

Hengyi Petrochemical 2019 Social Responsibility Report

HYSH Petrochemical Group Social Responsibility Report



About this Report

Objectives of the Report

This report aims to conduct candid communication with stakeholders regarding the CSR and performance of Hengyi Petrochemical Co., Ltd., and respond systematically to the expectations and requirements of stakeholders.

Release Cycle

This report is an annual report, and the first social responsibility report released by Hengyi Petrochemical Co., Ltd. since its listing.

Reporting Period

The reporting period is from January 1, 2019 to December 31, 2019. In order to enhance the comparability and completeness of the report, part of the information is retrospective of previous years or related to 2020.

Reporting Data

The data used in the report is derived from the original data on the actual operations of the Company, public data from government departments, annual financial data, internal statistical forms, third-party questionnaires, administrative documents and reports, and third-party evaluation interviews, etc. The currencies in this report are all in RMB.

Preparation Basis

The United Nations Sustainable Development Goals (SDGs) for 2030

ISO 26000: Guidelines on Social Responsibility (2010) by International Organization for Standardization China National Standard GB/T 36000 - 2015 Guidelines for the Preparation of Social Responsibility Reports Guidelines for the Preparation of Social Responsibility Reports for Chinese Enterprises (CASS-CSR 4.0) by Chinese Academy of Social Sciences

Guiding Opinions on Better Fulfilling Social Responsibilities of State-owned Enterprises by the State-owned Assets Supervision and Administration Commission (SASAC) of the State Council

Guidelines of the Shenzhen Stock Exchange for Standardized Operation of Companies Listed on the Main Board by the Shenzhen Stock Exchange (Revised 2020)

Reporting Commitments

This report was compiled by the Social Responsibility Reporting team of Hengyi Petrochemical, reviewed by the Company's relevant senior executives, and approved by the Company's Board of Directors and Board of Supervisors. Hengyi Petrochemical hereby certifies that the report does not contain any false or misleading statements.

How to View Report

This report was prepared in both Chinese and English. The electronic version is available for review at the official website of Hengyi Petrochemical Co., Ltd. (http://www.hengyishihua.com/) and the website of cninfo (http://www. cninfo.com.cn/new/index).

Scope of the Report

Hengyi Group	refers to	Zhejiang Hengyi Group Co.,
Hengyi Brunei	refers to	Hengyi Industries SDN BHD
Zhejiang Yisheng	refers to	Zhejiang Yisheng Petrocher
Hainan Yisheng	refers to	Hainan Yisheng Petrochemi
Hengyi Polymers	refers to	Zhejiang Hengyi Polymers C
Hengyi High-tech	refers to	Zhejiang Hengyi High-tech
Haining New Material	refers to	Haining Hengyi High-tech N
Haining Hengyi High-tech Material Co, Ltd.	refers to	Taicang Yifeng Chemical Fib
Jiaxing Yipeng	refers to	Jiaxing Yipeng Chemical Fib
Shuangtu High-Tech Materials	refers to	Zhejiang Shuangtu High-Te
Suqian Yida	refers to	Suqian Yida High-Tech Mate
Hangzhou Yijing	refers to	Hangzhou Yijing Chemical F
Hengyi Caprolactam	refers to	Zhejiang Baling Hengyi Cap
Hengyi (Brunei) PMB Petrochemical Project	refers to	The refinery & petrochemical
PX	refers to	paraxylene, a kind of colorle plastics, polyester fibers and
PTA	refers to	purified terephthalic acid
PET, polyester	refers to	polyethylene terephthalate, PTA and MEG as raw materia polycondensation
POY	refers to	pre-oriented yarn, or partial
FDY	refers to	fully drawn yarn, also know
CPL	refers to	caprolactam
Differential filaments	refers to	varieties that have certain in have certain characteristics

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l Fiber Co., Ltd.

prolactam Co., Ltd.

al project the company invested and built in Brunei.

less and transparent liquid used to produce nd films

e, which is a fiber-forming polymer made from rials through direct esterification and continuous

ally oriented yarn

wn as polyester drawn yarn

innovations in technology or performance, or s that are different from conventional filaments

Responsibility Statement

2019 was the 70th anniversary of the founding of the People's Republic of China. For the Hengyi community, it was also a year of extraordinary achievements and pride. Over the past year, while the global economy was left dangling in uncertainty, we moved forward bravely, concentrated on "polyesters", and "accelerated" the company's development while providing high-quality products. In 2019, the operating profit of Hengyi Petrochemical was RMB 4.789 billion, representing an increase of 92.75% compared with the same period last year, and the net profit attributable to shareholders of the parent company was RMB 3.201 billion, increasing by 70.97%. The Company further highlighted the business model of an integrated and equalized industrial chain and international operation. In the first quarter of 2020, the Company maintained high-capacity operation and achieved strong growth by virtue of its operational advantages despite the pandemic and the oil price fluctuation.

Build a Better Future with the "Belt and Road Initiative"

As one of the key projects of the "Belt and Road Initiative", Hengyi (Brunei) PMB Petrochemical Project has taken the final steps in completing the Company's integrated whole-industry-chain operation in 2019, and thus established new records in the global petrochemical industry with the most stable process and the best HSE performance in commissioning test runs among mega-capacity oil refineries. The establishment of the project has boosted Brunei's local economy, and built a stage for the people of Brunei to realize their dreams in life. We have also been actively engaged in community public welfare undertakings, and took proactive actions in helping Brunei in the fight against COVID-19 in early 2020, fulfilling the social responsibility we have on our shoulders as a Chinese enterprise.

Improve Governance and Create Value for Stakeholders

In 2019, following the principle of fulfilling our responsibilities for shareholders and creditors, we have met all compliance requirements, deepened our efforts in the capital markets, strengthened risk management and investor relationship management, continuously and consistently brought stable returns to investors, promoted more integrated internal control systems of the Company, and laid a solid foundation for high-quality development. Since the company's listing after being restructured in 2011, it has achieved a cumulative dividend of 3.289 billion yuan.

Secure Employment and Create a Happier Workforce

In 2019, we have adhered to the people-oriented concept, empowered employees with Hengyi Enterprise University; introduced equity-based incentives plan and employee stock ownership plan for the first time in the industry; strengthened care for employees and support for the development of people with disabilities; and focused on creating a harmonious environment where people demonstrates "joint efforts and share achievements" therefore allowing employees to work and fight for the same goal, and further improved the competitiveness of the Company.

Together, We Will Build A Green, Ecological and Harmonious Home with Safe and Eco-Friendly Products

In 2019, we have met safety and environmental protection compliance requirements as we hold the utmost respect for both life and nature. While facilitating the development of the "Belt and Road Initiative" and building a "Polyester + Polyamide" dual-industrial-chain development model, we have also invested a large amount of money to ensure safety in production and R&D of green products, paid attention to climate change, promoted energy conservation and emission reduction, and comprehensively improved our company's sustainable development capabilities.

Expand the Value Chain of the Industry with Technological Innovation

In 2019, we insisted on taking innovation as the driving force, and carried out strict control measures to guarantee product quality. Under the guidelines of "Petrochemical +" strategy, we have actively embraced the Internet, and enabled the transformation and upgrade of the manufacturing industry; increased investment in scientific research, cooperated with the external parties, and thereby established the Zhejiang University-Hengyi Global Future Advanced Technology Research Institute; strengthened product R&D and customer services, and implemented the integrated supply chain system; promoted industry exchanges and sincerely cooperated with customers, suppliers and other stakeholders to achieve industrial upgrades.

Donate for Poverty Alleviation and Contribute Our Part to Help Groups in Need

In 2019, we made the utmost effort to assist people in need and gave back to society. Through targeted poverty alleviation, public welfare funds, "Spring Breeze Activity", blood donation and other public welfare actions, we effectively helped the disadvantaged groups, and further spread warmth and care to the society.

In 2020, we will continue to enhance our sense of responsibility, actively adapt ourselves to new situations, carry forward the spirit of pioneer and arduousness, elaborately operate the main businesses, and seek new opportunities in the changing environment. We will lead high-quality development with new development concepts, optimize and integrate human resources, strengthen collaboration and interaction, actively promote the construction of Hengyi (Brunei) PMB Petrochemical Project Phase II and major projects in China, give full play to the advantages of full industrial chain integration, to create a new landscape of the petrochemical industry with high quality development, and strive to develop into a world leading petrochemical enterprise with outstanding comprehensive strength.

92.75% At income attributable to parent company RMB 3.201 billion

2019 Performance

Hengyi Petrochemical was RMB

RMB 4.789 billion

Representing an increase of

Increase from last year

70.97%

The advantages of the company which possess industrial chain integration & balance and international business model are more prominent. In the first quarter of 2020, despite the impact of the COVID-19 pandemic and the fluctuation of crude oil prices, the company kept running under overload and still achieved a substantial increase in economic benefits relying on competitive advantages.

Chairman of Hengyi Petrochemical Qiu Yibo

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Corporate Governance: Tak Investor Relations: Build Construction of a Clean Ma





Quality Innovation: Prom Product R&D: Focus on Di Digital Transformation: Re Supply Chain Integration



for Employees

Secure Employment, and Employees' Growth, and Take Care of Employees, of Disadvantaged Groups



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About Hengyi Petrochemical

A Leading Petrochemical Enterprise with Comprehensive Strength in China and the World

Hengyi Petrochemical (000703) is committed to developing into a first-class petrochemical industry group in China and the world. At present, it has formed a business pattern featuring "petrochemical +" multilayer and multidimensional industrial core competitiveness, which has been gradually improved and upgraded, and boasts a core business section of the petrochemical industry chain driven by "Polyester + Polyamide", a growing business section centered around the petrochemical finance, petrochemical trade and petrochemical logistics, and an emerging business section exploring differentiated fiber products and application of industrial intelligence technology.



Note: The Polyamide business is currently run by the company's controlling shareholder

Petrochemical industry chain

The Company has been deeply exploring the field of petrochemicals and chemical fiber for many years, and has developed into a world-wide leading enterprise that covers both " PX-PTA-polyester" and "benzene-CPL-nylon" production, and has established different development models by setting up upstream refineries overseas, expanding mid- and downstream industries domestically, creating a balanced integrated industry chain of "crude oil aromatics - PTA - polyester" and "crude oil - benzene - CPL - nylon".

Vision in Social Responsibility

A world-class green petrochemical enterprise recognized by the society



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Boosting Supply-Side Reform

The chemical fiber industry is in urgent need of clearing its excess and outdated capacity. The supply-side reform focusing on cutting excessive capacity, destocking, deleveraging, reducing costs and identifying growth areas officially begun in 2015.

In a new era of challenges and opportunities, in response to the supply-side reform, Hengyi Petrochemical actively seeks and transforms driving forces, tries to adapt to new competition, focuses on project investment planning, diversified operation of capital, consolidation and optimization of industrial layout, and integrates the downstream polyester chemical fiber capacity by the means of auction of bankrupt projects and JV cooperation; The Company has gradually achieved self-sufficiency in raw materials through differentiated development modes like overseas construction of the Hengyi (Brunei) PMB Petrochemical Project, domestic expansion in the middle and lower reaches, and acquisition and reorganization. The Company has gradually turned from the rapid growth stage to the high-quality development stage, integrated industrial resources, improved the productivity of the society, and set up a new model for industry mergers and acquisitions integration.

Main Products

The Company's product variety has been gradually enriched, with product structure further improved. It has consolidated the core competitiveness of the main business, improved the profitability of industry chain products, and enhanced the ability to resist market risks. The Company's main products include gasoline, diesel, kerosene and other refined oils; paraxylene (PX), benzene, purified terephthalic acid (PTA), caprolactam (CPL) and other petrochemical products; polyester pre-oriented yarn (POY), polyester fully drawn yarn (FDY), polyester draw texturing yarn (DTY) and polyester staple fiber, polyester (PET) chips, polyester bottle chips and other chemical fiber products.

The Company delivers refined oil products including gasoline, diesel, and kerosene, as well as polyester products such as polyester filament, polyester staple fiber, and bottle chips. Of them, gasoline, diesel, kerosene and other refined oil products provide energy supply for equipment; polyester filament is used in the production of fabrics and linings for clothing, home textiles, decoration, etc., and can also be used for industrial purposes such as webbing, zippers, tents, car interiors, and elastic cords for masks. The company's FDY products can be used to make raw materials for protective clothing to meet the downstream customers' increasing demand for such raw materials; polyester staple fiber is used in three areas of yarn, nonwoven, and filling, and the spun lace non-woven fabric can be used as an isolation layer in masks and the downstream product disinfecting wipes; and bottle chips are mainly used for food packaging such as cola bottles, beverage bottles, water bottles, oil bottles and so on.

At the same time, in recent years, the Company has continued to increase investment in product R&D. Guided by "green manufacturing" and "circular economy", it has formed a matrix of three major differentiated polyester product categories respectively featuring environmental protection, composite fiber and functions. Its products like "Eticont", Yizhu Yarn, Yilong Yarn, Yicai Yarn, Yihui Yarn, positive ion chips and fibers, flame retardant slices and fibers, SPH composite elastic fibers, CEY composite wires, T3 composite wires, and ECDP have reached a considerable size in manufacturing. Among them, flame-retardant fibers have developed different series of flame-retardant black silk, flame-retardant total extinction, flame-retardant cations, etc. As for ECDP, differentiated and modified products of Yi Xuan series have been developed, which are well received in the market. Furthermore, PTT, T400, recycled fiber, etc. are also being introduced to the market one after another. The Company has become the largest melt directly spinning on-line addition company in China. The Company is also the largest domestic manufacturer of melt directly spinning polyester-nylon composite fibers, and the main supplier of natural-like chemical fibrous materials like sunday angora yarns and cotton-like fibers.



Honor and Recognition

Indexes Hengyi is Listed In





Industry Ranking



Selected into "Top 10 Successful **Chinese Enterprises Entering ASEAN**"

China - ASEAN Business Council and ASEAN Committee in Beijing

Won the Title of "Golden **Quality - Best Investor Relation**"

Shanghai Securities News

2019 Key Performance Indicators



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Hengyi (Brunei) PMB Petrochemical Project

Hengyi (Brunei) PMB Petrochemical Project is a refining and chemical integration project in cooperation with the Brunei government using crude oil and gas condensate as raw materials. In November 2018, during the state visit of Chinese President Xi Jinping to Brunei, Hengyi (Brunei) PMB Petrochemical Project was written into the "Joint Statement Between the People's Republic of China and Brunei Darussalam".







• Project full name:

Hengyi (Brunei) PMB Petrochemical Project

• Project location:

• Partners:

• Project overview:

light naphtha isomerization unit and 180 Kt/a Nm3/h PSA, as well as terminals, tank farm, seawater desalination and other supportive utility works have been 6 Mt/a, of which the production capacity of gasoline is about 2.7 Mt/a, the production capacity of diesel is about 1.75 Mt/a, and the production capacity of kerosene is about 1.25 Mt/a.



Hengyi in Brunei

-- Carries forward the spirit of hard work and opens a new chapter of overseas construction of private refining and chemical industry

In the northeast corner of Brunei Bay near Bandar Seri Begawan, the capital of Brunei, there lies a small island called Pulau Muara Besar. With the mutual efforts of China's Hengyi Group and the Brunei Government, a world-class petrochemical industry base is accelerating its rise on this island and is poised for growth. From piling in the main installation area in 2017 to the start of production in November 2019, Pulau Muara Besar has gone from an uninhabited island full of swamps to a modern petrochemical island.



Responsibility Keywords: Hengyi Speed

What is "Hengyi Speed"? Hengyi (Brunei) PMB Petrochemical Project only took two and a half years from the first pile on the deserted green island to the handover of all process units. To activate the step from the commission process to producing qualified products, Hengyi Brunei only took two and a half months' active commissioning time, whilst achieving the goal of "zero fires, zero pollution, and zero harm".



From the first step on the island until now, Hengyi Brunei has been working silently to develop the island into an environmental-friendly industrial base with well-equipped facilities.



December 4, 2019

The first shipment of PX from Hengyi (Brunei) PMB Petrochemical Project (Phase I) arrived at Hainan Yisheng, the upstream PX industrial chain



November 3, 2019

After comprehensive commissioning, joint and smooth operation, each process of the project in the plant was put in full operation, and successfully produced products such as gasoline, diesel, aviation kerosene, PX and benzene, marking that the initial commissioning run test for Hengyi (Brunei) PMB Petrochemical Project was a success, and accomplished an amazing achievement of three zeros (zero fires, zero pollution, and zero injuries) of commissioning in the petrochemical industry





September 6, 2019

The initial commissioning for the Atmospheric Vacuum Distillation unit produced qualified successfully products









Industrial Upgrading: Drive Economic Prosperity

Vision Brunei 2035

Brunei means "state of peace". It is one of the richest countries in the world with abundant oil and natural gas resources. In January 2008, the Brunei Government announced the launch of "Vision 2035" with one of the key targets of assuring sustainable development of economy by way of actively attracting foreign investment, and accelerating the pace of economic diversification.

Hengyi (Brunei) PMB Petrochemical Project is a connection between China's "Belt and Road Initiative" and Brunei's "Vision 2035". It can help Brunei in deploying the downstream industry of the oil and gas industry chain, strengthening the cooperation between Brunei and regional

countries in trade, investment and tourism, and promoting the diversified development of Brunei's economy. Besides, it can also help Hengyi Petrochemical to take a key step towards the strategic goals of international capacity cooperation and industrial chain integration.







Becoming a **Driving Force** for Hengyi's **Development**

The Hengyi (Brunei) PMB Petrochemical Project is Hengyi's first concrete step taken to increase its international presence through its private refinery project. It is also a key project for the Company to reduce excessive production capacity and implement the strategy of building the whole polyester chemical fiber industry chain.



After the project is put into production, it can significantly improve the raw material supply structure for the existing PTA-polyester business of the Company, reduce market risks of raw material supply, is conducive to enhancing the Company's long-term profitability and risk reduction, effectively resist cyclical fluctuations, further consolidate, enhance and optimize the Company's core competitiveness, and promote sustained and stable growth of shareholders' interests.

After being put into production, Hengyi Petrochemical will realize the internationalization of the upstream industry, achieve the coordinated allocation of the Company's assets both at home and abroad, significantly improve the Company's overall profitability and risk resistance ability, truly realize the goal of "one drop of crude oil, two types of fiber", and gradually form a good production environment where both international and domestic resources, upstream and downstream can be utilized, marching its way into a leading petrochemical company with comprehensive strength in the world.

Hengyi (Brunei) PMB Petrochemical Project drives Hengyi to fully improve

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The company's current business covers PTA, polyester filament yarns, polyester staple fiber, bottle PET chips, PET chips and CPL, which is part of the middle and downstream industries. After the project is put into production, products such as PX, benzene and other refined products will also be part of the Company's operation, effectively solving the issue of raw materials supply, finishing the last step in building an entire petrochemical fiber industry chain, and taking the lead in achieving the balanced development from "crude oil refining to polyester and nylon" in the industry, which is conducive to the integration of the Company, products and assets, and balanced operation.

In terms of natural geographical advantage and convenience, the procurement of crude oil or the sale of oil products are conducted either through the local markets in Brunei or neighboring markets in Southeast Asia, thereby significantly reduce freight costs on both the production and sales sides.

Promoting the economic development of Brunei

Hengyi (Brunei) PMB Petrochemical Project had a total investment of 3.45 billion U.S. dollars in the first phase. This project will inject strong momentum into Brunei for economic growth and development prospects, as well as bring new opportunities for local business development.



Hengyi Brunei Refining Project will drive the development of related industries in Brunei

Responsibility keywords: achieving shared growth through discussion and collaboration

Since the launch of the Hengyi (Brunei) PMB Petrochemical Project, Hengyi has always adhered to the principle of "achieving shared growth through discussion and collaboration," that through cooperation, the business "pie" can be made larger for sharing with multiple parties. Considering the limited availability of utility facilities on PMB in supporting such a large-scale project, Hengyi promised that the planning and design for the project would aim for self-sufficiency, and that the water and power needs for the project would be solved through self-built power stations and seawater desalination plants. Additionally, any surplus electricity can be provided to the local civilian power grid, and freshwater and terminal resources could be considered for sharing with other new investors.



Hengyi (Brunei) PMB Petrochemical Project is the first overseas petrochemical project that fully implements Chinese industrial standards from design and construction to manufacturing. High standards have been applied to the project since the start of its construction. The entire project uses the world's advanced process technologies, such as Honeywell UOP process package for reforming aromatics and hydrocracking. As a "flagship cooperation project" between China and Brunei, Hengyi (Brunei) PMB Petrochemical Project aims to display a success model of win-win cooperation.

Increase the economic aggregate of Brunei

The project can fully meet Brunei's demands for oil products in the domestic market; attract more foreign investment and develop downstream oil and gas industries. With the completion of the second phase, the project will contribute around 20% to Brunei's GDP growth, bringing increase in economic aggregate and export volume to Brunei and laying a solid foundation for the economic and trade links between Brunei and regional nations.

Empower the local enterprises in Brunei through local procurement

By understanding the distribution of industrial resources in Brunei and its surrounding countries, the Company strives to develop the local industrial resource market, support local economic development, and help local enterprises to achieve technological promotion. During the construction of the project, a total of 82 local Brunei companies won bids for project contracts, covering construction materials supply, construction survey services, consultant services, vehicle supply, bus rental, medical service, chemical product supply, cleaning services, tug navigation services, etc.

Create jobs

The project is expected to create 1,600 direct jobs, 40% of which are planned for local employees within the first operation year, and that proportion will be increased year by year, ultimately achieving a proportion of 90%, meanwhile to create a number of indirect jobs. In the second phase of the project, it is expected to add 2,400 new direct jobs and adding new momentum to Brunei for long-term economic development.

Increase business opportunities The project can help the local people to develop downstream spin-off industries, boost various engineering services markets in Brunei , promote the business development in apartment rental, catering, transportation and shopping in its surrounding areas, thus continously create businesses opportunities for the local enterprises.

Hengyi (Brunei) PMB Petrochemical Project will help Brunei in its "Vision 2035"







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Green and Low Carbon: Protect the Clear Water and Blue Sky

Committed to fulfilling its responsibilities as a transnational company in adhering to the green and low carbon development philosophy, Hengyi has always taken environmental protection as a top priority in its company operation, adopted advanced design concepts and established environmental monitoring sites around the island to implement 24-hour monitoring of all emission indicators which is shared with the regulators online. In 2019, in line with ISO 9001, ISO 14001 and ISO 45001, the Company completed the construction of the Quality, Environment, Health and Safety (QEHS) Management System, prepared and released 1,135 bilingual system documents and basically formed a high-standard corporate operation management system in compliance with international practices, providing system guarantee for the efficient operation of the Plant.

2019 Key performance indicators



All emission indicators of the Project perform better than international standards

The Hengyi (Brunei) PMB Petrochemical Project has required that from the design stage all products produced by the project must meet China V Emission Standards, which are much stricter than current oil product environmental protection standards in Brunei.

Read More: China V Emission Standards

On September 17, 2013, the Ministry of Environmental Protection of the People's Republic of China (MEP) issued the Limits and Measurement Methods for Emissions from Light-duty Vehicles (China V). China V Emission Standards impose very strict limits on the emissions of NOx, hydrocarbon compounds, CO and suspended particles, among others, from motor vehicles. In comparison with China IV emission standards, it requires a reduction of the discharge amount of NOx by 25%, in addition to limits on the emissions of NMHC and PM, with the aim of helping solve air pollution.

Air Monitoring and Protection

In terms of air emissions, Hengyi Brunei references the International Finance Corporation Environmental Health and Safety Guidelines (IFC EHS) for Petroleum Refining 2016, for Large Volume Petroleum-based Organic Chemicals 2007 and for Thermal Power Plants 2008. The Ambient Air Quality Monitoring Station is strategically located within the Western Tank Farm as proposed through an Air Quality Assessment. The location of the Ambient Air Quality Monitoring Station takes into account the predominant winds and the proximity to sensitive receptors to provide accurate reading of the ambient air quality in the area. The Air Quality Assessment also determined the locations of 11 emission stacks of the Refinery and Petrochemical Plant for Phase 1. The modelling from the Air Quality Assessment has indicated that the air emissions are predicted to be in compliance with the World Health Organization Ambient Air Quality Guidelines 2005 for Sulphur Dioxide (SO2), Nitrogen Dioxide (NO2), Particulate Matters 2.5µm and 10µm; and Ozone (O3). To date, readings thus far from the Ambient Air Quality Monitoring Station has shown compliance with the WHO Ambient Air Quality Guidelines 2005.

Coal Jetty leading to the Coal Yard. This ensures that any otential dust from the coal is it arrives at the Coal Jetty and the Coal Yard.

The Power Plant adopts a (CFB), which reduces NOx emissions

emanating from the Plant.



Proactive measures to control air quality include design measures such as

Reduction (SNCR) is also

Desulphurization (SFGD) i nstalled to control SO lters and an Electrostati ecipitator are installed to introl emissions of any 2.5µm & 10µm).

A Noise Monitoring Station has also been established to ensure compliance with the Brunei Pollution Control Guidelines for Industrial Development, 2003. To date, the Company has not received any concern from the surrounding communities regarding noise





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Soil and Groundwater Monitoring and Protection

Carrying out Regular Monitoring in Line with International Guidelines

With regard to soil and groundwater surveys, after consultation with DEPR, with the Jurong Town Council Environmental Baseline Survey Guidelines, 2015 of Singapore (hereinafter referred to as the JTC EBS Guidelines, which cited the target and intervention values specified by the United States Environmental Protection Agency (USEPA), American Society for Testing and Materials (ASTM) and Dutch Standards for Soil and Groundwater) as a reference methodology, the Company has applied standards and the methodology stipulated therein and adapted them to fit the situation on Pulau Muara Besar, Groundwater monitoring is conducted on a monthly basis and reported to regulators.





Engagement of international experts

The JTC EBS Guidelines required that an environmental consultant registered with the National Environmental Agency (NEA) of Singapore be used to properly conduct the soil and groundwater survey mentioned above. On top of this requirement, Hengyi Brunei selected a registered environmental consultant that is also recognized by the Department of Environment, Parks & Recreation (DEPR), Ministry of Development.



Selection of monitoring sites

We have prepared an Environmental Monitoring Design plan, which proposed 22 sites for soil and groundwater monitoring The selection of the 22 sites took into consideration proximities to, amongst others Process Units, Tank Farms and the Engineered Landfill Site on PMB for Phase 1.



Establishment of the soil and groundwater baseline

Hengyi Brunei after consultation with DEPR, used the JTC EBS Guidelines as a reference methodology for a soil and groundwater survey of the relevant areas on PMB, which effectively established the soil and groundwater baseline

Implementation of **Preventive Measures**

water from the Rainwater Collection System will be pumped to the Waste Water Treatment for treatment before it is released.

Compliance with international waste discharge standards

In terms of effluent treatment, Hengyi Brunei references the International Finance Corporation (IFC) Environmental Health and Safety (EHS) Guidelines for Thermal Power Plants. For guality of the discharged water, Continuous Seawater Emissions Discharge Monitoring is applied to monitor pH, Dissolved Oxygen and Total Residual Chlorine to ensure their compliance with the IFC EHS Guidelines for Thermal Power Plants Effluent Guidelines.

Regular third-party inspection

An annual 3rd Party test is also conducted for ambient air quality, stack emissions, effluent discharge, Ash and Slag, Shoreline water quality and Groundwater.

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mplementing Environmental Protection Concept in Utility Works: To Minimize the Generation of Waste in Wastewater Treatment

As a supporting environmental protection facility of the Hengyi (Brunei) PMB Petrochemical Project, the wastewater treatment plant mainly treats oily wastewater, salty wastewater, alkaline waste effluent generated by oil refining equipment, domestic wastewater in the plant area and initial rainwater. The Company adopts the "oil removal + multi-stage flotation + multi-stage bio-chemical treatment + quicksand filtration" process, whereby the treated discharge water complies with both the Emission Standard of Pollutants for Petroleum Refining Industry and the World Bank's Environmental, Health, and Safety Guidelines for Petroleum Refining. Meanwhile, oily wastewater will be used as supplementary water in the recycling water field after proper treatment. In view of the beautiful and clean natural environment in Brunei and the strict requirements of local laws and regulations, the sewage treatment plant is equipped with waste gas collection and treatment facilities, which adopt the "pre-treatment + bio-trickling filtration + bio-filter + deep processing" process to strictly control contents of foul gases such as hydrocarbon compounds and sulfide in the waste gas. The treated gas complies with the air pollutants emission limits specified in the Emission Standard of Pollutants for Petroleum Refining Industry (GB31570-2015), ensuring that the air quality in the surrounding area meets the air quality standards of the World Health Organization.

After centrifugal dewatering, excess activated sludge, fat-lute and scum generated by the sewage treatment plant will be sent to the coal fired power plant for blending combustion in the boiler, thereby reducing the generation of solid waste to the fullest extent. According to the climate features of Brunei, the artificial lake constructed in the early construction stage is equipped with rainwater monitoring & collection and lake water comprehensive utilization facilities, which adopt the "PH regulation +coagulation +sedimentation+ filtration" process for rainwater pretreatment. The treated rain water can be used as supplementary water for process water, fire water and recycling water as well as alternate source of water for initial startup, overhaul of seawater desalination and fire emergency, thus further enhancing the resource utilization rate of rainwater.

Regular submission of marine water quality monitoring report

Based on the 4 GPS locations proposed in the Environmental Monitoring Design document mentioned above, a monthly marine water quality report is submitted to regulators to show compliance with the ASEAN Marine Water Quality Criteria. Sampling is done during both flood and ebb tides for a total of 23 parameters. 5 parameters including Turbidity, Temperature, Salinity, Dissolved Oxygen and pH are analyzed in-situ at the 4 locations while the rest of the 18 parameters, i.e., Total Suspended Solids, Biological Oxygen Demand, Ammonia, Nitrates, Phosphates, Total Nitrogen, Total Phosphorus, Oil and Grease, Chlorophyll - a, Fecal Coliform, Total E. Coli, Cadmium, Chromium VI+, Copper, Lead, Mercury, Nickel and Zinc are analyzed in Hengyi laboratory. This study takes into account the hydrology of the surrounding waters, sensitive receptors sites such as the aquaculture sites, nearby international boundary, appropriate distance from the intake point, etc.

Oil Spill Response Plan

 $\langle \boldsymbol{\Lambda} \rangle$

As a part of the Emergency Response Plans, Hengyi Brunei has equipped itself with an 'Oil Spill Response Plan' with boom kits, skimmers, absorbents and dispersants in the unlikely event of an oil spill in the surrounding waters. The Oil Spill Response Plan has been submitted to the Maritime and Port Authority Brunei Darussalam (MPABD) and drills have been conducted to ensure personnel are prepared to implement the Plan. In addition, an agreement has been signed with Oil Spill Response Limited (Singapore) to provide further assistance in an oil spill emergency. Such assistance includes oil spill trajectory prediction, advice, deployment of manpower and equipment, if deemed necessary. If the oil spill escalates, the Oil Spill Response Plan is also interlinked with the National Oil Spill Contingency Plan (NOSCOP) under the purview of MPABD.

Protection of Local Species



Relocation of Nepenthes

Pulau Muara Besar and waters nearby are home to a variety of rare animals and plants that are listed as protected species. Before construction of the project, Hengyi Brunei in unison with Brunei Environmental Protection Department, special consulting companies and Universiti Brunei Darussalam conducted investigation and research, and established thorough relocation plans to relocate these rare animals and plants to proper locations.



Relocation of Seagrass & Corals

For coral ecosystems in nearby waters, seagrass which supports a specific ecosystem was relocated to similar ecosystems at the nearby Pulau Bedukang. Corals found along the Single Point Mooring (SPM) pipeline route were relocated near Pelumpong Spit to a pre-existing ecosystem of corals.



Reforestation

The reforestation project is one of Hengyi Brunei's efforts to protect the environment by restoring forest ecosystems and combating global warming in addition to our efforts in preservation. We launched this project on May 1, 2019 with an uncompromising pledge to plant trees as part of the joint efforts to support Brunei Darussalam's commitments under the Convention on Biological Diversity (CBD), the Paris Agreement and the United Nations Framework Convention on Climate Change (UNFCCC) to make up for the effects of deforestation and forest degradation. In 2019, the Company organized two tree planting activities and planted a total of 1,500 tree saplings.

Safe Production: Ensure Workplace Safety

During the construction stage, Hengyi Brunei has always adhered to the "safety first" principle and implemented strict quality and safety control of the Project.

HSE Management

The Company has established a three-tier management model including HSE management division, project division and general contractor, formulated 35 HSE management procedures and deployed professional management personnel. During the project construction period, the HSE management system was operating on a routine basis, ensuring controlled HSE management for the project. During the construction, the construction site did not record any significant injuries or fatal accidents, significant epidemic outbreaks or any environment pollution or public security accidents.





Sp or
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From September 18, 2012, when the construction units entered into the site to July 12, 2019, when mid-term delivery was made, the Company's project had accumulated 2,487 days of safe production and completed 67,874,191 hours of safe labor, representing satisfactory HSE performance.





Site Safety Management

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Area grid management was adopted, and the working site was divided into 4 areas. HSE set up 4 inspection groups to supervise all related processes, personnel behavior and unsafe conditions of materials at the site and guide the operational departments to implement the safety measures

Hazardous Chemical Safety

Such links as delivery to factory, loading and unloading, storage and transportation were all under supervision, multiple warning signs were set up, and early warning and emergency facilities were prepared



Multiple measures are taken simultaneously to strengthen **HSE management for** Hengyi (Brunei) PMB **Petrochemical Project**

• Fire Safety

As part of the failure management system, the fire alarm system was established, and a person responsible for the fire alarm system was designated in each department. Fire training was conducted over 200 times, and fire drills were conducted over 30 times in the main equipment area and tank farms.

Occupational Health

Physical examination data of newly enrolled personnel was archived, occupational health examination protocol was set and technical protocol to build an island infirmary was formulated.

Emergency management

Currently HYBN is building its own Emergency Response Management System (ERMS) which takes reference from both Chinese & local system. In order to raise the actual combat ability of each emergency response personnel, regular Emergency Response Management System briefing and also both desktop & lve exercises are held. This will ensure that each one is well prepared when facing a real emergency.





Public Welfare Activities: Fulfill Social Responsibilities

Once deserted, the island now has employees from various nations. They became the closest families to each other despite different skin colors, languages, religious beliefs and cultural backgrounds.

In order to share the development results with the people in Brunei, Hengyi earnestly fulfills its commitment to employ local employees and shoulders corporate social responsibility (CSR). Right after operation, Hengyi Brunei set up and activated the CSR Committee and Fund, and made its contribution to promote economic prosperity, social harmony, happiness of the people and "Vision 2035" in a standardized and transparent manner with emphasis on poverty relief, education, environment protection and public welfare. The start-up capital of CSR Committee and Fund was BND 5 million; and a certain amount of capital would be allocated from annual profit henceforth. To closely connect the future development of Hengyi (Brunei) PMB Petrochemical Project with the concerns of local government sand benefit of peoples, Hengyi will endeavor to create shared value, striving for economic performance as well as social contribution, and fulfill corporate social responsibility sincerely.

Provide "A Platform to Realize Dreams"

	ing and elopment	"Give people fish and you lifetime." As the oil-gas professional talents is continuously employs to local employees to grow
Hengy	Formulate long-term training plan	Formulate the long-term training plan for local B for local employees.
Hengyi helps local Brunei employees to grow	All-dimensional joint education	Implement joint education with institutions of Darussalam and Zhejiang University to cultivat Technology and Education and Lanzhou Petroch
unei employees	One-on-one training	For new employees, the company has organize May 2019. Skilled expatriate employees with so from Brunei.
s to grow	Provide vocational qualification training	In 2019, the Company held graded training for en issued by International Maritime Organization. system, and internal training, including training chemical substances.

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you feed them for a day. Teach them how to fish and you feed them for a as industry is the backbone of Brunei's national economy, training of the key for the sustainable development of Brunei. Hengyi Brunei local labor, cultivates chemical engineering talents and provides room for w in such a manner to ensure win-win in the long run.

Brunei employees, set up phased training tasks, and strengthen on-the-job training

of higher education from China and Brunei; cooperate with Universiti Brunei ate a new generation of petroleum engineers, join hands with Brunei Institute of chemical College of Vocational Technology to cultivate field operators for Brunei.

ed 407 skilled employees to train 407 new employees in a one-on-one style since ome basic English skills will be selected to guide the daily study of new employees

emergency response to oil spillage at sea, with 59 receiving qualification certificates . The Company has also conducted systematic training for emergency command ng of special work personnel in other places and personnel handling hazardous

Case

University-Enterprise Joint Education; the "Belt and Road Initiative" Helps Local Brunei Employees to Realize Their Dreams

In 2019, two joint talent cultivation programs initiated and sponsored by Hengyi were incepted and earned praise from local Brunei students, laying a solid basis for employee localization and bringing up numerous high-quality talents for the chemical engineering industry in Brunei.

Joint education by "Zhejiang University-Universiti Brunei Darussalam-Hengyi"

In the past 5 years since 2014, the joint education plan by "Zhejiang University-Universiti Brunei Darussalam-Hengyi" has cultivated over 80 outstanding Brunei graduates for Hengyi, and they have assumed irreplaceable posts and made a tremendous contribution to the cultivation of local talents and localization.

This model of transnational university-enterprise cooperation will continue delivering great engineers for the Hengyi (Brunei) PMB Petrochemical Project and cultivating talents for the chemical engineering industry in Brunei.



Joint Education Program by "Lanzhou Petrochemical College of Vocational Technology-Brunei Institute of Technology and Education-Hengyi"

The joint education program by "Lanzhou Petrochemical College of Vocational Technology-Brunei Institute of Technology and Education-Hengyi" officially started in 2018 and has been listed as one of the first China-ASEAN Vocational Education Cooperative Programs. To date, the first batch of 30 Brunei students have been studying practical operating skills required by chemical plants in Lanzhou Petrochemical Polytechnic.



Contributions to society

Keeping social responsibilities in mind, Hengyi Brunei is engaged in or organizes various charity activities such as donation to poverty-stricken households and orphans in adjacent communities during Ramadhan and employee blood drives to give back to local communities. In 2019, annual donation drives were held to ease the burden of poverty-stricken households.

2019 Key Performance Indicators



Swift Support by Hengyi Petrochemical to Brunei Case

Hengyi Group donated medical supplies and equipment worth USD 1 million to the Ministry of Health of Brunei, embodying care and social responsibility for human community in difficult times as a large enterprise. This is an important manifestation of Hengyi's active fulfillment of corporate social responsibility and shows the world Chinese enterprises' role in society.



government for its strong support for the fight against the COVID-19 outbreak in Brunei at a press conference, where he specially extended his acknowledgement to the proactive assistance provided by Hengyi Petrochemical and other China-invested enterprises in addition to the Chinese Embassy in Brunei. On April 4, Hengyi was recognized for its support in an article titled "Chinese Embassy, companies support Brunei's COVID-19 fight" published in the Borneo Bulletin.

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Donations made to

19 poverty-stricken people



Safety and Environmental Protection Shows Corporate Accountability

© HSE Management: Establish a Complete System

© Safe Production: Ensure Workplace Safety

© Green Development: Adhere to Environmental Protection Philosophy





HSE Management: Establish a Complete System

Hengyi Petrochemical adheres to the laws and regulations on fire safety and environmental protection, formulates, improves and implements the Company's safety and environmental management systems, and strengthens supervision, coordination and service management, laying the foundation for the Company's sustainable development.



HSE is short for Health, Safety and Environment. HSE management system refers to a system integrally managing health, safety and environment.

System Improvement

There were 7 basic management systems released in 2018, Hengyi Petrochemical further developed and released 11 safety and environmental management systems including the Potential Risk Identification and Control System and the Environmental Management System. The 18 systems released on safety and environmental management have formed Hengyi Petrochemical's HSE system. At the same time, Hengyi strengthened the review of HSE systems of its subsidiaries to ensure they comply with national laws, regulations and standards as well as the Company's management systems.

HSF Assessment and Performance Management

On May 1, 2019, Hengyi Petrochemical issued the Assessment Method for Workplace Safety and Environmental Protection (Trial) which is a form of self-assessment for its subsidiaries to be appraised by the regional head and subsequently, undergo comprehensive assessment by the Safety and Environmental Protection Department. Items to be assessed include workplace safety and environmental protection work of the subsidiaries in conjunction with accidents and day-to-day work (including the implementation of the responsibility system, field management and potential risk identification and control, environmental management, fire safety management, emergency management, education and training management, occupational health management and "Three Simultaneities" management of construction projects), to effectively improve the safety and environmental performance.

The Letter of Responsibility for Safe and Clean Production specifies the reward and the punishment. For example, one of the targets is: no administrative penalty and up-to-standard exhaust gas and wastewater discharge; and if an employee meets all the targets, he/she will receive the annual special environmental protection award and year-end bonus.

Case **A**

I S **Read More: Three Simultaneities**

Article 26 of the Environmental Protection Law of the People's Republic of China stipulates that the measures for preventing and controlling pollution in a construction project must be designed, constructed and put into operation simultaneously with the main works. It is basic in the environmental management of a construction project and largely manifests China's prevention-oriented environmental protection policies.

environmental management system and raised standards and released the Environmental Management System, forming its own environmental protection system to ensure the measures for preventing and controlling pollution in a construction project must be designed, constructed and put into operation simultaneously with the main works

HSE Education and Training

Hengyi Petrochemical continuously improves the safety and environmental awareness of all employees through various HSE education and training.



ISE Training of Hengyi Petrochemical



In 2019, Hengyi Petrochemical improved the

CERTIFICATE	CERTIFICATE
环境管理体系认证证书	Environmental Management Systems Certificate
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	Free Contraction of the contract

- On April 27 and 28, 2019, a lecturer from Hangzhou Awareness Promotion and Education Center was invited to train HSE specialists on dual prevention mechanisms, potential risk identification and control, chemical process safety management and occupational health management. On May 31, the awareness promotion and implementation of .11 the Responsibility System for Safe and Environmental Production was carried out for members of the HSE Management Committee, functional department heads, general managers of subsidiaries and HSE specialists. The awareness promotion and implementation of the HSE .11 management system were carried out for subsidiaries in the "special summer inspection" to further enhance the safety and environmental awareness of all employees and identify the
- All kinds of accidents were reported without delay on platforms such as OA and WeChat to analyze the causes and to learn from the accidents.

responsibilities of safe and environmental production principles.

"New Blue Plan" employees and the leaders in the polyester spinning foreman class received safety and environmental protection training.



Safe Production: Ensure Workplace Safety

Workplace safety is the lifeline of an enterprise's long-term development. Hengyi Petrochemical has always "put people and safety first", kept enhancing the awareness of not crossing the "red line" for workplace safety and made every effort to ensure workplace safety.

In 2019, the Company further implemented the post responsibility system, strengthened potential risk identification and control, strictly managed accidents, and stressed the importance of basic management, strengthening of direct operation management and the strict control of key areas and links.

Standardized System Construction

Hengyi Petrochemical applies full effort to streamline the work process for safe production, and continuously improves the workplace safety management. In 2019, the Company developed a workplace safety program, checked problems in line with standards and got a clear picture of the Company's situation, and invited a third party to score its safety system. In addition, all subsidiaries made serious rectifications according to their actual situation, improving the intrinsic safety level by streamlining the work process for safety production.

Through the efforts to streamline the work process for safety production, the Company has further defined the roles and responsibilities of each position. Full participation of all staff in the streamlining process helped to improve workplace safety; the overall control of workplace safety and occupational health in all links of production and operation activities improved the environment for safety production; the workplace safety management system was established to realize the systematic safety and health management, standardized post operation, intrinsic safety of equipment and facilities and positioned operation appliances; and continuous improvements were made to strengthen the basic safety management. The overall safety management level was significantly improved as a result.



bsidiaries of Hengyi Petrochemical are actively developing the safety standardization syste

Risk Identification and Management

Hengyi Petrochemical exerts itself to establish a dual prevention mechanism, i.e., risk classification control and potential risk identification and control, building two firewalls to prevent accidents. In 2019, the Company issued the Notice on the Construction of a Dual Prevention System, according to which, all subsidiaries seriously identified, assessed and classified risks, formulated control measures, implemented hierarchical control, established a risk ledger and comprehensively identified and controlled potential risks based on such ledger, so as to take preventative measures to ensure workplace safety.

Hazard Source Management

Accurate identification and scientific control of risks as well as the timely identification and control of hidden dangers are basic and effective for an enterprise to improve the safety management level and prevent accidents. Hengyi Petrochemical comprehensively identifies risks in the long term and timely and effectively controls hazard sources to prevent safety accidents and secure the production property of the Company and its employees.

The Company runs in strict compliance with the Regulations on the Safety Management of Hazardous Chemicals (Decree No. 591 of the State Council), the Regulations on the Management of Precursor Chemicals (Decree No. 445 of the State Council) and the Safety Measures and Emergency Accident Response Principles for the First Hazardous Chemicals under Special Regulation (AJZTGS [2011] No. 142).

🗐 Case

Strengthen Risk Investigation and Management of Hazardous Chemicals

On October 31, 2019, Hengyi Caprolactam held an enlarged meeting of the HSE Management Committee. Nearly 100 people including the members of the HSE Management Committee, safety directors of all units and full- and part-time safety officers attended the meeting.

The Company conveyed the content and spirit of the Guidelines for the Identification and Control of Potential Safety Risks in Hazardous Chemicals Enterprises to all attendees. Considering the major accidents of hazardous chemicals enterprises in recent years, all employees are required to: study the Guidelines for the Identification and Control of Potential Safety Risks in Hazardous Chemicals Enterprises in depth, carry out self-inspection as per the table Identification of Potential Safety Risks, take an active part in potential risk identification, find and report problems to the Company in time for timely rectification and for the establishment of an identification and control ledger, to constantly perfect the long-term workplace safety mechanism and effectively improve the Company's safety management level.



🗐 Case The Ministry of Ecology and Environment Recognized Radioactive Source Management

On August 14, 2019, Jiang Guang, Director of the Department of Radiation Source Safety Regulation of the Ministry of Ecology and Environment, and his delegation investigated radioactive source management in Hengyi Polymers. Xiang Liwu, Director of the Nuclear and Radiation Environment Supervision Division of the Department of Ecology and Environment of Zhejiang Province, was there for accompaniment. The investigation team visited the radiometric equipment, and the field staff introduced safety protection when working with Class V radioactive sources.

Hengyi Polymers has been committed in being a model for radioactive source management. Since the use of Class V radioactive sources, the Basic Standards for Protection against Ionizing Radiation and for the Safety of Radiation Sources and the Radiation Safety Management File for Nuclear Technology Utilization Units have been complied to establish and perfect a series of systems and measures and define job responsibilities, thereby furthering the process of streamlining and standardization.

As one of the first enterprises monitoring radioactive sources in real time in Zhejiang, the video signal of the surveillance system and the field radiation data of Hengyi Polymers are connected with the Environmental Protection Bureau and, through the combination of modern technology and regular inspection, multi-platform monitoring is realized to ensure safer and more reliable use of radioactive sources.

The Company will, in strict accordance with the requirements of provincial, municipal, and district environmental protection, public security and health departments, continue to strengthen radiation safety education for employees and enhance their radiation safety and protection awareness, and therefore contribute to ensuring safe radiation environment and maintaining social stability and people's well-being.



Workplace Safety Month

June 2019 marked the 18th national "Workplace Safety Month". For the purpose of firmly establishing the philosophy of safe development, preventing and resolving safety risks, eliminating potential safety hazards in time and effectively containing production safety accidents, the HSE Committee decided to launch company-wide month-long workplace safety activities with the theme of "preventing risks, eliminating hidden dangers and containing accidents". All subsidiaries actively responded to the Company's call and organized various activities. Through a series of activities such as training on awareness promotion and implementation, knowledge competition, technological competition, safety inspections and drills, the safety skills of all staff were further improved and the construction of a culture of safety is continuously enriched.



e company carried out workplace safety month campaigns



The company carried out workplace safety month campaigns.



Green Development: Adhere to Environmental Protection Philosophy

Hengyi Petrochemical, adhering to the concept of sustainable development, strengthens sci-tech innovation and product R&D, continuously develops green products with high technological content, low resource consumption and less environmental pollution, promotes the transformation and upgrading of the textile and chemical fiber industry, and leads a high-quality, high-benefit, low-consumption and zero-pollution development of enterprises, making greater contributions to the development of the industry.

Antimony-free **Environmentally**friendly Polyester **Product - Eticont**

There are a number of disadvantages of antimony catalysts commonly used in traditional polyester production. For instance, heavy metal antimony which is somewhat poisonous will precipitate toxicity in PET dyeing, therefore polluting the environment. And then, the waste final PET products will expose ten thousand tons of antimony to nature every year, causing irreversible pollution.

In order to meet the national development plan of green production and consumption as well as the development concept that sci-tech innovation creates a better life, Hengyi Petrochemical has listed the environmentally friendly antimony-free polyester as a key R&D project. Through independent project approval and independent R&D, with two years' efforts, the Company has overcome many technical difficulties, replaced antimony catalysts with titanium catalysts, adopted titanium catalysts and a composite catalyst system with a new coordination chemical structure, developed the antimony-free environment-friendly polyester product - Eticont, and realized mass production, with all indicators meeting national and corporate standards. With high quality and completely independent intellectual property rights, "Eticont" products can fundamentally solve pollution problems and have been selected for the "Release of China Fiber Trend in 2018/2019".









Antimony-free green environment-friendly polyester products help to build a green life cycle for textile

Solving the Environmental Pollution Problems of Downstream Enterprises of the Industrial Chain

Antimony-containing

The influence of antimonv-containing polyester products on the environment in the downstream of the industrial chain is mainly reflected in dyeing, printing and finishing. In the process of dyeing, printing and finishing, the precipitated antimony, if it exceeds the value specified by related indicators, will bring pollution.

Antimony-free polyester products avoid antimony pollution from subsequent dveing and printing from the source and guarantee stable production and operation of the downstream enterprises.

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The key to high-guality development is green development. Green has become the mainstream of the development of the chemical fiber industry. As a leading enterprise in the chemical fiber industry. Hengyi has been committed to R & D of green, environmentally friendly and high-value-added functional products for years and has made breakthroughs in many regards. The successful mass production of antimony-free environmental-friendly polyester "Eticont" is a good example for the healthy and sustainable development of the textile and chemical fiber industry

- Duan Xiaoping, the Vice President of the China National Textile and Apparel Council and the President of the China Chemical Fibers Associati

In the future, CDPA will cooperate with the chemical fiber industry in the promotion and application of antimony-free polyester fiber to jointly promote the healthy development of the textile industry in China. CDPA will also include the antimony-free indicator in the industrial standards and even the national standards of polyester fiber chemical industry and accelerate the market promotion of antimony-free polyester products, making China's antimony-free polyester products become the world's leading standard for ecological products

While reducing costs, improving efficiency, expanding production capacity and increasing profits, Hengyi Petrochemical never forgets the social responsibility on its shoulders as a leading enterprise in the industry.

At present, the chemical fibers are generally based on petroleum resources, and the depletion of petroleum resources and the increasing demand for it is becoming a prominent issue. The waste discarded after the use of chemical fibers has also become an important source of environmental pollution. It takes 40 to 50 years, or even hundreds of years for discarded chemical fibers to completely decompose in nature. Each year, thousands of animals die from accidentally eating the discarded waste. The latest study in Europe showed that microplastics have been found in 50% of human feces. Due to technical limitations, there are currently no effective means for recycling chemical fibers, and basically, the chemical fiber waste is processed only by landfills or incineration. It takes decades or even hundreds of years for discarded chemical fibers to naturally degrade in the environment while occupying a lot of land resources. As a leading chemical fiber manufacturer in China, Hengyi Petrochemical will certainly assume greater social responsibilities. It has established research projects in the field of bio-based materials prepared from biodegradable green fibers and renewable resources



Building a Green Life Cycle for the Whole Industry Chain

Antimony-containing

We label our product green, not only because the manufacturing process is green, but also the life cycle of the product, such as usage and other steps. Clothes made from antimony-containing fabrics, once discarded, will release antimony into water and soil whether they are burnt or put in a landfill.

Antimony-free

Antimony pollution can be avoided completely if clothes are made antimony-free. The launch of antimony-free polyester products makes it possible for the whole industry to run green.

- Chen Zhihua, the President of the China Dveing and Printing Association

Green Production

The Company comprehensively utilizes various clean resources and the waste in production; improves equipment and technological process and develops better production procedures; improves and develops green technology and reinforces pollution prevention and end treatment.

Case The first to use pallet pooling in the industry and be creative in the industrial value chain

There are nearly hundreds of thousands of flowing pallets every day in the chemical fiber industry. Disposable wooden pallets feature low efficiency and increase enterprise production costs. A high proportion of disposable wooden pallets will cause waste of forest resources and the generation of logistics waste. It is not conducive to ecological environment protection and greatly restricts the healthy development of China's logistics industry. In this context, Hengyi Petrochemical launched the pallet pooling project. The pallet pooling system relies on recyclable plastic pallets, giving each pallet a radio-frequency identification and creating a new green environmental-friendly sharing economy.

The project supports pallet data acquisition, pallet information reading from the forklift, auto-induction warehousing to improve loading and unloading efficiency, real-time logistics tracking and whole-process visualization of distribution, providing rapid and efficient distribution service for customers; Secondly, the project can save packaging costs, protect silk products and reduce transportation damage and is an innovative service project that contributes to improving the overall efficiency of the industry.

Currently, the pallet pooling system has been applied in 5 Hengyi Petrochemical subsidiaries, namely, Hengyi Polymers, Hengyi High-Tech, Hangzhou Yijing, Jiaxing Yipeng and Shuangtu High-Tech Materials. The Company is also actively cooperating with many companies in the industry to promote the project.









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The water quality is monitored throughout the project from the preliminary or design stage, to operation and up to the end of a project. For example, Hengyi High-Tech monitored the chemical oxygen demand and ammonia nitrogen in the water during the preliminary design and operation stage of the 500 Kt/a environmentally friendly functional fiber project;

Tap water is replaced by reclaimed water and slightly polluted water for melt filter element cleaning.

For example, the Hengyi Polymers plant, one of our oldest plants, has strengthened leakage detection and reduced waste of water after relocating the pipeline underground to the ground.

Companies such as Sugian Yida and Hengyi High-Tech use condensed water instead of soft water for waste heat boilers, and the heat can also raise the inflow temperature, saving both energy and coal. The

For example, Jiaxing Yipeng changes the ordinary packing water collector to the M-wave water collector and adds an FRP baffle in the middle of the cooling tower, so as to protect cooling water from wind and

Sprinklers are replaced and water pump motors are additionally provided with frequency conversion to control water in all plants, which save water and electricity while maintaining normal working



Improve Governance and Create Value for Stakeholders

© Corporate Governance: Take Further Steps to Fulfill Compliance Requirements

- O Investor Relations: Build Trust with Investors
- © Construction of a Clean Management Team: Create Incorruptible Eco-System



Corporate Governance: Take Further Steps to Fulfill Compliance Requirements

In accordance with the relevant laws and regulations such as the Company Act, and in view of the Company's actual conditions, Hengyi Petrochemical established a modern enterprise system taking the Articles of Association as the core to balancing the authorities of Shareholders Meeting, Board of Directors, Board of Supervisors and senior management. In 2019, the Company revised the Articles of Association and held 5 shareholders' meetings, 14 Board of Directors meetings and 12 Board of Supervisors meetings to ensure specified operation and governance requirements of the Company are met.

5 shareholders'	14 Board of	12 Board of
meetings	Directors meetings	Supervisors meetings

Read More:

As of the end of 2019, the Company has been included in some important assessment indicators in capital market such as MSCI, Dow Jones Industrial Average, SZSE 100 Price Index, SZSE Component Index 500, Shanghai and Shenzhen 300 Index, the Belt and Road and SZSE Stock Connect, embodying the confidence of capital market in the company's development.

With continuous strengthening of capital market supervision and continuous development of listed companies' capital market operations, the fulfillment of commitments becomes an important evaluation index to measure the compliance of listed companies, for example, commitment that substantial shareholders shall not be engaged in horizontal competitions, related transactions and capital occupying, commitment of stock reduction and sales restriction in reorganization and performance commitment of underlying assets. In strict accordance with compliance requirements, Hengyi Petrochemical ensures and supervises commitment fulfillment of related responsible subjects.



Information Disclosure

Regular reports disclosed in 2019 8 reports

> Interim announcements released in 2019 242 announcements

Provide Communication Activities

Visits to key investment institutions

124 visits

678 exchanges with institutional investors

Received **336** visits from research agencies

96 interactions between Easy Interaction Platform and medium and small investors

Honors in 2019:

Hengyi Petrochemical paid great attention to the management of investor relations and regarded it as an important way to achieve the value of a listing company and reach a joint prosperous and sharing situation with the investor. In 2019, we communicated with shareholders, investment institutions and medium and small investors actively through several channels, to provide a clear picture of the company to the market and allow the market to give reasonable predictions, and deliver the company's value.

Investor interaction and communication platform built through several channels

Communication platform of supervision organization Group reception day for

regional investors and SSE's Easy Interaction Platform

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Won the title of "Golden Bull Prize - Best Investor Relation" rewarded by China Securities Journal Won "Golden Quality - Sustainable Growth Award" granted by Shanghai Securities News

Hengyi Petrochemical actively implemented the obligation relevant to information disclosure, improved the level of information disclosure and strictly followed the Securities Law, Rules Governing the Listing of Shares on the ChiNext Market of the Shenzhen Stock Exchange and other related laws and regulations. Based on the standardized implementation of the Information Disclosure Management System, we constantly learned new regulations and new requirements for information disclosure posed by the securities supervision authority, and built an information disclosure system meeting the company's characteristics and helping investors to know more about the company's operation objectively, so as to ensure information disclosure to be true, accurate, complete, timely and fair. In 2019, the Company disclosed 8 regular reports and 240 temporary announcements and documents.

Company communication platform

telephone communication visit. WeChat account and Xueaiu account communication on-site company investigation and investor banquet

External communication platform

Roadshow at home and abroad, strategy meeting of trader, exclusive securities for foreign roadshow investors, overseas visit



Positive Cash Dividend

Year	Net income attributable to parent (RMB 100 million)	Total amount of cash dividends (RMB 100 million)	Cash dividend per share (RMB / share)
2019-12-31	32.01	11.37	0.4
2018-12-31	18.72	8.53	0.3
2017-12-31	16.85	3.30	0.2
2016-12-31	8.30	1.62	0.1

Repayment of Interests on Time

While facing increasing downward pressure on the macroeconomy and rising challenge of complex economic environment and uncertainties, Hengyi Petrochemical paid special attention to capital risk prevention and on the premise of running steadily and maintaining robust operation, highly focused the enterprise's cash flow, strengthened internal improvement and cost management and tried hard to lower the enterprise's debt ratio.

Construction of a Clean Management Team: Create an Incorruptible Management System

As the largest chemical fiber manufacturer possessing integrated industrial chain of PX- PTA-polyester and benzene-CPL-polyamide in the world, Hengyi Petrochemical consistently insists on honest operation, actively carries out construction of a clean and honest enterprise and implants such thinking in its enterprise regulations, culture and operation activities. Moreover, the company won the title of "Clean and Honest Culture Demonstration in Xiaoshan District". Through supervision, education and regulations, the company has built a clean, honest and self-disciplined mechanism which makes sure employees "are unwilling to be corrupt, resistant to corruption and dare not be corrupt", driving the employees of Hengyi to value, enjoy and take pride in being clean and honest, and be the first to devote to the company's quality development and contribute to the new era.

Construction of An Honest and Clean System

As an important link of "Focus on Pragmatism", a core value of Hengyi Petrochemical, being honest, clean and self-disciplined is an important value of Hengyi Petrochemical's enterprise development and employee growth. Through regulation construction, the company included the efforts to combat corruption and uphold integrity into the overall process of enterprise development and industrial expansion to prevent and handle corruption from the source.

In order to create a clean and honest working environment, the Hengyi Group, the controlling shareholder of the company, established the Anti-fraud Leading Group and issued Business Conduct Guidelines, and Anti-fraud Management Regulations in July 2013, and also organized several awareness promotion and implementation meetings and "100-day awareness promotion and implementation" activities for the above two regulations.

Building of a Clean Organization

"Corporate culture development": The Anti-fraud Leading Group, led by the Chairman of Hengyi Petrochemical, is responsible for authorizing the investigation over the reported matters, the handling and decision-making for employee's fraud, etc. The Audit Department is responsible for internal audit, supervision and inspection, and handling of violations, and formulates and continuously improves relevant systems and regulations on clean and honest work in the Company and supports any investigation of the Discipline Inspection Committee.

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In 2013

In 2017

In order to better adapt to the development of the Company, Hengyi Group, its controlling shareholder, formulated and issued the Business Conduct Guidelines for Zhejiang Hengyi Group Co., Ltd. in accordance with the implementation of the Business Conduct Guidelines and Anti-fraud Management Regulations at the end of 2017, further strengthening the institutional construction of honesty and integrity.



ting of Hengyi Cap

Enhance the Value of Industry Chain by Becoming More Eco-Friendly with Technological Innovation

- $\ensuremath{\textcircled{O}}$ Quality Innovation: Promote High-Quality Development
- © Product R&D: Focus on Differentiated Competition
- O Digital Transformation: Revitalize Productivity
- © Supply Chain Integration: Create C2M Closed Loop



Enhance the Value of Industry Chain by Becoming More Eco-Friendly with Technological Innovation

As a pioneer, promoter and practitioner of green manufacturing in the chemical fiber industry, we aim to adapt to the changes of the times and the technological reform. Hengyi Petrochemical drives the development of high-quality industry eco-system, including the information-based enterprise management, differentiated product R & D, intelligent production and manufacturing, and systematic customer service, and promotes the scientific and technological innovation and service innovation to realize digital transformation, improve the production efficiency of the industry and promote ecologicalization of the industry.

> Improving product quality is an efficient means to promote the sustainable development of enterprises. The Hengyi brand relies on a comprehensive quality management system that is customer-focused and customer-demand-orientated covering production, delivery and after-sales service. The Company carries out work by closely surrounding two characteristics of high-quality products - high uniformity and high stability and starting with 5 core principles - "personnel, machine, material, method and environment" and strives to be the leader in quality innovation.

> To address the major and urgent needs for reducing process consumption and improving material performance of the Company's "polyester + nylon" dual industry chain and Hengyi (Brunei) PMB Petrochemical Project with a capacity of 22 million tons, and aiming at the great opportunities for developing disruptive technologies in functional materials, industrial catalysis, synthetic biology, biomass conversion and other disciplines, the Company has established "Zhejiang University-Hengyi Global Future Advanced Technology Research Institute", "Donghua University-Hengyi Petrochemical Joint Laboratory" and "Nanjing Tech University-Hengyi Petrochemical Co., Ltd. Joint Laboratory" jointly and successively with Zhejiang University, Donghua University and Nanjing Tech University. At present, the three university-enterprise platforms are working well. In 2019, the three major platforms signed a total of 26 projects that met the requirements of Hengyi Petrochemical's mid- and long-term scientific research strategy. With joint-efforts and in-depth industry-university-research cooperation between enterprises and universities, the Company strives to develop the university-enterprise platforms into international first-class new material R&D bases, a gathering highland for top professionals and management talents in the fields of new materials, new processes, new equipment, a training base for national and regional high-guality talents on new fiber materials for providing on-target services to the "Belt and Road" Initiative, and a model area and a special system and mechanism innovation zone for university's deep interdisciplinarity and deep integration of production, teaching and research.



Product R&D: Focus on Differentiated Competition

Patents applied in 2019 60 Invention patents **49** Utility model patents 11

> **Read More: Flame Retardant Fabrics Find Great Application** in Fire Fighting

Flame retardant fibers refer to flame retardant fabrics not easy to catch fire or able to delay burning and are automatically extinguished after being removed from the fire. They contribute to ensuring adequate time for firefighting and escaping, thus mitigating loss of life, personal injury and property loss.

According to incomplete statistics, about 50% of fire disasters across the world are related to fabrics. Fabrics for interior decorating, beddings, sofas, electric blankets, etc., can all be sources of fire disasters. At present, the flame-retardant requirement is placed in a key position in textile material and product development in various countries. In particular, home textile products exported to Europe and the US are subject to flame-retardant requirements. With the improvement of living standards and laws and regulations on flame retardant fabrics in China, more effort must be devoted to the development of flame-retardant fabrics. The permanent flame-retardant fabrics are bound to be a new hit in the textile product development.

By insisting on the idea of "quality wins", always keeping the market forward-looking around the consumers' yearning for a better life, continuously developing high added value and differentiated products, with specific targets for new products, Hengyi Petrochemical has gradually realized the "diversified, serialized, high-quality and unique" product structure. In 2019, for differential fiber and its production and technology, the Company applied for 63 patents in total, including 52 patents for inventions and 11 patents for utility models. The subsidiaries of the Company, Hengyi High-Tech, Hengyi Polyamide and Henglan Technology, have been successfully certified as national high-tech enterprises.

Functional Dope Dveing Direct Spinning Filament and Polvamide

- market shares.





🖧 National Key R&D Planning Projects:

Hengyi Petrochemical: Industrial Technology R & D of High-Color-Fastness Melt Direct Spinning Polyester Filament and

Hengyi High-Tech: Demonstration of Technology and Application of Integration of High-capacity Differentiated Polyester

New Products and New Technology:

• The polyamide titanium dioxide trial line was officially put into production, which could provide low-cost flatting agent ingredients for the polyamide industry chain.

• The Company has become a manufacturer in China with full independent intellectual property rights and mastering PPT core polymer technology.

• The flame retardant copolyester semi-dull chips produced by the Company feature excellent hue, overcoming the yellowing, tarnishing and poor spinnability problems of similar products in the market. The varieties of the Company's fire-retardant products, such as POY, DTY and FDY, were increased, making the Company lead in

 The hygroscopic and sweat releasing products developed by the Company added a new variety for chip spinning. • The Company has successfully developed star type poly/nylon composite fibers, without sanding and with strong raising effect and excellent water absorption capability.

me-retardant polyester products at the Yarn Expo in Shanghai

Scientific Research Awards in 2019

The "Sixth Top Ten Spinning Technology Award" for the packaged technology of antimony-free polyester melt direct-spinning filament

The Unmanned Production Process and Industrialization of Complete Sets of Technical Equipment for Winding of Chemical Fiber Filament has won the "First Prize for Scientific and Technological Progress" awarded by China National Textile and Apparel Counci

The Development of Industrialization Technology for High-quality Melt Direct-spun and Deep-dyeable Polyester Fiber with Dope Dyeing has won the "Second Prize for Scientific and Technological Progress" awarded by the China National Textile and Apparel Council



Responsibility Keywords: Intellectual Property Protection

Hengyi Petrochemical implements the enterprise intellectual property strategy comprehensively, strengthens efforts on work related to intellectual property and intensifies promotion of patent laws and regulations, popularization of patent knowledge, patent training, patent application, protection and management, etc.

As of December 2019, a total of 190 patents have been applied by Henglan Technology, a subordinate company of the Company (including 49 patents and 39 inventions applied in 2019), and 111 patents have been granted (including 10 patents and 5 inventions granted in 2019); It has been involved in the preparation and revision of 9 national standards, 11 industry standards and 1 group standard in total; Meanwhile, a total of 19 software copyrights have been registered.



Digital Transformation: Revitalize Productivity

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Based on the "petrochemical +" industrial layout, Hengyi Petrochemical is improving its management, operation and resource system with big data and building an ecosystem for its own production.



Intelligent manufacturing

While continuing its investment in R & D, and adding intelligent equipment to the old plants and installing intelligent equipment for the new plants, Hengyi Petrochemical expands its intelligent production from manufacturing unit and production line to workshops and even to the whole plant through investment and optimization of automation and informatization. All equipment, systems, people and other factors are interconnected, interactive and collaborative through effective integration and interconnection technologies. Intelligent manufacturing takes the lead in customization, collaborative manufacturing, remote O&M and other types of new businesses, pushing ahead digital transformation of the enterprise.



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· · · ·	on and resource sy osystem with big d	
Collaborative mechanism		
Customer of garment materials Payment Logistics service	 VIP service for major customers Credit Supply chain finance 	 Downstream industrial park Other value-added services Logistics service
Land	• Indicator	

Case Digital Intelligent Factory: Build A Benchmark Enterprise of Intelligent Manufacturing in the Industry

Vertical integration

Full automation in the factory is realized through hardware and software layout in the vertical production field.

Horizontal integration Digital supply chain is formed with resource and digital integration in

such horizontal domains as logistics

services closed-loop marketing and

production of auxiliary materials.

End-to-end integration

Integration at all software ports in the industry chain is realized with various application software platforms, to form a digital value chain and evaluate the circulation efficiency of the industry chain in a digital way.

The first production line- Line G (with an annual output of 250,000 t/a) and related supporting works of the "Construction Project of Differential Environmental-friendly Functional Fiber with an Annual Output of 1 Million Tons" undertaken by Haining New Material, a subsidiary of Hengyi Petrochemical, in February 2020. The project is a concrete practice of Hengyi Petrochemical which explores digital transformation in the chemical fiber industry and strides forward from factory automation to intelligence.

The project of Haining New Material, which has an annual output of 1 million tons, aims at creating an "unmanned factory" and building a first-class industry-leading intelligent factory in China. The most advanced intelligent manufacturing mode will be applied in the production process, to create an intelligent factory for the production of high performance fibers. Moreover, the Project will also improve in such fields as cascade utilization of energy, energy conservation and consumption reduction, "three wastes" treatment, to vigorously promote green manufacturing.

Hengyi Petrochemical will promote integrated O&M, fully integrate the supply chain, realize coordination of quality and supply chain and create the value chain through "vertical integration, horizontal integration and end-to-end integration".



Case

The single-spindle data flow takes a single spindle as the smallest management unit and gives an identity card for each spindle, to break the full flow of information chain formed on the isolated islands of information, from batch management to single-spindle management and from business driven to data driven.

Hengyi Petrochemical created the single-spindle data flow management mode, the first of its kind in China, to solve problems and difficulties of enterprise management. In the single-spindle data flow, a tag is given to a single spindle and related data of the single spindle for each procedure is collected, e.g. the quality, cost, personnel, equipment, raw materials and auxiliary materials. These types of data will be integrated into the manufacturing execution system (MES), to build a mass of real-time data for the single spindle and form a basic data unit in the data-driven mode, so as to manage the "data asset".

Data security

Case Improve Data Permission Management, to Ensure Information Security

The Company sorts out the management status of data permission of the information system, to improve the data permission management mechanism for the information system of the Company, standardize the life-cycle management for the data permission of the information system and specify the approval authority and process of creation, modification and query of all types of data. It completes standardized approval of data provision permission and account data permission initially, makes the list of permissions related to the SAP system and compiles the exposure draft for the management system of related permission according to the status of permission of all business departments.

We have sorted out SAP system users and permissions of the sales company, provided standardized and unified management for the permission of the accounts held by the product salesman, product sales manager, IHS and marketing department and formulated the Methods for the Management of Data Authority of the Information System, to further guarantee the security of the Company's data.

Organization Management The Company attaches great importance to the modern enterprise management system, attempting to create a flexible organization and improve the efficiency of cooperation within the Company. In response to the complicated and volatile environment, the Company actively adopted the modern enterprise management system and information-sharing tools to break the inter-divisional information isolation and achieve inter-divisional collaboration. Meanwhile, to the opposite of traditional performance appraisal, the Company adheres to the principle of "right person for the right position" during the digital transformation.

In 2019, the Company deployed firewalls to intercept the large-scale web attack. It also reviewed the intranet security, developed the reinforcement plan and eliminated the security risk of the Internal network, to guarantee the steady operation of the industrial network.



Supply Chain Integration: Create C2M Closed Loop

Hengyi Petrochemical takes no hesitation in seizing the historic opportunity from consumer Internet to industrial Internet. Centered on the product and taking advantage of suitable software and hardware, Hengyi Petrochemical makes every effort to build an Internet platform for the chemical fiber industry in petrochemicals and promotes the optimized allocation of resources related to all production factors, the whole process, industrial chain and product life cycle management, enabling the transformation and upgrade of the manufacturing industry.

Based on the development style of the petrochemical industry, the supply chain integration platform of Hengyi Petrochemical achieves the strategic deployment of "Petrochemical +" (petrochemical trade, petrochemical production, petrochemical finance and petrochemical logistics) and further deepens "Internet + advanced manufacturing". In addition, the full set of supply chain integration (including petrochemical B2B platform, intelligent order management, intelligent storage and logistics) is set to create a closed loop of data collecting, transmission, storage, processing and feedback, break the data barriers of different levels, companies as well as upstream and downstream industrial chains to improve the overall operation efficiency.

Hengyi Petrochemical is dedicated to building an open and sharing industrial Internet platform in the petrochemical field. Relying on the platform and industrial data integration, the Company not only realizes the digital transformation of its own business, but also provides digital solutions for the global chemical fiber industry. The Company aims to achieve internal operation integration and public operation of Hengyi Industrial Internet Platform by 2022, and become an Internet leader, data integrator, standard setter and service provider in the chemical fiber industry.



× 恒逸微商城-易上手的B2B化纤…

〇 通輸入環境/港市

Trading platform

Provide online procurement services and marketing channels for small businesses with the new B2B trading platform of Henav

Logistics

transportation service Based on industrial and regiona highlights of downstream small provide logistics and combined transportation services

Digital service integrating operations with finance

Internet

platform

of chemical

fiber industry

Based on industrial highlights of stream small businesses, provide enterprise informatization, supply chain integration and cloud services

Credit

sensing platform

Supply-chain

financial service

Based on transaction data of the new

B2B trading platform, provide small

businesses with financing services

based on order receivables or

warehouse receipt pledges

financing service Provide financing and credit granting services for small businesses with Henavi's credit granting service, bank credits and risk control management by the digital operation &

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Customer

Hengyi E-shop

"We have the responsibility to promote B2B interaction. Hengyi has a broad vision, so we are willing to cooperate and participate in the innovation of Hengyi. For example, Hengyi e-shop is one of the innovations that we are interested in. Firstly, after cooperating with Hengyi for over a decade, we appreciate Hengyi's support and care towards small-sized enterprises. Secondly, Hengyi provided excellent after-sales service, supporting service and extension service in recent years such as logistics and distribution, funds allocation and after-sales quality tracking. Generally, Hengyi constantly makes breakthrough year by year."

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With the positive promotion of "Internet+" by the country and the trend of Internet-based business in the whole industry, Hengyi Petrochemical timely and exclusively developed an E-commerce platform: Hengyi e-shop. Focused on online sales of polyester and chemical fiber products, Hengyi e-shop integrates price inquiry, quick order, market information, intelligent logistics management platform (HTTMS), financial services and aims to provide a brand new business pattern for the downstream customer to improve efficiency and reduce cost.

Currently, Hengyi e-shop is available on WeChat (WeChat Official Account) and the app stores (available in Vmall, VIVO mall, 360 App Mall and Mi Online Store, search "Hengyi" to download).

Regular order

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The most common way to place an order by customers

Orders through contracts

Customers who have signed contracts with us can place orders with a preferred price rate

Orders placed during a promotional event

Customers can participate in various activities launched by the Marketing Center, such as time-limited purchases, group purchases and flash sales

Supply-chain financial order

Customers with accounts on Yikongdai can place their orders directly on Yikongdai and enjoy the fixed price that is usually only available for bulk orders

Pre-order

When inventories of products are low, customers can pre-order, and orders will be automatically generated after the product is available

Miao Fengxiang, General Manager of Hangzhou Xianglu Chemical Fiber Co., Ltd.

Whole-process intelligent logistics system

As the first promoter of the whole-process intelligent logistics system in the industry, Hengyi Petrochemical integrates the system doffing, package and stereoscopic warehouse of finished products through AGV transfer, fiber stereoscopic warehouse for temporary storage and transport line of finished products, which is beneficial to the multi-process operation and information process for the fiber spindle.



Automatic plate	Automatic	Autor
clearing project	doffing project	detection
Automatic cruise positioning, avoidance of obstacles and spraying of silicone oil via wireless Ethernet. The plate clearing may be completed in two minutes, increasing the efficiency by 60%.	It reduces work load for employees, decreasing the turnover rate of winding workers, and reduces hair and dirt from employees, providing the equipment foundation for the digital transformation of the factory.	Unified detecti adopted and or needed for the spindle, increasi 40%. The inspec fiber with gre forming is Appearance de library and established to tu root of the prob feedback and en production.



omatic on project

tion standard i onlv 3 seconds is e detection of a sing efficiency by ection accuracy of reasy dirt and above 99%: detection image database are trace back to the blem for real-time early warning of

Automatic packaging project

It frees up the labor force and the packaging increases efficiency as well as personne stability

Stereoscopic warehouse

he stereoscopic warehouse i capable of 14-day storage with the aily receipt of 640 tons. The chopped fiber package will be automatically transported from the workshop to the stereoscopic warehouse The management system is capable of automatic storage, delivery, stocktaking and exception handling, which promotes general productivity by 20%.

Intelligent Storage System

57

The storage management system is a significant part of the whole supply chain integration. Warehouse management is always the core of logistics management. There are many problems in the traditional chemical fiber factory in goods placement, sorting, matching, tracing and control. On the other hand, with the change in the manufacturing environment, the product cycle becomes shorter, and the small-batch flexible production mode will become normal and standard. It requires accurate management of the storage area, storage location and cargo location of the warehouse, and requires connection with different stereoscopic warehouses to realize fine and digital management.

In order to solve the storage problems and meet the needs of the modern market, Hengyi Petrochemical developed an intelligent storage system, which has been put into use in Shuangtu High-Tech Materials and Suqian Yida.







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Secure Employment, and Create Happiness for Employees

© Secure Employment, and Improve Employees' Sense of Belonging

© Employees' Growth, and Improve Employees' Social Recognition

© Take Care of Employees, and Safeguard the Rights and Interests of Disadvantaged Groups





Welfare System

Secure Employment, and Improve Employees' Sense of Belonging

Remuneration & Welfare

Protecting the basic rights and interests of employees is the foundation of the stable development of enterprises. Hengyi Petrochemical attaches great importance to creating harmonious labor relations, protecting the legitimate rights and interests of employees, improving the social security system, and establishing a competitive salary and welfare system.

Hengyi Petrochemical provides its employees with a complete compensation and welfare system. The current salary level of the Company is competitive and fair. Each year, the scope and range of salary in the current year will be adjusted based on the Company's operating conditions and the actual situation of the industry and region. In addition, salary adjustment may also be made according to the relevant rules in case of rank and salary adjustment for employees.

The Company implements a salary structure combining salary and performance incentives. A employee's salary is determined by three main factors: company revenue, department performance and individual performance, which encourages the employees to strive for their best to get the pay they deserve. At present, scientific and effective salary & assessment incentive policies (monthly/quarterly/annual) are prepared for different industries and different job types such as technology, R & D, production, sales, etc., and corresponding performance awards are provided based on the assessment results.

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Housing

subsidy for qualified employees.

The Company provides housing for employees (employee dormitory, standard double room, standard single room, couple's room or suite according to different posts and ranks), and provides a certain amount of rent managers.



Medical and health

The Company provides employees with physical examinations, including new employee physical examination, annual physical examination, occupational disease examination, etc., and pays supplementary commercial insurance and mutual medical assistance for the physically impaired.



Welfare system for employees of Hengyi Petrochemical



Employee **Incentives**

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Employees are the most valuable commodity of Hengyi Petrochemical. We adhere to the implementation of the talent strategy and build a development community with employees in a variety of ways.

Since 2015, the Company has implemented the equity-based incentives plan two times and the employee stock ownership plan three times, which has fully aroused the enthusiasm of employees and effectively promoted the attraction of high-level talents. Through the establishment of the long-term development sharing mechanism, the sense of belonging and cohesion of employees is effectively enhanced, which lays the talent foundation for the Company's long-term development.

In 2019, Hengyi Petrochemical further clarified the awards and selection rules of the company-level excellence evaluation to encourage technological innovation, management improvement, quality improvement and commend outstanding individuals with outstanding performance.

		Equity Incenti	ve Plan		
Time	Number of shares	Duration	Unlocking c	onditions	
Phase 1: August 25, 2015	12 million shares	5 years	Four unlocking periods Take the average net profit from 2012 to 2014 as the base	Not less than 50% in 2015; Not less than 100% in 2016; Not less than 200% in 2017; Not less than 400% in 2018	
Phase 2: June 12, 2017	28.55 million shares	4 years	Three unlocking periods Take 2016 net profit as the base	Not less than 50% in 2017; Not less than 100% in 2018; Not less than 200% in 2019	

Source: Company announcements

Employee Stock Ownership Plan		
Time	Number of shares (before XR)	Lockout period
Phase 1: July 22, 2016	24.8138 million shares	12 months, from September 30, 2016
Phase 2: June 6, 2017	27.8193 million shares	12 months, from July 21, 2017
Phase 3: May 3, 2018	113 million shares	12 months, from November 2, 2018

Source: Company announcements

Employees' Growth, and Improve Employees' Social Recognition

Career **Development**

People is the key to businesses and enterprises to prosper and develop. Hengyi Petrochemical always adheres to the people-oriented principle and advocates the employee concept of "joint creation and sharing, happily developing". In terms of talent introduction, the Company always adheres to the concept of openness, pragmatism and innovation, and timely adjusts the strategy of talent introduction and cultivation according to the different development stages of the Company. During the "Five-Five Strategy" period, the Company has undergone rapid development and proposed the "New Blue Plan" talent project, which recruited and cultivated a large number of excellent reserve forces. At the same time, in order to promote the internal management reform, the Company has provided opportunities for younger executives to get involved in senior management. In the company's main business segments, a number of outstanding young executives have been selected. The rapid and efficient talent management measures not only promote the sound internal talent development atmosphere, but also provide a guarantee for the development of the Company.

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Case

Skill Identification

In 2019, Hengyi Petrochemical released and implemented the Management System for Skill Appraisal of Polyester Sector, which designed the channel for industrial workers to develop from junior workers to senior technicians. By setting up 21 skill appraisal and assessment teams, we completed the construction of an examination database containing 140 sets of written questions and 70 sets of practical operation tests. For the first time, we refined the skill grade standard of the polyester sector, so as to ensure the standard and transparent promotion of operators. In 2019, the Company completed skill assessments in 8 polyester factories with more than 1000 employees participating. Through the implementation of skill assessment, the Company may promote skill learning through examination, and continuously stimulate the accumulation and improvement of skilled personnel.

Employee Training

Hengyi Petrochemical attaches great importance to the cultivation of all kinds of talents, and has established an enterprise university-Hengyi University, which makes full use of the rich learning resources inside and outside the enterprise to promote the cultivation of talents, the growth of the business team, and the reform force driven by strategy and the promotion of leadership, playing a core role in the learning organization. The University has also carried out "the Dandelion Plan", which lays a solid foundation for the accumulation and inheritance of knowledge and experience through the cultivation of internal lecturers and the construction of curriculum system.

In order to standardize the Company's job and rank management system, expand the career development channels of employees in management, specialty and operation, fully explore the value of human resources and improve organizational effectiveness, the Company has developed the Job and Rank Management System. While establishing the three-channel career development, the Company adopts differentiated evaluation means according to the professions, so as to improve the scientific and rational evaluation, gradually expand the career development path, realize scientific appointment, and help employees realize their value and dreams.

Opening up the Operator Development Channel, Comprehensively Implementing the Post

Occupational Health

From July 25, 2019 to August 15, 2019, the Company studied the implementation scheme with the actual conditions of each factory, ensuring that "High Temperature Care" was put into practice. The 15 subordinate companies of Hengyi Petrochemical have distributed 600 boxes of medicines for heatstroke prevention in summer, bringing a little cool for the hot summer.

"Blue" Series Talent Training Program of Hengyi University

- Deep Blue Talent Training Program: A program designed for the company's senior managers to improve management skills and leadership through continuous learning, benchmarking learning, discussion of business management issues and other methods.
- Latent Blue Talent Training Program: A program to train future management forces, aims to train excellent managers for enterprises in the next 1-2 years. In 2019, the Latent Blue Talent Training Program involving classroom teaching, subject research, tutor instruction, team building and professional output was provided to 28 management candidates from different departments.
- New Blue Talent Training Program: A core program to reserve and train future talents for the company. Through systematic training, new college students can quickly become excellent members of Hengyi. In 2019, New Blue Talent Training Program involving orientation, plant internship, mentor instruction, business familiarization and periodic retraining was provided to nearly 200 college graduates.

Leadership Institute to Continuously Improve Management Skills and Leadership of the Management Team

- Hengyi Lectures: Invite outstanding entrepreneurs, managers, field experts and scholars, and company executives to enhance management skills and leadership of the company's management team. The 2019 annual lecture covers the topics of legal risks, mergers and acquisitions, organizational management and listing operations, to continuously expand the horizons of management staff.
- Carry out Happy Reading Programs among the management staff in Hengyi, to improve the leadership and learning ability and promote the construction of study-type organizations through management staff group reading and online sharing.

Industry College to Support the Industrial Development and Management Improvement

• Industrial technology lectures carry out learning exchanges by integrating internal and external industrial technical resources. In 2019, industrial lectures cooperated with external R&D, procurement and integration experts to continuously hold industrial lectures covering process technology, technology advances and industry trends to promote the industry.

Dandelion Program to Promote Knowledge Productivity

• The Company is vigorously conducting training of internal trainers and the construction of a curriculum system. Through course development and lecturer training, the Company has successively carried out activities such as the industrial base management trilogy, new blue lecturer training camp and "Good Lecturer and Helpful Course" competition, cultivated more than 110 certified lecturers and offered 186 accredited courses and 62 online business courses through Hengyi Online Campus. The Company has summed up a set of standards for knowledge production, which greatly improves the knowledge productivity and the construction of study-type organizations.

Promote Professional Talent Training and Support Business Development

• By summarizing product information, studying successful sales cases and holding sales competitions, we have developed courses on selling products, successful sales case analysis and other sales cases. We also train top sales into company lectures to improve the sales training system and enhance their sales ability.







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Take Care of Employees, and Safeguard the Rights and Interests of Disadvantaged Groups

"Joint creation and sharing and joyful development", "Staying in Hengyi and building a harmonious home" and "Allow employees to grow with the enterprise", these concepts are the profound embodiment of Hengyi Petrochemical culture. Hengyi Petrochemical cares about its employees, having made plans based on its actual situation to show solicitude for all employee groups and meet their needs, ensure the healthy growth of employees and improve the satisfaction of employees with the Company.





Caring about Female Employees

The Company strictly protects the rights and interests of female employees, realizes equal pay for equal work between men and women in terms of salary fixing, salary adjustment and benefits, and gives full play to the positive role of female employees in the Company's operation.

In March 2019, the Company held a lecture on health knowledge ("Women's mental health and stress management") for female employees to promote their physical and mental health. The Company invited Cao Xinyi, Doctor of Affiliated Rehabilitation Hospital of Zhejiang University of



Care for Disabled Employees

In June 2019, the company organized a celebration activity (making rice dumplings) of the "Dragon Boat Festival" for female employees to create an atmosphere of sharing and making people feel at home, relaxing the bodies and minds of the staff, enhancing the cohesion of the staff, and passing on the traditional culture of the Chinese nation.

As one of the largest welfare enterprises in Zhejiang Province, Hengyi Polymers has employed 575 disabled workers, accounting for 34.76% of the total number of Hengyi Polymers employees. Since the establishment of the welfare enterprise in 2001, the Company has recruited more than 1000 disabled employees, making great contributions to the social employment of the disabled.

A Honor and Recognition

Xiaoshan District'

In addition to Hengyi Polymers, each subsidiary company of Hengyi Petrochemical actively responded to the call of Disabled Persons' Federation and employed 102 disabled workers in 2019, making a positive contribution to society. As an obligation of the enterprise, Hengyi Petrochemical pays employment security funds for disabled persons on time.

Hengyi Petrochemical provides disabled workers with the best living welfare and training opportunities



The Company has received numerous awards, including "Director Unit of Zhejiang Social Welfare Enterprise Association", Deputy President Unit of Zhejiang Social Welfare Enterprise Association", "Standing Director Unit of Hangzhou Welfare Enterprise Association", "Hangzhou Top 10 Welfare Enterprises", "Advanced Collective of Welfare Enterprises in Xiaoshan District" and "Advanced Collective of Assisting and Supporting the Disabled in the Eleventh Five-year Planning Period in

edical security

yi Petrochemical pays social ance for all disabled workers staff, participates in zhou in-service staff medical ual assistance project for the led workers of the Company, organizes regular physical nations, providing effective ction for the disabled ers' health and medical care.

Training and education

In order to strengthen the education and training of disabled workers, improve their overall gualification and ensure that disabled workers can better adapt to their jobs, Hengyi Petrochemical has carried out various kinds of safety knowledge lectures and job skills training for the disabled workers. In addition, the Company has offered educational promotion courses, and many disabled workers have obtained various operational qualification certificates and college and undergraduate degrees through this training.

Helping the Disabled and Sharing, Cooperating and Loving Each Other: the Company Carried Case Out a Series of Activities on the 29th Help the Disabled Day

The Association of disabled persons of Hengyi Polymers organized a special session for the 29th Help the Disabled Day, and decided to carry out a series of activities for the day from May 6 to May 22, including the 8th table tennis and billiards competition for disabled employees and physical examination of disabled employees. The day May 19, 2019, marks the 29th Help the Disabled Day. To advocate the positive practices and create a good climate of caring and supporting the disabled, the Company has organized a number of "Helping the Disabled Day" activities with the theme of "Assisting the Disabled People in Enjoying Equal Resources and Developing Mutual Care and Love".

For the health of the disabled, the Company has arranged disabled employees in 11 groups to go to the Luoshan Hospital of Yaqian Town for physical examinations since May 7. The examination covers five items, including blood pressure, electrocardiogram, B-mode ultrasound, chest X-ray, hematuria biochemical detection. In addition, the tumor indicator detection is added compared to previous years.

On May 19, the China lodine help the disabled Day, the Company carried out the 29th "China lodine help the disabled Day-Safety Training for Disabled Employees", which was attended by 200 disabled employees.

Work Happily

In order to hear from the employees and understand their needs and demands, and ensure practical and effective corporate governance, Hengyi Petrochemical has developed several communication channels such as Rational Proposals, General Manager's Mail Box, and an official WeChat account. Besides, the Company motivates employees through cultural and honor motivation, development and bonus incentives to fully tap their potential, and encourage them to innovate.

Case **Knowing Employees' Opinions and Conducting an Engagement Survey**

As an important measure for enterprise sustainability, employee engagement is closely related to the organization's business performance. The employee's continuous and stable engagement is beneficial to long-term development of an enterprise. In order to continuously and efficiently hear the opinions of the grass-roots employees, Hengyi Petrochemical organizes the engagement survey at regular intervals, covering all levels of employees. And the employees actively participate in and provide feedback in the survey. In a single survey, around 1,000 proposals may be collected from employees in terms of compensation and benefits, canteen, primary level management, holiday, dormitory and cultural development. After the survey, all units take concrete actions to show care for their employees, such as formulating and issuing the Management System for Rational Proposals, increasing free optional dishes at the canteen, and holding the first staff dormitory design competition.

> Regular recreational and sports activities are arranged for enriching the spiritual life and building the character of the employees. In 2019, the Company took ten measures to "Care for Employees", joined hands with Hangzhou Normal University for summer camps, and organized the third "Heng Ge Han Wu, Yi Sheng Xiang Ban" Han-style employee group wedding and all kinds of recreational and sports activities like keynote speech contest, league football match and billiard match, all in an effort to enhance the vitality and cohesion of employees.



"Calendar Baby" on xsnet.com,

the headline news on the Compan

In recent years, adhering to the corporate philosophy of "Staying persistent in pursuing its development path, and being far-sighted in its vision", Hengyi, while expanding its growth, has actively explored development channels for employees, and enhanced employees' sense of belonging through a variety of campaigns. The Company's controlling shareholder, Hengyi Group, has successively won the honorary titles of "Golden Sycamore Award" for Advanced Unit in Xiaoshan that Prize Talents, Zhejiang Province's 1st Annual Best Employer Award, and the National Employment and Societal Contribution Advanced Private Enterprise Award.

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Held by the Company

Third Han-style employee group wedding







Donate for Poverty Alleviation and Contribute Our Part to Help Groups in Need

© Targeted Poverty Alleviation: Generate Revenue in Line with Local Circumstances

© Make Donations for Public Welfare, and Stay Committed to Charity and Education

© Fight COVID-19 Together, and Bring Our AIndicator dvantages Into Play





Targeted Poverty Alleviation: Generate Revenue in Line with Local Circumstances

In 2019, according to the arrangement of the Ningbo Municipal Party Committee and the Ningbo Municipal Government on launching cooperation in poverty alleviation between the East and the West, Hengyi Petrochemical was identified as the targeted poverty alleviation pairing unit of Jilin Wangging Beier Technology Co., Ltd., and signed an agreement with the People's Government of Wangging County on "Yanbian Local Agricultural Product Deep-processing Project". The project is worth RMB 10 million, and its main tasks are to build a 2,500-square-meter constant temperature storage warehouse, and purchase supporting facilities such as refrigeration and product testing equipment. It will package 2,500 tons of edible probiotics annually. At present, the company has donated 5 million.

Actively responding to requests by the Zhejiang Provincial Party Committee and the Zhejiang Provincial Government on poverty alleviation partner assistance, Hengyi Petrochemical donated RMB 2 million to Mawu Village, Kaihua County, Quzhou for targeted assistance, in order to fulfill its social responsibility. Among that, RMB 400,000 was used for helping Mawu Village prepare the overall planning for resuscitating the economy, which determined solutions for the company's overall positioning, industrial layout, and renovation of the village appearance; RMB 1.4 million yuan was used to support the construction of the village cultural hall, providing a gathering place for villagers to enrich their cultural life and enhance cohesive force; RMB 200,000 was used to plant forest for farming honey bees to support 55 low-income households in Mawu Village to keep Apis cerana, which will increase the annual income of each low-income rural household by about RMB 1,800.

Make Donations for Public Welfare, and Stay Committed to Charity and Education

We here at Hengyi Petrochemical have a thankful heart and try our best to assist people in need and give back to society. We are active in social charities and public welfare activities, to spread the warmth and care of the society further and longer. In 2018, controlling shareholder Hengyi Group donated RMB 140 million in total to Zhejiang University Education Foundation to support Zhejiang University's "Double First-Class" project. In 2018, RMB 100 million was donated to the Hangzhou Normal University Education Foundation, to set up the Hangzhou Normal University Hengyi Qiu Jianlin Foundation, contributing to cultivating and rewarding talents and scientific research projects.

In 2019, the "Spring Breeze Action" charity campaign of Xiaoshan District of Hangzhou City innovated the donation form, launched the oriented donation plans for enterprises donating RMB 500,000 and more, thus starting project-based donation practices. The controlling shareholder Hengyi Group has expanded the donation coverage through its "Hengyi · Sending Warmth by Spring Breeze" project, benefited more people in difficult circumstances in Xiaoshan District and inspiring more enterprises into the "Spring Breeze Activity".

In December 2019, Hangzhou Xiaoshan District Charity Federation held the Ceremony of Hengyi Charity Foundation Granting Subvention to One Hundred Most Needy Families. It benefited 100 families in serious financial trouble due to illness or accidental injury. Each family received RMB 8000 from the Hengyi Charity Foundation.

2019 Key performance indicators





Fight COVID-19 Together, and Bring Our Advantages Into Play



Polyester chemical fiber products produced by Hengyi Petrochemical can be used to make masks, disinfectant wipes, medical protective suits, bedding covers and other epidemic prevention materials. Taking polyester staple fibers as an example, they can be widely used for spinning, non-woven and filling purposes And the spunlace non-woven fabric can serve as the contact inhibitor in masks and be used to produce disinfecting wipes.

Facing the sudden outbreak of COVID-19 at the beginning of 2020, demand for masks, protective suits, disinfectants and other epidemic prevention items skyrocketed. As one of the manufacturers of raw materials for epidemic prevention products, after receiving emergency calls from downstream customers, Hengyi Petrochemical managed to ensure the materials supply by arranging production even during weekends and holidays and increasing the workload of production equipment. Zhejiang Yisheng and Hainan Yisheng, subsidiaries of Hengyi Petrochemical, were included into the list of enterprises under key protection across the country during the epidemic prevention and control. At a time when people's lives are in grave danger, chemicals once again show their indispensability and irreplaceability, and more importantly, demonstrate the sense of responsibility and dedication of Hengyi Petrochemical and Hengyi staff in taking risks and living up to our responsibility.

In addition to supplying epidemic prevention materials, Hengyi Petrochemical will arrange the epidemic prevention and orderly work resumption among employees. Of the more than 20,000 employees of the Company none have been infected.

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A World-Class Green Petrochemical Enterprise Recognized by the Society



Hengyi Petrochemical Co., Ltd

