

WANHUA CHEMICAL GROUP CO., LTD.

Financial Statements and Auditor's Report
For the year ended 31 December 2014

FINANCIAL STATEMENTS AND AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2014

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AUDITOR'S REPORT

De Shi Bao (Shen) Zi (15) No.P0250
[Translation]

To the Shareholders of Wanhua Chemical Group Co., Ltd.:

We have audited the financial statements of Wanhua Chemical Group Co.,Ltd., ("Wanhua Chemical Company"), which comprise the Company's and consolidated balance sheets as at 31 December 2014, and the Company's and consolidated income statements, the Company's and consolidated statements of changes in shareholders' equity and the Company's and consolidated cash flow statements for the year then ended, and the notes to the financial statements.

1. Management's responsibility for the financial statements.

Management of the Wanhua Chemical Group Co., Ltd. is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

2. Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, Certified Public Accountants consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. Opinion

In our opinion, the financial statements of Wanhua Chemical Company present fairly, in all material respects, the Company's and consolidated financial position as of 31 December 2014, and the Company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu CPA LLP

Shanghai, China

Chinese Certified Public Accountant:

Wu Xiao Hui

Jiang Jian

14 March 2015

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. Where the English version does not conform to the Chinese version, the Chinese version prevails.

WANHUA CHEMICAL GROUP CO., LTD.

AT 31 DECEMBER 2014

Consolidated Balance Sheet

Unit: RMB

Items	Notes	Closing balance	Opening balance	Items	Notes	Closing Balance	Opening Balance
Current Assets:				Current liabilities:			
Cash and bank balance	(V)1	1,024,674,432.11	988,922,382.29	Short-term borrowings	(V)19	4,496,443,321.52	3,752,118,153.63
Financial assets at fair value through profit or loss	(V)2	7,560,805.90	-	Financial liabilities at fair value through profit or loss	(V)20	4,093,972.33	-
Notes receivable	(V)3	2,347,646,327.25	3,309,830,463.93	Notes payable	(V)21	2,044,515,908.77	1,993,630,640.49
Account receivable	(V)4	1,341,579,522.35	1,062,550,311.78	Account payable	(V)22	2,615,128,907.33	2,298,938,599.14
Prepayments	(V)5	347,847,267.73	476,796,342.74	Receipts in advance	(V)23	763,746,175.64	727,903,857.03
Other Receivables	(V)6	128,461,907.03	86,228,118.79	Employee benefits payable	(V)24	225,411,626.19	256,148,236.10
Inventories	(V)7	3,009,992,528.58	2,265,001,877.42	Taxes payable	(V)25	270,541,464.26	122,032,910.34
Other current assets	(V)8	1,548,767,821.41	397,280,544.72	Interest payable	(V)26	76,991,519.66	64,532,105.43
Total Current Assets		9,756,530,612.36	8,586,610,041.67	Other payables	(V)27	225,128,335.92	183,584,785.22
Non-current Assets:				Non-current liabilities due within one year	(V)28	2,511,987,627.27	1,283,957,923.30
Available-for-sale financial assets	(V)9	20,000,000.00	96,260,000.00	Total Current Liabilities		13,233,988,858.89	10,682,847,210.68
Long-term receivables	(V)10	194,405,040.63	132,800,000.00	Non-current Liabilities:			
Long-term equity investments	(V)11	88,740,045.58	92,053,048.50	Long-term borrowings	(V)29	12,837,515,833.62	7,890,836,093.93
Fixed assets	(V)12	15,194,706,091.81	8,581,742,525.70	Bond payables	(V)30	2,000,000,000.00	1,000,000,000.00
Construction in progress	(V)13	11,724,952,148.09	8,111,173,521.56	Long-term payables	(V)31	5,410,906.00	6,763,634.00
Materials for construction of fixed assets	(V)14	1,651,540,601.04	1,552,221,234.21			-	370,642.07
Intangible assets	(V)15	1,611,644,411.28	1,435,194,979.30	Special payables			
Goodwill	(V)16	277,518,585.35	277,518,585.35	Deferred income	(V)32	206,173,356.00	155,800,000.00
Long-term prepaid expenses		33,355,660.24	13,723,209.26	Deferred tax liabilities	(V)17	19,508,197.41	19,207,114.25
Deferred tax assets	(V)17	289,562,552.21	149,250,013.84	Other non-current liabilities		3,812,804.03	4,179,157.31
Other non-current assets	(V)18	749,129,880.14	2,512,412,145.63	Total Non-current Liabilities		15,072,421,097.06	9,077,156,641.56
Total Non-current Assets		31,835,555,016.37	22,954,349,263.35	TOTAL LIABILITIES		28,306,409,955.95	19,760,003,852.24
				SHAREHOLDER S' EQUITY:			
				Share capital	(V)33	2,162,334,720.00	2,162,334,720.00
				Capital reserve	(V)34	48,344,055.18	48,335,935.15
				Other comprehensive income	(V)35	(12,526,257.43)	(22,249,503.78)
				Special reserve	(V)36	696,629.53	-
				Surplus reserve	(V)37	1,579,310,659.11	1,579,310,659.11
				Retained profit	(V)38	6,815,924,586.58	5,910,192,504.03
				Total shareholders' equity attributable to equity holders of the Company		10,594,084,392.97	9,677,924,314.51
				Minority interests		2,691,591,279.81	2,103,031,138.27
				TOTAL SHAREHOLDER S' EQUITY		13,285,675,672.78	11,780,955,452.78
TOTAL ASSETS		41,592,085,628.73	31,540,959,305.02	TOTAL LIABILITIES AND SHAREHOLDER S' EQUITY		41,592,085,628.73	31,540,959,305.02

The Company notes form part of the financial statements.

The financial statements on pages 3 to 102 were signed by the following:

Legal Representative: _____ Person in Charge of the Accounting Body: _____ Chief Accountant: _____

WANHUA CHEMICAL GROUP CO., LTD.

AT 31 DECEMBER 2014

Balance Sheet of the Company

Unit: RMB

Item	Notes	Closing balance	Opening balance	Item	Notes	Closing balance	Opening balance
Current Assets:				Current liabilities:			
Cash and bank balance		360,594,879.35	662,594,278.03	Short-term borrowing		842,380,000.00	399,972,900.00
Notes receivable		293,174,722.07	2,573,088,176.56	Notes payable		1,941,556,695.04	2,064,760,640.49
Account receivable	(XV)1	112,652,132.14	396,187,664.80	Account payable		1,739,357,323.45	3,165,067,972.42
Prepayments		150,354,771.13	213,543,027.86	Receipts in advance		3,051,791,566.10	779,402,327.96
Other receivables	(XV)2	28,498,864.45	227,503,279.76	Employee benefits payable		140,042,347.36	154,104,708.95
Inventories		1,113,599,397.62	605,920,861.12	Tax payables		12,871,765.32	7,715,699.06
Other current assets		1,387,752,323.43	372,771,202.36	Interest payables		63,029,926.93	53,128,413.99
Total Current Assets		3,446,627,090.19	5,051,608,490.49	Other payables		43,957,749.42	47,024,081.04
Non-current Assets:				Non-current liabilities due within one year		1,543,516,449.92	343,569,665.67
Available-for-sale financial assets		20,000,000.00	20,000,000.00	Total Current Liabilities		9,378,503,823.54	7,014,746,409.58
Long-term receivables		150,829,578.00	107,600,000.00	Non-Current Liabilities:			
Long-term equity investments	(XV)3	2,028,433,254.91	1,769,309,637.83	Long-term borrowings		10,062,972,406.14	5,861,666,639.70
Fixed assets		5,926,720,863.45	796,347,413.20	Bond payables		1,000,000,000.00	1,000,000,000.00
Construction in progress		10,888,009,521.32	7,448,128,992.33	Long-term payables		5,410,906.00	6,763,634.00
Materials for construction of fixes assets		1,582,385,565.87	1,496,119,246.55	Deferred income		161,173,356.00	155,800,000.00
Intangible assets		1,189,356,396.38	1,126,753,825.99	Total Non-current Liabilities		11,229,556,668.14	7,024,230,273.70
Deferred tax assets		134,257,766.23	97,664,764.96	TOTAL LIABILITIES		20,608,060,491.68	14,038,976,683.28
Other non-current assets		443,508,664.40	1,862,616,990.92	SHAREHOLDERS' EQUITY			
Total Non-Current Assets		22,363,501,610.56	14,724,540,871.78	Share capital		2,162,334,720.00	2,162,334,720.00
				Capital reserve		101,433,849.90	101,425,729.87
				Other comprehensive income		-	-
				Special reserve		-	-
				Surplus reserve		1,579,310,659.11	1,579,310,659.11
				Retained profits		1,358,988,980.06	1,894,101,570.01
				TOTAL SHAREHOLDERS' EQUITY		5,202,068,209.07	5,737,172,678.99
TOTAL ASSETS		25,810,128,700.75	19,776,149,362.27	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		25,810,128,700.75	19,776,149,362.27

Consolidated Income Statement

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Total operating income	(V)39	22,088,368,488.74	20,237,973,217.99
Less: Total operating costs	(V)39	15,269,639,735.89	13,582,949,179.87
Business taxes and levies	(V)40	107,719,792.74	124,987,791.27
Selling expenses	(V)41	700,428,306.59	595,849,295.93
Administrative expenses	(V)42	1,358,892,533.97	1,388,192,012.74
Financial expenses	(V)43	434,318,006.64	257,672,066.79
Impairment losses of assets	(V)44	74,266,280.05	26,910,586.48
Add: Gain from changes in fair values (Losses are indicated by “-”)	(V)45	3,466,833.57	16,017,988.99
Investment income (Loss is indicated by “-”)	(V)46	(1,257,102.12)	(16,521,156.17)
Including: Investment income from investments in associates and joint ventures		(3,321,122.95)	(1,986,405.44)
II. Operating profit		4,145,313,564.31	4,260,909,117.73
Add: Non-operating income	(V)47	264,990,235.67	198,762,496.81
Including: Gains on disposal of non-current assets		149,136.43	705,362.72
Less: Non-operating expenses	(V)48	241,776,446.48	33,987,429.55
Including: Losses from disposal of non-current assets		223,004,485.63	30,142,782.98
III. Total profit		4,168,527,353.50	4,425,684,184.99
Less: Income tax expenses	(V)49	950,980,245.09	659,900,041.16
IV. Net profit		3,217,547,108.41	3,765,784,143.83
Net profit attributable to owners of the Company		2,419,366,386.55	2,891,412,294.74
Net profit attributable to minority interests		798,180,721.86	874,371,849.09
V. Net profit and total other comprehensive income attributable:	(V)35	9,723,246.35	(4,243,488.53)
attributable to owners of the Company		9,723,246.35	(4,243,488.53)
1. Items that will not be reclassified subsequently to profit or loss		-	-
2. Items that may be reclassified subsequently to profit or loss		9,723,246.35	(4,243,488.53)
(1) Gain/loss arising on changes in fair value of financial assets		18,282,846.14	(3,536,183.07)
(2) Gains or losses arising on reclassification of held-to-maturity investments to available-for-sale financial assets		(8,559,599.79)	(707,305.46)
attributable to minority interests		-	-
VI. Total comprehensive income attributable:		3,227,270,354.76	3,761,540,655.30
Owners of the Company		2,429,089,632.90	2,887,168,806.21
Minority interests		798,180,721.86	874,371,849.09
VII. Earnings per share			
3. Basic earnings per share	(XVI)2	1.12	1.34
4. Diluted earnings per share		N/A	N/A

Income Statement of the Company

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Total operating income	(XIV)4	6,135,832,567.25	13,442,909,393.76
Less: Total operating costs	(XIV)4	4,831,809,284.63	11,730,206,420.61
Business taxes and levies		1,473,001.61	24,553,910.15
Selling expenses		166,867,242.57	312,609,815.72
Administrative expenses		745,415,943.08	653,216,576.74
Financial expenses		88,928,903.57	93,132,849.49
Impairment losses of assets		35,557,683.40	(5,597,842.92)
Add: Investment income (Loss is indicated by "-")	(XIV)5	870,468,877.05	1,158,541,290.44
Including: Investment income from investments in associates and joint ventures		(3,321,122.95)	(1,986,405.44)
II. Operating profit		1,136,249,385.44	1,793,328,954.41
Add: Non-operating income		12,651,039.72	16,033,097.66
Including: Gains on disposal of non-current assets		0.43	1,728.76
Less: Non-operating expenses		207,491,890.47	1,891,185.11
Including: Losses from disposal of non-current assets		191,554,598.02	142,629.00
III. Total profit		941,408,534.69	1,807,470,866.96
Less: Income tax expenses		(37,113,179.36)	76,483,479.77
IV. Net profit		978,521,714.05	1,730,987,387.19
V. Other comprehensive income (net of income tax)		-	-
VI. Total comprehensive income		978,521,714.05	1,730,987,387.19

Consolidated Cash Flow Statement

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		29,780,903,077.53	25,434,710,492.71
Receipts of tax refunds		440,976,297.58	350,675,919.94
Other cash receipts relating to operating activities	(V)50(1)	355,847,515.69	219,695,302.68
Sub-total of cash inflows from operating activities		30,577,726,890.80	26,005,081,715.33
Cash payments for goods purchased and services received		22,041,947,070.50	17,869,332,966.56
Cash payments to and on behalf of employees		977,279,891.60	856,674,925.65
Payments of various types of taxes		2,083,731,087.79	2,005,195,733.02
Other cash payments relating to operating activities	(V)50(2)	1,454,253,978.08	1,404,615,120.03
Sub-total of cash outflows from operating activities		26,557,212,027.97	22,135,818,745.26
Net Cash Flow from Operating Activities	(V)51(1)	4,020,514,862.83	3,869,262,970.07
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		96,833,251.59	25,788,610.58
Cash receipts from investment income		3,000,000.00	3,914,500.00
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		634,270.07	4,744,265.20
Sub-total of cash flows from investing activities		100,467,521.66	34,447,375.78
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		9,050,286,746.04	6,770,785,284.09
Cash payments to acquire investments		-	68,866,000.00
Net cash payments for acquisitions of subsidiaries and other business units	(V)51(2)	72,979,056.74	-
Other cash payments relating to investing activities	(V)50(3)	3,032,180.90	11,267,479.76
Sub-total of cash outflows from investing activities		9,126,297,983.68	6,850,918,763.85
Net Cash Flow from Investing Activities		(9,025,830,462.02)	(6,816,471,388.07)
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		189,125,000.00	160,000,000.00
Including: cash receipts from capital contributions from minority owners of subsidiaries		189,125,000.00	160,000,000.00
Cash receipts from borrowings		19,145,781,118.62	13,157,399,734.74
Cash receipts from issue of bonds		1,000,000,000.00	-
Sub-total of cash inflows from financing activities		20,334,906,118.62	13,317,399,734.74
Cash repayments of borrowings		12,439,546,345.82	8,208,858,373.37
Cash repayments for distributing of dividends or profits or settlement of interest expenses		2,851,457,275.65	2,491,121,379.46
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		399,210,000.00	469,760,951.58
Other cash payments relating to financing activities	(V)50(4)	42,691,270.28	9,963,199.54
Sub-total of cash outflows from financing activities		15,333,694,891.75	10,709,942,952.37
Net Cash Flow from Financing Activities		5,001,211,226.87	2,607,456,782.37
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		9,812,096.67	(43,932,835.56)
V. Net Increase(decrease) in Cash and Cash Equivalents		5,707,724.35	(383,684,471.19)
Add: Opening balance of Cash and Cash Equivalents		988,922,382.29	1,372,606,853.48
VI. Closing Balance of Cash and Cash Equivalents	(V)51(3)	994,630,106.64	988,922,382.29

Cash Flow Statement of the Company

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of the goods and the rendering of services		12,149,293,968.78	16,453,260,692.67
Receipts of tax refunds		58,418,158.44	52,705,313.86
Other cash receipts relating to operating activities		25,273,918.70	33,480,547.55
Sub-total of cash inflows from operating activities		12,232,986,045.92	16,539,446,554.08
Cash payments for goods purchased and services received		8,191,385,887.96	12,504,511,528.28
Cash payments to and on behalf of employees		480,209,250.64	444,456,869.49
Payments of various types of taxes		35,635,588.51	279,052,405.94
Other cash payments relating to operating activities		531,718,027.17	563,796,359.89
Sub-total of cash outflows from operating activities		9,238,948,754.28	13,791,817,163.60
Net Cash Flow from Operating Activities	(XIV)6	2,994,037,291.64	2,747,629,390.48
II. Cash Flows for Investing Activities:			
Cash receipts from investment income		128,790,000.00	462,944,733.12
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		3,958.00	437,297.83
Other cash receipts relating to investing activities		207,067,782.74	7,017,710.70
Sub-total of cash inflows from investing activities		335,861,740.74	470,399,741.65
Cash payment to acquire or construct fixed assets, intangible assets and other long-term assets		7,162,319,003.75	4,996,752,523.50
Cash payments to acquire investments		228,802,920.00	324,866,000.00
Other cash payments relating to investing activities		-	73,304,500.57
Sub-total of cash outflows from investing activities		7,391,121,923.75	5,394,923,024.07
Net Cash Flow from Investing Activities		(7,055,260,183.01)	(4,924,523,282.42)
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		11,027,301,861.40	7,212,219,089.69
Sub-total of cash inflows from financing activities		11,027,301,861.40	7,212,219,089.69
Cash repayments of borrowings		5,189,193,644.74	3,554,584,649.14
Cash repayments for distributing of dividends or profits or settlement of interest expenses		2,070,887,831.22	1,802,291,607.02
Other cash payments relating to financing activities		12,646,944.81	9,963,199.54
Sub-total of cash outflows from financing activities		7,272,728,420.77	5,366,839,455.70
Net Cash Flow from Financing Activities		3,754,573,440.63	1,845,379,633.99
IV. Net Increase in Cash and Cash Equivalents		(301,999,398.68)	(343,142,827.50)
Add: Opening balance of Cash and Cash Equivalents		662,594,278.03	1,005,737,105.53
V. Closing Balance of Cash and Cash Equivalents	(XIV)6	360,594,879.35	662,594,278.03

WANHUA CHEMICAL GROUP CO., LTD.

FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated Statement of Changes in Owners' Equity

Unit: RMB

Item	Amount for the current period							Minority interests	Total owners' equity
	Attributable to owners of the Company								
	Share Capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Attributable to owners of the Company		
I. Balance at 1st January 2014	2,162,334,720.00	48,335,935.15	(22,249,503.78)	-	1,579,310,659.11	5,910,192,504.03	9,677,924,314.51	2,103,031,138.27	11,780,955,452.78
II. Changes for the year	-	8,120.03	9,723,246.35	696,629.53	-	905,732,082.55	916,160,078.46	588,560,141.54	1,504,720,220.00
(I) Comprehensive income	-	-	9,723,246.35	-	-	2,419,366,386.55	2,429,089,632.90	798,180,721.86	3,227,270,354.76
(II) Owner's contributions and reduction in capital	-	-	-	-	-	-	-	189,125,000.00	189,125,000.00
1. Capital contribution from owners (Note)	-	-	-	-	-	-	-	189,125,000.00	189,125,000.00
(III) Profit Distribution	-	-	-	-	-	(1,513,634,304.00)	(1,513,634,304.00)	(399,210,000.00)	(1,912,844,304.00)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-
2. Distributions to owners	-	-	-	-	-	(1,513,634,304.00)	(1,513,634,304.00)	(399,210,000.00)	(1,912,844,304.00)
(IV) Special reserve	-	-	-	696,629.53	-	-	696,629.53	464,419.68	1,161,049.21
1. Provision of special reserve in the period	-	-	-	47,514,917.18	-	-	47,514,917.18	12,628,765.27	60,143,682.45
2. Amount utilized in period	-	-	-	(46,818,287.65)	-	-	(46,818,287.65)	(12,164,345.59)	(58,982,633.24)
(V) Others	-	8,120.03	-	-	-	-	8,120.03	-	8,120.03
III. Balance at 31st December 2014	2,162,334,720.00	48,344,055.18	(12,526,257.43)	696,629.53	1,579,310,659.11	6,815,924,586.58	10,594,084,392.97	2,691,591,279.81	13,285,675,672.78

Note: Union King Holdings Limited which is minority shareholder of Ningbo Xiebei Thermal Power Co., Ltd. (Xiebei Thermal Power) which is subsidiary Company of Wanhua Chemical (Ningbo) Thermal Power Co., Ltd. (Wanhua Thermal Power) to contribute of capital and Ningbo Electronic Power Development Limited which is minority shareholder of Wanhua Thermal Power and Ningbo Daxie Development Holding Co., Ltd. add share capital increase, please refer to Note (VII)I.

WANHUA CHEMICAL GROUP CO., LTD.

FOR THE YEAR ENDED 31 DECEMBER 2014

Consolidated Statement of Changes in Owners' Equity

Unit: RMB

Item	Amount for the same period of last year							Minority interests	Total owners' equity
	Attributable to owners of the Company								
	Share Capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Attributable to owners of the Company		
I. Balance at 1 January 2013	2,162,334,720.00	48,335,935.15	(18,006,015.25)	-	1,579,310,659.11	4,532,414,513.29	8,304,389,812.30	1,538,420,240.76	9,842,810,053.06
II. Changes for the year	-	-	(4,243,488.53)	-	-	1,377,777,990.74	1,373,534,502.21	564,610,897.51	1,938,145,399.72
(I) Comprehensive income	-	-	(4,243,488.53)	-	-	2,891,412,294.74	2,887,168,806.21	874,371,849.09	3,761,540,655.30
(II) Owner's contributions and reduction in capital	-	-	-	-	-	-	-	160,000,000.00	160,000,000.00
1. Capital contribution from owners	-	-	-	-	-	-	-	160,000,000.00	160,000,000.00
(III) Profit Distribution	-	-	-	-	-	(1,513,634,304.00)	(1,513,634,304.00)	(469,760,951.58)	(1,983,395,255.58)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-
2. Distributions to owners	-	-	-	-	-	(1,513,634,304.00)	(1,513,634,304.00)	(469,760,951.58)	(1,983,395,255.58)
(IV) Special reserve	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the period	-	-	-	41,780,364.34	-	-	41,780,364.34	11,198,186.70	52,978,551.04
2. Amount utilised in period	-	-	-	(41,780,364.34)	-	-	(41,780,364.34)	(11,198,186.70)	(52,978,551.04)
III. Balance at 31 December 2013	2,162,334,720.00	48,335,935.15	(22,249,503.78)	-	1,579,310,659.11	5,910,192,504.03	9,677,924,314.51	2,103,031,138.27	11,780,955,452.78

Statement of Changes in Owners' Equity of the Company

Unit: RMB

Item	Amount for the current period						Total owners' equity
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	
I. Balance at 1 st January 2014	2,162,334,720.00	101,425,729.87	-	-	1,579,310,659.11	1,894,101,570.01	5,737,172,678.99
II. Changes for the year	-	8,120.03	-	-	-	(535,112,589.95)	(535,104,469.92)
(I) Comprehensive income	-	-	-	-	-	978,521,714.05	978,521,714.05
(II) Profit Distribution	-	-	-	-	-	(1,513,634,304.00)	(1,513,634,304.00)
1. Distribution to owners	-	-	-	-	-	(1,513,634,304.00)	(1,513,634,304.00)
(III) Special reserve	-	-	-	-	-	-	-
1. Provision of special reserve in the period	-	-	-	13,007,379.36	-	-	13,007,379.36
2. Amount utilized in the period	-	-	-	(13,007,379.36)	-	-	(13,007,379.36)
(IV) Others	-	8,120.03	-	-	-	-	8,120.03
III. Balance at 31st December 2014	2,162,334,720.00	101,433,849.90	-	-	1,579,310,659.11	1,358,988,980.06	5,202,068,209.07

WANHUA CHEMICAL GROUP CO., LTD.

FOR THE YEAR ENDED 31 DECEMBER 2014

Statement of Changes in Owners' Equity of the Company

Unit: RMB

Item	At the same period of the last year						
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total owners' equity
I. Balance at 1 st January 2013	2,162,334,720.00	101,425,729.87	-	-	1,579,310,659.11	1,676,748,486.82	5,519,819,595.80
II. Changes for the year	-	-	-	-	-	217,353,083.19	217,353,083.19
(I) Comprehensive income	-	-	-	-	-	1,730,987,387.19	1,730,987,387.19
(II) Profit Distribution	-	-	-	-	-	(1,513,634,304.00)	(1,513,634,304.00)
1. Distribution to owners	-	-	-	-	-	(1,513,634,304.00)	(1,513,634,304.00)
(III) Special reserve	-	-	-	-	-	-	-
1. Provision of special reserve in the period	-	-	-	11,031,558.36	-	-	11,031,558.36
2. Amount utilized in the period	-	-	-	(11,031,558.36)	-	-	(11,031,558.36)
III. Balance at 31st December 2013	2,162,334,720.00	101,425,729.87	-	-	1,579,310,659.11	1,894,101,570.01	5,737,172,678.99

(I) BASIC INFORMATION ABOUT THE COMPANY

Wanhua Chemical Group Co., Ltd. (the "Company" or "Wanhua Chemical"), formally known as Yantai Wanhua Polyurethane Co., Ltd., was established by Yantai Wanhua Synthetic Leather Co., Ltd. with official approval document of No. Lv zheng gu zi[1998] 70 issued by the Peoples' Government of Shandong Province, together with Dongfang Electronics Co., Ltd., Yantai Moon Co., Ltd., Yantai Spandex Group Co., Ltd. and Hongta Industrial Investment Co., Ltd. by means of sponsorship. The Company was incorporated and registered under the approval of Administration Bureau of Industry and Commerce of Shandong Province on 16 December 1998 with the registration number of 370000018020049.

The Company's name was officially changed to Wanhua Chemical Group Co. Ltd. in May 2013.

The Company is located in Yantai city of Shandong province No. 7 of South Xingfu Road. The business scope of the Company and its subsidiaries (hereinafter refer to as the "Group") covers development, sale and manufacture of Polyurethane and its additives as well as Isocyanate and its derivatives; Technology services; Staff training; Import and export business within the scope of permission; Operations of special railway lines under permission; Manufacture and supplies of heat, electricity and pure water as well as construction of heat pipe network; Research & development, manufacture and sale of MDI; Sale of chemical products; Project investments; Research & development, manufacture and sale of TPU and Polyether Polyol; Sale of Chemical material and product; Research & development, manufacture of new chemical materials and technology services; Operation and maintenance of dock and other port facilities and etc..

The controlling shareholder of the Company is Wanhua Industrial Group Co., Ltd. and the ultimate holding Company is Yantai Wanhua Synthetic Leather Co., Ltd.

The Company and the consolidated financial statements of the Company have been approved by the board of the directors on 14th March 2015.

Details of the capital contributions by the investing parties are disclosed in Note (VI) and Note (VII).

(II) BASIC OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The Group has adopted the Accounting Standards for Business Enterprises ("ASBE") (including in revised and newest in 2014) and relevant provisions issued by the Ministry of Finance ("MOF"). In addition, the Group has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15-General Provisions on Financial Reporting.

Basis of accounting and principle of measurement

The Group adopts the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

In according with the historical cost method, the assets' value should be the same with the fair value of cash or cash equivalents paid for those assets. The liabilities should be the same amount with the cash or cash equivalents received, the contract amount or the future payment for the present obligations.

(II) BASIC OF PREPARATION OF FINANCIAL STATEMENTS - continued

Basis of accounting and principle of measurement - continued

Fair value is the amount received by selling assets or paid for transferring liabilities in orderly transaction held by market participants on measuring day. Whether fair value is observable or estimated by measurement technology, it was determined on this base in the financial statements for measurement or disclosure.

The fair value was divided into three classes based on observable degree of value inputted and the importance of those inputted value:

Level 1: the inputted value is the same with an unadjusted price of the same assets or liabilities which could be obtained on measuring day;

Level 2: the inputted value is directly or indirectly observable for related assets or liabilities but other than the Level 1 value;

Level 3: the inputted value is unobservable for related assets or liabilities.

Going concern

As at 31 December 2014, the Group total current liabilities in excess of total current assets of RMB34.77 billion while unutilized bank facility is not less than RMB 302.46 billion, which can be utilized to satisfy the Group's cash flow demand. Therefore, the financial statements have been prepared on a going concern basis.

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT

The Group determined the specific accounting policies and accounting estimates according to the production and business operation characteristics that mainly reflected in receivables for which bad debt provision (Note: III (11)), Inventory (Note: III(12)), depreciation of fixed assets and amortization of intangible assets (Note: III(14) &(17)), timing for recognized the revenue (Note: III(21)) etc..

1、 Statement of compliance with the ASBE

The financial statements of the Company and Group have been prepared in accordance with Accounting Standards for Business Enterprises, and present truly and completely, the Company's and the Group's financial position as of December 31, 2014, and the Company's and the Group's results of operations and cash flows for the year then ended.

2、 Accounting year

The Group adopts the calendar year as its accounting year, i.e. from 1 January to 31 December.

3、 Operating cycle

Operating cycle is the period of the purchase of raw material for production and the collection of cash from receivable created by the sale of inventory. The Company's operating cycle is twelve months.

4、 Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's foreign subsidiaries choose their functional currencies based on the primary economic environment in which they operate. The Group adopts RMB to prepare its financial statements.

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT - continued

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

Business combinations are classified into business combinations involving enterprises under common control and business combinations not involving enterprises under common control.

5.1 Business combinations involving enterprises under common control

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

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) is adjusted to the capital premium in capital reserve. If the capital premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

5.2 Business combinations not involving enterprises under common control and goodwill

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

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. Costs from the acquiree's that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassess the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT - continued

6、Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined based on control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Once the relevant facts and circumstances of changes in relevant factors on the control definition has change, the group will be reviewed.

For a subsidiary acquired through a business combination began obtain the control, ended in the group lost. For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operation results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

All significant intra-group balances and transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within owners' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests are presented as "minority interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT – continued

7、 The joint venture arrangement of classification and common management accounting methods

The joint venture arrangement is divided into joint management and joint ventures, the classification by considering the arrangement of structure, legal form and the terms of the contract according to the joint party in the joint venture arrangement enjoy the rights and obligations. An associate is an entity over which is the joint party only for the arrangement of the net assets shall enjoy the rights of the joint venture arrangement.

The Group accounts for investment in joint ventures using the equity method, detail refer to Note (III) “13.3.2. A long-term equity investment accounted for using the equity method”.

8、 Recognition criteria of cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9、 Translation of transactions and financial statements denominated in foreign currencies

9.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying an exchange rate that approximates the actual spot exchange rate on the date of transaction. The exchange rate that approximates the actual spot exchange rate on the date of transaction is exchange rate of the beginning of the month.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from available-for-sale non-monetary items (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortized cost) of available-for-sale monetary items are recognized as other comprehensive income and included in capital reserve.

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as "exchange differences arising on translation of financial statements denominated in foreign currencies " in owner's equity, and in profit and loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate)

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT - continued

9、 Translation of transactions and financial statements denominated in foreign currencies - continued

9.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; owners' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at exchange rates that approximate the actual spot exchange rates on the dates of the transactions; the opening balance of retained earnings is the translated closing balance of the previous year's retained earnings; the closing balance of retained earnings is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and owners' equity items is separately presented as the exchange differences arising on translation of financial statements denominated in foreign currencies under the owners' equity in the balance sheet.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at / an exchange rate which approximates the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

10、 Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts.

10.1 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

10.2 Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT - continued

10、 Financial instruments - continued

10.2.1. Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading

A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognized in profit or loss.

10.2.2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include notes receivable, accounts receivable, interest receivable, dividends receivable, and long-term receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

10.2.3. Available-for-sale financial assets

Available-for-sale financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss.

Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognized in investment gains.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost.

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT - continued

10、Financial instruments - continued

10.3 Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
 - Adverse changes in the payment status of borrower in the group of assets;
 - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;
- (9) Other objective evidence indicating there is an impairment of a financial asset.

- Impairment of financial assets measured at amortized cost

To the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortized cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT - continued

10、 Financial instruments - continued

10.3 Impairment of financial assets

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

-Impairment of available-for-sale financial assets

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognized directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income and included in the capital reserve, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

-Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

10.4 Transfer of financial assets

The Group derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognized; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT - continued

10、 Financial instruments - continued

10.5 Classification, recognition and measurement of financial liabilities

Debt and equity instruments issued by the Group are classified into financial liabilities or equity on the basis on the substance of the contractual arrangements and definitions of financial liability and equity instrument.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

10.5.1 Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL consist of financial liabilities held for trading

A financial liability is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of repurchasing in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative, except for a derivative that is a designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

Financial liabilities at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value or any dividend or interest expenses related to the financial liabilities are recognized in profit or loss.

10.5.2 Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with gain or loss arising from derecognition or amortization recognized in profit or loss.

10.5.3 Financial guarantee contracts

A financial guarantee contract is a contract by which the guarantor and the lender agree that the guarantor would settle the debts or bear obligations in accordance with terms of the contract in case the borrower fails to settle the debts. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss are initially measured at their fair values less the directly attributable transaction costs. Subsequent to initial recognition, they are measured at the higher of: (i) the amount determined in accordance with Accounting Standard for Business Enterprises No. 13 – Contingencies; and (ii) the amount initially recognized less cumulative amortization recognized in accordance with the principles set out in Accounting Standard for Business Enterprises No. 14 – Revenue.

10.6 Derecognition of Financial Liabilities

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT - continued

10、 Financial instruments – continued

10.7 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

10.8 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group issued (including refinancing), repurchase, sell, or the cancellation of equity instruments as changes in the rights and interests. The Group does not recognize any changes in the fair value of equity instruments. Transaction costs associated with equity trading deductions from the rights and interests.

All types of distributions made by the Group to holders of equity instruments are deducted from owners' equity

11、 Receivables

11.1 Receivables that are individually significant and for which bad debt provision is individually assessed

Basis or monetary criteria for determining an individually significant receivable	The Group deems a receivable that exceeds RMB 8,000,000 as an individually significant receivable.
Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	For related party that are individually significant, the Group do not provision for bad debt. For non-related party that are individually significant, the Group assesses the receivables individually for impairment. For a financial asset that is not impaired individually, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

11.2 Receivables for which bad debt provision is collectively assessed on a credit risk characteristics portfolio basis

This group to deduct the credit risk characteristics of related parties according to the following method after the accounts receivable provision for bad debts

Receivables for which bad debt provision is collectively assessed on a credit risk characteristics portfolio basis	
Receivables due from domestic customers (excluding related parties)	aging analysis
Receivables due from oversea customers (excluding related parties)	proportion of provision

Note: This credit risk characteristics portfolio represents receivables due from domestic customers (excluding related parties).

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT - continued

11、Receivables

11.2.1 Aging analysis of accounts receivable:

Aging	Provision as a proportion of accounts receivable (%)	Provision as a proportion of other receivables (%)
Within 1 year (inclusive)	5%	Note 1
More than 1 year but not exceeding 2 years	10%	
More than 2 years but not exceeding 3 years	30%	
More than 3 years but not exceeding 4 years	50%	
More than 4 years	100%	

11.2.2 Portfolios that percentage of total receivables outstanding is used for bad debt provision:

Name of portfolio	Provision as a proportion of accounts receivable (%)	Provision as a proportion of other receivables (%)
Account receivable oversea clients	15%	Note 1

Note 1: Method of provision for other receivables that are not significant and for which bad debt provision.

11.2.3 Accounts receivable that are not individually significant but for which bad debt provision is individually assessed:

Reasons for making individual bad debt provision	Impairment of objective evidence
Bad debt provision methods	Estimated recoverable amount and the difference between the book value shall be recognized as bad debts

12、Inventory

12.1 Categories of inventories

The Group's inventories mainly include materials in transit, raw materials, work in progress, finished goods and goods on hand etc. Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the Inventories to their present location and condition.

12.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the weighted average method.

12.3 Basis for determining net realizable value of inventories and provision methods for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined based on clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT - continued

12、 Inventory

12.3 Basis for determining net realizable value of inventories and provision methods for decline in value of inventories - continued

For large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories. Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realizable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

12.4 Inventory count system

The perpetual inventory system is maintained for stock system.

12.5 Amortization method for low cost and short-lived consumable items and packaging materials

Packaging materials and low cost and short-lived consumable items are amortized using the immediate write-method.

13、 Long-term equity investments

13.1. Determine the control of or significant influence over

Control is defined as power over the investee, exposed or having the rights to variable returns from its involvement with the investee and having the ability to use its power to affect its returns. Joint control is defined as the contractually agreed sharing of control of an arrangement. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. When deciding if the investor can exert control or significant influence over the investee, potential factors for voting rights shall be taken into consideration. The factors are not limited to investee's convertible bonds, stock warrants executable currently possessed by the investors and by other holders.

13.2. Determine the investment cost

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment acquired is the cost of acquisition. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. The aggregate face value of the shares issued shall be accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings.

For a business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment acquired shall be the cost of acquisition.

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT - continued

13、 Long-term equity investments - continued

13.2. Determine the investment cost - continued

The audit, legal, valuation and consulting fees, other intermediary fees, and related administrative fees paid by the absorbing party or acquirer for the business combination, shall be recognized in profit or loss as incurred.

The initial investment cost of a long-term equity investment acquired otherwise than through a business combination shall be the actual purchase price. When an investor becomes capable of exercising joint control or significant influence (but not control) over an investee due to additional investment or other reasons, the equity investment shall be determined in accordance with "Accounting Standard for Business Enterprises No.22 – Financial Instruments: Recognition and Measurement", together with additional investment cost, as the initial investment cost under the equity method.

13.3 Subsequent measurement and the method to recognize profit and loss

13.3.1. A long-term equity investment accounted for using the cost method

Investments in subsidiaries are accounted for using cost method by the Group. Subsidiaries refer to the investees over which the investor can exert control.

Under the cost method, a long-term equity investment is measured at initial investment cost. Investment income recognized is limited to the amount distributed to it out of accumulated net profits of the investee arising after the investment was made. Any cash dividends or distributions received in excess of this amount are treated as return of initial investment cost to reduce the carrying amount of the investment.

13.3.2. A long-term equity investment accounted for using the equity method

Investments in associates are accounted for using equity method by the Group. Associates refer to the investees over which the investor can exert significant influence.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair values of the investee's identifiable net assets at the acquisition date, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair values of the investee's identifiable net assets at the acquisition date, the difference is charged to profit or loss for the current period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, investment income or loss represents the Group's share of the net profits or losses made by the investee for the current period. The Group recognizes its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the acquisition date, after making appropriate adjustments thereto in conformity with the accounting policies and accounting periods of the Group. For any changes in owner's equity other than net profits or losses in the investee, the Group adjusts the carrying amount of the long-term equity investment and includes the corresponding adjustment in owners' equity. As to intercompany transactions between SGM and its associates, if the invested or sold assets don't constitute a business, the unrealized profit or loss in such intercompany truncations should be eliminated to the extent of the amount in accordance with the proportion pertaining to SGM, and the investment income or loss are determined accordingly. However, if unrealized losses in intercompany transactions between SGM and its associates are impairment loss of transferred assets, the loss cannot be eliminated.

When recognizes the related portion of the loss of investees, the limitation is zero. Otherwise, if the Group should bear extra loss, the loss should be recorded in accrue liabilities and current loss. When the investees realizes profit afterwards, the group should not recognize the related portion of profit until the extra loss has been recovered.

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT - continued

13、 Long-term equity investments - continued

13.4. Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognized in profit or loss for the period. For long-term equity investments accounted for using the equity method if the remaining interest after disposal is still accounted for using the equity method, other comprehensive income previously recognized for using the equity method is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and transferred to profit or loss for the period on a proportion rata basis; owners' equity recognized due to changes in other owners' equity of the investee (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period on a proportion rata basis. For long-term equity investments accounted for using the cost method, if the remaining interest after disposal is still accounted for using the cost method, other comprehensive income previously recognized for using the equity method or in accordance with the standards for the recognition and measurement of financial instruments before obtaining the control over the investee, is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and transferred to profit or loss for the period on a pro rata basis; changes in other owners' equity in the investee's net assets recognized under the equity method (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period on a proportion rata basis.

When the Group loses control of the investee due to partial disposal of equity investments and the remaining interest after disposal has resulted joint control of or significant influence over the investee, when preparing the individual financial statements, the remaining interest is changed to the equity method and adjusted as if the equity method had been applied from the date of the first acquisition; if the remaining interest after disposal has not resulted in joint control of or significant influence over the investee, the remaining interest is accounted for under relevant requirements of the standards for the recognition and measurement of financial instruments, and the difference between the fair value and carrying amount on the date when control is lost is charged to profit or loss for the period. Upon loss of control over the investee, other comprehensive income previously recognized under the equity method or in accordance with the standards for the recognition and measurement of financial instruments before obtaining the control over the investee, is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities; upon loss of control, other changes in owners' equity recognized due to changes of the investee's net assets recognized under the equity method (other than net profit or loss, other comprehensive income and profit distribution) are transferred to profit or loss for the period. If the remaining interest after disposal is accounted for using the equity method, other comprehensive income and other owners' equity is transferred on a pro rata basis; if the remaining interest after disposal is changed to be accounted for under the standards for the recognition and measurement of financial instruments, other comprehensive income and other owners' equity are entirely transferred to profit and loss.

When the Group loses joint control or significant influence over the investee due to partial disposal of equity investments, the remaining interest after disposal is changed to be accounted for under the standards for the recognition and measurement of financial instruments, and the difference between the fair value and carrying amount on the date when joint control or significant influence is lost is charged to profit or loss for the period. When the equity method is no longer used, other comprehensive income previously recognized for previous-held equity investments under the equity method is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities; upon discontinuation of the equity method, owners' equity recognized due to changes in other owners' equity of the investee (other than net profit or loss, other comprehensive income and profit distribution) is entirely transferred to investment income for the period.

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT - continued

14、 Fixed assets

14.1 Recognition criteria

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

14.2 Depreciation

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	20-40 years	4%-5%	4.80-2.38%
Machinery and equipment	10-25 years	4%-5%	9.60-3.80%
Electronic equipment, appliances and furniture	5-8 years	4%-5%	19.20-11.88%
Transportation vehicles	6-12 years	4%-5%	16.00-7.92%

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

14.3 Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

15、 Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT - continued

16、Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalised on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

17、Intangible assets

17.1 Intangible assets

Intangible assets include land use rights, non-patented technology and software, etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost is amortised over its estimated useful life using the straight-line method. The amortization method, useful life and estimated net residual value rate of each category of intangible assets are as follows:

Category	Amortization period (years)	Annual amortization rate (%)
Land use rights	10-50 years	2-10%
Non-patented technology	10 years	10%
Software	10 years	10%

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and makes adjustments when necessary.

17.2 Research and development expenditure

Expenditure during the research phase is recognized as an expense in the period in which it is incurred.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period.

18、Impairment of non-financial assets except goodwill

The Group assesses at each balance sheet date whether there is any indication that long-term equity investments in subsidiaries, investment properties, fixed assets, construction in progress, and intangible assets with finite useful life may be impaired. If there is any indication that an asset may be impaired, the recoverable amount is estimated. Intangible assets with an indefinite useful life or unavailable for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

The recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset.

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT - continued

18、 Impairment of non-financial assets except goodwill - continued

If the recoverable amount of an asset is less than its carrying amount, the difference is recognized as an impairment loss and charged to profit or loss for the current period.

Goodwill tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognized if the recoverable amount of the assets group or sets of assets groups (including goodwill) are less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

Once an impairment loss on assets mentioned above is recognized, it is not reversed in a subsequent period.

19、 Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortized over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortized using the straight-line method over the expected periods in which benefits are derived.

20、 Employee benefits

20.1 Account methods for short-term

The Group recognizes the employee benefits payable for those services as a liability. The related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred. The Group of welfare funds, according to the actual amount recorded into the profits and losses of the current cost. The welfare funds for non-monetary benefits, in accordance with the value measurement.

The Group for employee pay of insurance, such as medical treatment, industrial injury insurance, birth insurance and other social insurance and housing accumulation fund and the Group according to the rules extraction of union funds and employee education funds. During employee provide service for the Group, according to the provisions stipulated and ratio and determine the corresponding compensation amount, confirm corresponding liabilities and recorded into the profits and losses of the current or the relevant asset costs.

20.2 Accounting methods of welfare of dismissal

Accounting methods of welfare of dismissal

During employee provide service for the Group, will be calculated according to the set in escrow scheme should pay amount is recognized as the liability and recorded into the profits and losses of the current or the relevant asset costs.

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT - continued

21、 Revenue recognition

21.1 Revenue from the sale of goods

Revenue from sale of goods is recognized when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

21.2 Revenue from rendering of services - continued

Revenue from rendering of services is recognized when (1) the amount of revenue can be measured reliably; (2) it is probable that the associated economic benefits will flow to the enterprise; (3) the stage of completion of the transaction can be determined reliably; and (4) the associated costs incurred or to be incurred can be measured reliably. Revenue from rendering of services is recognized using the percentage of completion method at the balance sheet date. The stage of completion of a transaction for rendering for services is determined based on the proportion that costs incurred to date bear to the estimated total costs of the transaction.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognized as expenses for the period. When it is not probable that the costs incurred will be recovered, revenue is not recognized.

21.3 Interest income

According to another person to determine how could use the cash of the group and actual interest rate.

22、 Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. Government grants shall not be recognized until there is reasonable assurance that the entity will comply with the conditions attaching to them, and that the grants will be received.

A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

22.1 The government subsidies pertinent to assets judgment and accounting methods

The Group of government subsidies including the construction of special funds, due to related to construction of investment in fixed assets directly, the government subsidies are recognized as government subsidies pertinent to assets. A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

22.2 The government subsidies pertinent and benefits judgment and accounting methods

The Group of government subsidies including high and new technology industry development special funds, due to the cost of compensation for high and new technology industry development of the Company directly, the government subsidies are recognized as cost of high and new technology industry development compensation. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT - continued

23、Deferred tax assets/ deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

23.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

23.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in owners' equity, in which case they are recognized in other comprehensive income or in owners' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT - continued

23.3 Offset of Income Tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

24、 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

24.1. Operating lease accounting methods

24.1.1 Recording of operating leases by the Group as lessee

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.

24.1.2 Recording of operating leases by the Group as lesser

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

(III) THE COMPANY'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, AND PRIOR PERIOD ERRORS – continued

25、Changes in significant accounting policies and accounting estimates

25.1 Changes in accounting policies

Changes in accounting policies and reasons	Approval procedures
<p>From 1st July 2014 the Group started to adopt new issued CAS, CAS No. 39 – Fair Value Measurement, CAS No.40 – Joint Arrangements, CAS No. 41 – Disclosure of Interests in Other Entities and revised, CAS No. 2 – Long-term equity investment, CAS No. 9 – Employee benefits, CAS No. 30 – Financial statements, CAS No. 33 – Consolidation financial statements by the Ministry of Financial(“MOF”) in 2014, and started to adopt new issued of revise CAS No. 37 - Presentation of Financial Instruments by the MOF in the finance statements.</p> <p>Long-term equity investment Before the adoption of “CAS No. 2 - Long-term equity investment” (revised), for equity investments over which the Group does not have joint control or significant influence and without quoted prices in an active market and that fair values cannot be reliably measured, the Group accounts for such long-term equity investments using the cost method.</p> <p>After the adoption of “CAS No. 2 – Long-term equity investment” (revised), for equity investments over which the Group does not have joint control or significant influence and without quoted prices in an active market and that fair values cannot be reliably measured as available for sale financial assets accounting. The Group is adopted by retroactive adjustment method and any influence of financial statements as above accounting policy changes refer to attached list.</p> <p>Employee benefits Before the adoption of “CAS No. 9 – Employee Benefit” (revised) for welfare of dismissal when the Group terminates the employment relationship with employees before the expiry of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, if the Group has a formal plan for termination of employment relationship or has made an offer for voluntary redundancy which will be implemented immediately, and the Group cannot unilaterally withdraw from the termination plan or the redundancy offer, a provision for the compensation payable arising from the termination of employment relationship with employees is recognised with a corresponding charge to the profit or loss for the period.</p> <p>After the adoption of “CAS No. 9 – Employee Benefit” (revised), detail accounting policy welfare of dismissal, please refer to Note (III) 20.2 “Accounting methods of welfare of dismissal”. Management of the Company considers that adopting the CAS does not have a significant impact on the financial statements.</p> <p>Joint arrangements “CAS No. 40 – Joint arrangements” which is divided into joint operation and joint venture, the classified shall be determined according to the rights and obligations to the arrangement. A joint operator or joint venture assesses its rights and obligations by considering factors, such as structure, legal form, and the contract terms of the arrangement. A joint operation is joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. Management of the Company considers that adopting the CAS does not have a significant impact on the financial statements.</p> <p>Consolidation financial statements "CAS No. 33 - Consolidated Financial Statements" (revised) revised the definition of "control". Control exists when the investor has all the following: power over the investee; exposure, or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Also, define the accounting treatments for special transactions. Management of the Company considers that adopting the CAS does not have a significant impact on the financial statements.</p> <p>Presentation of Financial Instruments “CAS No.37-Presentation of Financial Instruments” (revised) added measurements and disclosure requirements of offsetting and transfer of financial assets and revised disclosure requirements of maturity analysis of financial assets and liabilities. The financial statements have been disclosed in accordance with the provisions of the principle, and also adjust the notes of comparable fiscal year.</p> <p>Presentation of Financial statement “CAS No.30-Presentation of Financial Statements” (revised) divided other comprehensive income into two categories: (1) other comprehensive income items which will not be reclassified to profit or loss in subsequent accounting period; (2) other comprehensive income items which can be reclassified to profit or loss in subsequent accounting period when specific conditions are met, and standardizes the presentation of items such as held for sale. The financial statements have been disclosed in accordance with the provisions of the principle, and adjust the notes of comparable fiscal year.</p>	<p>The 4th Session of the 6th meeting held on 16th October 2014 by the Group’s Board of Directors.</p> <p>The conference deliberated and approved <About Account policy change resolution of Wanhua Chemical Group Co., Ltd.></p>

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT – continued

25、Changes in significant accounting policies and accounting estimates - continued

25.1 Changes in accounting policies - continued

Changes in accounting policies and reasons - continued				Approval procedure
<p>Fair value measurement “CAS No.39-Fair Value Measurement” standardizes the measurement and disclosure of fair value. Adoption of CAS No. 39 has no significant impact to the measurement of the accounts in the financial statements, but requests a comprehensive disclosure on the fair value in the notes of the financial statements. The financial statements have been disclosed in accordance with the provisions of the principle.</p> <p>Disclosure of Interests in Other Entities “CAS No.41 – Disclosure of Interests in Other Entities” shall be applied to the disclosure of an enterprise's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. Adopting the “CAS No.41 – Disclosure of Interests in Other Entities” will lead the enterprise do a wider range of disclosure in financial statements. The financial statements have been disclosed in accordance with the provisions of the principle.</p> <p>The Company adopted new CASs for the first time, and has recognized, measured and reported its transactions or events in accordance by retroactive adjustment method since that date. Changes in accounting policies as a result of fixed assets, liabilities and owners' equity on 31 December 2013 and 1 January 2013 are accounted as below:</p>				
	31 December 2013 (Before restate)	Long-term equity investment	31 December 2013 (After restate)	
	RMB	RMB	RMB	
Available-for-sale financial assets	76,260,000.00	20,000,000.00	96,260,000.00	
Long-term equity investment	112,053,048.50	(20,000,000.00)	92,053,048.50	
	31 January 2013 (Before restate)	Long-term equity investment	31 January 2013 (After restate)	
	RMB	RMB	RMB	
Available-for-sale financial assets	80,735,600.00	20,000,000.00	100,735,600.00	
Long-term equity investment	45,173,453.94	(20,000,000.00)	25,173,453.94	
<p>The above available-for-sale financial assets and long-term equity investment reclassified has no impact with owner's equity of 31 December 2013 and 1 January 2013.</p>				
	31 December 2013 (Before restate)	Earning adjustment	31 December 2013 (After restate)	
	RMB	RMB	RMB	
Capital reserve	30,053,089.01	18,282,846.14	48,335,935.15	
Other comprehensive income	-	(22,249,503.78)	(22,249,503.78)	
Translation differences arising on translation of financial statements denominated in foreign currencies	(3,966,657.64)	3,966,657.64	-	
	31 January 2013 (Before restate)	Earning adjustment	31 January 2013 (After restate)	
	RMB	RMB	RMB	
Capital reserve	33,589,272.08	14,746,663.07	48,335,935.15	
Other comprehensive income	-	(18,006,015.25)	(18,006,015.25)	
Translation differences arising on translation of financial statements denominated in foreign currencies	(3,259,352.18)	3,259,352.18	-	
<p>The above capital reserve, other comprehensive income and translation differences arising on translation of financial statements denominated in foreign currencies reclassified has no impact with owners' equity of 31 December 2013 and 1 January 2013.</p>				

(III) THE GROUP'S SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT – continued

26. Disclose critical judgements in applying accounting policies and key assumptions and uncertainties in accounting estimates

In the application of accounting policies as set out Note (III), the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainties of the operating activities. These judgements, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered relevant. Actual results may differ from these estimates.

The aforementioned judgements, estimates and assumptions are reviewed regularly on a going concern basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions and uncertainties in accounting estimates

The following are the key assumptions and uncertainties in accounting estimates at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future periods.

26.1 Impairment of account receivable

If there is objective evidence that account receivable collection is in impaired, the Group determines the bad debt provision of the account receivable. Due to management, make estimate, considering history of the receivable situation, aging, and the financial situation of the obligor in the judgement and the overall economic environment of the provision for bad debt that the calculation of provision for bad debt is uncertain. Although this is no reason to believe that calculate the impairment of receivable which estimate evidence and assumptions in the future there will be a big change. Between actual trusts and future expectations are different with the original, the book value and impairment of account receivable will be changed.

26.2 Fixed assets and accumulated

The Group after considering estimated net residual value of fixed asset, according to the straight-line method of depreciation. The Group reviews the useful life of a fixed asset and the depreciation method applied at least at each financial year-end. Determined estimated useful life and net residual value based on the experience of similar and combined with the expected technical change. A change in the useful life or estimated net residual value of a fixed asset or the depreciation method used is accounted for as a change in an accounting estimate.

26.3 Deferred tax assets

The recognition of deferred tax assets is primarily subject to actual profit and actual tax rate employed by deductible temporary differences in the future. The recognized deferred tax assets will be reversed and recognized in profit or loss, when the actual profit is less than the expectation, or the actual tax rate is lower than the expectation. Furthermore, due to the uncertainty of whether there is enough taxable profit in the future, carrying forward losses of future years and deductible temporary differences are not fully recognized as deferred tax assets.

(IV) TAXES

1、Major categories of taxes and tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax	The amount of output tax after deduction of input tax	Except that the output tax of Wanhua Chemical (Ningbo) Thermal Power Co., Ltd. ("Wanhua Thermal Power") is calculated as 13% of the steam sales, the output tax of Wanhua Chemical (Ningbo) Port Co., Ltd ("Wanhua Port") is calculated as 6% of the port service revenue, other output tax is calculated as 17% of the sales according to the relevant provisions of tax laws.
Business tax	Taxable revenue	3%-5%
City maintenance and construction tax	Actual turnover tax	5%-7%
Enterprise income tax	Taxable income	see the table below

The Company and its subsidiaries

Income tax rates

Wanhua Chemical Group Co., Ltd. (Note 1)	15%
Wanhua Chemical (Ningbo) Co., Ltd. ("Wanhua Ningbo")	25%
Wanhua Port	25%
Wanhua Thermal Power	25%
Wanhua Chemical (Beijing) Co., Ltd. ("Wanhua Beijing") (Note 2)	15%
Wanhua Chemical (Foshan) Rongwei Polyurethane Co., Ltd. ("Foshan Rongwei") (Note 3)	15%
Shanghai Wanhua Industrial Development Co., Ltd.	25%
Yantai Wanhua Chemical Design Institute	25%
Wanhua Chemical (Ningbo) Trading Co., Ltd. ("Ningbo Trading")	25%
Wanhua Chemical (Yantai) Trade Co., Ltd. ("Yantai Trade")	25%
Wanhua Chemical (Ningbo) Rongwei Polyurethane Co., Ltd. ("Ningbo Rongwei") (Note 4)	15%
Wanhua Chemical (Ningbo) Chlor-alkali Co., Ltd. ("Ningbo Chlor-alkali")	25%
Wanhua Chemical (Yantai) Chlor-alkali Thermal Power Co., Ltd. ("Yantai Chlor-alkali")	25%
Wanhua Chemical (Guangdong) Co., Ltd. ("Wanhua Guangdong")	25%
Wanhua Chemical (HongKong) Co., Limited. ("Wanhua HongKong")	16.5%
Wanhua Chemical Netherlands B.V.	Note 5
Wanhua Chemical (Japan) Co., Ltd.	Note 6
Yantai Wanhua America Co., Ltd.	Note 7
Wanhua Chemical US Holding Inc.	Note 7
Wanhua America innovation technology Co., Ltd.	Note 7
Wanhua International (India) Private Limited.	32.445%
Wanhua Chemical (Yantai) Selling Co., Ltd. ("Yantai Selling")	25%
Wanhua Chemical (Yantai) Rongwei Polyurethane Co., Ltd. ("Yantai Rongwei")	25%
Xiebei Thermal Power	25%
Shanghai Wanhua Kejv Chemical Technology Development Co., Ltd. ("Shanghai Kejv")	25%
Wanhua Chemical (Singapore) Co., Ltd. ("Wanhua Singapore")	17%
Wanhua Shipping (Singapore) Co., Ltd. ("Singapore Shipping")	17%
Wanhua Chemical International Holding Co., Ltd. ("BVI")	Note 8

(IV) TAXES - continued

1、 Major categories of taxes and tax rates - continued

Note 1: According to Lu Ke Gao Zi [2014] No. 136 – "About the public in 2014 in Shandong province high and new technology enterprises notification", issued by Department of Science and Technology of Shandong Province, Department of Finance of Shandong Province, State Administration of Taxation of Shandong Province and Local Taxation Bureau of Shandong Province, the Company qualifies for high and new technology enterprise with effective period of three years, and has been subject to the favorable enterprise income tax rate from 1 January 2014 to 31 December 2016. (2013 Income tax rates: 15%)

Note 2: According to Jing Ke Fa [2014] No.551 – "About the public of the list of the high technology enterprises in Beijing of 2014", issued by Department of Science and Technology of Beijing, Department of Finance of Beijing, State Administration of Taxation of Beijing and Local Taxation Bureau of Beijing, the subsidiary of the Company, Wanhua Beijing qualifies for the high and new technology enterprise (Certificate No.: GR201411000762) with effective period of three years, and has been subject to the favorable enterprise income tax rate from 1 January 2014 to 31 December 2016. (2013 Income tax rates: 15%)

Note 3: According to Yue Ke Gao Zi[2014] No. 27 – "The Announcement of First High and New Technology Enterprises Designation Review list of Year 2013", issued by Department of Science and Technology of Guangdong Province, Department of Finance of Guangdong Province, State Administration of Taxation of Guangdong Province and Local Taxation Bureau of Guangdong Province, the subsidiary of the Company, Foshan Rongwei qualifies for the high and new technology enterprise (Certificate No.: GF201244000059) with effective period of three years, and has been subject to the favorable enterprise income tax rate from 1 January 2012 to 31 December 2014. . (2013 Income tax rates: 15%)

Note 4: According to Yong Gao Qi Ren Ban[2014] No. 7 – "The Announcement of First High and New Technology Enterprises Designation Review list of Year 2014", issued by Department of Science and Technology of Ningbo, Department of Finance of Ningbo, State Administration of Taxation of Ningbo and Local Taxation Bureau of Ningbo, the subsidiary of the Company, Ningbo Rongwei qualifies for the high and new technology enterprise (Certificate No.: GR201333100179) with effective period of three years, and has been subject to the favorable enterprise income tax rate from 1 January 2013 to 31 December 2015. . (2013 Income tax rates: 15%)

Note 5: According to local tax laws in Netherland, the progressive tax rate is applicable with tax rate from 20% to 25%.

Note 6: According to local tax laws in Japan, the enterprise income rate is lowered from 30% to 25.5% starting from 1 April 2013 and fiscal years thereafter.

Note 7: According to local tax laws in the United States, the progressive tax rate is applicable with tax rate from 15% to 39%.

Note 8: According to local tax laws in the British Virgin Islands, the progressive tax rate is 0%.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1、Cash and bank balances

Unit: RMB

Item	Closing balance			Opening balance		
	Foreign currency	Exchange rate	Amount in RMB	Foreign currency	Exchange rate	Amount in RMB
Cash:	-	-	126,154.79	-	-	530,930.69
RMB	-	-	116,187.69	-	-	530,930.69
USD	1.00	6.1190	6.12	-	-	-
INR	101,297.45	0.0983	9,960.98	-	-	-
Bank:	-	-	994,484,170.88	-	-	988,127,399.16
RMB	-	-	849,647,176.78	-	-	793,613,509.49
USD	21,024,863.89	6.1190	128,651,139.21	28,433,179.48	6.0969	173,354,251.97
JPY	150,770,449.92	0.0514	7,745,228.78	75,889,275.00	0.0578	4,384,199.31
EUR	898,438.42	7.4556	6,698,397.50	1,701,535.54	8.4189	14,325,057.56
INR	16,609,017.96	0.0983	1,633,231.17	25,022,741.73	0.0979	2,449,726.42
RUB	87,139.33	0.1105	9,628.90	3,533.51	0.1852	654.41
SGD	10,199.75	4.6396	47,323.82	-	-	-
KRW	9,198,431.00	0.0057	52,044.72	-	-	-
Other currency funds:	-	-	30,064,106.44	-	-	264,052.44
RMB	-	-	21,619,780.97	-	-	264,052.44
USD	1,379,979.22	6.1190	8,444,325.47	-	-	-
Total	-	-	1,024,674,432.11	-	-	988,922,382.29

As at 31 December 2014, other monetary funds, including bank acceptance deposit and purchase deposit for LPG paper goods RMB30,044,325.47 (31 December 2013: Nil).

As at 31 December 2014, in a foreign currency funds total equivalent RMB 54,083,761.55 (31 December 2013: equivalent RMB 58,891,557.24).

2、Financial assets designated as fair value through profit or loss

Unit: RMB

Item	Fair value at 31 December 2014	Fair value at 31 December 2013
Held-for-trading financial assets	7,560,805.90	-
Including: Derivative financial assets	7,560,805.90	-

The Company's management thought there is no significant restriction on the ability of realization for their financial assets.

3、Notes receivable

(1) Categories of notes receivable

Unit: RMB

Categories	Closing balance	Opening balance
Bank acceptances	2,194,628,963.79	3,137,061,897.67
Commercial acceptances	153,017,363.46	172,768,566.26
Total	2,347,646,327.25	3,309,830,463.93

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

3、Notes receivable - continued

(2) Companies have pledged receivables at the end of year

Unit: RMB

Items	The end has pledged amount
Bank acceptances	281,354,951.60
Commercial acceptances	-
Total	281,354,951.60

Note: Notes receivable pledge made short-term loan, please refer to Note (V)19(1).

(3) The Company has been endorsed or discount not expired notes receivable on the balance sheet date at the end of the year.

Unit: RMB

Items	Amount of derecognised at the end of the period	Amount of non-derecognized at the end of the period
Bank acceptances	3,570,586,690.78	-
Commercial acceptances	76,739,686.13	-
Total	3,647,326,376.91	-

(4) The Company has not reclassified note receivable to accounts receivable due to settle the note at the end of the year.

4、Account receivable

(1) Categories of account receivable

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision			Carrying amount		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book Value	Amount	Proportion (%)	Amount	Proportion of provision (%)	Book Value
Account receivable that are individually significant and for which bad debt provision has been assessed individually	506,033,701.49	33.37	58,753,901.64	11.61	447,279,799.85	474,742,599.69	39.82	47,345,686.64	9.97	427,396,913.05
Accounts receivable domestic clients	370,280,634.20	24.41	20,252,666.39	5.47	350,027,967.81	263,952,394.68	22.15	13,755,690.54	5.21	250,196,704.14
Accounts receivable overseas clients	640,319,711.34	42.22	96,047,956.65	15.00	544,271,754.69	453,388,126.20	38.03	68,431,431.61	15.09	384,956,694.59
Sub total	1,010,600,345.54	66.63	116,300,623.04	11.51	894,299,722.50	717,340,520.88	60.18	82,187,122.15	11.46	635,153,398.73
Total	1,516,634,047.03	100.00	175,054,524.68	11.54	1,341,579,522.35	1,192,083,120.57	100.00	129,532,808.79	10.87	1,062,550,311.78

Explanations of categories of accounts receivable:

The Group determines that account receivable which exceed RMB 8,000,000.00 as individually significant accounts receivable.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4、Account receivable - continued

(1) Categories of account receivable - continued

Account receivable that are individually significant and for which bad debt provision has been assessed individually as at 31 December 2014

Unit: RMB

Content of account receivable	Closing balance			Reasons of provision
	Account receivable	Bad debt provision	Proportion of provision (%)	
Company 1	43,500,235.03	2,175,011.75	5	Using aging analysis
Linde Gas (Yantai) Co., Ltd.	38,112,482.88	1,905,624.14	5	Using aging analysis
Company 2	27,526,916.27	4,129,037.44	15	Using the percentage of total receivables outstanding
Company 3	25,280,059.72	1,264,002.99	5	Using aging analysis
Company 4	22,530,812.87	1,126,540.64	5	Using aging analysis
Others	349,083,194.72	48,153,684.68	14	Using aging analysis Using the percentage of total receivables outstanding
Total	506,033,701.49	58,753,901.64		

Note: For receivables that are individually significant, the Group assesses the receivables individually for impairment. At the end of the 2014, individually provision of bad debt RMB 14,331,169.00 (2013: Nil), refer to Note (III)11 “Receivables for which bad debt provision portfolios”, at the end of period provision of bad debt RMB 44,422,732.64 (31 December 2013: RMB 47,345,686.64).

Account receivables portfolios for which bad debt provision has been assessed using the aging analysis approach:

Unit: RMB

Aging	Closing balance		
	Account Balance	Bad debt provision	Proportion of provision (%)
Within 1 year (inclusive)	363,580,577.39	18,757,238.90	5
More than 1 year but not exceeding 2 years	3,130,278.04	313,027.80	10
More than 2 years but not exceeding 3 years	3,283,254.40	984,976.32	30
More than 3 years but not exceeding 4 years	178,202.00	89,101.00	50
More than 4 years	108,322.37	108,322.37	100
Total	370,280,634.20	20,252,666.39	

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4、Account receivable - continued

(1) Categories of account receivable - continued

Account receivables portfolios for which bad debt provision has been assessed using the aging analysis approach:

Unit: RMB

Aging	Opening balance		
	Account Balance	Bad debt provision	Proportion of provision (%)
Within 1 year (inclusive)	260,023,583.21	13,279,559.41	5
More than 1 year but not exceeding 2 years	3,642,287.10	364,228.71	10
More than 2 years but not exceeding 3 years	178,202.00	53,460.60	30
More than 3 years but not exceeding 4 years	99,761.11	49,880.56	50
More than 4 years	8,561.26	8,561.26	100
Total	263,952,394.68	13,755,690.54	

Account receivables portfolios for which bad debt provision has been assessed using the percentage of total receivables outstanding approach:

Unit: RMB

Name of portfolio	Closing balance		
	Account Receivable	Bad debt provision	Proportion of provision (%)
Accounts receivable due from oversea customers	640,319,711.34	96,047,956.65	15

Unit: RMB

Name of portfolio	Opening balance		
	Account Receivable	Bad debt provision	Proportion of provision (%)
Accounts receivable due from oversea customers	453,388,126.20	68,431,431.61	15

Name of portfolio	
Accounts receivable due from domestic clients	The Group classifies the receivables that are not individually significant and those that are individually significant but are not impaired individually into groups of financial assets according to the similarity and relevance of credit risk characteristics. These credit risks usually reflect the debtors' ability to pay the amounts due at maturity under contractual terms of related assets and are related to the estimation of future cash flows of the assets subject to assessment. This portfolio represents receivables due from domestic customers (excluding related parties).
Accounts receivable due from oversea clients	The Group classifies the receivables that are not individually significant and those that are individually significant but are not impaired individually into groups of financial assets according to the similarity and relevance of credit risk characteristics. These credit risks usually reflect the debtors' ability to pay the amounts due at maturity under contractual terms of related assets and are related to the estimation of future cash flows of the assets subject to assessment. This portfolio represents receivables due from foreign customers. (excluding related parties).

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

4、Account receivable - continued

(2) Bad debt provision\Reversals and collections during the current period

Accounts receivable portfolios for which bad debt provision amount RMB 57,488,027.70; reversal and collection amount RMB 8,855,973.71.

(3) Accounts receivable write-off in the reporting period

Unit: RMB

Items	Write-off amount
Write-off of the account receivable	3,110,338.10

(4) Top five entities with the largest balances of accounts receivables

Top five entities with the largest balances of accounts receivables RMB 156,950,506.77, 10.35% of the amount to the total accounts receivables, the provision for bad debt amount is RMB 10,600,216.96.

(5) There are no accounts receivables that have been derecognized in the current period; there are no securitization of assets where accounts receivable are the underlying assets in the current period; there are no transfer of accounts receivable and formed by its continuous involvement in the amount of assets and liabilities

5、Prepayments

(1) Aging analysis of prepayments is as follows:

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	323,656,896.42	93.05	450,264,578.44	94.43
More than 1 year but not exceeding 2 years	2,189,056.23	0.63	7,868,870.94	1.65
More than 2 years but not exceeding 3 years	5,588,044.40	1.60	1,711,191.94	0.36
More than 3 years (Note)	16,413,270.68	4.72	16,951,701.42	3.56
Total	347,847,267.73	100.00	476,796,342.74	100.00

Note: Prepayments are mainly land deposit paid in advance.

(2) Top five entities with the largest balances of prepayments:

Top five entities prepayment amount to RMB 231,715,566.64, accounting for 66.61% of the total prepayments.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

6、 Other receivables

(1) Disclosure of other receivables by categories:

Unit: RMB

Categories	Closing balance				Opening balance					
	Carrying amount		Bad debt provision		Book Value	Carrying amount		Bad debt provision		Book Value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	116,464,483.55	90.66	-	-	116,464,483.55	73,196,792.43	84.89	-	-	73,196,792.43
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	11,997,423.48	9.34	-	-	11,997,423.48	13,031,326.36	15.11	-	-	13,031,326.36
Total	128,461,907.03	100.00	-	-	128,461,907.03	86,228,118.79	100.00	-	-	86,228,118.79

Explanations of categories of other receivables:

The Group determines that other receivable of more than RMB 8,000,000.00 is considered as individually significant other receivable.

(2) According to the payment properties listed in other receivables

Unit: RMB

Payment properties	Closing balance	Opening balance
Export tax refund	116,464,483.55	63,196,792.43
Petty cash	4,860,970.91	5,501,306.96
The Deposit	301,016.12	291,016.12
Others	6,835,436.45	17,239,003.28
Total	128,461,907.03	86,228,118.79

Aging analysis of other receivables is as follows:

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Book Value	amount	Proportion (%)	Bad debt provision	Book Value
Within 1 year	125,512,884.37	97.70	-	125,512,884.37	70,211,785.30	81.43	-	70,211,785.30
More than 1 year but not exceeding 2 years	2,170,280.02	1.69	-	2,170,280.02	5,181,532.64	6.01	-	5,181,532.64
More than 2 years but not exceeding 3 years	49,447.00	0.04	-	49,447.00	350,903.33	0.41	-	350,903.33
More than 3 years	729,295.64	0.57	-	729,295.64	10,483,897.52	12.15	-	10,483,897.52
Total	128,461,907.03	100.00	-	128,461,907.03	86,228,118.79	100.00	-	86,228,118.79

(3) There are no reversals or collection\ write-off of other receivables in the current period.

(4) Top five entities with the largest balances of other receivables:

Top five entities with the largest balances of other receivables RMB 123,057,822.95, 95.79% of the amount to the total other receivables, no bad debt provision in the current year.

(5) There are no other receivables transfer of financial assets that have been derecognized have been formed in the current period; no assets or liabilities have been formed due to transferring of other receivable and the related continuous involvement.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

7、Inventories

(1) Categories of inventories

Unit: RMB

Items	Closing balance			Opening balance		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount
Raw materials	1,350,915,087.88	266,334.81	1,350,648,753.07	898,106,303.80	-	898,106,303.80
Work in-progress	665,367,685.09	2,565,812.34	662,801,872.75	432,218,175.25	1,043,847.77	431,174,327.48
Finished goods	996,714,420.56	172,517.80	996,541,902.76	936,767,056.30	1,045,810.16	935,721,246.14
Total	3,012,997,193.53	3,004,664.95	3,009,992,528.58	2,267,091,535.35	2,089,657.93	2,265,001,877.42

(2) Provision for decline in value of inventories

Unit: RMB

Items	Opening carrying amount	Increase in the current period		Decrease in the current period		Closing carrying amount
		Accrual	Other	Reversals	Write-off	
Raw material	-	266,334.81	-	-	-	266,334.81
Work-in-progress	1,043,847.77	1,521,964.57	-	-	-	2,565,812.34
Finished goods	1,045,810.16	-	-	873,292.36	-	172,517.80
Total	2,089,657.93	1,788,299.38	-	873,292.36	-	3,004,664.95

(3) Provision for the decline in value of inventories

Inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. After provision for inventory write-down, if before the influence factors of write-downs in stock value has disappeared, lead to inventory net realisable value is higher than its book value, in the original provision for inventory write-down amount has to turn back, turn back the amount included in the current profits and losses.

(4) No inventories are pledged as collateral and no borrowing costs are capitalized in the closing balance of inventories.

8、Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible VAT	1,526,871,353.22	371,251,114.38
Advance payment of income tax	21,895,168.19	25,835,123.13
Prepay other taxes	1,300.00	194,307.21
Total	1,548,767,821.41	397,280,544.72

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

9、 Available-for-sale-financial assets

(1) Available-for-sale financial assets

Unit: RMB

Items	Closing balance			Opening balance		
	Carrying amount	Provision for impairment losses	Book Value	Carrying amount	Provision for impairment losses	Book Value
Available-for-sale equity instruments						
according to fair value measurement (Note)	-	-	-	76,260,000.00	-	76,260,000.00
according to cost	20,000,000.00	-	20,000,000.00	20,000,000.00	-	20,000,000.00
Total	20,000,000.00	-	20,000,000.00	96,260,000.00	-	96,260,000.00

Note: The available-for-sale equity instruments primarily consisted of the 10,000,000 shares of equity investment in Guilin Tourism Co., Ltd. (000978), which was purchased by Wanhua Beijing, a subsidiary of the Group in year 2010 with a total cost of RMB 102,500,000 and unit cost of RMB 10.2500; Gulin Tourism Co., Ltd. declared stock dividend in May 2010, Wanhua Beijing held a total of 13,000,000 shares after distribution with unit cost of RMB 7.8850. Wanhua Beijing sold all of the equity investment in the current year.

(2) Description of available-for-sale financial assets:

Unit: RMB

Name of investee	Carrying amount				Provision for impairment losses				Proportion of ownership interest in the investee (%)	Net profit for the period
	Opening balance	Increase in the current year	Decrease in the current year	Closing balance	Opening balance	Increase in the current year	Decrease in the current year	Closing balance		
Hongta Innovation Investment Co., Ltd.	20,000,000.00	-	-	20,000,000.00	-	-	-	-	5	3,000,000.00

10、 Long-term receivables

(1) Details of Long-term receivables:

Unit: RMB

Items	Closing balance			Opening balance		
	Carrying amount	Provision for impairment losses	Book Value	Carrying amount	Provision for impairment losses	Book Value
Staff housing loans (Note)	192,005,040.63	-	192,005,040.63	130,400,000.00	-	130,400,000.00
Others	2,400,000.00	-	2,400,000.00	2,400,000.00	-	2,400,000.00
Total	194,405,040.63	-	194,405,040.63	132,800,000.00	-	132,800,000.00

Note: According to <The Measures of Staff Housing Loans of Wanhua Chemical Group Co., Ltd.>, each employee is granted a housing loan of RMB 100,000 with maturity of five years if certain conditions are met; interest is calculated at the bank loan rate of interest over the same period. The Company is responsible for the interests and withholding individual income tax for the staff.

(2) There are no securitization of assets that have been derecognized in the current period; there are no transfer of accounts receivable and formed by its continuous involvement in the amount of assets and liabilities.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

11、Investments in joint ventures and associates

Unit: RMB

Name of investee	Opening balance	Movement in current year								Closing balance	Impairment of the balance
		addition investment	Reduce investment	Under the equity method to confirm the investment profit and loss	Other comprehensive income	Other equity changes	Declaration of cash dividends or profits	Provision for impairment losses	Others		
I. Joint ventures											
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	58,029,850.96	-	-	(2,983,615.88)	-	-	-	-	-	55,046,235.08	-
II. Associates											
Linde Gas (Yantai) Co., Ltd. (Note)	34,023,197.54	-	-	(337,507.07)	-	8,120.03	-	-	-	33,693,810.50	-
Total	92,053,048.50	-	-	(3,321,122.95)	-	8,120.03	-	-	-	88,740,045.58	-

Note: Linde Gas (Yantai) Co., Ltd. is a company co-founded by the Company and Linde Gas (Hong Kong) Co., Ltd.; the Company holds 10% of equity interest. According to the Articles of the Company, the Board of Directors consists of five directors, one of which is appointed by the Company, therefore the Company has significant influence over the operating policy decisions and thus equity method is adopted.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

12、Fixed assets

(1) Fixed assets

Unit: RMB

Items	Building	Machinery and equipment	Transportation vehicles	Electronic equipment, appliances and furniture	Total
I. Original carrying amount:					
1. Opening carrying amount	1,687,908,783.61	10,248,674,187.34	52,530,350.42	157,683,760.58	12,146,797,081.95
2. Increase in the current period	716,463,614.10	6,954,899,807.48	63,390,500.15	49,412,817.03	7,784,166,738.76
(1) Acquisitions	1,148,192.95	40,380,847.32	63,390,500.15	46,915,646.55	151,835,186.97
(2) Construction in progress	715,315,421.15	6,914,518,960.16	-	2,497,170.48	7,632,331,551.79
3. Decrease in the current period	56,800,056.65	728,079,702.48	1,532,234.00	914,013.61	787,326,006.74
(1) Disposals	56,800,056.65	728,079,702.48	1,532,234.00	914,013.61	787,326,006.74
4. Closing carrying amount	2,347,572,341.06	16,475,494,292.34	114,388,616.57	206,182,564.00	19,143,637,813.97
II. Accumulated depreciation					
1. Opening carrying amount	396,045,655.51	3,062,314,842.70	29,061,649.43	77,632,408.61	3,565,054,556.25
2. Increase in the current year	73,975,487.11	834,355,566.82	9,578,496.76	26,505,666.88	944,415,217.57
(1) Accrual	73,975,487.11	834,355,566.82	9,578,496.76	26,505,666.88	944,415,217.57
3. Decrease in the current year	34,415,177.60	548,739,604.14	1,388,547.43	713,941.53	585,257,270.70
(1) Disposal	34,415,177.60	548,739,604.14	1,388,547.43	713,941.53	585,257,270.70
4. Closing carrying amount	435,605,965.02	3,347,930,805.38	37,251,598.76	103,424,133.96	3,924,212,503.12
III. Provision for impairment losses					
1. Opening carrying amount	-	-	-	-	-
2. Increase in the current year	24,207,249.24	511,969.80	-	-	24,719,219.04
(1) Accrual	24,207,249.24	511,969.80	-	-	24,719,219.04
3. Decrease in the current year	-	-	-	-	-
(1) Disposal	-	-	-	-	-
4. Closing carrying amount	24,207,249.24	511,969.80	-	-	24,719,219.04
IV. Book Value					
1. Closing balance	1,887,759,126.80	13,127,051,517.16	77,137,017.81	102,758,430.04	15,194,706,091.81
2. Opening balance	1,291,863,128.10	7,186,359,344.64	23,468,700.99	80,051,351.97	8,581,742,525.70

(2) Temporary idle fixed assets

There are no temporary idle fixed assets during this current year in the Group.

(3) Fixed assets of which certificate of title have not been obtained

Unit: RMB

Item	Carrying amount	Reasons why certificates of title have not been obtained
Building	830,375,938.17	To be processed

Description of fixed assets:

As at 31 December 2014, the mortgage building, machinery and equipment, electronic equipment, appliances and furniture amount to RMB 274,492,289.08 (2013: RMB 48,979,165.73), RMB 7,132,951,863.86 (2013: RMB 2,088,065,133.97) and RMB of 623,302.12 (2013: Nil) respectively. As at 31 December 2014, the bank acceptances under this bank facility have not been issued yet. For details, please refer to Note (V) 19, (V) 28 and (V) 29.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13、Construction in progress

(1) Details of construction in progress are as follows:

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment losses	Net carrying amount	Carrying amount	Provision for impairment losses	Net carrying amount
Wanhua Yantai Industrial park Project	10,528,676,168.35	-	10,528,676,168.35	7,134,248,949.76	-	7,134,248,949.76
Capacity expansion of auxiliary project of Wanhua Ningbo project - phase II	198,425,608.12	-	198,425,608.12	24,407,131.87	-	24,407,131.87
Thermoelectrical project of Yantai Chlor-alkali and Thermal Power Company	188,085,625.15	-	188,085,625.15	136,102,600.14	-	136,102,600.14
Technological transformation of Wanhua Ningbo of 2014	105,199,555.52	-	105,199,555.52	-	-	-
Technological transformation of Wanhua Ningbo HDI project	86,529,688.24	-	86,529,688.24	47,625,539.38	-	47,625,539.38
Wanhua Chemical IPDA pilot scale equipment	81,671,671.44	-	81,671,671.44	80,386,571.05	-	80,386,571.05
Chlor-alkali project of Yantai Chlor-alkali and Thermal Power Company	73,722,288.70	-	73,722,288.70	189,055,350.94	-	189,055,350.94
Zhuhai special polyurethane project - phase I	51,708,715.43	-	51,708,715.43	3,365,018.37	-	3,365,018.37
Reorganization and expansion of Wanhua Chemical marketing department and surface material business department	43,741,441.51	-	43,741,441.51	26,559,130.50	-	26,559,130.50
Wanhua Ningbo Port Coal yard transformation project	37,986,092.19	-	37,986,092.19	528,208.17	-	528,208.17
Wanhua Chemical IP pilot scale project	31,485,543.57	-	31,485,543.57	31,634,277.36	-	31,634,277.36
Ningbo Rongwei project - phase II & III	361,904.23	-	361,904.23	38,968,107.45	-	38,968,107.45
Wanhua Ningbo HCL oxidation equipment	-	-	-	112,278,123.91	-	112,278,123.91
Wanhua Ningbo water-borne project	-	-	-	24,694,586.84	-	24,694,586.84
Wanhua backup thermoelectrical boiler project	-	-	-	22,198,988.81	-	22,198,988.81
Wanhua Beijing IPN project	-	-	-	20,627,939.76	-	20,627,939.76
Other	297,357,845.64	-	297,357,845.64	218,492,997.25	-	218,492,997.25
Total	11,724,952,148.09	-	11,724,952,148.09	8,111,173,521.56	-	8,111,173,521.56

As at 31 December 2014, Wanhua Yantai industrial park project in construction in progress with amount of RMB 6,836,173,634.04 has been used as collateral to obtain bank loan (31 December 2013, a carrying amount of RMB 6,286,999,727.83), for details please refer to Note (V) 29.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS - continued

13、Construction in progress — continued

(2) Changes in significant construction in progress

The Company determines that construction in progress of more than RMB 20,000,000.00 is considered as significant construction in progress as follows:

Unit: RMB

Name of Items	Budget amount	Opening balance	Increase in the current period	Transfer to fixed assets	Other Decrease	Closing balance	Amount injected as a proportion of budget amount (%)	Constructi on progress	Amount of accumulated capitalized interest	Including: capitalized interest for the period	Interest capitalization rate for the period (%)	Source of funds
Wanhua Yantai Industrial Park Project	28,000,000,000.00	7,134,248,949.76	8,794,856,895.26	5,400,429,676.67	-	10,528,676,168.35	56.98	56.98	713,128,813.26	497,958,112.30	4.69	Cash from operation and loans
Capacity expansion of auxiliary project of Wanhua Ningbo project - phase II	402,899,200.00	24,407,131.87	174,018,476.25	-	-	198,425,608.12	49.25	49.25	2,135,558.08	2,003,810.30	3.35	Cash from operation and loans
Thermoelectrical project of Yantai Chlor-alkali and Thermal Power Company	1,133,060,000.00	136,102,600.14	754,245,751.09	702,262,726.09	-	188,085,625.15	78.58	78.58	31,168,277.11	27,568,798.74	5.98	Cash from operation and loans
Technological transformation of Wanhua Ningbo of 2014	180,000,000.00	-	105,199,555.52	-	-	105,199,555.52	58.44	58.44	992,883.75	992,883.75	3.35	Cash from operation and loans
Technological transformation of Wanhua Ningbo HDI project	150,000,000.00	47,625,539.38	38,904,148.86	-	-	86,529,688.24	73.79	73.79	1,191,597.87	692,711.20	3.35	Cash from operation and loans
Wanhua Chemical IPDA pilot scale equipment	124,840,000.00	80,386,571.05	16,051,242.49	-	14,766,142.10 (Note 1)	81,671,671.44	65.42	65.42	-	-	-	Cash from operation
Chlor-alkali project of Yantai Chlor-alkali and Thermal Power Company	1,017,288,000.00	189,055,350.94	677,254,015.15	792,587,077.38	-	73,722,288.70	85.16	85.16	27,983,614.55	24,751,917.94	5.98	Cash from operation and loans
Zhuhai special polyurethane project - phase I	520,000,000.00	3,365,018.37	48,343,697.06	-	-	51,708,715.43	9.94	9.94	-	-	-	Cash from operation
Reorganization and expansion of Wanhua Chemical marketing department and surface material business department	55,000,000.00	26,559,130.50	17,182,311.01	-	-	43,741,441.51	79.53	79.53	-	-	-	Cash from operation

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

13、Construction in progress – continued

(2) Changes in significant construction in progress- continued

Unit: RMB

Name of Items	Budget amount	Opening balance	Increase in the current period	Transfer to fixed assets	Other Decrease	Closing balance	Amount injected as a proportion of budget amount (%)	Construction progress	Amount of accumulated capitalized interest	Including: capitalized interest for the period	Interest capitalization rate for the period (%)	Source of funds
Wanhua Ningbo Port Coal yard transformation project	440,000,000.00	528,208.17	37,457,884.02	-	-	37,986,092.19	8.63	8.63	474,806.83	474,806.83	3.35	Cash from operation and loans
Wanhua Chemical IP pilot scale project	38,379,000.00	31,634,277.36	13,838,634.98	-	13,987,368.77 (Note 1)	31,485,543.57	82.04	82.04	-	-	-	Cash from operation
Ningbo Rongwei project - phase II & III	64,100,000.00	38,968,107.45	25,099,917.47	63,706,120.69	-	361,904.23	99.95	99.95	-	-	-	Cash from operation
Wanhua Ningbo water-borne project	150,000,000.00	24,694,586.84	121,533,266.74	146,227,853.58	-	-	97.49	97.49	1,206,582.91	1,206,582.91	3.35	Cash from operation and loans
Wanhua backup thermoelectrical boiler project	190,000,000.00	22,198,988.81	152,175,371.69	174,374,360.50	-	-	91.78	91.78	1,071,894.88	957,338.38	4.44	Cash from operation and loans
Wanhua Beijing IPN project	33,000,000.00	20,627,939.76	9,604,429.20	30,232,368.96	-	-	91.61	91.61	-	-	-	Cash from operation
Others		218,492,997.25	240,749,857.11	140,329,317.83	21,555,690.89 (Note:2)	297,357,845.64						Cash from operation
Total		8,111,173,521.56	11,296,419,380.08	7,632,331,551.79	50,309,201.76	11,724,952,148.09			791,493,235.28	560,036,545.21		

Note 1: Other decrease amount that trial operation income offset against construction in progress.

Note 2: The decrease of other in the current period consists of a carrying amount of RMB 187,634.70 transferred into long-term amortization, a carrying amount of RMB 21,368,056.19 device scrapped as cannot be used any more.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

14、Materials for construction of fixed assets

Unit: RMB

Item	Closing balance	Opening balance
Equipment	604,407,932.77	1,010,845,978.15
Materials	1,047,132,668.27	541,375,256.06
Total	1,651,540,601.04	1,552,221,234.21

15、Intangible assets

Detail of Intangible assets

Unit: RMB

Item	Land use right	Non-patent technology	Software	Total
I. Original carrying amount				
Opening carrying amount	1,338,193,677.63	133,195,852.03	87,227,734.60	1,558,617,264.26
Increase in the current period	110,183,273.64	116,824,891.45	18,211,298.90	245,219,463.99
(1)Acquisitions	13,490,388.27	116,824,891.45	18,211,298.90	148,526,578.62
(2)Enterprise merger increase (Note)	96,692,885.37	-	-	96,692,885.37
Decrease in the current period	-	-	-	-
(1)Disposals	-	-	-	-
Closing carrying amount	1,448,376,951.27	250,020,743.48	105,439,033.50	1,803,836,728.25
II. Accumulated amortization				
Opening carrying amount	78,658,123.95	21,209,110.29	23,555,050.72	123,422,284.96
Increase in the current period	32,235,718.89	26,753,511.17	9,780,801.95	68,770,032.01
(1)Accrual	32,235,718.89	26,753,511.17	9,780,801.95	68,770,032.01
Decrease in the current period	-	-	-	-
(1)Disposals	-	-	-	-
Closing carrying amount	110,893,842.84	47,962,621.46	33,335,852.67	192,192,316.97
III. Provision for impairment losses				
Opening balance	-	-	-	-
Increase in the current period	-	-	-	-
(1)Accrual	-	-	-	-
Decrease in the current period	-	-	-	-
(1)Disposals	-	-	-	-
Closing balance	-	-	-	-
IV. Book Value				
At the end of the book value	1,337,483,108.43	202,058,122.02	72,103,180.83	1,611,644,411.28
At the beginning of the book value	1,259,535,553.68	111,986,741.74	63,672,683.88	1,435,194,979.30

A carrying amount of RMB 540,622,527.82 (2013: RMB 566,074,979.08) of land use right and a carrying amount of RMB 196,079,237.85 (2013: RMB Nil.) of non-patented technology has been pledged as collateral for acquiring borrowings, for details refer to Note (V)19, Note (V)28 and (V)29.

Note: For details refer to Note (VI) 1.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

16、 Goodwill

(1) The Original value of the goodwill

Unit: RMB

Name of the investee and item resulting in goodwill	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Ningbo Chlor-alkali	277,518,585.35	-	-	277,518,585.35
Total	277,518,585.35	-	-	277,518,585.35

(2) Provision for impairment of the goodwill

Unit: RMB

Name of the investee and item resulting in goodwill	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Ningbo Chlor-alkali	-	-	-	-
Total	-	-	-	-

The Company determines the recoverable amount of Ningbo Chlor-Alkali based on the present value of expected future cash flows in five years when conducting impairment testing on goodwill at the end of the period. The future cash flow projections are based on the past financial performance, existing production capacity and the estimation of market development by the management of Ningbo Chlor-Alkali and are discounted at 10.76% discount rate.

17、 Deferred tax assets/deferred tax liabilities

(1) Without offset deferred tax assets and deferred tax liabilities

Unit: RMB

Item	Opening balance		Closing balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	118,355,559.24	24,438,414.47	65,884,029.06	14,315,734.65
Deductible losses	372,677,348.14	57,325,969.33	11,668,232.70	1,750,234.91
Employee benefits payable	153,040,527.85	28,255,897.23	193,031,953.85	29,054,517.56
Unpaid expenses	445,690,795.52	100,640,373.99	377,016,339.41	56,760,141.40
Unrealized profit from inter-group transactions	141,121,977.51	22,397,094.19	135,524,458.33	20,328,668.75
Deferred revenue	207,614,284.80	35,786,235.60	157,401,032.31	23,610,154.85
Changes in fair value of available-for-sale financial assets	-	-	21,509,230.76	3,226,384.62
Differences in depreciation of fixed assets	2,806,957.60	701,739.40	816,708.40	204,177.10
Deductible of special equipment	153,309,176.40	22,996,376.46	-	-
Total	1,594,616,627.06	292,542,100.67	962,851,984.82	149,250,013.84
Item	Deductible temporary differences	Deferred tax liabilities	Deductible temporary differences	Deferred tax liabilities
Revaluation of fixed assets and intangible assets of subsidiaries acquired through business combination not involving enterprises under common control	77,646,595.64	18,650,672.47	67,907,145.27	16,148,474.04
Differences in depreciation of fixed assets	17,945,544.07	3,837,073.38	12,234,560.85	3,058,640.21
Total	95,592,139.71	22,487,745.85	80,141,706.12	19,207,114.25

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

17、Deferred tax assets/deferred tax liabilities - continued

(2) Deferred tax assets and deferred tax liabilities that are not presented at the net amount after offset

Unit: RMB

Item	Deferred tax assets or liabilities the amount of the offset at the end of the reporting period	Deferred tax assets or liabilities after offset at the end of the reporting period	Deferred tax assets or liabilities the amount of the offset at the beginning of the reporting period	Deferred tax assets or liabilities after offset at the beginning of the reporting period
Deferred tax assets	2,979,548.44	289,562,552.21	-	149,250,013.84
Deferred tax liabilities	2,979,548.44	19,508,197.41	-	19,207,114.25

(3) Details of unrecognized deferred tax assets:

Unit: RMB

Item	Closing balance	Opening balance
Deductible loss (Note 1)	56,653,111.88	31,175,051.65
Provision for impairment losses of assets	43,918,215.33	29,305,884.53
Employee benefits payable	102,357.89	75,826.96
Total	100,673,685.10	60,556,763.14

Note 1: Deductible losses including in Wanhua Singapore and Wanhua Shipping amount of to RMB 18,770,066.69. According to the Local taxable which no due limits of the deductible losses.

Due to the uncertainty whether there will be sufficient taxable profits in the future of certain subsidiaries, the above deductible temporary differences and deductible losses are not recognized as deferred assets.

(4) Deductible losses, for which no deferred tax assets are recognized, will expire in the following years

Unit: RMB

Year	Closing balance	Opening balance	Remarks
2014	-	1,641,973.34	
2015	633,798.99	1,567,624.87	
2016	2,490,635.33	5,654,763.62	
2017	10,324,287.23	10,363,390.22	
2018	9,555,573.80	9,564,954.00	
2019	12,418,062.38	-	
2020	2,382,345.60	2,382,345.60	
2021	78,341.86	-	
Total	37,883,045.19	31,175,051.65	

18、Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Prepayment for construction	745,275,108.96	2,491,983,797.61
Prepaid consideration	-	20,000,000.00
Prepayment for land use right	3,854,771.18	428,348.02
Total	749,129,880.14	2,512,412,145.63

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

19、Short-term borrowings

(1) Categories of short-term borrowings:

Unit: RMB

Item	Closing balance	Opening balance
Secured loans with securities under the custody of lenders (Note 1)	92,501,192.75	196,807,932.00
Guaranteed loans (Note 2)	300,000,000.00	-
Unsecured and non-guaranteed loans	4,103,942,128.77	3,510,810,221.63
Secured loans with securities under the Group's custody (Note 3)	-	44,500,000.00
Total	4,496,443,321.52	3,752,118,153.63

Note 1: For note receivable that has been pledged to obtain the secured loans with securities under the custody of lenders, refer to Note (V) 3(2).

Note 2: Guaranteed by Wanhua Industrial Group Co., Ltd., refer to Note (X)5(4).

Note 3: For land use right and fixed assets that have been pledged to obtain short-term borrowings, refer to Note (V) 12, 15.

(2) There are no short-term borrowings overdue but not repaid.

20、Measured in fair value and the changes are recorded into profit and loss of current financial asset

Unit: RMB

Item	Closing balance	Opening balance
Tradable financial liability	4,093,972.33	-
Include: derivative financial liability	4,093,972.33	-

21、Notes payable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptances	2,044,515,908.77	1,993,630,640.49

No overdue note payable outstanding at the end of year 2014.

22、Accounts payable

(1) Details of accounts payable are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Accounts payable for raw materials	1,074,474,074.79	402,841,013.81
Accounts payable for construction	1,540,654,832.54	1,896,097,585.33
Total	2,615,128,907.33	2,298,938,599.14

(2) There is no significant accounts payable aged more than one year.

23、Receipts in advance

(1) Details of receipts in advance are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Receipts in advance from sale of goods	763,746,175.64	727,903,857.03

(2) There is no significant receipts in advance aged more than one year.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

24、Employee benefits payable

(1) Details of employee benefits payable

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Short-term employee benefits	247,032,122.46	1,101,399,960.72	1,124,271,749.23	224,160,333.95
2. Postretirement benefit –defined contribution plan	9,116,113.64	98,060,289.53	105,925,110.93	1,251,292.24
Total	256,148,236.10	1,199,460,250.25	1,230,196,860.16	225,411,626.19

(2) Details of short-term employee benefit

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Wages or salaries, bonuses, allowances and subsidies	240,220,941.40	921,321,868.06	939,059,346.24	222,483,463.22
2. Staff welfare	-	31,884,352.93	31,847,898.33	36,454.60
3. Social security contributions	5,798,819.93	57,811,895.11	63,047,699.27	563,015.77
Including: Medical insurance	5,036,873.73	43,696,141.33	48,209,921.58	523,093.48
Work injury insurance	498,279.00	9,021,567.45	9,535,259.23	(15,412.78)
Maternity insurance	263,667.20	5,094,186.33	5,302,518.46	55,335.07
4. Housing funds	798,070.36	72,263,279.85	72,031,591.69	1,029,758.52
5. labour union and education fund	214,290.77	18,118,564.77	18,285,213.70	47,641.84
Total	247,032,122.46	1,101,399,960.72	1,124,271,749.23	224,160,333.95

The payroll payable does not include payable in default and nonmonetary benefits. It is expected to be paid in year 2015.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

24、Employee benefits payable - continued

(3) Defined Contribution Plan

				Unit: RMB
Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Pension insurance	7,983,517.04	91,887,892.43	98,746,756.44	1,124,653.03
2. Unemployment insurance	1,132,596.60	6,172,397.10	7,178,354.49	126,639.21
Total	9,116,113.64	98,060,289.53	105,925,110.93	1,251,292.24

The group has set up the pension fund insurance and employment insurance by the government regulation. According to the plan, the Group deposits 18% and 1% of employee's monthly basic salary into the insurance every month. Besides the mentioned expense above, the group no longer bear any further payments. The relevant expenditure will be accounted into Profit and Loss or capitalized.

In this current period, the Group should deposit RMB 91,887,892.43 and RMB 6,172,397.10 into pension insurance and unemployment insurance, respectively. (2013: RMB 75,663,157.22 and RMB 6,221,156.44) as at December 31, 2014, the Group has outstanding payments of RMB 1,124,653.03 and 126,639.21 (2013: RMB7,983,517.04 and RMB 1,132,596.60, respectively) for pension insurance and unemployment insurance. The relevant subsequent payments will be settled after reporting period.

25、Taxes payable

			Unit: RMB
Item	Closing balance	Opening balance	
Value added tax	70,877,354.03	30,885,480.31	
Business tax	357,930.24	399,235.84	
Enterprise income tax	175,622,679.01	77,027,650.53	
Individual income tax	3,127,368.84	3,019,565.86	
City construction and maintenance tax	5,032,802.96	2,479,929.01	
Others	15,523,329.18	8,221,048.79	
Total	270,541,464.26	122,032,910.34	

26、Interest payable

			Unit: RMB
Item	Closing balance	Opening balance	
Interest payable on short-term borrowings	8,866,799.33	8,150,724.25	
Interest payable on long-term borrowings	23,461,942.55	16,689,158.96	
Interest payable on medium-term notes	39,537,777.78	39,692,222.22	
Interest payable on RMB bond	5,125,000.00	-	
Total	76,991,519.66	64,532,105.43	

No overdue payment of interest.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

27、 Other payables

(1) Details of other payables are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Transportation fees	44,926,656.50	35,979,299.28
Deposit fees	57,973,969.81	43,269,760.70
Takings from related parties (Note)	87,509,755.57	80,000,000.00
Others	34,717,954.04	24,335,725.24
Total	225,128,335.92	183,584,785.22

Note: refer to Note (X) 5(5).

(2) There is no significant other payables aging more than one year.

28、 Non-current liabilities due within one year

(1) Details of non-current liabilities due within one year are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	2,511,987,627.27	1,283,957,923.30

(2) Long-term borrowings due within one year

(a) Long-term borrowings due within one year

Unit: RMB

Item	Closing balance	Opening balance
Unsecured and non-guaranteed loans	1,656,869,293.94	1,022,280,872.44
Guaranteed loans (Note 1)	733,333,333.33	130,000,000.00
Secured loans with securities under the Group's custody (Note 2)	121,785,000.00	60,484,500.00
Secured loans with securities under the custody of lenders	-	71,192,550.86
Total	2,511,987,627.27	1,283,957,923.30

Note 1: Refer to Note (X)5(4), the guaranteed loans are guaranteed of Wanhua Industrial Group Co., Ltd.

Note 2: The subsidiary pledges its fixed assets and land use right to obtain borrowings, refer to Note (V) 12 and 15.

The above interest rates range from 2.04% to 6.00% for this reporting period.

(b) There are no overdue borrowings of the long-term borrowings due within one year.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

29、 Long-term borrowings

(1) Categories of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed loans (Note 1)	1,166,666,666.67	1,591,800,000.00
Secured loans with securities under the Group's custody (Note 2)	3,594,993,950.00	2,131,797,145.00
Unsecured and non-guaranteed loans	8,075,855,216.95	4,167,238,948.93
Total	12,837,515,833.62	7,890,836,093.93

Note 1: The guaranteed loans are guaranteed by Wanhua Industrial Group Co., Ltd., for details refer to Note(X)5(4).

Note 2: Secured loans with securities under the Group's custody are acquired with fixed assets, construction in progress and land use right as collaterals, for details refer to Note (V) 12, 13 and 15.

The above interest rates range from 2.04% to 6.00% for this reporting period.

30、 Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
Medium Term Bonds (Note 1)	1,000,000,000.00	1,000,000,000.00
RMB Bond (Note 2)	1,000,000,000.00	-
Total	2,000,000,000.00	1,000,000,000.00

Increase and decrease of Bonds payable:

Unit: RMB

Name of bonds	Par Values	Issue date	Term of the bond	Issue amount	Opening balance	Issur amount in current period	Provision for par interest	Overflow discount amortization	Payment in the current year	Closing balance
Medium Term Bonds (Note 1)	1,000,000,000.00	17 April 2012	5 years	1,000,000,000.00	1,000,000,000.00	-	55,004,444.45	-	-	1,000,000,000.00
RMB bond (Note 2)	1,000,000,000.00	19 November 2014	3 years	1,000,000,000.00	-	1,000,000,000.00	5,125,000.00	-	-	1,000,000,000.00
Total	2,000,000,000.00			2,000,000,000.00	1,000,000,000.00	1,000,000,000.00	60,129,444.45	-	-	2,000,000,000.00

Note1 : In accordance with the<Registration Acceptance Notice> (MTN 37) issued by National Association of Financial Market Institutional Investors on 20 March 2012, the Company was approved to issue medium term bonds of RMB 1,000,000,000.00 with five-year maturity and a fixed interest rate of 5.56% per annum, the interests should be paid annually.

Note 2: On 19 November 2014, the Company completed issuing of the RMB 1 billion of bonds in Hong Kong. The bond has been allowed in 20 November 2014, listed and traded on the stock exchange of Hong Kong (code: 85703), with maturity of 3 years and the interest rate of 4.5%, interest payments on a semi-annual basis.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

31、 Long-term payables

Unit: RMB

Item	Closing balance	Opening balance
For re-lending money from Department of Finance of Yantai	5,410,906.00	6,763,634.00

Increase and decrease of long-term payables:

Unit: RMB

Creditor	Period	Inception amount	Interest rate (%)	Accrued interest	Closing balance	Borrowing terms
Department of Finance of Yantai	No maturity date	14,880,000.00	3.80	196,422.00	5,410,906.00	Unsecured loans

According to the official documents Lu Jing Mao Tou Zi [2002] No. 592 and Lu Cai Jian Zhi [2002] No. 112 issued by Economic and Trade Commission, Development Planning Commission and Department of Finance of Shandong Province provision for decline in value of inventories, the MDI Project with 80,000 tons annual production is qualified for the special fund for national key technology transformation projects in 2002, thus the local finance bureau grants the loans and the Company pays interests annually.

32、 Deferred income

Unit: RMB

Item	Closing balance	Opening balance
Government subsidies	206,173,356.00	155,800,000.00

Details of deferred income:

Unit: RMB

Liability item	Opening balance	New grants in the current year	Recognized in non-operating income	Others	Closing balance
Key industries and comprehensive technology transformation projects	100,000,000.00	-	-	-	100,000,000.00
Environment protection	-	45,000,000.00	-	-	45,000,000.00
Special fund from Bureau of finance and construction	30,000,000.00	-	-	-	30,000,000.00
Shandong province special subsidies for innovation	18,000,000.00	-	-	-	18,000,000.00
Others	7,800,000.00	8,373,356.00	3,000,000.00	-	13,173,356.00
Total	155,800,000.00	53,373,356.00	3,000,000.00	-	206,173,356.00

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

33、Share capital

Unit: RMB

	Opening balance	Changes in current years					Closing balance
		New issue	Bonus issue	Capitalization of surplus reserve	Others	Subtotal	
2014:							
I.Tradable shares							
Ordinary shares denominated in RMB	2,162,334,720.00	-	-	-	-	-	2,162,334,720.00
II. Total shares	2,162,334,720.00	-	-	-	-	-	2,162,334,720.00
2013:							
I.Tradable shares							
Ordinary shares denominated in RMB	2,162,334,720.00	-	-	-	-	-	2,162,334,720.00
II.Total shares	2,162,334,720.00	-	-	-	-	-	2,162,334,720.00

Wanhua Industrial Group Co., Ltd., the holding shareholder of the Company, has pledged its 300,000,000.00 shares to Bank of China, Yantai Branch as collateral to acquire bank facilities, which accounts for 18% of total outstanding shares.

34、Capital reserve

Unit: RMB

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
2014:				
Capital premium	28,010,338.91	-	-	28,010,338.91
Other comprehensive income	20,325,596.24	8,120.03	-	20,333,716.27
Total	48,335,935.15	8,120.03	-	48,344,055.18
2013:				
Capital premium	28,010,338.91	-	-	28,010,338.91
Other comprehensive income	20,325,596.24	-	-	20,325,596.24
Total	48,335,935.15	-	-	48,335,935.15

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

35、 Other comprehensive income

Unit: RMB

Item	Opening balance	Amount for the current period					Closing balance
		Before income tax amount	Less: transferred to other comprehensive income gains and losses	Less: income tax expense	Attributable to the owner of the Company (after tax)	Attributable to Minority interest (after tax)	
I. Items that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	-
II. Items that may be reclassified subsequently to profit or loss	(22,249,503.78)	(8,559,599.79)	(21,509,230.76)	3,226,384.62	9,723,246.35	-	(12,526,257.43)
Include: fair value gain/loss on available-for-sale financial assets	(18,282,846.14)	-	(21,509,230.76)	3,226,384.62	18,282,846.14	-	-
Translation differences arising on translation of financial statements denominated in foreign currencies	(3,966,657.64)	(8,559,599.79)	-	-	(8,559,599.79)	-	(12,526,257.43)
Other comprehensive income	(22,249,503.78)	(8,559,599.79)	(21,509,230.76)	3,226,384.62	9,723,246.35	-	(12,526,257.43)

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

35、 Other comprehensive income - continued

Unit: RMB

Item	Opening balance	Amount for the prior period					Closing balance
		Before income tax amount	Less: transferred to other comprehensive income gains and losses	Less: income tax expense	Attributable to the owner of the Company (after tax)	Attributable to Minority interest (after tax)	
I. Items that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	-
II. Items that may be reclassified subsequently to profit or loss	(18,006,015.25)	(4,867,520.84)	-	(624,032.31)	(4,243,488.53)	-	(22,249,503.78)
Include: fair value gain/loss on available-for-sale financial assets	(14,746,663.07)	(4,160,215.38)	-	(624,032.31)	(3,536,183.07)	-	(18,282,846.14)
Translation differences arising on translation of financial statements denominated in foreign currencies	(3,259,352.18)	(707,305.46)	-	-	(707,305.46)	-	(3,966,657.64)
Other comprehensive income	(18,006,015.25)	(4,867,520.84)	-	(624,032.31)	(4,243,488.53)	-	(22,249,503.78)

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

36、Special reserve

Unit: RMB

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
2014:				
Production safety fee	-	47,514,917.18	46,818,287.65	696,629.53
2013:				
Production safety fee	-	41,780,364.34	41,780,364.34	-

37、Surplus reserves

Unit: RMB

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
2014:				
Statutory surplus reserve	1,107,603,692.98	-	-	1,107,603,692.98
Discretionary surplus reserve	471,706,966.13	-	-	471,706,966.13
Total	1,579,310,659.11	-	-	1,579,310,659.11
2013:				
Statutory surplus reserve	1,107,603,692.98	-	-	1,107,603,692.98
Discretionary surplus reserve	471,706,966.13	-	-	471,706,966.13
Total	1,579,310,659.11	-	-	1,579,310,659.11

The statutory surplus reserve is used for increasing the registered share capital, making up losses, or expanding the Company's operations.

38、Retained earnings

Unit: RMB

Item	Amount	Proportion (%)
2014:		
Before adjustment: Retained earnings at the end of prior year	5,910,192,504.03	-
Add: Net profit attributable to owners of the Company for the period	2,419,366,386.55	-
Less: Appropriation to statutory surplus reserve	-	-
Appropriation to discretionary surplus reserve	-	-
Declaration of dividends on ordinary shares	1,513,634,304.00	-
Retained earnings at the end of the period	6,815,924,586.58	-
2013:		
Before adjustment: Retained earnings at the end of prior year	4,532,414,513.29	-
Add: Net profit attributable to owners of the Company for the period	2,891,412,294.74	-
Less: Appropriation to statutory surplus reserve	-	-
Appropriation to discretionary surplus reserve	-	-
Declaration of dividends on ordinary shares	1,513,634,304.00	-
Retained earnings at the end of the period	5,910,192,504.03	-

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

38、 Retained earnings - continued

(1) Appropriation to statutory surplus reserve

According to the Articles of Association, the Company is required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital. The Company extracts 5% of net income into surplus reserve. This year, the Company decided not to extract any surplus accumulation fund.

(2) Cash dividends and stock dividends approved in shareholders' meeting during the year

The Board of Directors proposed and approved, based on 2,162,334,720.00 outstanding shares at the end of Year 2013, a cash dividend of RMB 7.00 (pre-tax) per share for every ten shares with a total amount of RMB 1,513,634,304.00.

(3) Profit distribution decided after the balance sheet date

The Board of Directors proposed and approved, based on 2,162,334,720.00 outstanding shares at the end of Year 2014, a cash dividend of RMB 3.00 (pre-tax) per share for every ten shares. The proposal has been submitted to the General Shareholders' Meeting for the final approval.

(4) Appropriation to surplus reserve by subsidiaries

As at 31 December 2014, the balance of the Group's unappropriated profits include appropriation to surplus reserve by subsidiaries amounts to RMB 720,577,184.32 (2013: RMB 659,252,754.78).

39、 Operating income and operating costs

Unit: RMB

Item	Amount incurred in current year		Amount incurred in prior year	
	Revenue	Cost	Revenue	Cost
Principal operation	21,985,237,734.83	15,189,027,896.72	20,113,327,719.57	13,493,118,220.52
Other operation	103,130,753.91	80,611,839.17	124,645,498.42	89,830,959.35
Total	22,088,368,488.74	15,269,639,735.89	20,237,973,217.99	13,582,949,179.87

40、 Business taxes and levies

Unit: RMB

Item	Amount incurred in current year	Amount incurred in prior year
Business tax	2,579,964.07	7,349,168.50
City construction and maintenance tax	60,049,548.81	68,411,669.29
Education surcharges	45,090,279.86	49,226,953.48
Total	107,719,792.74	124,987,791.27

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

41. Selling expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Logistics expenses	460,664,787.04	407,552,017.64
Staff cost	88,939,614.25	63,079,982.65
Sales commission and consulting fees	33,722,563.47	41,146,429.33
Travelling expenses	25,905,286.61	22,651,468.91
Others	91,196,055.22	61,419,397.40
Total	700,428,306.59	595,849,295.93

42. Administrative expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Staff cost	449,487,216.22	478,714,787.24
Material consumption	334,015,973.09	443,741,962.92
Depreciations	94,804,882.11	101,328,712.31
Consulting fee	37,328,796.03	27,566,806.79
Rent and property management fee	35,254,021.28	35,194,006.27
Water, electricity & gas charges	26,223,832.20	14,809,337.26
Travelling expenses	35,272,633.46	29,092,914.18
Entertainment cost	13,238,119.45	15,857,709.40
Amortization of intangible assets	19,010,692.75	12,554,438.83
Insurance fee	6,692,357.10	9,549,852.27
Others	307,564,010.28	219,781,485.27
Total	1,358,892,533.97	1,388,192,012.74

43. Financial expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Interest expenses	951,072,385.88	509,479,759.36
Less: Capitalized interest expenses	556,291,993.06	208,595,242.79
Less: Interest income	30,384,408.38	18,490,817.92
Exchange differences	31,096,222.16	(93,629,018.50)
Less: Capitalized exchange differences	3,744,552.15	(31,448,297.41)
Others	42,570,352.19	37,617,640.96
Less: Capitalized financial charges	-	158,551.73
Total	434,318,006.64	257,672,066.79

44. Impairment losses on assets

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
I. Bad debt losses	48,632,053.99	24,820,928.55
II. Written-down of inventories	915,007.02	2,089,657.93
III. Impairment on fixed assets (Note)	24,719,219.04	-
Total	74,266,280.05	26,910,586.48

Note: In current year, the Company relocate the factory of isocyanate, and also accrued asset impairment provision for the remaining with amounted to RMB 24,719,219.04 which has not yet been demolished.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

45、Gains on change of fair value

Unit: RMB

Origin of gain of change in fair value	Amount incurred in current year	Amount incurred in prior year
Measure in fair value and the change are accounted into financial asset	7,560,805.90	16,017,988.99
Measure in fair value and the change are accounted into financial liability	(4,093,972.33)	-
Total	3,466,833.57	16,017,988.99

46、Investment loss

(1) Detail of loss on investment

Unit: RMB

	Amount incurred in current period	Amount incurred in prior period
Loss from long-term equity investments under cost method	(3,321,122.95)	(1,986,405.44)
Income from long-term equity investments under equity method	-	292,500.00
Investment (losses) income from disposal of derivative financial instruments	(1,329,781.66)	(18,376,701.31)
Investment income from hold-for-sale financial asset	3,000,000.00	3,622,000.00
Gain or loss from disposal	393,802.49	(72,549.42)
Total	(1,257,102.12)	(16,521,156.17)

47、Non-operating income

(1) Details of non-operating income are as follows:

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period	Amount included in non-recurring profit or loss for the period
Total gains on disposal of non-current assets	149,136.43	705,362.72	149,136.43
Including: Gains on disposal of fixed assets	149,136.43	705,362.72	149,136.43
Government grants	255,792,104.81	190,539,381.37	255,792,104.81
Others	9,048,994.43	7,517,752.72	9,048,994.43
Total	264,990,235.67	198,762,496.81	264,990,235.67

(2) Details of government grants

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period	Assets related/Income related
Special fund for high and new technology industry development (Note)	181,812,900.00	139,872,500.00	Income related
Special fund for key industries support	35,570,000.00	34,660,000.00	Income related
Special fund for the optimization of industry infrastructure	23,985,300.00	3,300,000.00	Income related
Interest subsidy	469,756.37	5,441,540.00	Income related
Technology development subsidies	4,277,500.00	-	Income related
Subsidy for energy saving	6,682,498.44	2,261,200.00	Income related
Others	2,994,150.00	5,004,141.37	Income related
Total	255,792,104.81	190,539,381.37	

Note: It mainly consists of special fund for high and new technology industry development received by Wanhua Ningbo, subsidiary of the Company, from the department of the finance of Ningbo Daxie District.

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

48、 Non-operating expenses

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period	Amount included in non-recurring profit or loss for the period
Total losses on disposal of non-current assets	223,004,485.63	30,142,782.98	223,004,485.63
Including: Losses on disposal of fixed assets (Note 1)	201,636,429.44	30,142,782.98	201,636,429.44
Losses on disposal of construction in progress (Note 2)	21,368,056.19	-	21,368,056.19
Donations to third parties	1,682,427.00	2,132,500.00	1,682,427.00
Others	17,089,533.85	1,712,146.57	17,089,533.85
Total	241,776,446.48	33,987,429.55	241,776,446.48

Note 1: Disposal loss of fixed asset is due to the approval of national development and reform commission about relocating old factory of MDI project. Total loss of RMB 169,974,875.78 has incurred.

Note 2: Refer note (V) 13.

Note 3: Cleaning expense amounted to RMB 15,092,278.36.

49、 Income tax expense

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Current tax expense calculated according to tax laws and relevant requirements	1,097,421,198.45	698,417,879.44
Adjustments to deferred tax	(146,440,953.36)	(38,517,838.28)
Total	950,980,245.09	659,900,041.16

Reconciliation of income tax expenses to the accounting profit is as follows:

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Accounting profit	4,168,527,353.50	4,425,684,184.99
Income tax expenses calculated at 15% (prior year: 15%)	625,279,103.03	663,852,627.75
Effect of expenses that are not deductible for tax purposes	1,762,170.63	2,338,864.02
Effect of tax-free income	(790,572.75)	(1,989,788.63)
Effect of unrecognized deductible losses and deductible temporary differences	7,690,559.65	2,865,561.65
Effect of deferred taxes changes from different tax rates	(6,782,729.47)	599,493.83
Tax credit from purchase of environment-friendly equipment	(22,996,376.46)	-
Effect of using previously unrecognized deductible losses and deductible temporary differences	(1,673,021.36)	(1,114,486.07)
50% deduction of research & development expenses	(45,604,385.56)	(52,974,376.13)
Effect of different tax rates of subsidiaries operating in other jurisdictions	395,130,037.90	46,069,473.97
Others	(1,034,540.52)	252,670.77
Total	950,980,245.09	659,900,041.16

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

50、Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Government grants	306,165,460.81	193,710,023.44
Others	49,682,054.88	25,985,279.24
Total	355,847,515.69	219,695,302.68

(2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Total expenses	1,454,253,978.08	1,404,615,120.03

(3) Other cash receipts relating to investing activities

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Deposit of construction project	3,032,180.90	11,267,479.76

(4) Other cash payments relating to financing activities

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Financing charges paid	12,646,944.81	9,963,199.54
Deposit	30,044,325.47	-
Total	42,691,270.28	9,963,199.54

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

51、Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Current period	Prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	3,217,547,108.41	3,765,784,143.83
Add: Provision for impairment losses of assets	74,266,280.05	26,910,586.48
Depreciation of fixed assets	934,105,052.57	846,134,654.06
Amortization of intangible assets	44,525,724.49	21,047,696.33
Amortization of long-term prepaid expenses	10,132,085.16	10,018,624.59
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "—")	222,802,522.16	29,437,420.26
Losses on changes in fair values (gains are indicated by "—")	(3,466,833.57)	(16,017,988.99)
Financial expenses (income is indicated by "—")	598,112,155.33	209,954,790.99
Losses arising from investments (gains are indicated by "—")	1,257,102.12	16,521,156.17
Decrease in deferred tax assets (increase is indicated by "—")	(143,538,922.99)	(41,086,708.81)
Increase in deferred tax liabilities (decrease is indicated by "—")	(2,902,030.37)	2,568,870.53
Decrease in inventories (increase is indicated by "—")	(745,905,658.18)	(272,228,261.53)
Decrease in receivables from operating activities (increase is indicated by "—")	531,164,543.25	(21,679,135.53)
Increase in payables from operating activities (decrease is indicated by "—")	(717,584,265.60)	(708,102,878.31)
Net cash flow from operating activities	4,020,514,862.83	3,869,262,970.07
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital	2,184,861,459.14	3,086,928,225.82
3. Net changes in cash and cash equivalents:		
Closing balance of cash	994,630,106.64	988,922,382.29
Less: Closing balance of restricted cash	988,922,382.29	1,372,606,853.48
Add: Opening balance of restricted cash	-	-
Net increase in cash and cash equivalents	5,707,724.35	(383,684,471.19)

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

51、Supplementary information to the cash flow statement- continued

(2) Net cash of payment to obtain subsidiary

Unit: RMB	
	Amount
Cash or cash equivalent paid for acquisition in current year	73,369,120.00
Include: Shanghai Kejv	73,369,120.00
Less: cash and cash equivalent of subsidiary at the date of acquisition	390,063.26
include: Shanghai Kejv	390,063.26
Cash paid for obtaining subsidiary	72,979,056.74

(3) Composition of cash and cash equivalents

Unit: RMB		
Item	Closing balance	Opening balance
I. Cash	994,630,106.64	988,922,382.29
Including: Cash on hand	126,154.79	530,930.69
Bank deposits	994,484,170.88	988,127,399.16
Other monetary funds	19,780.97	264,052.44
II. Cash equivalents	-	-
III. Closing balance of cash and cash equivalents	994,630,106.64	988,922,382.29

Cash and cash equivalents exclude restricted cash and cash equivalents of the Company and subsidiaries within the Group. As at December 31, 2014, the restricted cash and cash equivalent amounted to RMB 30,044,325.47 (December 31, 2013: Nil)

52、Restricted ownership of asset and right of use

Unit: RMB		
Item	Closing balance of book value	Reasons to be restricted
Cash	30,044,325.47	Granted deposit
Note receivable	281,354,951.60	Bill pledged
Fixed asset	7,408,067,455.06	Mortgage loan
Intangible asset	736,701,765.67	Mortgage loan
Construction in progress	6,836,173,634.04	Mortgage loan
Total	15,292,342,131.84	

(V) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS – continued

53、 Foreign currency item

Unit: RMB

Item	Closing balance (O.C)	Rate	Closing balance (RMB)
Cash			
include: USD	13,136,380.54	6.1190	80,381,749.45
EUR	621,823.54	7.4556	4,636,067.60
JPY	1,502,759.00	0.0514	77,198.23
INR	178,495.59	0.0983	17,552.18
RUR	87,139.33	0.1105	9,628.90
KRW	9,198,431.00	0.0057	52,044.72
Subtotal			85,174,241.08
Account receivable			
Include: USD	45,752,700.19	6.1190	280,387,540.18
EUR	1,932,087.50	7.4556	14,404,871.57
Subtotal			294,792,411.75
Short-term borrowing			
Include: USD	229,515,270.57	6.1190	1,404,403,940.61
Account payable			
Include: USD	20,474,370.68	6.1190	125,282,674.19
EUR	2,078,450.92	7.4556	15,496,098.68
JPY	24,633,017.00	0.0514	1,265,398.08
INR	38,980.00	0.0983	3,831.73
Subtotal			142,048,002.68
Long-term borrowing due within one year			
Include: USD	152,362,198.71	6.1190	932,304,293.94
Long-term borrowing			
Include: USD	627,694,706.99	6.1190	3,840,863,912.05

Note: Foreign currency project does not include the overseas subsidiaries in foreign currency as its functional currency monetary

(VI)、 CHANGE OF MERGE SCOPE

(1) Merge under un-common control in current year

Unit: RMB

Name of acquire	Time of equity transfer	Cost	Proportion	Means of aquisition	Purchase date	Name of acquire	Time of equity transfer	Cost
Shanghai Kejv	31 March 2014	93,369,120.00	100	Merge under un-common control	31 March 2014	Transfer of control right	-	(2,070,231.32)

(VI)、 CHANGE OF MERGE SCOPE - continued

(2) Cost of merge and goodwill

Unit: RMB

Cost of merge	Shanghai Kejv
--Cash	93,369,120.00
Cost of merge	93,369,120.00
Less: Fair value of identifiable asset	93,369,120.00
Goodwill	-

(3) Identifiable asset and liability at the date of purchase

Unit: RMB

	Shanghai Kejv	
	Fair value	Book value
Asset:		
Cash	390,063.26	390,063.26
Prepayment	480,500.00	480,500.00
Intangible asset (Note)	96,692,885.37	83,599,418.85
Liability:		
Other payable	1,002,000.00	1,002,000.00
Deferred tax liability	3,192,328.63	-
Net asset	93,369,120.00	83,467,982.11
Less: minority interest	-	-
Net asset of acquired	93,369,120.00	83,467,982.11

Note: The fair value of identifiable asset and liability at the date of acquisition is valued by independent third party valutors. The use right of land is RMB 13,093,466.52. Deferred tax liability is RMB 3,192,328.63.

(VII)、EQUITY IN OTHER ENTITIES

1、Equity in subsidiaries

(1) Composition of the Group

Name of subsidiary	Main location	Registration location	Operation nature	Proportion (%)		Means of acquisition
				Direct	Indirect	
Wanhua Chemical Ningbo Co., Ltd	China	Ningbo	Manufacturing	74.5	-	By setting up or investment
Wanhua Chemical (Ningbo) Port Co., Ltd.	China	Ningbo	Service	55	45	By setting up or investment
Wanhua Chemical (Ningbo) Thermal Power Co., Ltd. (Note 1)	China	Ningbo	Manufacturing	51	-	By setting up or investment
Wanhua Chemical (Beijing) Co., Ltd.	China	Beijing	Service	100	-	By setting up or investment
Shanghai Wanhua Industrial Development Co., Ltd.	China	Shanghai	Service	100	-	By setting up or investment
Wanhua Chemical (Ningbo) Trading Co., Ltd. (Note 2)	China	Ningbo	Service	-	74.5	By setting up or investment
Wanhua Chemical (Ningbo) Rongwei Polyurethane Co., Ltd. (Note 3)	China	Ningbo	Service	-	80	By setting up or investment
Wanhua Chemical (Yantai) Trading Co., Ltd.	China	Yantai	Service	100	-	By setting up or investment
Wanhua Chemical (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Service	100	-	By setting up or investment
Wanhua Chemical Netherlands B.V.	Netherlands	Netherlands	Service	100	-	By setting up or investment
Wanhua Chemical (Japan) Co., Ltd.	Japan	Japan	Service	100	-	By setting up or investment
Yantai Wanhua America Co., Ltd.	America	America	Service	100	-	By setting up or investment
Wanhua International (India) Private Limited	India	India	Service	-	100	By setting up or investment
Wanhua Chemical (Yantai) Chlor-Alkali Thermal Power Co., Ltd	China	Yantai	Manufacturing	60	-	By setting up or investment
Wanhua Chemical (Guangdong) Co., Ltd.	China	Zhuhai	Manufacturing	100	-	By setting up or investment
Wanhua Chemical (Foshan) Rongwei Polyurethane Co., Ltd. (Note 4)	China	Foshan	Manufacturing	80	-	Subsidiary acquired under un-common control
Yantai Wanhua Chemical Design Institute	China	Yantai	Service	100	-	Subsidiary acquired under un-common control
Wanhua Chemical (Ningbo) Rongwei Polyurethane Co., Ltd.	China	Ningbo	Manufacturing	25.36875	25	Subsidiary acquired under un-common control
Wanhua Chemical (Yantai) Sales Co., Ltd. (Note5)	China	Yantai	Service	95	5	By setting up or investment
Wanhua Chemical (Yantai) Rongwei Polyurethane Co., Ltd. (Note 4)	China	Yantai	Manufacturing	80	-	By division
Ningbo Xiebei Thermal Power Co., Ltd. (Note 6)	China	Ningbo	Manufacturing	-	55	By setting up or investment
Shanghai Wanhua Industrial Development Co., Ltd. (Note VII)	China	Shanghai	Service	100	-	Subsidiary acquired under un-common control
Yantai Wanhua America Co., Ltd. (Note 7)	America	America	Service	-	100	By setting up or investment
Wanhua Chemical (Singapore) Co., Ltd. (Note 8)	Singapore	Singapore	Service	100	-	By setting up or investment
Wanhua Shipping (Singapore) Co., Ltd. (Note 8)	Singapore	Singapore	Service	-	100	By setting up or investment
Wanhua Chemical International Holdings Co., Ltd. (Note 7)	Britain	Virgin Island	Service	-	100	By setting up or investment
Wanhua America Innovation Technology Co., Ltd. (Note 9)	America	America	Service	-	100	By setting up or investment

(VII)、EQUITY IN OTHER ENTITIES

1、Equity in subsidiaries - continued

(1) Composition of the Group - continued

Note 1: Wanhua Chemical (Ningbo) Thermal Power Co., Ltd increased its capital with amount of RMB 200,000,000 in the current period, of which RMB 102,000,000 invested by the owners of the Company, RMB 70,000,000 by the minority shareholder, Ningbo Electric Power Development Company, and RMB 28,000,000 by Ningbo Daxie Development Zone Holding Company. The capital proportion did not change after the increase.

Note 2: A subsidiary invested by Wanhua Ningbo, who was a wholly owned subsidiary of the Group. The Group holds 74.5% of voting right towards Wanhua Ningbo.

Note 3: It is used to by wholly-owned subsidiary set up by Foshan Rongwei Investment who was held by the Company with capital proportion of 80%. According to the agreement signed between the Company and the minority shareholders of Foshan Rongwei in current period, Foshan Rongwei has divide into Yantai Rongwei and Foshan Rongwei. It is now a wholly-owned subsidiary of Yantai Rongwei after the split off based on the agreement.

Note 4: According to the agreement signed between our group and our subsidiary Foshan Rongwei, our group holds 65% of the total voting rights. Based on the capital injection agreement, our group promise to distribute the profits to shareholders based on the proportion of the registered capital with the rate of return of 10% disregarding profit or loss Foshan Rongwei made before IPO. When year's gross profit is below RMB 10,000,000, our group guarantees the shareholders that the return of equity will be RMB 1,977,150, the distribution will be accumulated. While, when a year's gross profit is more than RMB 10,000,000, the distribution will be based on the capital proportion.

Note 5: Newly set up by the Company and Wanhua Beijing who is the subsidiary of the Company, the Company holds 95% of total shares and Wanhua Beijing holds 5% of total shares.

Note 6: Xiebei Thermal Power is a joint venture set up by our subsidiary Wanhua Thermal and minority shareholder Union King Holdings Limited. Wanhua Thermal holds 55% of total share with investment amount of RMB 111,375,000 while Union King Holdings Limited holds 45% of the total shares with investment amount of RMB 91,125,000. According to the articles of incorporation of Xiebei Thermal Power, the decision made by the board will not be effective unless passed two thirds of the directors. However, based on the Agreements of Shareholder s' Voting Rights signed between our Company and Union King Holdings Limited, Union King Holdings Limited, as a shareholder of Xiebei Thermal Power, promises to keep the same with our Company when exercise the proposal rights on operating plans, financial budget preparation, financial policies, investments and portfolio management, management on cash and assets, and other operating and financial policies. Or, the appointed director will keep the same with the director appointed by our Company when exercise the proposal rights. Therefore, Hong Kong Wanli will be consolidated in the financial statements as the subsidiary of Wanhua Ningbo.

Note 7: They are wholly-owned subsidiaries set up by Wanhua Hong Kong, who is the subsidiary of the Company.

Note 8: A wholly-owned subsidiaries set up by the Company this year.

Note 9: It is a wholly-owned subsidiary set up by Wanhua Chemical US Holding Inc. who is the sub-sub-sidiary of the Company.

(VII)、EQUITY IN OTHER ENTITIES

1、Equity in subsidiaries - continued

(2) Significant not-wholly-owned subsidiaries

The Group regard not-wholly-owned subsidiaries whose minority interest is more than RMB 300,000,000 as significant ones:

Unit: RMB

Name of subsidiary	Proportion of MI	Profit and loss attributable to minority interest	Dividend when announced	Closing balance of minority interest
Wanhua Chemical Ningbo Co., Ltd	25.5%	645,034,784.01	255,000,000.00	1,743,403,679.46
Wanhua Chemical (Ningbo) Thermal Power Co., Ltd.	49%	71,286,376.10	58,800,000.00	413,442,842.54
Wanhua Chemical (Ningbo) Chlor-alkali Co., Lt	49.63125%	73,608,043.11	79,410,000.00	328,173,294.29

WANHUA CHEMICAL GROUP CO., LTD.

(VII)、 EQUITY IN OTHER ENTITIES

1、 Equity in subsidiaries - continued

(3) Financial information in significant not-wholly-owned subsidiaries

Unit: RMB

Name of subsidiary	Closing balance						Opening balance					
	Current asset	Non-current asset	Total asset	Current liability	Non-current liability	Total liability	Current asset	Non-current asset	Total asset	Current liability	Non-current liability	Total liability
Wanhua Chemical Ningbo Co., Ltd	6,691,299,80 2.20	6,598,791,42 8.22	13,290,091,2 30.42	4,893,171,00 8.68	1,445,434,98 9.32	6,338,605,99 8.00	4,156,011,40 0.16	6,446,428,77 5.13	10,602,440, 175.29	3,716,771,66 1.22	1,463,731,45 4.23	5,180,503,11 5.45
Wanhua Chemical (Ningbo) Thermal Power Co., Ltd	209,713,123. 34	1,058,154,76 8.88	1,267,867,89 2.22	458,358,283. 90	59,229,399.9 4	517,587,683. 84	108,863,559. 48	831,249,236. 64	940,112,796 .12	416,166,915. 70	91,636,765.2 1	507,803,680. 91
Wanhua Chemical (Ningbo) Chlor-alkali Co., Ltd	293,659,062. 54	858,412,022. 72	1,152,071,08 5.26	463,198,118. 25	14,365,113.1 3	477,563,231. 38	298,562,676. 64	886,091,156. 58	1,184,653,8 33.22	476,049,845. 25	22,406,005.6 2	498,455,850. 87

Unit: RMB

Name of subsidiary	Amount incurred in this current period				Amount incurred in prior period			
	Revenue	Net income	Comprehensive income	Operation cash flow	Revenue	Net income	Comprehensive income	Operation cash flow
Wanhua Chemical Ningbo Co., Ltd	13,751,010,179.72	2,529,548,172.58	2,529,548,172.58	809,816,600.34	12,514,101,072.15	2,833,701,274.4 4	2,833,701,274.4 4	850,625,191.77
Wanhua Chemical (Ningbo) Thermal Power Co., Ltd	941,165,283.72	146,846,093.17	146,846,093.17	276,740,778.58	912,304,331.89	126,001,335.25	126,001,335.25	201,221,413.46
Wanhua Chemical (Ningbo) Chlor-alkali Co., Ltd	1,246,495,354.48	148,309,871.53	148,309,871.53	326,672,575.77	1,278,501,788.68	179,448,026.75	179,448,026.75	342,618,792.44

There are not significant restricted in term of assets and liabilities of the Company by subsidiaries using as above.

(VII)、EQUITY IN OTHER ENTITIES - continued

2、Change of scope in current year

Subsidiaries that are newly included:

In current year, two companies were set up, Wanhua Chemical (Ningbo) Trading Co., Ltd and Wanhua Chemical (Singapore) Co., Ltd; Shanghai Wanhua Industrial Development Co., Ltd. was acquainted.

Wanhua Chemical (Ningbo) Thermal Power Co., Ltd, in the current year, set up a subsidiary, named Ningbo Xiebei Thermal Power Co., Ltd.

Wanhua Chemical (HongKong) Co., Limited, in the current year, set up three subsidiaries, named Yantai Wanhua America Co., Ltd. Wanhua Shipping (Singapore) Co., Ltd., and BVI.

Wanhua Chemical (Foshan) Rongwei Polyurethane Co., Ltd. set up Wanhua Chemical (Foshan) Rongwei Polyurethane Co., Ltd and Wanhua Chemical (Yantai) Rongwei Polyurethane Co., Ltd. in this current year.

Yantai Wanhua America Co., Ltd. set up a subsidiary named Yantai Wanhua America Innovation Technology Co., Ltd.

3、Equity in associate or joint venture

(1) Important associate or joint venture

Name of associate and joint venture	Main location	Registration location	Nature	Proportion (%)		Accounting method
				Direct	Indirect	
I. Joint Ventures						
Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	China	Yantai	Service	50	-	Equity method
II. Associates						
Linde Gas (Yantai) Co., Ltd. (Note 2)	China	Yantai	manufacturing	10	-	Equity method

Note 1: Registration capital is RMB 120,000,000.00, shareholding 50% of the Company.

Note 2: Since Linde Gas is 10% of overall investment, according to the articles of association, the board of director is composed of five directors, which of one should be the Company director. Therefore, it could cause major impact. Equity method of accounting is adopted.

(VII)、EQUITY IN OTHER ENTITIES - continued

3、Equity in associate or joint venture - continued

(2) Important accounting information in joint venture

Unit: RMB

	Closing balance/ amount incurred	Closing balance/ amount incurred
	Yantai Harbor Wanhua Industrial Park Port Co.,	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.
Current asset	31,863,425.68	40,615,856.41
include: cash and cash equivalent	13,418,568.84	19,219,940.74
Non-current asset	354,728,828.78	256,924,370.78
Total asset	386,592,254.46	297,540,227.19
Current liability	76,499,784.29	181,480,525.27
Non-current liability	200,000,000.00	-
Total liability	276,499,784.29	181,480,525.27
Sharehold's equity	-	-
Equity attributable to the owner of the Company	110,092,470.17	116,059,701.92
Net asset calculating by proportion	55,046,235.08	58,029,850.96
Book value of equity investment of joint venture	55,046,235.08	58,029,850.96
Fair value of joint venture equity	N/A	N/A
Revenue	8,834,894.40	-
Finance expense	1,952,884.03	730,977.84
Income tax expense	-	-
Income	(5,967,231.75)	(3,940,298.08)
Other comprehensive income	-	-
Total income	(5,967,231.75)	(3,940,298.08)
Dividend from joint venture	-	-

(VII)、EQUITY IN OTHER ENTITIES - continued

3、Equity in associate or joint venture - continued

(3) Important accounting information in associate

Unit: RMB

	Closing balance/ amount incurred	Closing balance/ amount incurred
	Linde Gas (Yantai) Co., Ltd.	Linde Gas (Yantai) Co., Ltd.
Current asset	398,600,950.24	181,196,268.61
Non-current asset	581,282,642.22	735,340,970.32
Total asset	979,883,592.46	916,537,238.93
Current liability	191,458,854.28	166,121,685.38
Non-current liability	451,486,633.20	410,183,578.16
Total liability	642,945,487.48	576,305,263.54
Sharehold's equity	-	-
Equity attributable to the owner of the Company	336,938,104.98	340,231,975.39
Net asset calculating by proportion	33,693,810.50	34,023,197.54
Book value of equity investment of joint venture	33,693,810.50	34,023,197.54
Fair value of joint venture equity	N/A	N/A
Revenue	76,208,325.74	-
Income	(3,375,070.70)	(859,091.60)
Other comprehensive income	-	-
Total income	(3,375,070.70)	(859,091.60)
Dividend from joint venture	-	-

When measured by equity method, the accounting policy between the Group and its all joint venture and associate is unnoticeable. In addition, the investment of such long-term investment and income does not exist significant limitation.

Commitment and liability is not recognized among the Group and associate and joint venture.

(VIII)、 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include cash and bank balances, financial asset at fair value through P&L, note receivable, available-for-sale financial assets, equity and debt investments, borrowings, account receivables, account payables, etc. Details of these financial instruments are disclosed in Note (V). The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The sensitivity analysis technique has been adopted by the group to analyze the possible effect of risk variables on current profits and losses and stockholders' equity. Since any risk variable rarely change individually, the relevance among these risk variables could lead to significant impact on the total amount. Therefore, the following content is under the assumption that each risk variable incurs in condition of independent.

1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyses the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, and implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

1.1 Market risk

1.1.1. Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with USD, EUR, JPY, INR and RUR. Several of the Group's subsidiaries have purchases and sales denominated in USD, EUR, JPY, INR and RUR while the Group's other principal activities are denominated and settled in RMB. As at 31 December 2014, the balance of the Group's assets and liabilities are both denominated in RMB except that the assets and liabilities set out below are denominated in USD, EUR, JPY, INR and RUR. Currency risk arising from the assets and liabilities denominated in foreign currencies may have impact on the Group's performance.

	Unit: RMB	
Item	Closing balance	Opening balance
Cash and cash equivalents	85,174,241.08	194,513,889.67
Accounts receivable	294,792,411.75	641,626,880.03
Other receivables	-	639,862.08
Short-term borrowings	1,404,403,940.61	2,845,995,588.81
Accounts payable	142,048,002.68	210,971,262.33
Other payables	-	7,617,966.60
Long-term borrowings due within one year	932,304,293.94	1,120,207,923.30
Long-term borrowings	3,840,863,912.05	2,693,834,839.04

The Group closely monitors the effects of changes in the foreign exchange rates on the Group's currency risk exposures. The Group currently does not take any measures to hedge currency risk exposures.

(VIII)、 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

1. Risk management objectives and policies - continued

1.1 Market risk - continued

Foreign exchange rate sensitivity analysis:

Holding other factors constant, listed is fluctuation of profit and loss, and equity due to exchange rate change:
Unit: RMB 000'

Item	Exchange rate change	Current year		Prior year	
		Impact on profit and loss	Impact on equity	Impact on profit and loss	Impact on equity
USD	Appreciate 1% against RMB	(47,062)	(47,062)	(45,724)	(45,724)
USD	Depreciate 1% against RMB	47,062	47,062	45,724	45,724
EURO	Appreciate 1% against RMB	(91)	(91)	178	178
EURO	Depreciate 1% against RMB	91	91	(178)	(178)
JPY	Appreciate 1% against RMB	(188)	(188)	(55)	(55)
JPY	Depreciate 1% against RMB	188	188	55	55
INR	Appreciate 1% against RMB	-	-	5	5
INR	Depreciate 1% against RMB	-	-	(5)	(5)
Others	Appreciate 1% against RMB	(47,341)	(47,341)	(45,596)	(45,596)
Others	Depreciate 1% against RMB	47,341	47,341	45,596	45,596

1.1.2. Interest rate risk – risk of changes in cash flows

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate bank borrowings. At the end of December 31, 2014, floating-rate loan amounted to RMB 7,699,234,886.53. It is the Group's policy to keep its borrowings at floating rate of interests to eliminate the fair value interest rate risk.

Interest rate sensitivity analysis

Interest rate sensitivity analysis is based on the below assumptions.

The change of interest rate is accounted into interest income and cost.

Holding other factors constant, listed is fluctuation of profit and loss, and equity due to interest rate change.

Unit: RMB 000'

Item	Change of interest rate	Current year		Prior year	
		Impact on equity	Impact on profit and loss	Impact on equity	Impact on profit and loss
Floating rate financial instruments	Increase 1%	(50,052)	(50,052)	(52,644)	(52,644)
Floating rate financial instruments	Decrease 1%	50,052	50,052	52,644	52,644

1.1.3. Other price risk

Other price risk is the risk of negative fluctuations in financial derivatives which lead to loss. The proportion of the Group's financial assets and liabilities is very small compared with the whole assets and liabilities. Therefore, the Group is not exposed to the significant risk of fluctuations in the security prices.

(VIII)、 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

1.Risk management objectives and policies – continued

1.2. Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from:

The carrying amount of the respective recognized financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value.

The amount of financial guarantees contract disclosed in Note (XI) 2.

In order to minimize the credit risk, the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because they are deposited with banks with high credit ratings.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

At the end of December 31, 2014, impairment of account receivable of Guangzhou Yuancheng petrochemical Co., Ltd. has been recognized. As the Company has collapsed, full amount has been accounted into bad debt provision.

1.3. Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2014, the Group has available unutilized bank loan facilities of at least RMB 30.246 billion.

The following is the maturity analysis for financial assets and financial liabilities held by the Group, which is based on undiscounted remaining contractual obligations:

	No maturity date	Within 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
Non-derivative financial liability						
Short-term borrowing	-	4,536,336,959.54	-	-	-	4,536,336,959.54
Note payable	-	2,044,515,908.77	-	-	-	2,044,515,908.77
Account payable	-	2,615,128,907.33	-	-	-	2,615,128,907.33
Other payable	-	225,128,335.92	-	-	-	225,128,335.92
Long-term borrowing	-	3,178,496,565.94	3,636,730,699.30	3,331,635,210.71	7,995,281,075.08	18,142,143,551.03
Bond payable	-	100,600,000.00	100,600,000.00	2,055,845,479.45	-	2,257,045,479.45
Long-term payable	-	1,558,342.43	1,506,938.76	1,455,535.10	1,404,131.44	5,924,947.73
Derivative financial liability						
Derivative financial liability	-	-	-	200,091,560.12	-	-

Unit: RMB

(VII)、FINCIAL INSTRUMENTS AND RISK MANAGEMENT - continued

2. Transfer of financial assets

(1) Has overall non-recognition but continued involvement has been the transfer of financial assets

Our group has discounted the bank acceptance, third party endorsement bank acceptance, and commercial bills to banks and third parties in the current year. As the relevant interest risk, credit risk, and other risks and rewards of those bank acceptance and commercial bills had been transferred to banks and third parties, our group had derecognized those undue acceptance bills, which had been discounted or endorsed already. Based on the agreement, if the bank acceptance cannot be accepted on the due date, our group has the responsibility to pay off the outstanding balance of those bills; based on the regulation of bills, the bill holder has the right of recourse if the bills were declined. Therefore, our group had continually involved those undue bills that had been discounted or endorsed. As December 31, 2014, the balance of those undue but discounted bills, undue but endorsed bills, and undue but endorsed commercial bills were RMB 1,211,717,312.89, RMB 2,358,869,377.89, and RMB 76,739,686.13, respectively.

(IX)、FAIR VALUE

1. Fair value

(1) Closing balance of asset and liability assessing based on fair value

Unit: RMB

Item	Closing fair value			
	Level 1	Level 2	Level 3	Total
(1)				
(1) Held-for-trading financial assets	-	7,560,805.90	-	7,560,805.90
Including: Derivative financial assets	-	7,560,805.90	-	7,560,805.90
Total fair value of continuous involvement	-	7,560,805.90	-	7,560,805.90
(2) Held-for-trading financial liabilities	-	4,093,972.33	-	4,093,972.33
Including: Derivative financial liabilities	-	4,093,972.33	-	4,093,972.33
Total	-	4,093,972.33	-	4,093,972.33

There are no transfers between Level 1 and Level 2 for the fair value measurements of the Group's financial assets and financial liabilities in the current year and in the prior year.

(2) Those derived from inputs other than quoted prices included within Level 1 that are observable.

(3)

Unit: RMB

Item	Fair value on 2014 December 31	Fair value on 2013 December 31	Valuation method	Inputs	Parameters
Derivative financial asset					
-forward foreign exchange swap	7,560,805.90	N/A	Discounted cash flow method	Forward rate and risk-free return	JPY: 0.05137-0.05242 EUR: 7.4556-7.6856
Derivative financial liability					
-forward foreign exchange swap	4,093,972.33	N/A	Discounted cash flow method	Forward rate and risk-free return	USD: 6.1190-6.1397

(IX)、 FAIR VALUE - continued

1. Fair value - continued

(4) Disclosure of fair value of asset and liability, but not assessing based on fair value method

The group's financial asset and liability, measured by amortized cost, mainly include: note receivable, account receivable, other receivable, long-term receivable, short-term borrowing, note payable, account payable, other payable, non-current liability due within a year, long-term borrowing, bond payable and long-term payable.

Other than financial asset and liability mentioned below, the difference between book value and fair value of financial asset and liability, not measured by fair measure method, is not noticeable.

Unit: RMB

	Closing balance			Opening balance	
	Book value	Fair value		Book value	Fair value
Financial asset					
-long-term account receivable	194,405,040.63	189,385,959.29		132,800,000.00	111,493,852.45
Financial liability					
-long-term borrowing	12,837,515,833.62	11,883,772,974.69		7,890,836,093.93	7,722,820,539.86
-bond payable	2,000,000,000.00	1,962,973,311.26		1,000,000,000.00	984,753,535.30

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parents of the Company

RMB 0000'

Name of Company	Related party relationship	Nature of business	Registered capital RMB	Proportion of the Company's ownership interest held by the parent (%)	Proportion of the Company's voting power held by the parent (%)
Wanhua Industrial Group Co., Ltd.	Parent Company	Polyurethane, TPU as well as manufacture, processing and sale of product, industrial gas, Sodium Hydroxide and Chlorine products etc.	147,893.04	50.5	50.5

Wanhua Industrial Group Co., Ltd. is the parent Company of the Company, Yantai Wanhua Synthetic leather group Co., Ltd. is the final held of the Company.

2. Subsidiaries of the Company

For details of subsidiaries of the Company, refer to Note (VII).

3. Associates and joint ventures of the entity

For details of associates and joint ventures of the Company, refer to Note (VII).

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

4. Other related parties of the Company

Other related parties	Relationship between other related parties and the Company
Wanhua EnergySav Science & Technology Co., Ltd.	Fellow subsidiary
Wanhua EnergySav Science & Construction Materials (Yantai) Engineering Co., Ltd.	Fellow subsidiary
Wanhua EnergySav Science & Construction Materials (Yantai) Concrete Co., Ltd.	Fellow subsidiary
Wanhua Ecoboard(Jingzhou) Co., Ltd.	Fellow subsidiary
Wanhua Ecoboard(Xinyang) Co., Ltd.	Fellow subsidiary
Wanhua Ecoboard(Qixia) Co., Ltd.	Fellow subsidiary
Wanhua Ecoboard Co., Ltd.	Fellow subsidiary
BorsodChem Zrt.	Fellow subsidiary
BorsodChem (Yantai) Co., Ltd.	Fellow subsidiary
Shanxi Wanhua Clean Energy Co., Ltd.	Fellow subsidiary
Yantai Wanhua Chlor-Alkali Co., Ltd.	Associate of parent Company
Yantai Huali Thermal Power supply Co., Ltd.	Wholly-owned subsidiary that is owned by the Company

5. Related party transactions

(1) Sales and purchase of goods, provision and receipt of services

Purchase of goods/receipt of services

Unit: RMB

Related Party	Types of related party transaction	Amount for the current period	Amount for the prior period
Wanhua EnergySav Science & Technology Group Co., Ltd.	Purchase of goods	256,058.68	241,862.58
Yantai Wanhua Synthetic leather Group Co., Ltd.	Receipt of services	5,021,147.40	5,084,007.92
Yantai Wanhua Chlor-Alkali Co., Ltd.	Purchase of goods	258,583,442.60	249,601,449.73
Yantai Wanhua Chlor-Alkali Co., Ltd.	Purchase of materials for construction in progress	-	27,152,781.51
Yantai Wanhua Chlor-Alkali Co., Ltd.	Receipt of services	19,759,487.13	12,267,843.81
BorsodChem (Yantai) Co., Ltd.	Purchase of goods	51,526,923.00	36,222,564.14
BorsodChem Zrt.	Purchase of goods	87,310,328.05	9,466,027.01
Wanhua EnergySav Science & Construction Materials (Yantai) Engineering Co., Ltd.	Receipt of services	-	1,400,000.00
Shanxi Wanhua Clean Energy Co., Ltd.	Purchase of goods	614,759.00	-
Yantai Harbor Wanhua Industrial Park Port Co., Ltd	Receipt of services	2,237,493.46	-
Shanxi Huali Thermal Power Co., Ltd.	Purchase of goods	205,059,619.62	-
Shanxi Huali Thermal Power Co., Ltd.	Receipt of services	10,470,286.67	-
Linde Gas (Yantai) Co., Ltd.	Purchase of goods	40,839,393.56	-

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

5.Related party transactions - continued

Sales and purchase of goods, provision and receipt of services

Sales of goods/ receipt of services:

Unit: RMB

Related Party	Types of related party transaction	Amount for the current period	Amount for the prior period
Wanhua EnergySav Science & Technology Group Co., Ltd.	Sales of goods/receipt of services	352,515,451.94	218,038,746.38
Wanhua Ecoboard (Jingzhou) Co., Ltd.	Sales of goods	21,960,329.92	22,183,984.99
Wanhua Ecoboard (Xinyang) Co., Ltd.	Sales of goods	10,979,121.71	12,309,538.27
Wanhua Ecoboard (Qixia) Co., Ltd.	Sales of goods	5,627,262.75	7,611,510.61
Wanhua Ecoboard Co., Ltd.	Sales of goods	363,247.86	759,183.75
Wanhua Industrial Group Co., Ltd.	Sales of goods	50,427.35	3,418.80
Yantai Wanhua Chlor-Alkali Co., Ltd.	Sales of goods	1,966,730.78	14,322,814.86
BorsodChem Zrt.	Sales of goods	32,725,880.25	17,806,330.37
Yantai Harbor Wanhua Industrial Park Port Co., Ltd	Sales of goods	1,462,268.51	-
Linde Gas (Yantai) Co., Ltd.	Sales of goods	58,714,165.26	-

The pricing of the transactions is in accordance with the general service agreements, product purchase and sales contracts and other supplementary agreement signed between the Company and the related companies. The Company enters into arm's length transactions with the related parties based on the principles of equality, voluntariness, equivalence and compensation.

(2) Trust / contracting with related parties

Description of trust/contracting with related parties

Unit: RMB

Name of trustor / main contractor	Name of trustee/ subcontractor	Type of assets under trust/ subcontracting	Inception date of the trust/ subcontracting	Expiration date of the trust/ subcontracting	Basis of pricing of trust/ subcontracting expenses	Trust/ subcontracting expenses recognized in the current year
Wanhua Industrial Group Co., Ltd.	Wanhua Chemical	Other assets under trust	1 February 2014	1 February 2017	Lease agreement	10,000,000.00

1 February 2014, the Company signed<Agreement of Wanhua Industrial Group Co., Ltd. entrusting Yantai Wanhua Co., Ltd. for operation management of BorsodChem Company> with Wanhua Industrial Group Co., Ltd. and reached agreement on the operation management of BorsodChem Zrt. ("BC Company"), the terms are as follows:

- 1) After the acquisition, Wanhua Industrial Group Co., Ltd. entrusts the Company to manage the operations of BC Company;
- 2) The Company is not responsible for the profits or losses of BC Company during the entrusted period;
- 3) To ensure the right of operation management, Wanhua Industrial Group Co., Ltd. is agreed that management personnel are appointed by the Company;
- 4) Wanhua Industrial Group Co., Ltd. will pay a trust fee of RMB 10,000,000 to the Company annually;
- 5) Within 18 months after the improvement of operations of BC Company (including but not limited to recurring operating loss will not occur in the following 12 months, BC Company has the conditions of sustainable operations), the Company has the right to require Wanhua Industrial Group Co., Ltd. to come up with appropriate proposal on business consolidation of the Company and BC Company, Meanwhile Wanhua Industrial Group Co., Ltd. will promise to come up with appropriate proposal on business consolidation of the Company and BC Company within 18 months after the improvement of operations of BC Company and should avoid voting when the proposal is submitted to the shareholders' meeting for final approval;
- 6) The effective period of the agreement is three years. The terms are to be negotiated at the expiration.

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

5. Related party transactions - continued

(3) Leases with related parties

Leases where a group entity is the lessee

Unit: RMB

Name of lessor	Name of lessee	Type of leased assets	Commencement date of leases	Expiration date of leases	Basis of determining the lease payment	Lease payment recognized in the current year
Wanhua Industrial Group Co., Ltd.	Wanhua Chemical	Land and buildings	1 January 2014	31 December 2014	Lease agreement	14,824,277.50

(4) Guarantees with related parties

Unit: RMB

Guarantor	Guaranteed party	Guaranteed amount	Guaranteed amount used	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Wanhua Industrial Group Co., Ltd.	Wanhua Chemical	3,950,000,000.00	2,382,500,000.00	31 March 2013	31 December 2020	N
Wanhua Chemical (Note)	Yantai Harbor Wanhua Industrial Park Port Co., Ltd	75,000,000.00	75,000,000.00	23 January 2014	21 January 2017	N
Wanhua Chemical (Note)	Yantai Harbor Wanhua Industrial Park Port Co., Ltd	25,000,000.00	25,000,000.00	24 April 2014	22 April 2020	N

Note: Concerning Yantai Harbor Wanhua Industrial Park Port Co., Ltd., all with its subsidiaries, provide counter-guarantee for Wanhua Chemical, undertaking relevant responsibility. This counter-guarantee amounted to RMB 75000000 and RMB 25000000. Expiration date is from 23 January 2014 to 21 January 2017 and from 24 April 2014 to 22 April 2020, respectively.

(5) Borrowings/loans with related parties

Unit: RMB

Related party	Amount of borrowing/loan	Inception date	Maturity date	Amount at the end of the current period
Lend to:				
Nil				
Borrow from				
Yantai Wanhua Synthetic leather Group Co., Ltd.	150,000,000.00	25 August 2014	25 August 2015	81,353,955.56
Yantai Wanhua Synthetic leather Group Co., Ltd.	150,000,000.00	13 June 2014	14 August 2014	6,155,800.01 (Note)
Yantai Wanhua Chlor-Alkali Co., Ltd.	10,000,000.00	10 March 2014	14 August 2014	-
Yantai Chlor-Alkali Thermal Power Co., Ltd	30,000,000.00	10 March 2014	14 August 2014	-

Note: Yantai Chlor-Alkali Thermal Power Co., Ltd. borrowed short-term from Yantai synthetic leather group Co., Ltd., as related party, the principal has been returned on 14 August 2014, but interest not.

(6) Compensation for key management personnel

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Compensation for key management personnel	22,599,231.66	13,372,794.74

(X) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

6. Assets transfer/debt restructuring with related parties

(1) Account receivable from related party

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying value	Bad debt provision	Carrying value	Bad debt provision
Account receivable	Wanhua Ecoboard (Xinyang) Co., Ltd.	-	-	4,709,778.57	-
Account receivable	Wanhua Ecoboard (Jingzhou) Co., Ltd.	-	-	1,950,062.31	-
Account receivable	Wanhua EnergySav Science & Technology Co., Ltd.	-	-	490,761.60	-
Account receivable	Wanhua Ecoboard Co., Ltd.	-	-	420,400.00	-
Account receivable	Linde Gas (Yantai) Co., Ltd.	38,112,482.88	1,905,624.14	-	-
Account receivable	BorsodChem Zrt.	19,970,947.73	2,995,642.16	-	-
Prepayments	Yantai Wanhua Chlor-Alkali Thermal Power Co., Ltd.	1,211,215.19	-	26,565,646.98	-
Prepayments	BorsodChem (Yantai) Co., Ltd.	1,507.50	-	71,800.00	-
Other receivable	Yantai Wanhua Synthetic leather Group Co., Ltd.	-	-	606,017.00	-

(2) Account payable from related party

Unit: RMB

Item	Related party	Closing balance	Opening balance
Account payable	Yantai Wanhua Chlor-Alkali Co., Ltd.	-	5,157,089.92
Account payable	BorsodChem Zrt.	15,556,020.10	1,486,545.42
Account payable	Wanhua EnergySav Science & Construction Materials (Yantai) Engineering Co., Ltd.	304,430.00	904,430.00
Account payable	Wanhua EnergySav Science & Technology Group Co., Ltd.	105,833.98	27,719.64
Account payable	BorsodChem (Yantai) Co., Ltd.	620,512.82	-
Account payable	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	458,306.28	-
Account payable	Yantai Thermal Power Co., Ltd.	217,632.00	-
Prepayments	Wanhua EnergySav Science & Technology Group Co., Ltd.	2,403,071.74	616,757.94
Prepayments	Wanhua Ecoboard (Qixia) Co., Ltd.	-	781,840.88
Other payable	Yantai Wanhua Chlor-Alkali Co., Ltd.	1,640.00	1,640.00
Other payable	Linde Gas (Yantai) Co., Ltd.	3,300.00	3,400.00
Other payable	Yantai Wanhua Synthetic leather Group Co., Ltd. (Note)	87,509,755.57	80,000,000.00
Other payable	Wanhua EnergySav Science & Construction Materials (Yantai) Engineering Co., Ltd.	13,300.00	13,400.00
Other payable	Wanhua EnergySav Science & Construction Materials (Yantai) Concrete Co., Ltd.	6,600.00	6,850.00

Note: The closing balance includes the fund that Yantai selling borrow from Yantai Wanhua Synthetic leather Group Co., Ltd, and interest generating from lending fund to Chlor-Alkali Thermal Power Co., Ltd. more details refers to (X) 5 (5). The opening balance was associated with lending fund to Chlor-Alkali Thermal Power Co., Ltd.

(XI) COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Unit: RMB 000'

	Closing balance	Opening balance
Capital commitments that have been entered into but have not been recognized in the financial statements:		
- Commitment for acquisition and construction of long-term assets	4,612,543	10,046,408
- External investment commitment (Note)	-	222,169
Total	4,612,543	10,268,577

(2) Operating lease commitments

At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:

Unit: RMB 000'

	Closing balance	Opening balance
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	7,583	8,049
2nd year subsequent to the balance sheet date	6,079	6,316
3rd year subsequent to the balance sheet date	1,874	3,589
4th year subsequent to the balance sheet date	928	23
Total	16,464	17,977

(3) There is no need to disclose other commitment of the group at the 31 December 2014.

2. Contingencies

Contingent liabilities arising from providing debt guarantees to other entities and their financial effects

The Company provides guarantee to the State-owned Assets Management Company of Yantai Development Zone for a corporate bond of RMB 800,000,000 and bears joint liability for repayment. The maturity date of the bond is 10 April 2020, the responsibility period of the Company covers the term of the bond and two years from the maturity date. Meanwhile the State-owned Assets Management Company of Yantai Development Zone provides counter-guarantee for the Company. As at 31 December 2014, there is no liability to the guarantee.

The Company provides guarantee to Yantai Harbor Wanhua Industrial Park Port Co., Ltd. RMB 75 Million and 25 Million borrowing and bears joint liability for repayment, the maturity date of the borrowing is 21 January 2017 and 22 April 2020. At 31 December 2014, there is no liability to the guarantee, refer to Note(X)5(4).

For guarantees provided by the Company for loans to its subsidiaries, refer to Note (XV) 7(b).

(XII) EVENTS AFTER THE BALANCE SHEET DATE

1. Profit appropriation after the balance sheet date

The Board of Directors proposed and approved, based on 2,162,334,720.00 outstanding shares, a cash dividend of RMB 3.00 (pre-tax) per share for every ten shares. The proposal has been submitted to the General Shareholders' Meeting for final approval.

2. Description of other events after the balance sheet date

There were 300,000,000 unrestricted shares pledged to BOC, which has been partially released on January 15, 2015. The released 130,000,000 outstanding shares accounted for 6.01% of our total outstanding shares.

In order to get credit from Export-Import Bank of China, as a shareholder of the Group, Wanhua Industrial Co., Ltd has pledged 155,000,000 numbers of share to Export-Import Bank of China on 16 January 2015. On 19 January 2015, the formalities has been passed to China Securities Depository and Clearing Co., Ltd Shanghai Branch.

(XIII) OTHER SIGNIFICANT EVENT

1. Segment reporting

Based on the Group's internal organization structure, management requirements and internal reporting system, the operations of the Group are under the same reporting segment.

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management.

(1) For segment revenue arising from external transactions by product or business

(2) Principle business (industry)

Unit: RMB

Industry	Amount in current year		Amount in prior year	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Chemical industry	21,525,615,102.47	14,853,365,488.31	19,643,753,093.10	13,149,968,301.41
Others	459,622,632.36	335,662,408.41	469,574,626.47	343,149,919.11
Total	21,985,237,734.83	15,189,027,896.72	20,113,327,719.57	13,493,118,220.52

(3) Principle business (product)

Unit: RMB

Product	Amount in current year		Amount in prior year	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Isocyanic Acid	15,013,757,376.12	9,556,822,873.37	14,904,958,895.08	9,490,267,889.95
Others	6,971,480,358.71	5,632,205,023.35	5,208,368,824.49	4,002,850,330.57
Total	21,985,237,734.83	15,189,027,896.72	20,113,327,719.57	13,493,118,220.52

(4) Principle business (geography)

Unit: RMB

	Amount in current year		Amount in prior year	
	Operating Revenue	Operating Cost	Operating Revenue	Operating Cost
Domestic	16,124,399,262.29	10,679,021,677.71	15,705,236,913.96	10,173,982,656.71
Oversea	5,860,838,472.54	4,510,006,219.01	4,408,090,805.61	3,319,135,563.81
Total	21,985,237,734.83	15,189,027,896.72	20,113,327,719.57	13,493,118,220.52

(5) Non-current asset of the Group located in the domestic.

(6) None of customer's revenue accounts for more than 10% of the total revenue.

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Disclosure of accounts receivable by categories

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debts provision		Book Value	Carrying amount		Bad debts provision		Book Value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	96,294,418.16	71.64	19,425,443.31	20.17	76,868,974.85	284,384,933.87	69.66	5,625,875.35	1.98	278,759,058.52
Accounts receivables due from domestic customers	33,984,631.96	25.28	1,723,037.39	5.07	32,261,594.57	119,093,650.53	29.17	5,715,385.62	4.80	113,378,264.91
Accounts receivables due from foreign customers	4,143,014.96	3.08	621,452.24	15.00	3,521,562.72	4,765,107.49	1.17	714,766.12	15.00	4,050,341.37
Subtotal of portfolios	38,127,646.92	28.36	2,344,489.63	6.15	35,783,157.29	123,858,758.02	30.34	6,430,151.74	5.19	117,428,606.28
Total	134,422,065.08	100.00	21,769,932.94	16.20	112,652,132.14	408,243,691.89	100.00	12,056,027.09	2.95	396,187,664.80

Explanations of categories of accounts receivable:

The Company determines that account receivable exceed RMB 8,000,000.00 is considered as individually significant accounts receivable

Accounts receivable that are individually significant but for which bad debts has been assessed individually as at 31 December 2014.

Unit: RMB

Account receivable (by Company)	Closing balance			
	Account receivable	Bad debt	Proportion of provision (%)	Reason
Linde Gas (Yantai) Co., Ltd.	38,112,482.88	1,905,624.14	5	Accrued by aging analysis
Company 1	25,741,601.16	1,287,080.06	5	Accrued by aging analysis
Company 5	14,331,169.00	14,331,169.00	100	Cannot collected
Company 6	9,961,118.51	1,494,167.78	15	Accrued by proportion of closing balance
Company 7	8,148,046.61	407,402.33	5	Accrued by aging analysis
Total	96,294,418.16	19,425,443.31		

Note: The Company did impairment test for significant amount account receivable. As at 2014 December 31, individual provision impairment amounts to RMB 14,331,169.00 (2013: Nil). For individual test, which impairment is not detected, bad debt is accrued ,according to Note (III),11, in portfolio basis, amounting to RMB 5,094,274.31 in 2014 December 31 (2013: RMB 5,625,875.35).

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

1. Accounts receivable - continued

(1) Disclosure of accounts receivable by categories - continued

Aging analysis of accounts receivable is as follows:

Unit: RMB

Aging	Closing Balance		
	Account receivable	Bad debt	Proportion (%)
Within one year	33,554,716.24	1,680,045.82	5
More than one year but not exceeding two years	429,915.72	42,991.57	10
Total	33,984,631.96	1,723,037.39	

Unit: RMB

Aging	Opening balance		
	Account receivable	Bad debt	Proportion (%)
Within one year	119,088,272.63	5,714,847.83	5
More than one year but not exceeding two years	5,377.90	537.79	10
Total	119,093,650.53	5,715,385.62	

Accounts receivable portfolios for which bad debt provision has been assessed using the percentage of total receivables outstanding approach:

Unit: RMB

Name of portfolio	Closing Balance		
	Account receivable	Bad debt provision	Proportion (%)
Accounts receivables due from oversea customers	4,143,014.96	621,452.24	15

Unit: RMB

Name of portfolio	Opening Balance		
	Account receivable	Bad debt provision	Proportion (%)
Accounts receivables due from oversea customers	4,765,107.49	714,766.12	15

(2) Bad debt provision\Reversals and collections during the current period

Account receivable portfolios for which bad debt provision amount RMB 14,331,169.00, reversal and collection amount RMB 3,492,704.64.

(3) Account receivable write-off in the report period

Unit: RMB

Items	Write-off amount
Write-off account receivable	1,124,558.51

(4) Top five entities with the largest balances of accounts receivables

Top five entities with the largest balances of accounts receivables RMB 96,294,418.16, 71.64% of the amount to the total accounts receivables, the provision for bad debt amount is RMB 19,425,433.31.

(5) There are no accounts receivables that have been derecognized in the current period; there are no securitization of assets where accounts receivable are the underlying assets in the current period; there are no transfer of accounts receivable and formed by its continuous involvement in the amount of assets and liabilities.

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

2. Other Receivables

(1) Disclosure of other receivables by categories:

Unit: RMB

Categories	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Book Value	Carrying amount		Bad debt provision		Book Value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	18,218,186.25	63.93	-	-	18,218,186.25	221,289,243.68	97.27	-	-	221,289,243.68
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	10,280,678.20	36.07	-	-	10,280,678.20	6,214,036.08	2.73	-	-	6,214,036.08
Total	28,498,864.45	100.00	-	-	28,498,864.45	227,503,279.76	100.00	-	-	227,503,279.76

Explanations of categories of other receivables:

The Company determines that other receivable of more than RMB 8,000,000.00 is considered as individually significant other receivable.

(2) According to the payment properties listed in other receivables

Unit: RMB

Payment properties	Closing balance	Opening balance
Other receivable of related party	20,014,907.68	221,895,260.68
Petty cash	3,739,704.73	5,094,906.96
The Deposit	301,016.12	291,016.12
Others	4,443,235.92	222,096.00
Total	28,498,864.45	227,503,279.76

Aging analysis of other receivables is as follows:

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Book Value	Amount	Proportion (%)	Bad debt provision	Book Value
Within 1 year	26,091,860.12	91.55	-	26,091,860.12	224,944,963.54	98.87	-	224,944,963.54
More than 1 year but not exceeding 2 years	2,039,877.39	7.16	-	2,039,877.39	2,092,084.45	0.92	-	2,092,084.45
More than 2 years but not exceeding 3 years	31,000.00	0.11	-	31,000.00	35,824.25	0.02	-	35,824.25
More than 3 years	336,126.94	1.18	-	336,126.94	430,407.52	0.19	-	430,407.52
Total	28,498,864.45	100.00	-	28,498,864.45	227,503,279.76	100.00	-	227,503,279.76

(3) There are no reversals or collections\ write-off of other receivables in the current period.

(4) Top five entities with the largest balances of other receivables:

Top five entities with the largest balances of other receivables RMB 26,205, 508.75, 91.95 % of the amount to the total other receivables, no bad debt provision in the current year.

(5) There are no other receivables transfer of financial assets that have been derecognized have been formed in the current period; no assets or liabilities have been formed due to transferring of other receivable and the related continuous involvement.

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS - continued

3. Long-term equity investments

Unit: RMB

Invested company	Opening balance	Movement of the current period								Closing balance	Closing balance for impairment
		Increase	decrease	Profit or loss recognized using equity method	Other comprehensive Income adjustment	Other equity movement	Cash dividend when announce	Provision for impairment loss	Others		
Subsidiaries											
Wanhua Chemical (Ningbo) Thermal Power Co., Ltd.	127,500,000.00	102,000,000.00	-	-	-	-	61,200,000.00	-	-	229,500,000.00	-
Wanhua Chemical (Beijing) Co., Ltd.	61,410,000.00	-	-	-	-	-	-	-	-	61,410,000.00	-
Wanhua Chemical (Ningbo) Port Co., Ltd.	66,000,000.00	-	-	-	-	-	-	-	-	66,000,000.00	-
Wanhua Chemical (Ningbo) Co., Ltd.	607,920,000.00	-	-	-	-	-	745,000,000.00	-	-	607,920,000.00	-
Wanhua Chemical (HongKong) Co., Limited.	56,215,720.00	-	-	-	-	-	-	-	-	56,215,720.00	-
Wanhua Chemical Netherlands B.V.	66,084,460.00	-	-	-	-	-	-	-	-	66,084,460.00	-
Wanhua Chemical (Japan) Co., Ltd.	538,192.00	-	-	-	-	-	-	-	-	538,192.00	-
Shanghai Wanhua Industrial Development Co., Ltd.	120,000,000.00	-	-	-	-	-	-	-	-	120,000,000.00	-
Yantai Wanhua America Co., Ltd.	1,575,840.00	-	-	-	-	-	-	-	-	1,575,840.00	-
Yantai Wanhua Chemical Design Institute Co., Ltd.	2,005,359.72	-	-	-	-	-	-	-	-	2,005,359.72	-
Wanhua Chemical (Foshan) Rongwei Polyurethane Co., Ltd.	102,978,500.00	-	(72,918,038.59)	-	-	-	24,000,000.00	-	-	30,060,461.41	-
Wanhua Chemical (Yantai) Rongwei Polyurethane Co., Ltd.	-	72,918,038.59	-	-	-	-	-	-	-	72,918,038.59	-
Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd.	190,028,517.61	-	-	-	-	-	40,590,000.00	-	-	190,028,517.61	-

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

4. Long-term equity investments

Unit: RMB

Investee	Opening balance	Movement of the current year								Closing balance	Closing balance for impairment
		Addition investment	Reduce investment	Profit or loss recognized using equity method	Other comprehensive using equity methods	Other equity movement	Cash dividend when amounted	Provision for impairment loss	Others		
Wanhua Chemical (Yantai) Trading Co., Ltd.	20,000,000.00	-	-	-	-	-	-	-	-	20,000,000.00	-
Wanhua Chemical (Yantai) Chlor-Alkali Thermal Power Co., Ltd.	240,000,000.00	-	-	-	-	-	-	-	-	240,000,000.00	-
Wanhua Chemical (Guangdong) Co., Ltd.	15,000,000.00	40,000,000.00	-	-	-	-	-	-	-	55,000,000.00	-
Wanhua Chemical (Yantai) Selling Co., Ltd.	-	20,900,000.00	-	-	-	-	-	-	-	20,900,000.00	-
Shanghai Wanhua Industrial Development Co., Ltd.	-	93,369,120.00	-	-	-	-	-	-	-	93,369,120.00	-
Wanhua Chemical (Singapore) Co., Ltd.	-	6,167,500.00	-	-	-	-	-	-	-	6,167,500.00	-
Subtotal	1,677,256,589.33	335,354,658.59	(72,918,038.59)	-	-	-	870,790,000.00	-	-	1,939,693,209.33	-
II, Joint Venture											
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	58,029,850.96	-	-	(2,983,615.88)	-	-	-	-	-	55,046,235.08	-
III. Associate											
Linde Gas (Yantai) Co., Ltd	34,023,197.54	-	-	(337,507.07)	-	8,120.03	-	-	-	33,693,810.50	-
Total	1,769,309,637.83	335,354,658.59	(72,918,038.59)	(3,321,122.95)	-	8,120.03	870,790,000.00	-	-	2,028,433,254.91	-

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

5. Operating income and operating costs

Unit: RMB

Item	Amount in current period		Amount in prior period	
	Revenue	Cost	Revenue	Cost
Principal operating income	6,063,748,129.89	4,771,224,193.57	13,387,403,193.26	11,699,968,567.14
Other operating income	72,084,437.36	60,585,091.06	55,506,200.50	30,237,853.47
Total	6,135,832,567.25	4,831,809,284.63	13,442,909,393.76	11,730,206,420.61

6. Investment income

(1) Detail of investment income

Unit: RMB

	Amount recognized in the current period	Amount recognized in the prior period
Income from long-term equity investments under cost method	870,790,000.00	1,157,527,695.88
Income from long-term equity investments under equity method	3,000,000.00	3,000,000.00
Investment loss from disposal of equity investment	(3,321,122.95)	(1,986,405.44)
Total	870,468,877.05	1,158,541,290.44

(2) Income from long-term equity investments under cost method

Unit: RMB

Investee	Amount recognized in the current period	Amount recognized in the prior period	Reasons for increase or decrease in the current period compared to the prior period
Wanhua Ningbo	745,000,000.00	1,077,482,962.76	Change in dividend distribution of the investee
Ningbo Chlor-Alkali	40,590,000.00	30,442,500.00	Change in dividend distribution of the investee
Wanhua Thermal Power	61,200,000.00	40,800,000.00	Change in dividend distribution of the investee
Foshan Rongwei	24,000,000.00	8,802,233.12	Change in dividend distribution of the investee
Total	870,790,000.00	1,157,527,695.88	

(3) Income from long-term equity investments under equity method

Unit: RMB

Investee	Amount recognized in the current period	Amount recognized in the prior period	Reasons for increase or decrease in the current period compared to the prior period
Yantai Port Wanhua Industrial Terminals Co., Ltd.	(2,983,615.88)	(1,970,149.04)	Loss of Joint Venture
Linde Gas (Yantai) Co., Ltd.	(337,507.07)	(16,256.40)	Loss of Associate
Total	(3,321,122.95)	(1,986,405.44)	

(XIV) NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – continued

7. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Current period	Prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	978,521,714.05	1,730,987,387.19
Add: Provision for impairment losses of assets	35,557,683.40	(5,597,842.92)
Depreciation of fixed assets	128,914,554.23	108,864,411.90
Amortization of intangible assets	12,338,876.12	8,307,041.92
Amortization of long-term prepaid expenses	-	188,786.84
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "–")	191,554,597.59	140,900.24
Financial expenses (income is indicated by "–")	75,354,218.90	98,232,413.08
Losses arising from investments (gains are indicated by "–")	(870,468,877.05)	(1,158,541,290.44)
Decrease in deferred tax assets (increase is indicated by "–")	(36,593,001.27)	(28,783,254.31)
Decrease in inventories (increase is indicated by "–")	(507,678,536.50)	(112,480,419.75)
Decrease in receivables from operating activities (increase is indicated by "–")	2,570,540,184.26	415,889,005.49
Increase in payables from operating activities (decrease is indicated by "–")	415,995,877.91	1,690,422,251.24
Net cash flow from operating activities	2,994,037,291.64	2,747,629,390.48
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital	1,644,832,107.79	2,804,760,416.92
Convertible bonds due within one year	745,000,000.00	697,582,962.76
3. Net changes in cash and cash equivalents:		
Closing balance of cash	360,594,879.35	662,594,278.03
Less: Opening balance of cash	662,594,278.03	1,005,737,105.53
Net increase in cash and cash equivalents	(301,999,398.68)	(343,142,827.50)

(2) Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	360,594,879.35	662,594,278.03
Including: Cash on hand	18,243.55	9,833.36
Bank deposits	360,559,393.80	662,567,090.90
Other monetary funds	17,242.00	17,353.77
II. Cash equivalents	-	-
III. Closing balance of cash and cash equivalents	360,594,879.35	662,594,278.03

(XV) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Besides the related party relationship and transactions mentioned in Note (X), the Company and subsidiaries have significant transactions, listed below:

(a) Purchase of goods and sales

Purchase of goods/receipt of services

Unit: RMB

Related Party	Transaction type	Amount for the current period	Restated amount for the prior period
Yantai Trading	Purchase of goods	30,086,536.41	-
Wanhua Beijing	Purchase of goods	21,765,972.67	58,013,299.95
Wanhua Ningbo	Purchase of goods	1,113,180,117.22	7,895,574,726.64
Ningbo Trading	Purchase of goods	90,441,884.06	-
Foshan Rongwei	Purchase of goods	-	71,791.74
Ningbo Rongwei	Purchase of goods	10,909,782.09	13,659,854.58
Yantai Thermal Power	Purchase of goods	103,320,616.61	-
Yantai Selling	Purchase of goods	29,253,673.01	-
Yantai Wanhua Chemical Design Institute	Design services	19,911,366.06	3,724,751.00

Sales of goods, provision and receipt of services

Unit: RMB

Related Party	Transaction type	Amount for the current period	Restated amount for the prior period
		Amount	Amount
Wanhua Beijing	Raw materials	53,242,230.66	402,235,794.87
Wanhua Ningbo	Raw materials	181,238,717.08	78,692,146.17
Ningbo Trading	Raw materials	46,892,873.08	39,952,351.49
Wanhua HongKong	Raw materials	466,005,808.61	408,846,823.18
Foshan Rongwei	Raw materials	2,602,905.98	24,278,717.97
Ningbo Rongwei	Raw materials	1,054,970.09	10,137,408.08
Yantai Thermal Power	Raw materials	64,694,560.25	-
Wanhua Guangdong	Raw materials	463,705.38	-
Yantai Selling	Raw materials	2,045,267,001.01	-
Wanhua Beijing	Manufacturing	7,832,909.98	5,877,569.07
Wanhua Ningbo	Manufacturing	-	4,540,461.54
Ningbo Rongwei	Labor service	2,450,000.00	2,723,196.00
Yantai Thermal Power	Labor service	635,930.04	639,185.88

Note: The pricing of the transactions is in accordance with the general service agreements, product purchase and sales contracts and other supplementary agreement signed between the Company and the related parties. The Company enters into arm's length transactions with the related parties based on the principles of equality, voluntariness, equivalence and compensation.

(XV) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

1. Besides the related party relationship and transactions mentioned in Note (X), the Company and subsidiaries have significant transactions, listed below: - continued

(b) Guarantees with related parties

Unit: RMB

Guaranteed party	Guaranteed amount	Guaranteed amount used	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Wanhua Ningbo	5,952,202,850.00	3,435,250,697.78	28 December 2011	21 December 2017	N
Yantai Thermal Power	1,700,000,000.00	1,428,524,120.99	9 August 2013	27 March 2019	N
Wanhua Ningbo	424,760,000.00 (Note 1)	17,418,438.16	18 September 2012	18 September 2015	N
Ningbo Chlor-Alkali			18 September 2012	18 August 2015	N
Ningbo Rongwei			18 September 2012	18 September 2015	N
Wanhua Ningbo	400,000,000.00 (Note 2)	185,723,265.12	7 January 2013	25 November 2015	N
Ningbo Chlor-Alkali			7 January 2013	25 November 2015	N
Ningbo Rongwei			7 January 2013	25 November 2015	N
Foshan Rongwei			7 January 2013	25 November 2015	N
Ningbo Rongwei	298,518,950.00	190,937,414.18	13 May 2013	31 August 2015	N
Wanhua HongKong	1,521,157,666.00	1,004,256,364.80	17 February 2014	30 May 2015	N
Wanhua Ningbo	305,950,000.00 (Note 3)	151,597,901.73	20 March 2013	7 February 2015	N
Ningbo Chlor-Alkali			20 March 2013	7 February 2015	N
Ningbo Rongwei			20 March 2013	7 February 2015	N
Wanhua HongKong			20 March 2013	7 February 2015	N
Foshan Rongwei	104,328,950.00	39,000,000.00	12 August 2013	11 August 2015	N
BVI	1,135,000,000.00	1,135,000,000.00	19 November 2014	19 November 2017	N

Note 1: The Company provides guarantees to Wanhua Ningbo, Ningbo Rongwei and Ningbo Chlor-Alaki to acquire a shared line of credit. For any amount overdue and payable to the bank under this line of credit (regardless of the borrower), each Company bears joint liability of repayment.

Note 2: The Company provides guarantees to Wanhua Ningbo, Ningbo Rongwei, Ningbo Chlor-Alaki and Foshan Rongwei to acquire a shared line of credit. For any amount overdue and payable to the bank under this line of credit (regardless of the borrower), each Company bears joint liability of repayment.

Note 3: The Company provides guarantees to Wanhua Ningbo, Ningbo Rongwei, Ningbo Chlor-Alaki and Wanhua HongKong to acquire a shared line of credit. For any amount overdue and payable to the bank under this line of credit (regardless of the borrower), each Company bears joint liability of repayment.

(XV) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

1. Besides the related party relationship and transactions mentioned in Note (X), the Company and subsidiaries have significant transactions, listed below: - continued

(c) Borrowings/loans with related parties

Unit: RMB

Related Party	Amount of borrowing/loan		Related Party	Amount of borrowing/loan
Lent to:				
Yantai Thermal Power	30,000,000.00	26 December 2013	21 March 2014	-
Yantai Thermal Power	15,000,000.00	2 January 2014	24 March 2014	-
Yantai Thermal Power	30,000,000.00	9 January 2014	24 March 2014	-
Yantai Thermal Power	25,000,000.00	22 January 2014	24 March 2014	-
Yantai Thermal Power	10,000,000.00	23 January 2014	24 March 2014	-
Yantai Thermal Power	10,000,000.00	21 February 2014	24 March 2014	-
Yantai Thermal Power	30,000,000.00	27 February 2014	24 March 2014	-
Yantai Thermal Power	20,000,000.00	20 February 2014	28 March 2014	-
Foshan Rongwei	226,500,000.00	1 January 2014	31 August 2014	-
Foshan Rongwei	80,000,000.00	1 January 2014	30 June 2014	-
Yantai Rongwei	80,000,000.00	1 July 2014	31 August 2014	-
Borrowing from:				
Nil				

According to the borrowing/loans contracts between the Company and Foshan Rongwei, Yantai Rongwei and Yantai Chlor-Alkali, the Company receives interest income of RMB 4,005,463.90 from Foshan Rongwei, RMB 649,643.84 from Ningbo Rongwei and RMB1,383,200.00 from Yantai Chlor-Alkali.

(d) Amounts due from / to related parties

Amounts due from / to related parties

Unit: RMB

Item	Related Party	Closing balance		Opening balance	
		Carrying balance	Provision	Carrying balance	Provision
Account Receivable	Wanhua Beijing	-	-	171,867,426.89	-
Account Receivable	Ningbo Rongwei	-	-	4,791,316.04	-
Account Receivable	Wanhua Guangdong	542,535.29	-	-	-
Account Receivable	Wanhua Ningbo	476,582.77	-	-	-
Other Receivable	Foshan Rongwei	-	-	171,000,000.00	-
Other Receivable	Yantai Wanhua Chemical Design Institute	18,218,186.25	-	20,259,768.68	-
Other Receivable	Yantai Thermal Power	-	-	30,029,475.00	-
Other Receivable	Wanhua HongKong	96,721.43	-	-	-
Other Receivable	Shanghai Kejv	1,700,000.00	-	-	-

(XV) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS - continued

1. Besides the related party relationship and transactions mentioned in Note (X), the Company and subsidiaries have significant transactions, listed below: - continued

(d) Amounts due from / to related parties - continued

Amounts due to related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts payable	Wanhua Beijing	90,796.38	-
Accounts payable	Yantai Trading	19,784,237.35	-
Accounts payable	Wanhua Ningbo	5,692,544.81	1,451,623,709.13
Accounts payable	Ningbo Rongwei	136,783.40	909,753.49
Accounts payable	Foshan Rongwei	936,920.10	-
Accounts payable	Yantai Wanhua Chemical Design Institute	1,893,097.90	1,313,000.00
Accounts payable	Yantai Chlor-Alkali	5,006,922.40	-
Prepayments	Wanhua HongKong	49,341,889.51	99,472,440.50
Prepayments	Wanhua Beijing	69,719,665.84	-
Prepayments	Ningbo Trading	118.48	-
Prepayments	Foshan Rongwei	-	8,799,049.91
Prepayments	Yantai Selling	2,799,644,789.55	-
Other Payable	Yantai Thermal Power	23,400.00	23,000.00

(XVI) SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

Unit: RMB

Items	Amount
Profit or (loss) on disposal of non-current assets	(222,855,349.20)
Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	255,792,104.81
Income from the changes in fair values of held-for-trading financial assets and liabilities and investment income from the disposal of held-for-trading financial assets and liabilities and available-for-sale assets other than those effective hedging business relating to the normal operations of the Company	2,530,854.40
Trust fee from entrusted operation management	10,000,000.00
Other non-operating income or expenses other than the above	(9,722,966.42)
Other non-recurring profit or loss	-
Tax effects	(26,772,754.94)
Effects attributable to minority interests (after tax)	(46,464,642.69)
Total	(37,492,754.04)

2. Return on net assets and earnings per share ("EPS")

The return on net assets and EPS has been prepared by Wanhua Chemical Group Co., Ltd. in accordance with Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings Per Share (Revised 2010) issued by China Securities Regulatory Commission.

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	24.17%	1.12	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	24.54%	1.14	N/A

(XVI) SUPPLEMENTARY INFORMATION - continued

3. Supplementary of change in accounting policies

The Company, according to the ministry of CAS No.2 – long-term investment, such as eight changes to relevant accounting policies, restates the comparative financial statement. The restate consolidation of financial statements on 31 December 2012 and on 31 December 2013 are as following:

Unit: RMB

Item	31 December 2012	31 December 2013	31 December 2014	Item	31 December 2012	31 December 2013	31 December 2014
Current assets:				Current liabilities:			
Cash and bank balance	1,372,606,853.48	988,922,382.29	1,024,674,432.11	Shor-term borrowings	3,764,733,587.16	3,752,118,153.63	4,496,443,321.52
Financial assets at fair value through profit or loss	27,904,487.70	-	7,560,805.90	Financial liabilities at fair value through profit or loss	-	-	4,093,972.33
Notes receivable	3,527,111,960.79	3,309,830,463.93	2,347,646,327.25	Notes payable	1,454,150,526.27	1,993,630,640.49	2,044,515,908.77
Account receivables	948,362,671.84	1,062,550,311.78	1,341,579,522.35	Account payables	881,271,918.52	2,298,938,599.14	2,615,128,907.33
Prepayments	422,575,766.53	476,796,342.74	347,847,267.73	Prepayments	464,378,849.62	727,903,857.03	763,746,175.64
Other receivables	69,293,096.29	86,228,118.79	128,461,907.03	Employee benefits payable	146,984,682.71	256,148,236.10	225,411,626.19
Inventories	1,994,863,273.82	2,265,001,877.42	3,009,992,528.58	Tax payable	218,350,212.04	122,032,910.34	270,541,464.26
Other current assets	54,243,191.32	397,280,544.72	1,548,767,821.41	Interest payable	62,778,469.95	64,532,105.43	76,991,519.66
Total current assets	8,416,961,301.77	8,586,610,041.67	9,756,530,612.36	Other payables	110,413,508.79	183,584,785.22	225,128,335.92
Available for sale financial assets	100,735,600.00	96,260,000.00	20,000,000.00	Non-current liability due within one year	1,025,236,176.94	1,283,957,923.30	2,511,987,627.27
Long-term receivables	49,782,958.60	132,800,000.00	194,405,040.63	Total current liabilities	8,128,297,932.00	10,682,847,210.68	13,233,988,858.89
Long-term equity investments	25,173,453.94	92,053,048.50	88,740,045.58	Non-current liabilities:			
Fixed assets	7,331,466,385.92	8,581,742,525.70	15,194,706,091.81	Long-term borrowings	3,442,456,518.29	7,890,836,093.93	12,837,515,833.62
Construction in progress	3,630,499,456.22	8,111,173,521.56	11,724,952,148.09	Bond payable	1,000,000,000.00	1,000,000,000.00	2,000,000,000.00
Materials for construction of fixed assets	74,954,357.37	1,552,221,234.21	1,651,540,601.04	Long-term account payables	8,116,362.00	6,763,634.00	5,410,906.00
Intangible assets	1,200,726,989.69	1,435,194,979.30	1,611,644,411.28	Special payables	-	370,642.07	-
Goodwill	277,518,585.35	277,518,585.35	277,518,585.35	Deferred income	153,000,000.00	155,800,000.00	206,173,356.00

(XVI) SUPPLEMENTARY INFORMATION - continued

3. Supplementary of change in accounting policies-continued

Unit: RMB

Item	31 December 2012	31 December 2013	31 December 2014	Item	31 December 2012	31 December 2013	31 December 2014
Long-term prepaid expenses	15,252,834.61	13,723,209.26	33,355,660.24	Deferred tax liabilities	16,638,243.72	19,207,114.25	19,508,197.41
Deferred tax assets	107,539,272.72	149,250,013.84	289,562,552.21	Other non-current liabilities	4,385,407.31	4,179,157.31	3,812,804.03
Other non-current assets	1,365,093,320.19	2,512,412,145.63	749,129,880.14	Total non-current liabilities	4,624,596,531.32	9,077,156,641.56	15,072,421,097.06
Total non-current assets	14,178,743,214.61	22,954,349,263.35	31,835,555,016.37	Total liability	12,752,894,463.32	19,760,003,852.24	28,306,409,955.95
				Equity:			
				Share capital	2,162,334,720.00	2,162,334,720.00	2,162,334,720.00
				Capital reserve	48,335,935.15	48,335,935.15	48,344,055.18
				Other comprehensive income	(18,006,015.25)	(22,249,503.78)	(12,526,257.43)
				Special reserve	-	-	696,629.53
				Surplus reserve	1,579,310,659.11	1,579,310,659.11	1,579,310,659.11
				Retained profit	4,532,414,513.29	5,910,192,504.03	6,815,924,586.58
				Total shareholders' equity attributable to equity holders of the Company	8,304,389,812.30	9,677,924,314.51	10,594,084,392.97
				Minority interests	1,538,420,240.76	2,103,031,138.27	2,691,591,279.81
				Total shareholders' equity	9,842,810,053.06	11,780,955,452.78	13,285,675,672.78
Total asset	22,595,704,516.38	31,540,959,305.02	41,592,085,628.73	Total liabilities and shareholders' equity	22,595,704,516.38	31,540,959,305.02	41,592,085,628.73