the legitimate rights and interests of listed companies and other shareholders. If there is any violation of the above commitments, resulting in damages to the interests of the listed company, I will compensate the listed company for the losses caused by the foregoing behavior to the listed Company.	October 25, 2018	Long term	Strictly performed	
Jerry Yang Li	Commitment on avoiding horizontal competition	Due to the death of Ms. Wang Yuhua, a member of Paul Xiaoming Lee's family who is the shareholder and actual controller of the Company, I, as one of the heirs, inherited 10,416,022 shares of the Company held by her according to her will and the contribution of the Company's controlling shareholder Heyi Investment of RMB17.955 million. After succession, I directly and indirectly hold 54,655,167 shares of the Company through Heyi Investment, accounting for 11.53% of the total share capital of the Company. My directly holding shares is acquired by Ms. Wang Yuhua as one of counterparties, through purchasing the equity of Shanghai Energy through issuing shares of the Company. Therefore, in order to protect the legitimate rights and interests of the listed company and other shareholders and avoid horizontal competition with the listed company, I hereby make the following solemn commitment: 1. At present, I have not directly or indirectly engaged in the same or similar business with the existing business of the listed company or Shanghai Energy through other business entities directly or indirectly controlled by me or in the name of natural persons, have not held any position or acted as any kind of consultant in any business entity with the same or similar main business as the listed company or Shanghai Energy, or any other situation of horizontal competition with the listed company or Shanghai Energy. 2. I guarantee that after the completion of this transaction, I will not carry out or operate the same or similar business with the main business of the listed company and Shanghai Energy through other business entities directly or indirectly controlled by myself, directly or indirectly; I will not hold any position or serve as any form of consultant in any business entity with the same or similar business with the listed company or Shanghai Energy; do not provide technical services for listed companies or existing customers of Shanghai Energy in the name of listed companies or other than Shanghai Energy; avoid any horizontal competition. 3. If any loss is caused to the listed company or Shanghai Energy due to my violation of the above commitments, the operating profit obtained shall be owned by the listed company and all losses suffered by the listed company or Shanghai Energy shall be compensated.	October 25, 2018	Long term	Strictly performed	

	Sherry Lee	Commitment on the lockup period	The 15,624,033 shares I inherited from Ms. Wang Yuhua were acquired by Ms. Wang Yuhua through this restructuring. Therefore, the lock-in period of the Company's shares directly held by me through this restructuring (including my 11,596,884 shares and 15,624,033 shares inherited from Ms. Wang Yuhua), I hereby committed as follows: the newly increased shares of the listed company obtained by me through this restructuring shall not be traded on the market or transferred externally within 36 months from the date of the end of this issuance until all the compensation obligations (if any) under the Profit Forecast and Compensation Agreement have been performed. At the same time, the shares of the listed company held by me before this restructuring shall not be transferred within 12 months after the completion of this transaction. If the closing price of the listed company's shares is lower than the issuing price for 20 consecutive trading days within 6 months after the completion of this transaction, or the closing price is lower than the issuing price at the end of 6 months after the completion of the transaction, the lock-in period of the Company's shares held by myself will be automatically extended for at least 6 months. If the transaction is put on file by the judicial organ or the CSRC for investigation due to the false records, misleading statements or major omissions of the information provided or disclosed, before the case investigation conclusion is clear, the shares in the listed company owned by myself shall not be transferred.	October 25, 2018	October 25, 2018 to August 14, 2021	Within the performance period, strictly performed
Commitments made at the time of IPO or refinancing	The Company, controlling shareholders and the actual controller, directors, supervisors and senior management	Commitment on authenticity, accuracy and completeness of documents related to IPO	I. Company's commitment: 1. there are no false records, misleading statements or major omissions in the prospectus of the Company's initial public offering. 2. If any competent authority finds that the initial prospectus issued by the Company has false records, misleading statements or major omissions, which will make a significant and substantial impact on judging whether it meets the requirements of the law, the Company will repurchase all the new shares of the IPO in accordance with the law. 3. Within 10 trading days after the competent authority determines that the prospectus of the Company has false records, misleading statements or major omissions that have a significant and substantial impact on the judgment of whether the Company complies with the issuance conditions stipulated by the law, the Board of Directors of the Company shall formulate the share repurchase plan and submit it to the General Meeting of Shareholders for deliberation and approval, and after it is approved, reviewed or filed by the relevant competent department (if necessary), share repurchase measures will be started, and all new shares of the initial public offering will be repurchased according to law; the repurchase price (in case of ex-right and ex-dividend due to cash dividend, share distribution, conversion to share capital and new share issuance, the right shall be restored in accordance with the relevant provisions of Shenzhen Stock Exchange, the same below) shall be determined according to relevant laws and regulations, and shall not be lower than the issuance price of the initial public offering shares. 4. If the prospectus of the Company's initial public offering contains false records, misleading statements or major omissions, which causes investors to suffer losses in securities trading, the Company will compensate investors for losses according to law. II. commitment of the controlling shareholder and actual controller of the Company: 1. there are no false records, misleading statements or major omissions in the prospectus of the Company's initial public offering. 2. If any competent authority determines that there are false records, misleading statements or major omissions in the prospectus of the Company's initial public offering, which have a significant and substantial impact on the judgment of whether it meets the issuance conditions prescribed by law, Heyi Investment and the family will buy back the transferred original restricted shares according to law; Heyi Investment and the family will formulate shares within 10 trading days after the above matters are identified, the original restricted shares issued by the Company's shareholders at the time of initial public offering shall be repurchased in accordance with the law by means of centralized bidding transaction in secondary market, bulk transaction, agreement transfer, tender offer, etc. The repurchase price is determined according to the negotiated price or secondary market price, but not lower than the original transfer price and the price determined according to relevant laws and regulations and regulatory rules. If Heyi Investment and the family buy back the original restricted shares that have been transferred to trigger the tender offer conditions, Heyi Investment and the family will perform the tender offer procedures in accordance with the law and perform the corresponding information disclosure obligations. 3. If the prospectus of the Company's initial public offering contains false records, misleading statements or major omissions, which causes investors to suffer losses in securities trading, Heyi Investment and the family will compensate investors for	September 14, 2016	Long term	Strictly performed

			losses according to law. III. Commitment of directors, supervisors and senior managers of the Company: 1. the prospectus of the issuer's initial public offering doesn't contain false records, misleading statements or major omissions, and I am jointly and severally liable for its authenticity, accuracy and completeness. 2. If the prospectus of the issuer's initial public offering contains false records, misleading statements or major omissions, which causes investors to suffer losses in securities trading, I will compensate investors for losses according to law.			
	Controlling shareholder, actual controller, and Shanghai Guohe, a shareholder holding more than 5% shares	About shareholding intention and reduction intention	<p>I. Commitment of controlling shareholders and actual controllers' shareholding intention and reduction intention: 1. as the controlling shareholder and actual controller of the Company, Heyi Investment and the family hold the Company's shares in strict accordance with the provisions of laws, regulations, normative documents and regulatory requirements, and abide by the share locking period; after the expiration of the locking period, the Company's shares held by Heyi Investment and the family's reduction shall comply with the requirements of relevant laws, regulations, normative documents and rules of the stock exchange; 2. Heyi Investment and the family shall not reduce the shares of the Company directly held within three years after the Company's listing; after the Company's listing for three years, the shares of the Company directly or indirectly held by Heyi Investment and the family transferred each year shall not exceed 25% of the total shares of the Company directly or indirectly held by them 3. Within two years after the expiration of the equity lock-in period promised by Heyi Investment and the family, the shares of the Company shall be reduced at a price not lower than the issue price of the Company's initial public offering shares (in case of ex-right and ex-dividend matters, the issue price shall be treated as ex-right and ex-dividend accordingly). Within two years after the expiration of the lock-up period, the total number of shares held by Heyi Investment and the family shall not exceed 30% of the total shares held by Heyi Investment and the family directly or indirectly before the issuance. 4. Within two years after the expiration of the shareholding lock-in period of Heyi Investment and the family's commitment, the price of shares of the Company reduced by Heyi Investment and the family through the secondary market will be determined according to the market price at that time on the premise of meeting the commitments made by Heyi Investment and the family, and the specific reduction plan will be formulated according to the market situation at that time. 5. Heyi Investment and the family promise to make an announcement through the Company three trading days in advance when carrying out the reduction, and complete the announcement within six months, and fulfill the obligation of information disclosure accurately and completely in accordance with the rules of the stock exchange.</p> <p>II. Shanghai Guohe's commitment to shareholding intention and reduction intention: 1. Within two years after the expiration of the shareholding locking period promised by the Company, the Company intends to reduce its shareholding by means of, including but not limited to, centralized competitive trading in the secondary market, block trading, agreement-based transfer, etc. The reduction price will not be lower than the price of net assets per share, and the specific reduction price will be determined according to the market price at the time of the reduction on the premise of meeting the commitments made by the Company; the specific reduction plan will be based on the market conditions at that time. The specific reduction plan will be formulated in accordance with the market conditions and the operating condition of the Company. 2. The enterprise commits that it will make an announcement through the Company three days ahead of schedule in the implementation of the reduction. At the same time, it will fulfill the obligation of information disclosure accurately and completely in accordance with the rules of the stock exchange, except when it holds shares less than 5% equity of the Company. 3. The enterprise will strictly fulfill the above commitments, and promise to abide by the following binding measures: (1) if it fails to fulfill the above commitments, the Company's cash dividends I should receive will be withheld by the Company and owned by the Company; (2) if it fails to fulfill the above commitments, it will bear relevant legal liabilities according to laws and regulations.</p>	September 14, 2016	Share holding period	Within the performance period, strictly performed
	Energy Technology	Commitment on remedial measures for breaking faith	1. If the Company fails to take the specific measures as promised to stabilize the stock price, the Company undertakes to accept the following binding measures: (1) the Company will publicly explain the specific reasons for not taking the above measures in the General Meeting of Shareholders and the newspapers designated by the CSRC, and apologize to the shareholders of the Company and the public investors; (2) If the investor suffers losses in the securities trading due to the failure to fulfill the commitments, the Company will compensate the investor for the losses according to law after being recognized by the CSRC, the stock exchange or the judicial organ; (3) The commitment of stock price stability is the true meaning of the Company. The responsible parties voluntarily accept the supervision of the regulatory body, self-discipline	September 14, 2016	Long term	Strictly performed

			<p>organization and the public. In case of the violation of the relevant commitments, the main body will bear corresponding responsibilities according to law. 2. If the controlling shareholder and the actual controller have delivered the notice of increase to the Company, but fail to fulfill the obligation of increasing the holdings, the Company has the right to detain the equal amount of the cash dividends payable to the controlling shareholder and the actual controller until the controlling shareholder and the actual controller fulfill their obligation to increase. 3. If a company director or senior manager fails to fulfill his obligation to increase his or her holdings, the Company shall have the right to detain salaries and cash dividends of directors and senior management until the directors and senior managers fulfill their obligations to increase their holdings. 4. If there are any false records, misleading statements or major omissions in the prospectus of this public offering of shares, the Company will make a timely announcement, and the Company will disclose in its regular report that the Company, its controlling shareholders, actual controllers, and its directors, supervisors and senior management buy back shares due to information disclosure violations, performance of commitments such as acquisition of shares and compensation for losses, as well as remediation and correction in case of failure to perform commitments. 5. If the Company fails to perform, has failed to perform or fails to perform on schedule due to objective reasons beyond the control of the Company, such as changes in relevant laws and regulations, policies, natural disasters and other force majeure, the Company shall take the following measures: (1) Timely and fully disclose the specific reasons for the Company's failure, failure to fulfill its commitments or failure to fulfill its commitments on schedule; (2) make supplementary or alternative commitments to the investors of the Company (relevant commitments shall be subject to relevant approval procedures in accordance with laws, regulations and the articles of association), so as to protect the rights and interests of investors as much as possible.</p>			
	<p>Controlling shareholder, actual controller</p>	<p>Commitment on remedial measures for breaking faith</p>	<p>1. If the controlling shareholder and the actual controller have delivered the notice of increase to the Company, but failed to fulfill the obligation of increasing the holdings, the Company has the right to detain the equal amount of the cash dividends payable to the controlling shareholder and the actual controller until the controlling shareholder and the actual controller fulfill their obligation to increase. 2. The controlling shareholder and the actual controller have signed the commitment letter of false record, misleading statement or major omission in the prospectus of this public offering of shares. The controlling shareholder and the actual controller take the profit distribution enjoyed by the controlling shareholder and the actual controller in the Company's profit distribution plan of the current year and the following years as the performance guarantee of the above commitment, and if the controlling shareholder and the actual controller fails to fulfill the above-mentioned obligation of acquisition or compensation, the shares of the Company held by the controlling shareholder and the actual controller shall not be transferred before fulfilling the above-mentioned commitment. 3. The controlling shareholder and the actual controller have signed the promise of controlling shareholder and actual controller's shareholding intention and reduction intention. The controlling shareholder and the actual controller will strictly carry out the above commitments and promise to abide by the following restraint measures: (1) If the above commitments are not performed, the cash dividends to be obtained by the controlling shareholder and the actual controller shall be withheld by the Company and owned by the Company; (2) if the above commitments are not performed, the controlling shareholder and the actual controller shall extend the lock-in period for six months after the lock-in period they promised; (3) The remuneration that the employees in the Company should receive from the Company shall be withheld by the Company and owned by the Company; (4) if the above commitments are not performed and the investors suffer losses in the securities trading, the controlling shareholder and the actual controller will compensate the investors for the losses according to law. 4. If the Company fails to perform, has failed to perform or fails to perform on schedule due to objective reasons beyond the control of the Company, such as changes in relevant laws and regulations, policies, natural disasters and other force majeure, the Company shall take the following measures: (1) Timely and fully disclose the specific reasons for the Company's failure, failure to fulfill its commitments or failure to fulfill its commitments on schedule; (2) make supplementary or alternative commitments to the investors of the Company (relevant commitments shall be subject to relevant approval procedures in accordance with laws, regulations and the articles of association), so as to protect the rights and interests of investors as much as possible.</p>	<p>September 14, 2016</p>	<p>Long term</p>	<p>Strictly performed</p>

Directors, supervisors and senior managers	Commitment on remedial measures for breaking faith	1. If any director or senior management of the Company fails to fulfill his obligation to increase the holdings, the Company shall have the right to detain directors and senior management salaries and cash dividends until the directors and senior managers fulfill their obligations to increase their holdings. 2. The directors, supervisors and senior managers have made corresponding commitments on the information disclosure of IPO and listing. The directors, supervisors and senior managers take the dividend of the Company in the current year and the following years obtained by holding the Company's shares directly or indirectly and the salary received from the Company in the current year and the following years as the performance guarantee of the above commitments. If the director, supervisor or senior manager fails to perform, has failed to perform or fails to perform on schedule due to objective reasons beyond the control of the director, supervisor or senior manager such as changes in relevant laws and regulations, policies, natural disasters and other force majeure, the director, supervisor or senior manager shall take the following measures: (1) Timely and fully disclose the specific reasons for the Company's failure, failure to fulfill its commitments or failure to fulfill its commitments on schedule; (2) make supplementary or alternative commitments to the investors of the Company (relevant commitments shall be subject to relevant approval procedures in accordance with laws, regulations and the articles of association), so as to protect the rights and interests of investors as much as possible.	September 14, 2016	Long term	Strictly performed
Paul Xiaoming Lee family, Heyi Investment and Heli Investment	Commitment on avoiding horizontal competition	1. The undertaker does not, and will not, directly or indirectly engage in any activity that constitutes horizontal competition with the existing and future business of the Company and its holding subsidiaries, and is willing to assume compensation liability for the economic losses caused to the Company due to violation of the above commitments. 2. For other enterprises directly and indirectly controlled by the undertaker, the undertaker will adopt the representative office and personnel (including but not limited to directors, general managers, etc.) and the controlling position of the undertaker in such enterprises, to ensure that such enterprises perform the same obligations as the undertaker under this letter of commitment, to ensure that such enterprises do not compete with the Company and its holding subsidiaries in the same industry, and the undertaker is willing to bear all compensation liabilities for the economic losses caused to the Company due to violation of the above commitments. 3. If the Company further expands its business scope on the basis of its existing business, and the undertaker and the enterprise controlled by the undertaker have carried out production and operation on this, the undertaker promises to transfer the possible horizontal competition business or equity held by this enterprise, and agrees that the Company has the priority to acquire and operate under the same commercial conditions. 4. Except for the investment in the Company, the undertaker will not invest in or operate the products (or similar products, or products with alternative function) developed, produced or operated by the Company and its holding subsidiaries in any way in any place.	November 10, 2012	Long term	Strictly performed
Company, controlling shareholder and actual controller, director and senior management	The commitment that the Company's compensation measures can be effectively performed	1. The Company and its controlling shareholder and the actual controller make a commitment to the Company's ability to fill in the return measures. It does not exceed the authority to interfere in the Company's management activities and does not occupy the Company's interests. 2. Directors and senior managers make a commitment to fulfill the Company's return measures: (1) Promise not to transfer interests to other units or individuals free of charge or under unfair conditions, and not to damage the interests of the Company in other ways; (2) Promise to restrict the post consumption behavior of directors and senior managers; (3) Promise not to use the Company's assets to engage in investment and consumption activities unrelated to the performance of its duties; (4) Commit that the remuneration system formulated by the board of directors or remuneration committee is linked to the implementation of the Company's measures to fill the return; (5) Promised that the exercise conditions of the Company's equity incentive to be announced are linked to the implementation of the Company's compensation measures.	September 14, 2016	Long term	Strictly performed
Heyi Investment, family members of Paul Xiaoming Lee, the actual controllers of the Company	Commitment on avoiding occupation of the Company's funds	The undertaker, close relative and the affiliated enterprise under control strictly restrict the funds of the Company and its subsidiary companies in the operating capital transactions between the Company and its subsidiaries; the Company and its subsidiaries shall not be required to pay wages, welfare, insurance, advertising and other expenses; the Company and its subsidiary funds are not directly or indirectly provided to the undertaker, close relatives and controlled affiliated enterprises, including: 1. to lend funds to the undertaker, close relatives and controlled affiliated enterprises for use with compensation or free of charge; 2. to provide entrusted loans without commercial substance to the undertaker, close relatives and controlled affiliated enterprises through banks or non-bank financial institutions; 3. Entrust the undertaker, close relatives and controlled affiliated enterprises to carry out investment activities without commercial substance; 4. To issue commercial	September 14, 2016	Long term	Strictly performed

		acceptance bills without real transaction background for the undertaker, close relatives and controlled affiliated enterprises; 5. Repay debts on behalf of the undertaker, close relatives and controlled affiliated enterprises; 6. Provide funds to the undertaker, close relatives and controlled affiliated enterprises in other ways without consideration for goods and services; 7. Other methods recognized by China Securities Regulatory Commission.			
Jerry Yang Li	Commitment on remedial measures for breaking faith	Due to the death of Ms. Wang Yuhua, a member of Paul Xiaoming Lee's family who is the shareholder and actual controller of the Company, I, as one of the heirs, inherited 10,416,022 shares of the Company held by her according to her will and the contribution of the Company's controlling shareholder Heyi Investment of RMB17.955 million. I promise that I will strictly fulfill the commitments disclosed in the initial public offering and listing prospectus of the controlling shareholder and actual controller. If the commitments of the controlling shareholder and actual controller are not performed, cannot be performed or cannot be performed on schedule (except for objective reasons beyond the control of controlling shareholders and actual controllers such as changes in relevant laws and regulations, policies, natural disasters and another force majeure), I promise to strictly abide by the following measures: 1. If the controlling shareholder or the actual controller has served the Company with the increase notice but failed to fulfill the increase obligation, the Company has the right to withhold the cash dividends payable to the same amount until the controlling shareholder or the actual controller fulfills the increase obligation; 2. The controlling shareholder and the actual controller have signed the commitment letter of false record, misleading statement or major omission in the prospectus of this public offering of shares. The controlling shareholder and the actual controller take the profit distribution enjoyed by the controlling shareholder and the actual controller in the Company's profit distribution plan of the current year and the following years as the performance guarantee of the above commitment, and if the controlling shareholder and the actual controller fails to perform the above-mentioned acquisition or compensation obligations, the shares of the Company held by the controlling shareholder and the actual controller shall not be transferred before the above-mentioned commitments are performed; 3. The controlling shareholder and the actual controller have signed the commitment of the controlling shareholder and the actual controller's shareholding intention and reduction intention. The controlling shareholder and the actual controller will strictly perform the above commitments and promise to abide by the following binding measures: (1) If the above commitments are not performed, the cash dividends to be obtained by the controlling shareholder and the actual controller shall be withheld by the Company and owned by the Company; (2) if the above commitments are not performed, the controlling shareholder and the actual controller shall extend the lock-in period for half a year; (3) The remuneration that the employees in the Company should receive from the Company shall be withheld by the Company and owned by the Company; (4) if the above commitments are not performed and the investors suffer losses in the securities trading, the controlling shareholder and the actual controller will compensate the investors for the losses according to law; 4. If the Company fails to perform, has failed to perform or fails to perform on schedule due to objective reasons beyond the control of the Company, such as changes in relevant laws and regulations, policies, natural disasters and other force majeure, the Company shall take the following measures: (1) Timely and fully disclose the specific reasons for the Company's failure, failure to fulfill its commitments or failure to fulfill its commitments on schedule; (2) make supplementary or alternative commitments to the investors of the Company (relevant commitments shall be subject to relevant approval procedures in accordance with laws, regulations and the articles of association), so as to protect the rights and interests of investors as much as possible.	October 25, 2018	Long term	Strictly performed
Jerry Yang Li	Commitment on avoiding horizontal competition with Energy Technology	1. The undertaker commits that he does not, and will not, directly or indirectly engage in any activity that constitutes horizontal competition with the existing and future business of the Company and its holding subsidiaries, and is willing to assume compensation liability for the economic losses caused to the Company due to violation of the above commitments; 2. For other enterprises directly or indirectly holding by the undertaker, the undertaker will adopt the representative offices and personnel (including but not limited to directors, general managers, etc.), as well as the controlling position of the undertaker in such enterprises, to ensure that such enterprises carry out the same obligations as the undertaker in this commitment letter, and ensure that such enterprises do not compete with the Company and its controlling subsidiaries in the same industry, the undertaker is willing to take full responsibility for the economic losses incurred by the Company in violation of the above commitments; 3. If the Company further expands its business scope on the basis of its existing business, and the undertaker and the enterprise controlled by the undertaker have carried out production and operation on this, the undertaker promises to transfer the possible horizontal competition business or equity held by this enterprise, and agrees that the Company has the priority to purchase and operate under the same commercial conditions; 4. In addition to	October 25, 2018	Long term	Strictly performed

			the investment in the Company, the undertaker will not invest in or operate the products (or similar products, or products with substitute function) developed, produced or operated by the Company and its holding subsidiaries in any way in any place; 5. This letter of commitment is an effective commitment during the period when the undertaker and the company controlled by the undertaker have an associated relationship with the Company.			
Jerry Yang Li	Commitment on reduction intention		Due to the death of Ms. Wang Yuhua, a member of Paul Xiaoming Lee's family who is the shareholder and actual controller of the Company, I, as one of the heirs, inherited 10,416,022 shares of the Company held by her according to her will and the contribution of RMB17.955 million by Heyi Investment, the Company's controlling shareholder. With respect to the Company's shares indirectly held by me through Heyi Investment, my shareholding intention and reduction intention are as follows: 1. as the actual controller of the Company, I hold the Company's shares in strict accordance with the provisions of laws, regulations, normative documents and regulatory requirements, and abide by the share locking period; after the expiration of the locking period, I shall reduce my holding of the Company's shares in accordance with the requirements of relevant laws, regulations, normative documents and rules of the stock exchange; 2. within three years after the listing of the Company, I will not reduce the shares of the Company I directly hold; upon expiry of three years after the listing of the Company, I will transfer the shares of the Company I directly hold each year no more than 25% of the total shares of the Company I directly hold; 3. within two years after the locking period I committed, the Company's shares will be reduced at a price not lower than the initial public offering price of the Company. If the Company's shares are subject to ex-right and ex-dividend during the period, such as dividend distribution, stock distribution, capital reserve converted to share capital, the issue price shall be ex-right and ex-dividend accordingly; 4. After two years after the expiration of my commitment to hold shares, I will, through the reduction of the price of the Company's shares in the secondary market, meet the commitments made on the basis of the market price, and the specific reduction plan will be drawn up according to the market situation at that time; 5. I promise that I will announce the implementation of the reduction through the Company three trading days in advance, and complete the announcement within six months. At the same time, I will fulfill the obligation of information disclosure accurately and completely in accordance with the rules of the stock exchange; 6. I will strictly fulfill the above commitments, and promise to abide by the following binding measures: (1) if I fail to fulfill the above commitments, the Company's cash dividends I should receive will be withheld by the Company and owned by the Company; (2) the Company will own the profits I get from reducing the shares held in violation of the above commitments; (3) The remuneration that the employees in the Company should receive from the Company shall be withheld by the Company and owned by the Company; (4) if the above commitments are not performed and the investors suffer losses in the securities trading, I will compensate the investors for the losses in accordance with the law.	October 25, 2018	Holding period	Within the performance period, strictly performed
Jerry Yang Li	Commitment on avoiding capital occupation of Energy Technology		(1) Except for the capital occupation disclosed in writing to the relevant intermediary institutions, there is no other capital occupation that shall be disclosed but not disclosed in accordance with the laws and regulations and the relevant provisions of the CSRC for the time being by the undertaker, close relatives, controlled affiliated enterprises and the Company and its subsidiaries; (2) The undertaker, close relatives and controlled affiliated enterprises will strictly limit the occupation of funds of the Company and its subsidiaries in the operational capital transactions with the Company and its subsidiaries; (3) The undertaker, close relatives and controlled affiliated enterprises shall not require the Company and its subsidiaries to advance wages, welfare, insurance, advertising and other expenses, or require the Company and its subsidiaries to bear costs and other expenses on behalf of them; (4) The undertaker, close relatives and controlled affiliated enterprises do not seek to provide the funds of the Company and its subsidiaries directly or indirectly to the undertaker, close relatives and controlled affiliated enterprises in the following ways, including: a. To lend funds to the undertaker, close relatives and controlled	October 25, 2018	Long term	Strictly performed

		<p>affiliated enterprises for use with compensation or free of charge; b. Provide entrusted loans without commercial substance to the undertaker, close relatives and controlled affiliated enterprises through banks or non-bank financial institutions; c. Entrust the undertaker, close relatives and controlled affiliated enterprises to carry out investment activities without commercial substance; d. To issue commercial acceptance bills without real transaction background for the undertaker, close relatives and controlled affiliated enterprises; e. Repay debts on behalf of the undertaker, close relatives and controlled affiliated enterprises; f. Provide funds to the undertaker, close relatives and controlled affiliated enterprises in other ways without consideration for goods and services; g. Other methods recognized by China Securities Regulatory Commission; (5) If the undertaker, close relatives and controlled affiliated enterprises occupy the funds of the Company and its subsidiaries and require the Company and its subsidiaries to provide guarantees in violation of laws and regulations, the Company's board of directors shall not transfer the shares of the Company held and controlled before all the occupied funds are returned and all the illegal guarantees are released, and handle the procedures of share locking for the relevant parties. The board of directors of the Company shall, within 5 trading days from the date of knowing the fact that the undertaker, close relatives and controlled affiliated enterprises occupy the funds of the Company and its subsidiaries, and the Company and its subsidiaries provide guarantees in violation of laws and regulations, handle the locking procedures for the relevant parties.</p>			
Sherry Lee	Commitment on reduction intention	<p>Due to the death of Ms. Wang Yuhua, a member of Paul Xiaoming Lee's family who is the shareholder and actual controller of the Company, I, as one of the heirs, inherited 15,624,033 shares of the Company held by her according to her will and the contribution of RMB9.045 million by Heyi Investment, the Company's controlling shareholder. Before inheritance, I have held 27,593,884 shares of the Company, of which 15,997,000 shares were held at the time of IPO and listing of the Company, 11,596,884 shares of the Company acquired by the Company's issuance of shares to purchase shares of Shanghai Energy. After inheritance, I hold directly and hold 65,503,802 shares of the Company indirectly through Heyi Investment, accounting for 13.82% of the total share capital of the Company. With respect to locking period for the Company's shares directly and indirectly held by me, I commit as follows: 1. as the actual controller of the Company, I hold the Company's shares in strict accordance with the provisions of laws, regulations, normative documents and regulatory requirements, and abide by the share locking period; after the expiration of the locking period, I shall reduce my holding of the Company's shares in accordance with the requirements of relevant laws, regulations, normative documents and rules of the stock exchange; 2. within three years after the listing of the Company, I will not reduce the shares of the Company I directly hold; upon expiry of three years after the listing of the Company, I will transfer the shares of the Company I directly hold each year no more than 25% of the total shares of the Company I directly hold; 3. within two years after the locking period I committed, the Company's shares will be reduced at a price not lower than the initial public offering price of the Company. If the Company's shares are subject to ex-right and ex-dividend during the period, such as dividend distribution, stock distribution, capital reserve converted to share capital, the issue price shall be ex-right and ex-dividend accordingly; 4. After two years after the expiration of my commitment to hold shares, I will, through the reduction of the price of the Company's shares in the secondary market, meet the commitments made on the basis of the market price, and the specific reduction plan will be drawn up according to the market situation at that time; 5. I promise that I will announce the implementation of the reduction through the Company three trading days in advance, and complete the announcement within six months. At the same time, I will fulfill the obligation of information disclosure accurately and completely in accordance with the rules of the stock exchange; 6. I will strictly fulfill the above commitments, and promise to abide by the following binding measures: (1) if I fail to fulfill the above commitments, the Company's cash dividends I should receive will be withheld by the Company and owned by the Company; (2) the Company will own the profits I get from reducing the shares held in violation</p>	October 25, 2018	Share holding period	Within the performance period, strictly performed

		of the above commitments; (3) The remuneration that the employees in the Company should receive from the Company shall be withheld by the Company and owned by the Company; (4) if the above commitments are not performed and the investors suffer losses in the securities trading, I will compensate the investors for the losses in accordance with the law.			
Directors and senior management of the Company	Commitment on dilution on current returns as a result of the public offering of convertible corporate bonds, and the return recovery measures	1. Neither to tunnel to other units or individuals without compensation or under unfair conditions, nor to damage the Company's interests in other ways; 2. to restrict my position-related consumption activities; 3. not to use the Company's assets for investment and consumption activities not related to execution of my duties; 4. to link the remuneration system formulated by the Board of Directors or the Remuneration Committee or Assessment Committee of the Company with the execution of the return recovery measures; 5. to link the vesting conditions with the implementation of the return recovery measures if the Company will implement any share incentive scheme in the future; 6. since the date of this commitment up to completion of this public offering of convertible corporate bonds, if the CSRC imposes other new regulatory requirements in relation to the return recovery measures and its commitments and such commitments cannot meet such rules of the CSRC, I commit to issue supplemental undertakings in accordance with the latest requirements of the CSRC. In order to ensure the proper implementation of the return recovery measures, I commit to strictly perform the above commitments. If I breach or refuse to fulfill the above commitments, I will perform obligations of interpretation and apology as required under the Guiding Opinions on Matters relating to the Dilution on Current Returns as a result of Initial Public Offering, Refinancing and Major Asset Restructuring (CSRC Announcement [2015] No. 31), and agree that relevant regulatory or self-regulation measures shall be imposed or taken in accordance with the relevant provisions and rules specified or published by CSRC and Shenzhen Stock Exchange; if the Company or investors suffered losses as a result of my breach or refusal, I am willing to assume relevant liability for compensation.	May 14, 2019	Long term	Strictly performed
Company's actual controller and controlling shareholder	Commitment on dilution on current returns as a result of the public offering of convertible corporate bonds, and the return recovery measures	1. Not interfere with the operation and management activities of the Company beyond the authority, and not encroach on the interests of the Company; 2. since the date of this commitment up to completion of the convertible corporate bonds, if the CSRC imposes other new regulatory requirements in relation to the return recovery measures and its commitments and such commitments cannot meet such rules of the CSRC, I commit to issue supplemental undertakings in accordance with the latest requirements of the CSRC. In order to ensure the proper implementation of the return recovery measures, I commit to strictly perform the above commitments. If I breach or refuse to fulfill the above commitments, I will perform obligations of interpretation and apology as required under the Guiding Opinions on Matters relating to the Dilution on Current Returns as a result of Initial Public Offering, Refinancing and Major Asset Restructuring (CSRC Announcement [2015] No. 31), and agree that relevant regulatory or self-regulation measures shall be imposed or taken in accordance with the relevant provisions and rules specified or published by CSRC and Shenzhen Stock Exchange; if the Company or investors suffered losses as a result of my breach or refusal, I am willing to assume relevant liability for compensation.	May 14, 2019	Long term	Strictly performed
All directors of Energy Technology	Commitment on the authenticity, accuracy and completeness of information submitted in connection with the non-public	All directors of the Company commit that the report on this offering and the announcement on listing don't contain false records, misleading statements or major omissions, and they will jointly and severally liable for its authenticity, accuracy and completeness.	September 3, 2020	Long term	Strictly performed

	offering of A shares in 2020				
Controlling shareholder and actual controller	Commitment on dilution on current returns as a result of the non-public offering of A shares in 2020, and the return recovery measures	1. I promise not to interfere with the operation and management activities of the Company beyond the authority, and not encroach on the interests of the Company; 2. I commit to properly implementation of the current return recovery measures formulated by the Company and fulfill any commitment I make in relation to the current return recovery measures, and assume the liability for compensation to the Company or investors according to law if I violate such commitments and as a result cause any loss to the Company or investors; 3. since the date of this commitment up to completion of this non-public offering of shares by Energy Technology, if the CSRC imposes other new regulatory requirements in relation to the return recovery measures and its commitments and such commitments cannot meet such rules of the CSRC, I commit to issue supplemental undertakings in accordance with the latest requirements of the CSRC.	March 23, 2020	Long term	Strictly performed
Directors and senior management	Commitment on dilution on current returns as a result of the non-public offering of A shares in 2020, and the return recovery measures	1. I promise not to tunnel to other units or individuals without compensation or under unfair conditions, or to damage the Company's interests in other ways; 2. I commit to restrict my position-related consumption activities; 3. I commit to not use the Company's assets for investment and consumption activities not related to execution of my duties; 4. I commit to link the remuneration system formulated by the Board of Directors or the Remuneration Committee or Assessment Committee of the Company with the execution of the return recovery measures; 5. I commit to link the vesting conditions with the implementation of the return recovery measures if the Company will implement any share incentive scheme in the future; 6. since the date of this commitment up to completion of this non-public offering of shares, if the CSRC imposes other new regulatory requirements in relation to the return recovery measures and its commitments and such commitments cannot meet such rules of the CSRC, I commit to issue supplemental undertakings in accordance with the latest requirements of the CSRC.	March 23, 2020	Long term	Strictly performed
22 shareholders subscribing shares not publicly offered in 2020	Commitment on share locking	1. The Company agrees to not transfer the subscribed shares for a period of six months from the date of completion of this offering of shares of Energy Technology (meaning the date of listing of the shares in this offering) and entrusts the Board of Directors of Energy Technology to apply to Shenzhen Branch of China Securities Depository and Clearing Company Limited for locking the above subscribed shares of the Company, so as to ensure that the above shares held by the Company will not be transferred for a period of six months from the date of completion of this offering. 2. Guarantee to compensate other shareholders for any losses suffered by them as a result of non-performance or incomplete performance of the above commitment. If there is any sales transaction in violation of the commitment, the Company will authorize the Shenzhen Branch of China Securities Depository and Clearing Company Limited to transfer the proceeds from such transaction to the account of the listed company for the benefit of all shareholders. 3. The Company declares that it will faithfully fulfill its commitments and bear the corresponding legal responsibilities.	August 13, 2020	September 4, 2020 to March 3, 2021	Performed
Directors and senior management	Commitment on dilution on current returns as a result of the non-public offering of A shares in 2021, and the return recovery measures	1. I promise not to tunnel to other units or individuals without compensation or under unfair conditions, or to damage the Company's interests in other ways; 2. I commit to restrict my position-related consumption activities; 3. I commit to not use the Company's assets for investment and consumption activities not related to execution of my duties; 4. I commit to link the remuneration system formulated by the Board of Directors or the Remuneration Committee or Assessment Committee of the Company with the execution of the return recovery measures; 5. I commit to link the vesting conditions with the implementation of the return recovery measures if the Company will implement any share incentive scheme in the future; 6. since the date of this commitment up to completion of this non-public offering of shares, if the CSRC imposes other new regulatory requirements in relation to the return recovery measures and its commitments and such commitments cannot meet such rules of the CSRC, I commit to issue supplemental undertakings in accordance with the latest requirements of the CSRC.	November 21, 2021	Long term	Strictly performed

	Controlling shareholders and actual controller	Commitment on dilution on current returns as a result of the non-public offering of A shares in 2021, and the return recovery measures	I promise not to interfere with the operation and management activities of the Company beyond the authority, and not encroach on the interests of the Company; I commit to properly implementation of the current return recovery measures formulated by the Company and fulfill any commitment I make in relation to the current return recovery measures, and assume the liability for compensation to the Company or investors according to law if I violate such commitments and as a result cause any loss to the Company or investors; since the date of this commitment up to completion of this non-public offering of shares by the Company, if the CSRC imposes other new regulatory requirements in relation to the return recovery measures and its commitments and such commitments cannot meet such rules of the CSRC, I commit to issue supplemental undertakings in accordance with the latest requirements of the CSRC.	November 21, 2021	Long term	Strictly performed
Commitment on stock ownership incentive scheme						
Other commitments to small and medium shareholders of the Company	The Company	Shareholder return plan for the next three years	The Company pays dividends in cash or by shares in a positive manner. Where the Company's audited net profit is positive and no significant investment plan or significant cash expenditure in a year, the Company shall include the cash distribution in its profit distribution scheme for that year. The annual cash dividend of the Company shall not be less than 20% of the distributable profit realized in the current year (excluding the undistributed profit at the beginning of the year). Where available, the Company may distribute interim cash dividends. If the Company's revenue grows rapidly and the Board of Directors considers that the stock price of the Company does not match the size of the Company's share capital, it may make a plan for dividend distribution by stock while satisfying the requirement for cash dividend distribution.	May 14, 2019	May 14, 2019 to May 14, 2021	Within the performance period, strictly performed
Whether the commitment is performed on time	Yes					

**2. Where any earnings forecast was made for any of the Company's assets or projects and the Reporting Period is still within the forecast period, the Company shall explain whether the performance of the asset or project reaches the earnings forecast and the reason**

Applicable  N/A

## II. Occupation of the Listed Company's Capital by the Controlling Shareholder or Its Related Parties for Non-Operating Purposes

Applicable  N/A

In the Reporting Period, no controlling shareholder or its related party occupied capital of the listed company for non-operating purposes.

## III. Illegal external guarantee

Applicable  N/A

The Company didn't provide any illegal external guarantee during the Reporting Period.

## IV. Explanation of the Board of Directors Regarding the "Non-standard Audit Report" Issued for the latest period

Applicable  N/A

## V. Explanation of the Board of Directors, the Supervisory Committee and Independent Directors (If Any) Regarding the "Non-standard Audit Report" Issued by the Accounting Firm for the Reporting Period

Applicable  N/A

## VI. Reason for Changes in Accounting Policies or Accounting Estimates and Correction of Major Accounting Errors as Compared to the Financial Report for the Previous Fiscal Year

Applicable  N/A

1. On April 26, 2021, the Company held the 26th meeting of the fourth Board of Directors and the 22nd meeting of the fourth Supervisory Committee to review and approve the Proposal on the Change of Accounting Policy. Since January 1, 2021, the Company has implemented the Accounting Standards for Business Enterprises No. 21 - Leasing revised by the Ministry of Finance in 2018. For details, please refer to the Announcement on Change in Accounting Policy disclosed on cninfo.com.cn. by the Company on April 27, 2021.

On the first execution date, the Company chose not to reevaluate whether a pre-existing contract was a lease or included a lease, but applied this method to all the contracts. Therefore, only the above-mentioned contracts identified as leases under the original lease standards shall be subject to the convergence provisions of these standards. In addition, the Company chose to adopt a simplified retroactive adjustment method to link up accounting treatment of the above lease contracts in accordance with the Accounting Standards for Enterprises No. 28 - Changes in Accounting Policies, Accounting Estimates and Errors Correction, that is, to adjust the amount of retained earnings and other relevant items in the financial statements at the beginning of the year in which the standards are first implemented, without adjusting the information of comparable periods, and to adopt the right-of-assets measurement and the relevant simplified method for the operating leases based on each lease option, detailed as below:

Operating leases that will be executed within 12 months after the first execution date are treated as short-term leases. The accounting policy of the Company for the leases of low value assets is not to recognize the right-of-use assets and lease liabilities. According to the convergence provisions of the new lease standards, the Company conducted accounting treatment in accordance with the new lease standards since the first execution date for the low-value asset leases existing before the first execution date, without retroactive adjustment of the low-value asset leases. The implementation of the new leasing standards had no material impact on the financial statements for the reporting period.

2. On April 11, 2022, the 45th meeting of the fourth Board of Directors and the 39th meeting of the fourth Board of Directors of the Company was held to review and approve the Proposal on the Change of Accounting Policy. the Company has implemented the Interpretation of Accounting Standards for Business Enterprises No. 14 issued by the Ministry of Finance since February 2, 2021, and implemented the Interpretation of Accounting Standards for Business Enterprises No. 15 issued by the Ministry of Finance since December 21, 2021. For details, please refer to the Announcement on Accounting Policy Change published on cninfo.com.cn by the Company on April 12, 2022.

The implementation of the Interpretation of Accounting Standards for Business Enterprises No. 14 had no significant impact on the financial statements during the reporting period. The Interpretation of Accounting Standards for Business Enterprises No. 15 has clarified the accounting treatment of external sales of products or by-products produced before the fixed assets reach a predetermined usable state or in the research and development process, the judgment of contract loss and the presentation of related issues concerning centralized management of funds. The provisions on "the presentation of related issues concerning centralized management of funds" have taken effect since December 31, 2021; the provisions on "the accounting treatment of external sales of products or by-products produced before the fixed assets reach a predetermined usable state or in the research and development process" and "the judgment of contract loss" have taken effect since January 1, 2022. The Company began to implement the provisions on "the presentation of related issues concerning centralized management of funds" in the Interpretation of Accounting Standards for Business Enterprises No. 15 on December 31, 2021, which had no significant impact on the financial statements during the comparable periods.

## VII. Reason for Changes in Scope of the Consolidated Financial Statements as Compared to the Financial Report for the Previous Fiscal Year

Applicable  N/A

The following additional 9 entities were included in the scope of consolidated financial statements in 2021 as compared to the prior year:

Name	Reason for change
Ningbo Energy New Materials Co., Ltd.	Established by investment
Chongqing Energy New Material Technology Co., Ltd.	Established by investment
Jiangxi Enpo New Materials Co., Ltd.	Established by investment
Jiangxi Energy New Material Technology Co., Ltd.	Established by investment
Jiangsu Energy New Material Technology Co., Ltd.	Established by investment
Jiangsu Ruijie New Material Technology Co., Ltd.	Established by investment
Hunan Energy Advanced New Material Technology Co., Ltd.	Established by investment
Hubei Energy New Material Technology Co., Ltd.	Established by investment
Jiangsu Sanhe Battery Material Technology Co., Ltd.	Established by investment

3 entities were reduced as follows:

Name	Reason for change
Ningbo Energy New Materials Co., Ltd.	Established by investment
Chongqing Energy New Material Technology Co., Ltd.	Established by investment
Jiangxi Enpo New Materials Co., Ltd.	Established by investment

## VIII. Engagement and Disengagement of CPAs Firm

CPA firm engaged at present

Name of the domestic CPA firm	Dahua CPAs (SGP)
Fee for domestic auditor (RMB0'000)	180
Consecutive years of audit services provided by the domestic auditor	10 years
Names of the certified public accountants from domestic accounting firm	Kang Wenjun, Yao Rui
Consecutive years of audit services provided by the Certified Public Accountants from domestic accounting firm	Kang Wenjun and Yao Rui provide audit services for one year and two years respectively

Whether the CPAs firm was changed in the current period

Yes  No

Engagement of any CPAs firm, financial advisor or sponsor for internal control and audit

Applicable  N/A

Dahua CPAs (Special General Partnership), engaged by the Company as the accounting firm for the internal control and audit during the Reporting Period, issued Authentication Report on the Internal Control of Yunnan Energy New Material Co., Ltd. (DHHZ [2022] No. 004077) for the internal control of the Company.

## IX. Possibility of Delisting after Disclosure of this Annual Report

Applicable  N/A

## X. Matters Related to Bankruptcy and Reorganization

Applicable  N/A

The Company was not bankrupt and reorganized during the Reporting Period.

## XI. Material Litigation and Arbitration

There was no material litigation or arbitration against the Company during the Reporting Period. During the Reporting Period, the total amount involved in other lawsuits of the Company was RMB59.29 million, of which RMB44.76 had not been settled by the end of the Reporting Period,

which would not form estimated liabilities.

## XII. Punishments and Rectifications

Applicable  N/A

The Company made no punishment or rectification during the Reporting Period.

## XIII. Credit Conditions of the Company as well as Its Controlling Shareholder and Actual Controller

Applicable  N/A

During the Reporting Period, the Company and its controlling shareholder and the actual controller were in good standing, and there were no cases of non-performance of court judgments in force or large debts due but unpaid.

## XIV. Significant related transactions

### 1. Related transactions arising from routine operation

Applicable  N/A

Related transaction party	Relation	Type of related transaction	Details of related transaction	Pricing principle of the related transaction	Related transaction price	Related transaction amount (RMB0 '000)	Proportion in the total amount of transaction of the same type	Approved transaction limit (RMB0 '000)	Whether the transaction exceeded the approved limit or not	Settlement mode for related transaction	Obtainable market price for the transaction of the same type	Disclosure date	Disclosure Index
Kunshasi	Joint-stock Company	Purchase of raw materials from related parties	Purchase of additives	Agreed by both parties based on market price		3,888.36	59.85%	4,000	No	Bank deposit or acceptance draft	RMB 15.71/kg	March 18, 2021	For details, please refer to the Announcement on the Expected Routine Related Transactions in 2021 (No.: 2021-037) disclosed on the Cninfo website.
		Sale of products and commodities to related parties	Sale of raw materials			1,182.32	64.87%	2,000	No		RMB 9.93/kg		

		Lease to related parties	Lease of workshop			2.4	2.11%	2.4	No	Bank deposit			
Heyi Investment	Shareholder of the Company	Lease to related parties	Lease of office			0.33	0.29%	0.33	No	Bank deposit			
Heli Investment			Lease of office			0.24	0.21%	0.24	No				
Industrial and Commercial Bank of China (ICBC)	The spouse of Ms. Zheng Haiying (independent director) is a non-executive director of the ICBC	Loan with related bank	Loan	Market pricing, not higher than the loan benchmark interest rate for the same period or the market interest rate level under the same conditions		106,791.91	13.59%	400,000	No			March 18, 2021	For details, please refer to the Announcement on the Expected Deposit, Loan and Guarantee with Related Bank in 2021 (No.: 2021-040) disclosed on the Cninfo website.
		Deposits with related bank (including demand deposits, time deposits, call deposits, etc.)	Deposit	Market pricing, not higher than the deposit benchmark interest rate for the same period		12,092.26	6.60%	50,000	No				
		Mutual guarantees between companies for the purpose of the Company's consolidated financial statements through the related bank	Guarantee	Agreed by both parties based on market price		358,490	21.39%	400,000	No				
Total	--	--	488,447.82	--	856,002.97	--	--	--	--	--	Total	--	--
Details of any sales return of a large amount					No								
Give the actual situation in the Reporting Period (if any) where a forecast had been made for the total amounts of routine related transactions by type to occur in the current period					The actual routine transaction amount between the Company and the related parties did not exceed the total amount of routine related transactions estimated by the Company by type.								

Reason for any significant difference between the transaction price and the market reference price (if applicable)	N/A
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## 2. Related-party transactions relevant to acquisition and sales of assets or equities

Applicable  N/A

The Company didn't acquire or sell assets or equities during the Reporting Period.

## 3. Related-party transactions in connection with joint external investments

Applicable  N/A

The Company had no related-party transaction in connection with joint external investments during the Reporting Period.

## 4. Credits and liabilities with related parties

Applicable  N/A

Whether there were any credits or liabilities with related parties for non-operating purposes

Yes  No

There were no credits or liabilities with related parties for non-operating purpose during the Reporting Period.

## 5. Dealing with related financial companies

Applicable N/A

There was no deposit, loan, credit granting or other financial business between the Company and the related financial companies and the related parties.

## 6. Dealing between the financial companies controlled by the Company and the related parties

Applicable N/A

There was no deposit, loan, credit granting or other financial business between the financial companies controlled by the Company and the related parties.

## 7. Other significant related party transactions

Applicable N/A

1. “4. Credits and liabilities with related parties” mentioned above mainly refer to: On March 17, 2021, the 24th meeting of the fourth Board of Directors of the Company deliberated and approved the Proposal on Deposit, Loan and Guarantee Business Expected to be Carried Out in Related Banks in 2021, approving the Company and the subsidiaries within the scope of consolidated financial statements to carry out deposit and loan businesses and mutual guarantee business between the companies within the scope of consolidated financial statements at Industrial and Commercial Bank of China. The spouse of Ms. Zheng Haiying, the independent director of the Company, served as a non-executive director of ICBC. The deposit, loan and guarantee businesses of the Company and ICBC constituted the related party transactions. This matter was approved by the annual general meeting of the Company for 2020.

2. On June 22, 2020, the 29th meeting of the fourth Board of Directors of the Company deliberated and approved the Proposal on the Company Meeting the Conditions of Issuing Shares and Paying Cash to Purchase Assets and Raising Funds and other proposals, approving the Company to purchase 3.25% and 1.53% of the equity of Shanghai Energy held by Yan Ma and Alex Cheng by issuing shares and paying cash, and raise funds by issuing shares to not more than 35 eligible specific investors. On November 21, 2021, the 38th meeting of the fourth Board of Directors of the Company deliberated and approved the Proposal on the Termination of Purchasing Assets by Issuance of Shares and Payment of Cash and Raising Funds and the Related Party Transactions. The Company intended to conduct a non-public share offering and use the proceeds for the lithium battery separator film project. After friendly consultation with all parties concerned, it was agreed to terminate the restructuring.

3. On August 2, 2021, the 30th meeting of the fourth Board of Directors of the Company deliberated and approved the Proposal on Signing the Framework Agreement for the Acquisition of Suzhou RS Technology Co., Ltd. (RS Tech.) and JOT Automation Ltd with Family Members of Paul Xiaoming Lee, Victory Precision and Its Subsidiaries and the Related Party Transaction. The Company signed the Framework Agreement for the Acquisition of RS Tech. and JOT Automation Ltd with Paul Xiaoming Lee (on behalf of Lee family), Victory Precision, RS Tech., Victory Technology (Hong Kong) Limited and JOT Automation Ltd. This matter was approved by the fourth extraordinary general meeting of the Company in 2021.

On September 15, 2021, the 33rd meeting of the fourth Board of Directors of the Company deliberated and approved the Proposal on Signing the Equity Transfer Agreement with Family Members of Paul Xiaoming Lee, Victory Precision and Its Subsidiaries and the Related Party Transaction. The Company, family members of Paul Xiaoming Lee, the actual controller of the Company, and his designated third party and Victory Precision signed the Equity Transfer Agreement on the same date, agreeing to make joint investment to establish a joint venture. Based on the agreement, the Company and Shanghai Energy will hold 10% of the equity in the joint venture, Sherry Lee or her designated person and Jerry Yang Li or his designated person will in aggregate hold 37% of the equity in the joint venture, the third party designated by Lee family will hold 33.2% of the equity in the joint venture, Victory precision will hold 19.80% of the equity in the joint venture; the joint venture will acquire 100% of the equity of RS Tech., and the Hong Kong subsidiary of the joint venture will acquire 100% of the equity of JOT Automation Ltd. This matter was approved by the fifth extraordinary general meeting of the Company in 2021.

Enquiries on the online disclosure of interim report of significant related party transactions

Name of interim announcement	Date of disclosure of interim announcement	Website on which interim announcement is disclosed
Announcement on the Resolutions of the 24th Meeting of the Fourth Board of Directors	March 18, 2021	cninfo.com.cn
Announcement on the Deposit, Loan and Guarantee Business Expected to Be Carried Out in Related Banks in 2021	March 18, 2021	cninfo.com.cn
Announcement on the Resolutions of Annual General Meeting for 2020	April 9, 2021	cninfo.com.cn
Announcement on Purchase of Assets through Share Offering and Application for Suspension	June 16, 2021	cninfo.com.cn
Announcement on Shareholding of Ten Top Shareholders on One Business Day Before Suspension Due to Purchase of Assets through Share Offering and Payment of Cash and the Related Party Transactions	June 22, 2021	cninfo.com.cn

Announcement on the Resolutions of the 29th Meeting of the Fourth Board of Directors	June 23, 2021	cninfo.com.cn
Suggestive Announcement on the Disclosure of Plans for Purchase of Assets through Share Offering and Payment of Cash, Raising Funds and the Related Party Transactions and the Resumption of Trading of the Shares and Convertible Bonds of the Company	June 23, 2021	cninfo.com.cn
Explanation on the Restructuring in Compliance with Article 4 of the Provisions on Standardizing Some Issues Concerning Material Assets Reorganization of Listed Companies	June 23, 2021	cninfo.com.cn
Explanation on the Completeness and Compliance of the Legal Procedures and the Validity of the Legal Documents Submitted for the Restructuring	June 23, 2021	cninfo.com.cn
Explanation on Whether the Parties Involved in the Restructuring Are Not Prohibited from Participating in the Major Asset Restructuring of Any Listed Company according to Article 13 of the Interim Provisions on Strengthening the Supervision of Abnormal Stock Trading Related to Material Assets Reorganization of Listed Companies	June 23, 2021	cninfo.com.cn
Explanation on Whether the Stock Price Fluctuation Before the Publication of the Restructuring Information Reaches the Threshold Stipulated in Article 5 of the Notice on Regulating the Information Disclosure of Listed Companies and the Behavior of Related Parties	June 23, 2021	cninfo.com.cn
Plans for Purchase of Assets through Share Offering and Payment of Cash, Raising Funds and the Related Party Transactions	June 23, 2021	cninfo.com.cn
Summary of Plans for Purchase of Assets through Share Offering and Payment of Cash, Raising Funds and the Related Party Transactions	June 23, 2021	cninfo.com.cn
General Risk Warning Announcement on the Purchase of Assets through Share Offering and Payment of Cash, Raising Funds and the Related Party Transactions	June 23, 2021	cninfo.com.cn
Announcement on Progress of Purchase of Assets through Share Offering and Payment of Cash, Raising Funds and the Related Party Transactions	July 24, 2021	cninfo.com.cn
	August 25, 2021	cninfo.com.cn
	September 24, 2021	cninfo.com.cn
	October 25, 2021	cninfo.com.cn
Announcement on the Resolutions of the 38th Meeting of the Fourth Board of Directors	November 23, 2021	cninfo.com.cn
Announcement on the Termination of Purchase of Assets through Share Offering and Payment of Cash, Raising Funds and the Related Party Transactions	November 23, 2021	cninfo.com.cn
Announcement on the Resolutions of the 30th Meeting of the Fourth Board of Directors	August 3, 2021	cninfo.com.cn
Announcement on the Intention to Sign the Framework Agreement for the Acquisition of RS Tech. and JOT Automation Ltd with Family Members of Paul Xiaoming Lee, Victory Precision and Its Subsidiaries and the Related Party Transaction	August 3, 2021	cninfo.com.cn
Announcement on Resolutions of the 4th Extraordinary General Meeting in 2021	August 20, 2021	cninfo.com.cn
Announcement on the Resolutions of the 33rd Meeting of the Fourth Board of Directors	September 16, 2021	cninfo.com.cn
Announcement on the Signing of Equity Transfer Agreement Between the Company and Family Members of Paul Xiaoming Lee, Victory Precision and Its Subsidiaries and the Related Party Transaction	September 16, 2021	cninfo.com.cn
Announcement on Resolutions of the 5th Extraordinary General Meeting in 2021	October 26, 2021	cninfo.com.cn
Announcement on the Progress of Signing of Equity Transfer Agreement Between the Company and Family Members of Paul Xiaoming Lee, Victory Precision and Its Subsidiaries and the Related Party Transaction	October 30, 2021	cninfo.com.cn
	November 24, 2021	cninfo.com.cn

## XV. Significant contracts and their execution

### 1. Trusteeships, Contracts, and Leases

#### (1) Trusteeships

Applicable  N/A

There was no trusteeship during the Reporting Period.

#### (2) Contracts

Applicable  N/A

No such cases in the Reporting Period.

**(3) Leases**

√ Applicable □ N/A

Statement on leases

Items with profits or losses accounting more than 10% of the total profit of the Company for the Reporting Period

□ Applicable √ N/A

The Company had no lease with profits or losses accounting more than 10% of the total profit of the Company during the Reporting Period

**2. Significant guarantees**

√ Applicable □ N/A

Unit: RMB0'000

External guarantees provided by the Company and its subsidiaries (excluding those for subsidiaries)										
Guaranteed party	Disclosure date of the guarantee line announcement	Guarantee line	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Period of guarantee	Performed or not	Guarantee for a related party or not
None										
Guarantees provided by the Company for its subsidiaries										
Guaranteed party	Disclosure date of the guarantee line announcement	Guarantee line	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Period of guarantee	Performed or not	Guarantee for a related party or not
Hongta Plastic	March 18, 2021	4,400	April 25, 2021	3,700.00	Joint liability guarantee			1 Year	No	No
Hongta Plastic	March 18, 2021	4,000	August 27, 2021	0.00	Joint liability guarantee			1 Year	No	No

Hongta Plastic	March 18, 2021	21,000	November 10, 2020	11,673.69	Joint liability guarantee			5 Years	No	No
Hongta Plastic	March 18, 2021	4,000	November 9, 2020	0.00	Joint liability guarantee			5 Years	No	No
Hongta Plastic	March 18, 2021	3,490	March 18, 2021	3,490.00	Joint liability guarantee			2 Years	No	No
Hongta Plastic	March 18, 2021	5,000	March 25, 2021	2,170.00	Joint liability guarantee			1 Year	No	No
Hongta Plastic	March 18, 2021	4,000	October 29, 2021	0.00	Joint liability guarantee			2 Years	No	No
Hongta Plastic	March 18, 2021	3,000	November 22, 2021	0.00	Joint liability guarantee			1 Year	No	No
Hongta Plastic	March 18, 2021	7,800	November 29, 2021	765.00	Joint liability guarantee			3 Years	No	No
Dexin Paper	March 18, 2021	2,230	November 13, 2019	0.00	Joint liability guarantee			3 Years	No	No
Dexin Paper	March 18, 2021	800	March 30, 2021	0.00	Joint liability guarantee			3 Years	No	No
Hongchuan Packaging	March 18, 2021	2,000	March 10, 2020	0.00	Joint liability guarantee			2 Years	No	No
Hongchuan Packaging	March 18, 2021	3,000	October 23, 2020	2,359.00	Joint liability guarantee			1 Year	No	No
Hongchuan Packaging	March 18, 2021	6,600	April 25, 2021	607.28	Joint liability guarantee			2 Years	No	No
Hongchuan Packaging	March 18, 2021	4,000	November 30, 2020	3,154.31	Joint liability guarantee			2 Years	No	No

Hongchuan Packaging	March 18, 2021	2,200	November 29, 2021	280.96	Joint liability guarantee			2 Years	No	No
Hongchuan Packaging	March 18, 2021	6,500	November 22, 2021	0.00	Joint liability guarantee			1 Year	No	No
Chengdu Hongta Plastic	March 18, 2021	7,500	April 13, 2021	720.00	Joint liability guarantee			1 Year	No	No
Chengdu Hongta Plastic	March 18, 2021	1,800	July 27, 2021	0.00	Joint liability guarantee			1 Year	No	No
Shanghai Energy	March 18, 2021	10,000	July 25, 2019	3,100.00	Joint liability guarantee			6 Years	No	No
Shanghai Energy	March 18, 2021	11,000	November 30, 2020	7,000.00	Joint liability guarantee			1 Year	No	No
Shanghai Energy	March 18, 2021	55,000	December 17, 2019	30,000.00	Joint liability guarantee			3 Years	No	No
Shanghai Energy	March 18, 2021	85,600	September 30, 2020	73,600.00	Joint liability guarantee			7 Years	No	No
Shanghai Energy	March 18, 2021	8,000	September 27, 2020	0.00	Joint liability guarantee			2 Years	No	No
Shanghai Energy	March 18, 2021	30,000	October 23, 2020	8,033.38	Joint liability guarantee			3 Years	No	No
Shanghai Energy	March 18, 2021	36,000	March 1, 2021	21,659.10	Joint liability guarantee			1 Year	No	No
Shanghai Energy	March 18, 2021	28,000	March 5, 2021	19,854.18	Joint liability guarantee			3 Years	No	No
Shanghai Energy	March 18, 2021	48,900	March 16, 2021	48,800.00	Joint liability guarantee			5 Years	No	No

Shanghai Energy	March 18, 2021	10,000	March 1, 2021	3,953.16	Joint liability guarantee			1 Year	No	No
Shanghai Energy	March 18, 2021	19,600	April 15, 2021	0.00	Joint liability guarantee			1 Year	No	No
Shanghai Energy	March 18, 2021	10,000	May 27, 2021	0.00	Joint liability guarantee			1 Year	No	No
Shanghai Energy	March 18, 2021	25,000	June 2, 2021	25,000.00	Joint liability guarantee			1 Year	No	No
Shanghai Energy	March 18, 2021	22,300.8	June 28, 2021	14,078.42	Joint liability guarantee			6 Years	No	No
Shanghai Energy	March 18, 2021	51,000	July 14, 2021	44,000.00	Joint liability guarantee			5 Years	No	No
Shanghai Energy	March 18, 2021	10,000	September 8, 2021	4,918.54	Joint liability guarantee			1 Year	No	No
Shanghai Energy	March 18, 2021	11,000	September 15, 2021	0.00	Joint liability guarantee			2 Years	No	No
Shanghai Energy	March 18, 2021	50,000	September 10, 2021	49,500.00	Joint liability guarantee			4 Years	No	No
Shanghai Energy	March 18, 2021	15,000	August 20, 2021	25,000.00	Joint liability guarantee			1 Year	No	No
Shanghai Energy	March 18, 2021	7,080	December 12, 201	63.38	Joint liability guarantee			1 Year	No	No
Shanghai Energy	March 18, 2021	10,000	January 1, 2022	10.00	Joint liability guarantee			3 Years	No	No
Zhuhai Energy	March 18, 2021	5,000	December 11, 2019	0.00	Joint liability guarantee			5 Years	No	No
Zhuhai Energy	March 18, 2021	20,000	May 8, 2020	6,539.40	Joint liability guarantee			5 Years	No	No

Zhuhai Energy	March 18, 2021	15,000	December 22, 2020	3,000.00	Joint liability guarantee			1 Year	No	No
Zhuhai Energy	March 18, 2021	5,000	May 21, 2021	0.00	Joint liability guarantee			1 Year	No	No
Zhuhai Energy	March 18, 2021	10,000	May 18, 2021	10,000.00	Joint liability guarantee			1 Year	No	No
Zhuhai Energy	March 18, 2021	3,000	June 24, 2021	3,000.00	Joint liability guarantee			3 Years	No	No
Zhuhai Energy	March 18, 2021	11,285	September 1, 2021	0.00	Joint liability guarantee			4 Years	No	No
Zhuhai Energy	March 18, 2021	20,000	August 18, 2021	20,000.00	Joint liability guarantee			1 Year	No	No
Zhuhai Energy	March 18, 2021	20,000	August 25, 2021	11,568.68	Joint liability guarantee			1 Year	No	No
Zhuhai Energy	March 18, 2021	8,000	September 18, 2021	0.00	Joint liability guarantee			1 Year	No	No
Zhuhai Energy	March 18, 2021	40,000	September 26, 2021	0.00	Joint liability guarantee			1 Year	No	No
Zhuhai Energy	March 18, 2021	22,000	September 1, 2021	15,800	Joint liability guarantee			2 Years	No	No
Wuxi Energy, Jiangxi Tonry, Chongqing Energy and Jiangxi Enpo	March 18, 2021	150,000	April 9, 2021	1,008.35	Joint liability guarantee			2 Years	No	No
Wuxi Energy	March 18, 2021	20,000	June 10, 2021	2,318.88	Joint liability guarantee			1 Year	No	No
Wuxi Energy	March 18, 2021	10,000	August 7, 2021	4628.033839	Joint liability guarantee			3 Years	No	No

Wuxi Energy	March 18, 2021	10,000	September 10, 2021	13.00604	Joint liability guarantee			1 Year	No	No
Wuxi Energy	March 18, 2021	8,000	September 2, 2021	0.00	Joint liability guarantee			1 Year	No	No
Jiangxi Tonry	March 18, 2021	10,000	December 11, 2020	10000	Joint liability guarantee			1 Year	No	No
Jiangxi Tonry	March 18, 2021	5,000	October 28, 2020	0.00	Joint liability guarantee			2 Years	No	No
Jiangxi Tonry	March 18, 2021	13,500	January 22, 2021	2,000.00	Joint liability guarantee			3 Years	No	No
Jiangxi Tonry, Wuxi Energy, Chongqing Energy, Jiangxi Enpo and Jiangxi Ruijie	March 18, 2021	80,000	May 1, 2021	1,536.00	Joint liability guarantee			2 Years	No	No
Jiangxi Tonry	March 18, 2021	25,000	September 17, 2021	5024.624416	Joint liability guarantee			1 Year	No	No
Suzhou Green Power	March 18, 2021	15,000	July 1, 2020	266.52	Joint liability guarantee			3 Years	No	No
Suzhou Green Power	March 18, 2021	10,000	April 8, 2020	3758.222671	Joint liability guarantee			2 Years	No	No
Suzhou Green Power	March 18, 2021	10,000	November 30, 2021	123.764	Joint liability guarantee			5 Years	No	No
Chongqing Energy, Jiangsu Energy and Jiangsu Ruijie	November 16, 2021	130,000	November 1, 2021	0.00	Joint liability guarantee			2 Years	No	No
Jiangxi Ruijie	March 18, 2021	20,000	June 10, 2021	18368.38	Joint liability guarantee			2 Years	No	No

SEMCOR P Hungary KFT	March 18, 2021	14,867.2	June 28, 2021	0.00	Joint liability guarantee			6 Years	No	No
SEMCOR P Hungary KFT	March 18, 2021	100,000	July 14, 2021	18,671.34	Joint liability guarantee			5 Years	No	No
SEMCOR P Hungary KFT	March 18, 2021	45,000	December 27, 2021	7,918.46	Joint liability guarantee			4 Years	No	No
Zhuhai Energy	March 18, 2021	100,000	August 14, 2017	2,219.65	Joint liability guarantee			6 Years	No	No
Zhuhai Energy	March 18, 2021	75,000	August 1, 2019	42,000.00	Joint liability guarantee			6 Years	No	No
Zhuhai Energy	March 18, 2021	20,000	May 8, 2020	0.00	Joint liability guarantee			3 Years	No	No
Zhuhai Energy	March 18, 2021	20,000	March 10, 2021	71,727.61	Joint liability guarantee			1 Year	No	No
Wuxi Energy	March 18, 2021	130,000	May 17, 2019	19,800.00	Joint liability guarantee			7 Years	No	No
Wuxi Energy	March 18, 2021	116,000	December 1, 2020	3,700.00	Joint liability guarantee			9 Years	No	No
Jiangxi Tonry	March 18, 2021	150,000	September 17, 2019	0.00	Joint liability guarantee			5 Years	No	No
Total guarantee quota approved for subsidiaries during the reporting period (B1)			3,314,900		Total actual amount of guarantees for subsidiaries during the reporting period (B2)					734,131.99
Total guarantee quota approved for the subsidiaries at the end of the reporting period (B3)			3,314,900		Total actual guarantee balance for subsidiaries at the end of the reporting period (B4)					734,131.99

Guarantees provided by subsidiaries for subsidiaries										
Guaranteed party	Disclosure date of the guarantee line announcement	Guarantee line	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter guarantee (if any)	Period of guarantee	Performed or not	Guarantee for a related party or not
Shanghai Energy	March 18, 2021	25,500	May 20, 2021		Joint liability guarantee			1 Year	No	Yes
Shanghai Energy, Zhuhai Energy, Wuxi Energy and Jiangxi Tonry	March 18, 2021	20,000	September 10, 2021	2421.2	Joint liability guarantee			2 Years	No	Yes
Jiangxi Tonry	March 18, 2021	5,000	September 23, 2021		Joint liability guarantee			1 Year	No	Yes
Total guarantee quota approved for subsidiaries during the reporting period (C1)		110,500		Total actual amount of guarantees for subsidiaries during the reporting period (C2)		2,421.2				
Total guarantee quota approved for the subsidiaries at the end of the reporting period (C3)		110,500		Total actual guarantee balance for subsidiaries at the end of the reporting period (C4)		2,421.2				

Total guarantee amount provided by the Company (sum of the aforesaid three categories)

Total guarantee quota approved during the reporting period (A1+B1+C1)	3,425,400	Total actual amount of guarantee during the reporting period (A2+B2+C2)	736,553.19
Total guarantee quota approved at the end of the reporting period (A3+B3+C3)	3,425,400	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)	736,553.19

Total guarantee amount (A4+B4+C4) to net assets of the Company 53.25%

Including:

Balance of guarantee provided to shareholders, beneficial owners and their related parties (D)	0
Amount of debt guarantee provided for guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (E)	574,700.10
Amount of total guarantee over 50% of net assets (F)	2,733,806.65
Total amount of the above three guarantees (D+E+F)	3,308,506.75

Explanation of warranty liability or possible joint liquidation (if any)	No
Explanation of provision of guarantees for external parties in violation of the prescribed procedure (if any)	N/A

Explanation on guarantees provided by combined mode

Not applicable

### 3. Entrusted cash assets management

#### (1) Entrusted wealth management

Applicable  N/A

Overview of entrusted wealth management during the Reporting Period

Unit: RMB0'000

Type	Source of capital under the entrusted wealth management	Amount of the entrusted wealth management	Undue amount	Overdue amount not recovered	Impairment of overdue wealth management not recovered
Bank wealth management products	Self-owned fund	82,035.98	50,975.98	0	0
Bank wealth management products	Funds raised	120,000.00	-	0	0
Total		202,035.98	50,975.98	0	0

Particulars of high-risk entrusted wealth management with significant single amount or low security and low liquidity

Applicable  N/A

Whether there is the case where the principal cannot be recovered at maturity or other case where impairment may occur

Applicable  N/A

#### (2) Entrusted loans

Applicable  N/A

There was no entrusted loan of the Company during the Reporting Period.

### 4. Other major contracts

Applicable  N/A

Name of the company entering into contract	Name of party involved in the contract	Contract subject	Date of signature	Pricing principle	Transaction price (RMB 10 thousand)	Related party transaction or not	Performance as of the end of the reporting period	Disclosure date	Disclosure index
Shanghai Energy	LGES	Lithium battery separator film	April 4, 2019	Market pricing principle	234,220	No	In normal performance, with sales income of RMB 1.128 billion recognized as of the end of the reporting period	May 20, 2019	Announcement on Signing of Major Contract by the Holding Subsidiary Shanghai Energy New Material Technology Co., Ltd. published on cninfo.com.cn (Announcement No.: 2019-061)

Shanghai Energy	Ultium Cells, LLC	Lithium battery separator film	June 9, 2021	Market pricing principle	167,700	No	Ultium Cells, LLC is under construction, no sales have been realized.	June 11, 2021	Announcement on Signing of Major Contract by the Holding Subsidiary Shanghai Energy New Material Technology Co., Ltd. published on cninfo.com.cn (Announcement No.: 2021-096)
Shanghai Energy	CATL	Lithium battery separator film	December 22, 2021	Market pricing principle	517,800	No	Implemented since 2022	December 24, 2021	Announcement on Signing of Prepayment Agreement between the Holding Subsidiary and CATL published on cninfo.com.cn (Announcement No.: 2021-210)

## XVI. Explanation for Other Significant Events

√Applicable □N/A

- On May 6, 2021, the 27th meeting of the fourth Board of Directors of the Company deliberated and approved the Proposal on Changing the Registered Capital and Amending the Articles of Association and Handling the Change of Industrial and Commercial Registration. Because the convertible corporate bonds of the Company (bond abbreviation: Energy Convertible Bond, bond code: 128095) entered the conversion period on August 17, 2020, Energy Convertible Bonds have been converted to 13,368,542 shares as of April 29, 2021, increasing the total number of shares of the Company from 874,792,094 shares to 888,160,636 shares, and increasing the registered capital of the Company from RMB874,792,094.00 to RMB888,160,636.00. On May 8, 2021, the Company completed the procedures for filing and change of industrial and commercial registration and obtained a new business license. For details, please refer to the Announcement on Changing the Registered Capital and Amending the Articles of Association and Handling the Change of Industrial and Commercial Registration (Announcement No.: 2021-083) and Announcement on Completion of Filing and Change of Industrial and Commercial Registration (Announcement No.: 2021-085) published by the Company on cninfo.com.cn.
- During the reporting period, due to the change of managing partners of Shanghai Hengzou, change of voting terms of Heli Investment, conversion of convertible bonds and Heli Investment and Paul Xiaoming Lee's reduction of his shareholding in the Company, the shares of the Company controlled by Lee Family, the actual controller of the Company, decreased from 49.83% to 46.48%. For details, please refer to the Announcement on Change in Shareholding Ratio of Controlling Shareholders and Persons Acting in Concert Exceeding 1% (Announcement No.: 2021-002), Announcement on Equity Change of Actual Controller Exceeding 1% (Announcement No.: 2021-159), and Announcement on Equity Change of Actual Controller Exceeding 1% (Announcement No.: 2021-172) published by the Company on cninfo.com.cn.

## XVII. Significant Events of the Company and Its Subsidiaries

√Applicable □N/A

- On January 8, 2021, the 21st meeting of the 4th Board of Directors of the Company deliberated and approved the Proposal on Entry into the Agreement on the Investment in Projects of Changshou Economic and Technological Development Zone between Shanghai Energy and the Administrative Committee of Changshou Economic and Technological Development Zone, approving Shanghai Energy to invest in the 16 high-performance lithium-ion battery micropore separator film production lines and 39 coating lines in Changshou Economic and Technological Development Zone, Chongqing, with the total project investment of RMB5.8 billion. On March 29, 2021, the 25th meeting of the fourth Board of Directors of the Company deliberated and approved the Proposal on the Implementation of Investment Project in Changshou Economic and Technological Development Zone by Chongqing Energy, a Wholly-owned Subsidiary of Shanghai Energy. Due to business development needs, Chongqing Energy will implement the Changshou Economic and Technological Development Zone Project. The total investment and production line quantity of the project will not be changed, but the investment and construction schedule of the first and second phases will be adjusted. For details, please refer to the Announcement on Entry into the Agreement on the Investment in Projects of Changshou Economic and Technological Development Zone between Shanghai Energy and the Administrative Committee of Changshou Economic and Technological Development Zone (Announcement No.: 2021-004), the Announcement on the Implementation of Investment Project in Changshou Economic and Technological Development Zone by Chongqing Energy, a Wholly-owned Subsidiary of Shanghai Energy (Announcement No.: 2021-056) and the Announcement on the Progress of the High-Performance Lithium-Ion Battery Micropore Separator Film Project of Chongqing Energy (Announcement No.: 2021-073 and 2021-203) published by the Company on cninfo.com.cn.
- On January 31, 2021, the 23rd meeting of the fourth Board of Directors of the Company deliberated and approved the Proposal on Cooperation between Subsidiaries and Polypore. Shanghai Energy and Jiangxi Mingyang New Material Technology Co., Ltd. ("Jiangxi Mingyang"), its wholly-owned subsidiary, signed the Agreement on Subscription For Capital Increase with Polypore Hong Kong Limited ("Polypore Hong Kong"), a subsidiary of Polypore International, LP ("Polypore"), approving Shanghai Energy and Polypore Hong Kong to sign the Joint Venture Agreement and they will increase the capital of Jiangxi Mingyang within the specified period. Upon the completion of the capital increase, Jiangxi Mingyang will become a joint venture, in which Shanghai Energy holds 51% of the equity, and Polypore Hong Kong holds 49% of the equity. On February 24, 2021, due to the operation needs of Polypore, the counterparty was changed from Polypore Hong Kong to PPO Energy Storage Materials HK, Ltd.. In July 2021, the transaction was through the anti-monopoly review of

concentration of business operators. In September 2021, both parties completed the first capital increase. The joint venture was renamed from Jiangxi Mingyang to Jiangxi Enpo. In January 2022, both parties completed the second capital increase. For details, please refer to the Announcement on Cooperation between Subsidiaries and Polypore (Announcement No.: 2021-017, 2021-025, 2021-122 and 2022-020) and the Announcement on Completion of Change and Filing of Industrial and Commercial Registration of Subsidiaries (Announcement No.: 2021-149) published by the Company on [cninfo.com.cn](http://cninfo.com.cn).

3. On January 31, 2021, the 23rd meeting of the 4th Fourth Board of Directors of the Company deliberated and approved the Proposal on Entry into the Contract on Building the Dry-process Lithium Battery Separator Film Project and Its Supplementary Agreements between Jiangxi Mingyang New Material Technology Co., Ltd., the Subsidiary and Gaoan Municipal People's Government, Jiangxi Province, based on which, Jiangxi Mingyang would invest in the building of dry-process lithium battery separator film project in Jiangxi Gaoan Hi-tech Industrial Park, totaling RMB2 billion. The project will be constructed in two phases, with RMB1 billion invested for phase 1 and RMB1 billion invested for phase 2. For details, please refer to the Announcement on Entry into the Contract on Building the Lithium Battery Separator Film Dry-process Project and Its Supplementary Agreements between Jiangxi Mingyang New Material Technology Co., Ltd., the Subsidiary and Gaoan Municipal People's Government, Jiangxi Province (Announcement No.: 2021-018) published by the Company on [cninfo.com.cn](http://cninfo.com.cn).

4. On April 19, 2021, NEEQ issued the Confirmation Letter on the Application for the Agreement Transfer of Specific Matters of Newmi Tech (NEEQ Letter [2021] No. 1128), and completed the review of the transfer of Newmi Tech. On May 7, 2021, China Securities Depository and Clearing Co., Ltd. ("CSDCC") issued the Confirmation of Securities Transfer Registration (No.: 2104290003, 2104290004), stating that the relevant transaction participants completed the relevant procedures for the agreement transfer of the above specific matters in CSDCC. In July 2021, Newmi Tech changed the company name and legal representative according to the relevant agreements signed and business needs, and completed the relevant industrial and commercial registration change and filing procedures. For details, please refer to the Announcement on Progress of Acquisition of 76.3574% of the Equity of Newmi Tech by Shanghai Energy New Material Technology Co., Ltd., a Holding Subsidiary (Announcement No.: 2021-027 and 2021-086) and the Announcement on Completion of Change and Filing of Industrial and Commercial Registration of Subsidiaries (Announcement No.: 2021-113) published by the Company on [cninfo.com.cn](http://cninfo.com.cn).

5. On April 23, 2021, the Management Committee of Yuxi High-tech Zone, the Company and Yunnan Hongta Plastic Co., Ltd. signed the Supplementary Agreement for BOPP Film Reconstruction and Expansion Project with Annual Output of 70,000 Tons, which further clarified the relevant provisions of the Investment Agreement for BOPP Film Reconstruction and Expansion Project with Annual Output of 70,000 Tons. For details, please refer to the Announcement on Progress of the BOPP Film Reconstruction and Expansion Project of Hongta Plastic, a wholly-owned Subsidiary (Announcement no.: 2021-070) published by the Company on [cninfo.com.cn](http://cninfo.com.cn).

6. During the reporting period, Suzhou Green Power, Dexin Paper, Chongqing Energy, Jiangxi Tonry and Jiangxi Ruijie changed the industrial and commercial registration due to business needs. For details, please refer to the Announcement on Completion of Change and Filing of Industrial and Commercial Registration of Subsidiaries (Announcement No.: 2021-024, 2021-090, 2021-093 and 2021-119) published by the Company on [cninfo.com.cn](http://cninfo.com.cn).

7. On August 2, 2021, the 30th meeting of the fourth Board of Directors of the Company deliberated and approved the Proposal on Establishing a Joint Venture with EVE to Construct Wet-process Lithium Battery Separator Film Project. The Company has signed the Joint Venture Agreement and Supplementary Agreement with EVE Energy Co., Ltd. ("EVE"), based on which the two parties will establish a joint venture in Jingmen to build wet-process lithium-ion battery separator film and coating film project with an annual production capacity of 1.6 billion square meters, which will be provided to EVE and its subsidiaries in priority. It is expected that the registered capital of the joint venture will be RMB1,600 million, of which the designated investor of the Company subscribes to contribute RMB880 million and holds 55% equity in the joint venture, EVE subscribes to contribute RMB720 million and holds 45% equity in the joint venture. On September 18, 2021, Shanghai Energy, EVE and Jingmen High-tech Industrial Development Zone Management Committee signed the Contract for the establishment of the joint venture by Shanghai Energy and EVE in Jingmen High-tech Development Zone and the investment and construction of high-performance lithium battery separator film project by the joint venture. With a total investment of RMB5.2 billion, 16 production lines for lithium battery separator film will be constructed in the project. In January 2022, Hubei Energy New Material Technology Co., Ltd. completed the procedures for industrial and commercial registration and obtained a business license. For details, please refer to the Announcement on Establishing a Joint Venture with EVE to Construct Wet-process Lithium Battery Separator Film Project (announcement No.: 2021-128) and the Announcement on Progress of Establishment of a Joint Venture with EVE to Construct Wet-process Lithium Battery Separator Film Project (announcement no.: 2021-155 and 2022-003) published by the Company on [cninfo.com.cn](http://cninfo.com.cn).

8. On December 20, 2021, the 39th meeting of the fourth Board of Directors of the Company deliberated and approved the Proposal on the Signing of the Investment Cooperation Agreement for Energy Liquid Package Project between Hongchuang Packaging and the Management Committee of Jintan Economic Development Zone in Jiangsu Province, based on which Hongchuang Packaging will establish a project company to invest in the construction of aseptic liquid packaging box project, with a total investment of RMB2 billion. In January 2022, Hongchuang Packaging (Jiangsu) Co., Ltd., the project company, completed the procedures for industrial and commercial registration and obtained a business license. For details, please refer to the Announcement on the Signing of the Investment Cooperation Agreement for Energy Liquid Package Project between Hongchuang Packaging and the Management Committee of Jintan Economic Development Zone in Jiangsu Province (announcement No.: 2021-207) and the Announcement on the Progress of the Signing of the Investment Cooperation Agreement for Energy Liquid Package Project between Hongchuang Packaging and the Management Committee of Jintan Economic Development Zone in Jiangsu Province (announcement No.: 2022-007) published by the Company on [cninfo.com.cn](http://cninfo.com.cn).

## Section 7 Share Changes and Shareholder Details

### I. Changes in Shares

#### 1. Changes in shares

Unit: shares

	Before the change		Increase or decrease (+/-)					After the change	
	Number of shares	Proportion	New shares issued	Bonus issuance	Conversion of reserve into share	Others	Subtotal	Number of shares	Proportion
I. Shares subject to restrictions on sale	350,103,161	39.49%				-199,716,053	-199,716,053	150,387,108	16.85%
1. Shares held by state	0	0.00%				0	0		0.00%
2. Shares held by state-owned legal persons	7,113,896	0.80%				-7,113,896	-7,113,896	0	0.00%
3. Shares held by other domestic investors	122,263,815	13.79%				-67,721,200	-67,721,200	54,542,615	6.11%
Including: Shares held by domestic legal persons	34,342,499	3.87%				-34,342,499	-34,342,499	0	0.00%
Shares held by domestic natural persons	87,921,316	9.92%				-33,378,701	-33,378,701	54,542,615	6.11%
4. Shares held by overseas investors	180,336,565	20.34%				-84,492,072	-84,492,072	95,844,493	10.74%
Including: Shares held by overseas legal persons	13,608,330	1.53%				-13,608,330	-13,608,330	0	0.00%
Shares held by overseas natural persons	166,728,235	18.81%				-70,883,742	-70,883,742	95,844,493	10.74%
5. Fund and wealth management products	40,388,885	4.56%				-40,388,885	-40,388,885	0	0.00%
II. Shares not subject to restrictions on Sale	536,462,990	60.51%				205,556,724	205,556,724	742,019,714	83.15%
1. Renminbi denominated common shares	536,462,990	60.51%				205,556,724	205,556,724	742,019,714	83.15%
2. Domestically-listed foreign shares		0.00%					0		0.00%
3. Foreign shares listed overseas		0.00%					0		0.00%
4. Others		0.00%					0		0.00%
III. Total shares	886,566,151	100.00%				5,840,671	5,840,671	892,406,822	100.00%

Reason for changes in shares

√ Applicable □ N/A

(1) Certain restricted shares under the issuance of shares for assets acquisition were listed and traded

On August 18, 2021, certain restricted shares under the issuance of shares for assets acquisition under the major assets restructuring in 2018 were released from restriction on sales and traded. 246,432,142 shares were released from restriction on sales in total, involving 21 shareholders, such as the overseas natural person Paul Xiaoming Lee, overseas natural person Sherry Lee, overseas natural person JERRY YANG LI, domestic legal persons Huachen Investment, Advanced Manufacturing Fund, Shanghai Hengzou, as well as domestic natural persons Li Xiaohua, Huang Shuhua, Zhang Tao, Gao Xiang, He Baohua, Huang Yuchen, Hu Jiadong, Wang Chizhou, Jiang Xinmin, Zhang Fang, Zhang Fan, Zheng Mei, Liu Wei, Du Jun and Cao Ben.

(2) Private offering of A shares in 2020

Under the approval granted by China Securities Regulatory Commission under the Approval of Private Share Offering by Yunnan Energy New Material Co., Ltd. (CSRC License [2020] No. 1476), the Company made a private offering of 69,444,444 shares (A shares) to 22 specific investors,

and completed the registration procedure for these new shares with China Clear Shenzhen Branch on August 21, 2020. These shares started trading with a lockup period of 6 months as of the listing date at Shenzhen Stock Exchange on September 4, 2020. As of March 3, 2021, the lockup period of

private offering of 69,444,444 Renminbi-dominated ordinary shares in 2020 has expired, and those shares have been released from selling restrictions and have been eligible for trading since March 4, 2021.

(3) Conversion of convertible corporate bonds into shares

Under the approval granted by China Securities Regulatory Commission under the Approval of Convertible Corporate Bonds by Yunnan Energy New Material Co., Ltd. (CSRC License [2019] No. 2701), the Company made a public offering of 16 million convertible corporate bonds (bonds abbreviation: Energy Convertible Bond, bonds code: 128095) with a face value of RMB100.00 each bond, a total amount of RMB1.6 billion and a term of 6 years on February 11, 2020. Under the approval of Shenzhen Stock Exchange in the document “Shenzhen Stock Exchange Listing [2020] No. 109), the convertible corporate bonds of the Company worth RMB1.6 billion started trading at Shenzhen Stock Exchange on February 28, 2020. The conversion period of “Energy Convertible Bonds” started on August 17, 2020. During the Reporting Period, a total of 5,840,671 shares were converted from the bonds, and by the end of the Reporting Period, a total of 17,614,728 shares were converted from the bonds.

(4) Reasons for other changes

The shares held by the directors and senior managers of the Company have been locked in accordance with the Listing Rules of Shenzhen Stock Exchange, the Guide of Shenzhen Stock Exchange to Compliant Operation of Listed Companies (Revised in 2020), the Several Provisions Regarding Share Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies, the Implementation Rules of Shenzhen Stock Exchange Regarding Share Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies and other related provisions.

Approval of changes in shares

Applicable  N/A

(1) Release from selling restrictions on private offering of A shares in 2020

Under the approval granted by China Securities Regulatory Commission under the Approval of Private Share Offering by Yunnan Energy New Material Co., Ltd. (CSRC License [2020] No. 1476), the Company made a private offering of 69,444,444 shares (A shares) to 22 specific investors, and completed the registration procedure for these new shares with China Clear Shenzhen Branch on August 21, 2020. These shares started trading with a lock-up period of 6 months as of the listing date at Shenzhen Stock Exchange on September 4, 2020. As of March 3, 2021, the lockup period of private offering of 69,444,444 Renminbi-dominated ordinary shares in 2020 has expired, and those shares have been released from selling restrictions and have been eligible for trading since March 4, 2021.

(2) Conversion of convertible corporate bonds into shares

Under the approval granted by China Securities Regulatory Commission under the Approval of Convertible Corporate Bonds by Yunnan Energy New Material Co., Ltd. (CSRC License [2019] No. 2701), the Company made a public offering of 16 million convertible corporate bonds (bonds abbreviation: Energy Convertible Bond, bonds code: 128095) with a face value of RMB100.00 each bond, a total amount of RMB1.6 billion and a term of 6 years on February 11, 2020. Under the approval of Shenzhen Stock Exchange in the document “Shenzhen Stock Exchange Listing [2020] No. 109”, the convertible corporate bonds of the Company worth RMB1.6 billion started trading at Shenzhen Stock Exchange on February 28, 2020. The conversion period of “Energy Convertible Bonds” started on August 17, 2020.

Transfer of share ownership

Applicable  N/A

(1) Conversion of convertible corporate bonds into shares

A total of 5,840,671 shares were converted from “Energy Convertible Bonds” during the Reporting Period, and a total of 17,614,728 shares were converted by the end of the Reporting Period

Effects of changes in shares on the basic EPS, diluted EPS, net assets per share attributable to ordinary shareholders of the Company, and other financial indicators for the prior year and the last Reporting Period

Applicable  N/A

During the Reporting Period, the conversion of 5,840,671 shares from the “Energy Convertible Bonds” has affected the basic earnings per share by RMB0.01/share, affected the diluted earnings per share by RMB0.01/share and affected the net assets per share by RMB0.05/share.

Other contents that the Company considers are necessary, or are required by the securities regulatory authorities, to disclose

Applicable  N/A

## 2. Changes in restricted shares

Applicable  N/A

Unit: Shares

Name of shareholder	Number of restricted shares at the beginning of period	Increase of restricted shares in the current period	Number of restricted shares unlocked in the current period	Number of restricted shares at the end of period	Reason for restriction	Date of relief
Paul Xiaoming Lee	102,745,439	63,594,073	70,495,019	95,844,493	(1) Locked shares held by senior executives; (2) By the end of the Reporting Period, the shares obtained from the material asset restructuring in 2018 have been released from restrictions	(1) The restricted shares obtained from the material asset restructuring in 2018 were unlocked on August 18, 2021; (2) A director can unlock 25% of total shares he or she holds every year.
Li Xiaohua	69,833,759	52,378,417	69,833,759	52,378,417		
Sherry Lee	46,275,559		46,275,559	0	By the end of the Reporting Period, the shares obtained from the material asset restructuring in 2018 have been released from restrictions	The restricted shares obtained from the material asset restructuring in 2018 were unlocked on August 18, 2021
JERRY YANG LI	17,707,237		17,707,237	0		
Xu Ming	1,376,905	238,968		1,615,873	Locked shares held by senior executives	He resigned from the position of the director in November 2021, and during the term determined when he held the position and within six months after the expiration of the term, he shall not transfer the Company's shares he holds within half a year after resignation, and the shares transferred every year shall be no more than 25% of the total shares of the Company he holds.
Pang Qizhi	330,000		82,500	247,500	Locked shares held by senior executives	He resigned from the position of the Chief Financial Officer in September 2020, and during the term determined when he held the position and within six months after the expiration of the term, he shall not transfer the Company's shares he holds within half a year after resignation, and the shares transferred every year shall be no more than 25% of the total shares of the Company he holds.
Xiong Wei	269,250	750		270,000	Locked shares held by senior executives	He resigned from the position of the Board Secretary in November 2021, and during the term determined when he held the position and within six months after the expiration of the term, he shall not transfer the Company's shares he holds within half a year after resignation, and the shares transferred every year shall be no more than 25% of the total shares of the Company he holds.
Yu Xue	0	30,825		30,825	Locked shares held by senior executives	As a Board Secretary, she may have 25% of the total shares of the Company she holds unlocked every year.
Total of the other original shareholders of Shanghai Energy before material asset restructuring (17 shareholders)	42,120,568		42,120,568	0	By the end of the Reporting Period, the shares obtained from the material asset restructuring in 2018 have been released from restrictions	The shares obtained from the material asset restructuring in 2018 were released from restrictions on August 18, 2021
Total of shareholders participating in private offering of A shares in 2020	69,444,444		69,444,444	0	By the end of the Reporting Period, the shares obtained from the private offering of A shares of the Company in 2020 have been released	The shares obtained from the private offering of A shares of the Company in 2020 were unlocked on March 4, 2021.

(22 investors)					from restrictions	
Total	350,103,161	116,243,033	315,959,086	150,387,108	--	--

## II. Issuance and Listing of Securities

### 1. Issuance of securities (excluding preferred shares) during the Reporting Period

Applicable  N/A

### 2. Statement on changes in total shares and shareholder structure of the Company, and changes in assets and liabilities of the Company

Applicable  N/A

At the beginning of period, the Company recorded the total share capital of 886,566,151 shares and the asset-liability ratio of 43.63%. During the Reporting Period, the “Energy Convertible Bonds” were converted into 5,840,671 shares, which has increased the total share capital of the Company by 5,840,671 shares. As at the end of the Reporting Period, the Company recorded the total share capital of 892,406,822 shares and the asset-liability ratio of 44.35%.

### 3. Existing shares held by internal employees of the Company

Applicable  N/A

## III. Details of Shareholders and Actual Controllers

### 1. Number of shareholders and their shareholdings

Unit: shares

Total common shareholders at the end of the Reporting Period	46,438	Total ordinary shareholders at the end of the previous month before annual report disclosure date	43,546	Total preferred shareholders resuming voting right at end of the Reporting Period (if any) (see Note 8)	0	Total preferred shareholders resuming voting right at the end of the previous month before annual report disclosure date (if any) (see Note 8)	0	
Shareholders holding more than 5% of shares or shareholdings of the top 10 shareholders								
Name of shareholder	Nature of shareholder	Shareholding ratio	Number of shares held at the end of the Reporting Period	Increase or decrease of shares during the Reporting Period	Number of restricted shares held	Number of unrestricted shares held	Pledged, tagged or frozen	
							Status of shares	Number of shares
Paul Xiaoming Lee	Overseas natural person	14.14%	126,192,257	-1,600,400	95,844,493	30,347,764	Pledged	2,800,000
Heyi Investment	Domestic non-state-owned legal person	13.39%	119,449,535			119,449,535	Pledged	13,690,000
Hong Kong Securities Clearing Company Limited	Overseas legal person	10.91%	97,318,305	20,085,167		97,318,305		

Sherry Lee	Overseas natural person	8.23%	73,470,459			73,470,459		
Li Xiaohua	Domestic natural person	7.83%	69,837,889		52,378,417	17,459,472	Pledged	26,600,000
Kunming Huachen Investment Co., Ltd.	Domestic non-state-owned legal person	2.06%	18,364,462	-5,019,313		18,364,462		
JERRY YANG LI	Overseas natural person	1.98%	17,707,237			17,707,237		
Zhang Yong	Domestic natural person	1.81%	16,164,007	-168,10		16,164,007		
Shanghai Hengzou	Domestic non-state-owned legal person	1.74%	15,526,817			15,526,817		
Heli Investment	Domestic non-state-owned legal person	1.07%	9,558,686			9,558,686	Pledged	1,100,000
Strategic investors or general legal persons who have become top 10 shareholders due to new share allotment (if any) (see Note 3)	None							
Statement on related party relationship or concerted action between above-mentioned shareholders	Paul Xiaoming Lee, Sherry Lee, Li Xiaohua and JERRY YANG LI are all the family members of the Company's actual controller Paul Xiaoming Lee and represent the persons acting in concert. Heyi Investment is the enterprise under control by the family of the actual controller Paul Xiaoming Lee. Heli Investment is a related party of the Company. The other shareholders are not known as to whether they have the related party relationships between them or constitute the persons acting in concert.							
Explanation of delegation/acceptance of voting right and waiver of voting right involving the above shareholders	Mr. Paul Xiaoming Lee and Ms. Sherry Lee signed the Power of Attorney for Shareholding on January 14, 2020, by which Ms. Sherry Lee fully delegated the shareholders' rights, such as rights to question, proposal and vote, in connection with 73,470,459 shares she held in the Company, to her father Mr. Paul Xiaoming Lee, for a period of three years from the date of the Power of Attorney.							
Special explanation on the existence of special repurchase account among the top 10 shareholders (if any) (see Note 10)	N/A							
Top 10 shareholders holding unrestricted shares								
Name of shareholder	Number of unrestricted shares held at the end of the Reporting Period	Type of shares						
		Type of shares	Number of shares					
Heyi Investment	119,449,535	Renminbi denominated common shares	119,449,535					
Hong Kong Securities Clearing Company Limited	97,318,305	Renminbi denominated common shares	97,318,305					
Sherry Lee	73,470,459	Renminbi denominated common shares	73,470,459					
Paul Xiaoming Lee	30,347,764	Renminbi denominated common shares	30,347,764					
Kunming Huachen Investment Co., Ltd.	18,364,462	Renminbi denominated common shares	18,364,462					
JERRY YANG LI	17,707,237	Renminbi denominated common shares	17,707,237					
Li Xiaohua	17,459,472	Renminbi denominated common shares	17,459,472					
Zhang Yong	16,164,007	Renminbi denominated common shares	16,164,007					

Shanghai Hengzou	15,526,817	Renminbi denominated common shares	15,526,817
Heli Investment	9,558,686	Renminbi denominated common shares	9,558,686
Statement on related party relationships or concerted action between top 10 circulating shareholders without sales restriction and between top 10 circulating shareholders without sales restriction and top 10 shareholders	Paul Xiaoming Lee, Sherry Lee, Li Xiaohua and JERRY YANG LI are all the family members of the Company's actual controller Paul Xiaoming Lee and represent the persons acting in concert. Heyi Investment is the enterprise under control by the family of the actual controller Paul Xiaoming Lee. Heli Investment is a related party of the Company. The other shareholders are not known as to whether they have the related party relationships between them or constitute the persons acting in concert.		
Statement on top 10 ordinary shareholders' participation in securities margin trading business (if any) (see Note 4)	Among the top ten ordinary shareholders, Heyi Investment held 7,900,000 shares through the client account of collateral securities for margin trading of China Merchants Securities Co., Ltd.; and Heli Investment held 1,500,000 shares through the client account of collateral securities for margin trading of Guotai Junan Securities Co.,Ltd..		

Did any of the top 10 ordinary shareholders or top 10 ordinary shareholders with unrestricted shares of the Company conduct any transactions on agreed repurchase during the Reporting Period

Yes  No

Top 10 ordinary shareholders and top 10 ordinary shareholders without sales restriction didn't conduct transactions on agreed repurchase during the Reporting Period.

## 2. Details about the controlling shareholder

Nature of controlling shareholder: The nature of the controlling entity is unclear

Type of controlling shareholder: Natural person

Controlling shareholder's name	Nationality	Acquisition of right of residence in other countries or regions
Paul Xiaoming Lee	American	Yes
Yan Ma	American	Yes
Sherry Lee	American	Yes
Li Xiaohua	Chinese	Yes
Yanyang Hui	American	Yes
JERRY YANG LI	American	Yes
Major Occupation and Position	Paul Xiaoming Lee serves as the Chairman of the Company. Li Xiaohua serves as the Vice Chairman and General Manager of the Company. Yan Ma serves as the Director of the Company. Yanyang Hui, Sherry Lee and JERRY YANG LI take no positions at the Company.	
Equities in other domestic and overseas listed companies under control and with participation during the Reporting Period	None	

Change of controlling shareholder during the Reporting Period

Applicable  N/A

The controlling shareholder of the Company has not changed during the Reporting Period.

## 3. Details about the actual controller and persons acting in concert

Nature of actual controller: Domestic natural person; overseas natural person

Type of actual controller: Natural person

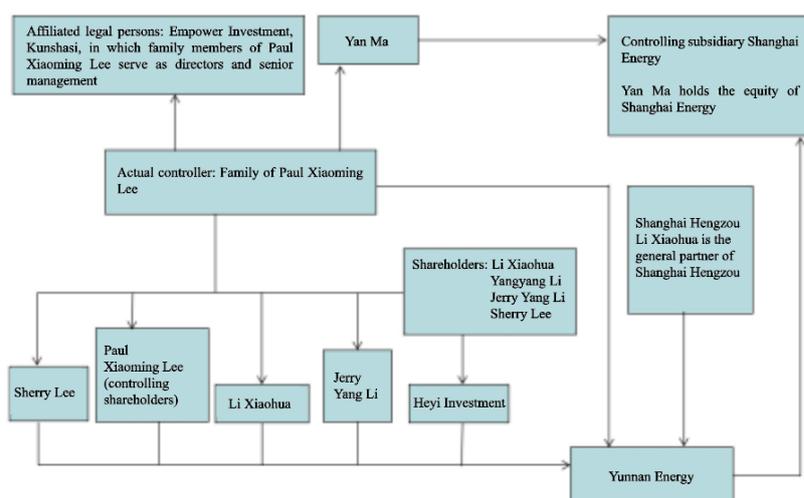
Name of actual controller	Relationship with actual controller	Nationality	Acquisition of right of residence in other countries or regions
Paul Xiaoming Lee	Act in concert (including agreement, kinship and common control)	American	Yes

Yan Ma	Act in concert (including agreement, kinship and common control)	American	Yes
Sherry Lee	Act in concert (including agreement, kinship and common control)	American	Yes
Li Xiaohua	Act in concert (including agreement, kinship and common control)	Chinese	Yes
Yanyang Hui	Act in concert (including agreement, kinship and common control)	American	Yes
Jerry Yang Li	Act in concert (including agreement, kinship and common control)	American	Yes
Major Occupation and Position	Paul Xiaoming Lee serves as the Chairman of the Company. Li Xiaohua serves as the Vice Chairman and General Manager of the Company. Yan Ma serves as the Director of the Company. Yanyang Hui, Sherry Lee and JERRY YANG LI take no positions at the Company.		
Control over domestic and overseas listed companies over past 10 years	None		

Change of actual controller during the Reporting Period

## 控股股东、实际控制人及其关联人

### Controlling shareholder, actual controller and affiliates



The actual controller controls the Company through trust or other asset management methods

Applicable  N/A

#### 4. The accumulated number of pledged shares of the Company's controlling shareholder or the largest shareholder of the Company and its persons acting in concert account for 80% of the Company's shares held

Applicable  N/A

#### 5. Other corporate shareholders holding more than 10% of the shares

Applicable  N/A

Name of legal person shareholder	Legal Representative/Principal of Organization	Date of Incorporation	Registered Capital	Major operating activities or management activities
Heyi Investment	Paul Xiaoming Lee	November 10, 2010	RMB30 million	Conduct venture capital activities with free capital; make project investment and manage investment project; investment management, investment consulting and social and economic consultation.

#### 6. Details about restrictions on reduction of shareholdings of controlling shareholders, actual controllers, restructuring parties, and other entities making commitments

Applicable  N/A

#### IV. Information on implementation of share repurchase during the Reporting Period

Progress in implementation of share repurchase

Applicable  N/A

Scheme disclosure date	Number of shares intended to be repurchased	Percentage of the general capital	Amount intended to be repurchased	Intended repurchase period	Repurchase purpose	Number of shares repurchased	Ratio of shares repurchased to the underlying shares under the stock incentive plan (if any)
March 18, 2021	1,111,111 shares to 2,222,222 shares	0.12% to 0.25%	Not less than RMB200 million (inclusive) and not more than RMB400 million (inclusive)	March 17, 2021 to March 16, 2022	Used for implementation of the stock incentive or employee stock ownership plan	1,585,437	100.00%

Progress of centralized bidding for reduction of shares repurchased

Applicable  N/A

## **Section 8 Details about Preferred Shares**

Applicable  N/A

During the Reporting Period, there were no preferred shares in the Company.

## Section 9 Details about bonds

Applicable  N/A

### I. Corporate bonds

Applicable  N/A

During the Reporting Period, there were no corporate bonds of the Company.

### II. Debentures

Applicable  N/A

During the Reporting Period, there were no debentures of the Company.

### III. Debt financing instruments of non-financial enterprises

Applicable  N/A

During the Reporting Period, there were no non-financial enterprise debt financing tool of the Company.

### IV. Convertible corporate bonds

Applicable  N/A

#### 1. All Previous Adjustments to the Conversion Price

The initial conversion price of “Energy Convertible Bonds” was RMB64.61 per share.

In May 2020, the Company implemented the annual profit distribution plan for 2019: Based on the total share capital of the Company, namely 805,370,770 shares, distribute RMB1.25 in cash (inclusive of tax) for every 10 shares to all shareholders, distribute a total cash dividend of RMB100,671,346.25 (inclusive of tax), distribute no dividend shares, convert no surplus reserve into share capital, and set the ex-dividend date as May 21, 2020. Pursuant to related articles concerning the adjustment of the conversion price for the convertible corporate bonds, the Company has made corresponding adjustment to the conversion price of “Energy Convertible Bonds” from RMB64.61/share before the adjustment to RMB64.49/share after adjustment, and the conversion price after adjustment took effect on May 21, 2020.

In September 2020, under the approval granted by China Securities Regulatory Commission under the Approval of Private Share Offering by Yunnan Energy New Material Co., Ltd. (CSRC License [2020] No. 1476), the Company made a private offering of 69,444,444 shares (A shares) to 22 specific investors. These shares started trading at an issuing price of RMB72.00/share at Shenzhen Stock Exchange on September 4, 2020. Pursuant to related articles concerning the adjustment of the conversion price for the convertible corporate bonds, the Company has made corresponding adjustment to the conversion price of “Energy Convertible Bonds” from RMB64.49/share before the adjustment to RMB65.09/share after adjustment, and the conversion price after adjustment took effect on September 4, 2020.

In September 2020, the Company repurchased and canceled a total of 23,120 restricted shares held by 4 participants with a personal assessment rating of “good” when the 2017 Restricted Stock Incentive Plan was unlocked for the third time. The repurchase price was RMB8.426 per share. The cancellation for repurchase was completed on September 28, 2020. Due to the small number of shares canceled in this repurchase, the conversion price of “Energy Convertible Bonds” remained unchanged at RMB65.09 per share after calculating in accordance with the relevant terms regarding the adjustment to the conversion price of convertible corporate bonds.

In April 2021, the Company implemented the annual profit distribution plan for 2020: Based on the total share capital of the Company, namely 888,160,636 shares, distribute RMB1.696948 in cash (inclusive of tax) for every 10 shares to all shareholders, distribute a total cash dividend of RMB150,716,245.67 (inclusive of tax), distribute no dividend shares, convert no surplus reserve into share capital, and set the ex-dividend date as April 30, 2021. Pursuant to related articles concerning the adjustment of the conversion price for the convertible corporate bonds, the Company has made a corresponding adjustment to the conversion price of “Energy Convertible Bonds” from RMB65.09/share to RMB64.92/share, and the conversion price after adjustment took effect on April 30, 2021.

## 2. Cumulative Share Conversion

√ Applicable □ N/A

Abbreviation for convertible bond	Start and end date of share conversion	Total volume of bond issuance (number of bonds)	Total amount of issuance	Cumulative conversion amount (RMB)	Cumulative number of shares converted (shares)	Ratio of the number of shares converted to the total issued shares of the Company before the start of the conversion	Amount of shares not yet converted (RMB)	Ratio of amount of shares not yet converted to the total amount of issuance
Energy Convertible Bonds	August 17, 2020 to February 11, 2026	16,000,000	1,600,000,000.00	1,145,914,000.00	17,614,728	2.19%	454,086,000.00	28.38%

## 3. Top Ten Holders of Convertible Bonds

Unit: shares

SN	Name of holder of convertible bonds	Nature of holder of convertible bonds	Number of convertible bonds held at the end of the Reporting Period (number of convertible bonds)	Amount of convertible bonds held at the end of the Reporting Period (RMB)	Percentage of convertible bonds held at the end of the Reporting Period
1	Industrial and Commercial Bank of China Limited - Guangfa Convertible Bond Initiated Securities Investment Fund	Other	389,230	38,923,000.00	8.57%
2	Agricultural Bank of China Limited - Penghua Convertible Bond Securities Investment Fund	Other	386,706	38,670,600.00	8.52%
3	Agricultural Bank of China Limited - Southern Xiyuan Convertible Bond Securities Investment Fund	Other	228,110	22,811,000.00	5.02%
4	Dajia Asset - China Minsheng Bank - Dajia Asset - Value Selected No. 1 Collective Asset Management Product	Other	219,441	21,944,100.00	4.83%
5	Dajia Asset - China Minsheng Bank - Dajia Asset - Shengshi Selected No. 2 Collective Asset Management Product	Other	213,110	21,311,000.00	4.69%
6	China Minsheng Banking Corporation Limited - Everbright Pramerica Credit Tianyi Bond Securities Investment Fund	Other	197,790	19,779,000.00	4.36%
7	National Social Security Fund Portfolio 203	Other	163,820	16,382,000.00	3.61%
8	Basic Pension Insurance Fund - Portfolio 106	Other	139,008	13,900,800.00	3.06%
9	National Social Security Fund Portfolio 1008	Other	118,730	11,873,000.00	2.61%
10	Fullgoal Fuyi Jinqiu Fixed Income Pension Product - Industrial and Commercial Bank of China Limited	Other	111,044	11,104,400.00	2.45%

#### 4. Significant Changes in the Guarantor's Profitability, Asset Status, and Credit Status

Applicable  N/A

#### 5. The Company's Liabilities and Credit Changes at the End of the Reporting Period, and Cash Arrangements for Debt Repayment in Future Years

(1) The Company's liabilities: relevant indicators such as the asset-liability ratio, interest coverage multiple, and loan repayment rate at the end of the Reporting Period, and year-on-year changes are detailed in the "VIII. Major Accounting data and financial indicators of the Company in the recent two years as at the end of the Reporting Period".

(2) Changes in the Company's credit standing:

According to the Follow-up Rating Report on Public Offering of Convertible Corporate Bonds by Yunnan Energy New Material Co., Ltd. (No.: Follow-up Rating on Corporate Bonds by Shanghai Brilliance (2020) 100053) issued by the credit rating agency - Shanghai Brilliance Credit Rating & Investors Service Co, Ltd., the credit rating of the Company on the whole was AA, the credit rating of "Energy Convertible Bonds" was AA, and the said bonds were affirmed with a "stable" outlook. The above-mentioned follow-up rating results have not changed compared with the previous rating results. For details about the above-mentioned follow-up rating reports, refer to <http://www.cninfo.com.cn/>.

According to the Follow-up Rating Report on Public Offering of Convertible Corporate Bonds by Yunnan Energy New Material Co., Ltd. (No.: Follow-up Rating on Corporate Bonds by Shanghai Brilliance (2021) 100043) issued by the credit rating agency - Shanghai Brilliance Credit Rating & Investors Service Co, Ltd., the credit rating of the Company on the whole was AA, the credit rating of "convertible corporate bonds of Yunnan Energy New Material Co., Ltd." was AA, and the said bonds were affirmed with a "stable" outlook. The above-mentioned follow-up rating results have not changed compared with the previous rating results. For details about the above-mentioned follow-up rating reports, refer to <http://www.cninfo.com.cn/>.

(3) Cash arrangements for debt repayment in future years: The Company's credit status is good, the asset-liability structure is reasonable, and banks and other financial institutions grant sufficient comprehensive credit to the Company. The Company can quickly and effectively obtain financing support from financial institutions. The Company has stable operations and good performance, and can obtain stable operating cash flow through endogenous growth. At the same time, the Company actively promotes the implementation of fundraising projects through convertible corporate bonds to further enhance its profitability. If the Company meets the put provision and redemption clauses and repayment of principal and interest when due as disclosed in the prospectus of convertible corporate bonds, the Company can pay the bondholders' principal and interest with its own funds and financing.

#### V. Losses in the scope of consolidated statements during the Reporting Period exceeding 10% of the net assets as at the end of the prior year

Applicable  N/A

#### VI. Overdue repayment of interest-bearing debt other than bonds as at the end of the Reporting Period

Applicable  N/A

#### VII. Violation of rules and regulations during the Reporting Period

Yes  No

#### VIII. Major Accounting data and financial indicators of the Company in the recent two years as at the end of the Reporting Period

Unit: RMB'0,000

Item	At the end of the Reporting Period	At the end of the prior year	Increase or decrease at the end of the current Reporting Period compared with the end of prior year
Current Ratio	1.3647	2.03	-32.77%
Asset-Liability Ratio	44.35%	43.63%	0.72%
Quick ratio	1.0308	1.5937	-35.32%
	The reporting period	The corresponding period of prior year	Increase or decrease of the Reporting Period compared with the corresponding period of prior year
Net profit after deduction of	256,705.45	99,050.72	159.17%

non-recurring gains and losses			
Debt-to-EBITDA ratio	36.66%	23.16%	13.50%

Interest coverage ratio	14.24	5.13	177.58%
Cash interest coverage ratio	8.16	4.98	63.86%
EBITDA interest coverage ratio	17.58	7.03	150.07%
Loan repayment rate	100.00%	100.00%	0.00%
Interest coverage rate	100.00%	100.00%	0.00%

## Section 10 Financial Report

### I. Audit Report

Type of audit opinion	Standard unqualified opinion
Audit report signing date	April 11, 2022
Audit organization name	Dahua CPAs (SGP)
Audit report No.	Da Hua Shen Zi [2022] No. 005769
Name of Certified Public Accountant	Kang Wenjun, Yao Rui

Body of the audit report

**To all shareholders of Yunnan Energy New Material Co., Ltd.:**

### I. Audit Opinions

We have audited the financial statements of Yunnan Energy New Material Co., Ltd., (“the Company”), including the consolidated and the parent company’s balance sheets as of December 31, 2021, the consolidated and parent company’s income statement, the consolidated and the parent company’s cash flow statement, the consolidated and the parent company’s statement of changes in equity for 2021, and the relevant notes to financial statements.

In our opinion, the enclosed financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects and fairly reflected the Company’s consolidated and the parent company’s financial positions as of December 31, 2020 as well as the consolidated and the parent company’s operation results and cash flow for 2021.

### II. Basis for Audit Opinions

We carried out the audit work according to the Auditing Standards for Chinese CPA. Our responsibilities under the Standards are further described under the section titled “responsibilities of CPA for auditing financial statements” in this audit report. We are independent from the Company and have fulfilled the obligations in terms of professional ethics according to Code of Professional Conduct for Chinese CPAs. We believe that the evidences we obtained are adequate and proper, and lay a solid foundation for the audit opinion.

### III. Key Audit Matters

Key audit matters are those that we believe are of most significance in the audit of the financial statements of the current period based on professional judgment. These matters are addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that the following matters are key audit matters to be communicated in the audit report.

1. Revenue recognition
2. Provision for bad debts of accounts receivable

(I) Revenue recognition

1. Description of matters

Please refer to Note IV-(35) and Note VI-43 of the consolidated financial statements for the accounting policies and book amount information of the revenue recognition of the Company in this year.

The operating income of the Company in 2021 amounted to RMB7,982,426,800, which was the main source of its profit and affects its key performance indicators. In addition, according to the industry practice, after signing the sales order with customer, the Company arranges production based on customer’s requirements, delivers it to customers pursuant to the agreed delivery method, obtains the customer’s evidence on the transfer of the ownership of goods, and then recognizes the sales revenue. Since the time of revenue recognition is later than the product delivery, and the delivery time and delivery document recognition are all dependent on the customer, there may be significant risk of misstatement if the sales revenue is fully included in the appropriate accounting period. Therefore, we recognize revenue as a key audit matter.

2. Audit Response

Our key audit procedures for revenue recognition include:

- (1) Understand and evaluate the design of internal control of revenue recognition by the management, and test the effectiveness of key control implementation;
- (2) Obtain a major business contract, identify terms and conditions related to the transfer of commodity ownership, and assess whether the income recognition policy of the Company is in line with the relevant provisions of the enterprise accounting standards;
- (3) Understand the background and basic information of the main customers, identify whether they are related parties, and confirm the accounts receivable balance and sales amount of the main customers by confirmation letters;
- (4) Select samples from the sales revenue ledger, check the relevant documents such as contracts (orders), invoices, delivery documents, pay attention to the delivery time, and check the revenue recognition time point;
- (5) Check the sales revenue recognized before and after the balance sheet date with supporting documents of sales revenue recognition, and implement the cut-off test and subsequent inspection procedures for revenue recognition;
- (6) Assess whether the management's disclosure of income statement is appropriate.

According to the audit procedures and the evidence we have obtained, we believe that the income of the Company is real and recorded correctly during the accounting period.

#### (II) Provision for bad debts of accounts receivable

##### 1. Description of matters

Please refer to Note IV-(12) and Note VI- 4 of the consolidated financial statements for the accounting policies and book value amount of accounts receivables of the Company in this year.

On December 31, 2021, the original book value of accounts receivable of the Company was RMB4,541,764,000, the bad debt provision was RMB136,327,900, and the net value was RMB4,405,436,100, accounting for 16.86% of the total assets at the end of the period.

Based on the financial situation of the counterparty, the management evaluates the guarantee obtained to the accounts receivable, the aging of the accounts receivable, the credit rating and historical repayment record of the counterparty, and with reference to the historical credit loss experience, combined with the current situation and the forecast of the future economic situation, the management considers to accrue bad debt for the accounts receivable according to the expected credit loss in the whole duration. As the determination of the amount of bad debt provision requires the management to use significant accounting estimates and judgments, and accounts receivable is important to the financial statements, therefore, we regard the bad debt provision of accounts receivable as a key audit matter.

##### 2. Audit response

- (1) Understand and evaluate the management's key internal control over the daily management and provision for accounts receivable, and carry out the corresponding walk through test;
- (2) For accounts receivable with significant single amount and credit impairment occurred after initial recognition, all the bases for the management's assessment of the expected future available cash flow shall be reviewed to analyze whether it is reasonable;
- (3) For the accounts receivable of bad debt provision withdrawn by the management according to the combination of credit risk characteristics, combined with the credit risk characteristics and aging analysis, evaluate the rationality of the withdrawal of bad debt provision by the management;
- (4) The adequacy of the management's provision for bad debt is evaluated in combination with the check of payment collection after the period;
- (5) Assess whether the management's disclosure of accounts receivable financial statements is appropriate.

Based on the audit procedures we have implemented and the evidence we have obtained, we believe that the accounting estimates of the bad debt provision of accounts receivable made by the Company are fully reasonable.

## IV. Other Information

The Company's management is responsible for the other information. The other information comprises all of the information included in the financial report other than 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 the 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 Financial Statements

The Company's management is responsible for the preparation of the financial statements that give a fair view in accordance with CAS, and for designing, implementing and maintaining such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 the management either intends 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. Responsibilities of CPA for Auditing 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 CAS 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 CAS, 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 the management.
4. Conclude on the appropriateness of the management's use of the going concern basis of accounting. Based on the audit evidence obtained, conclude on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by CAS to draw users' attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company 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 noteworthy 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 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.

## II. Financial Statements

The unit of notes to financial statements is: RMB

# 1. Consolidated balance sheet

Prepared by: Yunnan Energy New Material Co., Ltd.

December 31, 2021

Unit: RMB

Item	December 31, 2021	December 31, 2020
Current assets:		
Monetary funds	1,833,450,205.69	2,374,743,862.70
Settlement reserves		
Loans to banks and other financial institutions		
Held-for-trading financial assets	5,137,194.34	1,340,551,914.18
Derivative financial assets		
Notes receivable	368,575,191.23	379,739,323.94
Accounts receivable	4,405,436,085.52	2,328,215,706.27
Receivable financing	526,473,335.53	399,552,829.70
Prepayments	226,474,516.69	180,532,055.58
Premiums receivable		
Reinsurance premium receivable		
Reinsurance contract provision receivable		
Other receivables	8,119,316.74	10,861,029.53
Including: Interest receivable		
Dividends receivable		
Financial assets held under resale agreements		
Inventories	1,681,448,170.29	1,157,030,660.71
Contractual assets		
Held-for-sales assets		
Non-current assets due within one year		2,956,802.29
Other current assets	407,556,013.80	533,769,875.20
Total current assets	9,462,670,029.83	8,707,954,060.10
Non-current assets:		
Loans and advances to customers		
Debt investment		
Other debt investment		
Long-term receivables		0.00
Long-term equity investments	3,545,984.21	3,375,208.87
Investments in other equity instruments	110,000,000.00	
Other non-current financial assets		

Investment properties	8,933,531.66	9,467,762.78
Fixed assets	10,877,888,212.91	8,420,764,216.20
Construction in progress	1,752,915,718.82	1,639,803,967.92
Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	560,863,178.11	461,898,594.16
Development expenditures		
Goodwill	520,230,679.65	520,230,679.65
Long-term unamortized expenses	3,559,617.17	6,645,427.28
Deferred income tax assets	252,854,470.86	202,903,996.37
Other non-current assets	2,568,723,421.32	599,190,933.07
Total non-current assets	16,659,514,814.71	11,864,280,786.30
Total assets	26,122,184,844.54	20,572,234,846.40
Current liabilities:		
Short-term borrowings	4,116,148,340.30	1,795,679,528.91
Borrowings from the central bank		
Placements from banks and other financial institutions		
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable	487,407,828.53	695,426,539.69
Accounts payable	650,545,657.28	471,076,518.22
Advances from customers		
Contractual liabilities	761,923,312.38	7,677,129.87
Financial assets sold under repurchase agreements		
Customer bank deposits and due to banks and other financial institutions		
Customer brokerage deposits		
Securities underwriting brokerage deposits		
Employee benefits payable	33,329,916.78	28,144,817.99
Taxes payable	190,156,537.78	178,984,075.44
Other payables	70,277,422.63	585,382,427.63
Including: Interest payable		
Dividends payable	9,778,239.09	7,871,573.20
Fees and commissions payable		

Reinsurance amounts payable		
Hold-for-sale liabilities		
Non-current liabilities due within one year	383,397,992.10	526,281,063.88
Other current liabilities	240,737,724.26	1,021,339.34
Total current liabilities	6,933,924,732.04	4,289,673,440.97
Non-current liabilities:		
Insurance contract reserves		
Long-term borrowings	2,803,108,832.30	2,666,911,132.37
Bonds payable	413,239,181.29	755,725,620.04
Including: preferred shares		
Perpetual bonds		
Lease liabilities		
Long-term payables		
Long-term payroll payable		
Estimated liabilities		
Deferred income	754,958,659.55	708,255,614.66
Deferred income tax liabilities	141,144,032.72	100,406,057.96
Other non-current liabilities	538,517,694.55	455,517,694.55
Total non-current liabilities	4,650,968,400.41	4,686,816,119.58
Total liabilities	11,584,893,132.45	8,976,489,560.55
Owners' equity:		
Share capital	892,406,822.00	886,566,151.00
Other equity instruments	50,352,323.80	92,433,139.11
Including: preferred shares		
Perpetual bonds		
Capital reserve	7,635,639,929.52	7,229,135,825.83
Less: treasury stock	204,444,302.78	
Other comprehensive income	-3,746,198.57	
Special reserve		
Surplus reserve	173,392,922.26	147,950,664.58
General risk provision		
Undistributed profits	5,288,265,431.08	2,746,794,868.15
Total owners' equity attributable to parent company	13,831,866,927.31	11,102,880,648.67
Minority interests	705,424,784.78	492,864,637.18

Total owners' equity	14,537,291,712.09	11,595,745,285.85
Total liabilities and owners' equity	26,122,184,844.54	20,572,234,846.40

Legal representative: Paul Xiaoming Lee Financial Controller: Li Jian Financial Manager: Deng Jinhuan

## 2. Balance sheet of the parent company

Unit: RMB

Item	December 31, 2021	December 31, 2020
Current assets:		
Monetary funds	227,525,602.97	1,356,011,083.93
Held-for-trading financial assets		1,210,015,416.66
Derivative financial assets		
Notes receivable	3,800,000.00	439,422,816.05
Accounts receivable	11,098,038.20	13,500,863.18
Receivable financing		
Prepayments	178,525.89	424,285.77
Other receivables	6,692,163,939.27	4,145,526,029.74
Including: Interest receivable		
Dividends receivable	241,040,000.00	241,040,000.00
Inventories	23,374,673.75	11,921,375.85
Contractual assets		
Held-for-sales assets		
Non-current assets due within one year		
Other current assets	7,931,629.01	571,205.74
Total current assets	6,966,072,409.09	7,177,393,076.92
Non-current assets:		
Debt investment		
Other debt investment		
Long-term receivables		
Long-term equity investments	4,658,382,761.62	4,662,093,871.62
Investments in other equity instruments	110,000,000.00	
Other non-current financial assets		
Investment properties		
Fixed assets	68,543,765.10	72,475,302.27
Construction in progress		

Productive biological assets		
Oil and gas assets		
Right-of-use assets		
Intangible assets	11,017,155.74	11,586,803.18
Development expenditures		
Goodwill		
Long-term unamortized expenses		
Deferred income tax assets	37,462.01	35,786,244.88
Other non-current assets	29,841,986.94	7,703,156.51
Total non-current assets	4,877,823,131.41	4,789,645,378.46
Total assets	11,843,895,540.50	11,967,038,455.38
Current liabilities:		
Short-term borrowings	88,118,518.90	23,027,741.64
Held-for-trading financial liabilities		
Derivative financial liabilities		
Notes payable	200,000.00	111,564,400.00
Accounts payable	22,796,504.02	32,501,970.95
Advances from customers		
Contractual liabilities	217,893.81	306,389.38
Employee benefits payable		
Taxes payable	919,028.71	3,921,261.63
Other payables	195,116,109.42	98,408,526.81
Including: Interest payable		
Dividends payable		
Hold-for-sale liabilities		
Non-current liabilities due within one year	89,570,152.48	2,806,004.27
Other current liabilities	3,828,326.19	39,830.62
Total current liabilities	400,766,533.53	272,576,125.30
Non-current liabilities:		
Long-term borrowings	116,000,000.00	290,000,000.00
Bonds payable	413,239,181.29	755,725,620.04
Including: preferred shares		
Perpetual bonds		
Lease liabilities		

Long-term payables		
Long-term payroll payable		
Estimated liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	529,239,181.29	1,045,725,620.04
Total liabilities	930,005,714.82	1,318,301,745.34
Owners' equity:		
Share capital	892,406,822.00	886,566,151.00
Other equity instruments	50,352,323.80	92,433,139.11
Including: preferred shares		
Perpetual bonds		
Capital reserve	9,749,414,509.20	9,347,283,545.82
Less: treasury stock	204,444,302.78	
Other comprehensive income		
Special reserve		
Surplus reserve	145,640,411.27	120,198,153.59
Undistributed profits	280,520,062.19	202,255,720.52
Total owners' equity	10,913,889,825.68	10,648,736,710.04
Total liabilities and owners' equity	11,843,895,540.50	11,967,038,455.38

### 3.Consolidated income statement

Unit: RMB

Item	2021	2020
I. Total operating income	7,982,426,810.59	4,283,007,589.11
Including: Operating income	7,982,426,810.59	4,283,007,589.11
Interest income		
Earned premium		
Fee and commission incomes		
II. Total operating cost	4, 891,681,674.54	3,068,774,846.93
Including: operating cost	4,002,023,714.23	2,456,998,310.23
Interest expense		
Fee and commissions expenses		

Cash surrender amount		
Net payments for insurance claims		
Net provision for insurance liability contract reserves		
Policy dividend expenses		
Reinsurance expenses		
Taxes and surcharges	37,128,232.84	32,491,020.28
Selling expenses	74,035,002.36	56,365,549.96
Administrative expenses	216,333,939.36	155,800,391.65
R&D expenses	409,178,730.28	178,243,333.28
Financial expenses	152,982,055.47	188,876,241.53
Including: Interest expense	221,206,595.88	203,597,658.74
Interest income	20,299,433.23	34,077,648.03
Add: Other income	134,079,448.78	139,662,812.37
Investment income (loss is indicated with “-”)	27,109,413.02	8,627,395.44
Including: Income from investment in associates and joint ventures	1,687,090.23	1,516,305.77
Derecognized financial assets measured by amortized cost	-9,956,624.13	
Exchange gain (loss is indicated with “-”)		
Net exposure hedging income (loss is indicated with “-”)		
Income from changes in fair value (loss is indicated with “-”)	137,194.34	10,951,914.18
Credit impairment losses (loss is indicated with “-”)	-24,846,360.74	-38,744,542.00
Asset impairment losses (loss is indicated with “-”)	-10,663,472.55	-17,810,098.57
Income from disposal of assets (loss is indicated with “-”)	308,957.41	-144,872.28
III. Operating profit (loss is indicated with “-”)	3,216,870,316.31	1,316,775,351.32
Add: Non-operating income	5,349,575.50	1,696,155.05
Less: Non-operating expenses	2,645,030.21	5,224,424.09
IV. Total profit (total loss is indicated with “-”)	3,219,574,861.60	1,313,247,082.28

Less: Income tax expense	332,720,824.45	137,597,621.36
V. Net profit (net loss is indicated with “-”)	2,886,854,037.15	1,175,649,460.92
(I) Classified according to operating continuity		
1. Net profit from continuing operations (net loss is indicated with “-”)	2,886,854,037.15	1,175,649,460.92
2. Net profit from discontinuing operations (net loss is indicated with “-”)		
(II) Classified according to attribution of the ownership		
1. Net profit attributable to shareholders of the parent company	2,717,628,798.01	1,115,604,020.47
2. Profit or loss of minority interest	169,225,239.14	60,045,440.45
VI. Other comprehensive income, net of tax	-3,934,256.01	
Other comprehensive income attributable to owners of parent company, net of tax	-3,746,198.57	
(I) Other comprehensive income that cannot be reclassified to profit or loss		
1. Changes arising from re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of the enterprise’s credit risk		
5. Others		
(II) Other comprehensive income that will be reclassified subsequently to profit or loss	-3,746,198.57	
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		
2. Changes in fair value of other debt investments		
3. Amount of the financial asset reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investment		
5. Cash flow hedging reserve		
6. Exchange differences from translation of statements denominated in foreign currencies	-4,502,767.45	
7. Provision for credit impairment of receivables financing	756,568.88	

Other comprehensive income attributable to minority interests, net of tax	-188,057.44	
VII. Total comprehensive income	2,882,919,781.14	1,175,649,460.92
Total comprehensive income attributable to owners of parent company	2,713,882,599.44	1,115,604,020.47
Total comprehensive income attributable to minority interests	169,037,181.70	60,045,440.45
VIII. Earnings per share:		
(I) Basic earnings per share	3.06	1.34
(II) Diluted earnings per share	3.05	1.34

Legal representative: Paul Xiaoming Lee Financial Controller: Li Jian Financial Manager: Deng Jinhuan

## 4. Income statement of parent company

Unit: RMB

Item	2021	2020
I. Operating income	157,499,622.94	234,623,935.16
Less: Operating cost	103,455,015.75	168,222,882.65
Taxes and surcharges	2,141,286.64	2,880,451.60
Selling expenses	819,867.31	448,512.10
Administrative expenses	18,055,936.74	19,514,060.89
R&D expenses	7,542,189.37	7,495,274.77
Financial expenses	-195,072,440.78	-4,489,911.90
Including: Interest expense	47,201,667.42	103,063,984.02
Interest income	242,290,969.91	107,278,598.69
Add: Other income	2,643,407.78	852,455.62
Investment income (loss is indicated with "-")	60,270,487.08	58,000,000.00
Including: Income from investment in associates and joint ventures		
Derecognized financial assets measured by amortized cost (loss is indicated with "-")		
Net exposure hedging income (loss is indicated with "-")		

Income from changes in fair value (loss is indicated with “-”)		10,015,416.66
Credit impairment losses (loss is indicated with “-”)	7,031,935.64	-7,013,346.63
Asset impairment losses (loss is indicated with “-”)		
Income from disposal of assets (loss is indicated with “-”)	6,430.44	-11,416.29
II. Operating profit (loss is indicated with “-”)	290,510,028.85	102,395,774.41
Add: Non-operating income	22,407.40	305,202.78
Less: Non-operating expenses	130,596.96	601,273.52
III. Total profit (total loss is indicated with “-”)	290,401,839.29	102,099,703.67
Less: Income tax expense	35,979,262.54	-25,870,566.29
IV. Net profit (net loss is indicated with “-”)	254,422,576.75	127,970,269.96
(I) Net profit from continuing operations (net loss is indicated with “-”)	254,422,576.75	127,970,269.96
(II) Net profit from discontinuing operations (net loss is indicated with “-”)		
V. Other comprehensive income, net of tax		
(I) Other comprehensive income that cannot be reclassified to profit or loss		
1. Changes arising from re-measurement of the defined benefit plan		
2. Other comprehensive income that cannot be reclassified into profit or loss under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of the enterprise’s credit risk		
5. Others		
(II) Other comprehensive income that will be reclassified subsequently to profit or loss		
1. Other comprehensive income that can be reclassified into profit or loss under the equity method		
2. Changes in fair value of other debt investments		

3. Amount of the financial asset reclassified into other comprehensive income		
4. Provision for credit impairment of other debt investment		
5. Cash flow hedging reserve		
6. Exchange differences from translation of statements denominated in foreign currencies		
7. Others		
VI. Total comprehensive income	254,422,576.75	127,970,269.96
VII. Earnings per share:		
(I) Basic earnings per share		
(II) Diluted earnings per share		

## 5. Consolidated cash flow statement

Unit: RMB

Item	2021	2020
I. Cash flows from operating activities:		
Cash received from the sale of goods or rendering of services	6,192,723,975.82	3,191,214,990.25
Net increase in deposits from customers and placements from corporations in the same industry		
Net increase in borrowings from the central bank		
Net increase in placements from other financial institutions		
Cash received for receiving premium of original insurance contract		
Net cash received from reinsurance business		
Net increase in deposits of the insured and investment		
Cash received from interests, fees and commissions		
Net increase in placements from banks and other financial institutions		
Net increase in repurchasing		
Net cash received from acting sale of securities		
Receipts of tax refunds	357,117,868.83	245,563,708.07
Other cash receipts related to operating activities	296,201,968.18	343,505,512.60

Subtotal of cash inflows from operating activities	6,846,043,812.83	3,780,284,210.92
Cash payments for goods purchased and services received	3,844,341,884.47	1,980,955,396.48
Net increase in loans and advances		
Net increase in deposits in the Central Bank and other financial institutions		
Cash paid for claim settlements on original insurance contract		
Net increase in placements to banks and other financial institutions		
Cash paid for interests, fees and commissions		
Cash paid for policy dividends		
Cash paid to and on behalf of employees	653,147,819.25	375,257,883.44
Payments of all types of taxes	705,344,941.58	256,970,205.27
Other cash payments relating to operating activities	224,563,789.71	111,920,712.54
Subtotal of cash outflows due to operating activities	5,427,398,435.01	2,725,104,197.73
Net cash flows from operating activities	1,418,645,377.82	1,055,180,013.19
II. Cash flows from investment activities:		
Cash received from disposal of investments	1,770,600,000.00	860,750,000.00
Cash received from procuring investment income	39,541,818.23	9,784,553.45
Net amount of cash received from disposal of fixed assets, intangible assets and other long-term assets	4,743,027.47	1,981,312.22
Net cash received from disposals of subsidiaries and other business units		
Other cash received relating to investment activities		1,098,067.46
Subtotal of cash inflows from investment activities	1,814,884,845.70	873,613,933.13
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	3,995,963,251.24	2,668,276,730.82
Cash paid for acquisition of investments	1,059,810,518.38	2,190,350,000.00
Net increase in pledge loans		
Net cash payments for acquisitions of subsidiaries and other business units		768,910,958.56
Other cash paid relating to investment activities	474,586,405.90	521,580,488.33

Subtotal of cash outflows due to investment activities	5,530,360,175.52	6,149,118,177.71
Net cash flows from investment activities	-3,715,475,329.82	-5,275,504,244.58
III. Cash flows from financing activities:		
Cash received from absorbing investment	41,323,782.65	5,182,504,554.49
Including: Cash received from subsidiaries' absorbing minority shareholder investment	41,323,782.65	200,000,000.00
Cash received from borrowings	6,075,195,864.97	6,453,328,220.70
Cash received from bond issuance		1,586,122,641.51
Other cash received relating to financing activities		
Subtotal of cash inflows from financing activities	6,116,519,647.62	13,221,955,416.70
Cash paid for debt repayment	3,759,907,508.21	6,828,400,619.55
Cash paid for distributing dividends and profits or paying interests	387,731,899.73	337,184,434.87
Including: Dividends and profits paid to minority shareholders by subsidiaries		
Cash payments relating to other financing activities	355,820,208.65	496,786,261.12
Subtotal of cash outflows from financing activities	4,503,459,616.59	7,662,371,315.54
Net cash flows from financing activities	1,613,060,031.03	5,559,584,101.16
IV. Effect of changes in exchange rate on cash and cash equivalents	-1,846,294.98	
V. Net increase in cash and cash equivalents	-685,616,215.95	1,339,259,869.77
Add: Opening balance of cash and cash equivalents	2,054,915,784.55	715,655,914.78
VI. Closing balance of cash and cash equivalents	1,369,299,568.60	2,054,915,784.55

## 6. Cash flow statement of parent company

Unit: RMB

Item	2021	2020
I. Cash flows from operating activities:		
Cash received from the sale of goods or rendering of services	148,332,356.97	195,880,806.69
Receipts of tax refunds	2,400,340.22	1,492,265.95
Other cash receipts related to operating activities	38,811,850.08	83,978,889.93

Subtotal of cash inflows from operating activities	189,544,547.27	281,351,962.57
Cash payments for goods purchased and services received	57,469,797.54	58,371,825.94
Cash paid to and on behalf of employees	23,671,850.65	22,027,502.06
Payments of all types of taxes	24,606,426.06	11,770,532.86
Other cash payments relating to operating activities	64,565,222.66	16,850,138.72
Subtotal of cash outflows due to operating activities	170,313,296.91	109,019,999.58
Net cash flows from operating activities	19,231,250.36	172,331,962.99
II. Cash flows from investment activities:		
Cash received from disposal of investments	1,203,711,110.00	739,219,511.67
Cash received from procuring investment income	70,285,903.74	89,500,000.00
Net amount of cash received from disposal of fixed assets, intangible assets and other long-term assets	2,717,733.88	322,000.00
Net cash received from disposals of subsidiaries and other business units		
Other cash received relating to investment activities	1,318,235,358.19	1,764,000,000.00
Subtotal of cash inflows from investment activities	2,594,950,105.81	2,593,041,511.67
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	35,192,771.85	1,261,033.67
Cash paid for acquisition of investments	110,000,000.00	2,433,478,760.67
Net cash payments for acquisitions of subsidiaries and other business units		
Other cash paid relating to investment activities	3,410,258,479.43	6,928,358,826.63
Subtotal of cash outflows due to investment activities	3,555,451,251.28	9,363,098,620.97
Net cash flows from investment activities	-960,501,145.47	-6,770,057,109.30
III. Cash flows from financing activities:		
Cash received from absorbing investment		4,982,504,554.49
Cash received from borrowings	108,000,000.00	1,416,500,000.00
Cash received from bond issuance		1,586,122,641.51
Other cash received relating to financing activities	918,990,595.87	2,207,533,096.38
Subtotal of cash inflows from financing activities	1,026,990,595.87	10,192,660,292.38

Cash paid for debt repayment	130,000,000.00	1,284,486,222.89
Cash paid for distributing dividends and profits or paying interests	166,972,238.46	124,393,256.17
Cash payments relating to other financing activities	891,825,843.08	982,525,785.13
Subtotal of cash outflows from financing activities	1,188,798,081.54	2,391,405,264.19
Net cash flows from financing activities	-161,807,485.67	7,801,255,028.19
IV. Effect of changes in exchange rate on cash and cash equivalents		
V. Net increase in cash and cash equivalents	-1,103,077,380.78	1,203,529,881.88
Add: Opening balance of cash and cash equivalents	1,329,918,428.70	126,388,546.82
VI. Closing balance of cash and cash equivalents	226,841,047.92	1,329,918,428.70

## 7. Consolidated statement of changes in owners' equity

Amount of current period

Unit: RMB

Item	2021													Minority interests	Total owners' equity
	Owner's equity attributable to parent company											Subtotal			
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		Other		
	Preferred stock	Perpetual bonds	Other												
I. Closing balance of the previous year	886,566,151.00			92,433,139.11	7,229,135,825.83				147,950,664.58		2,746,794,868.15		11,102,880,648.67	492,864,637.18	11,595,745,285.85
Add: Accounting policy changes															
Correction of errors in the prior period															
Merger of enterprises under common control															
Other															
II. Opening balance of the current year	886,566,151.00			92,433,139.11	7,229,135,825.83				147,950,664.58		2,746,794,868.15		11,102,880,648.67	492,864,637.18	11,595,745,285.85
III. Increase/decrease for the period (decrease is indicated with "-")	5,840,671.00			-42,080,815.31	406,504,103.69	204,444,302.78	-3,746,198.57		25,442,257.68		2,541,470,562.93		2,728,986,278.64	212,560,147.60	2,941,546,426.24
(I) Total comprehensive income							-3,746,198.57				2,717,628,798.01		2,713,882,599.44	169,037,181.70	2,882,919,781.14
(II) Contribution and withdrawal of capital by owners	5,840,671.00			-42,080,815.31	406,504,103.69	204,444,302.78							165,819,656.60	45,429,631.79	211,249,288.39

1. Common shares invested by owner					-13,222,553.45								-13,222,553.45	44,546,336.10	31,323,782.65
2. Capital invested by other equity instrument holders	5,840,671.00			-42,080,815.31	402,130,963.38								365,890,819.07		365,890,819.07
3. Amount of share payment credited to owner's equity					17,595,693.76	204,444,302.78							-186,848,609.02	883,295.69	-185,965,313.33
4. Other															
(III) Profit distribution									25,442,257.68		-176,158,235.08		-150,715,977.40	-1,906,665.89	-152,622,643.29
1. Withdrawal of surplus reserve									25,442,257.68		-25,442,257.68				
2. Provision for general risk															
3. Distribution to owners (or shareholders)											-150,715,977.40		-150,715,977.40	-1,906,665.89	-152,622,643.29
4. Other															
(IV) Transfers within the owners' equity															
1. Conversion of capital reserve to capital (or share capital)															
2. Conversion of surplus reserve to capital (or share capital)															
3. Covering loss with surplus reserve															
4. Change of defined benefit plan carried forward to retained earning															

5. Other comprehensive income carried forward to retained earnings															
6. Other															
(V) Special reserve															
1. Provision for the period															
2. Utilization for the period															
IV. Other															
IV. Closing balance for the period	892,406,822.00			50,352,323.80	7,635,639,929.52	204,444,302.78	-3,746,198.57		173,392,922.26		5,288,265,431.08		13,831,866,927.31	705,424,784.78	14,537,291,712.09

Amount of previous period

Unit RMB

Item	2020													Minority interests	Total owners' equity
	Owner's equity attributable to parent company											Subtotal			
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk provision	Undistributed profits		Other		
	Preferred stock	Perpetual bonds	Other												
I. Closing balance of the previous year	805,370,770.00				1,894,027,132.14	28,137,312.00			135,153,637.58		1,744,638,648.71		4,551,052,876.43	330,073,008.95	4,881,125,885.38
Add: Accounting policy changes															
Correction of errors in the prior period															

Merger of enterprises under common control															
Other															
II. Opening balance of the current year	805,370,770.00				1,894,027,132.14	28,137,312.00			135,153,637.58		1,744,638,648.71	4,551,052,876.43	330,073,008.95	4,881,125,885.38	
III. Increase/decrease for the period (decrease is indicated with “-”)	81,195,381.00			92,433,139.11	5,335,108,693.69	-28,137,312.00			12,797,027.00		1,002,156,219.44	6,551,827,772.24	162,791,628.23	6,714,619,400.47	
(I) Total comprehensive income											1,115,604,020.47	1,115,604,020.47	60,045,440.45	1,175,649,460.92	
(II) Contribution and withdrawal of capital by owners	81,195,381.00			92,433,139.11	5,335,108,693.69	-28,137,312.00						5,536,874,525.80	105,657,760.98	5,642,532,286.78	
1. Common shares invested by owner	69,444,440.00				4,592,771,403.98							4,662,215,847.98	81,080,000.00	4,743,295,847.98	
2. Capital invested by other equity instrument holders	11,774,057.00			92,433,139.11	779,622,447.50							883,829,643.61		883,829,643.61	
3. Amount of share payment credited to owner's equity					21,332,629.04							21,332,629.04	883,295.70	22,215,924.74	
4. Other	-23,120.00				-58,617,786.83	-28,137,312.00						-30,503,594.83	23,694,465.28	-6,809,129.55	

(III) Profit distribution									12,797,027.00		-113,447,801.03		-100,650,774.03	-2,911,573.20	-103,562,347.23	
1. Withdrawal of surplus reserve									12,797,027.00		-12,797,027.00					
2. Provision for general risk																
3. Distribution to owners (or shareholders)											-100,650,774.03		-100,650,774.03	-2,911,573.20	-103,562,347.23	
4. Other																
(IV) Transfers within the owners' equity																
1. Conversion of capital reserve to capital (or share capital)																
2. Conversion of surplus reserve to capital (or share capital)																
3. Covering loss with surplus reserve																
4. Change of defined benefit plan carried forward to retained earning																
5. Other comprehensive income carried forward to retained earning																
6. Other																
(V) Special reserve																
1. Provision for the period																
2. Utilization for the period																
IV. Other																

IV. Closing balance for the period	886,566,151.00		92,433,139.11	7,229,135,825.83		147,950,664.58		2,746,794,868.15		11,102,880,648.67	492,864,637.18	11,595,745,285.85
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## 8. Statement of changes in owners' equity of parent company

Amount of current period

Unit: RMB

Item	2021											
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Other	Total owners' equity
		Preferred stock	Perpetual bonds	Other								
I. Closing balance of the previous year	886,566,151.00			92,433,139.11	9,347,283,545.82				120,198,153.59	202,255,720.52		10,648,736,710.04
Add: Accounting policy changes												
Correction of errors in the prior period												
Other												
II. Opening balance of the current year	886,566,151.00			92,433,139.11	9,347,283,545.82				120,198,153.59	202,255,720.52		10,648,736,710.04
III. Increase/decrease for the period (decrease is indicated with "-")	5,840,671.00			-42,080,815.31	402,130,963.38	204,444,302.78		25,442,257.68	78,264,341.67			265,153,115.64
(I) Total comprehensive income										254,422,576.75		254,422,576.75
(II) Contribution and withdrawal of capital by owners	5,840,671.00			-42,080,815.31	402,130,963.38	204,444,302.78						161,446,516.29
1. Common shares invested by owner												
2. Capital invested by other equity instrument holders	5,840,671.00			-42,080,815.31	402,130,963.38							365,890,819.07

3. Amount of share payment credited to owner's equity						204,444,302.78						
4. Other												
(III) Profit distribution									25,442,257.68	-176,158,235.08		-150,715,977.40
1. Withdrawal of surplus reserve									25,442,257.68	-25,442,257.68		
2. Distribution to owners (or shareholders)										-150,715,977.40		-150,715,977.40
3. Other												
(IV) Transfers within the owners' equity												
1. Conversion of capital reserve to capital (or share capital)												
2. Conversion of surplus reserve to capital (or share capital)												
3. Covering loss with surplus reserve												
4. Change of defined benefit plan carried forward to retained earning												
5. Other comprehensive income carried forward to retained earning												
6. Other												
(V) Special reserve												
1. Provision for the period												
2. Utilization for the period												
(VI) Others												
IV. Closing balance for the period	892,406,822.00			50,352,323.80	9,749,414,509.20	204,444,302.78			145,640,411.27	280,520,062.19		10,913,889,825.68

Amount of previous period

Unit: RMB

Item	2020											
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Other	Total owners' equity
		Preferred stock	Perpetual bonds	Other								
I. Closing balance of the previous year	805,370,770.00				3,651,035,741.69	28,137,312.00			107,401,126.59	187,733,251.59		4,723,403,577.87
Add: Accounting policy changes												
Correction of errors in the prior period												
Other												
II. Opening balance of the current year	805,370,770.00				3,651,035,741.69	28,137,312.00			107,401,126.59	187,733,251.59		4,723,403,577.87
III. Increase/decrease for the period (decrease is indicated with "-")	81,195,381.00			92,433,139.11	5,696,247,804.13	-28,137,312.00			12,797,027.00	14,522,468.93		5,925,333,132.17
(I) Total comprehensive income										127,970,269.96		127,970,269.96
(II) Contribution and withdrawal of capital by owners	81,195,381.00			92,433,139.11	5,696,247,804.13	-28,137,312.00						5,898,013,636.24
1. Common shares invested by owner	69,444,444.00				4,913,060,110.49							4,982,504,554.49
2. Capital invested by other equity instrument holders	11,774,057.00			92,433,139.11	779,622,447.50							883,829,643.61
3. Amount of share payment credited to owner's equity					3,736,935.26							3,736,935.26

4. Other	-23,120.00				-171,689.12	-28,137,312.00						27,942,502.88
(III) Profit distribution									12,797,027.00	-113,447,801.03		-100,650,774.03
1. Withdrawal of surplus reserve									12,797,027.00	-12,797,027.00		
2. Distribution to owners (or shareholders)										-100,650,774.03		-100,650,774.03
3. Other												
(IV) Transfers within the owners' equity												
1. Conversion of capital reserve to capital (or share capital)												
2. Conversion of surplus reserve to capital (or share capital)												
3. Covering loss with surplus reserve												
4. Change of defined benefit plan carried forward to retained earning												
5. Other comprehensive income carried forward to retained earning												
6. Other												
(V) Special reserve												
1. Provision for the period												
2. Utilization for the period												
(VI) Others												
IV. Closing balance for the period	886,566,151.00			92,433,139.11	9,347,283,545.82				120,198,153.59	202,255,720.52		10,648,736,710.04

### III. Corporate Information

#### (i) Company registration address, organization form and headquarters address

Yunnan Energy New Material Co., Ltd. (hereinafter referred to as the “Company” or “our Company”) was formerly Yunnan Yuxi Innovation Color Printing Co., Ltd. with the approval of Department of Commerce of Yunnan Province document YSZ [2011] No.50, the shareholders of the Company signed the sponsor agreement on March 28, 2011, unanimously agreed to change the Company as a whole into a company limited by share, and obtained the business license of enterprise legal person No.53040040000009 issued by Yunnan Provincial Administration for Industry and Commerce, which is now changed to the unified social credit code 91530000727317703K, with the registered address and headquarters address of No.125, Fuxian Road, High-tech Zone, Yuxi City, Yunnan Province. The Company’s legal representative is PAUL XIAOMING LEE.

In accordance with the resolution of the first extraordinary general meeting of shareholders in 2014 held in March 2014 and the revised articles of association of the Company, and the Approval of Initial Public Offering of Shares of Yunnan Innovative New Materials Co., Ltd. (ZJXX [2016] No. 1886) issued by China Securities Regulatory Commission, the Company issued RMB-denominated ordinary shares (A shares) of 33,480,000 to the public. It was priced and issued to the public investors on September 6, 2016, with a par value of RMB1.00 per share, a subscription price of RMB23.41 per share, and a total of RMB783,766,800.00 raised funds. After deducting the issuance related expenses of RMB35,999,800.00, the actual net amount of raised funds is RMB747,767,000.00 yuan, which is included share capital of RMB33,480,000.00 and capital reserve-share capital premium of RMB714,287,000.00. All the above contributions have been paid in place and have been verified by Dahua CPAs (SGP) issuing the capital verification report (DHYZ [2016] No. 000897).

According to the Notice on the Listing of RMB-denominated Ordinary Shares of Yunnan Innovative New Materials Co., Ltd. (SZS [2016] No.618) issued by Shenzhen Stock Exchange, the shares of the Company were listed on Shenzhen Stock Exchange on September 14, 2016.

According to the fourth meeting of the third board of directors held on June 1, 2017, which deliberated and passed the Proposal on Granting Restricted Shares to Participants of 2017 Restricted Stock Incentive Plan of the Company, the Company issued 2.57 million RMB-denominated ordinary shares (issue price: RMB28.65/share) to 84 employees qualified for participants of equity incentive plan, among them: the amount of share capital is RMB2,570,000.00, and capital reserve-share capital premium is RMB71,060,500.00. All the above capital contributions have been subscribed in place and have been verified by Dahua CPAs (SGP) issuing the capital verification report (DHYZ [2017] No.000338).

Whereas the Company has completed capital reserve converted to share capital, according to the resolution of the second extraordinary general meeting of shareholders in 2018 held on May 10, 2018 and the revised articles of association, the registered capital of the Company has increased from RMB136,450,000.00 to RMB272,900,000.00.

In accordance with the resolution of the fourteenth meeting of the third board of directors held by the Company on July 20, 2018 and the revised articles of association, and approved by China Securities Regulatory Commission (hereinafter referred to as “CSRC”) ZJXX [2018] No. 671 and Ministry of Commerce of the People’s Republic of China (hereinafter referred to as “Ministry of Commerce”) SZCH [2018] No. 225, the Company issued 201,023,712 A-shares in private to Paul Xiaoming Lee, Li Xiaohua, Wang Yuhua, Kunming Huachen Investment Co., Ltd., Sherry Lee, Future Industry Investment Fund (Limited Partnership), Shanghai Hengzou Enterprise Management Firm (Limited Partnership), Huang Shuhua, Zhang Tao, Gao Xiang, He Baohua, Huang Yuchen, Hu Jiadong, Wang Chizhou, Jiang Xinmin, Zhang Fang, Zhang Fan, Zheng Mei, Liu Wei, Du Jun and Cao Ben, with a par value of RMB1.00 per share and a subscription price of RMB24.87 per share. After the issuance of the shares, the shareholders’ equity assets of RMB4,999,459,975.00 were actually received, and the registered capital of RMB201,023,712.00 was actually paid, and the mode of contribution was equity capital contribution. The newly increased share capital is RMB201,023,712.00, the newly increased capital reserve (share capital premium) is RMB4,798,436,263.00, and the registered capital after the change is RMB473,923,712.00, which has been verified by Dahua CPAs (SGP) with the capital verification report (DHYZ [2018] No. 000430).

According to the resolution of the fourth extraordinary general meeting of shareholders of 2018 held by the Company on September 3, 2018 and the revised articles of association of the Company, the Company canceled the repurchase of part of incentive shares, repurchased the shares subscribed by seven natural persons in the form of monetary capital, totaling RMB799,335.00, including: reducing share capital by RMB55,800.00, reducing capital reserve-share capital premium by RMB743,535.00. It has been verified by the capital verification report (DHYZ [2018] No. 000514) issued by Dahua CPAs (SGP).

According to the resolution of the 19th meeting of the third board of directors held by the Company on September 28, 2018 and the revised articles of association, the Company changed its name from Yunnan Innovative New Material Co., Ltd. to Yunnan Energy New Material Co., Ltd.

Whereas the Company has completed the conversion of capital reserve to share capital, according to the resolution of the sixth extraordinary general meeting of shareholders in 2019 held on July 29, 2019 and the revised articles of association, the registered capital of the Company has increased from RMB473,867,912.00 to RMB805,575,450.00.

According to the resolution of the sixth extraordinary general meeting of shareholders of 2019 held by the Company on July 29, 2019, the resolution of the seventh extraordinary general meeting of shareholders of 2019 held on August 15, 2019 and the amended articles of association, the Company canceled the repurchase of part of incentive shares, repurchased the shares subscribed by 17 natural persons in monetary funds, with a total amount of RMB1,151,665.68, including: reduction of share capital by RMB136,680.00, reducing capital reserve-share capital premium by RMB1,014,985.68. In addition, according to the resolution of the seventh extraordinary general meeting of shareholders in 2019 held on August 15, 2019 and the revised articles of association, the Company canceled the share buyback of the resigned participants, and repurchased the shares

subscribed by one natural person in the form of monetary capital, with a total amount of RMB601,580.59, including a decrease of share capital of RMB68,000.00 and a decrease of capital reserve-share capital premium of RMB533,580.59. It has been verified by the capital verification report (DHYZ [2019] No. 000324) issued by Dahua CPAs (SGP).

According to the resolutions of the 43rd meeting of the third board of directors held on March 23, 2020, the resolutions of the 2020 first extraordinary general meeting of shareholders held on April 9, 2020, and the resolutions of the third meeting of fourth board of directors held on June 12, 2020 and the Approval of the Non-public Issuance of Shares by Yunnan Energy New Material Co., Ltd.” (ZJXK [2020] No. 1476) issued by China Securities Regulatory Commission, the Company’s non-public issuance shall not exceed 241,611,231 RMB-denominated ordinary shares. The Company non-publicly issued 69,444,444 RMB-denominated ordinary shares (A shares) to specific investors on August 17, 2020, with a par value of RMB1.00 per share, and a subscription price of RMB72.00 per share. A total of RMB4,999,999,968.00 was raised. Excluding the cost of RMB17,495,413.51 related to the issuance, the Company’s actual net funds raised were RMB4,982,504,554.49, of which RMB69,444,444.00 was included in the share capital and RMB4,913,060,110.49 was included in the capital reserve-share capital premium. All the above capital contributions have been subscribed in place and have been verified by Dahua CPAs (SGP) issuing the capital verification report (DHYZ [2020] No. 000460).

Approved by the Reply on Approval of Yunnan Energy New Materials Co., Ltd. to Issue Convertible Corporate Bonds Publicly (ZJXK [2019] No. 2701) issued by China Securities Regulatory Commission, the Company publicly issued 16 million convertible corporate bonds on February 11, 2020. The conversion period of convertible corporate bonds shall start from the first trading day six months after the end of the issuance to the maturity date of the convertible corporate bonds, that is, from August 17, 2020 to February 11, 2026. As of December 31, 2021, a total of 17,614,728.00 shares of convertible corporate bonds were converted into shares.

According to the resolution of the fourth extraordinary general meeting of shareholders of 2020 held by the Company on July 30, 2020 and the revised articles of association of the Company, the Company canceled the repurchase of part of incentive shares, repurchased the shares subscribed by four natural persons in the form of monetary capital, totaling RMB194,809.12, including: reducing share capital by RMB23,120.00, reducing capital reserve-share capital premium by RMB171,689.12. It has been verified by the capital verification report (DHYZ [2020] No. 000561) issued by Dahua CPAs (SGP).

After years of distribution of bonus shares, allotment of new shares, conversion of share capital and issuance of new shares, as of December 31, 2021, the Company has issued a total of 892,406,822.00 shares of share capital, with a registered capital of RMB892,406,822.00.

## (ii) Business nature and main business activities of the Company

The business scope of the Company mainly includes: Packaging and decoration and other printing products printing; commodity trademark printing (including tobacco and drug trademarks), trademark design; packaging box production, processing and sales; color printing; paper products (excluding paper making), plastic products and other supporting products production, processing and sales; production, processing and sales of printing raw materials and auxiliary materials; production, processing, sale of laminated film and modified plastics; production, processing and sale of laser transfer paper, gold and silver card paper, liquid packaging paper, electrified aluminum, high-grade packaging paper; production, processing and marketing of anti-counterfeiting labels, anti-counterfeiting materials; packaging machinery, packaging machinery spare parts design, manufacture, processing and marketing; production, processing and sale of new energy materials and corresponding new technologies and new products development; import and export of goods (except those with national restrictions and prohibition). (the above projects do not involve special management measures for foreign investment access) (approvals from competent authorities shall be obtained for the operation of the activities requiring approval in accordance with the laws)

The Company is a rubber and plastic products industry, and the main products can be divided into three categories: (1) film products, mainly including lithium-ion separator film, BOPP film and special paper. Lithium-ion separator film products include base film and coating film, and BOPP film products include smoke film and flat film; (2) packaging and printing products, mainly including cigarette label and aseptic packaging; (3) paper products packaging mainly includes special paper products, holographic anti-counterfeiting electrified aluminium, transfer film and other products. Special paper products include laser transfer anti-counterfeiting paper, direct plating paper and coated paper.

## (iii) Authorization of financial statements for issue

These financial statements were authorized for issue by the Company’s Board of Directors on April 11, 2022.

## (iv) Scope of the Consolidated Financial Statements

There are 27 subsidiaries included in the consolidated financial statements in this period, including:

Name of subsidiaries	Type of subsidiary	Tier	Shareholding ratio (%)	Voting ratio (%)
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Yunnan Dexin Paper Co., Ltd.	Wholly-owned subsidiary	Tier 2	100.00	100.00
Yunnan Hongchuang Packaging Co., Ltd.	Holding subsidiary	Tier 2	59.46	59.46
Yunnan Hongta Plastic Co., Ltd.	Wholly-owned subsidiary	Tier 2	100.00	100.00
Hongta Plastic (Chengdu) Co., Ltd.	Wholly-owned subsidiary	Tier 3	100.00	100.00
Yuxi Feiermu Trading Co., Ltd.	Wholly-owned subsidiary	Tier 3	100.00	100.00
Shanghai Energy New Material Technology Co., Ltd.	Holding subsidiary	Tier 2	95.22	95.22
Zhuhai Energy New Material Technology Co., Ltd.	Wholly-owned subsidiary	Tier 3	100.00	100.00
Guangdong Energy New Material Institute Co., Ltd.	Wholly-owned subsidiary	Tier 4	100.00	100.00
Wuxi Energy New Material Technology Co., Ltd.	Wholly-owned subsidiary	Tier 3	100.00	100.00
Jiangxi Tonry New Energy Technology Development Co., Ltd.	Wholly-owned subsidiary	Tier 3	100.00	100.00
Jiangsu Ruijie New Material Technology Co., Ltd.	Wholly-owned subsidiary	Tier 3	100.00	100.00
Jiangxi Ruijie New Material Technology Co., Ltd.	Holding subsidiary	Tier 4	82.00	82.00
Suzhou Green Power New Energy Material Co., Ltd.	Wholly-owned subsidiary	Tier 3	100.00	100.00
Foshan Donghang Photoelectric Technology Co., Ltd.	Wholly-owned subsidiary	Tier 3	100.00	100.00
Chongqing Energy Newmi Technological Co., Ltd.	Holding subsidiary	Tier 3	76.3574	76.3574
Jiangxi Enpo New Materials Co., Ltd.	Holding subsidiary	Tier 3	51.00	51.00
Jiangxi Energy New Material Technology Co., Ltd.	Wholly-owned subsidiary	Tier 3	100.00	100.00
Jiangsu Energy New Material Technology Co., Ltd.	Wholly-owned subsidiary	Tier 3	100.00	100.00
Hunan Energy Advanced New Material Technology Co., Ltd.	Holding subsidiary	Tier 3	65.00	65.00
Ningbo Energy New Material Technology Co., Ltd.	Wholly-owned subsidiary	Tier 2	100.00	100.00
Chongqing Energy New Material Technology Co., Ltd.	Wholly-owned subsidiary	Tier 3	100.00	100.00
Hainan Energy Investment Co., Ltd.	Wholly-owned subsidiary	Tier 3	100.00	100.00
Chuangxin New Material (Hong Kong) Co., Ltd.	Wholly-owned subsidiary	Tier 4	100.00	100.00
SEMCORP Global Holdings Kft.	Wholly-owned subsidiary	Tier 5	100.00	100.00
SEMCORP Hungary Kft.	Wholly-owned subsidiary	Tier 6	100.00	100.00
Hubei Energy New Material Technology Co., Ltd.	Wholly-owned subsidiary	Tier 3	100.00	100.00
Jiangsu Sanhe Battery Material Technology Co., Ltd.	Holding subsidiary	Tier 3	67.1053	67.1053

For the reason why the proportion of shareholding of the subsidiary is different from the proportion of the voting rights, and holding half or below the voting right but still controlling the invested unit, please refer to “1. Interests in Subsidiaries” of “IX. Interests in Other Entities” in this section.

Compared with the last year, 9 new entities were included in and 3 entities were removed from the consolidated financial statements this year:

1. New subsidiaries included in the consolidated financial statements this year

Name	Reason for change
Jiangsu Ruijie New Material Technology Co., Ltd.	Newly established
Jiangxi Enpo New Material Co., Ltd.	Newly established
Jiangsu Energy New Material Technology Co., Ltd.	Newly established
Hunan Energy Advanced New Material Technology Co., Ltd.	Newly established
Ningbo Energy New Material Co., Ltd.	Newly established
Jiangxi Energy New Material Technology Co., Ltd.	Newly established

Chongqing Energy New Material Technology Co., Ltd.	Newly established
Hubei Energy New Material Technology Co., Ltd.	Newly established
Jiangsu Sanhe Battery Material Technology Co., Ltd.	Newly established

#### 2. Subsidiaries removed from the consolidated financial statements this year

Name	Reason for change
Shenzhen Qingsong Jinze Technology Development Co., Ltd.	Canceled
Hunan Qingsong Jingze Technology Development Co., Ltd.	Canceled
Wuxi Energy Trading Co., Ltd.	Canceled

See “VIII change of consolidation scope” for details of the subject in the scope of consolidated financial statements.

## IV. Basis for Preparation of Financial Statements

### 1. Basis for preparation

The preparation of financial statements of the Company is based on the actual transactions and events in accordance with the “Accounting Standards for Business Enterprises - Basic Standards” published by the Ministry of Finance and specific corporate accounting standards, application guidelines for corporate accounting standards, corporate accounting standards interpretations and other relevant regulations (hereinafter collectively referred to as “corporate accounting standards”) for confirmation and measurement, combining the provisions of “Regulations on the Information Disclosure and Compilation of Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reports” (revised in 2014) published by CSRC.

### 2. Going concern basis

The Company has evaluated the ability to continue as a going concern for 12 months from the end of the Reporting Period and has not identified any issues or circumstances that result in significant doubts about its ability to continue as a going concern. Therefore, the financial statements have been prepared on a going concern basis.

## V. Significant Accounting Policies and Accounting Estimates

Reminders on specific accounting policies and accounting estimates:

According to the characteristics of actual production and operation, the Company has formulated specific accounting policies and accounting estimates for such transactions or events as the provision for bad debts of accounts receivables, depreciation of fixed assets, amortization of intangible assets and revenue recognition.

### 1. Statement of compliance with the accounting standards for business enterprises

The financial statements are in compliance with the requirements of accounting standards for business enterprises, and truly and completely reflect the financial status, operating results, cash flow and other relevant information of the Company during the Reporting Period.

## 2. Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

## 3. Operating cycle

Operating cycle refers to the period from the purchase of assets for processing to the realization of cash or cash equivalents. The Company takes 12 months as an operating cycle and uses it as the standard for dividing the liquidity of assets and liabilities.

## 4. Functional currency

The Company's functional currency is Renminbi (RMB).

## 5. Accounting treatments for merger of enterprises under common control and not under common control

**(1) When the terms, conditions and economic influence of transactions in the process of a step-by-step combination conform to one or more of the following, accounting for multiple transactions is treated as a package transaction.**

- 1) These transactions are made simultaneously or with consideration of influence on each other;
- 2) These transactions can only achieve a complete business outcome when treated as a whole;
- 3) The occurrence of a transaction depends on the occurrence of at least one of the other transactions;
- 4) A transaction is uneconomical when treated alone, but is economical when considered together with other transactions.

**(2) Business combination under common control**

The assets and liabilities acquired by the Company in business combinations are measured in accordance with the book value of assets and liabilities of the combined party in the ultimate controller's consolidated financial statements on the date of combination (including the goodwill of the ultimate controlling party resulting from the acquisition of the combined party). The difference between the book value of net assets acquired in the combination and the book value of the consideration paid for the combination (or the total par value of shares issued) is used to adjust the capital stock premium in the capital reserve, and when the capital stock premium in the capital reserve is insufficient for offset, it is used to adjust the retained earnings.

If there is a contingent consideration and it is necessary to confirm the estimated liabilities or assets, the difference between the estimated amount of liabilities or assets and the settlement amount of subsequent contingent consideration is used to adjust the capital reserve (capital premium or premium on capital stock), and when the capital reserve is insufficient, it is used to adjust the retained earnings.

For a business combination that is ultimately realized through multiple transactions, if it is a package transaction, each transaction is treated as a transaction that acquires control; if it is not a package transaction, on the date of acquisition of control, the difference between the initial cost of long-term equity investment and the book value of long-term equity investment before the combination plus the book value of the new paid consideration on the date of combination is used to adjust the capital reserve; and when the capital reserve is insufficient for offset, it is used to adjust the retained earnings. For equity investments held prior to the date of combination, no accounting treatment is carried out for other comprehensive income recognized by equity accounting or financial instrument confirmation and measurement standards, and up to the disposal of the investment, the accounting treatment shall be based on the same basis as the direct disposal of the assets or liabilities of the invested entity; other changes in owner's equity other than net profit or loss, other comprehensive income or profit distribution of net assets of the invested company recognized by equity method are not subject to accounting, and will be transferred to the current profit and loss until the disposal of the investment.

**(3) Business combination not under the common control**

Purchase date refers to the date when the Company actually obtains the control right over the acquiree, that is, the date when the control right over the net assets or production and operation decision is transferred to the Company. When the following conditions are met at the same time, the Company generally considers that the transfer of control right has been realized:

- ① The business combination contract or agreement has been approved by the internal authority of the Company.
- ② The business combination matters that need to be examined and approved by the relevant competent departments of the state have been approved.
- ③ Necessary procedures for transfer of property rights have been completed.
- ④ The Company has paid most of the merger price, and has the ability and plan to pay the remaining amount.
- ⑤ In fact, the Company has controlled the financial and operational policies of the acquiree, enjoyed corresponding benefits and assumed corresponding risks.

The assets paid and liabilities incurred or assumed of the Company as a consideration for the business combination are measured at fair value on the date of purchase, and the difference between the fair value and the book value is recognized in profit or loss.

The difference between the higher combination cost and lower fair value of identifiable net assets of the acquiree gained in the combination is recognized as goodwill by the Company. In case that the cost of combination is less than the fair value of the identifiable net assets of the acquiree gained in the combination, the difference is included in the current profit and loss by the Company after review.

For the case where a business combination involving enterprises not under common control is finally realized through multiple transactions step by step, if it is a package transaction, each transaction is treated as a transaction for acquiring control; if it is not a package transaction, if the equity investment held before the date of combination is accounted for by equity method, the book value of equity investment of the acquiree held before the date of acquisition plus the new investment cost on the date of acquisition is recognized as the initial cost of the investment; the other comprehensive income confirmed by equity method before the date of acquisition is accounted for, when the investment is disposed, on the same basis as those the invested party adopted directly to dispose the relevant assets or liabilities. If the equity investment held before the date of combination is accounted for by financial instrument recognition and measurement criteria, the fair value of equity investment on the date of combination plus the new investment cost is taken as the initial investment cost on the date of combination. The difference between the fair value and the book value of the original equity interest, and the accumulated fair value changes originally included in other comprehensive income should be transferred to investment income in the current period of combination date.

#### **(4) Related expenses incurred for business combination**

The agency fees paid for audits, legal services, assessments and other related expenses incurred in the business combination are recognized in profit or loss in the period in which they are incurred. The transaction costs for the issuance of equity securities for the business combination that may be directly attributed to equity transactions can be deducted from equity.

### **6. Methods for preparation of the consolidated financial statements**

#### **(1) The scope of consolidation**

The scope of consolidation of the Company's consolidated financial statements is determined on the basis of control, and all subsidiaries (including separate entities controlled by the Company as the parent) are included in the consolidated financial statements.

#### **(2) Procedures for consolidation**

The Company prepares consolidated financial statements based on the financial statements of itself and its subsidiaries and other relevant information. While preparing consolidated financial statements, the Company treats the entire enterprise group as an accounting entity, and in accordance with the requirements for confirmation, measurement and presentation of relevant enterprise accounting standards, and based on unified accounting policies, reflects the overall financial status, operating results and cash flow of the enterprise group.

The accounting policies and accounting periods adopted by all subsidiaries included in the consolidated financial statements are consistent with the Company. If the accounting policies or accounting periods adopted by the subsidiaries are inconsistent with the Company, necessary adjustments will be made in accordance with the Company's accounting policies and accounting periods when preparing consolidated financial statements.

The impact of internal transactions between the Company and its subsidiaries, and internal transactions between subsidiaries, on the consolidated balance sheet, consolidated income statement, consolidated cash flow statement and consolidated statement of changes in shareholders' equity is offset in the preparation of consolidated financial statements. If the determination of the same transaction is different from the perspective of the consolidated financial statements of the enterprise group and with the Company or subsidiaries as the accounting entity, the transaction shall be adjusted from the perspective of the enterprise group.

Subsidiary owners' equity, current net profit and loss, and current comprehensive income of the minority shareholders are separately presented under the owner's equity item in the consolidated balance sheet, the net profit item in the consolidated income statement, and the total comprehensive income item. If the current losses shared by the minority shareholders of a subsidiary exceed the share enjoyed by the minority shareholder in the initial owner's equity of the subsidiary, the excess is deducted from the minority interests.

For subsidiaries acquired from a business combination involving enterprises under common control, the individual financial statements of the subsidiaries shall be adjusted based on the book value of their assets and liabilities (including the goodwill arising from the ultimate controller's acquisition of the subsidiary) in the ultimate controller's financial statements.

For subsidiaries acquired from a business combination involving enterprises not under common control, the financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

##### **1) Increase in subsidiary or business**

During the reporting period, if a subsidiary or business is added due to a business combination under common control, the opening amount of the consolidated balance sheet shall be adjusted; the income, expenses and profits of the subsidiary or business combination from the beginning of the current period to the end of the reporting period shall be included in the consolidated income statement; the cash flow from the beginning of the current period to the end of the reporting period of the subsidiary or business combination is included in the consolidated cash flow statement, and the relevant items in the comparative statement are adjusted at the same time, as if the consolidated reporting entity has been in existence since the ultimate controller begins the control.

If the investee under the common control can be controlled due to additional investment or other reasons, the parties involved in the merger shall be deemed to have made adjustments in their current state when the ultimate controlling party begins the control. For the equity investment held by

the merging entity prior to obtaining control over the merged entity, the relevant profit and loss, other comprehensive income and other changes to net assets recognized in the period from the date of acquiring the original equity or the date when the merging entity and merged entity are under common control, whichever is later, to the date of merger, shall be covered by writing down the opening retained earnings or current profit and loss of the comparison period.

During the Reporting Period, if a subsidiary or business is added due to a business combination involving enterprises under non-common control, the opening balance of the consolidated balance sheet is not adjusted; the income, expenses and profits of the subsidiary and business from the date of acquisition to the end of the Reporting Period are included in the consolidated income statement; the cash flows of the subsidiary and business from the date of acquisition to the end of the Reporting Period are included in the consolidated cash flow statement.

If the investee under the common control can be controlled due to additional investment or other reasons, the equity interest held in the acquiree prior to the date of acquisition is re-measured according to its fair value at the date of acquisition. The difference between the fair value and the book value is recognized as investment income for the current period. If the equity held in the acquiree held before the acquisition date involves other comprehensive income under the equity method and other changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution, related other comprehensive income, and other changes in owner's equity are converted into the investment income of the current period on the acquisition date, except for other comprehensive gains arising from the re-measurement of net liabilities of the defined benefit plan made by the invested party or changes in net assets.

## 2) Disposal of subsidiary or business

### ① General treatment method

During the Reporting Period, if the Company disposes of a subsidiary or business, the income, expenses and profits of the subsidiary or business from the beginning of the period to the disposal date are included in the consolidated income statement; the cash flows of the subsidiary or business from the beginning of the Reporting Period to the disposal date are included in the consolidated cash flow statement.

When the Company loses control over the invested party due to disposal of part of the equity investment or other reasons, the remaining equity investment after disposal will be re-measured according to its fair value by the Company on the date of loss of control. The difference of the sum of the consideration obtained from the disposal of the equity and the fair value of the remaining equity, less the sum of the share of net assets and goodwill of the original subsidiary that should be enjoyed in accordance with the original share-holding ratio since the date of acquisition or combination, is accounted for the investment income in the current period of loss of control. Other comprehensive income related to the equity investment of the original subsidiary or other changes in owner's equity other than net profit and loss, other comprehensive income and profit distribution, will be converted into current investment income when control is lost, except for other comprehensive gains arising from the re-measurement of net liabilities of the defined benefit plan made by the invested party or changes in net assets.

### ② Disposal of subsidiaries in steps

If the equity investment in a subsidiary is disposed of in steps through multiple transactions until the loss of control, the terms, conditions, and economic impact of the disposal of the equity investment in the subsidiary meet one or more of the following conditions, it usually indicates that multiple transactions shall be accounted as a package deal:

- A. These transactions are made simultaneously or with consideration of influence on each other;
- B. These transactions can only achieve a complete business outcome when treated as a whole;
- C. The occurrence of a transaction depends on the occurrence of at least one of the other transactions;
- D. A transaction is uneconomical when treated alone, but is economical when considered together with other transactions.

If all transactions from disposal of equity investment in subsidiaries to loss of control belong to a package deal, each transaction shall be treated as a transaction for disposal of equity investment in subsidiaries and loss of control. The difference between each disposal price and the share of the subsidiary's net assets corresponding to the disposal investment before the loss of the control is recognized as other comprehensive income in the consolidated financial statements, which is transferred into the current profit and loss when the control is lost.

If the disposal of the equity investment in the subsidiary until the loss of control is not a package deal, before the loss of control, the accounting treatment shall be carried out in accordance with the relevant policies for partial disposal of the equity investment of the subsidiary without loss of control; when the control is lost, the accounting treatment shall be carried out in accordance with the general treatment method for the disposal of the subsidiary.

## 3) Acquisition of minority' equity in subsidiary

The difference between the additional long-term equity investment arising from the acquisition of minority equity and the net assets of the subsidiary, which is calculated according to the new holding proportion since the date of acquisition (or the date of merger) shall be covered by adjusting the equity premium in capital reserve of the consolidated balance sheet; if the equity premium in capital reserve is not sufficient for write-off, retained earnings shall be adjusted.

## 4) Partial disposal of the equity investment of the subsidiary without loss of control

If the parent company disposes of part of its long-term equity investment in the subsidiary without losing its control, the difference between the disposal price and the net assets of the subsidiary corresponding to the equity investment disposed of since the date of acquisition or the date of merger shall be covered by adjusting the equity premium in capital reserve of the consolidated balance sheet; if the equity premium in capital reserve is not sufficient for write-off, retained earnings shall be adjusted.

## 7. Classification of joint venture arrangements and accounting treatment method for joint operations

### (1) Classification of joint arrangements

The Company divides joint venture arrangements into joint operations and joint ventures based on factors such as the structure, legal form, and terms in the joint venture arrangement and other relevant facts and circumstances.

Joint venture arrangements that are not reached through separate entities are classified as joint operations; joint arrangements reached through separate entities are usually classified as joint ventures; there is conclusive evidence that joint arrangements that meet any of the following conditions and comply with relevant laws and regulations are classified as joint operations:

- 1) The legal form of the joint arrangement indicates that the joint venture party has the rights and obligations of the related assets and liabilities in the arrangement.
- 2) According to contractual terms of the joint arrangement, the joint venture party has the rights and obligations of the related assets and liabilities in the arrangement
- 3) Other relevant facts and circumstances indicate that the joint venture party has the rights and obligations of the related assets and liabilities in the arrangement. For example, the joint venture party enjoys almost all the output related to the joint venture arrangement, and the settlement of the liabilities in the arrangement continues to rely on the support from the joint venture party.

### (2) Accounting treatment for joint operations

The Company recognizes the following items related to the share of interests in joint operations and makes accounting treatment according to the relevant ASBE:

- 1) Recognizes the assets held separately, and the assets held jointly according to its proportion;
- 2) Recognizes the liabilities assumed separately, and the liabilities assumed jointly according to its proportion;
- 3) Recognizes the income from the sales of its share in the outputs of joint operation;
- 4) Recognizes the income from the sales of the outputs of joint operation according to its proportion;
- 5) Recognizes the expenses incurred separately, and recognize the expenses incurred jointly according to its proportion.

If the Company invests or sells assets, etc. to a joint operation (except that if the asset constitutes a business), before the asset, etc., is sold by the joint operation to a third party, only the profit and loss arising from the transaction attributable to other participants in the joint operation is recognized. In the event of asset impairment losses complying with the “Accounting Standards for Business Enterprises No. 8 - Asset Impairment” and other provisions of assets invested or sold, the Company shall recognize the loss in full.

If the Company purchases assets, etc. from a joint operation (except that if the asset constitutes a business), before the asset, etc., is sold to a third party, only the profit and loss arising from the transaction attributable to other participants in the joint operation is recognized. In the event of asset impairment losses complying with the “Accounting Standards for Business Enterprises No. 8 - Asset Impairment” and other provisions of assets purchased, the Company shall recognize the loss based on the share it holds.

The Company does not have joint control over the joint operation. If the Company enjoys the joint operation-related assets and assumes the joint operation-related liabilities, the accounting treatment shall still be carried out in accordance with the above principles; otherwise, the accounting treatment shall be carried out in accordance with the relevant corporate accounting standards.

## 8. Determination standards for cash and cash equivalents

In the preparation of the cash flow statement, the Company’s cash on hand and deposits that can be readily used for payment are recognized as cash. The investment that has the four conditions of short maturity (generally due within three months from the date of purchase), strong liquidity, easy conversion into cash of a known amount, and low risk of value changes will be determined as cash equivalents.

## 9. Foreign currency business and foreign currency statement translation

### (1) Foreign currency business

In the initial confirmation of foreign currency transactions, the spot exchange rate on the date of occurrence of the transaction shall be used as the conversion rate to convert into RMB for accounting.

At the balance sheet date, foreign currency monetary items are translated at the spot exchange rate on the balance sheet date, and the resulting exchange differences are included in the current profit and loss, except for the exchange differences arising from foreign currency special borrowings related to the acquisition and construction of assets eligible for capitalization, which are treated in accordance with the principle of capitalization of borrowing costs. The foreign currency non-monetary items measured at historical cost are still translated at the spot exchange rate on the date of transaction without changing the amount of recording currency.

Foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the date of determination of fair value. The difference between the translated amount of recording currency and the original amount of recording currency shall be treated as fair value changes (including changes in exchange rate), and included in the current profit and loss or recognized as other comprehensive income.

## **(2) Translation of foreign currency financial statements**

The assets and liabilities items in the balance sheet shall be treated at the spot exchange rate on the balance sheet date. Except for the “undistributed profit” items, other owner’s equity items shall be translated at the spot exchange rate at the time of occurrence. The income and expense items in the income statement shall be translated at the spot exchange rate on the date of transaction. The exchange differences on translation of foreign currency financial statements generated in accordance with the above translation shall be included in other comprehensive income.

When disposing of an overseas operation, the difference in translation of the foreign currency financial statements related to the overseas operation listed in other comprehensive income items in the balance sheet shall be transferred from other comprehensive income items to the profits and losses of the current period for disposal. When the proportion of overseas business interests held is reduced due to the disposal of part of equity investment or other reasons but the right of control over overseas business is not lost, the difference of translation of foreign currency statements related to the disposal part of overseas business will be attributed to minority shareholders’ rights and interests and will not be transferred to current profit and loss. When disposing of part of the equity of an overseas operation that is an associate or a joint venture, the difference on translation of the foreign currency statement related to the overseas operation shall be transferred to the disposal of the current profit and loss according to the proportion of the disposal of the overseas operation.

## **10. Financial instruments**

When the Company becomes a party to a financial instrument, it recognizes a financial asset or liability.

The effective interest method refers to the method of calculating the amortized cost of financial assets or liabilities and allocating interest income or interest expense into each accounting period.

The effective interest rate refers to the interest rate used to discount the estimated future cash flow of a financial asset or financial liability during its expected duration to the book balance of the financial asset or the amortized cost of the financial liability. When determining the effective interest rate, the expected cash flow is estimated on the basis of considering all contract terms of financial assets or liabilities (such as prepayment, extension, call options or other similar options), but the expected credit loss is not considered.

The amortized cost of a financial asset or financial liability is the accumulated amortization amount formed by deducting the repaid principal from the initial recognition amount of the financial asset or financial liability, adding or subtracting the difference between the initial recognition amount and the maturity amount by using the effective interest method, and then deducting the accumulated accrued loss reserve (only applicable to financial assets).

### **(1) Classification, recognition and measurement of financial assets**

According to the business model of the financial assets under management and the contractual cash flow characteristics of the financial assets, the Company divides the financial assets into the following three categories:

- 1) Financial assets measured at amortized cost.
- 2) Financial assets measured at fair value and whose changes are included in other comprehensive income.
- 3) Financial assets measured at fair value and whose changes are included in the current profit and loss.

Financial assets are measured at fair value when initially recognized, but if the accounts or notes receivable arising from the sale of goods or the provision of services do not contain significant financing components or do not consider financing components for no more than one year, the initial measurement shall be made at the transaction price.

For financial assets measured at fair value and whose changes are included in the current profit and loss, transaction expenses are directly recognized in the current profit and loss. For other financial assets, transaction expenses are included in the initial recognition amount.

Subsequent measurement of financial assets depends on their classification. All related financial assets affected will be reclassified when and only when the Company changes its business model of managing financial assets.

#### **1) Financial assets classified as measured at amortized cost**

The contract terms of a financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest on the amount of outstanding principal, and the business model for managing the financial asset is to collect the contractual cash flow, then the Company classifies the financial asset as measured at amortized cost. Financial assets of the Company that are classified as measured at amortized cost include monetary funds, some notes receivable and accounts receivable measured at amortized cost, other receivables, etc.

The Company recognizes interest income from such financial assets with the effective interest method, and carries out subsequent measurement at amortized cost. Gains or losses arising from impairment or derecognition or modification are included in the current profit and loss. The Company calculates and determines the interest income based on the book balance of financial assets multiplied by the effective interest rate except for the following circumstances:

① For purchased or originated credit-impaired financial assets, the Company calculates and determines their interest income at the amortized cost of the financial asset and the credit-adjusted effective interest rate since the initial recognition.

② For financial assets that have not been credit-impaired at the time of being purchased or originated but become credit-impaired in the subsequent period, the Company calculates and determines their interest income at the amortized cost and the effective interest rate of the financial assets in the subsequent period. If the financial instrument is no longer credit-impaired due to the improvement of its credit risk in the subsequent period, the Company calculates and determines the interest income by multiplying the effective interest rate by the book balance of the financial asset.

2) Financial assets classified as measured at fair value and whose changes are included in other comprehensive income

The contract terms of a financial asset stipulate that the cash flow generated on a specific date is only the payment of the principal and the interest on the amount of outstanding principal, and the business model for managing the financial asset is both to collect contractual cash flows and for its sale, then the Company classifies the financial asset as measured at fair value and whose changes are included in other comprehensive income.

The Company recognizes interest income from such financial assets with the effective interest method. Except that the interest income, impairment loss and exchange difference are recognized as the current profit and loss, other changes in fair value are included in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out and included in the current profit and loss.

Notes and accounts receivable measured at fair value with changes included in other comprehensive income are reported as receivables financing, and such other financial assets are reported as other creditors' investments. Among them, other creditors' investments maturing within one year from the balance sheet date are reported as non-current assets maturing within one year, and other creditors' investments maturing within one year are reported as other current assets.

3) Financial assets designated as measured at fair value and whose changes are included in other comprehensive income

At the time of initial recognition, the Company may irrevocably designate non-trading equity instrument investments as financial assets measured at fair value and whose changes are included in other comprehensive income on the basis of individual financial assets.

Changes in the fair value of such financial assets are included in other comprehensive income without provision for impairment. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out and included in the retained earnings. During the investment period when the Company holds the equity instrument, the dividend income is recognized and included in the current profit and loss when the Company's right to receive dividends has been established, the economic benefits related to dividends are likely to flow into the Company, and the amount of dividends can be measured reliably. The Company reported such financial assets under other equity instrument investment items.

An investment in equity instruments is a financial asset measured at fair value and whose changes are included in the current profit and loss when it is obtained mainly for recent sale, or is part of the identifiable portfolio of financial assets centrally managed, and objective evidence exists for a short-term profit model in the near future when initially recognized, or is a derivative (except derivatives defined as financial guarantee contracts and designated as effective hedging instruments).

4) Financial assets classified as measured at fair value and whose changes are included in the current profit and loss

If failing to be classified as measured at amortized cost or at fair value and whose changes are included in other comprehensive income, or not designated as measured at fair value and whose changes are included in other comprehensive income, financial assets are all classified as measured at fair value and whose changes are included in the current profit and loss.

The Company carries out subsequent measurement of such financial assets at fair value, and includes gains or losses arising from changes in fair value as well as dividends and interest income associated with such financial assets into current profit and loss.

The Company reports such financial assets as trading financial assets and other non-current financial assets according to their liquidity.

5) Financial assets designated as measured at fair value and whose changes are included in the current profit and loss

At the time of initial recognition, the Company may irrevocably designate financial assets as measured at fair value and whose changes are included in the current profit and loss on the basis of individual financial assets in order to eliminate or significantly reduce accounting mismatches.

If the mixed contract contains one or more embedded derivative instruments and its main contract is not any financial asset as above, the Company may designate the whole of the mixed contract as a financial instrument measured at fair value and whose changes are included in the current profit and loss. Except under the following circumstances:

① Embedded derivatives do not significantly change the cash flow of mixed contracts.

② When determining for the first time whether similar mixed contracts need to be split, it is almost clear that embedded derivatives contained in them should not be split without analysis. If the prepayment right embedded in a loan allows the holder to prepay the loan at an amount close to the amortized cost, the prepayment right does not need to be split.

The Company carries out subsequent measurement of such financial assets at fair value, and includes gains or losses arising from changes in fair value as well as dividends and interest income associated with such financial assets into current profit and loss.

The Company reports such financial assets as trading financial assets and other non-current financial assets according to their liquidity.

## **(2) Classification, recognition and measurement of financial liabilities**

The Company classifies a financial instrument or its components into financial liabilities or equity instruments upon initial recognition according to the contract terms of and the economic essence reflected by the financial instrument issued, rather than only in legal form, in combination with the definitions of financial liabilities and equity instruments. Financial liabilities are classified at initial recognition as measured at fair value and whose changes are included in current profit and loss, or other financial liabilities, or derivatives designated as effective hedging instruments.

Financial liabilities are measured at fair value upon initial recognition. For financial liabilities measured at fair value and whose changes are included in current profit and loss, relevant transaction expenses are directly included in current profit and loss. For other categories of financial liabilities, relevant transaction expenses are included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification:

- 1) Financial liabilities measured at fair value and whose changes are included in the current profit and loss

Such financial liabilities include trading financial liabilities (including derivatives falling under financial liabilities) and financial liabilities designated as measured at fair value and whose changes are included in current profit and loss upon initial recognition.

The financial liability is a trading financial liability if it is mainly undertaken for recent sale or repurchase, or is part of the identifiable portfolio of financial instruments centrally managed, and there is objective evidence that the enterprise has recently employed a short-term profit model, or is a derivative instrument, except derivatives designated as effective hedging instruments and derivatives conforming to financial guarantee contracts. Trading financial liabilities (including derivatives belonging to financial liabilities) shall be subsequently measured according to fair value. Except in relation to hedge accounting, all changes in fair value shall be recorded into current profit and loss.

The Company irrevocably designates financial liabilities as measured at fair value and whose changes are included in current profit and loss at the time of initial recognition in order to provide more relevant accounting information if:

- ① Such financial liabilities can eliminate or significantly reduce accounting mismatches.
- ② The financial liability portfolio or the portfolio of financial assets and liabilities is managed and evaluated for performance on the basis of fair value according to the enterprise risk management or investment strategy stated in the official written documents, and is reported to key management personnel within the enterprise on this basis.

The Company subsequently measures such financial liabilities at fair value. Except changes in fair value that are brought about by changes in the Company's own credit risk are included in other comprehensive income, other changes in fair value are included in current profit and loss. Unless including such changes in other comprehensive income will cause or expand accounting mismatch in profit or loss, the Company will include all changes in fair value (including the amount affected by changes in its own credit risk) in current profit and loss.

- 2) Other financial liabilities

The Company classifies financial liabilities except for the following items as measured at amortized cost. Such financial liabilities are recognized by the effective interest method and subsequently measured at amortized cost. Gains or losses arising from derecognition or amortization are included in the current profit and loss:

- ① Financial liabilities measured at fair value and whose changes are included in the current profit and loss.
- ② Financial liabilities resulting from the transfer of financial assets that do not meet the conditions for derecognition or continue to be involved in the transferred financial assets.
- ③ Financial guarantee contracts that do not fall under the first two categories of this article, and loan commitments that do not fall under category 1) of this article and lend at a below-market interest rate.

Financial guarantee contracts refer to contracts that require the issuer to pay a specific amount to the contract holder who has suffered losses when a specific debtor fails to pay the debt in accordance with the original or modified terms of the debt instrument. Financial guarantee contracts that are not financial liabilities designated as measured at fair value and whose changes are included in current profit and loss are measured after initial recognition according to the loss reserve amount and of the initial recognition amount, less the accumulated amortization amount during the guarantee period, whichever is higher.

## **(3) Derecognition of financial assets and liabilities**

- 1) Financial asset are derecognized, i.e. written off from its account and balance sheet if:

- ① The contractual right to receive cash flow from the financial asset is terminated; or
- ② The financial asset has been transferred, which meets the requirements for derecognition of financial assets.

- 2) Conditions for derecognition of financial liabilities

If the current obligation of a financial liability (or part thereof) has been discharged, such financial liability (or part thereof) is derecognized.

The existing financial liability is derecognized with a new one recognized, and the difference between the carrying amount and the consideration paid (including transferred non-cash assets or assumed liabilities) is included in the current profit and loss, if an agreement is signed between the Company and the lender to replace the existing financial liability by assuming a new one, and the contract terms of these two financial liabilities are substantially different, or the contract terms of the existing financial liability (or part thereof) are substantially modified.

If the Company repurchases part of a financial liability, the carrying amount of the financial liability shall be distributed according to the proportion of the fair value of the continuing recognition portion and the derecognition portion to the overall fair value on the repurchase date. The difference between the carrying amount allocated to the derecognized portion and the consideration paid (including transferred non-cash assets or liabilities assumed) shall be included in the current profit and loss.

#### **(4) Recognition basis and measurement method of financial asset transfer**

When a financial asset is transferred, the Company evaluates the risks and rewards retained of the financial asset ownership:

- 1) If almost all the risks and rewards of the financial asset ownership are transferred, such financial asset shall be derecognized, and the rights and obligations generated or retained in the transfer shall be separately recognized as assets or liabilities.
- 2) If almost all the risks and rewards of the financial asset ownership are retained, such financial asset shall continue to be recognized.
- 3) In circumstances when the Company neither transfers nor retains almost all the risks and rewards of the financial asset ownership (i.e. circumstances other than 1) and 2) of this article), according to whether it retains control over such financial asset:
  - ① The financial asset shall be derecognized, and the rights and obligations generated or retained in the transfer shall be separately recognized as assets or liabilities if such control is not retained; or
  - ② the relevant financial asset shall continue to be recognized to the extent that it continues to be involved in the transferred financial asset, and the relevant liabilities shall be recognized accordingly if such control is retained. The extent that it continues to be involved in the transferred financial asset refers to the extent the Company bears the risks or rewards on changes in the value of the transferred financial asset.

When judging whether the transfer of financial assets meets the above conditions for derecognition of financial assets, the principle of substance over form shall be adopted. The Company divides the transfer of financial assets into overall transfer and partial transfer.

- 1) If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts shall be included in the current profit and loss:
  - ① The carrying amount of the transferred financial asset on the date of derecognition.
  - ② The sum of the consideration received for the transfer of financial assets and the amount of the corresponding derecognized portion of the accumulated changes in fair value originally included in other comprehensive income directly (the financial assets involved in the transfer are financial assets measured at fair value and whose changes are included in other comprehensive income).
- 2) If the financial asset is partially transferred and the transferred part meets the conditions for derecognition, the carrying amount of the financial asset before transfer shall be allocated between the derecognition portion and the continuing recognition portion (in this case, the retained service asset shall be regarded as the continuing recognition part of the financial asset) according to the respective relative fair values on the transfer date, and the difference between the following two amounts shall be included in the current profit and loss:
  - ① The carrying amount of the derecognized portion on the derecognition date.
  - ② The sum of the consideration received for the derecognized portion and the amount of the corresponding derecognized portion of the accumulated changes in fair value originally included in other comprehensive income (the financial assets involved in the transfer are financial assets measured at fair value and whose changes are included in other comprehensive income).

If the transfer of a financial asset does not meet the conditions for derecognition, the financial asset shall continue to be recognized and the consideration received shall be recognized as a financial liability.

#### **(5) Determination of fair value of financial assets and liabilities**

The fair value of a financial asset or liability with an active market shall be determined by the quoted price in the active market, unless the financial asset has a sell-off period for the asset itself. For the financial assets restricted for the assets themselves, the compensation amount demanded by market participants due to the risk of not being able to sell the financial assets on the open market within the specified period shall be deducted from the quoted price in the active market. Quoted prices in the active market includes those for related assets or liabilities that can be easily and regularly obtained from exchanges, dealers, brokers, industry groups, pricing or regulatory agencies, and can represent actual and recurring market transactions on the basis of fair trade.

The fair value of financial assets initially acquired or derived or financial liabilities assumed shall be determined on the basis of market transaction price.

The fair value of financial assets or liabilities without an active market shall be determined by valuation techniques. At the time of valuation, the Company adopts valuation techniques that are applicable under the current circumstances and are supported by sufficient available data and other information, selects input values consistent with the characteristics of relevant assets or liabilities considered by market participants in the transactions thereof, and gives priority to the use of relevant observable input values whenever possible. If the relevant observable input value cannot be obtained or be feasibly obtained, the unobservable input value shall be used.

## (6) Impairment of financial instruments

Based on the expected credit loss, the Company conducts impairment accounting of financial assets classified as measured at amortized cost, financial assets classified as measured at fair value and whose changes are included in other comprehensive income, lease receivables, contractual assets and financial guarantee contracts and recognizes loss reserves.

Expected credit loss refers to the weighted average of the credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows discounted at the original effective interest rate and receivable according to the contract and all cash flows expected to be collected of the Company, i.e. the present value of all cash shortfalls. Among them, credit-impaired purchased or originated financial assets of the Company shall be discounted at the credit-adjusted effective interest rate of such financial assets.

For receivables, contractual assets and lease receivables arising from transactions regulated by the income criteria, the Company uses the simplified measurement method to measure the loss reserve according to the amount equivalent to the expected credit loss during the entire duration.

For credit-impaired purchased or originated financial assets, only the accumulated changes in the expected credit losses during the entire duration since the initial recognition are recognized as loss reserves on the balance sheet date. On each balance sheet date, the amount of change in the expected credit loss during the entire duration is included in the current gains and losses as impairment losses or gains. Even if the expected credit loss during the entire duration on the balance sheet date is less than that reflected in the estimated cash flow upon initial recognition, the favorable change in the expected credit loss is recognized as impairment gains.

In addition to other financial assets adopting the above simplified measurement method and other than the credit-impaired purchased or originated ones, the Company evaluates whether the credit risk of relevant financial instruments has increased significantly since the initial recognition, measures its loss reserves and recognizes the expected credit loss and its changes respectively according to the following circumstances on each balance sheet date:

- 1) If the credit risk of the financial instrument has not increased significantly since its initial recognition and is in the first stage, its loss reserve shall be measured according to an amount equivalent to its expected credit loss in the next 12 months, and the interest income shall be calculated at the book balance and the effective interest rate.
- 2) If the credit risk of the financial instrument has increased significantly since the initial recognition but no credit impairment has occurred, it is in the second stage, then its loss reserve shall be measured according to an amount equivalent to its expected credit loss throughout its life, and the interest income shall be calculated at the book balance and the effective interest rate.
- 3) If the financial instrument is credit-impaired since its initial recognition, it is in the third stage, and the Company shall measure its loss reserve according to an amount equivalent to its expected credit loss throughout its life, and calculate the interest income at the amortized cost and the effective interest rate.

The increase or reversed amount of the credit loss reserve for financial instruments shall be included in the current profit and loss as impairment losses or gains. Except for financial assets classified as measured at fair value and whose changes are included in other comprehensive income, the credit loss reserve will offset the carrying amount of the financial assets. For financial assets classified as measured at fair value and whose changes are included in other comprehensive income, the Company recognizes its credit loss reserve in other comprehensive income without reducing its carrying amount presented in the balance sheet.

In the previous accounting period, the Company has measured the loss reserve, the amount of which is equivalent to the expected credit loss of the financial instrument throughout its life. However, on the balance sheet date of the current period, the financial instrument no longer conforms to the situation of significant increase in credit risk since initial confirmation; on the balance sheet date of the current period, the Company has measured the loss reserve of the financial instrument, the amount of which is equivalent to the expected credit loss in the next 12 months, and the reversed amount of the loss reserve thus formed is included in the current profit and loss as impairment profit.

### 1) Significant increase of credit risk

In order to determine whether the credit risk of financial instruments has increased significantly since the initial recognition, the Company uses the available reasonable and based forward-looking information and compares the risk of default of financial instruments on the balance sheet date with the risk of default on the initial confirmation date. When the Company applies provisions on depreciation of financial instruments to financial guarantee contracts, the initial recognition date shall be regarded as the date when the Company becomes a party to make irrevocable commitments.

For the assessment of whether the credit risk has increased significantly, the Company will consider the following factors

- ① Whether the actual or expected operating results of the debtor have changed significantly;
- ② Whether the regulatory, economic or technological environment of the debtor has undergone significant adverse changes;
- ③ Whether the following items have changed significantly: the value of collateral as debt mortgage, or the guarantee provided by a third party, or the quality of credit enhancement; these changes will reduce the debtor's economic motivation to repay the loan within the time limit stipulated in the contract or impact the probability of default;
- ④ Whether the debtor's expected performance and repayment behavior have changed significantly;
- ⑤ Whether the Company's credit management methods for financial instruments have changed, etc.

If, on the balance sheet date, the credit risk of the financial instrument is judged to be low by the Company, the Company assumes that the credit risk of the financial instrument has not increased significantly since the initial recognition. The financial instrument will be deemed to have lower credit risk under the following circumstances: the default risk of the financial instrument is lower; the borrower has a strong ability to fulfill its contractual

cash flow obligations in a short time; furthermore, even if there are adverse changes in the economic situation and operating environment for a long period of time, it may not necessarily reduce the borrower's ability to fulfill its contractual cash flow obligations.

#### 2) Financial assets with depreciation of credit

If one or more events have adverse effects on the expected future cash flow of a financial asset, the financial asset will become a financial asset that has suffered credit impairment. The following observable information can be regarded as evidence of credit impairment of financial assets:

- ① The issuer or debtor is in serious financial difficulties;
- ② The debtor breaches the contract, such as default or overdue payment of interest or principal, etc.;
- ③ The creditor gives concessions to the debtor due to economic or contractual considerations related to the debtor's financial difficulties; the concessions will not be made under any other circumstances;
- ④ There is a great possibility of bankruptcy or other financial restructuring of the debtor;
- ⑤ The financial difficulties of the issuer or debtor cause the disappearance of the active market for the financial asset;
- ⑥ The purchase or origin of a financial asset at a substantial discount that reflects the fact that a credit loss has occurred.

Credit impairment of financial assets may not be caused by separately identifiable events, but may be caused by the combined effect of multiple events.

#### 3) Determination of expected credit loss

The Company's assessment of the expected credit losses of financial instruments is based on single items and combinations. During the evaluation, the Company will take into account reasonable and reliable information about past events, current situation and future economic situation forecast.

The Company divides financial instruments into different combinations on the basis of common credit risk characteristics. Common credit risk characteristics adopted by the Company include: financial instrument type, aging combination, contract settlement cycle, etc. To understand the individual evaluation criteria and combined credit risk characteristics of relevant financial instruments, please refer to the accounting policies of relevant financial instruments for details.

The Company adopts the following methods to determine the expected credit losses of relevant financial instruments:

- ① In terms of financial assets, credit loss is equivalent to the present value of the difference between the contract cash flow that the Company shall receive and the expected cash flow.
- ② In terms of lease receivables, credit loss is equivalent to the present value of the difference between the contract cash flow that the Company shall receive and the expected cash flow.
- ③ In terms of the financial guarantee contract, credit loss is equal to the expected amount of payment made by the Company to the holder of the contract for credit loss incurred, less the present value of the difference between the amount expected to be collected from the holder of the contract, the debtor or any other party.
- ④ If, on the balance sheet date, a financial asset has suffered credit impairment, but one does not purchase or originate a financial asset that has suffered credit impairment, the credit loss is equivalent to the difference between the book balance of the financial asset and the present value of the estimated future cash flow discounted at the original actual interest rate.

Factors reflected in the Company's method of measuring the expected credit losses for financial instruments include: unbiased probability weighted average amount determined by evaluating a series of possible results; time value of money; reasonable and reliable information about past events, current situation and future economic situation forecast that can be obtained on the balance sheet date without unnecessary extra costs or efforts.

#### 4) Write-off of financial assets

If the Company cannot reasonably expect the contract cash flow of the financial asset to be fully or partially recovered, the book balance of the financial asset will be written off directly. This write-off constitutes the derecognition of relevant financial assets.

#### (7) Offset of financial assets and financial liabilities

In the balance sheet, financial assets and financial liabilities are shown separately without offsetting each other. However, if the following conditions are met at the same time, the net amount after offset will be listed in the balance sheet:

- 1) The Company has the legal right, which is currently enforceable, to offset the confirmed amount;
- 2) The Company plans to settle on a net basis, or realize the financial assets and settle the financial liabilities at the same time.

#### 11. Notes receivable

For the determination method and accounting treatment method of the Company for the expected credit losses on notes receivable, please refer to "V-10-(6) Impairment of financial instruments" in this section.

The Company separately determines credit losses for notes receivables that have sufficient evidence to assess expected credit losses at a reasonable cost at the level of a single instrument.

When sufficient evidence of expected credit loss cannot be evaluated at a reasonable cost at the level of single instrument, the Company will refer to the experience of historical credit loss, combine the current situation and judgment on future economic situation, divide bills receivable into several combinations according to the characteristics of credit risk, and calculate expected credit loss on the basis of combinations. The basis for determining the portfolio is as follows:

Item	Basis for determining portfolio	Method
Bank acceptance bill portfolio	Type of bill	Refer to the experience of historical credit loss, combine the current situation and judgment on future economic situation to measure the expected credit loss
Commercial acceptance bill portfolio	Type of bill	Refer to the experience of historical credit loss, combine the current situation and judgment on future economic situation to measure the expected credit loss

## 12. Accounts receivable

For the determination method and accounting treatment method of the Company for the expected credit losses on accounts receivable, please refer to “V-10-(6) Impairment of financial instruments” in this section.

The Company separately determines credit losses for accounts receivable that have sufficient evidence to assess expected credit losses at a reasonable cost at the level of a single instrument.

If sufficient evidence of expected credit loss cannot be assessed at reasonable cost at the level of single instrument, the Company will divide the accounts receivable into several combinations according to the credit risk characteristics, and calculate the expected credit loss on the basis of the combinations (with reference to the experience of historical credit loss, and in combination with the current situation with the judgment of future economic situation). The basis for determining the portfolio is as follows:

Item	Basis for determining portfolio	Method
Related party within the consolidation scope	Accounts receivable between companies included in the consolidation scope	No provision for expected credit loss shall be made with reference to historical credit loss experience
Aging portfolio	Accounts receivable with similar credit risk characteristics by aging, except for the portfolio of related parties within the consolidation scope	Referring to historical credit loss experience, combined with the current situation and the forecast of future economic situation, according to the expected credit loss during the entire duration, a comparative table of age and expected credit loss rate is worked out, based on which the expected credit loss is calculated.

## 13. Receivables financing

For the determination method and accounting treatment method of the Company for the expected credit losses on receivables financing, please refer to “V-10-(6) Impairment of financial instruments” in this section.

## 14. Other receivables

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

For the determination method and accounting treatment method of the Company’s expected credit loss on other receivables, please refer to “V-10-(6) Impairment of financial instruments” in this section.

The Company separately determines credit losses for other receivables that have sufficient evidence to assess expected credit losses at a reasonable cost at the level of a single instrument.

If sufficient evidence of expected credit loss cannot be assessed at reasonable cost at the level of single instrument, the Company will divide the other receivables into several combinations according to the credit risk characteristics, and calculate the expected credit loss on the basis of the combinations (with reference to the experience of historical credit loss, and in combination with the current situation with the judgment of future economic situation). The basis for determining the portfolio is as follows:

Item	Basis for determining portfolio	Method
Related party within the consolidation scope	Other receivables between companies included in the consolidation scope	No provision for expected credit loss shall be made with reference to historical credit loss experience
Aging portfolio	Other receivables with similar credit risk characteristics by aging, except for the portfolio of the related parties within the consolidation scope	With reference to historical credit loss experience, combined with current conditions and forecasts of future economic conditions, the expected credit loss is calculated through the default risk exposure and the credit loss rate in the next 12 months or the entire duration

## 15. Inventories

### (1) Classification of inventories

Inventories refer to the finished products or commodities held for sale by the Company in the course of its daily activities, the products being in the process of production, and the materials and supplies consumed in the process of production or provision of labor services, etc. The Company classifies inventories into raw materials, turnover materials, entrusted processing materials, work-in-process products, self-made semi-finished products, finished products (inventory goods), issued goods, etc.

### (2) Valuation method of inventories

When the inventories is acquired, it is initially measured at cost, including purchase cost, processing cost and other costs. When the inventories are delivered, it shall be valued by the first-in, first-out method and weighted average method at the end of the month.

### (3) Basis for the determination of the net realizable value of inventories and method for the provision of provision for inventory impairment

Provision for inventory impairment is recognized or adjusted at the lower of costs and the net realizable value after conducting a thorough check of inventories at the end of the year. For inventories of goods directly used for sale, such as finished goods, merchandise inventories and materials for sale, in the normal production and operation process, the net realizable value is determined by the amount of the estimated selling price of the inventory less the estimated sales cost and relevant taxes and fees; for material inventories that need to be processed, in the normal production and operation process, the net realizable value is determined by the amount of the estimated selling price of finished products produced less the estimated cost to be occurred at the time of completion, the estimated selling expenses and related taxes; for inventories held for the execution of sales contracts or labor contracts, the net realizable value is calculated on the basis of the contract price, and if the quantity of inventories held is more than the quantity specified in sales contracts, the net realizable value of excess inventories is calculated based on the general sales price.

At the end of the year, inventory valuation allowance is accrued according to individual inventory items; but for a large number of inventories with lower unit prices, inventory valuation allowance is accrued according to inventory category; for inventories related to the product series produced and sold in the same region with the same or similar end use or purpose, and that is difficult to be measured separately from other items, inventory valuation allowance is accrued combined with other items.

If the influencing factors of the write-down of inventory value have disappeared, the amount written-down is recovered and reversed to the amount of inventory valuation allowance already accrued, and the amount reversed is included in the current profit and loss.

### (4) Inventory system

A perpetual inventory system is adopted.

### (5) Amortization method of low-value consumables and packages

- 1) Low-value consumables are amortized by the one-off writing-off method;
- 2) Packages are amortized by the one-off writing-off method.
- 3) Other turnover materials are amortized by the one-off writing-off method.

## 16. Contractual assets

Where the Company has transferred goods to customers and has the right to receive consideration, and the right depends on factors other than the passage of time, it shall be recognized as contract assets. The Company's unconditional (that is, depending only on the passage of time) right to

collect consideration from customers is separately listed as receivables.

For the determination method and accounting treatment method of the Company's expected credit loss on contractual assets, please refer to "V-10-(6) Impairment of financial instruments" in this section.

## 17. Contract costs

## 18. Held-for-sales assets

### (1) Classified as held-for-sale recognition criteria

The Company recognizes non-current assets or disposal groups that meet the following conditions as held-for-sale components:

- 1) According to the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately in the current situation;
- 2) The sale is highly likely to occur, that is, the Company has made a resolution on a sale plan, obtained regulatory approval (if applicable), and obtained a certain purchase commitment, and it is expected that the sale will be completed within one year.

The confirmed purchase commitment refers to the legally binding purchase agreement signed by the Company and other parties. The agreement includes important terms such as transaction price, time and sufficiently severe penalty for breach of contract, which makes the possibility of significant adjustment or cancellation of the agreement extremely small.

### (2) Accounting method of held for sale

The Company does not accrue depreciation or amortization for non-current assets or disposal groups held for sale. If the book value is higher than the net amount of fair value minus selling expenses, the book value shall be written down to the net amount of fair value minus selling expenses. The amount written down shall be recognized as asset impairment loss and included in the current profit and loss, and the assets held for sale impairment reserves shall be accrued at the same time.

For the non-current assets or disposal groups classified as held for sale on the acquisition date, the initial measurement amount and the net amount of the fair value less the selling expenses under the condition that they are not classified as held for sale are comparatively assumed in the initial measurement, whichever is lower.

The above principles apply to all non-current assets, but do not include investment properties that are subsequently measured using the fair value model, biological assets that are measured using the net amount of fair value less selling expenses, assets formed by employee compensation, deferred tax assets, financial assets regulated by accounting standards related to financial instruments, and rights generated by insurance contracts regulated by accounting standards related to insurance contracts.

## 19. Debt investments

## 20. Other debt investments

For the determination method and accounting treatment method of the Company's expected credit loss on other debt investments, please refer to "V-10-(6) Impairment of financial instruments" in this section.

## 21. Long-term receivables

For the determination method and accounting treatment method of the Company's expected credit loss on long-term receivables, please refer to "V-10-(6) Impairment of financial instruments" in this section.

The Company separately determines credit losses for long-term receivables that have sufficient evidence to assess expected credit losses at a reasonable cost at the level of a single instrument.

If sufficient evidence of expected credit loss cannot be assessed at reasonable cost at the level of single instrument, the Company will divide the long-term receivables into several combinations according to the credit risk characteristics, and calculate the expected credit loss on the basis of the combinations (with reference to the experience of historical credit loss, and in combination with the current situation with the judgment of future economic situation). The basis for determining the portfolio is as follows:

Item	Basis for determining portfolio	Method
Overdue portfolio	Overdue long-term receivables	Provision in accordance with the comparison table of the number of overdue days and the expected credit loss rate of the entire duration
Unexpired portfolio	Long-term receivables other than those in the portfolio above	Refer to the experience of historical credit loss, combine the current situation and judgment on future economic situation to measure the expected credit loss

## 22. Long-term equity investment

### (1) Recognition of initial investment cost

- 1) For the long-term equity investment formed by the merger of enterprises, the specific accounting policies are detailed in “V-5 Accounting treatments for merger of enterprises under common control and not under common control” in this section.
- 2) Long-term equity investment acquired by other means

For long-term equity investment acquired by cash payment, the actual acquisition price is recognized as initial investment cost. The initial investment cost includes expenses, taxes and other necessary expenses directly related to the acquisition of the long-term equity investment.

For a long-term equity investment obtained by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued. Transaction costs incurred in the issuance or acquisition of one’s own equity instruments those can be directly attributable to the equity transaction shall be deducted from the equity.

Provided that the non-monetary asset exchange contains commercial substance and the fair value of the assets received or assets surrendered can be reliably measured, the initial investment cost of the long-term equity investment received with non-monetary assets is determined based on the fair value of the assets surrendered, except that there is conclusive evidence indicates that the fair value of assets received is more reliable. For non-monetary asset exchange that do not satisfy the above condition, the book value of assets surrendered and related taxes and fees payable are recognized as the initial investment cost of the long-term equity investment.

The initial investment cost of a long-term equity investment acquired by debt restructuring is determined on the basis of fair value.

### (2) Subsequent measurement and recognition of related profit and loss

#### 1) Cost method

The Company can use the cost method to calculate the long-term equity investment controlled by the invested entity, price it according to the initial investment cost, and increase or recoup the cost of investment on adjusting a long-term equity investment.

Except for the declared but undistributed cash dividends or profits included in the actual payment or consideration when the investment is obtained, the Company shall recognize the cash dividends or profits declared to be distributed by the invested entity as current investment income.

#### 2) Equity method

The Company adopts equity method for accounting of long-term equity investments in associates and joint ventures. For the equity investment in associates in which part of it is held indirectly through venture capital institutions, mutual funds, trust companies or similar entities including investment-linked insurance funds, it shall be measured at fair value and its changes shall be recorded into profits and losses.

For the balance that the initial investment cost of long-term equity investments is bigger than the fair value shares of invested units’ distinguished net assets which shall be enjoyed by the Company, the Company will not adjust the initial investment cost of long-term equity investments; for the balance that the initial investment cost is smaller than the fair value shares of invested units’ distinguished net assets which shall be enjoyed by the Company, it shall be included in the current profit and loss.

After the Company obtains long-term equity investment, it shall recognize investment income and other comprehensive income respectively according to its share of the net profit or loss realized by the invested entity and other comprehensive income, and adjust the book value of long-term equity investment at the same time. In addition, the part to be enjoyed shall be calculated according to the profit or cash dividend declared by the invested entity to be distributed, and the book value of long-term equity investment shall be reduced accordingly. For other changes in owners’ equity other than net profit and loss, other comprehensive income and profit distribution of the invested entity, the book value of long-term equity investment shall be adjusted and recorded into owners’ equity.

When confirming the shares of invested units’ net gain or loss to be enjoyed, the Company will adjust and confirm the invested units’ net profit based on the fair value of the invested units’ distinguishable assets when investments are obtained. For the gain or loss on the non-realized internal transactions between the Company and associates enterprises / joint ventures, the part attributing to the Company will be calculated as per the proportion to be enjoyed, will be written down, and on this basis, the investment profit and loss will be confirmed.

The Company recognizes that the loss suffered by the invested unit should be dealt with in the following order: first, reduce the book value of long-term equity investments. Secondly, if the book value of long-term equity investments is not sufficient to offset, the book value of other long-term equity that substantially constitute the net investment in the invested entity shall be used to continue to recognize the investment loss and offset the

book value of long-term receivables. Finally, after the above treatment, according to the investment contract or agreement, the enterprise still assumes the additional obligations, and it will confirm the provisions according to the expected obligations and shall be included in the current investment losses.

If the investee makes profits in the future, the Company shall, after deducting the unrecognized loss share, deal with it in the reverse order, write down the book balance of the confirmed provisions, recover other long-term equity that substantially constitute the net investment to the investee and the book value of long-term equity investments, and resume the recognition of investment income.

### **(3) Transformation of accounting method of long term equity investments**

#### 1) Transfer of fair value measurement to equity method

The equity investment originally held by the Company that does not have control, joint control or significant influence on the investee and is subject to accounting treatment according to the recognition and measurement standards of financial instruments can exert significant influence on the investee or implement joint control but does not constitute control due to additional investment and other reasons, the sum of the fair value of the originally held equity investment plus the newly increased investment cost determined in accordance with the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments shall be regarded as the initial investment cost calculated according to the equity method.

The initial investment cost calculated by the equity method is less than the difference between the fair value of the identifiable net assets of the investee on the additional investment date calculated and determined according to the new shareholding ratio after the additional investment, the book value of long-term equity investments is adjusted and included in the non-operating income of the current period.

#### 2) Transfer of fair value measurement or equity method to cost method

The equity investment originally held by the Company that does not have control, joint control or significant impact on the investee and is subject to accounting treatment in accordance with the recognition and measurement standards of financial instruments, or the long-term equity originally held by the Company for joint ventures and joint ventures: If the investee under different control can be controlled due to additional investment and other reasons, when preparing individual financial statements, the book value of equity investment originally held plus new investment cost shall be taken as the initial investment cost calculated by cost method instead.

The other comprehensive income, which is recognized as equity investment held before the purchase date, is accounted for by the equity method. When disposing the investment, it adopts the same basis as the relevant assets or liabilities directly disposed of by the invested entity for accounting treatment.

If the equity investment held before the acquisition date is accounted for in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, the changes in the accumulated fair value originally included in other comprehensive income are transferred to the current profit and loss when the cost method is used for accounting.

#### 3) Transfer of equity method accounting to fair value measurement

If the Company loses joint control or significant impact on the invested entity due to disposal of part of equity investment, the remaining equity after disposal shall be accounted according to Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, and the difference between the fair value and book value on the date of loss of joint control or significant impact shall be included in the current profit and loss.

The other comprehensive income of the original equity investment recognized due to the use of equity method shall be accounted on the same basis as the invested unit's direct disposal of relevant assets or liabilities when the equity method is terminated.

#### 4) Transfer of cost method to equity method

If the Company loses the control over the investee due to the disposal of part of the equity investment and other reasons, when preparing individual financial statements, if the residual equity after disposal can exercise joint control or exert significant influence on the investee, the equity method shall be used for accounting instead, and the residual equity shall be deemed to be adjusted by the equity method when it is obtained.

#### 5) Transfer of cost method to fair value measurement

If the Company loses control over the investee due to the disposal of part of equity investment and other reasons, when preparing individual financial statements, if the residual equity after disposal cannot exercise joint control or exert significant influence on the investee, the accounting treatment shall be carried out in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments. The difference between the fair value and the book value on the date of loss of control is included in the current profit and loss.

### **(4) Disposal of Long-Term Equity Investments**

For the disposal of long term equity investments, the difference between the book value and the actually obtained price shall be included in the current profit and loss. Long-term equity investments accounted by the equity method shall be disposed on the same basis as the investee's direct disposal of relevant assets or liabilities, and the part originally included in other comprehensive income shall be accounted according to the corresponding proportion.

If the terms, conditions and economic impact of the disposal of various transactions of equity investment in subsidiaries meet one or more of the following conditions, multiple transactions shall be accounted as a package deal:

- 1) These transactions are made simultaneously or with consideration of influence on each other;
- 2) These transactions can only achieve a complete business outcome when treated as a whole;

- 3) The occurrence of a transaction depends on the occurrence of at least one of the other transactions;
- 4) A transaction is uneconomical when treated alone, but is economical when considered together with other.

If the control over the original subsidiary company is lost due to the disposal of part of equity investment or other reasons, and it does not belong to a package deal, the relevant accounting treatment shall be made by distinguishing individual financial statements and consolidated financial statements:

1) In individual financial statements, for the equity disposed, the difference between the book value and the actually obtained price is included in the current profit and loss. If the residual equity after disposal can exercise joint control or exert significant influence on the investee, it shall be accounted by equity method, and the residual equity shall be deemed as adjusted by equity method when it is acquired; If the residual equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be accounted in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, and the difference between the fair value and book value on the date of loss of control shall be included in the current profit and loss.

2) In the consolidated financial statements, for the difference between the disposal price and the corresponding share of net assets of the subsidiary calculated continuously from the purchase date or the merger date for each transaction before the loss of control over the subsidiary, the capital reserve (share capital premium) shall be adjusted. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted; if the control right over the subsidiary is lost, the remaining equity shall be remeasured according to its fair value on the date of losing the control right. The difference between the sum of the consideration obtained from the disposal of equity and the fair value of the remaining equity minus the share of the net assets of the original subsidiary calculated continuously from the purchase date calculated according to the original shareholding ratio shall be included in the investment income of the current period when the control right is lost, and goodwill shall be offset at the same time. Other comprehensive income related to the equity investment of the original subsidiary will be converted into the current investment income when the control right is lost.

If all transactions from disposal of equity investment in subsidiaries to loss of control belong to a package deal, each transaction shall be treated as a transaction for disposal of equity investment in subsidiaries and loss of control, and relevant accounting treatment shall be conducted according to individual financial statements and consolidated financial statements:

1) In individual financial statements, the difference between each disposal price and the long-term equity investment book value corresponding to the disposed equity before the loss of control right is recognized as other comprehensive income, which is transferred to the loss and profit of the current period when the control right is lost.

2) In the consolidated financial statements, the difference between each disposal price and the share of the subsidiary's net assets corresponding to the disposal investment before the loss of the control right is recognized as other comprehensive income, which is transferred into the current profit and loss when the control right is lost.

#### **(5) Judgment criteria for joint control and significant impact**

If the Company controls an arrangement collectively with other participants in accordance with relevant agreements, and the activity decision-making that has a significant impact on the return of the arrangement needs to exist after the consensus of the participants sharing the control right, it is deemed that the Company and other participants jointly control an arrangement, which is a joint venture arrangement.

When the joint venture arrangement is reached by a single body, the individual entity shall be judged as a joint venture and the equity method shall be used for accounting when the Company has the right to enjoy the net assets of the individual entity according to the relevant agreement. If it is judged that the Company does not have the right to the net assets of the individual subject according to the relevant agreement, the individual subject shall be regarded as the joint operation, the Company shall recognize the items related to the share of interests of the joint operation, and carry out accounting treatment in accordance with the provisions of the relevant accounting standards for business enterprises.

Significant influence means that the investor has the right to participate in the decision-making of the financial and operational policies of the investee, but cannot control or jointly control the formulation of these policies with other parties. The Company judges to have a significant impact on the investee through one or more of the following circumstances and comprehensive consideration of all facts and circumstances: 1) having a representative on the board of directors or similar authority of the investee; 2) participate in the financial and operational policy-making process of the investee; 3) there are significant transactions with the investee; 4) dispatch management personnel to the investee; and 5) provide key technical data to the investee.

## **23. Investment properties**

Measuring mode of investment properties

Measured at cost

Depreciation or amortization method

The Company's investment property means the property held for the purpose of earning rent or capital appreciation, or both, including the land use rights that have been leased, the land use rights that are held for transfer upon appreciation, and the leased buildings. In addition, for the vacant buildings held by the Company for the purpose of leases, if the Board of Directors makes a written resolution that expressly indicates that the buildings will be used for leases and the intention of holding will not change in a short term, the building will also be reported as investment property.

The Company's investment properties are recorded at their cost. The cost of outsourcing investment properties includes the purchase price, relevant taxes and other expenses that can be directly attributable to the asset. The cost of self-construction investment properties is composed of the necessary expenses incurred before the construction of the asset reaches the expected usable state.

The Company adopts the cost model for subsequent measurement of investment property. Depreciation or amortization is accrued on buildings and land use rights according to the estimated service life and net residual value rate. The estimated service life, net residual value rate and annual depreciation (amortization) rate of investment properties are listed as follows:

Type	The estimated service life (Year)	The estimated net residual value rate (%)	Annual depreciation (amortization) rate (%)
Land use rights	service life of land use rights		1/Service life*100
Property and plant	20	5-10	4.50-4.75

When the purpose of investment properties is changed to self-use, from the date of change, the Company will convert the investment properties to fixed assets or intangible assets. When the purpose of self-use properties is changed to earn rent or capital appreciation, the Company will convert fixed assets or intangible assets to investment properties from the date of change. In case of conversion, the book value before conversion shall be taken as the entry value after conversion.

When the investment properties are disposed, or permanently withdrawn from use, and no economic benefits are expected to be obtained from the disposal, the confirmation of the investment properties shall be terminated. The amount of disposal income from sale, transfer, scrap or damage of investment properties after deducting its book value and relevant taxes shall be included in the current profit and loss.

The Company's investment property means the property held for the purpose of earning rent or capital appreciation, or both, including the land use rights that have been leased, the land use rights that are held for transfer upon appreciation, and the leased buildings. In addition, for the vacant buildings held by the Company for the purpose of leases, if the Board of Directors makes a written resolution that expressly indicates that the buildings will be used for leases and the intention of holding will not change in a short term, the building will also be reported as investment property.

The Company's investment properties are recorded at their cost. The cost of outsourcing investment properties includes the purchase price, relevant taxes and other expenses that can be directly attributable to the asset. The cost of self-construction investment properties is composed of the necessary expenses incurred before the construction of the asset reaches the expected usable state.

The Company adopts the fair value model for the subsequent measurement of investment properties. The Company does not accrue depreciation or amortize the investment properties. The Company adjusts its book value based on the fair value of the investment properties on the balance sheet date, and the difference between the fair value and the original book value is included in the current profit and loss.

The basis for subsequent measurement of investment property at the fair value is: ① there is an active property trading market where the investment property is located; ② The Company can obtain the information of the market price or other relevant information of same or similar properties from the trading market, so as to measure the investment properties at the fair value properly.

The Company measures the fair value of investment property according to the current market price of the property in the same type or similar one in the active market; If the current price of the same or similar properties cannot be obtained, the fair value of the investment property shall be properly estimated in terms of the recent trading price of the same or similar properties in the active market, the asset status, location, transaction situation, transaction date and other factors; Or the fair value is measured based on the expected future rental income and the present value of relevant cash flows.

When there is conclusive evidence that the use of the property has converted into self-use, the fair value on the date of conversion shall be taken as the book value of the self-used property, and the difference between the fair value and the original book value shall be included in the current profit and loss. When the self-used property or inventory is converted into the investment property measured by the fair value model, the investment property is measured at the fair value on the date of conversion. If the fair value on the date of conversion is less than the original book value, the difference is included in the current profit and loss; if the fair value on the date of conversion is greater than the original book value, the difference is included in other comprehensive income.

When the investment properties are disposed, or permanently withdrawn from use, and no economic benefits are expected to be obtained from the disposal, the confirmation of the investment properties shall be terminated. The amount of disposal income from sale, transfer, scrap or damage of investment properties after deducting its book value and relevant taxes shall be included in the current profit and loss.

## 24. Fixed assets

### (1) Recognition criteria

#### 1) Recognition criteria of fixed assets

Fixed assets mean tangible assets held for the purpose of producing goods, rendering of services, leases or operation management, whose service life is more than one fiscal year. Fixed assets satisfying the following conditions are recognized:

- ① The economic benefits associated with the fixed assets are likely to flow into the enterprise;
- ② The cost of the fixed asset can be measured in a reliable way

#### 2) Initial measurement of fixed assets

The Company's fixed assets shall be initially measured according to cost.

- ① The cost of purchased fixed assets includes the purchase price, import duties and other related taxes, as well as other expenses directly attributable to the fixed assets incurred before they reach the predetermined usable state.
- ② The cost of self-constructed fixed assets consists of the necessary expenditures incurred before the asset is constructed to a predetermined usable state.
- ③ The fixed assets invested by the investor shall be recorded at the value agreed upon in the investment contract or agreement, but if the value agreed upon in the contract or agreement is not fair, it shall be recorded at the fair value.
- ④ If payments for the purchase of fixed assets are extended beyond the normal credit terms with financing nature, the costs of fixed assets are determined on the basis of present values of the purchase prices. The difference between the actual price paid and the present value of the purchase price, except for those that should be capitalized, shall be included in the current profit and loss during the credit period.

#### 3) Subsequent measurement and disposal of fixed assets

##### ① Depreciation of fixed assets

Depreciation of fixed assets shall be accrued within the estimated service life after deducting the estimated net residual value from its recorded value. For fixed assets with provision for impairment, the amount of depreciation shall be determined in the future periods based on the book value after deduction of the impairment provision and based on the remaining service life; and fixed assets that have been fully depreciated and are still in use shall not be depreciated.

The Company shall determine the service life and estimated net residual value of the fixed assets according to their nature and usage. At the end of the year, the service life, estimated net residual value and depreciation method of the fixed assets shall be reviewed, and if there is any difference from the original estimate, corresponding adjustments shall be made.

##### ② Subsequent expenditures on fixed assets

Subsequent expenditures related to fixed assets that meet the conditions for the recognition of fixed assets shall be included into the cost of fixed assets; and those do not meet the conditions for the recognition of fixed assets shall be recorded into the current profit and loss at the time of occurrence.

##### ③ Disposal of fixed assets

When a fixed asset is disposed of or is not expected to generate economic benefits through use or disposal, the recognition of the fixed asset shall be terminated. The amount of disposal income from sale, transfer, scrap or damage of fixed assets after deducting its book value and relevant taxes shall be included in the current profit and loss.

### (2) Depreciation method

Type	Depreciation method	Depreciation life	Rate of residual value	Annual depreciation rate
Property and plant	Straight-line method	20	5-10%	4.50-4.75%
Machinery and equipment	Straight-line method	10-13	5-10%	6.92-9.50%
Transportation equipment	Straight-line method	5	5-10%	18.00-19.00%
Electronic equipment	Straight-line method	5	5-10%	18.00-19.00%
Office equipment	Straight-line method	5	5-10%	18.00-19.00%
Other equipment	Straight-line method	5	5-10%	18.00-19.00%

**(3) Recognition basis, valuation and depreciation method of fixed assets acquired under financing leases**

When the fixed assets leased by the company meet one or more of the conditions as follows, the lease will be recognized as fixed assets under finance lease:

- 1) The ownership of the leasing asset belongs to the Company at the expiration of the lease.
- 2) The Company has the option to buy the leased asset at a price to be far lower than the fair value of the leased asset at the date when the option becomes exercisable; and therefore it is reasonable to be certain that the Company will exercise the option at the inception of lease.
- 3) The lease term covers the major part of the service life of the leased asset even if the ownership of the asset is not transferred.
- 4) The present value of the minimum lease payments on the lease beginning date does not have too large differences with the fair value of the leased asset.
- 5) The nature of the leased assets is special. Only the Company can use the leased assets without major transformation.

For the fixed assets under finance lease, on the date of the lease starts, the Company recognizes the fair value of the leased asset or the present value of the minimum lease payment as the book value of the leased asset, whichever is lower. The minimum lease payment shall be recorded as the value of the long-term payables and the difference shall be recorded as an unrecognized financing expense. The initial direct expenses incurred during the lease negotiation and signing of the lease contract, such as handling fee, lawyer's fee, travel expense and stamp duty, which can be attributed to the lease project, shall be included in the value of the leased asset. Unrecognized financing expenses are apportioned over the lease term by the effective interest method.

The Company adopts the depreciation policy consistent with its own fixed assets to accrue the depreciation of fixed assets under financing lease. If the ownership of the leased asset can be reasonably determined at the end of the lease term, depreciation shall be accrued within the service life of the leased asset. If the ownership of the leased asset cannot be reasonably determined at the end of the lease term, depreciation shall be accrued within the shorter of the lease term and the service life of the leased asset.

**25. Construction in progress****(1) Initial measurement of construction in progress**

Construction in progress built by the Company is valued at the actual cost, which consists of the necessary expenses incurred before the construction of the asset is reaches the expected usable status, including engineering materials costs, labor costs, related taxes and fees, borrowing costs that should be capitalized and indirect costs that should be apportioned.

**(2) Standards and time points for carrying forward construction in progress to fixed assets**

For the construction in progress project, all expenses incurred before the construction of the asset reaches the expected serviceable state shall be taken as the entry value of fixed assets. If the construction in progress has reached the expected serviceable condition, but the final accounts of completion have not yet been handled, from the date of reaching the expected serviceable condition, it shall be transferred to fixed assets according to the estimated value according to the project budget, cost or actual cost of the project, and the depreciation of fixed assets shall be accrued according to the Company's fixed assets depreciation policy. The original estimated value shall be adjusted according to the actual cost after the completion of final accounts, but the amount of depreciation that has been accrued shall not be adjusted.

**26. Borrowing costs****(1) Recognition principles of capitalization of borrowing costs**

Borrowing costs incurred by the Company that are directly attributable to the acquisition, construction or production of qualifying assets, shall be capitalized and included in the cost of relevant assets. Other borrowing costs shall be recognized as expenses according to the amount incurred and included in the profits or losses in the current period.

Assets eligible for capitalization refer to fixed assets, investment properties, inventory and other assets that are expected to be usable or salable after a considerable period of purchase and construction or production activities.

Capitalization shall commence when:

- 1) Expenditures are being incurred, which comprise disbursements incurred in the form of payments of cash, transfer of non-monetary assets or assumption of interest-bearing debts;
- 2) Borrowing costs are being incurred, and;
- 3) Purchase, construction or manufacturing activities that are necessary to prepare the assets for their intended use or sale are in progress.

**(2) Capitalization period for borrowing costs**

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

Capitalization of borrowing costs shall cease when the qualifying asset under acquisition, construction or production gets ready for intended use or sale.

Where part of the project of acquisition, construction or production of qualifying assets has been completed respectively and can be put into use individually, capitalization of borrowing costs of that part should cease.

Where each part of assets purchased, constructed or manufactured has been completed separately but can be used or sold only after all parts have been completed, capitalization of borrowing costs shall cease at the completion of all parts of the said assets.

### **(3) Period of suspension for capitalization**

Capitalization of borrowing costs shall be suspended during periods in which purchase, construction or manufacturing of assets eligible for capitalization is interrupted abnormally, and the interruption is for a continuous period of more than 3 months; if the interruption is the necessary procedure to prepare the assets purchased, constructed or manufactured assets eligible for capitalization for their intended use or sale, the borrowing costs shall continue to be capitalized. Borrowing costs incurred during the interruption shall be recognized in current profit or loss, and shall continue to be capitalized when purchase, construction or manufacturing of the relevant assets resumes.

### **(4) Measurement of capitalized amounts of borrowing costs**

Interest charges on special borrowings (excluding interest income on unused borrowings deposited in the bank, or investment income on temporary investment) and their ancillary expenses shall be capitalized before the assets purchased, constructed or produced that meet the capitalization conditions are ready for intended use or sale.

The amount of capitalized interest on general borrowings is calculated by the weighted average of the excess portion of the accumulative asset expenditures over the special borrowings multiplied by the capitalization rate of general borrowings. The capitalization rate is determined based on the weighted average interest rate of general borrowings.

Where there are discounts or premiums on borrowings, the amounts of interest for each accounting period shall be adjusted taking account of amortizable discount or premium amounts for the period by effective interest method.

## **27. Biological assets**

## **28. Oil and gas assets**

## **29. Right-of-use assets**

The Company initially measures the right-of-use assets on the basis of the cost, which includes:

- (1) The amount of initial measurement of lease liabilities;
- (2) For the lease payment paid on or before the beginning of the lease term, if there is lease incentive plan, the relevant amount of lease incentive enjoyed shall be deducted;
- (3) The initial direct costs incurred by the company;
- (4) The costs expected to be incurred by the Company to dismantle or remove the leased assets, restore the site where the leased assets are located or restore the leased assets to the state agreed in the lease terms (excluding the costs incurred for the production of inventories).

After the beginning date of the lease term, the Company adopts the cost model for subsequent measurement of the right-of-use assets.

If it can be reasonably determined that the ownership of the leased asset is obtained at the expiration of the lease term, the Company shall accrue depreciation within the remaining service life of the leased asset. If it is impossible to reasonably determine that the ownership of the leased asset can be obtained at the expiration of the lease term, the Company shall accrue depreciation within the shorter term between the lease term and the remaining service life of the leased asset. For the right-of-use assets with impairment provision, the depreciation shall be accrued on the basis of the book value after deducting the impairment provision in the future with reference to the above principles.

## **30. Intangible assets**

### **(1) Measurement method, service life, and impairment test**

Intangible assets are non-monetary assets with no physical form that can be identified and owned or controlled by the Company, including land use right, computer software, patent right, non-proprietary technology, etc.

#### **1) Initial measurement of intangible assets**

Costs of purchased intangible assets include purchase prices, relevant taxes, and other expenditures that are directly attributable to the intangible assets before they reach working conditions for their intended use. If payments for the purchase of intangible assets are extended beyond the normal

credit terms with financing nature, the costs of intangible assets are determined on the basis of present values of the purchase prices.

For intangible assets obtained from debtors in settlement of their liabilities in case of debt restructuring, the book value is determined based on the fair value of the intangible assets, and the difference between the book values of debt restructuring and the fair values of the intangible assets used to pay the debt shall be included in the current profits or losses.

If the exchange of non-monetary assets has commercial substance, and the fair values of the assets received or surrendered can be measured reliably, the book values of intangible assets received from the exchange of non-monetary assets shall be determined based on the fair values of the assets surrendered unless there is any conclusive evidence that the fair values of the assets traded in are more reliable. If the exchange of non-monetary assets does not meet the above criteria, the costs of the intangible assets received shall be the book values of the assets surrendered and relevant taxes paid, and no profits or losses shall be recognized.

For intangible assets obtained through business absorption or combination under common control, the book value is determined by the carrying amounts of the combined party. For intangible assets obtained through business absorption or combination not under common control, the book value is determined by the fair value of the intangible assets.

The costs of internally developed intangible assets include: the materials consumed during the development, labor costs, registration fees, amortization of other patents and licenses applied during the development, interest expense eligible for capitalization, as well as other direct costs incurred for the intangible assets to reach working condition for their intended use.

## 2) Subsequent measurement of intangible assets

The Company determines the useful life of intangible assets on acquisition, which are classified as intangible assets with limited useful life and indefinite useful life.

### ① Intangible assets with limited useful lives

For the intangible assets with limited service life, they are amortized by the straight-line method within the period of bringing economic benefits to the enterprise. The estimated life and basis of intangible assets with limited service life are as follows:

Item	Expected service life	Basis for estimates
Software	10 years	Expected service life
Land use rights	50 years	Certificate of land using right
Patent rights	10 years	Benefit period
Non-proprietary technology	10 years	Benefit period

The service life of the intangible assets with limited service life and its amortization method shall be reviewed at the end of each period. If it differs from its previous estimate, adjustment will be made accordingly.

After review, the service life and amortization method of the intangible assets at the end of the period this year are not different from that estimated previously.

### ② Intangible assets with uncertain useful lives

Intangible assets with unforeseeable economic benefits to the Company are deemed to be intangible assets with an indefinite useful life. Intangibles assets with uncertain useful lives are not amortized during the holding period, but are reviewed for remaining useful lives at each year end. If the useful lives are still uncertain after another review at the end of the year, the impairment tests will continue to be conducted during each accounting period.

After review, the useful lives for such intangible assets are still uncertain.

**(2) Accounting policies on internal research and development expenditures****1) Criteria for classification of research phase and development phase of internal research and development projects of the Company**

Research phase: the phase in which original and planned investigation and research are carried out with purpose of gaining and understanding new scientific or technical knowledge.

Development phase: before commercial production and utilization, the phase in which the research achievement or other knowledge is applied to a particular project or design in order to produce new or substantially improved materials, devices, products, etc.

The expenditure of internal research and development projects incurred during research phase is recognized in profit or loss when incurred.

**2) Criteria expenditures during the development phase qualifying for capitalization**

Expenditures arising from development phase on internal research and development projects must be capitalized if the Company can satisfy all of the following criteria:

- (1) There is technical feasibility of completing the intangible assets (so that they will be available for use or sale);
- (2) There is an intention to complete and use or sell the assets;
- (3) how the intangible asset will generate economic benefits including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset;
- (4) There are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible assets;
- (5) The expenditure attributable to the development phase of intangible assets can be reliably measured.

If the expenditure at the development phase does not meet the above condition, it shall be charged to current profits or losses when occurring. The development expenditures which have been included in the profit or loss in the previous periods will not be recognised as an asset in the future period. The capitalised expenditures in the development phase are shown in the balance sheet as development expenditures and are converted into intangible assets from the date of the project's intended use.

**31. Impairment of long-term assets**

On the balance sheet date, the Company judges whether there is any sign of possible impairment of long-term assets. If there is any sign of impairment of a long-term asset, the recoverable amount shall be estimated on the basis of a single asset; if it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group to which the asset belongs shall be determined.

The recoverable amount of an asset is estimated based on the higher of the net amount of its fair value less disposal expenses and the present value of the expected future cash flow of the asset.

If the measurement results of the recoverable amount show that the recoverable amount of the long-term asset is lower than its book value, the book value of the long-term asset shall be written down to the recoverable amount, and the writedown amount shall be recognized as the impairment loss of the asset, which shall be recorded into the current profit and loss, and the corresponding asset impairment provision shall be drawn at the same time. Once the impairment loss of assets is recognized, it shall not be reversed in the future accounting period.

After the asset impairment loss is recognized, the depreciation or amortization expenses of the impaired asset shall be adjusted accordingly in the future period, so that the adjusted asset book value (deducting the estimated net residual value) will be systematically apportioned over the remaining service life of the asset.

For goodwill and intangible assets with uncertain service life due to business combination, no matter whether there is any sign of impairment or not, impairment test shall be carried out every year.

In the impairment test of goodwill, the book value of goodwill would be apportioned to asset group or portfolio of asset group expected to benefit from the synergy effect of an enterprise merger. When carrying out an impairment test on the relevant asset group or portfolio of asset group containing goodwill, if there is a sign of impairment on the asset group or portfolio of asset group related to the goodwill, the Company first calculates the recoverable amount after testing the asset group or portfolio of asset group which does not contain the goodwill for impairment, and then compares it with the related book value to recognise the corresponding impairment loss. Next, the Company conducts an impairment test on the asset group or portfolio of asset group which contains the goodwill and compares the book value of the related asset group or portfolio of asset group (book value includes the share of goodwill) with the recoverable amount. If the recoverable amount of the related asset group or portfolio of asset group is lower than the book value, the Company will recognise the impairment loss of goodwill.

**32. Long-term deferred expenses****(1) Amortization method**

Long-term deferred expenses refer to expenses that have already been spent by the Company, but shall be apportioned in the current period and the future periods and the benefit period is over 1 year. Long-term prepaid expenses are amortized using the straight-line method over the period of projected earnings.

**(2) Amortization period**

Type	Amortization period	Notes
Leasehold improvement	Expected service life or lease term, whichever is lower	
Renovation costs	3 years	
Filling machine	Based on contract	
Power Grid access fee	10 years	
Software system implementation fee	5 years	
Repair and maintenance fee	2-3 years	

### 33. Contractual liabilities

The Company recognizes as a contractual liability the portion of its obligation to transfer commodities to a customer for which the customer consideration has been received or is receivable.

### 34. Employee compensation

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

Short term compensation refers to the employee compensation that shall be paid by the Company within 12 months after the end of the annual report period when employees provide relevant services, except for post-employment welfare and dismissal welfare. During the accounting period when employees provide services, the Company recognizes the short-term benefits payable as a liability and includes the same in the relevant asset costs and expenses on the basis of the beneficiaries of the services provided by employees.

#### (2) Accounting treatment for post-employment benefits

Post-employment benefits refer to various forms of remuneration and benefits provided by the Company after employees retire or terminate labor relations with the enterprise in order to obtain the services provided by employees, except short-term remuneration and dismissal benefits. All post-employment benefit plans of the Company are defined contribution plans.

The defined contribution plan for post-employment benefits is mainly to participate in the social basic endowment insurance, unemployment insurance, etc., organized and implemented by local labor and social security institutions. During the accounting period when employees provide services to the Company, the amount of deposit payable calculated according to the defined deposit plan shall be recognized as liabilities and included in the current profit and loss or related asset costs.

The Company shall have no other payment obligations after regularly making the above-mentioned payments in accordance with the standards and annuity plans stipulated by the State.

#### (3) Accounting treatment for termination benefits

Termination benefits refer to the compensation paid to an employee when the Company terminates the labor relationship with an employee before the labor contract expires, or offers compensation for encouraging the employee to accept the redundancies voluntarily. The liabilities arising from the termination of labor relations with the employee are determined, and also included in the current profit and loss, at the time when the Company cannot unilaterally withdraw the termination of the labor relationship plan or redundancies proposal, or the time when the cost associated with restructuring involving payment of termination benefits is confirmed, whichever is earlier.

The Company provides early retirement benefits to employees who accept internal retirement arrangements. Early retirement welfare refers to the wages paid to the employees who fail to reach the retirement age stipulated by the state and voluntarily quit their jobs with the approval of the Company's management and the social insurance premiums paid for them. The Company shall pay the internal retirement benefits to the early retired employees from the commencement date of the internal retirement arrangement to the date when the employees reach the normal retirement age. For the early retirement welfare, the Company shall carry out accounting treatment according to the termination benefits. When the relevant recognition conditions of the termination benefits are met, the wages and social insurance premiums to be paid to the early retired employees from the date when the employees stop providing services to the normal retirement date shall be recognized as liabilities and included in the current profit and loss on a

lump-sum basis. The difference caused by the change of actuarial assumption and the adjustment of welfare standard of early retirement welfare shall be included in the current profit and loss when it occurs.

#### (4) Accounting treatment for other long-term employee benefits

### 35. Lease liabilities

The Company initially measures the lease liabilities according to the present value of the unpaid lease payments at the beginning of the lease term. When calculating the present value of lease payments, the Company takes the interest rate implicit in lease as the discount rate; If the interest rate implicit in lease cannot be determined, the incremental borrowing rate of interest of the Company shall be used as the discount rate. Lease payments include:

- (1) The fixed payment amount and actual fixed payment amount after deducting the relevant amount of lease incentive;
- (2) Variable lease payments depending on index or ratio;
- (3) When the Company reasonably determines that the option will be exercised, the lease payment includes the exercise price of the option;
- (4) When the lease term reflects that the Company will exercise the option of terminating the lease, the lease payment includes the payment required to exercise the option of terminating the lease;
- (5) The amount expected to be paid in the light of the guarantee residual value provided by the Company.

The Company determines the expense of the interest of lease liability in each period of the lease term in the light of the fixed discount rate, and includes it in the current profit and loss or the cost of relevant assets.

The amount of variable lease payments not included in the lease liabilities shall be included in the current profits and losses or relevant asset costs when actually incurred.

### 36. Estimated Liabilities

#### (1) Recognition criteria of estimated liabilities

When an obligation related to the contingent events satisfies all the following conditions, it is recognized by the Company as estimated liabilities:

The obligation is the current obligation of the Company;

The performance of obligation is likely to result in the outflow of economic benefits from the Company;

The cost of the obligation can be measured in a reliable way.

#### (2) Measurement of estimated liabilities

The estimated liabilities of the Company are initially measured on the basis of the best estimate of the expenditure required to perform the relevant current obligations.

When determining the best estimate, the Company considers factors such as risks, uncertainties and time value of money related to contingent events. Where the time value of money has a significant impact, the best estimate is determined by discounting the relevant future cash outflows.

The best estimates are handled as follows:

In case that there is a continuous range (or interval) of required expenditures, within which the possibility of occurrence of various results is the same, the best estimate is determined by the average of the middle value of the range, that is, the average of the upper and lower limits.

In case that there is no continuous range (or interval) of required expenditures, or there is a continuous range but the possibility of various results in the range is different, if the contingency involves a single item, the best estimate should be determined based on the most probable amount; if a contingency involves multiple items, the best estimate is determined based on various possible outcomes and associated probabilities.

If all or part of the expenses required by the Company to settle the provisions are expected to be compensated by a third party, the compensation amount is separately recognized as an asset when it is basically confirmed to be received, and the recognized compensation amount should not exceed the book value of estimated liabilities.

### 37. Share-based payments

#### (1) Categories of share-based payments

The share based payment of the Company is divided into equity-settled share-based payment and cash-settled share-based payment.

**(2) Determination method of fair value of equity instruments**

For the granted equity instruments such as options with active market, their fair value shall be determined according to the quoted price in the active market. For the granted equity instruments without active market, the option pricing model is used to determine their fair value. The following factors are considered in the option pricing model: 1) the exercise price of the option; 2) the validity period of the option; 3) the current price of the target share; 4) the expected volatility of the share price; 5) the expected dividend of the share; 6) the risk free interest rate.

When determining the fair value of the equity instrument on the grant date, the impact of market conditions and non-vesting conditions specified in the share-based payment agreement shall be considered. If there are non-vesting conditions for share-based payment, as long as the employees or other parties meet all non-market conditions (such as service term, etc.) in all of the vesting conditions, the corresponding cost of the services received shall be recognized.

**(3) Basis for determining the best estimate of exercisable equity instruments**

At each balance sheet date in the vesting period, the Company would make best estimate in accordance with the newly acquired information such as changes in the number of employees with exercisable rights, and amend the number of estimated exercisable equity instruments. On the exercise date, the ultimate estimated number of exercisable equity instruments coincides with the actual number.

**(4) Accounting treatment**

The equity-settled share-based payment shall be measured at the fair value of the equity instrument granted to the employee. If the right is exercisable immediately after the grant, the relevant cost or expense shall be recorded in accordance with the fair value of the equity instrument on the grant date, and the capital reserve shall be increased accordingly. If the right is not exercisable until the service within the waiting period is completed or the performance conditions are met, on each balance sheet date within the waiting period, the services acquired in the current period shall be included into relevant costs or expenses and capital reserves based on the best estimate of the number of the equity instruments of the exercisable rights and based on the fair value on the grant date of the equity instruments. No adjustments shall be made after the vesting date for the related costs or expenses recognized and total owners' equity.

The cash-settled share-based payment is measured at the fair value of the liabilities borne by the Company and calculated based on shares or other equity instruments. Where the right is feasible immediately after the grant, the fair value of the liabilities borne by the Company shall be included into the relevant costs or expenses at the fair value of the liabilities assumed by the Company on the grant date, and the liabilities shall be increased accordingly. Where the share-based payment is not exercisable until the service in the vesting period is completed or specified performance conditions are met, then at each balance sheet date within the vesting period, the service obtained in the current period shall be included in cost or expenses and in liabilities at the fair value of the Company's liabilities based on the best estimates of the quantity of exercisable equity instruments made by the Company. At each balance sheet date and settlement date before relevant liabilities are settled, the fair value of the liabilities is remeasured and the changes are recognised in profit or loss.

If the granted equity instrument is cancelled in the waiting period, the Company will treat the cancellation of the granted equity instrument as accelerated exercise, and the amount to be recognized in the remaining waiting period will be included in the current profit and loss immediately, and capital reserve will be recognized at the same time. If the employee or other parties can choose to meet the non-vesting conditions but fail to meet them within the waiting period, the Company will treat them as the cancellation of the granted equity instrument.

### 38. Preferred stock, perpetual bonds and other financial instruments

The Company classifies the financial instruments and their components at initial recognition into either financial liabilities or equity instruments, in accordance with the "Financial Instruments Standards", on the basis of the contract terms of and the economic substances but not only the legal forms reflected by the preferred stock, perpetual bonds and other financial instruments issued, together with the definitions of financial liabilities and equity instruments:

**(1) If one of the following conditions is met, the financial instrument issued shall be classified as a financial liability:**

- 1) a contractual obligation to deliver cash or other financial assets to another entity;
- 2) a contractual obligation to exchange with another entity a financial asset or financial liability under potential unfavorable conditions;
- 3) a non-derivative contract, which shall be or may be settled by the Company's own equity instruments in the future, and that the Company would deliver a variable number of its own equity instruments;
- 4) a derivative contract, which shall be or may be settled by the Company's own equity instruments in the future, but except for which the Company would deliver a fixed quantity of its own equity instruments in exchange for a fixed quantity of cash or other financial assets.

**(2) If all of the following conditions are met, the financial instrument issued shall be classified as an equity instrument:**

- 1) The financial instrument does not include those delivering cash or other financial assets to another entity, or contractual obligations under potential unfavorable conditions to exchange financial assets or financial liabilities with another entity;

2) For a financial instrument that shall be or may be settled by the Company's own equity instruments, if the financial instrument is a non-derivative instrument, it must not include a contractual obligation to deliver a variable quantity of the Company's own equity instruments for settlement; if the financial instrument is a derivative instrument, it can only be settled by the fixed quantity of its own equity instruments in exchange for a fixed number of cash or other financial assets.

### (3) Accounting treatment

For the financial instrument classified as an equity instrument, any interest expense or dividend distribution is recognized as profit distribution of the issuer, the buy-backs and write-offs are recognized as changes in equity, and transaction costs such as handling charges, commissions are deducted from equity;

For the financial instrument classified as a financial liability, any interest expense or dividend distribution is dealt with as borrowing costs, and any gain or loss on the buy-backs or redemptions are recognized through profit or loss, and transaction costs such as handling charges, commissions are included into the initial measurement of the financial instrument issued.

## 39. Revenue

Accounting policies for recognition and measurement of revenue

### (1) General principles of revenue recognition

The Company has fulfilled its obligations under the contract, that is, when the customer acquires control of the relevant goods or services, the revenue is recognized according to the transaction price apportioned to the performance obligations.

Performance obligation refers to the commitment of the Company in the contract to assign commodities or services that can be clearly distinguished to the customer.

Obtaining the control right of the related commodity means to be able to dominate the use of the commodity and obtain almost all the economic benefits from it.

The Company shall evaluate the contract on the commencement date of the contract, identify the individual performance obligations contained in the contract, and determine whether each individual performance obligation shall be performed within a certain period of time or at a certain point in time. If one of the following conditions is satisfied, the performance obligation shall be performed within a certain period of time, and the Company shall recognize the income within a certain period of time according to the performance progress of the Company: (1) the client shall obtain and consume the economic benefits brought by the performance of the Company as the Company performs the contract; (2) the customer is able to control the goods under construction during the performance of the Company; and (3) the products produced by the Company during the performance of the contract are of irreplaceable use, and the Company is entitled to collect payment for the part of the contract which has been completed so far during the whole term of the contract. Otherwise, the Company recognizes revenue at the time point when the customer acquires control of the relevant goods or services.

For the performance obligations performed during a certain period of time, the Company will use the output/input method to determine the appropriate performance schedule based on the nature of the goods and services. The output method determines the performance schedule according to the value to the customer of the goods that have been transferred to the customer (the input method determines the performance schedule according to the Company's input to fulfill the performance obligation). If the performance schedule cannot be reasonably determined and the Company is expected to be compensated for the costs already incurred, the revenue shall be recognized in accordance with the amount of costs already incurred until the performance progress can be reasonably determined.

### (2) Specific method of income recognition

The timing of revenue recognition of the Company for major products respectively are as follows: (1) For BOPP cigarette films, cigarette labels, aseptic packaging products, when the products are delivered to the locations designated by the customers, and the delivery is completed and the evidence of transfer of control of the goods is obtained from the customers. (2) For BOPP flat films and lithium battery separator films, when the delivery has been completed according to the method agreed by the customers, and the evidence of transfer of control of goods is obtained from the customers or the carriers designated by the customers. (3) For special paper products, the products are delivered to designated locations by the customers, the delivery is completed and the evidence of conforming requirements from customers is obtained.

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

## 40. Government grant

### (1) Type

Government subsidies are transfers of monetary or non-monetary assets from the government to the Group at nil consideration. According to the subsidy targets stipulated in the relevant government documents, government subsidies are classified into government subsidies related to assets and government subsidies related to income.

For the government subsidies whose subsidy object is not specified in the government documents, the Company divides them into asset-related government subsidies or income-related government subsidies according to the actual subsidy object. For the description of relevant judgment basis, Please read "51. Deferred income" and "67. Other income" in "VII. Notes to items of consolidated financial statements" of this section

The government subsidies related to assets refer to the government subsidies obtained by the Company for purchasing and constructing or forming long-term assets in other ways. Government subsidies related to income refer to government subsidies other than those related to assets.

## **(2) Recognition of government subsidies**

If there is evidence at the end of the period that the Company can meet the relevant conditions specified in the financial support policy and it is expected to receive the financial support funds, the government subsidy shall be recognized according to the receivable amount. Otherwise, government subsidies are recognized when they are actually received.

If a government subsidy is a monetary asset, it is measured at the amount received or receivable. If a government subsidy is a non-monetary asset, it is measured at fair value. If the fair value cannot be obtained in a reliable way, it is measured at the nominal amount (RMB1). Government subsidies measured at nominal amounts are recognized directly in the current profit and loss.

## **(3) Accounting treatment**

According to the essence of economic business, the Company determines whether the total amount method or the net amount method should be used for accounting treatment of a certain type of government subsidy business. Generally, the Company only selects one method for the same or similar government subsidy business, and consistently uses the method for the business.

The government subsidies related to the assets shall be written off against the book value of the relevant assets or recognized as deferred income. If the government subsidy related to the asset is recognized as deferred income, it shall be recorded into the profit and loss in stages in accordance with a reasonable and systematic method during the service life of the asset built or purchased.

If the government subsidy related to the income is used to compensate the relevant expenses or losses of the enterprise in the future period, it shall be recognized as deferred income and recorded into the current profit and loss, or write down the relevant costs during the period of recognition of the relevant expenses or losses; If it is used to compensate the related expenses or losses incurred by the enterprise, it shall be directly recorded into the current profit and loss or write down the relevant costs when obtained.

The government subsidies related to the daily activities of the enterprise shall be included in other income or used to write off related costs and expenses; Government subsidies not related to the daily activities of the enterprise shall be included in the non-operating income and expenditure.

Government subsidies related to the discount interest received from policy-related preferential loans offset the relevant borrowing costs; if the policy-based preferential interest rate loan provided by the lending bank is obtained, the borrowing amount actually received shall be taken as the entry value of the borrowings, and borrowing cost should be calculated using the preferential interest rate according to the loan principal and the policy.

In case that a confirmed government subsidy is required to be returned, the book value of the asset is adjusted if the book value of relevant assets is offset at the initial recognition; if there is related deferred income, the book balance of deferred income should be offset, and the excess is included in the current profit and loss; in case of other circumstances, it is directly included in the current profit and loss.

## **41. Deferred income tax assets/Deferred income tax liabilities**

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). On the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the applicable tax rate during the period when the asset is expected to be recovered or the liability is expected to be settled.

### **(1) Basis for recognition of deferred income tax assets**

The Company recognizes the deferred tax assets generated by the deductible temporary differences to the extent that it is likely to obtain the taxable income that can be used to offset the deductible temporary differences, carry forward the deductible losses and tax credits in the following years. However, deferred tax assets arising from the initial recognition of assets or liabilities in transactions with the following characteristics shall not be recognized: (1) the transaction is not a business combination; and (2) the transaction does not affect the accounting profit or taxable income or deductible loss.

For the deductible temporary differences related to the investment of associated enterprises, if the following conditions are met at the same time, the corresponding deferred tax assets shall be confirmed: the temporary differences are likely to be reversed in the foreseeable future, and the taxable income used to deduct the deductible temporary differences is likely to be obtained in the future.

### **Basis for recognition of deferred income tax liabilities**

The Company recognizes the taxable temporary differences that should be paid but not paid in the current period and the previous period as deferred tax liabilities, excluding:

- 1) The temporary difference formed by the initial confirmation of goodwill;
- 2) The transaction or event not formed by business combination, and the occurrence of the transaction or event does not affect the accounting profit or the temporary difference formed by the taxable income (or deductible loss);
- 3) For the taxable temporary difference related to the investment in subsidiaries and associated enterprises, the time of reversal of the temporary difference can be controlled and the temporary difference is unlikely to be reversed in the foreseeable future.

**(3) When the following conditions are met at the same time, the deferred income tax assets and deferred income tax liabilities are presented at the net amount after offset**

- 1) The enterprise has the legal right to settle the current income tax assets and current income tax liabilities with net amount;
- 2) The deferred income tax assets and the deferred income tax liabilities may be related to the income tax levied by the same tax office on the same or different taxpayer. In the latter case, the involved tax payers intend to settle the current income tax assets and current income tax liabilities with net amount, or obtain assets and pay off debts at the same time in each future period when the important deferred income tax assets and deferred income tax liabilities are reversed.

**42. Leases****(1) Accounting treatment for operating leases**

In each period of the lease term, the company adopts the straight-line method or other systematic and reasonable methods to recognize the lease collection amount of operating lease as rental income; The initial direct expenses incurred in connection with the operating lease shall be capitalized, and amortized on the same basis as the recognition of rental income during the lease term, and included in the current profits and losses by stages; The amount of variable lease payments obtained related to operating leases that are not included in the lease receipts shall be included in the current profits and losses when actually incurred.

**(2) Accounting treatment for finance leases**

On the date when lease starts, the Company recognizes the finance leases as the receivable of the financial lease which is finally derecognized as the finance leasing assets.

When the finance lease receivables are initially measured, the sum of the unsecured residual value and the present value of the lease receivables that have not been received on the beginning date of the lease term discounted at the implicit interest rate of the lease shall be taken as the entry value of the finance lease receivables. Lease receipts include:

- 1) The amount of fixed payment and actual fixed payment amount after deducting the relevant amount of lease incentive;
- 2) Variable lease payments depending on index or ratio;
- 3) When it is reasonably determined that the lessee will exercise the options, the received amount of lease includes the exercise price of the options;
- 4) When the lease term reflects that the lessee will exercise the option to terminate the lease, the lease collection includes the amount to be paid by the lessee to exercise the option to terminate the lease;
- 5) The guaranteed residual value provided by the lessee, the party related to the lessee and the independent third party with the financial ability to perform the guarantee obligation to the lesser.

**43. Other critical accounting policies and accounting estimates****(1) Contractual cost**

## 1) Contractual performance cost

The cost incurred by the Company for the performance of the contract, which is outside the scope of other accounting standards for business enterprises other than the income standard, and meets the following conditions at the same time, is recognized as the contractual performance cost as an asset:

- ① The cost is directly related to a current or expected contract, including direct labor cost, direct materials, manufacturing expenses (or similar expenses), costs clearly borne by the customer and other costs incurred only due to the contract;
- ② This cost increases the resources that the enterprise will use to fulfill its performance obligations in the future.
- ③ The cost is expected to be recovered.

The asset is presented in inventory or other non-current assets according to whether the amortization period at the time of initial recognition exceeds a normal business cycle.

**2) Contractual acquisition cost**

If the incremental cost incurred by the Company to obtain the contract is expected to be recovered, it shall be recognized as an asset. Incremental cost refers to the cost that will not occur if the Company does not obtain the contract, such as sales commission. If the amortization period does not exceed one year, it shall be included in the current profit and loss when it occurs.

**3) Amortization of contractual cost**

The above assets related to the contract cost shall be amortized on the same basis as the recognition of the income from goods or services related to the assets at the time of performance of the performance obligations or according to the performance progress of the performance obligations, and shall be included in the current profits and losses.

**4) Contractual cost impairment**

If the book value of the above assets related to the contractual cost is higher than the difference between the residual consideration expected to be obtained by the Company due to the transfer of the goods related to the asset and the estimated cost to be incurred for the transfer of the relevant goods, the excess part shall be withdrawn for impairment provision and recognized as asset impairment loss.

After the provision for impairment is made, if the factors of impairment in previous periods change, so that the difference between the above two items is higher than the book value of the asset, the original provision for asset impairment shall be reversed and included in the current profit and loss, but the book value of the asset after reversal shall not exceed the book value of the asset on the reversal date assuming that the provision for impairment is not made.

**(2) Termination of operation**

The Company recognizes the items that meet one of the following conditions and have been disposed of or classified as held for sale and can be separately distinguished as discontinued items:

- 1) This item represents an independent main business or a separate main business area.
- 2) This item is part of an associated plan to dispose of an independent main business or a separate main business area.
- 3) This item is a subsidiary acquired exclusively for resale.

The operating profit and loss as well as the disposal profit and loss such as impairment loss and reversal amount of discontinued operation is listed in the income statement as discontinued operation profit and loss.

**(3) Hedge accounting**

According to the hedging relationship, the Company divides hedging into fair value hedging, cash flow hedging and overseas net investment hedging.

1) Hedging instruments that meet the following conditions at the same time shall be treated with hedging accounting method

- ① The hedging relationship is only composed of qualified hedging instruments and hedged items.
- ② At the beginning of hedging, the Company formally designated hedging instruments and hedged items, and prepared written documents on hedging relationship, risk management strategy and risk management objectives for hedging.
- ③ The hedging relationship meets the requirements of hedging effectiveness.

If the hedging meets the following conditions at the same time, the hedging relationship shall be deemed to meet the requirements of hedging effectiveness:

- ① There is an economic relationship between the hedged item and the hedging instrument. This economic relationship makes the value of the hedging instrument and the hedged item change in the opposite direction due to the same hedged risk.
- ② In the value changes caused by the economic relationship between the hedged item and the hedging instrument, 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 hedged by the Company to the actual number of hedging instruments hedged, but does not reflect the imbalance of the relative weight of the hedged items and hedging instruments. This imbalance will lead to ineffective hedging and may produce accounting results inconsistent with the hedging accounting objectives.

**2) Accounting treatment for fair value hedges**

① Gains or losses arising from hedging instruments shall be included in current profit and loss. If the hedging instrument hedges the non tradable equity instrument investment (or its components) that is selected to be measured at fair value and its change is included in other comprehensive income, the gains or losses generated by the hedging instrument are included in other comprehensive income.

② Gains or losses of the hedged item arising from the hedged risk exposure are included in the current profit and loss, and the book value of the hedged item that is not measured at fair value is adjusted. If the hedged item is a financial asset (or its component) measured at fair value and its change is included in other comprehensive income, the profit or loss generated from the hedged risk exposure is included in the current profit and loss, and its book value has been measured at fair value without adjustment; the hedged item is the non-tradable equity instrument investment (or its

components) that the company chooses to measure at fair value and its change is included in other comprehensive income, the gains or losses arising from the hedged risk exposure are included in other comprehensive income, and its book value has been measured at fair value without adjustment.

If the hedged item is an unrecognized firm commitment (or its component), the accumulated change in fair value caused by the hedged risk after the designation of the hedging relationship shall be recognized as an asset or liability, and the relevant gains or losses shall be included in the profits and losses of each relevant period. When the asset or liability is acquired by fulfilling the established commitment, the initial recognised amount of the asset or liability is adjusted to include the fair value cumulative change of the recognized hedged item.

③ If the hedged item is a financial instrument (or its component) measured at amortized cost, the adjustment of book value of the hedged item shall be amortized according to the actual interest rate recalculated on the amortization date and included in the current profit and loss. The amortization can start from the adjustment date, but not later than the time point when the hedging gains and losses are adjusted for the termination of the hedged item. If the hedged item is a financial asset (or its component) measured at fair value and its change is included in other comprehensive income, the accumulated recognized hedging gains or losses shall be amortized in the same way and included in the current profit and loss, but the book value of the financial asset (or its component) shall not be adjusted.

### 3) Accounting for cash flow hedges

① The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge, which is regarded as the cash flow hedging reserve, and shall be recognized in other comprehensive income: The amount of the cash flow hedge reserve shall be determined by the lower of the absolute amount of the following two items:

(a) the cumulative gain or loss on the hedging instrument from inception of the hedge; and

(b) the present value of the cumulative change in the hedged expected future cash flows of the hedged item from inception of the hedge. The amount of the cash flow hedge reserve recognized in the other comprehensive income during each accounting period is the change in the current cash flow hedge reserve.

② The portion of gain or loss on the hedging instrument (that is, other gains or losses after deducting other comprehensive income) is hedge ineffectiveness that shall be recognized in profit or loss.

③ The amount of cash flow hedge reserve shall be accounted for as follows:

(a) The hedged item is an expected transaction, and the expected transaction causes the company to subsequently results in the recognition of a non-financial asset or non-financial liability, or the expected transaction of non-financial asset or a non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the Company shall remove that amount from the cash flow hedge reserve and include it directly in the initial cost or other carrying amount of the asset or the liability.

(b) For cash flow hedges other than those covered by a), that amount shall be reclassified from the cash flow hedge reserve originally recognized in other comprehensive income to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

(c) However, if that amount is a loss and the Company expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

### 4) Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, shall be accounted for similarly to cash flow hedges:

① The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognized in other comprehensive income.

The gain or loss on the hedging instrument relating to the effective portion of the hedge that has been accumulated in the foreign currency translation reserve shall be reclassified from equity to profit or loss as a reclassification adjustment on the disposal or partial disposal of the foreign operation; and

② The ineffective portion shall be recognized in profit or loss.

### 5) Termination of hedge accounting

In case of any of the following circumstances, the application of hedge accounting shall be terminated:

① the hedging relationship no longer meets the risk management objective due to changes in risk management objective.

② the hedging instrument or instruments have been expired, sold or contract terminated or executed.

③ there is no longer an economic relationship between the hedged item and the hedging instrument or the effect of credit risk starts to dominate the value changes that result from that economic relationship.

④ The hedging relationship does not satisfy other conditions of undertaking hedge accounting. If rebalancing of the hedging relationship applies, the Company shall consider the rebalancing the hedging relationship first and subsequently assess whether the hedging relationship satisfies the conditions of undertaking hedge accounting.

The termination of hedging accounting may affect the whole or a part of the hedging relationship. When only a part of it is affected, the remaining unaffected parts still applies hedging accounting.

#### 6) Option to designate a credit exposure as measured at fair value

When the credit risk exposure of a financial instrument (or its components) is managed by using a credit derivative instrument measured at fair value through current profit and loss, the financial instrument (or its components) can be at the time of initial recognition, subsequent measurement or unconfirmed, it shall be designated as a financial instrument measured at fair value with its changes included in the current profit and loss, and written records shall be made at the same time, but the following conditions shall be met simultaneously:

- (1) the name of the credit exposure (for example, the borrower, or the holder of a loan commitment) matches the reference entity of the credit derivative ('name matching'); and
- (2) the seniority of the financial instrument matches that of the instruments that can be delivered in accordance with the credit derivative.

#### (4) Repurchase of shares of the Company

The consideration and transaction expenses paid by the Company for repurchasing its own equity instruments reduce the owner's equity. If the Company adopts the method of purchasing the Company's shares to reduce its capital in accordance with legal procedures, the capital stock shall be reduced according to the total par value of the cancelled shares, and the owner's equity shall be adjusted according to the difference between the price paid for the repurchase of shares (including transaction expenses) and the par value of the shares. The part exceeding the total par value shall be offset against the capital reserve (capital stock premium), surplus reserve and undistributed profits in turn; If it is lower than the total face value, the part lower than the total face value will increase the capital reserve (capital stock premium). The Company issues, repurchases, sells or cancels its own equity instruments without recognizing any gains or losses.

The shares repurchased by the Company shall be managed as treasury shares before cancellation or transfer, and all expenses for repurchasing shares shall be transferred to the cost of treasury shares.

When treasury shares are transferred, the part of transfer income higher than the cost of treasury shares will increase the capital reserve (capital stock premium); The part lower than the cost of treasury shares shall be offset against the capital reserve (capital stock premium), surplus reserve and undistributed profit in turn.

The treasury shares formed by the Company's repurchase of its common shares are not included in the Company's profit distribution, and the Company lists them as an allowance item of owner's equity in the balance sheet.

## 44. Changes in critical accounting policies and accounting estimates

### (1) Changes in critical accounting policies

√ Applicable □ N/A

Content and reason of accounting policy change	Procedures for approval	Notes
The Company will implement the Accounting Standards for Business Enterprises No. 21 - Leasing revised by the Ministry of Finance in 2018 as of January 1, 2021.	Approval of the board of directors	See note ①
The Company will implement the Interpretation of Accounting Standards for Business Enterprises No. 14 issued by the Ministry of Finance in 2021 as of February 2, 2021.	Approval of the board of directors	See note ②
The Company will implement the Interpretation of Accounting Standards for Business Enterprises No. 15 issued by the Ministry of Finance in 2021 as of December 31, 2021	Approval of the board of directors	See note ③

#### Note ① Impact of the implementation of the new leasing standards on the Company

The Company has implemented the Accounting Standards for Business Enterprises No. 21 - Leasing revised by the Ministry of Finance in 2018 as of January 1, 2021. The accounting policies after the change are detailed in Section V, Important accounting policies and accounting estimates.

On the first execution date, the Company decided not to reevaluate whether the existing contracts were leases or included leases, and applied this method to all contracts consistently. Therefore, the convergence provisions of this standard are only applied to the above contracts identified as leases under the original leasing standards.

In addition, the Company chooses to adopt the simplified retroactive adjustment method for the above lease contracts in accordance with the Accounting Standards for Business Enterprises No. 28 - Changes in Accounting Policies, Accounting Estimates and Error Correction, that is, adjust the amount of retained income and other relevant items in the financial statements at the beginning of the year in which the standards are first implemented, and do not adjust the information of comparable periods. For the operating leases, the right-of-use asset measurement method and related simplified treatment are selected according to each lease, as follows:

The Company's accounting policy for low value asset leasing is not to recognize the right to use assets and lease liabilities. According to the convergence provisions of the new lease standards, the Company's low value asset leases before the first execution date shall be accounted for in accordance with the new lease standards from the first execution date, and no retroactive adjustment shall be made to the low value asset leases.

The implementation of the new leasing standards has no impact on the relevant items of the financial statements on January 1, 2021.

**Note ② Impact of the implementation of interpretation of accounting standards for business Enterprises No. 14 on the Company**

As of February 2, 2021, the Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 14 (CAI Kuai [2021] No. 1, hereinafter referred to as “Interpretation No. 14”), which will come into force on February 2, 2021 (hereinafter referred to as “implementation date”).

The Company has implemented Interpretation No. 14 since the implementation date, and the implementation of Interpretation No. 14 has no significant impact on the financial statements during the reporting period.

**Note ③ impact of the implementation of accounting standards for business enterprises Interpretation No. 15 on the company**

As at December 31, 2021, the Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 15 (CAI Kuai [2021] No. 35, hereinafter referred to as “Interpretation No. 15”), which clarified the accounting treatment of the external sales of products or by-products produced before the fixed assets reach the expected serviceable state or in the process of research and development, the judgment of loss contracts and the presentation of relevant issues on centralized fund management. The contents of “accounting treatment for the external sales of products or by-products produced before the fixed assets reach the expected usable state or in the process of R & D” and “judgment on loss contracts” shall be implemented as of January 1, 2022, and the contents of “relevant presentation on centralized fund management” shall be implemented as of the date of promulgation.

Since December 31, 2021, the Company has implemented the content of “relevant presentation of centralized fund management” in Interpretation No. 15, and the implementation of Interpretation No. 15 has no significant impact on the financial statements of comparable periods.

**(2) Changes in critical accounting estimates**

Applicable  N/A

**(3) First implementation of the new lease standards since 2021 to adjust the first implementation of relevant items of financial statements at the beginning of the year**

Applicable  N/A

Adjustment of items of the balance sheet at the beginning of the year

Yes  No

Explanation of the reason why it is not necessary to adjust the balance sheet items at the beginning of the year

Operating leases that the Company will complete within 12 months after the first execution date will be treated as short-term leases. The Company’s accounting policy for low value asset leasing is not to recognize the right to use assets and lease liabilities. According to the convergence provisions of the new lease standards, the Company’s low value asset leases before the first execution date shall be accounted for in accordance with the new lease standards from the first execution date, and no retroactive adjustment shall be made to the low value asset leases.

**(4) Description of comparative data in the previous period retroactively adjusted by the first implementation of the lease standards since 2021**

Applicable  N/A

**45. Others****VI. Taxation****1. Main Tax Types and Tax Rates**

Tax type	Taxation basis	Tax rate
Value added tax (“VAT”)	Sales of goods, taxable sales service income, intangible assets or real estate	13%、9%、6%

City maintenance and construction tax	Amount of VAT paid	7%、5%、1%
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Explanation of disclosure for taxpayers with different corporate income tax rates

Taxpayer	Income tax rate
The Company	15%
Yunnan Dexin Paper Co., Ltd.	15%
Yunnan Hongchuang Packaging Co., Ltd.	15%
Yunnan Hongta Plastic Co., Ltd.	15%
Hongta Plastic (Chengdu) Co., Ltd.	15%
Yuxi Feiermu Trading Co., Ltd.	25%
Shanghai Energy New Material Technology Co., Ltd.	15%
Zhuhai Energy New Material Technology Co., Ltd.	15%
Guangdong Energy New Material Institute Co., Ltd.	25%
Wuxi Energy New Material Technology Co., Ltd.	15%
Jiangxi Tonry New Energy Technology Development Co., Ltd.	15%
Jiangsu Ruijie New Material Technology Co., Ltd.	20%
Jiangxi Ruijie New Material Technology Co., Ltd.	25%
Suzhou Green Power New Energy Materials Co., Ltd.	15%
Foshan Donghang Photoelectric Technology Co., Ltd.	15%
Chongqing Yuntianhua Newmi Technological Co., Ltd.	15%
Jiangxi Enpo New Material Technology Co., Ltd.	25%
Jiangxi Energy New Material Technology Co., Ltd.	25%
Jiangsu Energy New Material Technology Co., Ltd.	20%
Hunan Energy Advanced New Material Technology Co., Ltd.	25%
Ningbo Energy New Material Co., Ltd.	25%
Chongqing Energy New Material Technology Co., Ltd.	25%
Hainan Energy Investment Co., Ltd.	25%
Hubei Energy New Material Technology Co., Ltd.	25%
Jiangsu Sanhe Battery Material Technology Co., Ltd.	25%
SEMCORP Global Holdings Kft.	The Hungarian corporate income tax is applicable, and the statutory rate is 9%
SEMCORP Hungary Kft.	The Hungarian corporate income tax is applicable, and the statutory rate is 9%
Chuangxin New Material (Hong Kong) Co., Ltd.	Profits tax of the Hong Kong Special Administrative Region is applicable, and the statutory rate is 16.5%

## 2. Preferential tax treatment

In accordance with the Announcement on Enterprise Income Tax Issues Related to the In-depth Implementation of the Western Development Strategy (Announcement No. 12, 2012 of the State Administration of Taxation), the Company and its subsidiaries Yunnan Hongchuang Packaging Co., Ltd.,

Yunnan Hongta Plastic Co., Ltd., Yunnan Dexin Paper Co., Ltd. and its sub-subsidiary Hongta Plastic (Chengdu) Co., Ltd. continue to enjoy the preferential tax policies for the western development this year. The enterprise income tax shall be paid at the reduced tax rate of 15%.

According to the Enterprise Income Tax Law of the People's Republic of China (2018 Amendment) and Notice of the Ministry of Science and Technology, the Ministry of Finance, the State Administration of Taxation on the Revision and Printing of the Administrative Measures for the Recognition of High and New Technology Enterprises (GKFH [2016] No. 32), its subsidiary Shanghai Energy New Material Technology Co., Ltd., sub-subsidiaries Zhuhai Energy New Material Technology Co., Ltd., Jiangxi Tonry New Energy Technology Development Co., Ltd., Wuxi Energy New Material Technology Co., Ltd., Suzhou Green Power New Energy Material Co. Ltd., Newmi Tech, and Foshan Donghang Photoelectric Technology Co., Ltd. are recognized as high-tech enterprises upon application, and the preferential tax rate for high-tech enterprises shall be 15%.

In accordance to the Notice of the Ministry of Finance and the State Administration of Taxation on the Implementation of Preferential Tax Reduction and Exemption Policies for Small and Micro-Enterprises (CS [2019] No. 13) and the Announcement of the Ministry of Finance and the State Administration of Taxation on the Implementation of Preferential Income Tax Policies for Small and Micro Enterprises and Individual Industrial and Commercial Households (CS [2021] No. 12), the sub-subsidiary companies Jiangsu Ruijie New Material Technology Co., Ltd. and Jiangsu Energy New Material Technology Co., Ltd. meet the criteria for small and low profit enterprises. The portion of taxable income not exceeding RMB1 million this year shall be included in the taxable income at a reduced rate of 12.5%, and the enterprise income tax shall be paid at a tax rate of 20%.

### 3. Others

## VII. Notes to Items in Consolidated Financial Statements

### 1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Cash	141,604.43	144,778.56
Cash at bank	1,369,157,964.17	2,054,771,005.99
Other currency fund	462,772,214.04	319,032,411.48
Undue interest receivable	1,378,423.05	795,666.67
Total	1,833,450,205.69	2,374,743,862.70
Including: total amount of funds deposited abroad	96,002,990.00	1,838,836.77

Other explanations

The details of restricted monetary funds are as follows:

Item	Closing balance	Opening balance
Bank acceptance guarantee deposit	245,346,224.26	291,920,509.32
L/C deposit	214,219,149.78	24,511,902.16
L/G deposit	3,206,840.00	2,600,000.00
Total	462,772,214.04	319,032,411.48

### 2. Trading financial assets

Unit: RMB

Item	Closing balance	Opening balance
------	-----------------	-----------------

Financial assets that are measured at fair value and whose changes are included in the current profit and loss	5,137,194.34	1,340,551,914.18
Including: Structured deposits	5,137,194.34	1,340,551,914.18

**3. Derivative financial assets: None****4. Notes receivable****(1) Notes receivable by type**

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance	209,990,660.63	115,702,598.65
Commercial acceptance	167,950,328.02	271,293,369.17
Less: Provision for bad debts	9,365,797.42	7,256,643.88
Total	368,575,191.23	379,739,323.94

Unit: RMB

Type	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
Including:										
Notes receivable with bad debt reserve withdrawn as per the portfolio of credit risk characteristics	377,940,988.65	100.00%	9,365,797.42	2.48%	368,575,191.23	386,995,967.82	100.00%	7,256,643.88	1.88%	379,739,323.94
Including:										
Bank acceptance note portfolio	209,990,660.63	55.56%			209,990,660.63	115,702,598.65	29.90%			115,702,598.65
Commercial acceptance bill portfolio	167,950,328.02	44.44%	9,365,797.42	5.58%	158,584,530.60	271,293,369.17	70.10%	7,256,643.88	2.67%	264,036,725.29
Total	377,940,988.65	100.00%	9,365,797.42	2.48%	368,575,191.23	386,995,967.82	100.00%	7,256,643.88	1.88%	379,739,323.94

Provision for bad debts by portfolio:

Unit: RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision proportion

Bank acceptance note portfolio	209,990,660.63		
Commercial acceptance bill portfolio	167,950,328.02	9,365,797.42	5.58%
Total	377,940,988.65	9,365,797.42	--

If provision was made for bad debts of notes receivable in accordance with the general expected credit loss model, please disclose relevant information of provision for bad debts referring to the disclosure of other receivables:

Applicable  N/A

**(2) Provision for bad debts accrued, recovered or reversed during the Reporting Period**

Provision for bad debts during the Reporting Period:

Unit: RMB

Type	Opening balance	Changes in amount for the period				Closing balance
		Provision	Recovery or reverse	Write-offs	Other	
Notes receivable subject to individual impairment assessment						
Notes receivable subject to impairment assessment by portfolio	7,256,643.88	9,260,484.75	7,151,331.21			9,365,797.42
Including: Commercial acceptance bill portfolio	7,256,643.88	9,260,484.75	7,151,331.21			9,365,797.42
Total	7,256,643.88	9,260,484.75	7,151,331.21			9,365,797.42

Among them, the important amount of recovery or reverse of bad debt provision for the period:

Applicable  N/A

**(3) Notes receivable pledged by the Company at the end of the Reporting Period**

Unit: RMB

Item	Amount pledged at the end of the Reporting Period
Bank acceptance	17,141,467.20
Total	17,141,467.20

**(4) Notes receivable endorsed or discounted by the Company, which were not yet due on the balance sheet date as at the end of the Reporting Period**

Unit: RMB

Item	Derecognized amount at the end of the Reporting Period	Recognized amount at the end of the Reporting Period
Bank acceptance		137,944,952.00
Commercial acceptance		634,570.35
Total		138,579,522.35

(5) Notes receivable that were converted to accounts receivable due to the drawer's failure to perform the contract: None

(6) Actual write-off of notes receivable for the period: None

**5. Accounts receivable****(1) Disclosure of accounts receivable by type**

Unit: RMB

Type	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Provision proportion		Amount	Proportion	Amount	Provision proportion	
Accounts receivable with significant single amount and having bad debt reserve independently	94,128,007.83	2.07%	94,128,007.83	100.00%		81,012,693.96	3.32%	81,012,693.96	100.00%	
Accounts receivable with bad debt reserve withdrawn as per the portfolio of credit risk characteristics	4,447,636,014.46	97.93%	42,199,928.94	0.95%	4,405,436,085.52	2,359,776,648.05	96.68%	31,560,941.78	1.34%	2,328,215,706.27
Including:										
Aging portfolio	4,447,636,014.46	97.93%	42,199,928.94	0.95%	4,405,436,085.52	2,359,776,648.05	96.68%	31,560,941.78	1.34%	2,328,215,706.27
Total	4,541,764,022.29	100.00%	136,327,936.77	3.00%	4,405,436,085.52	2,440,789,342.01	100.00%	112,573,635.74	4.61%	2,328,215,706.27

Provision for bad debts by individual:

Unit: RMB

Name	Closing balance			
	Book balance	Provision for bad debts	Provision proportion	Provision reason
OptimumNano Energy Co., Ltd.	32,249,003.26	32,249,003.26	100.00%	Estimated to be uncollectible
eTrust Power Group Ltd.	18,596,288.66	18,596,288.66	100.00%	Estimated to be uncollectible
Shaanxi OptimumNano New Energy Co., Ltd.	14,847,098.36	14,847,098.36	100.00%	Estimated to be uncollectible
Yunnan Zhongyun Li'ao Package Printing Co., Ltd.	6,062,972.00	6,062,972.00	100.00%	Estimated to be uncollectible
Heilongjiang Longdan Dairy Technology Co., Ltd.	5,075,381.00	5,075,381.00	100.00%	Estimated to be uncollectible
Jiangxi Far East Battery Co., Ltd.	3,779,397.05	3,779,397.05	100.00%	Estimated to be uncollectible
Zhongshan Yuankangyuan Food Co., Ltd.	3,555,052.60	3,555,052.60	100.00%	Estimated to be uncollectible
Chengdu Henglid Food Co., Ltd.	2,780,677.50	2,780,677.50	100.00%	Estimated to be uncollectible
Chengdu Longtengsifang Food Co., Ltd.	1,638,001.20	1,638,001.20	100.00%	Estimated to be uncollectible
Shenzhen Teamgiant New Energy Technology Co., Ltd.	1,470,081.04	1,470,081.04	100.00%	Estimated to be uncollectible

				uncollectible
Jingzhou Wotema Battery Co., Ltd.	1,175,130.00	1,175,130.00	100.00%	Estimated to be uncollectible
Shenzhen Lukewan Technology Co., Ltd.	1,000,000.00	1,000,000.00	100.00%	Estimated to be uncollectible
Hubei Hummer Technology Co., Ltd.	773,544.78	773,544.78	100.00%	Estimated to be uncollectible
Zhongci (Qingdao) New Energy Automobile Manufacturing Co., Ltd.	335,596.70	335,596.70	100.00%	Estimated to be uncollectible
Shandong Wina Green Power Technology Co., Ltd.	285,251.12	285,251.12	100.00%	Estimated to be uncollectible
Wuhu ETC Battery Limited	187,400.01	187,400.01	100.00%	Estimated to be uncollectible
Shandong Hengyu New Energy Co., Ltd	161,302.38	161,302.38	100.00%	Estimated to be uncollectible
Shenzhen Ruilong New Energy Technology Co., Ltd.	78,213.84	78,213.84	100.00%	Estimated to be uncollectible
Guangdong Ruitong New Energy Co., Ltd.	60,481.98	60,481.98	100.00%	Estimated to be uncollectible
Soundon New Energy Technology Co., Ltd.	6,284.25	6,284.25	100.00%	Estimated to be uncollectible
Guangxi Zhuoneng New Energy Technology Co., Ltd.	5,000.10	5,000.10	100.00%	Estimated to be uncollectible
Sichuan Yuanming Food Co., Ltd.	4,650.00	4,650.00	100.00%	Estimated to be uncollectible
Zhengzhou BAK Power Co., Ltd.	1,200.00	1,200.00	100.00%	Estimated to be uncollectible
Total	94,128,007.83	94,128,007.83	--	--

Provision for bad debts by portfolio:

Unit: RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Provision proportion
Less than 1 year	4,249,029,685.94	14,238,324.34	0.34%
1-2 years	132,245,222.50	4,641,250.19	3.51%
2-3 years	31,613,395.62	3,132,356.68	9.91%
3-4 years	19,820,237.50	7,772,272.59	39.21%
4-5 years	13,621,125.36	11,109,377.60	81.56%
Over 5 years	1,306,347.54	1,306,347.54	100.00%
Total	4,447,636,014.46	42,199,928.94	--

If provision was made for bad debts of accounts receivable in accordance with the general expected credit loss model, please disclose relevant information of provision for bad debts referring to the disclosure of other receivables:

Applicable  N/A

Disclosure by aging

Unit: RMB

Aging	Book balance
Less than 1 year (inclusive)	4,248,786,943.91
1-2 years	133,032,472.71
2-3 years	42,564,744.64

Over 3 years	117,379,861.03
3-4 years	32,152,241.84
4-5 years	77,703,959.82
Over 5 years	7,523,659.37
Total	4,541,764,022.29

**(2) Provision for bad debts accrued, recovered or reversed during the Reporting Period**

Provision for bad debts during the Reporting Period:

Unit: RMB

Type	Opening balance	Changes in amount for the period				Closing balance
		Provision	Recovery or reverse	Write-offs	Other	
Accounts receivable subject to individual impairment assessment	81,012,693.96	23,135,184.23	11,749,733.34	637,267.60	2,367,130.58	91,760,877.25
Accounts receivable subject to impairment assessment by portfolio	31,560,941.78	13,232,870.64		226,752.90	-2,367,130.58	44,567,059.52
Total	112,573,635.74	36,368,054.87	11,749,733.34	864,020.50	0.00	136,327,936.77

Including the significant amount of provision for bad debts recovered or reversed in the current period:

Unit: RMB

Name of unit	The amount recovered or reversed	via
Shenzhen Heda New Material Technology Co., Ltd.	7,129,136.06	Collection of payment
Wuhu ETC Battery Limited	4,591,121.68	Collection of payment
Total	11,720,257.74	--

**(3) Actual write-off of accounts receivable for the period**

Unit: RMB

Item	Amount of write-off
Actual write-off of accounts receivable	864,020.50

Write-off of important accounts receivable:

Unit: RMB

Company name	Nature of accounts receivable	Amount of write-off	Reason for write-off	Write-off procedures performed	Whether the payment is generated by related party transactions
Langfang Beifang Jiake Printing Co., Ltd.	Payment for goods	500,000.00	Not to be recovered	Board resolution	None
Shenzhen Anfeng Technology Co., Ltd.	Payment for goods	194,777.97	Not to be recovered	Board resolution	None
Henan Haibo Printing Co., Ltd.	Payment for goods	137,267.60	Not to be recovered	Board resolution	None
Total	--	832,045.57	--	--	--

**(4) Top five customers with closing balance of accounts receivable collected by arrear party**

Unit: RMB

Company name	Closing balance of accounts receivable	Percentage of total of closing balance of accounts receivable	Closing balance of bad debt provision
Company 1	1,517,920,242.34	33.42%	4,459,431.62
Company 2	468,124,688.27	10.31%	2,201,625.47
Company 3	164,010,466.17	3.61%	492,031.40
Company 4	145,253,223.90	3.20%	5,168,711.71
Company 5	129,180,119.34	2.84%	387,540.36
Total	2,424,488,740.02	53.38%	

**(5) Amount of assets and liabilities generated by transferring accounts receivable and continuing to be involved: None****(6) Accounts receivable derecognized due to the transfer of financial assets: None****6. Accounts receivable financing**

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance	412,477,885.83	22,174,829.70
Accounts receivable factoring	113,995,449.70	377,378,000.00
Total	526,473,335.53	399,552,829.70

Changes in accounts receivable financing and changes in fair value

 Applicable  N/A

The Company believes that for the financing of receivables measured at fair value and whose changes are included in other comprehensive income, as the remaining maturity is not long and the difference between the actual interest rate and the market interest rate is very small, the fair value and the book value are similar.

If provision was made for accounts receivable financing in accordance with the general expected credit loss model, please disclose relevant information of provision for impairment referring to the disclosure of other receivables:

 Applicable  N/A

Other explanations:

**Provision for bad debts**

Type	Opening balance	Changes in amount for the year				Closing balance
		Provision	Recovery or reverse	Write-offs	Other	
accounts receivable factoring	2,622,000.00	934,762.69	2,622,000.00			934,762.69

Explanation of provision for bad debts:

The Company believes that the acceptance bank of the bank acceptance bill it holds has a high credit rating and there is no significant credit risk, so it has not made provision for impairment; For the accounts receivable held, due to certain recovery risk, the impairment provision is withdrawn. The impairment provision is recognized in other comprehensive income, and the impairment loss or gain is included in the current profit and loss, without reducing the book value of financial assets listed in the balance sheet.

## 7. Prepayments

### (1) Prepayments by aging

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Less than 1 year	224,732,462.69	99.23%	176,145,847.86	97.57%
1-2 years	839,484.85	0.37%	3,362,801.79	1.86%
2-3 years	130,917.56	0.06%	826,963.83	0.46%
Over 3 years	771,651.59	0.34%	196,442.10	0.11%
Total	226,474,516.69	--	180,532,055.58	--

Explanation on why prepayments with aging of more than 1 year and an important amount not settled in time:

Company name	Closing balance	Aging	Reason
Shanghai Xinglong Enterprise Management Consulting Co., Ltd.	760,000.00	1-2 years	Services not completed

### (2) Top five suppliers with closing balance of prepayment collected by prepaid entity

Company name	Closing balance	Proportion (%)	Time	Reason
Company 1	21,272,497.01	9.39	Less than 1 year	Contract not been performed
Company 2	18,936,661.74	8.36	Less than 1 year	Contract not been performed
Company 3	15,648,133.56	6.91	Less than 1 year	Contract not been performed
Company 4	13,625,080.88	6.02	Less than 1 year	Contract not been performed
Company 5	11,683,068.59	5.16	Less than 1 year	Contract not been performed
Total	81,165,441.78	35.84		

#### Other explanations:

The main reason for the larger increase in the ending balance of the Company's prepayments over the opening balance is: the production line of lithium battery separator film has been put into production, and the prepayment for materials has increased accordingly.

**8. Other receivables**

Unit: RMB

Item	Closing balance	Opening balance
Other receivables	8,119,316.74	10,861,029.53
Total	8,119,316.74	10,861,029.53

(1) Interest receivable: None

(2) Dividends receivable: None

(3) Other receivables

**1) Other receivables by nature**

Unit: RMB

Nature of amount	Book balance at the end of the Reporting Period	Book balance at the beginning of the Reporting Period
Guarantees and deposits	4,575,537.97	6,396,495.59
Reserve fund	2,119,295.60	1,487,785.97
Substitute advance	1,845,584.33	1,683,603.50
Other	803,662.68	2,763,105.25
Total	9,344,080.58	12,330,990.31

**2) Provision for bad debts**

Unit: RMB

Provision for bad debts	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	
Balance of January 1, 2021	405,364.08	506,104.76	558,491.94	1,469,960.78
Balance of January 1, 2021 for the period	—	—	—	—
-- Transferred to the second stage	-1,305.00	1,305.00		
Provision for the period	-53,565.27	-88,331.67	-51,980.09	-193,877.03
Recovery for the period				
Reversal for the period				
Write-offs for the period	300.00		51,019.91	51,319.91
Balance of December 31, 2021	350,193.81	419,078.09	455,491.94	1,224,763.84

Changes in book balance with significant changes in loss reserves in the current period

Applicable  N/A

Disclosure by aging

Unit: RMB

Aging	Book balance
Less than 1 year (inclusive)	5,355,894.71
1-2 years	1,774,000.76
2-3 years	351,980.00
Over 3 years	1,862,205.11
3-4 years	680,713.17
4-5 years	182,000.00
Over 5 years	999,491.94
Total	9,344,080.58

**3) Provision for bad debts accrued, recovered or reversed during the Reporting Period:**

Applicable  N/A

**4) Actual write-off of other receivables for the period:**

Unit: RMB

Item	Amount of Write-offs
<b>Actual write-off of other receivables</b>	51,319.91

Write-off of important other receivables:

Unit: RMB

Name of company	Nature of other receivables	Amount of write-off	Reason for write-off	Write-off procedures performed	Whether the payment is generated by related party transactions
Jiang Yuancheng	Reserve fund	50,000.00	Not to be recovered	Board resolution	None
Zhou Gongmin	Reserve fund	1,019.91	Not to be recovered	Board resolution	None
Total	--	51,019.91	--	--	--

**Explanation of write-off of other receivables:**

**5) Top five customers with closing balance of other receivables collected by arrear party**

Unit: RMB

Name of company	Nature of other receivable	Closing balance	Aging	Percentage of total of closing balance of other receivables	Closing balance of bad debt provision
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Yunnan Shijian Chucheng Juice Co., Ltd.	Guarantees and deposits	750,000.00	Less than 1 year	8.03%	32,625.00
housing fund	Substitute advance	725,486.90	Less than 1 year	7.76%	31,558.68
endowment insurance	Substitute advance	693,523.95	Less than 1 year	7.42%	30,168.29
Chongqing Zhongyan Industry Co., Ltd.	Guarantees and deposits	550,000.00	2-3 years	5.89%	23,925.00
Suzhou Wujiang Building Installation and Management Office (苏州市吴江区建筑安装管理处)	Guarantees and deposits	544,000.00	Over 5 years	5.82%	272,000.00
Total	--	3,263,010.85	--	34.92%	390,276.97

6) Accounts receivable related to government grants: None

7) Other receivables derecognized due to the transfer of financial assets: None

8) Amount of assets and liabilities generated by transferring other receivables and continuing to be involved: None

## 9. Inventories

Did the Company need to comply with the disclosure requirements of the real estate industry

None

### (1) Classification of Inventories

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Inventory provision reserve or contract performance cost depreciation reserve	Book value	Book balance	Inventory provision reserve or contract performance cost depreciation reserve	Book value
Raw material	379,923,303.99	2,359,919.46	377,563,384.53	181,857,690.10	944,622.50	180,913,067.60
Goods in process	14,457,100.95	415,535.78	14,041,565.17	24,480,339.87	436,222.88	24,044,116.99
Finished goods	1,222,739,498.84	77,728,040.78	1,145,011,458.06	1,024,022,804.36	150,081,339.35	873,941,465.01
Turnover material	44,421,966.91		44,421,966.91	33,714,499.63		33,714,499.63
Expendable biological assets						
Contract performance cost						
Goods in transit	63,419,904.52	60,939.65	63,358,964.87	34,110,894.27	183,334.00	33,927,560.27
Consigned processing material	1,285,888.79		1,285,888.79	164,506.20		164,506.20
Semi-finished goods	36,296,317.09	531,375.13	35,764,941.96	10,325,445.01		10,325,445.01
Total	1,762,543,981.09	81,095,810.80	1,681,448,170.29	1,308,676,179.44	151,645,518.73	1,157,030,660.71

The main reason for the larger increase in the ending balance of the Company's inventories over the opening balance is: the rapid growth of the Company's business, and the corresponding business volume growth.

**(2) Inventory provision reserve and contract performance cost depreciation reserve**

Unit: RMB

Item	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision	Others	Recovery or reversal	Others	
Raw material	944,622.50	1,579,950.45		164,653.49		2,359,919.46
Goods in process	436,222.88			20,687.10		415,535.78
Finished goods	150,081,339.35	27,214,238.04		99,567,536.61		77,728,040.78
Turnover material						
Expendable biological assets						
Contract performance cost						
Goods in transit	183,334.00			122,394.35		60,939.65
Semi-finished goods		531,375.13				531,375.13
Total	151,645,518.73	29,325,563.62		99,875,271.55		81,095,810.80

Description of inventory provision reserve: Resales for the period are due to the sale of the inventory of the inventory provision reserve already accrued.

**(3) Capitalization amount of borrowing costs in the closing inventories balance: None**

**(4) Description of the current amortization amount of contract performance cost: None**

**10. Contractual assets: None**

**11. Held-for-sales assets: None**

**12. Non-current assets due within one year**

Unit: RMB

Item	Closing balance	Opening balance
Long-term receivables due within one year		2,956,802.29

**13. Other current assets**

Unit: RMB

Item	Closing balance	Opening balance
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prepayment of income tax	9,161,159.79	
VAT credit	347,827,840.12	533,769,875.20
Time deposit	50,567,013.89	
Total	407,556,013.80	533,769,875.20

**14. Debt investments: None****15. Other debt investments: None****16. Long-term receivables****(1) Long-term receivables**

Unit: RMB

Item	Closing balance			Opening balance			Discount rate range
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value	
Financial lease proceeds				2,956,802.29		2,956,802.29	
Including: unrealized financing income				43,197.71		43,197.71	
Long-term receivables due within one year				-2,956,802.29		-2,956,802.29	
Total				0.00		0.00	--

**(2) Long-term receivables derecognized due to the transfer of financial assets: None****(3) Amount of assets and liabilities generated by transferring long-term receivable and continuing to be involved: None****17. Long-term equity investment**

Unit: RMB

Name of investees	Opening balance (book value)	Increase/Decrease for the period								Closing balance (book value)	Closing balance of provision for impairment
		Increase in investment	Decrease in investment	Investment profit or loss recognized under equity method	Adjustments to other comprehensive income	Other changes in equity	Cash dividends or profit declared	Provision for impairment	Other		
I. Joint ventures											
II. Associates											
Yuxi Kunshashi Plastic	3,375,208.87			1,687,090.23			-1,516,314.89			3,545,984.21	

Color Masterb atch											
Subtotal	3,375,20 8.87			1,687,09 0.23			-1,516,3 14.89			3,545,98 4.21	
Total	3,375,20 8.87			1,687,09 0.23			-1,516,3 14.89			3,545,98 4.21	

## 18. Other equity instrument investment

Unit: RMB

Item	Closing balance	Opening balance
Suzhou Jiasheng Technology Co., Ltd	110,000,000.00	

Other instructions:

The Company plans to hold it for a long time for strategic purposes, so it is designated as a financial asset measured at fair value and its changes are included in other comprehensive income.

## 19. Other non-current financial assets: None

## 20. Investment properties

### (1) Adoption of the cost measurement mode for investment properties

√ Applicable □ N/A

Unit: RMB

Item	Property and plant	Land use rights	Construction in progress	Total
I. Original book value				
1. Opening balance	11,871,802.82			11,871,802.82
2. Increase for the period				
(1) External purchase				
(2) Inventory/Fixed assets/Transfer in of construction in progress				
(3) Increase in business combination				
3. Decrease for the period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance	11,871,802.82			11,871,802.82
II. Accumulative depreciation and amortization				

1. Opening balance	2,404,040.04			2,404,040.04
2. Increase for the period	534,231.12			534,231.12

(1) Provision or amortization	534,231.12			534,231.12
3. Decrease for the period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance	2,938,271.16			2,938,271.16
III. Provision for impairment				
1. Opening balance				
2. Increase for the period				
(1) Provision				
3. Decrease for the period				
(1) Disposal				
(2) Other transfer-out				
4. Closing balance				
IV. Book value				
1. Closing book value	8,933,531.66			8,933,531.66
2. Opening book value	9,467,762.78			9,467,762.78

**(2) Adoption of the fair value measurement mode for investment properties**

□ Applicable √ N/A

**(3) Investment properties not having obtained the title certificate**

Unit: RMB

Item	Book value	Reason for not having obtained the title certificate
Property and plant	8,933,531.66	Being processed

**21. Fixed assets**

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	10,877,888,212.91	8,420,764,216.20

**(1) Fixed assets**

Unit: RMB

Item	Property and plant	Machinery and equipment	Transportation equipment	Electronic equipment and Other	Total
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I. Original book value					
1. Opening balance	1,789,818,645.74	9,333,235,658.64	28,650,659.46	102,849,692.08	11,254,554,655.92
2. Increase for the period	658,649,512.50	2,032,437,391.59	6,138,568.13	547,735,103.43	3,244,960,575.65
(1) External purchase	2,407,782.97	65,458,291.09	3,960,860.98	5,623,582.32	100,258,275.90
(2) Transfer of construction in progress	656,241,729.53	1,966,979,100.50	2,177,707.15	542,111,521.11	3,144,702,299.75
(3) Increase in business combination					
3. Increase in business combination	2,071,586.56	3,262,300.01	2,708,077.28	773,990.56	8,815,954.41
(1) Disposal or scrapping	2,071,586.56	3,262,300.01	2,708,077.28	451,299.15	8,493,263.00
Converted difference in Foreign Currency Statements				322,691.41	322,691.41
4. Closing balance	2,446,396,571.68	11,362,410,750.22	32,081,150.31	649,810,804.95	14,490,699,277.16
II. Accumulative depreciation					
1. Opening balance	278,207,522.77	2,197,759,764.33	17,699,003.08	48,266,291.36	2,541,932,581.54
2. Increase for the period	89,500,352.70	678,042,027.59	2,830,857.36	14,524,149.42	784,897,387.07
(1) Provision	89,500,352.70	678,042,027.59	2,830,857.36	14,524,149.42	784,897,387.07
3. Decrease for the period	917,777.59	2,084,063.94	2,443,645.08	411,191.63	5,856,678.24
(1) Disposal or scrapping	917,777.59	2,084,063.94	2,443,645.08	411,191.63	5,856,678.24
4. Closing balance	366,790,097.88	2,873,717,727.98	18,086,215.36	62,379,249.15	3,320,973,290.37
III. Provision for impairment					
1. Opening balance		291,833,076.92	15,759.89	9,021.37	291,857,858.18
2. Increase for the period					
(1) Provision					
3. Decrease for the period		20,084.30			20,084.30
(1) Disposal or scrapping		20,084.30			20,084.30
4. Closing balance		291,812,992.62	15,759.89	9,021.37	291,837,773.88
IV. Book value					
1. Closing book value	2,079,606,473.80	8,196,880,029.62	13,979,175.06	587,422,534.43	10,877,888,212.91
2. Opening book value	1,511,611,122.97	6,843,642,817.39	10,935,896.49	54,574,379.35	8,420,764,216.20

**(2) Fixed assets in temporary idle**

Unit: RMB

Item	Original book value	Accumulative depreciation	Provision for impairment	Book value	Notes

Property and plant	2,105,695.50	873,704.02		1,231,991.48	As of December 31, 2021, the recoverable amount was estimated based on the selling prices of similar houses and buildings in the same lot. The recoverable amount was higher than the book value, so no provision for impairment of fixed assets was made.
Machinery and equipment	9,135,247.28	5,691,960.72		3,443,286.56	As of December 31, 2021, the recoverable amount was estimated based on the selling price of similar machinery and equipment. The recoverable amount was higher than the book value, so no provision for impairment of fixed assets was made.

(3) Fixed assets leased through operating lease: None

(4) Fixed assets not obtaining the title certificate

Unit: RMB

Item	Book value	Reason
Property and plant	1,639,016,452.31	Being processed

Other explanations:

(1) The main reason for the larger increase in the ending balance of the Company's fixed assets over the opening balance is: the subsidiary Shanghai Energy New Material Technology Co., Ltd. and its subsidiaries are in the growth stage, the Company intensifies the construction of production lines, and the number of assembly lines completed in this year increases accordingly.

(2) Please refer to "81. Assets with restricted ownership or use right" in "VII. Notes to items in consolidated financial statements" of this section for details of the limited ownership of fixed assets of the Company.

(5) Liquidation of fixed assets: None

## 22. Construction in progress

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	1,728,042,052.38	1,628,157,358.74
Engineering materials	24,873,666.44	11,646,609.18
Total	1,752,915,718.82	1,639,803,967.92

(1) Construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Lithium battery separator film project of Jiangxi Tonry (expansion of phase I)	501,329,749.43		501,329,749.43	139,404,996.71		139,404,996.71
5-7 line base film project of Newmi Tech	354,914,748.53	9,319,496.94	345,595,251.59	353,206,733.42	9,319,496.94	343,887,236.48
Microporous membrane project of high performance lithium ion battery of	150,222,596.38		150,222,596.38			

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Chongqing Energy (phase I)						
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Hongta Plastic BOPP film with an annual output of 70,000 tons	127,669,517.48		127,669,517.48	2,733,126.44		2,733,126.44
Jiangxi Energy SRS project	102,140,666.17		102,140,666.17			
Microporous membrane project of high performance lithium ion battery of Chongqing Energy (phase II)	88,458,440.15		88,458,440.15			
Hungarian factory	80,981,499.95		80,981,499.95			
Lithium battery separator film project of Jiangxi Tonry (phase I)	77,669,375.53		77,669,375.53	258,431,515.43		258,431,515.43
Jiangxi Enpo New Material Co., Ltd. lithium ion battery dry process separator film construction project (phase I)	53,280,407.11		53,280,407.11			
Jiangxi Ruijie No. 1 aluminum laminated film project	51,326,164.11		51,326,164.11	37,331,842.72		37,331,842.72
Hongchuang Packaging Project of 1 billion packaging boxes of liquid beverage	31,533,066.15		31,533,066.15	15,195,257.16		15,195,257.16
Wuxi Energy battery separator film production base phase II Project	83,637,399.09		83,637,399.09	716,878,985.42		716,878,985.42
Zhuhai Energy battery separator film production base phase II Project	11,207,414.81		11,207,414.81	23,235,129.81		23,235,129.81
Microporous membrane project of high performance lithium ion battery of Chongqing Energy (phase III)	1,041,549.37		1,041,549.37			
Jiangxi Ruijie Utilities	513,625.00		513,625.00	9,419,783.70		9,419,783.70
Suzhou Green Power Project with an annual output of 200 million square meters of lithium ion battery coated separator film	2,050,087.72		2,050,087.72			
Wuxi Energy battery separator film production base phase I Project				70,022,103.63		70,022,103.63
Building of Jiangxi Ruijie plant				1,279,253.81		1,279,253.81
Other projects	19,385,242.34		19,385,242.34	10,338,127.43		10,338,127.43
<b>Total</b>	<b>1,737,361,549.32</b>	<b>9,319,496.94</b>	<b>1,728,042,052.38</b>	<b>1,637,476,855.68</b>	<b>9,319,496.94</b>	<b>1,628,157,358.74</b>

**(2) Changes in important projects in progress for the period**

Unit: RMB

Item	Budget	Opening balance	Increase for the period	Transfer to fixed assets	Decrease in other amount	Closing balance	Proportion of total project	Progress of the project	Capitalized accumulated	Including: Capitalized	Capitalization rate of interest	Source of capital
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				for the period	s for the period		investment in budget		amount of interest	amount of interest for the period	for the period	
Lithium battery separator film project of Jiangxi Tonry (expansion of phase I)	175,000.00	139,404,996.71	1,441,444,233.53	1,079,519,480.81		501,329,749.43	93.84%	71.35%	5,395,611.11	5,395,611.11	4.25%	Other
5-7 line base film project of Newmi Tech	75,023.00	353,206,733.42	1,708,015.11			354,914,748.53	47.61%	65.00%	15,938,122.29			Other
Microporous membrane project of high performance lithium ion battery of Chongqing Energy (Phase I)	150,000.00		150,222,596.38			150,222,596.38	10.54%	10.54%				Other
Hongta Plastic reconstruction and expansion project of BOPP film with an annual output of 70,000 tons	36,000.00	2,733,126.44	124,936,391.04			127,669,517.48	68.50%	75.00%	600,559.36	598,870.47	3.80%	Other
Jiangxi Energy SRS project	50,000.00		102,140,666.17			102,140,666.17	40.14%	40.00%				Other
Microporous membrane project of high performance lithium ion battery of Chongqing Energy (phase II)	300,000.00		88,458,440.15			88,458,440.15	2.95%	2.95%				Other
Hungarian factory	99,692.28		80,981,499.95			80,981,499.95	8.12%	8.12%				Other
Lithium battery separator film project of Jiangxi Tonry (phase I)	175,000.00	258,431,515.43	31,890,753.86	212,652,893.76		77,669,375.53	100.00%	96.65%	10,275,378.94			Other
Jiangxi Enpo new materials Co., Ltd. lithium ion battery dry process separator film construction project (phase I)	200,000.00		53,280,407.11			53,280,407.11	23.17%	4.63%				Other
Jiangxi Ruijie No. 1 aluminum laminated film project	14,250.00	37,331,842.72	24,923,571.23	10,929,249.84		51,326,164.11	80.56%	85.36%				Other
Hongchuang Packaging Project of 1 billion packaging boxes of liquid beverage	7,500.00	15,195,257.16	17,890,812.64	1,553,003.65		31,533,066.15	42.04%	62.19%				Other

Wuxi Energy battery separator film production base phase II Project	280,000.00	716,878,985.42	807,659,933.57	1,440,901,519.90		83,637,399.09	77.06%	80.98%	14,171,759.52	14,171,759.52	3.22%	Other
Zhuhai Energy battery separator film production base phase II Project	140,000.00	23,235,129.81	133,438,580.66	145,466,295.66		11,207,414.81	90.00%	99.00%	30,172,038.88	251,042.04	0.09%	Other
Microporous membrane project of high performance lithium ion battery of Chongqing Energy (phase III)	300,000.00		1,041,549.37			1,041,549.37	0.03%	0.03%				Other
Jiangxi Ruijie Utilities	3,000.00	9,419,783.70	7,745,262.39	16,651,421.09		513,625.00	98.85%	96.20%				Other
Suzhou Green Power Project with an annual output of 200 million square meters of lithium ion battery coated separator film	100,000.00		2,050,087.72			2,050,087.72	0.21%	0.21%				Other
Wuxi Energy battery separator film production base phase I Project	220,000.00	70,022,103.63	134,728,052.30	204,750,155.93			100.00%	100.00%	68,435,716.63			Other
Building of Jiangxi Ruijie plant	10,000.00	1,279,253.81		1,279,253.81			99.00%	100.00%				Other
Other projects		10,338,127.43	40,046,140.21	30,999,025.30		19,385,242.34		—				Other
												Other
<b>Total</b>	<b>2,335,465.28</b>	<b>1,637,476,855.68</b>	<b>3,244,586,993.39</b>	<b>3,144,702,299.75</b>		<b>1,737,361,549.32</b>	<b>--</b>	<b>--</b>	<b>144,989,186.73</b>	<b>20,417,283.14</b>		<b>--</b>

**(3) Provision for impairment of construction in progress: None**

Other explanations:

The main reason for the larger increase in the ending balance of the Company's projects under construction over the opening balance is: the subsidiary Shanghai Energy New Material Technology Co., Ltd and its subsidiaries are in the growth stage, and the Company has increased the construction of production lines, resulting in the increase of new production lines in the year.

**(4) Project materials**

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for	Book value

					impairment	
Engineering materials	8,384,509.61		8,384,509.61	4,352,742.79		4,352,742.79
Equipment not installed	16,489,156.83		16,489,156.83	7,293,866.39		7,293,866.39
Total	24,873,666.44		24,873,666.44	11,646,609.18		11,646,609.18

**23. Productive biological assets: None****24. Oil and gas assets: None****25. Right-of-use assets: None****26. Intangible assets****(1) Intangible assets**

Unit: RMB

Item	Land use rights	Patent rights	Non-patent technology	Software	Total
I. Original book value					
1. Opening balance	473,734,900.83	26,000,000.00	23,338,200.00	14,280,518.68	537,353,619.51
2. Increase for the period	100,410,680.41			15,362,789.71	115,773,470.12
(1) Purchase	100,410,680.41			15,362,789.71	115,773,470.12
(2) Internal R&D					
(3) Increase in business combination					
3. Decrease for the period					
(1) Disposal					
4. Closing balance	574,145,581.24	26,000,000.00	23,338,200.00	29,643,308.39	653,127,089.63
II. Accumulative amortization					
1. Opening balance	50,959,309.00	2,166,666.67	17,171,971.78	3,953,579.45	74,251,526.90
2. Increase for the period	10,507,048.71	2,600,000.04	1,972,689.86	1,729,147.56	16,808,886.17
(1) Provision	10,507,048.71	2,600,000.04	1,972,689.86	1,729,147.56	16,808,886.17
3. Decrease for the period					
(1) Disposal					
4. Closing balance	61,466,357.71	4,766,666.71	19,144,661.64	5,682,727.01	91,060,413.07
III. Provision for impairment					
1. Opening balance			1,203,498.45		1,203,498.45

2. Increase for the period					
(1) Provision					
3. Decrease for the period					

(1) Disposal					
4. Closing balance			1,203,498.45		1,203,498.45
IV. Book value					
1. Closing book value	512,679,223.53	21,233,333.29	2,990,039.91	23,960,581.38	560,863,178.11
2. Opening book value	422,775,591.83	23,833,333.33	4,962,729.77	10,326,939.23	461,898,594.16

(2) Land usage rights not obtaining the title certificate: None

## 27. Development expenditures: None

## 28. Goodwill

(1) Original book value of goodwill

Unit: RMB

Events that may generate goodwill through investee names	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Generated by business combination	Others	Disposal	Others	
Jiangxi Tonry	34,483,188.64					34,483,188.64
Newmi Tech	15,589,757.32					15,589,757.32
Suzhou Green Power	470,157,733.69					470,157,733.69
Shenzhen Qingsong Jinze Technology Development Co., Ltd.	9,671,444.70				9,671,444.70	
Total	529,902,124.35				9,671,444.70	520,230,679.65

(2) Provision for impairment of goodwill

Unit: RMB

Events that may generate goodwill through investee names	Opening balance	Increase for the period		Decrease for the period		Closing balance
		Provision		Disposal		
Shenzhen Qingsong Jinze Technology Development Co., Ltd.	9,671,444.70				9,671,444.70	
Total	9,671,444.70				9,671,444.70	

Related information on asset groups or combination of asset groups containing goodwill

Explanation on goodwill impairment test process, key parameters (such as the forecast period growth rate when the present value of future cash flows are expected, the stable period growth rate, profit rate, discount rate, forecast period, etc.) and the confirmation method of goodwill impairment loss:

## (1) Goodwill related to Jiangxi Tonry New Energy Technology Development Co., Ltd.

Goodwill calculation process of Jiangxi Tonry New Energy Technology Development Co., Ltd. (hereinafter referred to as “Jiangxi Tonry”) merged by enterprises not under common control:

The acquisition cost minus the fair value of the book identifiable net assets of Jiangxi Tonry on the acquisition date multiplied by the proportion of acquired equity equals to goodwill, that is, 200,000,000.00 minus 165,516,811.36 multiplied by 100% equals to RMB34,483,188.64.

The Company identified Jiangxi Tonry New Energy Technology Development Co., Ltd. as an asset group and conducted goodwill impairment test. The recoverable amount of goodwill is calculated according to the present value of estimated future cash flow. The estimated future cash flow is determined according to the financial budget of the relevant asset group from 2022 to 2026. After 2026, it will be a perpetual period. It is estimated that the annual growth rate of cash flow will be 2.1%, and the recoverable value of the asset group will be calculated according to the discount rate of 7.35%. The recoverable value exceeds the book value of the asset group including all shareholders goodwill, and there is no goodwill impairment.

## (2) Goodwill related to Shenzhen Qingsong Jinze Technology Development Co., Ltd.

Goodwill calculation process of Shenzhen Qingsong Jinze Technology Development Co., Ltd. (hereinafter referred to as “Shenzhen Qingsong”) merged by enterprises not under common control:

The acquisition cost minus the fair value of the book identifiable net assets of Shenzhen Qingsong on the acquisition date multiplied by the proportion of acquired equity equals to goodwill, that is, 20,000,000.00 minus 10,328,555.30 multiplied by 100% equals to RMB9,671,444.70.

The Company recognized Shenzhen Qingsong Jinze Technology Development Co., Ltd. as an asset group for goodwill impairment test. As the production of Shenzhen Qingsong Jinze Technology Development Co., Ltd. is currently suspended in the second half of 2020, the recoverable amount of goodwill is calculated based on the fair value of the assets minus the net amount of disposal expenses. Upon confirmation by the appraisal report (Zhi Zheng Ping Bao Zi [2021] No. 0202) issued by Yunnan Zhizheng Asset Appraisal Co., Ltd., the recoverable value is lower than the book value of the asset group including the goodwill of all shareholders, and full provision for impairment is made for the goodwill.

The Company has cancelled Shenzhen Qingsong Jinze Technology Development Co., Ltd.

## (3) Goodwill related to Suzhou Green Power New Energy Material Co., Ltd.

Goodwill calculation process of Suzhou Green Power New Energy Material Co., Ltd. (hereinafter referred to as “Suzhou Green Power”) merged by enterprises not under common control:

The acquisition cost minus the fair value of the book identifiable net assets of Suzhou Green Power on the acquisition date multiplied by the proportion of acquired equity equals to goodwill, that is, 739,219,511.67 minus 269,061,777.98 multiplied by 100% equals to RMB470,157,733.69.

The Company identified Suzhou Green Power New Energy Material Co., Ltd. as an asset group and conducted goodwill impairment test. The recoverable amount of goodwill is calculated according to the present value of estimated future cash flow. The estimated future cash flow is determined according to the financial budget of the relevant asset group from 2022 to 2026. After 2026, it will be a perpetual period. It is estimated that the annual growth rate of cash flow will be 1.64%, and the recoverable value of the asset group will be calculated according to the discount rate of 7.35%. The recoverable value exceeds the book value of the asset group including all shareholders goodwill, and there is no goodwill impairment.

## (4) Goodwill related to Chongqing Energy Newmi Technological Co., Ltd.

Goodwill calculation process of Newmi Tech merged by enterprises not under common control:

The acquisition cost minus the fair value of the book identifiable net assets of Newmi Tech on the acquisition date multiplied by the proportion of acquired equity equals to goodwill, that is, 68,259,500.00 minus 68,977,915.28 multiplied by 76.3574% equals to RMB15,589,757.32.

The Company identified Newmi Tech as an asset group and conducted goodwill impairment test. The recoverable amount of goodwill is calculated according to the present value of estimated future cash flow. The estimated future cash flow is determined according to the financial budget of the relevant asset group from 2022 to 2026. After 2026, it will be a perpetual period. It is estimated that the annual cash flow will be stable, and the recoverable value of the asset group will be calculated according to the discount rate of 7.35%. The recoverable value exceeds the book value of the asset group including all shareholders goodwill, and there is no goodwill impairment.

## 29. Long-term unamortized expenses

Unit: RMB

Item	Opening balance	Increase for the period	Amortized amount for the period	Decrease in other amounts	Closing balance
Leasehold improvement	277,302.66		277,302.66		
Renovation cost	411,640.79		203,440.48		208,200.31
Filling machine	2,232,804.33	1,814,159.26	2,542,275.50		1,504,688.09
Power grid access fee	59,710.00		11,259.84		48,450.16
Workshop lease cost	300,000.00		300,000.00		

Software implementation fee	1,542,276.64		481,091.76		1,061,184.88
Repair and maintenance fee	1,821,692.86		1,084,599.13		737,093.73
Total	6,645,427.28	1,814,159.26	4,899,969.37		

### 30. Deferred income tax assets/Deferred income tax liabilities

#### (1) Deferred income tax assets before offset

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible difference	temporary	Deferred assets	income tax assets
Asset impairment provision	530,474,872.66		80,159,045.71	41,234,513.77
Unrealized profit of internal transaction	201,315,638.27		30,197,345.73	10,997,305.77
Deductible losses	171,941,875.70		31,092,748.22	42,424,284.31
Government subsidy	742,702,208.05		111,405,331.20	108,247,892.52
Total	1,646,434,594.68		252,854,470.86	202,903,996.37

#### (2) Deferred income tax liabilities before offset

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable difference	temporary	Deferred liabilities	income tax liabilities
Appraisal and appreciation of assets in mergers of companies not under common control	82,490,043.84		12,373,506.58	16,962,060.99
Pre-tax deduction of equipment and instruments at one time	831,888,785.84		127,083,424.85	83,443,996.97
Provision for credit impairment of receivables financing	934,762.69		140,214.40	
Fixed assets for intra group transactions	10,312,579.27		1,546,886.89	
Total	925,626,171.64		141,144,032.72	100,406,057.96

#### (3) Net amount of offset deferred income tax assets or liabilities

Unit: RMB

Item	Offsetting amount of deferred income tax assets and deferred income tax liabilities at the end of the Reporting Period	Closing balance of deferred income tax assets or liabilities after offset	Offsetting amount of deferred income tax assets and deferred income tax liabilities at the beginning of the Reporting Period	Opening balance of deferred income tax assets or liabilities after offset
Deferred income tax assets		252,832,125.66		202,903,996.37
Deferred income tax		141,144,032.72		100,406,057.96

liabilities				
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**(4) Details of unrecognized deferred income tax assets:**

Unit: RMB

Item	Closing balance	Opening balance
Deductible loss	52,353,965.57	236,262,758.82
Provision for asset impairment	972.45	301,996,604.14
total	52,354,938.02	538,259,362.96

**(5) Deductible losses for which deferred income tax assets were unrecognized will expire in the following years**

Unit: RMB

Year	Closing amount	Opening amount	notes
2023		40,626,538.08	
2024	19,937,896.63	103,095,455.11	
2025	32,416,068.94	92,540,765.63	
Total	52,353,965.57	236,262,758.82	--

Other explanations:

Description of one-time pre-tax deduction of equipment and instruments in the deferred income tax liabilities before offset: According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Policy of Deducting the Enterprise Income Tax of Equipment and Instruments (Cai Shui [2018] No. 54) and Announcement the Ministry of Finance and the State Administration of Taxation on Extending the Implementation Period of Some Preferential Tax Policies (Announcement of the Ministry of Finance and the State Administration of Taxation of 2021 No. 6), the Company and its subsidiaries deduct the enterprise income tax of equipment and instruments with the unit value of below RMB5 million purchased from January 1, 2018 to December 31, 2023 in one time when calculating the taxable income. As a result, taxable temporary difference is formed and further turned into deferred income tax liabilities.

**31. Other non-current assets**

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Advance payment for equipment	1,421,784,008.16		1,421,784,008.16	515,786,722.70		515,786,722.70
Advance payment for project	420,103,967.69		420,103,967.69	59,073,039.82		59,073,039.82
Quality guarantee (Note 1)	1,350,000.00		1,350,000.00	1,350,000.00		1,350,000.00
Installment for sale of equipment (Note 2)	8,083,352.22		8,083,352.22	8,083,352.09		8,083,352.09
Deductible input tax				14,897,818.46		14,897,818.46
Advance payment for land	251,500,000.00		251,500,000.00			
Prepayment for house	4,353,231.00		4,353,231.00			
Time deposits	461,548,862.25		461,548,862.25			

Total	2,568,723,421.32		2,568,723,421.32	599,190,933.07		599,190,933.07
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Other explanations:

The main reason for the larger increase in the ending balance of the Company's other non-current assets over the opening balance is: (1) Wuxi Energy New Material Technology Co., Ltd. and Jiangxi Tonry New Energy Technology Development Co., Ltd. are in the growth stage, the Company intensifies the construction of production lines, and the advance payment for equipment increases accordingly. (2) Shanghai Energy New Material Technology Co., Ltd. and Zhuhai Energy purchase time deposits and certificates of deposit which they prepare to hold to maturity.

Note 1: Guizhou Haoyiduo Dairy Co., Ltd. signed an agreement with the Company, and the two parties entered into a long-term strategic partnership. The Company provided Guizhou Haoyiduo Dairy Co., Ltd. with the above money as its quality guarantee. Guizhou Haoyiduo Dairy Co., Ltd. promised to purchase no less than 13 million packaging boxes of products from the Company every year, and return the above money after the termination of the partnership. As long as the cooperation relationship is not terminated, the agreement will automatically continue after expiration. During the reporting period, Guizhou Haoyiduo Dairy Co., Ltd. has a good cooperation relationship with the Company, and the annual order quantity to the Company exceeds the agreed quantity in the above agreement. The Company expects that the above agreement will continue.

Note 2: the Company purchases filling machines and auxiliary equipment and sells them to customers by installment sales. The price of the equipment shall be paid together with the payment for the Company's products purchased by customers. Until the appointed time, all the payments for equipment shall be recovered, invoices shall be issued and the property rights of the equipment shall be transferred to customers.

## 32. Short-term loans

### (1) Classification of short-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Pledged loan	545,992,000.27	528,484,649.10
Guaranteed loan	3,487,366,352.00	1,012,102,530.77
Credit loan	78,000,000.00	254,000,000.00
Undue interest payables	4,789,988.03	1,092,349.04
Total	4,116,148,340.30	1,795,679,528.91

### (2) Overdue and outstanding short-term borrowings: None

Other explanations:

The main reason for the larger increase in the ending balance of the Company's short-term loans over the opening balance is: The increase of business volume of the Company leads to the increase of capital demand for daily business activities and the increase of bank loans.

Notes on pledged loans: the Company obtained a loan of RMB48,900,000.00 by pledging 76.3574% equity of Newmi Tech; Zhuhai Energy obtained a loan of USD22,041,228.85 by pledging its own large deposit certificate of RMB151,964,000.00; Zhuhai Energy pledged its own accounts receivable debt of RMB113,995,449.70 to obtain a loan of USD16,048,000.00; Shanghai Energy obtained a loan of USD7,215,224.00 by pledging its own certificate of deposit of RMB51,060,648.00; Shanghai Energy obtained a loan of RMB6,769,341.65 by pledging its own supply chain bills of RMB6,769,341.65; Wuxi Energy obtained a loan of RMB7,012,418.40 by pledging its own notes receivable of RMB7,012,418.40; Shanghai Energy obtained a loan of RMB180,000,000.00 by pledging its own large deposit certificate of RMB184,832,152.77; Hongchuang Packaging pledged its own deposit of RMB15,185,772.19 to obtain a loan of USD2,268,400.36. See "81. Assets with restricted ownership or use right" in "VII. Notes to items in consolidated financial statements" of this section for details of pledge.

**33. Trading financial liabilities: None****34. Derivative financial liabilities: None****35. Notes payable**

Unit: RMB

Type	Closing balance	Opening balance
Commercial acceptance	4,205,536.14	14,547,851.27
Bank acceptance	483,202,292.39	680,878,688.42
Total	487,407,828.53	695,426,539.69

**36. Accounts payable****(1) Accounts payable**

Unit: RMB

Item	Closing balance	Opening balance
Materials payable	337,706,658.17	277,833,591.11
Engineering equipment payable	222,569,060.60	125,081,160.84
Accessories and spare parts payable	20,393,593.67	11,543,629.05
Transportation fee payable	42,078,568.47	23,477,922.68
Other payable	27,797,776.37	33,140,214.54
Total	650,545,657.28	471,076,518.22

**(2) Major accounts payable aged over one year**

Unit: RMB

Item	Closing balance	Reasons for outstanding or carry-over
Shanghai Suray Information Technology Co., Ltd.	14,882,101.79	Not mature
Chengdu Huicheng Technology Co., Ltd.	4,560,000.00	Not mature
Shanghai Youbang International Logistics Co., Ltd.	3,001,327.10	Not mature
MYUNG SUNG TNS CO.,LTD	1,270,056.06	Not mature
H-VISIONS	1,197,667.94	Not mature
total	24,911,152.89	--

The main reason for the larger increase in the ending balance of the Company's accounts payable over the opening balance is: The Company's business grew rapidly this year. Shanghai Energy and its subsidiaries were in the growth stage. The Company strengthened the construction of production line, and the relevant accounts payable increased accordingly.

**37. Receipts in advance: None****38. Contractual liabilities**

Unit: RMB

Item	Closing balance	Opening balance
Advance receivable for goods	761,923,312.38	7,677,129.87

Amount and reasons for significant changes in book value during the reporting period

Unit: RMB

Item	Amount of changes	Reason for changes
Advance receivable for goods	754,246,182.51	It is mainly due to Shanghai Energy's receipt of advance payment from the customer at the end of the reporting period
Total	754,246,182.51	—

**39. Employee benefits payable****(1) Employee benefits payable**

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
I. Short-term remuneration	28,144,817.99	650,854,103.88	646,699,665.60	32,299,256.27
II. Retirement pension program-defined contribution plan		52,041,060.45	51,010,399.94	1,030,660.51
III. dismissal benefits		368,381.49	368,381.49	
Total	28,144,817.99	703,263,545.82	698,078,447.03	33,329,916.78

**(2) Short-term benefits**

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Wage, bonus, allowance and subsidies	26,045,081.72	559,049,457.99	554,400,001.80	30,694,537.91
2. Employee welfare		37,054,102.91	37,054,102.91	
3. Social insurance	690,337.24	28,091,790.45	28,116,259.15	665,868.54
Including: medical insurance	621,304.69	25,322,849.86	25,288,280.30	655,874.25
Labor injury insurance		1,601,406.66	1,591,412.37	9,994.29
Maternity insurance premium	69,032.55	691,596.01	760,628.56	
Supplementary medical insurance		339,034.06	339,034.06	
4. Housing fund	334,780.00	22,993,896.84	22,911,703.83	416,973.01
5. Labor union budget and staff education fund	1,074,619.03	3,664,855.69	4,217,597.91	521,876.81
Total	28,144,817.99	650,854,103.88	646,699,665.60	32,299,256.27

**(3) Defined contribution plans**

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
1. Basic pension		50,442,356.44	49,442,928.06	999,428.38
2. Unemployment insurance		1,598,704.01	1,567,471.88	31,232.13
Total		52,041,060.45	51,010,399.94	1,030,660.51

Other explanations:

**40. Taxes payable**

Unit: RMB

Item	Closing balance	Opening balance
VAT	21,727,333.15	58,372,023.20
Corporate income tax	160,861,569.98	112,955,783.69
Personal income tax	996,764.35	756,962.07
City maintenance and construction tax	1,335,086.63	1,517,261.49
Property tax	2,908,801.04	1,204,000.74
Land using tax	620,797.95	577,940.85
Education surtax	1,221,998.41	3,245,319.76
Other	484,186.27	354,783.64
Total	190,156,537.78	178,984,075.44

**41. Other payables**

Unit: RMB

Item	Closing balance	Opening balance
Dividends payable	9,778,239.09	7,871,573.20
Other payables	60,499,183.54	577,510,854.43
Total	70,277,422.63	585,382,427.63

**(1) Interest payables: None****(2) Dividends payable**

Unit: RMB

Item	Closing balance	Opening balance
Common share dividends	9,778,239.09	7,871,573.20

Other explanations, including important dividends payable that have not been paid for more than one year, shall disclose the reasons for nonpayment: The year-end balance of dividends payable is the dividend payable by Shanghai Energy to minority shareholders.

### (3) Other payables

#### 1) Other payables listed by nature of payment

Unit: RMB

Item	Closing balance	Opening balance
Equity acquisition	42,736,010.00	44,736,010.00
Loans from non-financial institutions		470,118,553.75
Withholding and remitting employee incentive and dividend personal income tax		46,031,316.80
Deposits and guarantees	12,209,228.71	10,498,912.12
Withholding employees' social insurance	1,861,074.86	2,392,968.63
Reimbursement	997,002.15	2,550,636.39
Other	2,695,867.82	1,182,456.74
<b>Total</b>	<b>60,499,183.54</b>	<b>577,510,854.43</b>

#### 2) Major other payables aged over one year

Unit: RMB

Item	Closing balance	Reasons for outstanding or carry-over
Gao'an Kewei investment partnership (limited partnership)	22,380,000.00	Payment terms not been met
DENCOLIMITED	20,356,010.00	Payment terms not been met
<b>Total</b>	<b>42,736,010.00</b>	<b>--</b>

### 42. Hold-for-sales liabilities: None

### 43. Non-current liabilities due within one year

Unit: RMB

Item	Closing balance	Opening balance
Long-term loans due within 1 year	377,299,907.20	514,980,422.77
Long-term payables due within 1 year		4,988,932.48
Undue interest payables	6,098,084.90	6,311,708.63

Total	383,397,992.10	526,281,063.88
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#### 44. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Undue interest payable		
Output value-added tax payable	99,032,756.22	1,021,339.34
Endorsement or discount of unconfirmed bank acceptance bill	130,932,533.60	
Endorsement or discount of unconfirmed commercial acceptance bill	634,570.35	
Endorsement for transfer of unconfirmed supply chain voucher	10,137,864.09	
Total	240,737,724.26	1,021,339.34

#### 45. Long-term borrowings

##### (1) Long-term borrowings by type

Unit: RMB

Item	Closing balance	Opening balance
Pledged loan	1,206,100,000.00	864,400,000.00
Mortgaged loan	949,296,159.46	708,177,982.72
Guaranteed loan	822,012,580.04	1,319,313,572.42
Credit loan	203,000,000.00	290,000,000.00
Long-term loans due within 1 year	-377,299,907.20	-514,980,422.77
Total	2,803,108,832.30	2,666,911,132.37

Description for long-term borrowings by type:

The main reason for the larger increase in the ending balance of the Company's long-term borrowings over the opening balance is: Shanghai Energy and its subsidiaries were in the growth stage this year. The Company strengthened the construction of production line with added pledged and mortgaged long-term loans.

Pledged loans: Shanghai Energy New Material Technology Co., Ltd. will pledge its 100% equity in Suzhou Green Power New Energy Material Co., Ltd., 100% equity in Jiangxi Tonry New Energy Technology Development Co., Ltd. and 76.3574% equity in Newmi Tech to obtain a loan of RMB1,206,100,000.00.

Mortgaged loan: Hongta Plastic, Zhuhai Energy, Wuxi Energy and Jiangxi Tonry obtained a loan of RMB949,296,159.46 by pledging their own fixed assets. See "81. Assets with restricted ownership or use right" in "VII. Notes to items in consolidated financial statements" of this section for details of pledge.

Guaranteed loan: For details of loans obtained through the guarantee provided by actual controllers of the Company, the Company and its subsidiaries, please refer to "(4) Related party guarantees" under "5. Related party transactions" in "XII. Related Parties and Related Party Transactions".

## 46. Bonds payable

### (1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
Convertible corporate bonds	413,239,181.29	755,725,620.04

### (2) Changes in bonds payable: (excluding preferred shares classified as financial liabilities, perpetual bonds and other financial instruments)

Unit: RMB

Name of bond	Par value	Issue date	Term	Issue size	Opening balance	Issued in current period	Interest provisioned by par value	Amortization of discounts and premiums	Paid in the current period	Shares converted in the current period	Closing balance
Convertible corporate bonds of Yunnan Energy New Material Co., Ltd.	1,600,000,000.00	February 11, 2020	6 years	1,600,000,000.00	755,725,620.04			37,005,661.25		-379,492,100.00	413,239,181.29

### (3) Explanation on conversion conditions and conversion time of convertible corporate bonds

According to the Listing Rules of Shares on the Shenzhen Stock Exchange Stock and the Prospectus of Yunnan Energy New Material Co., Ltd. on the Public Issuance of Convertible Corporate Bonds, the debt and share conversion period of Yunnan Energy commences from the first trading day in the six months after the end of the issuance to the maturity date of the convertible corporate bonds, that is, from August 17, 2020 to February 11, 2026, and the initial conversion price is RMB64.61 per share.

On May 21, 2020, according to the Announcement on the Adjustment of the Conversion Price of Convertible Corporate Bonds, as the Company implements the 2019 annual equity distribution plan, the conversion price of debts and shares of Yunnan Energy is adjusted from RMB64.61 per share to RMB64.49 per share.

On September 3, 2020, according to the Announcement on the Adjustment of the Conversion Price of Convertible Corporate Bonds, as the Company adopts the non-public issuance of new shares, the conversion price of debts and shares of Yunnan Energy is adjusted to RMB65.09 per share.

As at September 28, 2020, in accordance with the Announcement on the Non-adjustment of Convertible Corporate Bond Conversion Price for the Repurchase and Cancellation of Some Restricted Shares, the Company repurchased and cancelled the Company's restricted shares held by the four incentive objects because the personal assessment grade of the four incentive objects was "good" when the Company's 2017 Restricted Stock Incentive Plan was unlocked for the third time. Due to the small proportion of the repurchased and cancelled shares in the Company's total share capital, after the repurchase and cancellation, the conversion price of debts and shares of Yunnan Energy remained unchanged at RMB65.09 per share.

On April 30, 2021, according to the Announcement on the Adjustment of the Conversion Price of Convertible Corporate Bonds, as the Company implements the 2020 annual equity distribution plan, the conversion price of debts and shares of Yunnan Energy is adjusted to RMB64.92 per share.

### (4) Explanation on other financial instruments classified as financial liabilities: None

**47. Lease liabilities: None****48. Long-term payables**

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables	0.00	0.00
Special payables	0.00	0.00
Total	0.00	0.00

(1) Long-term payables listed by nature of payment

Unit: RMB

Item	Closing balance	Opening balance
Financial lease proceeds payable		4,988,932.48
Less: Long-term payables due within one year		4,988,932.48
Total		0.00

(2) Special payables: None

**49. Long-term payroll payable: None****50. Estimated liabilities: None****51. Deferred income**

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance	Reason
Government subsidies related to assets	708,255,614.66	107,516,701.35	60,813,656.46	754,958,659.55	For details, see the table below.

Items involving government grants:

Unit: RMB

Item related to liabilities	Opening balance	Grants increased for the period	Non-operating income recorded in the period	Other income recorded in the period	Amount that offsets costs and expenses in the current period	Other changes	Closing balance	Related to assets/income
Equipment subsidies of the Gao'an Municipal People's Government (Note 1)	295,497,971.96		25,125,178.56				270,372,793.40	Related to assets
Support and incentive payment of the Xishan Economic and Technological Development Zone (Note 2)	114,447,109.80	77,656,573.35	11,802,389.66				180,301,293.49	Related to assets
Item subsidy for the development of advanced	176,795,630.42		14,308,295.40				162,487,335.02	Related to assets

equipment manufacturing industry (Note 3)								
Special funds for the development of provincial strategic emerging industries (Note 4)	30,000,000.00		1,153,846.14				28,846,153.86	Related to assets
Subsidies for infrastructure construction (Note 5)	25,471,400.08		1,340,599.92				24,130,800.16	Related to assets
Enterprise support funds allocated by Gao'an New World Industrial City Finance Office (Note 6)	2,698,600.00	18,744,800.00	44,976.68				21,398,423.32	Related to assets

High-performance lithium ion battery separator film project with an annual output of 90 million square meters (Note 7)	16,231,909.02		2,696,405.76				13,535,503.26	Related to assets
Municipal technological transformation project for high-quality development (Note 8)	11,156,250.00		1,125,000.00				10,031,250.00	Related to assets
Technological transformation project of the production line of lithium-ion battery separator film (Note 9)	10,163,582.68		1,080,781.56				9,082,801.12	Related to assets
Technological transformation project of the second batch of industrial transformation in 2020 (Note 10)	8,250,000.00		900,000.00				7,350,000.00	Related to assets
Enterprise development support funds (Note 11)		6,315,328.00					6,315,328.00	Related to assets
Special funds for 70,000-ton BOPP projects (Note 12)	5,300,000.00						5,300,000.00	Related to assets
Special funds for basic projects	3,698,717.95		307,692.48				3,391,025.47	Related to assets
Land subsidies granted by the Administrative Committee of Yuxi High-tech Industrial Development Zone for the annual production of 1 billion liquid packing boxes		3,000,000.00	5,128.21				2,994,871.79	Related to assets
Cable trench subsidy	2,861,667.09		339,999.96				2,521,667.13	Related to assets
Boiler upgrading and reconstruction projects	2,558,800.00		196,830.72				2,361,969.28	Related to assets
Low-nitrogen transformation project of the Finance Bureau of Changshou		1,000,000.00					1,000,000.00	Related to assets
Special funds for basic projects	923,076.92		76,922.88				846,154.04	Related to assets
Technical transformation guidance funds		800,000.00	30,769.23				769,230.77	Related to assets
Subsidies of the Yuxi Municipal Bureau of Finance for the first major technical equipment	641,509.52		113,207.52				528,302.00	Related to assets
Special funds for the construction of the Yuxi municipal industrial park in 2017	539,237.60		34,977.60				504,260.00	Related to assets
Reward for Suzhou to build an intelligent demonstration workshop of advanced manufacturing base in 2020	461,538.46		65,934.10				395,604.36	Related to assets
Funds for the preparation of touring inspection activities in Yichun and centralized commencement and completion activities of major projects in Yichun, allocated by Gao'an New World Industrial City Finance Office	291,946.67		14,720.04				277,226.63	Related to assets

Subsidies for the renovation of power supporting projects outside the plants in the Jiulong district of the Yuxi High-Tech Development Zone Management Committee	266,666.49		50,000.04				216,666.45	Related to assets
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## Other explanations:

Note 1: As described in “52. Other non-current liabilities” in “VII. Notes to items in consolidated financial statements” of this section, Jiangxi Tonry, the 3 level subsidiary of the Company, has built an item production base of lithium ion separator film in Gao’an City, Yichun City, Jiangxi Province, with policy support from the local government. According to the relevant provisions of the investment agreement, the Gao’an Municipal Government advances the payment for equipment in the form of government loan. When each production line of lithium-ion separator film is put into use, the advance payment shall be recognized as equipment subsidy in batches based on the proportion specific to the value of the imported equipment of the production line that has been put into operation. This government subsidy is related to the production line put into use by Jiangxi Tonry. This government subsidy related to assets is recognized as deferred income, and apportioned and recognized as the current profit and loss according to the depreciation life of related assets. As of December 31, 2021, 8 production lines of lithium-ion separator film have been put into use and submitted for review. The government subsidy related to this asset has been accumulatively included in the current profit and loss of RMB56,254,524.05, including: RMB6,528,749.69 apportioned in 2019, RMB24,600,595.80 apportioned in 2020, and RMB25,125,178.56 apportioned in 2021.

Note 2: According to the Supplementary Agreement of the Investment Agreement signed between the Administrative Committee of Xishan Economic and Technological Development Zone and Shanghai Energy, a subsidiary of the Company, the Administrative Committee of Xishan Economic and Technological Development Zone granted a subsidy (RMB120,000,000.00 received in 2020 and RMB77,656,573.35 received in 2021) for the payment for equipment to Wuxi Energy (a level 3 subsidiary of the Company) regarding the projects mentioned in the Investment Agreement. This government subsidy is related to the construction of lithium battery separator film projects of Wuxi Energy. This government subsidy is also related to assets and recognized as deferred income, and apportioned and recognized as the current profit and loss based on the depreciation life of related assets. As of December 31, 2021, the construction of the project-related assets has been completed and carried forward to the fixed assets, and the asset-related government subsidy has been accumulatively included in the current profit and loss of RMB17,355,279.86, with the apportion in 2020 of RMB5,552,890.20 and the apportion in 2021 of RMB11,802,389.66.

Note 3: Zhuhai Energy, a level 3 subsidiary of the Company, received a subsidy of RMB194,681,000.00 for the development projects of advanced equipment manufacturing issued by the Economic & Information Commission of Guangdong Province in September 2019. This government subsidy is related to the construction of lithium battery separator film projects of Zhuhai Energy. This government subsidy is also related to assets and recognized as deferred income, and apportioned and recognized as the current profit and loss based on the depreciation life of related assets. As of December 31, 2021, the construction of the subsidy-related assets has been completed and carried forward to the fixed assets, and the asset-related government subsidy has been accumulatively included in the current profit and loss of RMB32,193,664.98, including: RMB3,577,074.05 apportioned in 2019, RMB14,308,295.53 apportioned in 2020, and RMB14,308,295.40 apportioned in 2021.

Note 4: According to the Notice on Forwarding the Special Funds for the Development of Provincial Strategic Emerging Industries and Project Investment Plans for 2020 Issued by the Provincial Development and Reform Commission and the Provincial Department of Finance, the Wuxi Development and Reform Commission appropriates special funds of RMB30,000,000.00 to Wuxi Energy (a level 3 subsidiary of the Company) for the construction of the phase II expansion project of Wuxi Enjie’s new material industrial base. This government subsidy is related to the production line put into use by Wuxi Energy. This government subsidy related to assets is recognized as deferred income, and apportioned and recognized as the current profit and loss based on the depreciation life of related assets. As of December 31, 2021, the construction of the subsidy-related assets has been completed and carried forward to the fixed assets, with the apportion in 2021 of RMB1,153,846.14.

Note 5: For supporting the polymer nanomaterial project of Jiangxi Tonry New Energy Technology Development Co., Ltd., a level 3 subsidiary of the Company, the Gao’an Municipal Government signs an Investment Cooperation Agreement and a Supplementary Agreement with Jiangxi Tonry New Energy Technology Development Co., Ltd. According to the relevant provisions of the Investment Cooperation Agreement, the Gao’an Municipal Government grants a subsidy of RMB2,681,200.00 for infrastructure development to Jiangxi Tonry New Energy Technology Development Co., Ltd., while the latter will use the subsidy for subsequent plant development. This government subsidy is related to the construction of the Jiangxi Tonry plant. It is also related to assets and recognized as deferred income. It is apportioned and recognized as the current profit and loss based on the depreciation life of related assets. As of December 31, 2021, the construction of the subsidy-related assets has been completed and carried forward to the fixed assets, and the asset-related government subsidy has been accumulatively included in the current profit and loss of RMB26,812,000.00, including: RMB1,340,600.00 apportioned in 2020 and RMB1,340,600.00 apportioned in 2021.

Note 6: Jiangxi Tonry, a level 3 subsidiary of the Company, got the support for its polymer nanomaterial project from Gao’an Municipal Government with an investment cooperation agreement and a supplementary agreement. According to the relevant provisions of the investment agreement, Jiangxi Tonry got RMB21,443,400.00 infrastructure subsidies from Gao’an Municipal Government. Jiangxi Tonry will use it for subsequent construction of infrastructure according to the agreement. This government subsidy is related to the construction and equipment of the plant of Jiangxi Tonry, and the government subsidy is also related to assets and recognized as deferred income. It is apportioned and recognized as the current profit and loss based on the depreciation life of related assets. As of December 31, 2021, the construction of the subsidy-related assets has been completed and carried forward to the fixed assets, with the apportion in 2021 of RMB44,976.68.

Note 7: In July 2011, the National Development and Reform Commission and the Ministry of Industry and Information Technology issued the Notice on Issuing the First Batch of Investment Plans within the Central Budget for the Revitalization and Technological Transformation Projects of the Electronic Information Industry in 2011 (Fa Gai Tou Zi (2011) No. 1387); Shanghai Energy, a subsidiary of the Company, received a subsidy of RMB12,000,000.00 for the high-performance lithium ion battery separator film project with an annual output of 90 million square meters.

In June 2011, the Shanghai Municipal Commission of Economy and Informatization issued the Official Reply Concerning the Report on the Application for Special Funds for Key Industrial Revitalization and Technological Transformation of the New 90 Million Square Meter High-Performance Lithium Ion Battery Separator Film Projects of Shanghai Energy New Material Technology Co., Ltd. in 2011 [Hu Jing Xin Tou (2011) No. 298]; Shanghai Energy, a subsidiary of the Company, received a subsidy of RMB12,000,000.00 for the high-performance lithium ion battery separator film project with an annual output of 90 million square meters.

In March 2013, pursuant to the relevant provisions of the Measures for the Use and Management of Special Development Funds of the Shanghai Zhangjiang National Innovation Demonstration Zone [Hu Cai Yu (2012) No. 141] and the Notice of the Use of Special Development Funds of the Shanghai Zhangjiang National Innovation Demonstration Zone for Subsidizing Jinqiaoyuan's First Batch of Projects in 2012 [Hu Gao Xin Guan Wei (2013) No. 5], the Shanghai Pudong Science and Technology Commission and Shanghai Energy (a subsidiary of the Company) signed a Contract on the Management of Special Development Funds of the Shanghai Zhangjiang National Innovation Demonstration Zone. Pursuant to the provisions of the Contract, Shanghai Energy (a subsidiary of the Company) received a subsidy of RMB7,000,000.00 for the high-performance lithium ion battery separator film projects with an annual output of 90 million square meters during the year. In April 2017, it received a subsidy of RMB3,000,000.00 for the high-performance lithium ion battery separator film projects with an annual output of 90 million square meters.

The above subsidies, related to the high-performance lithium ion battery separator film project with an annual output of 90 million square meters, total RMB34,000,000.00. The high-performance lithium ion battery separator film project with an annual output of 90 million square meters has three production lines. The deferred income is apportioned and recognized as the current profit and loss based on the time point when the three production lines are carried forward to the fixed assets successively and depreciation life of the fixed assets of 13 years. As of December 31, 2021, the construction of the high-performance lithium ion battery separator film project with an annual output of 90 million square meters has been completed and carried forward to the fixed assets, and the asset-related government subsidy has been accumulatively included in the current profit and loss of RMB20,464,496.74, including: RMB1,454,615.38 apportioned in 2013, RMB1,454,615.38 apportioned in 2014, RMB1,804,358.98 apportioned in 2015, RMB2,350,833.31 apportioned in 2016, RMB2,618,458.17 apportioned in 2017, RMB2,692,398.30 apportioned in 2018, RMB2,696,405.76 apportioned in 2019, RMB2,696,405.70 apportioned in 2020, and RMB2,696,405.76 apportioned in 2021.

Note 8: According to the Several Policies and Measures of the Pudong New Area for Promoting the High-quality Development of Key Advantageous Industries (Implementation), the Operating Standards of the Several Policies and Measures of the Pudong New Area for Promoting the High-quality Development of Key Advantageous Industries (Trial), and relevant project support and management requirements, the Shanghai Pudong Science and Technology and Economy Commission grants a subsidy of RMB11,250,000.00 to Shanghai Energy (a level 2 subsidiary of the Company) for related technological upgrading projects without compensation. The subsidy is related to assets and recognized as deferred income. It is apportioned and recognized as the current profit and loss based on the remaining depreciation life of related assets. As of December 31, 2021, the construction of the subsidy-related assets has been completed and carried forward to the fixed assets, and the asset-related government subsidy has been accumulatively included in the current profit and loss of RMB1,218,750.00, including: RMB93,750.00 apportioned in 2020 and RMB1,125,000.00 apportioned in 2021.

Note 9: In 2017, the Company and its subsidiary Shanghai Energy signed the 2017 (the second batch of key technological transformation) job specification on special funds for industrial transformation, upgrading and development, requiring to grant a subsidy of RMB22,500,000.00 for the technological transformation project of Shanghai Energy's production line of lithium ion battery separator film without compensation. The subsidy is related to assets and recognized as deferred income. It is apportioned and recognized as the current profit and loss based on the remaining depreciation life of related assets. In December 2017, the Company received a subsidy of RMB13,500,000.00 for the technological transformation project of Shanghai Energy's production line of lithium ion battery separator film. As of December 31, 2020, the construction of the technological transformation project of the production line of lithium ion battery separator film has been completed and carried forward to the fixed assets, and the asset-related government subsidy has been accumulatively included in the current profit and loss of RMB4,417,198.88, including: RMB90,065.13 apportioned in 2017, RMB1,059,621.55 apportioned in 2018, RMB1,080,781.56 apportioned in 2019, RMB1,105,949.08 apportioned in 2020, and RMB1,080,781.56 apportioned in 2021.

Note 10: In 2017, the Company and its subsidiary Shanghai Energy signed the 2017 (the second batch of key technological transformation) job specification on special funds for industrial transformation, upgrading and development, requiring to grant a subsidy of RMB22,500,000.00 for the technological transformation project of Shanghai Energy's production line of lithium ion battery separator film without compensation. The subsidy is related to assets and recognized as deferred income. It is apportioned and recognized as the current profit and loss based on the remaining depreciation life of related assets. In December 2017, the Company received the subsidy of RMB13,500,000.00 for the technological transformation project of the production line of lithium-ion battery separator film of Shanghai Energy, and the balance of RMB9,000,000.00 was received on March 26, 2020. As of December 31, 2021, the technological transformation project of Shanghai Energy's production line of lithium ion battery separator film has been completed and carried forward to the fixed assets, and the asset-related government subsidy has been accumulatively included in the current profit and loss of RMB1,650,000.00, including: RMB750,000.00 apportioned in 2020 and RMB900,000.00 apportioned in 2021.

Note 11: According to the Supplementary Agreement of the Contract on Building the Lithium Battery Separator Film Dry Project of Jiangxi Mingyang New Material Technology Co., Ltd., which was signed between Jiangxi Enpo New Materials Co., Ltd. (formerly named Jiangxi Mingyang New Material Technology Co., Ltd.), a level-3 subsidiary of the Company, and Gao'an Municipal People's Government, Gao'an Municipal People's Government granted land subsidies to the level-3 subsidiary Jiangxi Enpo for the project involved in the investment agreement. This government subsidy is related to the construction of Jiangxi Enpo's lithium ion battery separator film project and is related to assets and recognized as deferred income. It is apportioned and recognized as the current profit and loss based on the depreciation life of related assets. As of December 31, 2021, the construction of the subsidy-related assets has not been completed, and the subsidy has not been apportioned.

Note 12: Yunnan Hongta Plastic Co., Ltd., a level 2 subsidiary of the Company, received the government grant for the construction of 70,000-tonne BOPP film project according to the file named "2020 Yunnan Plan on Special Fund (1st batch) for Provincial-level Industrial and Informatization Development. This government subsidy was related to the project construction. It belonged to the assets-related government subsidy so it shall be recognized as deferred income. The current profit and loss shall be confirmed according to the depreciation life of related assets. As of December 31, 2021, the construction of the subsidy-related assets has not been completed, and the subsidy has not been apportioned.

## 52. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Government support for lithium battery separation film project	455,517,694.55	455,517,694.55
Investment in lithium battery separation film project	83,000,000.00	
Total	538,517,694.55	455,517,694.55

Other explanations:

(1) Jiangxi Tonry has built an item production base of lithium ion separator film in Gao'an City, Yichun City, Jiangxi Province, with policy support from the local government. According to the relevant provisions of the investment agreement, the government borrows money in advance to pay for the purchase of equipment. When each lithium-ion film production line is put into use, the equipment subsidy shall be recognized in batches according to the corresponding proportion of the value of the imported equipment of the production line that has been put into operation.

(2) Chongqing Enjie has built a production line base of high-performance lithium-ion battery micropore separator film in Changshou Economic and Technological Development Zone, Chongqing City, with policy support from the local government. According to the relevant provisions of the investment agreement, the government grants infrastructure construction industry development funds in the form of a government subsidy, and after the commitment of the investment agreement is fulfilled, the subsidy shall be recognized in batches as the plant and equipment subsidy according to the corresponding proportion of the value of the plant and equipment.

## 53. Share capital

Unit: RMB

	Opening balance	Increase or decrease (+, -)					Closing balance
		New issues	Bonus issuance	Conversion of reserve into share	Others	Subtotal	
Total amount of shares	886,566,151.00				5,840,671.00	5,840,671.00	892,406,822.00

Other explanations:

See "III. Basic information of the Company" in this section. The convertible bonds publicly issued by the Company entered the share transfer period on August 17, 2020. As of December 31, 2021, the Company's share capital increased by RMB5,840,671.00 due to the share transfer.

## 54. Other equity instruments

### (1) Outstanding preferred shares, perpetual bonds and other financial instruments as at the end of the Reporting Period

Under the Approval of the Issuance of Convertible Corporate Bonds by Yunnan Energy New Material Co., Ltd. (Zheng Jian Xu Ke [2019] No. 2701) issued by the China Securities Regulatory Commission, the Company publicly issued 16 million convertible corporate bonds on February 11, 2020, which was calculated as the value of the debt instruments of the convertible corporate bonds was RMB1,408,703,126.08, and the value of the equity instruments was RMB177,419,515.43 by referring to the interest rates of the credit bonds of similar enterprises with AA credit rating and similar maturities in the market and deducting the bond issuance expenses.

### (2) Table of changes in outstanding preferred shares, perpetual bonds and other financial instruments as at the end of the Reporting Period

Unit: RMB

Outstanding financial instruments	At the beginning of the period		Increase for the period		Decrease for the period		At the end of the period	
	Number of shares	Book value	Number of shares	Book value	Number of shares	Book value	Number of shares	Book value

Equity instrument of convertible corporate bonds		92,433,139.11				42,080,815.31		50,352,323.80
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Explanations on changes in other financial instruments and reasons thereof as at the end of the Reporting Period, and basis for related accounting treatment:

In 2021, the Company's "Energy Convertible Bond" decreased by RMB379,492,100.00 (3,794,921.00 bonds) due to the transfer of 5,840,671.00 shares and reduced the other equity instrument by RMB42,080,815.31.

Other explanations:

## 55. Capital reserve

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Capital premium (capital stock premium)	7,174,689,305.95	474,191,487.92	13,240,864.35	7,635,639,929.52
Other capital reserve	54,446,519.88	17,595,693.76	72,042,213.64	
Total	7,229,135,825.83	491,787,181.68	85,283,077.99	7,635,639,929.52

Other explanations, including changes and reasons thereof as at the end of the Reporting Period:

(1) The capital premium (capital stock) increased by RMB474,191,487.92 this year, mainly because:

1) The convertible bonds publicly issued by the Company entered the share transfer period on August 17, 2020. The Company's capital reserve increased by RMB402,130,963.38 due to the share transfer.

2) The service period of equity incentive of the employees is expired this year due to share-based payments of the subsidiary Shanghai Energy, and consequently, the other capital reserve resulting from the share-based payment is transferred to the capital reserve (capital stock premium), amounting to RMB72,042,213.64.

3) The merger of Innovative New Materials (Hong Kong) Co., Ltd. by enterprises under common control of the holding subsidiary of the Company Shanghai Energy leads to changes in minority shareholders' equity. The capital reserve increased by RMB18,310.9.

(2) The capital premium (capital stock) decreased by RMB13,240,864.35 this year, mainly because the subsidiary Shanghai Energy purchased the minority shareholders' equity of the sub-subsidiary Donghang Photoelectric at a premium this year.

(3) The other capital reserve increased by RMB17,595,693.76 this year, due to the related expense of share-based payments confirmed by the subsidiary Shanghai Energy.

## 56. Treasury stock

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Equity incentive repurchase		204,444,302.78		204,444,302.78

Other explanations, including changes and reasons thereof as at the end of the Reporting Period:

On March 17, 2021, the Company held the 24<sup>th</sup> meeting of the fourth Board of Directors to deliberate and approve the Proposal on Repurchasing the Company's Shares, and agree that the Company can use its own funds to repurchase its public shares by centralized bidding transaction through the transaction system of Shenzhen Stock Exchange. The total amount of the repurchase fund shall be no less than RMB200 million (included) and no more than RMB400 million (included), and the repurchase price shall be no more than RMB180.00/share (included). The

repurchased shares will be used to implement the equity incentive or the employee stock ownership scheme. The Company has repurchased 1,585,437 shares through the centralized bidding transaction by the special security account for repurchase, and the transaction amount is RMB204,444,302.78.

## 57. Other comprehensive income

Unit: RMB

Item	Opening balance	Amount for the current period					Closing balance
		Amount incurred before the income tax in the current period	Less: Amount included into other comprehensive income in the prior period and transferred into the profit and loss in the current period	Less: Amount included into other comprehensive income in the prior period and transferred into the retained earnings in the current period	Less: Income tax expense	After-tax amount attributable to the parent company	
I. Other comprehensive income that cannot be reclassified to profit or loss							
II. Other comprehensive income that will be reclassified subsequently to profit or loss		-3,794,041.61			140,214.40	-3,746,198.57	-188,057.44
Exchange differences from translation of statements denominated in foreign currencies		-4,728,804.30				-4,502,767.45	-226,036.85
Provision for credit impairment of receivable financing		934,762.69			140,214.40	756,568.88	37,979.41
Total other comprehensive income		-3,794,041.61			140,214.40	-3,746,198.57	-188,057.44

## 58. Special reserve: None

## 59. Surplus reserve

Unit: RMB

Item	Opening balance	Increase for the period	Decrease for the period	Closing balance
Statutory surplus reserve	125,380,302.21	25,442,257.68		150,822,559.89
Reserve fund	21,153,681.64			21,153,681.64
Enterprise development fund	1,416,680.73			1,416,680.73
Total	147,950,664.58	25,442,257.68		173,392,922.26

Explanations on surplus reserve, including explanation about the reason of the change: The increase of surplus reserve in this year is due to the withdrawal of 10% of the net profit of the parent company.

**60. Undistributed profit**

Unit: RMB

Item	Current period	Previous period
Undistributed profit before adjustments at the end of the prior period	2,746,794,868.15	1,744,638,648.71
Undistributed profit adjusted at the beginning of the period	2,746,794,868.15	1,744,638,648.71
Add: Net profit attributable to owners of parent company in the current period	2,717,628,798.01	1,115,604,020.47
Less: Withdrawal of statutory surplus reserve	25,442,257.68	12,797,027.00
Common share dividends payable	150,715,977.40	100,650,774.03
Undistributed profits at the end of the period	5,288,265,431.08	2,746,794,868.15

**61. Operating income and operating cost**

Unit: RMB

Item	Amount for current period		Amount for previous period	
	Income	Cost	Income	Cost
Main businesses	7,866,428,440.28	3,978,342,250.24	4,205,724,684.56	2,431,374,588.76
Other businesses	115,998,370.31	23,681,463.99	77,282,904.55	25,623,721.47
Total	7,982,426,810.59	4,002,023,714.23	4,283,007,589.11	2,456,998,310.23

Whether the lower of the audited net profit before and after deduction of non-recurring gains or losses is negative

 Yes  No**62. Taxes and surcharges**

Unit: RMB

Item	Amount for current period	Amount for previous period
City maintenance and construction tax	6,203,284.99	5,629,419.35
Education surcharge	7,160,112.90	8,499,476.81
Property tax	15,622,433.54	6,958,921.14
Land using tax	4,370,191.44	3,653,135.48
Vehicle and vessel usage tax	31,362.50	24,092.50
Stamp duty	3,464,406.34	2,974,343.13
Land value-added tax		4,459,864.19
Other	276,441.13	291,767.68
Total	37,128,232.84	32,491,020.28

**63. Selling expenses**

Unit: RMB

Item	Amount for current period	Amount for previous period
Sales commission	22,865,150.56	21,570,707.19
Labor costs	25,226,747.02	16,094,980.44
Sales agency expense	8,068,800.98	4,335,824.29
Depreciation and amortization	5,493,116.99	3,743,322.45
Entertainment expense	3,773,186.15	3,790,466.62
Travel expense	3,023,032.85	2,476,652.84
Other	5,584,967.81	4,353,596.13
Total	74,035,002.36	56,365,549.96

**64. Administrative expenses**

Unit: RMB

Item	Amount for the current period	Amount for previous period
Employee compensation	100,006,459.81	63,919,851.38
Share-based expense	18,478,989.45	22,215,924.74
Depreciation and amortization	33,225,957.56	26,684,666.04
Agencies	23,458,610.93	12,011,876.97
Maintenance costs	4,454,582.50	5,229,480.24
Office expense	5,151,563.26	3,417,237.08
Travel expense	3,727,757.41	3,424,879.55
Entertainment expense	3,624,674.68	2,886,409.51
Others	24,205,343.76	16,010,066.14
Total	216,333,939.36	155,800,391.65

**65. R&D expenses**

Unit: RMB

Item	Amount for the current period	Amount for previous period
Material costs	214,385,356.23	79,004,042.46
Employee compensation	117,133,689.98	65,572,611.56
Depreciation and amortization	30,124,498.48	13,672,934.31
Utility costs	20,022,169.55	8,386,265.87

Others	27,513,016.04	11,607,479.08
Total	409,178,730.28	178,243,333.28

Other explanations: the significant increase of the R&D expenses of the Company over that of the previous year was due to the increase of R&D investment.

## 66. Financial Expenses

Unit: RMB

Item	Amount for the current period	Amount for previous period
Interest expenses	221,206,595.88	203,597,658.74
Less: interest income	20,299,433.23	34,077,648.03
Exchange gain/loss	-56,196,216.05	13,994,768.25
Bank charges and other	8,271,108.87	5,361,462.57
Total	152,982,055.47	188,876,241.53

Other explanations: The negative exchange gain and loss of the Company was due to the depreciation of exchange rates of Euro, US dollar and Japanese yen under the influence of the appreciation of RMB, resulting in exchange gains from foreign currency borrowings.

## 67. Other Income

Unit: RMB

Other sources of income	Amount for the current period	Amount for previous period
Government subsidy	133,733,928.01	139,305,009.71
Return of individual income tax service charge	345,520.77	357,802.66
Total	134,079,448.78	139,662,812.37

## 68. Investment income

Unit: RMB

Item	Amount for the current period	Amount for previous period
Gain on long-term equity investments subject to accounting with equity method	1,687,090.23	1,516,305.77
Proceeds from wealth management products	35,378,946.92	7,111,089.67
Investment income from derecognition of financial assets at amortized cost	-9,956,624.13	
Total	27,109,413.02	8,627,395.44

Other explanations:

The increase of investment income of the Company over that of the previous year was due to the increase in purchase of wealth management products by the Company.

**69. Net exposure hedge income: None****70. Gains on fair value change**

Unit: RMB

Source of gains on fair value change	Amount for the current period	Amount for previous period
Trading financial assets	137,194.34	10,951,914.18

**71. Credit Impairment Losses**

Unit: RMB

Item	Amount for the current period	Amount for previous period
Bad debt losses on other receivables	193,877.02	-339,477.94
Impairment losses on accounts receivable	-24,618,321.53	-28,526,420.18
Impairment loss on notes receivable	-2,109,153.54	-7,256,643.88
Impairment losses on accounts receivable financing	1,687,237.31	-2,622,000.00
Total	-24,846,360.74	-38,744,542.00

**72. Asset Impairment Losses**

Unit: RMB

Item	Amount for the current period	Amount for previous period
Inventory falling price losses and contract performance cost depreciation losses	-10,663,472.55	-8,138,653.87
Goodwill impairment loss		-9,671,444.70
Total	-10,663,472.55	-17,810,098.57

**73. Gains on disposal of assets**

Unit: RMB

Source	Amount for the current period	Amount for previous period
Disposal of fixed assets	308,957.41	-144,872.28

**74. Non-operating income**

Unit: RMB

Item	Amount for the current period	Amount for previous period	Amount of non-recurring gain or loss included in the current period
Accepting donations	33,001.00	112,000.00	33,001.00
Compensation received	293,393.82	48,990.09	293,393.82

Amount of combination cost less than the fair value share of identifiable net assets obtained		673,727.72	
Payments that do not need to be made upon approval	4,015,457.76		4,015,457.76
Others	1,007,722.92	861,437.24	1,007,722.92
Total	5,349,575.50	1,696,155.05	5,349,575.50

## 75. Non-operating Expenses

Unit: RMB

Item	Amount for the current period	Amount for previous period	Amount of non-recurring gain or loss included in the current period
Loss from exchange of non-monetary assets			1.57
Donation	345,894.96	3,095,889.50	345,894.96
Abandonment losses of non-current assets	1,612,201.57	9,015.27	1,612,201.57
Others	686,933.68	2,119,519.32	686,933.68
Total	2,645,030.21	5,224,424.09	2,645,030.21

## 76. Income Tax Expense

### (1) Table of income tax expenses

Unit: RMB

Item	Amount for the current period	Amount for previous period
Current income tax	342,073,538.57	175,442,968.27
Deferred income tax	-9,352,714.12	-37,845,346.91
Total	332,720,824.45	137,597,621.36

### (2) Adjustment process of accounting profit and income tax expense

Unit: RMB

Item	Amount for the current period
Total profit	3,219,574,861.60
Income tax expenses calculated based on the statutory (or applicable) tax rates	482,936,461.47
Impact of different tax rates applied to subsidiaries	-4,945,058.03
Impact of adjusting income tax in previous periods	-9,206,108.21
Impact of non-taxable income	-253,063.53
Impact of non-deductible costs, expenses, and losses	770,089.48

Impact of deductible losses not recognized as deferred income tax assets before utilization	-71,459,080.98
Impact of deductible temporary differences or deductible losses not recognized as deferred income tax assets for the period	7,740,002.81
Impact of R&D expenses plus deduction	-58,487,764.30
Impact of income tax credit for investment in special equipment	-13,040,633.26
Others	-1,334,021.00
Income tax expenses	332,720,824.45

## 77. Other comprehensive income

For details, please refer to the notes.

## 78. Cash flow statement

### (1) Cash received relating to other operating activities

Unit: RMB

Item	Amount for the current period	Amount for previous period
Interest Income	19,716,676.85	33,281,981.36
Subsidy income	263,436,972.90	248,848,818.36
Recovered deposit	8,148,685.49	13,224,154.33
Other receivables received	3,219,994.43	
Collecting employee incentive and dividend personal income tax		46,031,316.80
Others	1,679,638.51	2,119,241.75
Total	296,201,968.18	343,505,512.60

### (2) Cash payments relating to other operating activities

Unit: RMB

Item	Amount for the current period	Amount for previous period
Deposit payment	9,001,100.64	1,767,280.81
Other payable paid	737,289.34	888,605.40
Paying employee incentive and dividend personal income tax	46,031,316.80	
Administrative expenses and R&D expenses	115,193,779.54	63,899,169.60
Operating expenses	42,407,495.96	33,557,836.05
Service charge	8,271,108.87	5,361,462.57
Donation expenditure	345,894.96	3,095,889.50
Reserve fund paid	1,888,869.92	1,230,949.29

Others	686,933.68	2,119,519.32
Total	224,563,789.71	111,920,712.54

**(3) Cash received relating to other investing activities**

Unit: RMB

Item	Amount for the current period	Amount for previous period
Net cash payments received from acquisitions of subsidiaries		1,098,067.46

**(4) Cash payments relating to other investing activities**

Unit: RMB

Item	Amount for the current period	Amount for previous period
Payment for debt as an agent for acquisitions of subsidiaries	473,586,405.90	521,580,488.33
Payment for acquisition of minority equity	1,000,000.00	
Total	474,586,405.90	521,580,488.33

**(5) Cash received relating to other financing activities: None****(6) Cash payments relating to other financing activities**

Unit: RMB

Item	Amount for the current period	Amount for previous period
Payment for equity of minority shareholder	10,000,000.00	490,557,252.00
Repayment of loans from non-financial institutions		6,034,200.00
Payment for share repurchase	204,444,302.78	194,809.12
Forfeiting Business Deposit	139,356,113.20	
Financing lease payment	2,019,792.67	
Total	355,820,208.65	496,786,261.12

Explanations on cash payments relating to other financing activities:

**79. Supplementary information of cash flow statement****(1) Supplementary information of cash flow statement**

Unit: RMB

Supplementary information	Amount for the current period	Amount for the previous period
1. Reconciliation of net profit to cash flows from operating activities	--	--
Net profit	2,886,854,037.15	1,175,649,460.92

Plus: impairment provision for assets	10,663,472.55	17,810,098.57
Credit impairment losses	24,846,360.74	38,744,542.00
Depreciation of fixed assets, depreciation of oil and gas assets, and depreciation of productive biological assets	781,727,096.08	546,285,462.75
Depreciation of right-of-use assets		
Amortization of intangible assets	14,814,730.11	12,101,138.12
Amortization of long-term unamortized expenses	4,899,969.37	3,740,895.56
Losses from disposal of fixed assets, intangible assets, and other long-term assets (gain is indicated with “-”)	-308,957.41	144,872.28
Losses from scrapping of fixed assets (gain is indicated with “-”)	1,612,201.57	9,015.27
Losses from change of fair value (gain is indicated with “-”)	-137,194.34	-10,951,914.18
Financial expenses (gain is indicated with “-”)	221,206,595.88	203,597,658.74
Investment losses (gain is indicated with “-”)	-27,109,413.02	-8,627,395.44
Decrease in deferred income tax assets (increase is indicated with “-”)	-49,950,474.49	-60,253,611.03
Increase in deferred income tax liabilities (decrease is indicated with “-”)	40,737,974.76	22,408,264.12
Decrease in inventory (increase is indicated with “-”)	-535,080,982.13	-221,512,160.66
Decrease in operating receivables (increase is indicated with “-”)	-3,462,031,254.35	-1,333,445,763.86
Increase in operating payables (decrease is indicated with “-”)	1,487,422,225.90	647,263,525.29
Others	18,478,989.45	22,215,924.74
Net cash flows from operating activities	1,418,645,377.82	1,055,180,013.19
2. Significant investment and financing activities not involving cash receipts and payments:	--	--
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:	--	--
Closing balance of cash	1,369,299,568.60	2,054,915,784.55
Less: opening balance of cash	2,054,915,784.55	715,655,914.78
Plus: closing balance of cash equivalents		
Less: opening balance of cash equivalents		
Net increase in cash and cash equivalents	-685,616,215.95	1,339,259,869.77

(2) Net cash paid for acquisitions of subsidiaries for the period: None

(3) Net cash received from disposal of subsidiaries for the period: None

(4) Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	1,369,299,568.60	2,054,915,784.55
Including: Cash on hand	141,604.43	144,778.56
Cash at bank that can be readily drawn on demand	1,369,157,964.17	2,054,771,005.99
II. Cash equivalents		
III. Cash and cash equivalents at the end of the Reporting Period	1,369,299,568.60	2,054,915,784.55

80. Notes to statement of changes in equity: None

81. Assets with Restricted Ownership or Use Rights

Unit: RMB

Item	Closing book value	Reason of restriction
Monetary capital	462,772,214.04	Bank draft margin, letter of credit margin, letter of guarantee margin
Notes receivable	17,141,467.20	Bank loans through pledge
Fixed assets	2,488,699,031.50	Comprehensive bank credit and loan through mortgage
Intangible assets	224,635,117.58	Comprehensive bank credit and loan through mortgage
Accounts receivable financing	154,912,704.68	Bank loans and bank acceptance through pledge
Accounts receivable	6,769,341.65	Bank loans through pledge
Other non-current assets	387,856,800.77	Bank loans through pledge
Total	3,742,786,677.42	--

82. Monetary items denominated in foreign currencies

(1) Monetary items denominated in foreign currencies

Unit: RMB

Item	Ending balance of foreign currency	Exchange rate	Ending balance converted into RMB
Monetary capital	--	--	78,962,304.28
Including: USD	10,838,538.07	6.3757	69,103,267.14
Euro	1,313,437.14	7.2197	9,482,622.09

HKD	679.23	0.8176	555.34
JPY	289,597.00	0.0554	16,048.04
HUF	18,383,138.19	0.0196	359,811.67
Accounts receivable	--	--	164,128,711.00
Including: USD	15,095,666.74	6.3757	96,245,442.43
Euro			
HKD			
JPY	1,224,998,080.13	0.0554	67,883,268.61
Long-term borrowings	--	--	
Including: USD			
Euro			
HKD			
Accounts receivable financing	17,879,675.91	--	113,995,449.70
Including: USD	17,879,675.91	6.3757	113,995,449.70
Short-term borrowings	176,552,853.21	--	1,190,636,026.22
Including: USD	99,552,853.21	6.3757	634,719,126.22
Euro	77,000,000.00	7.2197	555,916,900.00
Accounts payable	27,279,128.54	--	116,071,902.15
Including: USD	18,125,798.54	6.3757	115,564,670.37
JPY	9,153,330.00	0.0554	507,231.78
Other payables	281,069.93	--	1,792,017.55
Including: USD	281,069.93	6.3757	1,792,017.55
Long-term borrowings (including those due within 1 year)	2,853,538,462.00	--	158,128,833.85
Including: JPY	2,853,538,462.00	0.0554	158,128,833.85

(2) Description of overseas business entities; for material overseas business entities, disclose their major business places overseas, functional currency and the selection criterion thereof; should there be any change in the functional currency, disclose the reason for such change

Applicable N/A

### 83. Hedging: None

### 84. Government grant

(1) Details of government grants

Unit: RMB

Type	Amount	Presented items	Amount included in current profit and loss
Government subsidies recorded in deferred income	107,516,701.35		60,813,656.46
Government subsidies recorded in other income	72,920,271.55		72,920,271.55
Government subsidies offset against costs and expenses	7,154,200.00		7,154,200.00
Total	187,591,172.90		141,888,128.01

**(2) Return of government grants**

Applicable N/A

Other explanations:

Details of government subsidies offset against costs and expenses

Grant item	Classification	Recognized in the current year	Recognized in the prior year	Item to be offset against
Interest subsidy of "Ten-Hundred-Thousand" Project from Industry and Information Technology Bureau	government subsidies related to income	7,154,200.00		Financial expenses

**85. Others: None****VIII. Changes in the Consolidation Scope****1. Merger of enterprises not under common control: None****2. Merger of enterprises under common control: None****3. Reverse purchase: None****4. Disposal of subsidiaries: None****5. Changes in the consolidation scope due to other reasons**

During the year, 9 new subsidiaries were included into the consolidation scope and 3 subsidiaries were removed from the consolidation scope. For details, please refer to "The scope of the consolidated financial statements" under "III. Corporate Information" of this section.

## 6. Others: None

## IX. Interests in Other Entities

### 1. Interests in subsidiaries

#### (1) Constitution of the enterprise group

Name of subsidiaries	Principal place of business	Place of registration	Nature of business	Shareholding proportion		Method of acquisition
				Direct	Indirect	
Yunnan Dexin Paper Co., Ltd.	Yuxi, Yunnan	Yuxi, Yunnan	Paper production and sales	100.00%		Newly established
Yunnan Hongchuang Packaging Co., Ltd.	Yuxi, Yunnan	Yuxi, Yunnan	Production and sales of aseptic packing box	59.46%		Newly established
Yunnan Hongta Plastic Co., Ltd.	Yuxi, Yunnan	Yuxi, Yunnan	Bopp film production and sales	100.00%		Newly established
Hongta Plastic (Chengdu) Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Bopp film production and sales		100.00%	Newly established
Yuxi Feiermu Trading Co., Ltd.	Yuxi, Yunnan	Yuxi, Yunnan	Trading		100.00%	Newly established
Shanghai Energy New Material Technology Co., Ltd.	Shanghai	Shanghai	Production and sales of lithium battery separator film	95.22%		Merger of enterprises under common control
Zhuhai Energy New Material Technology Co., Ltd.	Zhuhai, Guangdong	Zhuhai, Guangdong	Production and sales of lithium battery separator film		100.00%	Newly established
Guangdong Energy New Material Institute Co., Ltd.	Zhuhai, Guangdong	Zhuhai, Guangdong	Technical services		100.00%	Newly established
Wuxi Energy New Material Technology Co., Ltd.	Wuxi, Jiangsu	Wuxi, Jiangsu	Production and sales of lithium battery separator film		100.00%	Newly established
Jiangxi Tony New Energy Technology Development Co., Ltd.	Yichun, Jiangxi	Yichun, Jiangxi	Production and sales of lithium battery separator film		100.00%	Business combination not under the common control
Jiangxi Ruijie New Material Technology Co., Ltd.	Yichun, Jiangxi	Yichun, Jiangxi	Production and sales of packaging materials		82.00%	Business combination not under the common control
Suzhou Green Power New Energy Materials Co., Ltd.	Suzhou, Jiangsu	Suzhou, Jiangsu	Production and sales of lithium battery separator film		100.00%	Business combination not under the common control
Foshan Donghang Photoelectric Technology Co., Ltd.	Foshan, Guangdong	Foshan, Guangdong	Production and sales of lithium battery separator film		100.00%	Business combination not under the common control

Chongqing Energy Newmi Technological Co., Ltd.	Chongqing	Chongqing	Production and sales of lithium battery separator film		76.36%	Business combination not under the common control
Jiangxi Enbo New Material Co., Ltd.	Yichun, Jiangxi	Yichun, Jiangxi	Production and sales of lithium battery separator film		51.00%	Newly established
Jiangxi Energy New Material Technology Co., Ltd.	Yichun, Jiangxi	Yichun, Jiangxi	Production and sales of lithium battery separator film		100.00%	Newly established
Chongqing Energy New Material Technology Co., Ltd.	Chongqing	Chongqing	Production and sales of lithium battery separator film		100.00%	Newly established
Hainan Energy Investment Co., Ltd.	Chengmai County, Hainan Province	Chengmai County, Hainan Province	Investment and technology services		100.00%	Newly established

Chuangxin New Material (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Trading		100.00%	Newly established
Jiangsu Energy New Material Technology Co., Ltd.	Changzhou, Jiangsu	Changzhou, Jiangsu	Production and sales of lithium battery separator film		100.00%	Newly established
Jiangsu Ruijie New Material Technology Co., Ltd.	Changzhou, Jiangsu	Changzhou, Jiangsu	Production and sales of packaging materials		100.00%	Newly established
Hainan Energy Frontier New Material Technology Co., Ltd.	Changsha, Hunan	Changsha, Hunan	Production and sales of new materials		65.00%	Newly established
Hubei Energy New Material Technology Co., Ltd.	Jingmen, Hubei	Jingmen, Hubei	Production and sales of new materials		100.00%	Newly established
Jiangsu Sanhe Battery Material Technology Co., Ltd.	Liyang, Jiangsu	Liyang, Jiangsu	Production and sales of new materials		67.11%	Newly established
Ningbo Energy New Material Co., Ltd.	Ningbo, Zhejiang	Ningbo, Zhejiang	Production and sales of new materials	100.00%		Newly established
SEMCORP Global Holdings KFT	Hungary	Hungary	Investment and technology services		100.00%	Newly established
SEMCORP Hungary KFT	Hungary	Hungary	Production and sales of lithium battery separator film		100.00%	Newly established

## (2) Key non-wholly owned subsidiaries

Unit: RMB

Name of subsidiaries	Percentage of shares held by minority shareholders	Profit or loss attributable to minority shareholders in the current period	Dividends declared to minority shareholders in the current period	Ending balance of minority interests
Shanghai Energy New Material Technology Co., Ltd.	4.78%	123,086,797.58	1,906,665.89	323,708,042.65

## (3) Main financial information of key non-wholly owned subsidiaries

Unit: RMB

Name of subsidiaries	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities

Shanghai Energy New Material Technology Co., Ltd.	8,002,933.29 4.88	15,706,203.80 02.06	23,709,137.00 96.94	12,800,539.30 83.27	4,052,008.56 0.95	16,852,547.90 44.22	5,020,256.24 7.60	11,164,066.30 8.05	16,184,322.50 55.65	8,303,525.64 3.52	3,630,981.41 8.84	11,934,507.06 2.36
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Unit: RMB

Name of subsidiaries	Amount for current period				Amount for previous period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Shanghai Energy New Material Technology Co., Ltd.	6,437,042,499.54	2,601,194,882.51	2,597,260,626.50	973,247,465.44	2,647,651,880.53	961,572,206.27	961,572,206.27	220,246,091.98

(4) Major restrictions on the use of assets and settlement of debts of the corporate group: None

(5) Financial support or other support provided for structured entity included in the scope of the consolidated financial statements: None

2. Transaction in which the share of owner's equity in the subsidiary changes while control over the subsidiary remains unchanged: None

### 3. Interests in joint arrangement or associates

(1) Important joint ventures or associates

Name of joint ventures or associates	Principal place of business	Place of registration	Nature of business	Shareholding proportion		Accounting treatment for investments in joint ventures or associates
				Direct	Indirect	
Kunshasi	Yuxi, Yunnan	Yuxi, Yunnan	Additive production	40.00%		Equity

(2) Main financial information of important joint ventures: None

(3) Main financial information of important associates

Unit: RMB

	Closing balance/Amount for the current period	Opening balance/Amount for the previous period
	Yuxi Kunshasi Plastic Color Masterbatch Co., Ltd.	Yuxi Kunshasi Plastic Color Masterbatch Co., Ltd.
Current assets	10,570,401.00	9,558,003.37
Non-current assets	156,715.06	195,918.55
Total assets	10,727,116.06	9,753,921.92
Current liabilities	1,862,155.53	1,315,899.74
Total liabilities	1,862,155.53	1,315,899.74
Shareholders' equity attributable to the parent company	8,864,960.53	8,438,022.18
Pro rata shares of the net assets calculated	3,545,984.21	3,375,208.87

Book value of equity investments in associates	3,545,984.21	3,375,208.87
Operating income	34,410,276.56	32,405,011.05
Net profit	4,217,725.58	3,790,787.22
Total comprehensive income	4,217,725.58	3,790,787.22
Dividends received from associates during the year	1,516,314.89	1,484,562.91

(4) Combined financial information of insignificant joint ventures and associates: None

(5) Explanation on significant restrictions on the ability of joint ventures or associates to transfer funds to the Company: None

(6) Excess loss generated from joint ventures or associates: None

(7) Unrecognised commitment related to investments in joint ventures

(8) Contingent liabilities related to investments in joint ventures or associates

**4. Significant joint operation: None**

**5. Interests in structured entities not included in the scope of consolidated financial statements: None**

**6. Others: None**

## **X. Risks Related to Financial Instruments**

The Company's primary financial instruments include cash and cash equivalents, loans, receivables, payables and convertible bonds, etc. In daily business activities, the Company is faced with various risks of financial instruments, mainly including credit risk, liquidity risk and market risk. The risks associated with these financial instruments and the risk management policies adopted by the Company to mitigate these risks are described as follows:

The board of directors is responsible for planning and establishing the Company's risk management framework, formulating risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Company has formulated risk management policies to identify and analyze the risks. These risk management policies clearly stipulated the specific risks, covering market risk, credit risk, liquidity risk management and many other aspects. The Company regularly evaluates the market environment and changes in its business activities to determine whether to update its 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 relevant risks through close cooperation with other departments. The internal audit department performs regular audit on risk management controls and procedures, and reports the audit results to the audit committee. The Company disperses the risk of financial instruments through appropriate diversified investment and business portfolio, and reduces the risks of being concentrated on a single industry, specific region or specific counterparty by formulating corresponding risk management policies.

### **(I) Credit risk**

Credit risk refers to the risk of financial loss to the Company caused by the counterparty's failure to perform its contractual obligations. The management has formulated appropriate credit policies and constantly monitors the exposure of credit risk.

The Company has adopted a policy of trading only with credit worthy counterparties. In addition, the Company assesses the credit qualification of customers and sets corresponding credit period based on their financial status, the possibility of obtaining guarantee from a third party, credit records and other factors such as current market conditions. The Company continuously monitors the balance and recovery of notes and accounts receivable. For customers with poor credit records, the Company will use written dunning, shortening credit period or canceling credit period to

ensure that the Company will not face significant credit loss. In addition, the Company reviews the recovery of financial assets on each balance sheet date to ensure that the relevant financial assets are fully prepared for the expected credit loss.

Other financial assets of the Company include other receivables, other current assets, other non-current assets, etc. The credit risk of these financial assets comes from the default of the counterparty, and the maximum credit risk exposure is the book amount of each financial asset in the statement of financial position. The company does not provide any other guarantee that may expose company to credit risk.

The cash and cash equivalents held by the Company are mainly deposited in the state-owned holding banks and other large and medium-sized commercial banks and other financial institutions. The management believes that these commercial banks have high reputation and asset status, there is no significant credit risk, and there will be no significant loss caused by the default of the other party. The company's policy is to control the amount of deposit deposited according to the market reputation, business scale and financial background of each well-known financial institution, so as to limit the amount of credit risk to any single financial institution.

As a part of the Company's credit risk asset management, the Company uses account aging to assess the impairment loss of accounts receivable and other receivables. The accounts receivable and other receivables involve a large number of customers. The aging information can reflect the solvency and bad debt risk of these customers for accounts receivable and other receivables. Based on historical data, the Company calculates the historical actual bad debt rate of different account age periods, and takes into account the forecast of current and future economic conditions, such as national GDP growth and other forward-looking information to adjust the expected loss rate. For long term receivables, the Company comprehensively considers the settlement period, payment period agreed in the contract, the financial situation of the debtor and the economic situation of the debtor's industry, and reasonably evaluates the expected credit loss after adjusting the aforesaid forward-looking information.

As of December 31, 2021, the book balance and expected credit impairment loss of related assets are as follows:

Item	Book balance	Provision for impairment
Notes receivable	377,940,988.65	9,365,797.42
Accounts receivable	4,541,764,022.29	136,327,936.77
Other receivables	9,344,080.58	1,224,763.84
Other non-current assets	461,548,862.25	
Receivable financing	113,995,449.70	934,762.69
Other current assets	50,567,013.89	
Total	5,555,160,417.36	147,853,260.72

As at December 31, 2021, the Company did not provide any external financial guarantee.

The major clients of the Company have reliable and good reputation. Therefore, the Company does not believe that such customers have significant credit risks. As the Company has a wide range of customers, there is no significant credit concentration risk.

## (II) Liquidity risk

Liquidity risk refers to the risk of fund shortage when the Company satisfies the obligation of settlement by delivering cash or other financial assets. Each member of the Company is responsible for their own cash flow forecast. Based on the cash flow forecast results of each member enterprise, the subordinate financial department of the Company continuously monitors the short-term and long-term capital demand of the Company at the Company level to ensure that sufficient cash reserves are maintained; at the same time, it continuously monitors whether it conforms to the provisions of the loan agreement and obtains the commitment of providing sufficient reserve funds from the main financial institutions to meet the short-term and long-term capital demand. In addition, the Company entered into a financing line credit agreement with major business banks to provide support for the Company to fulfill its obligations related to commercial bills. As of December 31, 2021, the Company has had a bank credit line of RMB16,067,674,500 billion granted by several domestic banks, RMB8,196,319,700 billion of which has been used.

As of December 31, 2021, all the financial liabilities and off balance sheet guarantees of the Company are presented at undiscounted contractual cash flows by maturity date as follows:

Item	Closing balance			
	Less than 1 year	1-5 years	Over 5 years	Total
Short-term borrowings	4,116,148,340.30			4,116,148,340.30
Notes payable	487,407,828.53			487,407,828.53
Accounts payable	650,545,657.28			650,545,657.28
Other payables	70,277,422.63			70,277,422.63

Long-term borrowings	377,299,907.20	2,803,108,832.30		3,180,408,739.50
Bonds payable	2,315,838.60	413,239,181.29		415,555,019.89
Total	5,703,994,994.54	3,216,348,013.59		8,920,343,008.13

### (III) Market risk

#### 1. Exchange rate risk

The Company's major operational activities are carried out in China, and its main business is settled in RMB. However, the recognized assets and liabilities denominated in foreign currencies and future transactions denominated in foreign currencies (the assets and liabilities denominated in foreign currencies and transactions denominated in foreign currencies are mainly denominated in USD, EUR and JPY) still have exchange rate risk. The financial department of the Company is responsible for monitoring the scale of transactions denominated in foreign currencies and assets and liabilities of the Company denominated in foreign currencies to minimize the exchange rate risk; therefore, the Company may sign forward foreign exchange contracts or currency swap contracts to avoid exchange rate risk.

(1) In the current year, the Company did not sign any forward exchange contracts or currency swap contracts.

(2) As of December 31, 2021, the financial assets and the financial liabilities denominated in foreign currencies held by the Company, are expressed in RMB as follows:

Item	Closing balance					
	USD	JPY	EUR	HKD	HUF	Total
<u>Financial assets denominated in foreign currencies:</u>						
Monetary capital	69,103,267.14	16,048.04	9,482,622.09	555.34	359,811.67	78,962,304.28
Accounts receivable	96,245,442.43	67,883,268.61				164,128,711.04
Receivables financing	113,995,449.70					113,995,449.70
Subtotal	279,344,159.27	67,899,316.65	9,482,622.09	555.34	359,811.67	357,086,465.02
<u>Financial liabilities denominated in foreign currencies:</u>						
Short-term borrowings	634,719,126.22		555,916,900.00			1,190,636,026.22
Accounts payable	115,564,670.37	507,231.78				116,071,902.15
Other payables	1,792,017.55					1,792,017.55
Long-term borrowings (including those maturing within one year)		158,128,833.85				158,128,833.85
Sub-total	752,075,814.14	158,636,065.63	555,916,900.00			1,466,628,779.77

(3) Sensitivity analysis:

As of December 31, 2021, for all kinds of USD, EUR, JPY and HKD financial assets and USD, EUR, JPY and HKD financial liabilities of the Company, if RMB appreciates or depreciates 10% against USD, EUR, JPY and HKD, and other factors remain unchanged, the Company will reduce or increase its net profit by about RMB94.3111 million (about RMB4.3223 million in 2020).

#### 2. Interest rate risk

The interest rate risk of the Company mainly derives from bank loans, etc. Financial liabilities at floating interest rate expose the Company to the interest rate risk of cash flow, and financial liabilities with fixed interest rate expose the Company to the interest rate risk of fair value. The company determines the relative proportion of fixed rate and floating rate contracts according to the market environment at that time.

The financial department of the Company continuously monitors the interest rate level of company. The rising interest rate will increase the cost of new interest-bearing debt and the interest expense of the outstanding interest-bearing debt at floating interest rate, and have a significant

adverse impact on the financial performance of company. The management will make timely adjustments according to the latest market conditions, which may be interest rate swap arrangements to reduce interest rate risk.

(1) The Company had no significant interest rate swap arrangements this year.

(2) As of December 31, 2021, the Company's long-term interest-bearing liabilities were the floating rate contract denominated in RMB, amounting to RMB3,180,408,700, as set out in "45. Long-term loans" in "VII. Notes to consolidated financial statement items" of this section.

(3) Sensitivity analysis:

As of December 31, 2021, if the loan interest rate on the floating interest rate borrowings rises or falls by 50 basis points, while other factors remain unchanged, the Company's net profit will decrease or increase by about RMB2,242,400 (approximately RMB2,100 in 2020).

The above sensitivity analysis assumes that the interest rate has changed on the balance sheet date and has been applied to all borrowings obtained by the Company at a floating interest rate.

### 3. Price risk

Price risk refers to the risk of fluctuation due to the change of market price other than exchange rate risk and interest rate risk, which mainly comes from the change of commodity price, stock market index, equity instrument price and other risk variables.

## XI. Disclosure of Fair Value

### 1. Fair value of assets and liabilities measured at fair value at the end of the period

Unit: RMB

Item	Closing fair value			
	Fair value measured at the first level	Fair value measured at the second level	Fair value measured at the third level	Total
I. Continuous fair value measurement	--	--	--	--
(1) Financial assets held for trading		5,137,194.34		5,137,194.34
(2) Receivables financing			526,473,335.53	526,473,335.53
(3) Other equity instrument investment			110,000,000.00	110,000,000.00
Total assets measured at fair value on a continuous basis		5,137,194.34	636,473,335.53	641,610,529.87

### 2. Determination basis of the market price of the item measured using the first-level continuous and noncontinuous fair value measurement

### 3. Valuation techniques and qualitative and quantitative information on important parameters adopted for the second-level continuous and noncontinuous fair value measurement

The Company's financial assets held for trading were structural deposits, whose estimated yield rate was the determination basis for the market price.

### 4. Valuation techniques and qualitative and quantitative information on important parameters adopted for the third-level continuous and noncontinuous fair value measurement

The non-trading equity instruments at fair value through other comprehensive income held by the Company, whose fair value is measured at the third level, are mainly the equity investment projects that are not available for verification by data in observable active markets, for which the financial forecast is made using their own information,

The receivables financing held by the Company were the bank acceptance bills and factored accounts receivable held by the Company, whose remaining life is short and book value is close to their fair value.

## 5. Continuous third-level fair value measurement items, adjustment information between the opening and closing book values and sensitivity analysis of unobservable parameters

## 6. For the continuous fair value measurement items, if there is a conversion between levels in the current period, describe the reason for the conversion and the policy for determining the time point of the conversion

## 7. Changes in valuation techniques and the cause of changes in the current period

## 8. Fair value of financial assets and financial liabilities that are not measured at fair value

Financial assets and liabilities not measured at fair value mainly include receivables, short term loans, payables, non-current liabilities maturing within one year and long term loans.

The difference between book value and fair value of the above financial assets and liabilities not measured at fair value is very small.

## 9. Others

# XII. Related Parties and Related Party Transactions

## 1. Information about Parent Company of the Company

The ultimate controller of the Company was the Paul Xiaoming Lee family.

As of December 31, 2021, the actual controller of the Company was the Paul Xiaoming Lee family. The Paul Xiaoming Lee family held 46.4800% of the Company's shares directly and indirectly, and actually controlled the Company. The shareholding of Paul Xiaoming Lee's family is as follows: his family member Paul Xiaoming Lee holds 14.1407% of the shares directly, his family member Li Xiaohua holds 7.8258% of the shares directly, his family member Sherry Lee holds 8.2328% of the shares directly, and his family member Jerry Yang Li holds 1.9842% of the shares directly. Paul Xiaoming Lee's family members indirectly hold 14.2965% equity of the Company through Yuxi Heyi Investment Co., Ltd, Yuxi Heli Investment Co., Ltd and Shanghai Hengzou.

## 2. Information about subsidiaries of the Company

Please refer to Note "1. Interest in Subsidiaries" of "IX. Interests in Other Entities" for details of the subsidiaries of the Company.

## 3. Information about joint ventures and associates of the Company

Please refer to Note "3. Equity in Joint Ventures or Associates Enterprises" of "IX. Interests in Other Entities" for details of joint ventures and associates of the Company.

Information on other associates or joint ventures which have related-party transactions with the Company in the current period or whose related-party transactions with the Company produced balance in previous years is as follows:

Name of joint venture or associate	Relationship with the Company
Yuxi Kunshasi Plastic Color Masterbatch Co., Ltd.	An associate of the Company

## 3. Information about Other Related Parties

Name of other related party	Relationship with the Company
Yuxi Heli Investment Co., Ltd.	Shareholder

Yuxi Heyi Investment Co., Ltd.	Shareholder
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PAUL XIAOMING LEE	Main member of the ultimate controller family
Li Xiaohua	Main member of the ultimate controller family
YAN MA	Main member of the ultimate controller family
YANYANG HUI	Main member of the ultimate controller family
SHERRY LEE	Main member of the ultimate controller family
JERRY YANG LI	Main member of the ultimate controller family
Industrial and Commercial Bank of China Limited	The spouse of the independent director of the Company serves as its non-executive director

## 5. Related party transactions

### (1) Related party transactions on purchase and sales of goods and rendering and receiving of services

Statement of purchase of goods/acceptance of services

Unit: RMB

Related party	Particulars of related transaction	Amount for the current period	Approved transaction limit	Whether exceeding the transaction limit	Amount for the previous period
Yuxi Kunshasi Plastic Color Masterbatch Co., Ltd.	Purchase of additives	34,410,276.56	40,000,000.00	No	32,405,011.05

Statement of sales of goods/rendering of services

Unit: RMB

Related party	Particulars of related transaction	Amount for the current period	Amount for the previous period
Yuxi Kunshasi Plastic Color Masterbatch Co., Ltd.	Sales of raw materials	10,463,008.84	12,510,578.39

Description of related-party transactions on purchase and sales of goods and rendering and receiving of services

### (2) Trusteeship/contracting and entrusted management/outsourcing: None

### (3) Leases with related parties

The Company as the lessor:

Unit: RMB

Lessee's name	Type of leased assets	Rental income recognized for the period	Rental income recognized in the previous period
Yuxi Heli Investment Co., Ltd.	Office	2,285.72	2,285.72
Yuxi Heyi Investment Co., Ltd.	Office	3,142.84	2,357.13
Yuxi Kunshasi Plastic Color Masterbatch Co., Ltd.	Workshop	22,857.14	22,857.15
Total		28,285.70	27,500.00

The Company as the lessee: None

### (4) Related party guarantees

The Company as the guarantor

Unit: RMB

Secured party	Guarantee amount	Commencement date of guarantee	Expiry date of guarantee	Whether the guarantee has been fully fulfilled
Hongta Plastic	44,000,000.00	April 25, 2021	April 08, 2022	No
Hongta Plastic	40,000,000.00	August 27, 2021	August 08, 2022	No
Hongta Plastic	210,000,000.00	November 10, 2020	December 31, 2025	No
Hongta Plastic	40,000,000.00	November 09, 2020	October 23, 2025	No
Hongta Plastic	34,900,000.00	March 18, 2021	March 18, 2023	No
Hongta Plastic	50,000,000.00	March 25, 2021	March 24, 2022	No
Hongta Plastic	40,000,000.00	October 29, 2021	October 29, 2023	No
Hongta Plastic	30,000,000.00	November 22, 2021	November 21, 2022	No
Hongta Plastic	78,000,000.00	November 29, 2021	November 29, 2024	No
Dexin Paper	22,300,000.00	November 13, 2019	November 13, 2022	No
Dexin Paper	8,000,000.00	March 30, 2021	December 31, 2024	No
Hongchuang Packaging	20,000,000.00	March 10, 2020	February 28, 2022	No
Hongchuang Packaging	30,000,000.00	October 23, 2020	September 28, 2021	No
Hongchuang Packaging	66,000,000.00	April 25, 2021	April 08, 2022	No
Hongchuang Packaging	40,000,000.00	November 30, 2020	November 29, 2022	No
Hongchuang Packaging	22,000,000.00	November 29, 2021	April 14, 2022	No
Hongchuang Packaging	65,000,000.00	November 22, 2021	November 21, 2022	No
Chengdu Hongta Plastic	75,000,000.00	April 13, 2021	April 12, 2022	No
Chengdu Hongta Plastic	18,000,000.00	July 27, 2021	July 27, 2022	No
Shanghai Energy	100,000,000.00	July 25, 2019	July 24, 2025	No
Shanghai Energy	110,000,000.00	November 30, 2020	November 30, 2021	No
Shanghai Energy	550,000,000.00	December 17, 2019	December 17, 2022	No
Shanghai Energy	856,000,000.00	September 30, 2020	September 27, 2027	No
Shanghai Energy	80,000,000.00	September 27, 2020	March 26, 2022	No
Shanghai Energy	300,000,000.00	October 23, 2020	October 23, 2023	No
Shanghai Energy	360,000,000.00	March 01, 2021	December 07, 2021	No
Shanghai Energy	280,000,000.00	March 05, 2021	March 05, 2024	No
Shanghai Energy	489,000,000.00	March 16, 2021	March 15, 2026	No
Shanghai Energy	100,000,000.00	March 01, 2021	December 03, 2021	No
Shanghai Energy	196,000,000.00	April 15, 2021	March 23, 2022	No
Shanghai Energy	100,000,000.00	May 27, 2021	February 26, 2022	No
Shanghai Energy	250,000,000.00	June 02, 2021	May 26, 2022	No

Shanghai Energy	223,008,000.00	June 28, 2021	June 27, 2027	No
Shanghai Energy	510,000,000.00	July 14, 2021	July 13, 2026	No
Shanghai Energy	100,000,000.00	September 08, 2021	September 07, 2022	No
Shanghai Energy	110,000,000.00	September 15, 2021	September 15, 2023	No
Shanghai Energy	500,000,000.00	September 10, 2021	September 09, 2025	No
Shanghai Energy	150,000,000.00	August 20, 2021	August 20, 2022	No
Shanghai Energy	70,800,000.00	December 12, 2021	December 01, 2022	No
Shanghai Energy	100,000,000.00	January 01, 2022	December 31, 2024	No
Zhuhai Energy	100,000,000.00	December 11, 2019	December 11, 2024	No
Zhuhai Energy	200,000,000.00	May 08, 2020	May 08, 2025	No
Zhuhai Energy	150,000,000.00	December 22, 2020	December 22, 2021	No
Zhuhai Energy	50,000,000.00	May 21, 2021	December 03, 2021	No
Zhuhai Energy	100,000,000.00	May 18, 2021	May 18, 2022	No
Zhuhai Energy	30,000,000.00	June 24, 2021	June 24, 2024	No
Zhuhai Energy	112,850,000.00	September 01, 2021	August 31, 2025	No
Zhuhai Energy	400,000,000.00	August 18, 2021	August 17, 2022	No
Zhuhai Energy	200,000,000.00	August 25, 2021	July 23, 2022	No
Zhuhai Energy	500,000,000.00	September 18, 2021	September 18, 2022	No
Zhuhai Energy	400,000,000.00	September 26, 2021	September 25, 2022	No
Zhuhai Energy	220,000,000.00	September 21, 2020	January 31, 2024	No
Wuxi Energy, Jiangxi Tonry, Chongqing Energy, Jiangxi Enbo	1,500,000,000.00	April 09, 2021	April 09, 2023	No
Wuxi Energy	200,000,000.00	June 10, 2021	May 23, 2022	No
Wuxi Energy	100,000,000.00	August 07, 2021	August 07, 2024	No
Wuxi Energy	100,000,000.00	September 10, 2021	August 30, 2022	No
Wuxi Energy	80,000,000.00	September 02, 2021	September 01, 2022	No
Jiangxi Tonry	100,000,000.00	December 11, 2020	December 10, 2021	No
Jiangxi Tonry	50,000,000.00	October 28, 2020	October 27, 2022	No
Jiangxi Tonry	135,000,000.00	January 22, 2021	January 21, 2024	No
Jiangxi Tonry, Wuxi Energy, Chongqing Energy, Jiangxi Enbo, Jiangxi Ruijie	800,000,000.00	May 01, 2021	May 01, 2023	No
Jiangxi Tonry	250,000,000.00	September 17, 2021	September 17, 2022	No
Suzhou Green Power	150,000,000.00	July 01, 2020	July 01, 2023	No

Suzhou Green Power	100,000,000.00	April 08, 2020	April 07, 2022	No
Suzhou Green Power	100,000,000.00	November 30, 2021	November 30, 2026	No
Chongqing Energy, Jiangsu Ruijie	1,300,000,000.00	November 01, 2021	December 31, 2022	No
Jiangxi Ruijie	200,000,000.00	June 10, 2021	April 09, 2023	No
SEMCORP Hungary KFT	148,672,000.00	June 28, 2021	June 27, 2027	No
SEMCORP Hungary KFT	1,000,000,000.00	July 14, 2021	July 13, 2026	No
SEMCORP Hungary KFT	450,000,000.00	December 27, 2021	December 26, 2025	No
Jiangxi Energy	1,500,000,000.00	April 09, 2021	April 09, 2023	No
Zhuhai Energy	1,000,000,000.00	August 14, 2017	August 13, 2023	No
Zhuhai Energy	750,000,000.00	August 01, 2019	August 01, 2025	No
Zhuhai Energy	200,000,000.00	May 08, 2020	August 23, 2023	No
Zhuhai Energy	220,000,000.00	September 21, 2020	January 31, 2024	No
Zhuhai Energy	200,000,000.00	March 10, 2021	March 10, 2022	No
Wuxi Energy	1,300,000,000.00	May 17, 2019	June 21, 2026	No
Wuxi Energy	1,160,000,000.00	December 01, 2020	December 01, 2029	No
Jiangxi Tonry	1,500,000,000.00	September 17, 2019	December 31, 2024	No

The Company as the secured party

Unit: RMB

Guarantor	Guarantee amount	Commencement date of guarantee	Expiry date of guarantee	Whether the guarantee has been fully fulfilled
Dexin Paper	16,000,000.00	April 14, 2020	April 14, 2023	No
Dexin Paper	30,000,000.00	May 11, 2021	April 08, 2022	No
Shanghai Energy	60,000,000.00	April 21, 2021	April 21, 2024	No
Shanghai Energy	20,000,000.00	November 22, 2021	November 21, 2022	No

Description of related guarantees

As of December 31, 2021, the related guarantees provided by or for the Company are as follows:

(1) Guarantees provided for related parties

The Company provided the guarantees for the comprehensive line of credit for its subsidiary Hongta Plastic, the total amount of which amounted to RMB566,900,000.00;

The Company provided the guarantees for the comprehensive line of credit for its subsidiary Dexin Paper, the total amount of which amounted to RMB22,300,000.00;

The Company provided the guarantee for the debts incurred by its subsidiary Dexin Paper in the business process, the total amount of which amounted to RMB8,000,000.00;

The Company provided the guarantees for the comprehensive line of credit for its subsidiary Hongchuang Packaging, the total amount of which amounted to RMB193,000,000.00.

The Company provided the guarantee for the debts incurred by its subsidiary Hongchuang Packaging in the business process, the total amount of which amounted to RMB20,000,000.00;

The Company provided the guarantees for the comprehensive line of credit for its second-tier subsidiary Chengdu Hongta Plastic, the total amount of which amounted to RMB93,000,000.00;

The Company provided the guarantees for the comprehensive line of credit for its subsidiary Shanghai Energy, the total amount of which amounted to RMB4,964,808,000.00;

The Company provided the guarantees for the comprehensive line of credit for its second-tier subsidiary Zhuhai Energy, the total amount of which amounted to RMB1,592,850,000.00;

The Company provided the guarantees for the comprehensive line of credit for its second-tier subsidiary Wuxi Energy, the total amount of which amounted to RMB480,000,000.00;

The Company provided the guarantees for the comprehensive line of credit for its second-tier subsidiary Jiangxi Tonry, the total amount of which amounted to RMB435,000,000.00.

The Company provided the guarantees for the comprehensive line of credit for its second-tier subsidiary Suzhou Green Power, the total amount of which amounted to RMB350,000,000.00;

The Company provided the guarantees for the comprehensive line of credit for its second-tier subsidiary SEMCORP Hungary KFT, the total amount of which amounted to RMB1,450,000,000.00;

The Company provided the guarantees for the comprehensive line of credit for its second-tier subsidiary SEMCORP Hungary KFT, the total amount of which amounted to RMB148,672,000.00;

The Company provided the guarantees for the debts incurred by its second-tier subsidiaries Wuxi Energy, Jiangxi Enbo, Jiangxi Tonry, Chongqing Energy and Jiangxi Ruijie in the process of the import of production equipment by the agents they entrusted, the total amount of which amounted to RMB1,700,000,000.00;

The Company provided the guarantees for the debts incurred by its second-tier subsidiaries Chongqing Energy, Jiangsu Ruijie and Jiangsu Energy in the process of the import of production equipment by the agents they entrusted, the total amount of which amounted to RMB1,300,000,000.00;

The Company provided the guarantees for the debts incurred by its second-tier subsidiaries Wuxi Energy, Jiangxi Tonry, Chongqing Energy, Jiangxi Enbo and Jiangxi Ruijie in the process of the import of production equipment by the agents they entrusted, the total amount of which amounted to RMB800,000,000.00;

The subsidiary Dexin Paper provided the guarantees for the comprehensive line of credit for the Company, the total amount of which amounted to RMB46,000,000.00;

The Company's subsidiary Shanghai Energy provided the guarantees for the comprehensive line of credit for the Company, the total amount of which amounted to RMB80,000,000.00;

The Company's second-tier subsidiary Zhuhai Energy provided the guarantees for the comprehensive line of credit for the Company's subsidiary Shanghai Energy, the total amount of which amounted to RMB255,000,000.00;

The Company's second-tier subsidiaries Zhuhai Energy, Wuxi Energy, Jiangxi Tonry and the Company's subsidiary Shanghai Energy provided guarantees for the comprehensive line of credit for each other, the total amount of which amounted to RMB200,000,000.00;

The Company's second-tier subsidiary Jiangxi Tonry provided the guarantees for the comprehensive line of credit for the Company's subsidiary Shanghai Energy, the total amount of which amounted to RMB50,000,000.00;

The Company and its subsidiary Shanghai Energy jointly provided guarantees for the comprehensive line of credit for Zhuhai Energy, the total amount of which amounted to RMB2,150,000,000.00;

The Company and its subsidiary Shanghai Energy jointly provided guarantees for the comprehensive line of credit for Wuxi Energy, the total amount of which amounted to RMB2,460,000,000.00;

The Company and its subsidiary Shanghai Energy jointly provided guarantees for the comprehensive line of credit for Jiangxi Tonry, the total amount of which amounted to RMB1,500,000,000.00.

(2) Acceptance of related party guarantees

The Company, Paul Xiaoming Lee, Li Xiaohua and the subsidiary Shanghai Energy jointly provided guarantees for the comprehensive line of credit for the second-tier subsidiary Wuxi Energy, the total amount of which amounted to RMB1,300,000,000.00;

The Company, Paul Xiaoming Lee, Li Xiaohua and the subsidiary Shanghai Energy jointly provided guarantees for the comprehensive line of credit for the second-tier subsidiary Zhuhai Energy, the total amount of which amounted to RMB1,000,000,000.00;

**(5) Lending to/borrowing from related parties: None**

**(6) Asset transfer and debt restructuring of related parties: None**

**(7) Remuneration for key management**

Unit: RMB

Item	Amount for current period	Amount for previous period
Remuneration for Key Management Personnel	6,618,620.68	4,579,104.65

**(8) Other related party transactions**

Type of transaction	Name of related party	Amount for the	Amount for the	Pricing method and
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		current period	previous period	procedure for decision-making
Loans with related banks (including application for comprehensive facility, acceptance draft, letter of credit, bank guarantee, etc.)	Industrial and Commercial Bank of China Limited	1,067,919,127.56	1,440,000,000.00	Market price / as approved at the General Meeting of Shareholders
Deposits with related banks (including demand deposits, time deposits, call deposits, etc.)	Industrial and Commercial Bank of China Limited	120,922,571.29	56,116,390.66	Market price / as approved at the General Meeting of Shareholders
Mutual guarantees between companies within the scope of the company's consolidated financial statements through the related banks	Industrial and Commercial Bank of China Limited	3,644,900,000.00	3,560,000,000.00	Market price / as approved at the General Meeting of Shareholders

## 6. Amounts due to and due from related parties

(1) Receivable: None

(2) Payables

Unit: RMB

Item	Related party	Book balance at the end of the Reporting Period	Book balance at the beginning of the Reporting
Accounts payable	Yuxi Kunshasi Plastic Color Masterbatch Co., Ltd.	7,744,805.24	2,204,149.24

## 7. Commitments in relation to related parties

## 8. Others

## XIII. Share-based Payment

### 1. General information about share-based payment

Applicable  N/A

### 2. Information on equity-settled share-based payment

Applicable  N/A

### 3. Information on cash-settled share-based payment

Applicable  N/A

### 4. Modification and termination of share-based payment

### 5. Others

The share-based payment of Shanghai Energy, a subsidiary of the Company, is as follows:

#### (I) General information about share-based payment

Item	2021	2020	2019	2018	2017
The total amount of equity instruments granted by the Company during this period					1,002.00

(10,000 shares)					
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**(II) Information on equity-settled share-based payment**

Item	2021	2020	2019	2018	2017
Determination method of fair value of equity instruments on the date of grant	Confirmed according to the evaluation value				
Equity-settled share-based payments included in the cumulative amount of capital reserve	87,775,200.00	69,296,210.55	50,817,221.07	32,338,231.59	13,859,242.11
Total costs of equity-settled share-based settlement recognized	18,478,989.45	18,478,989.48	18,478,989.48	18,478,989.48	13,859,242.11

Other explanations:

On April 14, 2017, the 2016 annual general meeting of shareholders of Shanghai Energy, a subsidiary of the Company, deliberated and passed the proposal on confirming the equity incentive plan and the list of equity incentive objects, and agreed that a total of 40 employees from Shanghai Hengzou could indirectly hold the Company at the price of RMB5.50/ share, 10.02 million shares in exchange for services provided by employees. According to the relevant provisions of "accounting standards for Enterprises No. eleventh - share payment", the equity incentive is a share settlement based on equity settlement. According to the appraisal report (2017) No. 3233 issued by Beijing Zhongqihua Appraisal Co., Ltd., the transaction price of the Company's purchase of the corresponding equity of Shanghai Energy is RMB5.180 billion, RMB14.26/share as the fair value of the share based payment. Therefore, according to the difference between the number of shares subscribed by employees multiplied by the fair value of RMB14.26/share and the subscription value of RMB5.50/share, the Company recognized it as general and administrative expenses and capital reserve, RMB87,775,200.00 in total. Meanwhile, the terms and conditions of the contract and the exit mechanism should be signed with the object being encouraged: 5 years from the effective date of the labor contract (to December 31, 2021). It is not allowed to resign unilaterally or leave the Company in other ways or use the existing technology and newly created technology for any third party. Otherwise, it will not have the right to enjoy the partner rights and interests obtained in Shanghai Hengzou. All partner rights and interests will be owned by Shanghai Hengzou, which is deemed as the agreed service period. Therefore, the above equity incentive will be confirmed by stages from April 2017 to December 2021. To sum up, the Company confirmed the share-based payment fees of RMB13,859,242.11, RMB18,478,989.48, RMB18,478,989.48, RMB18,478,989.48 and RMB18,478,989.48 in the period from January to December 2017 and in 2018, 2019, 2020 and 2021, respectively.

## XIV. Commitments and Contingencies

### 1. Significant commitments

Significant commitments on the balance sheet date

#### (1) Mortgage of assets

As of December 31, 2021, the Company has obtained the bank's comprehensive credit line with the mortgage of property and plant in fixed assets, machinery and equipment and land use right in intangible assets of RMB2,713,334,100. See "81. Assets with restricted ownership or use right" in "VII. Notes to items of consolidated financial statements" of this section for more.

#### (2) Pledge of assets

As of December 31, 2021, the Company obtained bank loans of RMB1,752,092,000 by pledging certificate of deposit, accounts receivable, notes receivable, 76.3574% equity in its second-tier subsidiary Newrmi Tech, 100% equity interest in its second-tier subsidiary Suzhou Green Power New Energy Materials Co., Ltd. and 100% equity interest in its second-tier subsidiary Jiangxi Tonry New Energy Technology Development Co., Ltd. For details, see "32. Short-term borrowings", "45. Long-term borrowings" and "81. Assets with restricted ownership or use right" in "VII. Notes to items of consolidated financial statements" of this section.

As at December 31, 2021, except for the disclosures above, there were no other important commitments that are required to be disclosed.

### 2. Contingencies

#### (1) Significant contingencies on the balance sheet date

##### Contingencies arising from external debt guarantee and their financial implications

See "(4) Related party guarantees" under "5. Related party transactions" in "XII. Related Parties and Related Party Transactions" for the

guarantee provided by the related party

**Letter of guarantee and letter of credit**

As of December 31, 2021, the balance of letters of credit issued by financial institutions for the Company was EUR7,634,881.55, JPY9,102,145,000.00, GBP1,083,750.00, USD2,126,024.50 and RMB85,799,000.00, and the amount of the L/G was RMB16,200,000.00.

As at 31 December 2021, except for the disclosures above, there were no other major contingencies that are required to be disclosed.

**(2) Where the Company has no discloseable significant contingencies, relevant explanations should be made:**

The Company has no significant contingencies to disclose.

**(3) Other information****XV. Events Subsequent to the Balance Sheet Date**

As at the date of approval of the financial statements, the Company has no other significant events after the balance sheet date that need to be disclosed but have not been disclosed.

**XVI. Other Significant Events****1. Correction of previous accounting errors: None****2. Debt restructuring: None****3. Assets exchange: None****4. Annuity plan: None****5. Discontinuation of operation: None****6. Segment information****(1) Determination basis and accounting policy of reporting segments**

The Company determines the business segment based on its internal organizational structure, management requirements and internal reporting system. The operating segments of the Company refer to the components meeting the following conditions at the same time:

- 1) The component can generate income and expenses in daily activities;
- 2) The management can regularly evaluate the operation results of the component to decide to allocate resources to it and evaluate its performance;

3) The relevant accounting information can be obtained from the financial status, operating results and cash flow of the component.

The Company determines the reporting segment based on the operating segment, and the operating segment meeting one of the following conditions is determined as the reporting segment:

- 1) The segment revenue of the business segment accounts for 10% or more of the total revenue of all segments;
- 2) The absolute profit (loss) of the segment accounts for 10% or more of the absolute sum of the total profits of all profit segments or the total losses of all deficit segments.

When the total amount of external transaction revenue of the operating segment of the reporting segment determined according to the above accounting policies does not account for 75% of the total consolidated revenue, increase the number of reporting segments, and include other operating segments not as reporting segments into the scope of reporting segments according to the following provisions until the proportion reaches 75%:

- 1) Determine the operating segment that the management believes the disclosure of the operating segment information is useful to the users of accounting information as the reporting segment;
- 2) The business segment is merged with one or more other business segments which have similar economic characteristics and meet the merger conditions of the business segment as a reporting segment.

The transfer price between segments is determined by referring to the market price, and the assets and related expenses used together with each segment are distributed among different segments according to the income proportion.

Factors considered by the Company in determining the reporting segment, and the types of products and services of the reporting segment:

The report segments of the Company are all business units providing different products and services. As various businesses require different technologies and market strategies, the Company independently manages the production and operation activities of each reporting segment, and separately evaluates its operating results to determine its allocation of resources and evaluate its performance.

The Company has 2 reporting segments: the lithium battery separator film business segment and the BOPP film business segment. The lithium battery separator film business segment is responsible for the production of lithium battery separator film, which is mainly used for the production of EV batteries and 3C product batteries; the BOPP film business segment is responsible for the production of BOPP film, which is mainly used for the outer packaging of cigarette boxes, food and other products.

## (2) Financial information of reporting segments

Unit: RMB

Item	Lithium battery separation film business segment	BOPP film business segment	Others	Inter-segment elimination	Total
I. Operating income	6,437,042,499.54	639,347,828.04	987,034,477.30	-80,997,994.29	7,982,426,810.59
Including: Income from external trade	6,437,021,826.97	639,347,828.04	906,057,155.58		7,982,426,810.59
Income from inter-segment trade	20,672.57		80,977,321.72	-80,997,994.29	0.00
II. Operating cost	3,660,722,113.83	564,283,356.10	692,281,488.13	9,904,549.77	4,927,191,507.83
Including: Depreciation and amortization costs	745,983,088.52	19,969,501.46	33,184,471.90	4,128,219.39	803,265,281.27
III. Income from investment in joint ventures and associates		1,687,090.23	0.00		1,687,090.23
IV. Credit impairment losses	26,550,013.28	-1,058,843.53	-644,809.01		24,846,360.74
V. Asset impairment losses	7,714,805.51	687,205.35	2,261,461.69		10,663,472.55
VI. Total profit	2,902,530,370.29	79,300,460.00	366,646,575.37	-128,902,544.06	3,219,574,861.60
VII. Income tax expense	301,335,487.78	4,380,953.53	40,639,764.75	-13,635,381.61	332,720,824.45
VIII. Net profit	2,601,194,882.51	74,919,506.47	326,006,810.62	-115,267,162.45	2,886,854,037.15
IX. Total assets	23,709,137,096.94	849,051,050.27	13,203,069,784.51	-11,639,073.087.18	26,122,184,844.54

X. Total liabilities	16,852,547,944.22	301,616,845.92	1,353,507,355.08	-6,922,779,012.77	11,584,893,132.45
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## 7. Significant transactions and matters that have an impact on investors' decision-making

## 8. Others

## XVII. Notes to Major Items of Financial Statements of the Parent Company

### 1. Accounts receivable

#### (1) Disclosure of accounts receivable by type

Unit: RMB

Type	Closing balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
Including:										
Accounts receivable subject to provision for bad debts made on a portfolio basis	11,098,580.96	100.00%	542.76	0.005%	11,098,038.20	14,082,469.16	100.00%	581,605.98	4.13%	13,500,863.18
Including:										
Aging portfolio	2,087,889.08	18.81%	542.76	0.03%	2,087,346.32	14,082,469.16	100.00%	581,605.98	4.13%	13,500,863.18
Portfolio of related parties within the scope of consolidation	9,010,691.88	81.19%			9,010,691.88					
Total	11,098,580.96	100.00%	542.76	0.005%	11,098,038.20	14,082,469.16	100.00%	581,605.98	4.13%	13,500,863.18

Provision for bad debts made on a portfolio basis: Aging portfolio

Unit: RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Proportion of provision
Less than 1 year	2,081,961.71		
1-2 years	5,927.37	542.76	9.16%
2-3 years			
3-4 years			
4-5 years			
Over 5 years			

Total	2,087,889.08	542.76	--
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Provision for bad debts made on a portfolio basis: Portfolio of related parties within the scope of consolidation

Unit: RMB

Name	Closing balance		
	Book balance	Provision for bad debts	Proportion of provision
Less than 1 year	9,010,691.88		
Total	9,010,691.88		--

Disclosure by aging

Unit: RMB

Aging	Book balance
Less than 1 year (inclusive)	11,092,653.59
1 to 2 years	5,927.37
Over 3 years	
Over 5 years	
Total	11,098,580.96

### (2) Provision for bad debts accrued, recovered or reversed during the Reporting Period

Provision for bad debts during the current period:

Unit: RMB

Type	Opening balance	Changes in amount for the period				Closing balance
		Provision	Recovery reverse	or Write-offs	Others	
Accounts receivable subject to provision for credit loss made on an individual basis						
Accounts receivable subject to provision for expected credit loss made on a portfolio basis	581,605.98		581,063.22			542.76
Total	581,605.98		581,063.22			542.76

(3) Actual write-off of accounts receivable in the current period: None

(4) Top five accounts receivable by closing balance of debtors

Unit: RMB

Company name	Closing balance of accounts receivable	Percentage in total closing balance of accounts receivable	Closing balance of provision for bad debts
Company 1	9,010,691.88	81.19%	
Company 2	915,408.00	8.25%	

Company 3	602,595.00	5.43%	
Company 4	232,445.40	2.09%	
Company 5	162,246.96	1.46%	
Total	10,923,387.24	98.42%	--

(5) Amount of assets and liabilities generated by transfer of accounts receivable and continued involvement: None

(6) Accounts receivable derecognized due to the transfer of financial assets: None

## 2. Other receivables

Unit: RMB

Item	Closing balance	Opening balance
Dividends receivable	241,040,000.00	241,040,000.00
Other receivables	6,451,123,939.27	3,904,486,029.74
Total	6,692,163,939.27	4,145,526,029.74

(1) Interest receivable: None

(2) Dividends receivable

1) Dividends receivable by type

Unit: RMB

Item (or investee)	Closing balance	Opening balance
Dexin Paper	100,000,000.00	137,500,000.00
Shanghai Energy	141,040,000.00	103,040,000.00
Hongta Plastic		500,000.00

2) Major dividend receivable aged over one year: None

3) Provision for bad debts

Applicable  N/A

(3) Other receivables

1) Other receivables by nature

Unit: RMB

Nature of amount	Book balance at the end of the period	Book balance at the beginning of the period
Security deposit and guarantee deposit	91,639.90	1,406,560.77
Petty cash	850,872.89	229,241.50
Advance money	25,276.80	
Others	457,829.48	28,428.80
Capital lending	6,449,947,524.21	3,903,081,382.31
Total	6,451,373,143.28	3,904,745,613.38

## 2) Provision for bad debts

Unit: RMB

Provision for bad debts	Stage I	Stage II	Stage III	Total
	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	
Balance on January 1, 2021	63,467.14	9,100.00	187,016.50	259,583.64
Balance on January 1, 2021 for the current period	—	—	—	—
Provision for the period	-10,379.63			-10,379.63
Balance on December 31, 2021	53,087.51	9,100.00	187,016.50	249,204.01

Changes in book balance with significant changes in loss reserves in the current period

Applicable  N/A

Disclosure by aging

Unit: RMB

Aging	Book balance
Less than 1 year (inclusive)	5,021,299,154.08
1 to 2 years	1,429,798,772.70
2 to 3 years	68,200.00
Over 3 years	207,016.50
3 to 4 years	20,000.00
Over 5 years	187,016.50
Total	6,451,373,143.28

## 3) Provision for bad debts accrued, recovered or reversed during the current period

## 4) Actual write-off of other receivables in the current period: None

## 5) Top five other receivable by closing balance of debtors

Unit: RMB

Company name	Nature of amount	Closing balance	Aging	As a percentage of total closing balance of other receivables	Closing balance of provision for bad debts
Wuxi Energy	Capital lending	3,765,357,363.89	Less than 1 year, 1-2 years	58.37%	
Jiangxi Tonry	Capital lending	2,182,739,470.07	Less than 1 year, 1-2 years	33.83%	
Shanghai Energy	Capital lending	501,850,690.25	Less than 1 year	7.78%	
China Securities Depository and Clearing Co., Ltd., Shenzhen Branch	Funds for odd stocks in conversion of convertible bonds	200,000.00	Less than 1 year	0.00%	8,700.00
China Tobacco Chongqing Industrial Co., Ltd.	Guarantee deposit and cash deposit	50,000.00	2-3 years	0.00%	2,175.00
Total	--	6,450,197,524.21	--	99.98%	10,875.00

## 6) Accounts receivable related to government grants: None

## 7) Other receivables derecognized due to the transfer of financial assets: None

## 8) Amount of assets and liabilities generated by transfer of other receivables and continued involvement: None

## 3. Long-term equity investment

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	4,658,382,761.62		4,658,382,761.62	4,662,093,871.62		4,662,093,871.62

## (1) Investments in subsidiaries

Unit: RMB

Name of investee	Opening balance (book value)	Increase/Decrease for the period				Closing balance (book value)	Closing balance of provision for impairment
		Increase in investment	Decrease in investment	Provision for impairment	Others		

Dexin Paper	162,135,598.40					162,135,598.40	
Hongta Plastic	418,898,313.03					418,898,313.03	
Hongchuang Packaging	441,809,808.43					441,809,808.43	
Shanghai Energy	3,635,539,041.76					3,635,539,041.76	
Hong Kong Chuangxin	3,711,110.00		3,711,110.00				
Total	4,662,093,871.62		3,711,110.00			4,658,382,761.62	

(2) Investments in associates and joint ventures: None

(3) Other explanations

#### 4. Operating income and operating cost

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Income	Cost	Income	Cost
Main businesses	136,620,927.87	83,962,944.68	215,805,133.19	151,401,585.18
Other businesses	20,878,695.07	19,492,071.07	18,818,801.97	16,821,297.47
Total	157,499,622.94	103,455,015.75	234,623,935.16	168,222,882.65

#### 5. Investment income

Unit: RMB

Item	Amount for the current period	Amount for the previous period
Gain from long-term equity investment under the cost method	38,000,000.00	58,000,000.00
Interest on finance products	22,270,487.08	
Total	60,270,487.08	58,000,000.00

#### 6. Others

### XVIII. Supplementary Information

#### 1. Breakdown of non-recurring gain or loss for the current period

√ Applicable □ N/A

Unit: RMB

Item	Amount	Notes
Gains and losses from the disposal of non-current assets	-1,303,244.16	
Government subsidies recognized in current gains or losses (except for those closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	140,888,128.01	
Gains or losses on entrusted investments or assets management	25,422,322.79	
Gains or losses from changes in fair value arising from the holding of trading financial assets and trading financial liabilities, and investment income from disposal of trading financial assets, trading financial liabilities and available-for-sale financial assets, excluding the effective hedging business related to the Company's normal business operations	137,194.34	
Reversal of the provisions for impairment of receivables subject to separate impairment test	11,749,733.34	
Non-operating income and expenses other than above-mentioned items	4,316,746.86	
Other items within the definition of non-recurring gains or losses	5,038,461.95	
Less: effect of the income tax	27,937,401.47	
Effect of minority equities	7,737,680.84	
Total	150,574,260.82	--

Details of other profit or loss items that fall within the meaning of non-recurring gain or loss:

Applicable  N/A

There was no other profit or loss item of the Company that fall within the meaning of non-recurring gain or loss

The reason for the Company to define the non-recurring profit or loss items illustrated in the Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 – Non-recurring Profit or Loss as recurring profit or loss items

Applicable  N/A

## 2. Return on equity and earnings per share

Profit during the Reporting Period	Weighted average return on equity	Earnings per share	
		Basic earnings per share (RMB/share)	Diluted earnings per share (RMB/share)
Net profits attributable to common stockholders of the Company	21.85%	3.06	3.05
Net profits attributable to common stockholders of the Company after the deduction of non-recurring gains and loss	20.64%	2.89	2.88

## 3. Accounting data differences under domestic and international accounting standards

(1) Differences in the net profit and in the net assets in the financial statements disclosed in accordance with international accounting standards and in accordance with the PRC GAAP at the same time

Applicable  N/A

**(2) Differences in the net profit and in the net assets in the financial statements disclosed in accordance with overseas accounting standards and in accordance with the PRC GAAP at the same time**

Applicable  N/A

**(3) Descriptions of reasons for accounting data differences occurring under domestic and foreign accounting standards; if adjustment is made for data audited by an overseas audit institution, the name of the institution shall be provided**

#### **4. Others**