

WANHUA CHEMICAL GROUP ANNUAL REPORT 2017



Company Code: 600309



Important Note

1. Board of directors (the "Board"), board of supervisors, directors, supervisors and senior management of the Company certify that this report does not contain any false or misleading statements or material omissions and are jointly and severally liable for the authenticity, accuracy and integrity of the content.

2. Information of absent directors.

Position of absent directors	Name of absent directors	Reason for absence	Name of the attorney
Director	Li Jiankui	Business trip	Liao Zengtai
Director	Mu Simon Xinming	Business trip	Gou Guangwu

3. Deloitte Touche Tohmatsu Certified Public Accountants LLP issued standard unqualified audit report for the Company.

4. The Company assured the authenticity, accuracy, and completion of the report.

5. Plan of profit distribution or capital reserve capitalization approved by the Board.

The Company has implemented profit distribution plans for the previous three quarters, hence it will not distribute profits at the end of the year.

6. Risk statement of forward-looking description.

Applicable N/A

The forward-looking description on future plan and development strategy in this report does not constitute substantive commitment to investors. Please note the investment risk.

7. Does the situation exist where the controlling shareholders and their related parties occupy the funds of the Company for non-operational use?

No.

8. Does the situation exist where the Company provides external guarantee which is not in compliance with the required decision-making procedures?

No.

9. Significant risk alert.

There are no significant risks which have adverse effects on the Company's future development strategy and operation objects during the reporting period.

10. Others.

Applicable N/A

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Section I Definitions

I. Definition

In this report, unless the context requires, the following terms shall have the meanings set out below:

Definition of frequently used words		
CSRC	Refers to	China Securities Regulatory Commission
SSE	Refers to	Shanghai Stock Exchange
Company, the Company, Wanhua Chemical, Wanhua	Refers to	Wanhua Chemical Group Co., Ltd.
Wanhua Industry, controlling shareholder	Refers to	The shareholder controlling the Company, Wanhua Industrial Group Co., Ltd.
Wanhua Ningbo	Refers to	The subsidiary controlled by the Company, Wanhua Chemical (Ningbo) Co., Ltd.
MDI	Refers to	Diphenyl-methane-diisocyanate.
HDI	Refers to	Hexamethylene diisocyanate
ADI	Refers to	Aliphatic isocyanate (including H ₁₂ MDI, HDI, HDI derivatives and IPDI)
HCL	Refers to	Hydrogen chloride
IPDI	Refers to	Isophorone diisocyanate
SAP	Refers to	Super Absorbent Polymer
TPU	Refers to	Thermoplastic Polyurethane
LPG	Refers to	Liquefied petroleum gas
C2	Refers to	Carbon 2 Chemical
C3	Refers to	Carbon 3 Chemical
C4	Refers to	Carbon 4 Chemical
PO	Refers to	Propylene Oxide
AE	Refers to	Acrylic Ester
MTBE	Refers to	Methyl Tertiary Butyl Ether
PC	Refers to	Polycarbonate
MMA	Refers to	Methyl methacrylate
PMMA	Refers to	Polymethyl methacrylate
TDI	Refers to	Toluene diisocyanate
MIBK	Refers to	Methyl isobutyl ketone
PVC	Refers to	Polyvinyl Chloride
EO	Refers to	Ethylene oxide
NPG	Refers to	Neopentyl glycol
PDH	Refers to	Propane dehydrogenation
H ₁₂ MDI	Refers to	Hydrogenated phenyl methane diisocyanate

Section II General Information and Financial Indicators of the Company

I. Information of the Company

Legal company name in Chinese	万华化学集团股份有限公司
Abbreviation of legal company name in Chinese	万华化学
Legal company name in English	Wanhua Chemical Group Co., Ltd.
Abbreviation of legal company name in English	Wanhua
Legal representative of the Company	Liao Zengtai

II. Contacts

	Secretary to the Board	Securities affairs representative
Name	Kou Guangwu	Xiao Minghua
Address	No.7 Xingfu South Road, Yantai City	No.7 Xingfu South Road, Yantai City
Telephone number	0535-6698537	0535-6698537
Facsimile number	0535-6837894	0535-6837894
E-mail	gwkou@whchem.com	mhxiao@whchem.com

III. Basic information of the Company

Registration address	No.17, Tianshan Road, Economic Technology Development Zone, Yantai
Postcode of registration address	264006
Office address	No.7 Xingfu South Road, Yantai City
Postcode of office address	264013
Website	www.whchem.com
E-mail	stocks@whchem.com

IV. Information disclosure and the locations

Designated newspapers for information disclosure	"China Securities Journal", "Shanghai Securities News", "Securities Times" and "Securities Daily"
Website designated by CSRC for the publication of the Company's annual report	http://www.sse.com.cn
The Company's annual report is available at	Office of the Board

V. Abbreviation of the Company's shares

Abbreviation of the Company's shares				
Class of shares	Stock exchange	Short name	Stock code	Former short name
A shares	Shanghai Stock Exchange	Wanhua Chemical	600309	Yantai Wanhua

VI. Other relevant information

Information of the accounting firm appointed by the Company (domestic)	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Office address	F/30, Bund Center, No. 222 Yan An Road East, Shanghai
	Signing Certified Public Accountant	Wu Xiaohui, Wang Xin
Sponsor performing continuous supervision duties in the reporting period	Name	Citi Orient Securities Co., Ltd.
	Office address	24/F, Building 2, No.318 Zhongshan South Road, Shanghai
	Authorized sponsor representative	Li Xuwei, Liu Li
	Continuous supervision period	From 16 January 2017 to 31 December 2018

VII. Major accounting data and financial indicators in recent three years

(I) Major accounting data

Unit: RMB

Major accounting data	2017	2016	Year on year (%)	2015
Operating income	53,123,173,258.81	30,099,861,530.44	76.49	19,492,382,889.53
Net profit attributable to shareholders of the Company	11,134,790,281.66	3,679,421,831.90	202.62	1,609,743,609.59
Net profit excluding non-recurring profit or loss attributable to shareholders of the Company	10,710,734,337.04	3,676,300,829.83	191.35	1,554,629,372.73
Net cash flow from operating activities	10,212,146,595.40	7,348,843,878.83	38.96	4,602,393,725.92
	31 December 2017	31 December 2016	Year on year (%)	31 December 2015
Net assets attributable to shareholders of the Company	27,279,539,897.19	14,821,586,070.82	84.05	11,570,972,856.73
Total assets	65,827,732,248.24	50,765,015,455.16	29.67	47,804,417,081.92
Total equity at the end of the period	2,734,012,800.00	2,162,334,720.00	26.44	2,162,334,720.00

(II) Major financial indicators

Major financial indicators	2017	2016	Year on year (%)	2015
Basic earnings per share (RMB/Share)	4.09	1.42	188.03	0.62
Diluted earnings per share (RMB/Share)				
Basic earnings per share excluding non-recurring profit or loss (RMB/Share)	3.93	1.42	176.76	0.60
Weighted average return on net assets (%)	50.66	28.11	Increased by 22.55 percentage points	14.67
Weighted average return on net assets excluding non-recurring profit or loss (%)	48.73	28.09	Increased by 20.64 percentage points	14.17

Explanations for accounting data and financial indicators for recent three years

✓ Applicable □ N/A

Subsequent to the Company's non-public offering of 116,009,280 shares on 16 January 2017, the Company's total shares increased to 2,278,344,000 shares from 2,162,334,720 shares.

The Company implemented 2016 profit distribution plan in May 2017 in awarding 2 shares for each 10 shares, hence the Company's total shares increased to 2,734,012,800 shares from 2,278,344,000 shares.

The Company has calculated the earnings per share in 2015 and 2016 based on the shares which have been adjusted for expansion due to stock dividend distribution.

VIII. Differences between figures under foreign and domestic accounting principles

i. Differences between net profit and net assets attributable to shareholders of the Company disclosed by Chinese Accounting Principles and International Accounting Principles

Applicable N/A

ii. Differences between net profit and net assets attributable to shareholders of the Company disclosed by Chinese Accounting Principles and foreign Accounting Principles

Applicable N/A

iii. Explanations for differences between under domestic and foreign accounting principles

Applicable N/A

IX. Quarterly financial data for the year 2017

Unit: RMB

	First Quarter (Jan. to Mar.)	Second Quarter (Apr. to June)	Third Quarter (July to Sept.)	Fourth Quarter (Oct. to Dec.)
Operating income	11,007,048,624.78	13,423,037,851.99	14,533,417,472.70	14,159,669,309.34
Net profit attributable to shareholders of the listed company	2,195,059,805.85	2,665,978,073.44	2,949,958,099.73	3,323,794,302.64
Net profit excluding non-recurring profit or loss attributable to shareholders of the listed company	2,166,836,637.25	2,625,755,876.23	2,954,488,173.12	2,963,653,650.44
Net cash flow from operating activities	473,064,821.52	975,463,209.18	4,182,922,868.61	4,580,695,696.09

Explanations for differences between quarterly data and disclosed data in periodic report

Applicable N/A

X. Items and amounts of non-recurring profit or loss

Applicable N/A

Unit: RMB

Items and amounts of non-recurring profit or loss	2017	Note (if applicable)	2016	2015
Profit or loss on disposal of non-current assets	-217,695,299.04		-85,025,534.54	-160,020,095.77
Government grants recognized in profit or loss for the current year, except those closely related with normal business courses, and given on quota basis continuously based on the state policy	901,790,723.66		84,773,232.39	292,818,821.21
Profit or loss on changes in the fair value of held-for-trading financial assets and held-for-trading financial liabilities, and investment income on disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, excluding those for effective hedging activities relating to recurring operating business				-3,466,833.57
Custody fee income from entrusted operation	9,433,962.26		9,433,962.26	10,000,000.00
Other non-operating income and expenses other than the above	9,815,544.63		2,804,527.46	6,637,106.66
Amounts affected by minority interests	-114,512,798.89		-5,671,330.13	-46,919,622.68
Income tax effects	-164,776,188.00		-3,193,855.37	-43,935,138.99
Total	424,055,944.62		3,121,002.07	55,114,236.86

XI. Items at fair value

Applicable N/A

Unit: RMB

Item	Opening balance	Closing balance	Changes	Effects on profit or loss
Derivative financial liabilities	7,514,019.66		-7,514,019.66	-16,227,666.63
Total	7,514,019.66		-7,514,019.66	-16,227,666.63

XII. Others

Applicable N/A

Section III The Company's Business Overview

I. Principal businesses, operation models and industry profile in the reporting period

(I) Main business

The Company is mainly engaged in R&D, production, and sales of PU series products (MDI, TDI, and Polyols), LPG-based petrochemical products (including propylene, acrylic acid, PO series products etc.), and functional material and specialty chemicals (including SAP, TPU, PC, PMMA, organic amine, ADI, water-based paint etc.). Having the advantages of both rubber and plastic, PU is extensively used in sectors of chemical industry, light industry, textile, construction, household electrical appliances, construction materials, transportation, and aerospace. The MDI product is one of the principal materials for manufacturing PU.

The Company is committed to being one of the most competitive suppliers of PU, petrochemical products, functional material and specialty chemicals.

(II) Business model

The business model of the Company: The Company mainly conducts B2B business. Wanhua Chemical is constantly focusing on the development of new materials industry, to further enhance the Company's advantages in technology and manufacturing.

Procurement model: The Company is pursuing a stable supply and low-cost procurement for its major raw materials of Benzene, Coal and LPG etc., by actively exploring domestic and overseas supply channels, establishing and maintaining good relationships with strategic suppliers, and combining multiple purchasing models such as fixed price, floating price and contractual price etc.

Production model: Aiming at a long-term stable and safe production operation and at providing clients with high-quality products to clients, the headquarter of the Company establishes monthly production goals based on the annual production plan according to market demand and equipment conditions, by coordinating dynamically with current production bases at Yantai, Ningbo, and Zhuhai in China. Sales model: All sales of the products are conducted by direct sale and via distributors to clients.

(III) Industry Analysis

The Company's products relate closely to daily life. In recent years, driven by the rapid development of China's economy, the downstream industry of PU grows rapidly. In 2017, with the recovery of chemical industry, Wanhua enhances its market influence by utilizing the advantages in production stability and high product quality. Presently the Company has formed three major industry clusters covering PU, petrochemicals, and functional chemicals and specialty materials, which are highly integrated in industry chains but different in business cycles. By the balanced development of those three segments, the Company greatly improves its ability to deal with market risk.

II. Explanations of significant changes on major assets of the Company in the reporting period

Applicable N/A

III. Analysis of core competitiveness during the reporting period

Applicable N/A

At the same time of focusing on its core competitiveness, technological innovation, Wanhua also commits to pursuing excellent operations and corporate cultures, through which Wanhua has formed a unique competitiveness.

(I) Technological Innovation

Wanhua's technological innovation began in 1996. Up to now, the Company has established a complete process-based R&D framework and project management mechanism, formed an innovative R&D system including basic research, engineering development, process optimization and product application R&D, and successfully constructed various industry innovation platforms such as "National PU Engineering Technology Research Center", "National Engineering Lab for Polymer Surface Material Preparation Technology", "National Certified Enterprise Technology Center" and "Enterprise Postdoctoral Research Station". In recent years, a number of new products such as SAP, HDI, PC, MMA, PMMA, and MIBK, which are researched and developed independently, have entered into the stage of industrialization, indicating that Wanhua's technological innovation capability has reached a new level.

(II) Excellent operation

Under the guidance of advanced concepts such as DuPont Safety Management System, Toyota Lean Six Sigma Management System, SAP (Enterprise Management Solutions) Information Management System, and Excellent Performance Management, Wanhua's operational efficiency and quality have been increasing year by year. In 2017, the Company continued to deepen the Industry 4.0 activities with the completion of 102 process control projects in total in Yantai, Ningbo, and Zhuhai, which greatly increased the production efficiency of equipment and reduced the labor intensity of the operators. In terms of the process recreation, the Company has optimized 35 processes and issued Wanhua Chemical Process Management System to strengthen process management and improve the process efficiency.

(III) Culture

It is Wanhua's corporate vision to create a company admired by its employees. Therefore, the Company has made great efforts to invite, attract, retain, and train talents with excellent corporate culture and teamwork spirit, dedication, pragmatic work style, and gratitude among its employees in continuous practice. The corporate culture guarantees the dedication and the stability of Wanhua's employees. Wanhua has won the honor of Chinese Best Employer in Aon Hewitt for five times consecutively.

Section IV Discussion and Analysis for Operation

I. Discussion and Analysis of Operation

In 2017, along with the strong economic recovery in the United States and the continuous improvement in the European economy, the global macroeconomy improved significantly. In China, due to further optimization of economic and industrial structure, and remarkable achievement on supply-side reforms, the market was in great demand, resulting in significant rise in the price of the bulk commodity.

Under this background, with great efforts paid by the Company on the implementation of the idea of "Globalization, Differentiation, Refinement, and Low-cost", three major segments developed in coordination. Production was operated safely. Relevant functional departments and divisions made their contributions, and the production and sales volume of all kinds of products hit a historically high level. With the joint efforts of all employees, the Company has achieved excellent business performance.

(I) Market and Marketing

In 2017, with the recovery of the global economy, MDI was in high demand. At the same time, as many MDI installations were not functioning properly around the world, the supply of MDI was reduced, resulting in increasingly heightened conflicts between supply and demand. The price of MDI rose continuously. In terms of the Chinese market in the third quarter, the price of MDI hit a historically high level. With strong support of the production department, the Company seized this market opportunity to increase its supply to reap benefits, and strived to reduce the excessively high price bubble by reasonable pricing and gained recognition from customers, demonstrating a corporate image that Wanhua is a responsible company.

In the petrochemical business segment, the Company finished various work, including carrying out the operation model of the "cycle pricing", establishing an industrial chain value analysis model and a market supply and demand analysis model, successfully joining the Asian LPG CFR Committee.

As to providing a better and timely service to customers, the Company has taken the following steps, (1) improving product quality management and logistics management; (2) standardizing customer service; (3) building logistics service center; (4) implementing G7+Mobileye (Intelligent Safety Management System) to strengthen transportation monitoring; (5) promoting a new mode of "Multimodal Transport + Distribution Center". The annual mileage without accident in 2017 was more than 60 million kilometers and 790,000 nautical miles for the first time, and the Company won the "Social Responsibility Contribution Award" of the China-Linked Dangerous Chemicals Sub-Committee.

(II) Production and operation

In 2017, Yantai Industrial Park reformed the production safety management to emphasize the importance of safety.

Ningbo Industrial Park became the forerunner of management innovation by taking innovation as the driving force and pursuing an excellent operation. It won many awards such as national green factories, national green manufacturing system projects, and national intelligent manufacturing demonstration projects.

(III) Technological innovation

In 2017, all scientific researchers worked hard to make many achievements in technological innovation.

Depending on the close cooperation between the scientific research department and the production department, the Company established a complete facility reaction matrix at the basis of systematic researches on the hazards for more than

ten sets of production facilities in the park, and conducted 82 optimization measures for potential risks, which improved the safety level of these facilities. In addition, it realized a high-load operation on petrochemical devices such as PDH through technological and systematic energy-saving optimization, leading to a significant reduction in unit energy consumption and an enhancement in the profitability of the petrochemical industrial chain.

Thanks to the cooperation of different departments, the Company steadily advanced the technology, with achievements obtained in many fields. Depending on more than a decade of efforts by several generations of Wanhua people, PC industrialization device was successfully launched at the first attempt, and multiple sets of self-developed industrialization projects, such as TDI, MMA, PMMA, TDI adducts, were under construction. Meanwhile, improvements have been made in various new material product lines.

In the respect of the innovation system, the Company set up the national engineering laboratory for surface materials, inviting a number of high-level domestic and overseas innovative talents, and establishing forward-looking technology R&D platforms, such as synthetic biology, separation and purification materials, and personal and home care.

In the field of intellectual property, the Company applied 297 domestic and foreign invention patents (268 domestic) throughout the year, and obtained 59 patents. The Company has formed a multi-level and comprehensive intellectual property protection system through the implementation of the patent and trade secret protection system and the confidentiality protection system.

(IV) Management Innovation

In 2017, the Company finished a great deal of work under the theme of "Safety Management Year", and conducted a variety of management creation in respects of finance, purchase, operation and culture.

1. "Safety Management Year"

In 2017, the Company invited DNV (Det Norske Veritas) to make a comprehensive assessment on the Company's current safety management to find weaknesses in safety management, and implemented seven procedures to achieve improvements in the safety management.

2. Financial Management

(1) In 2017, the Company met the capital requirements for constructions and daily operations through multiple-channel financing with a cost lower than the benchmark interest rate of bank loans for the same period, which saved financial expenses for the Company.

(2) The Company communicated with international credit rating agencies, S&P, Moody's, and Fitch. S&P and Moody's revised the Company's negative outlook BBB- into a stable outlook, and Fitch upgraded the Company's international credit rating to BBB, which greatly improved the international reputation of Wanhua Chemical.

3. Excellent operation

The Company upgraded and released *Wanhua Chemical Process Management System, Wanhua Chemical Management Manual, and Quality Manual* (bilingual). Different business departments established and updated their management manuals and business process documents comprehensively in accordance with the requirements of the new ISO19001 system, and optimized parts of the processes, to improve the operation efficiency.

The Company strengthened its management in preventing corruption, and issued regulations on disciplinary management, and actively participated in the activities held by the National Anti-Corruption Coalition.

4. Corporate culture

In 2017, the company propagated its culture to employees by designing a complete culture building system. The new exhibition hall shows a new image of Wanhua. The company held events, such as a group wedding ceremony for 88 new couples, sport events, family day etc., to unite its employees.

II. Business performance during the reporting period

In 2017, the Company achieved sales revenue of RMB 53.123 billion and net profits attributable to shareholders of listed companies of RMB 11.135 billion, increased 76.49% and 202.62% year on year respectively, and gained earnings per share of RMB 4.09.

The total assets of the Company reached RMB 65.828 billion at the end of 2017, increased 29.67% year on year; the owners' equity attributable to the parent company RMB 27.28 billion, increased 84.05% year on year; 50.66% in the weighted average ROE, increased 22.55% year on year; RMB 9.98 in net assets per share, increased 74.78% year on year; and 53.28% in the asset-liability ratio, decreased 10.60% year on year.

(I) Analysis of principal businesses

Analysis of accounts changes in profit statement and cash flow statement

Unit: RMB

Items	2017	2016	Changes (%)
Operating income	53,123,173,258.81	30,099,861,530.44	76.49
Operating costs	32,033,253,462.20	20,744,809,250.07	54.42
Selling expenses	1,416,999,560.47	1,165,983,654.89	21.53
Administrative expenses	2,034,568,276.15	1,423,283,407.77	42.95
Financial expenses	929,390,186.18	889,951,201.73	4.43
Net cash flow from operating activities	10,212,146,595.40	7,348,843,878.83	38.96
Net cash flow from investing activities	-5,459,918,029.57	-3,969,579,009.00	-37.54
Net cash flow from financing activities	-3,659,933,147.16	-3,504,270,910.29	-4.44
Research and development expenditures	1,238,264,348.48	725,523,322.14	70.67

1. Income and cost analysis

Applicable N/A

During the reporting period, the price of PU series products increased substantially year on year with sales volume increasing steadily, which resulted to a substantial rise in operating income. Meanwhile, the operating performance also increased significantly due to continuously strengthened cost control and optimized operation management system.

(1) Analysis on principal businesses by industry, product and geographical region

Unit: RMB

By industry						
By industry	Operating income	Operating costs	Gross margin ratio (%)	Change of operating income (%)	Change of operating costs (%)	Change of gross margin ratio (%)
Chemical industry	52,031,613,297.59	31,185,721,915.12	40.06	78.04	55.24	Increased by 8.8 percentage points
Others	708,549,515.40	498,948,251.59	29.58	18.13	15.31	Increased by 1.72 percentage points
By product						
By product	Operating income	Operating costs	Gross margin ratio (%)	Change of operating income (%)	Change of operating costs (%)	Change of gross margin ratio (%)
PU series	29,834,099,891.78	13,304,278,800.60	55.41	81.72	36.47	Increased by 14.79 percentage points
Petrochemical series	15,306,967,065.83	13,396,962,059.22	12.48	85.30	89.02	Decreased by 1.72 percentage points
Functional material and specialty chemicals	4,197,379,237.07	2,875,246,736.78	31.50	53.66	66.25	Decreased by 5.19 percentage points
Others	3,401,716,618.31	2,108,182,570.11	38.03	40.87	7.76	Increased by 19.05 percentage points
By region						
By geographical region	Operating income	Operating costs	Gross margin ratio (%)	Change of operating income (%)	Change of operating costs (%)	Change of gross margin ratio (%)
Domestic	36,955,938,911.84	20,414,750,932.74	44.76	56.57	26.11	Increased by 13.34 percentage points
Oversea	15,784,223,901.15	11,269,919,233.97	28.60	153.72	160.02	Decreased by 1.73 percentage points

Explanations for main businesses by industry, product or region:

✓ Applicable N/A

The Company's PU series products experienced increases in the operating income cost, and gross profit margin compared with the previous year, mainly due to the year-on-year increase in the prices of all products and the rise of sales volume.

The Company's petrochemical products experienced a great surge in the operating income and cost, but a slight decrease in the gross profit margin, mainly due to the increment in the trade volume of low-margin LPG during the reporting period.

The Company's domestic and foreign operating incomes and costs increased significantly compared with the previous year, but the foreign gross profit margin decreased compared with the same period of last year, mainly due to the material increment in the trade volume of low-margin LPG in foreign countries.

Description of product series: PU series mainly include isocyanate, Polyols, and TDI, etc.; petrochemical series mainly include C3 and C4 olefin derivatives; and functional material and specialty chemicals series mainly include surface materials, TPU, SAP, PC, special isocyanate, special amines, etc.

(2) Analysis of production and sales

✓ Applicable N/A

Enterprises	Production (Volume)	Sales (Volume)	Inventories (Volume)	Change of Production (Volume) (%)	Change of Sales (Volume) (%)	Change in inventories (%)
PU series	1,819,735 tons	1,802,249 tons	160,460 tons	26.82	25.21	12.23
Petrochemical series	1,595,656 tons	1,588,451 tons	74,714 tons	18.57	24.27	10.67
Functional material and specialty chemicals	254,843 tons	239,589 tons	36,742 tons	55.96	50.90	70.99

(3) Cost analysis

Unit: RMB

Divided by Industry						
By industry	Items	2017	Proportion to total costs (%)	2016	Proportion to total costs (%)	Changes (%)
Chemical Industry	Raw material,	22,982,294,482.34	73.69	13,241,965,224.65	65.91	73.56
Chemical Industry	Payroll	1,214,958,816.23	3.90	830,017,472.94	4.13	46.38
Chemical Industry	Depreciation	2,712,213,923.89	8.70	2,464,386,379.00	12.27	10.06
Chemical Industry	Energy	3,280,921,283.57	10.52	2,758,309,803.47	13.73	18.95
Chemical Industry	Others	995,333,409.09	3.19	794,619,913.59	3.96	25.26
	Total	31,185,721,915.12	100.00	20,089,298,793.65	100.00	55.24
Other Industries	Raw material,	278,675,934.76	55.85	237,113,955.72	54.8	17.53
Other Industries	Payroll	18,157,004.65	3.64	17,446,796.68	4.03	4.07
Other Industries	Depreciation	41,119,179.96	8.24	45,507,891.56	10.52	-9.64
Other Industries	Energy	119,025,604.82	23.86	106,544,573.49	24.62	11.71
Other Industries	Others	41,970,527.40	8.41	26,079,063.62	6.03	60.94
	Total	498,948,251.59	100.00	432,692,281.07	100	15.31
Divided by Product						
By product	Items	2017	Proportion to total costs (%)	2016	Proportion to total costs (%)	Changes (%)
PU series	Raw material,	9,272,309,620.10	69.69	6,291,497,627.11	64.54	47.38
PU series	Payroll	733,568,282.59	5.51	482,504,834.96	4.95	52.03
PU series	Depreciation	1,397,701,815.29	10.51	1,360,123,378.90	13.95	2.76
PU series	Energy	1,345,870,682.74	10.12	1,178,710,661.58	12.09	14.18
PU series	Others	554,828,399.88	4.17	435,747,725.88	4.47	27.33
	Total	13,304,278,800.60	100.00	9,748,584,228.43	100.00	36.47
Petrochemical series	Raw material,	10,682,200,490.90	79.75	4,964,146,670.66	70.04	115.19
Petrochemical series	Payroll	239,853,246.08	1.79	146,124,950.68	2.06	64.14
Petrochemical series	Depreciation	1,049,630,713.40	7.83	840,652,260.32	11.86	24.86
Petrochemical series	Energy	1,176,813,512.22	8.78	936,958,047.77	13.22	25.60
Petrochemical series	Others	248,464,096.62	1.85	199,702,265.21	2.82	24.42
	Total	13,396,962,059.22	100.00	7,087,584,194.64	100	89.02
Functional material & specialty chemicals	Raw material,	2,178,641,333.71	75.77	1,285,719,550.51	74.34	69.45
Functional material & specialty chemicals	Payroll	185,455,107.44	6.45	108,834,533.17	6.29	70.40
Functional material & specialty chemicals	Depreciation	166,731,618.94	5.80	112,167,432.38	6.49	48.65
Functional material & specialty chemicals	Energy	206,925,437.98	7.20	146,477,291.78	8.47	41.27
Functional material & specialty chemicals	Others	137,493,238.71	4.78	76,256,988.11	4.41	80.30
	Total	2,875,246,736.78	100.00	1,729,455,795.95	100.00	66.25
Others	Raw material,	1,127,818,972.39	53.49	917,715,332.08	46.91	22.89
Others	Payroll	74,239,184.77	3.52	109,999,950.82	5.62	-32.51
Others	Depreciation	139,268,956.22	6.61	196,951,198.96	10.07	-29.29
Others	Energy	670,337,255.45	31.80	652,708,375.83	33.36	2.70
Others	Others	96,518,201.28	4.58	78,991,998.01	4.04	22.19
	Total	2,108,182,570.11	100.00	1,956,366,855.70	100	7.76

Explanations for other information of cost analysis:

Applicable N/A

Note: The above cost analysis table refers to the principal operating cost analysis.

The production and sales volumes increased significantly in the reporting period. So did the LPG trade volume, which caused the operating cost in 2017 to increase largely comparing with that of last year.

(4) Key customers for sales and suppliers

Applicable N/A

The turnover from top five customers amounts to RMB 4,112,830,200.52, accounting for 7.74% of the total annual turnover, of which the amount from related parties is RMB 1,019,415,633.13, accounting for 1.92% of the total annual turnover.

Unit: RMB

Top five customers	Operating income	Proportion to total operating income (%)	If existing related party relationship
BorsodChem Zrt.	1,019,415,633.13	1.92	Yes
Entity 1	828,344,522.10	1.56	No
Entity 2	759,145,269.58	1.43	No
Entity 3	756,654,738.85	1.42	No
Entity 4	749,270,036.86	1.41	No
Total	4,112,830,200.52	7.74	

The procurement to top five suppliers' amounts to RMB7,569,458,285.21, accounting for 24.74% of the total annual procurement amount, of which the amount from related parties is RMB 0, accounting for 0% of the total annual procurement amount.

Unit: RMB

Top five suppliers	Procurement amount	Proportion to total	If existing related party relationship
Entity 5	1,978,853,860.83	6.47	No
Entity 6	1,567,077,280.40	5.12	No
Entity 7	1,563,267,255.96	5.11	No
Entity 8	1,337,559,064.74	4.37	No
Entity 9	1,122,700,823.28	3.67	No
Total	7,569,458,285.21	24.74	

2. Expenses

✓ Applicable N/A

Unit: RMB

Item	2017	2016	Balance	Ration in changes (%)	Explanation
Taxes and levies	475,378,440.49	203,761,067.86	271,617,372.63	133.30	It is mainly due to the increase in the city maintenance and construction tax and levies, as well as the presentation of new taxes such as property tax, land use tax and others in the current year.
Administrative expenses	2,034,568,276.15	1,423,283,407.77	611,284,868.38	42.95	It is mainly due to the increase in labor expenses and R&D expenses in the current year.
Impairment losses of assets	303,316,067.55	74,298,764.33	229,017,303.22	308.24	It is mainly due to the increase in the provisions of bad debts arising from increased accounts receivable and provisions for impairment of fixed assets.
Investment income	125,557,555.26	52,752,991.72	72,804,563.54	138.01	It is mainly due to the fact that the Company has accounted for Ningbo Xiebei Thermoelectricity Co., Ltd. as a joint venture in equity method since 1 July 2016.
Income from disposal of assets	1,687,270.04	-1,928,714.31	3,615,984.35	187.48	It is mainly due to profits from disposal of vessels by Singapore Sea Shipping in the current year
Other income	901,790,723.66		901,790,723.66		It is due to the government grants recognized in profit or loss for the current period (government grants of the same period last year recognized in non-operating income), and the increase on a year-on-year basis.
Non-operating income	18,683,867.48	89,481,665.44	-70,797,797.96	-79.12	It is mainly due to the transferring of government grants related to daily operating activities to other income in the reporting period.
Non-operating expenses	228,250,891.93	85,000,725.82	143,250,166.11	168.53	It is mainly due to the increase in the retirement of fixed assets in the current year compared with the same period of last year.
Income tax expenses	3,440,416,082.30	1,105,009,965.22	2,335,406,117.08	211.35	It is mainly due to the increase of total profits in the current year comparing with the same period of last year.

3. Research and development expenditures

Research and development (R&D) expenditures

Applicable N/A

Unit: RMB

R&D investments expensed in the current period	1,238,264,348.48
R&D investments capitalized in the current period	-
Total R&D investments	1,238,264,348.48
Proportion of R&D investments to operating income (%)	2.33
Headcounts of R&D personnel	1,247
Proportion of R&D headcount to total employee headcount (%)	13.61
Proportion of capitalization of R&D expenditures (%)	-

Explanations

Applicable N/A

Explanations for R&D expenses can refer to (III) Technology creation in "I. Discussion and Analysis for Operation of this chapter".

4. Cash flow

Applicable N/A

Unit: RMB

Items	2017	2016	Balance	Changes (%)	Explanation
Net cash flow from operating activities	10,212,146,595.40	7,348,843,878.83	2,863,302,716.57	38.96	Mainly due to profit increase
Net cash flow from investing activities	-5,459,918,029.57	-3,969,579,009.00	-1,490,339,020.57	-37.54	Mainly due to the increase in the payment for Wanhua Yantai Industrial Park Project comparing with the same period of last year
Net cash flow from financing activities	-3,659,933,147.16	-3,504,270,910.29	-155,662,236.87	-4.44	No significant changes

(II) Significant changes on profit arising from non-principal business

Applicable N/A

(III) Analysis of assets and liabilities

Applicable N/A

1. Assets and liabilities

Unit: RMB

Items	31 December 2017	Proportion to total assets (%)	31 December 2016	Proportion to total assets (%)	Changes (%)	Explanations
Cash and bank balances	3,062,974,654.18	4.65	1,986,803,439.19	3.91	54.17	Mainly due to the accrued dividends payable at the year-end.
Notes receivable	11,308,297,066.37	17.18	3,608,297,836.67	7.11	213.40	Mainly due to the increase in the notes receivable received in the current year.
Accounts receivable	2,832,792,897.08	4.30	1,714,873,634.39	3.38	65.19	Mainly due to the increase in the sales volume in the current year.
Prepayments	481,975,826.77	0.73	239,227,748.59	0.47	101.47	Mainly due to the increase in the prepayment for raw materials
Other receivables	246,322,725.81	0.37	126,061,504.73	0.25	95.40	Mainly due to the customary guarantees paid and tax refunds receivable for export products in the current year.
Inventories	6,999,627,326.74	10.63	4,337,350,786.56	8.54	61.38	Mainly due to the increase in LPG and PU products.
Other current assets	268,224,126.74	0.41	1,223,181,558.97	2.41	-78.07	Mainly due to the decrease in the allowance of VAT in the current year
Long-term equity investment	525,628,774.00	0.80	363,304,422.54	0.72	44.68	Mainly due to the increase in the investment income from the new investment and original joint ventures and associates
Construction in progress	6,419,934,249.79	9.75	4,244,587,397.64	8.36	51.25	Mainly due to the increase in the investment of Yantai Industrial Park Project in the current year
Materials for construction of fixed assets	885,595,169.94	1.35	454,182,921.75	0.89	94.99	Mainly due to the increase in the purchase of equipment for engineering projects
Deferred tax assets	1,025,337,106.74	1.56	447,603,763.74	0.88	129.07	Mainly due to the increase in the deductible temporary differences such as deferred income, internal unrealized income and so on.
Other non-current assets	1,007,854,102.69	1.53	348,101,676.33	0.69	189.53	Mainly due to the increase in prepaid construction funds.
Short-term borrowings	12,714,569,960.22	19.31	8,501,465,901.41	16.75	49.56	Mainly due to the need to add current assets.
Derivative financial liabilities			7,514,019.66	0.01	-100.00	Due to the close of the position of the hedging instruments in the current year.
Prepayments	2,679,648,525.88	4.07	1,496,702,136.79	2.95	79.04	Mainly due to the increase in the sales volume.
Employee benefits payable	730,321,421.23	1.11	362,941,027.16	0.71	101.22	Mainly due to the increase in the unpaid labor expenses at the year-end.
Taxes payable	2,245,188,240.76	3.41	556,392,301.68	1.10	303.53	Mainly due to the increase in the enterprise income tax and VAT payable.
Interest payable	31,970,671.84	0.05	91,712,154.74	0.18	-65.14	Mainly due to the decrease in the interest payable subsequent to the repayment of 1 billion MTN and 1.7 billion short-term financing bills.
Non-current liabilities due within one year	2,670,513,333.46	4.06	4,045,125,000.13	7.97	-33.98	Mainly due to the repayment of loans for certain projects in the current year
Other current liabilities			1,700,000,000.00	3.35	-100.00	Mainly due to the repayment of short-term financing bills issued in the prior period.
Long-term borrowings	6,321,648,809.13	9.60	9,333,344,999.74	18.39	-32.27	Mainly due to the repayment of loans for certain projects in the current year
Long-term payables	1,352,722.00		2,705,450.00	0.01	-50.00	Due to the repayment of parts of principal of loans from Yantai City Finance Bureau
Deferred income	915,610,203.02	1.39	475,428,079.03	0.94	92.59	Due to the increase in the received government grants in the current year.
Capital reserve	2,392,825,722.70	3.63	48,410,490.40	0.10	4,842.78	Mainly due to the share premium from the additional insured shares
Surplus reserve	2,823,172,641.71	4.29	1,579,310,659.11	3.11	78.76	Due to the withdrawal of statutory surplus reserve pursuant to the Company Law and Articles of Associations of the Company in the current year.

2. Restriction of significant assets as of 31 December 2017

Applicable N/A

Restriction of significant assets as of 31 December 2017:

Unit: RMB

Item	Closing carrying amount	Reasons for restriction
Cash and bank balances	16,671,288.66	Guarantees for the issue of bank acceptance and L/C
Notes receivable	2,379,923,723.36	Pledged for obtainment of bank borrowings, issue of acceptance draft and letter of guarantee for customs tariff
Fixed assets	10,098,718,963.01	Mortgaged for borrowings
Intangible assets	461,656,672.92	Mortgaged for borrowings
Total	12,956,970,647.95	/

3. Others

Applicable N/A

(IV) Analysis of operational data in the industry

Applicable N/A

In 2018, along with a steady growth on demands of MDI, TDI, and water-based paint stimulated by continued prosperity in the global macroeconomic fields and consumption upgrading on Chinese huge consumer market, new development spaces will be available to new chemical materials due to aging population, second-child policy all over China and vehicle weight reduction.

However, as there will be multiple sets of new facilities which have completed the construction and more products launched into the markets in the Middle East and China in the next two years, the imbalance between supply and demand will be worsened, let alone ambitious potential competitors who glare at MDI industry fiercely; competition in the petrochemical industry becomes extremely fierce and periodic fluctuations is remarkable; as trade protectionism emerges more frequently, our overseas operations will face more uncertainty.

Analysis of operation data for chemical industry

1. Basic information of the industry

(1) Industrial policies and changes

Applicable N/A

In 2017, with further development of "supply-side reforms" and implementation of more strict environmental protection policies, higher requirements were put forward to chemical and new materials industries, which resulted to significant changes in the chemical and new materials industries with details in the following:

1. A large number of low-level redundant construction capacity without competitiveness began to withdraw gradually.
2. A large number of small and medium-sized high-polluting chemical companies are unable to maintain production due to the failure to meet the environmental protection standards.
3. Demands on upstream raw materials shifted to the high end gradually due to the acceleration on transformation and upgrading of demands of the manufacturing industry and residents.

The aforementioned changes have brought significant opportunities to Wanhua's business development. In 2017, in terms of PU industry, the Company kept steady in the sales volume and achieved remarkable surge in performance by virtue

of prosperous market conditions, striving to maintain customers' loyalty, hence the Company had more influence in the industry. In terms of the petrochemical industry, the Company, at the basis of earning the profits in the highest record amount, continued to deepen industry research and overseas layout to actively maintain the stable development of the industry, so as to form Wanhua's industry influences in the local markets. With regards to the functional material and specialty chemicals industry, the Company kept in a super-high-speed expansion due to high market demands.

(2) Basic information of the main sub-industries and industry position of the Company

Applicable N/A

PU business segment:

PU business is composed of two components: isocyanate and polyols.

The bulk isocyanate is divided into MDI and TDI. Wanhua occupies more than 20% market shares in the global MDI industry and plays the leading role in the product quality of the industry. In the Chinese market, Wanhua has become the industry leader. At present, the Company is constructing 300,000 tons of TDI facilities by actively taking advantage of MDI technology and production, which is estimated to build in 2018.

Polyols, as another key raw material for the PU industry, has a strong synergistic effect with isocyanates. Since entering into the field in 2006, Wanhua has developed into a Polyols manufacturer providing a complete range of domestic products.

Petrochemical business segment:

The petrochemical business currently mainly develops C3 and C4 olefin derivatives. Considering huge domestic demand on propylene, Wanhua Yantai Industrial Park has a very well-developed industrial chain of propylene and derivatives, owning propylene capacity of 750,000 tons. By virtue of the advantages of technology innovation, Wanhua developed more refined and higher value-added products with Wanhua's unique advantages on the basis of first-level propylene derivatives such as acrylic acid/butanol/PO.

In the future, Wanhua's petrochemical business will pay great efforts on the development of C2 olefin derivatives. When the one million ton ethylene industrial chain project under construction is completed, Wanhua will involve in more downstream high-value-added olefin derivatives and become an important supplier of olefin and derivatives in China.

Functional material and specialty chemicals business segment:

In 2017, the functional material and specialty chemicals business segment has achieved excellent performances with related products ranked among the top in the industry.

The downstream market of TPU products mainly refers to consumer products such as automobiles and electronic products. In the future, the Company will achieve remarkable sales volume and profits both by focusing on the international market and the domestic high-end market.

Relying on Wanhua's phosgenation technology advantages, products from PC businesses can be applied in fields of automobiles, electronic products, optical devices, and packaging. Subsequent to completion at the end of 2017, Wanhua's Phase I PC facilities launched successfully at the first attempt recently.

The special isocyanate business is the crown jewel in the fields of isocyanate, with major varieties including HDI, H₁₂MDI, IPDI, and among others. The downstream is mainly the automotive coatings and other fields. Wanhua's products have quickly gained recognition from major global customers since they were launched into the market. At present, its current market share has ranked among the top in the world.

The specialty amine business is a unique business platform created by Wanhua based on the hydrogenation technology platform. At present, Wanhua has become a manufacturer of specialty amines with a full range of domestic products at a high technical level. With the continuous development of high-end wind power, electrical appliances, accessories and other high-end epoxy fields, the industry will continue to grow rapidly in the future.

2. Products and Production Capacity

(1) Main operation mode

Applicable N/A

The Company adheres to take the path of professional development, focusing on fields of chemical engineering new materials all the time. As a raw material manufacturing enterprise in the field of chemical engineering new materials, the Company mainly develops B2B businesses with the purpose to bring the Company's superiority into full play in technology and manufacturing.

Main information of the adjusted operating mode in the reporting period

Applicable N/A

(2) Main products

Applicable N/A

Products	Sub-industry	Main upstream raw materials	Main downstream application	Factors to impact price
PU	Chemical engineering	Benzene	Thermal insulation and light industry	Market supply and request /raw materials
Petrochemical	Chemical engineering	LPG	Intermediates	Market supply and request /raw materials
Functional material and specialty chemicals	Chemical engineering	Internal supply	Automobile, painting and daily chemical	Market supply and request

(3) R&D and Innovation

Applicable N/A

The Company which always takes technological innovation as the first core competitiveness has established a complete R&D system and incentive mechanism by virtue of more than 1,000 full-time R&D personnel. Please refer to (III) Technological Innovation in "I. Discussion and Analysis for Operation" for details.

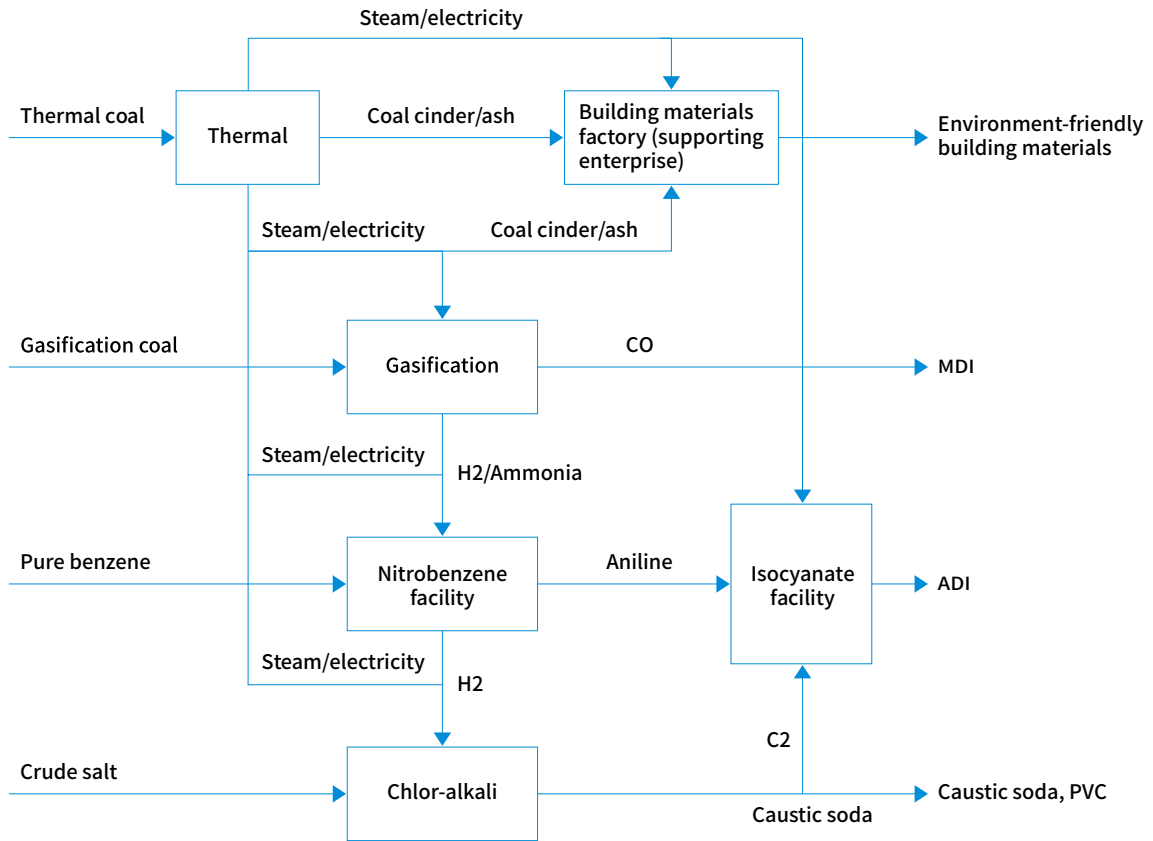
(4) Production Technology and Process

Applicable N/A

The Company has a wide range of product categories covering a great number of technological processes in the chemical industry, such as oxidation, hydrogenation, phosgenation, polymerization, carbonylation and coal gasification. Therein, the two major industrial chains, isocyanate and petrochemical, are closely connected, from which the functional material and specialty chemicals industry is derived.

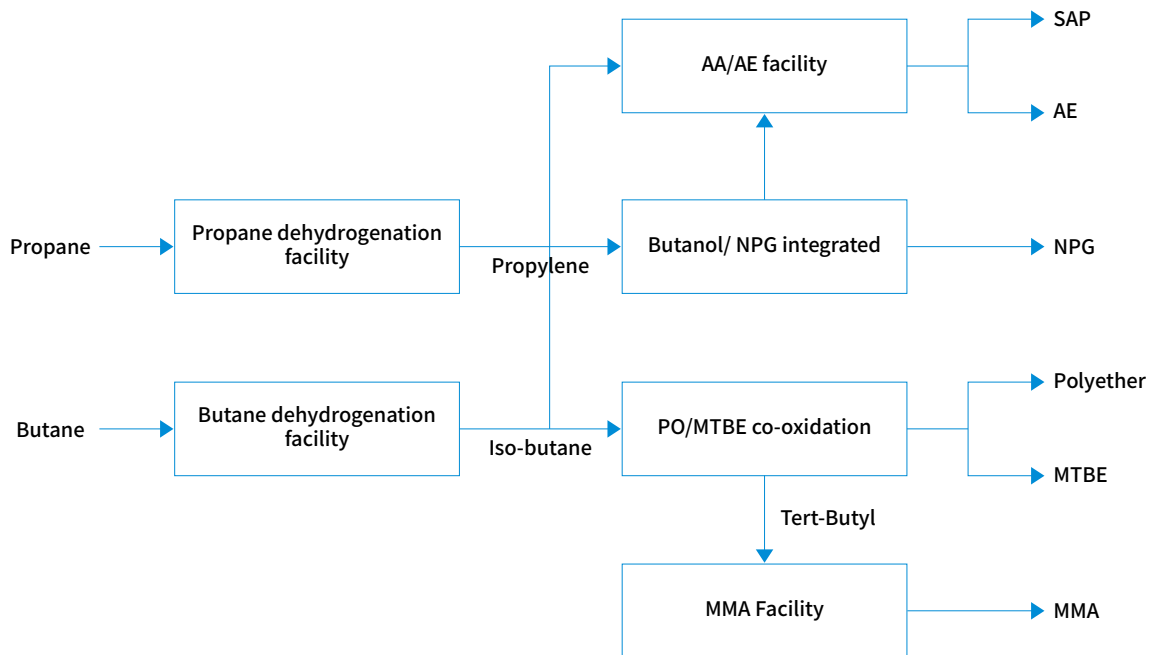
The Company's isocyanate and petrochemical industry chain diagrams are presented as below:

Isocyanate Industry Chain:



Note: The environment-friendly building materials and PVC are manufactured by the supporting enterprise of the industry Park, not the Company's products.

Petrochemical industry chain



(5) Production Capacity and Construction✓ Applicable N/A

Key plant and project	Design capacity	Capacity utilization (%)	Capacity under construction and investment	Expected completion date of the capacity under construction
Ningbo Industry Park MDI Integrated Project	1.2 million tons	87.58		
Yantai Industry Park MDI Integrated Project	0.6 million tons	83.58		
Yantai Industry Park PO/AE Integrated Project	1.79 million tons	98.00		
Yantai Industry Park SAP Project	30,000 tons	53.36	30,000 tons	December 2018
Yantai Industry Park PC Project Phase I			70,000 tons	January 2018
Yantai Industry Park PC Project Phase I			130,000 tons	February 2019
Yantai Industry Park TDI Project			300,000 tons	October 2018
Yantai Industry Park PMMA Project			80,000 tons	October 2018
Yantai Industry Park MMA Project			50,000 tons	October 2018

Changes in production capacity Applicable ✓ N/A**Adjustments on the product line and production capacity structure option** Applicable ✓ N/A**Abnormal production suspension** Applicable ✓ N/A**3. Procurement of raw materials****(1) Basic information of raw materials**✓ Applicable N/A

Raw materials	Procurement mode	Procurement quantity	Price fluctuation	Influence of price fluctuation on operating cost
Pure Benzene	Integration of domestic and foreign trade mainly transacted based on agreements with a supplement of the cash commodity	1.09 million tons	The price bounced due to the impact of profits from downstream at the end of the year after experiencing 8 months' weak since peaking in February.	Except for fluctuations at the end of the year, the price remained stable at the other times, making operating costs relatively stable.
Coal used for chemical industry	Strategic procurement	1.72 million tons	At the beginning of 2017, the price of coal used for chemical industry was at the high level, after which the price was downward until arriving the low point in July. Thereafter, the price rebounded quickly. The Company's procurement is made based on the price prescribed in long-term agreements.	The overall price fluctuations of the company's coal have little impact on the operating costs.
LPG	Adopting various procurement modes comprehensively, including contract price, fixed price, and floating price, etc.	3.29 million tons (including 1.74 million tons for trade)	In 2017, the seasonal trend was obvious in the international LPG price, as it was high in the first and fourth quarters, but low in the second and third quarters.	LPG prices rose year on year, causing an increase in the cost of petrochemical products.

(2) Approaches to address risks of raw material price fluctuations**Main information of financial products such as derivatives held by the Company**

Applicable N/A

Basic information of other approaches such as staged reserves

Applicable N/A

4. Sales of production of products**(1) Sales mode**

Applicable N/A

The Company is mainly engaged in the production and sales of chemical engineering products and new materials, with all major products subject to the market-oriented operation and sold in the form of direct sale and distribution.

(2) Basic information on the Company's principal operating businesses classified by sub-industry

Applicable N/A

Unit: RMB 0'000

Sub-industry	Operating in-come	Operating cost	Margin (%)	Changes in operating income year on year (%)	Changes in operating cost year on year (%)	Changes in margin year on year (%)	Product margin in the same field of the same industry
PU Series	2,983,409.99	1,330,427.88	55.41	81.72	36.47	Increased by 14.79%	Unknown
Petrochemical series	1,530,696.71	1,339,696.21	12.48	85.30	89.02	Decreased by 1.72%	Unknown
Functional material and specialty chemicals	419,737.92	287,524.67	31.50	53.66	66.25	Decreased by 5.19%	Unknown
Others	340,171.66	210,818.26	38.03	40.87	7.76	Increased by 19.05%	Unknown

Pricing strategy and changes in prices of main products

Applicable N/A

Pricing strategy of PU series:

Following the market trends, stabilizing prices to prevent the excessive increase and remarkable fluctuations, protecting healthy development of downstream and balancing the short-term and long-term benefits.

Price changes in PU series:

At the beginning of 2017, the domestic PM market continued its upward trend of last year with price up to RMB 26,800/ton. However, as the actual market demand was not as good as the expected since March 2017, the traditional peak season was not prosperous as usual, hence the market price began to decrease. After May, since certain manufacturers were a failure in manufacture due to the repair of facility faults, the supply was insufficient in the market, letting the price surge in RMB 30,000/ton. Then, during the period from September to October, as the market supply was far less than the demand in the peak season, the price soared to RMB 45,000/ton at the peak value; afterward, as the downstream demand gradually entered into the slack season, the price began to fall back. As of the end of 2017, the market PMDI price was about RMB 27,000/ton while the price of MDI rose to RMB 29,000/ton from RMB 23,500 yuan/ton at the beginning of the year.

Pricing strategy of petrochemical series:

In 2017, along with the further promotion of the periodic pricing operation mode, the petrochemical products built a new market rule to maintain a stable and healthy development of the market. The Company kept the market price stable within the pricing period, and closely monitored market changes, on the basis of which the Company would make a price adjustment or maintain the current price in the next period.

Price changes in petrochemical series:

From the whole year of 2017, the prices of different petrochemical products all increased compared with those at the same period of last year, which was basically consistent with the sharp increase in crude oil prices. The average price of propylene in Shandong was RMB 7,512/ton, up 19.7% year on year; the average price of PO in East China was RMB 10,911/ton, up 18.5% year on year; the average price of butanol in East China butanol RMB 6,811/ton, up 27% year on year; the average price of acrylic acid in East China was RMB 8,272/ton, down 31.1% year on year; the average price of butyl acrylate in East China was RMB 9,823/ton, up 31.9% year on year; and the average price of NPG imported hydrogenation was RMB 14,638/ton, up 51% year on year.

(3) Basic information on the Company's main principal operating businesses by sales channel

Applicable N/A

Unit: RMB 0'000

Sales channel	Operating income	Proportions of changes to last year (%)
Direct sales	4,541,180.93	60.84
Distribution	732,835.35	361.07

Explanation of accounting policies

Applicable N/A

(4) Basic information on the Company's joint products, by-products, semi-finished products, wastes and waste-heat utilization products during the production process

Applicable N/A

Other products	Output in the reporting period	Pricing mode	Key clients	The proportion of sales to key clients over the total sales (%)
Anhydrous HCL	209,349.01tons	Market pricing	Hanwha chemical (Ningbo) Co., Ltd.	69.11
Hydrochloric acid	896,043.38 tons	Market pricing	Longkou City Excellence Chemistry Co., Ltd.	14.07

Explanation

Applicable N/A

Anhydrous HCL and its by-product hydrochloric acid are by-products of isocyanate devices, mainly used in the production of PVC, chlorine gas and so on. The Company adopts the marketing pricing mode to sell aforementioned by-products. All of the purchasers are qualified distributors and manufacturers, who are contacted by the Company based on the matching results between their procurement volumes and the Company's production volumes. The production and sales of such by-products are stable, and there have been no significant influences on the production facilities and the Company's production and operations arising from the sales of such products in the current year.

5. Environment Protection and Safety

(1) Basic information of the Company's significant safety production accidents in the reporting period

Applicable N/A

(2) Basic information of the Company's funds input in environment protection

Applicable N/A

Unit: RMB 100 million

Funds input in environment protection	Proportion over operating income (%)
3.06	0.58

Basic information of significant environmental violations in the reporting period

Applicable N/A

(3) Other explanation

Applicable N/A

(V) Investment Analysis

1. General analysis of external equity investment

Applicable N/A

Unit: RMB 0'000

Item	Amount
Investments in the reporting period	262,418.68
Collected investments in the reporting period	2,000.00
Investments in the same period of last year	5,558.46
Collected investments in the same period of last year	

Unit: RMB 0'000

Investee	Principal operating activities	Type	Investment amount
Wanhua Chemical (Yantai) Petrochemical Co., Ltd.	Sales of petrochemical products	Capital incre-ment	200,000.00
Shanghai Wanhua Kejv Chemical Technology De-velopment Co., Ltd.	Technology development and service	Capital incre-ment	40,000.00
Wanhua Chemical US Holding Inc.	Technology development and ser-vice, information consulting, do-mestic and foreign trade, and asset management	Capital incre-ment	13,068.40
Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd.	Production and sales of chemical prod-ucts	Capital incre-ment	2,770.28
Yantai Recycled Water Co., Ltd.	Production, supply, and sales of recycled water	New estab-lishment	5,580.00
Yantai Bulk Commodity Exchange Center	Spot transaction for bulk commodities	New estab-lishment	1,000.00
Total			262,418.68

(1) Significant equity investment

Applicable N/A

(2) Significant non-equity investment

Applicable N/A

(3) Financial assets at fair value

Applicable N/A

(VI) Significant disposal of assets and equity

Applicable N/A

(VII) Analysis of major invested companies with controlling shareholding and minority shareholding

Applicable N/A

Introduction of key subsidiaries in which the Company holds shares:

1. The holding subsidiary Wanhua Chemical (Ningbo) Co., Ltd. was established on 27 February 2006. The company is mainly engaged in the development and production of PU and additives, isocyanate and derivative products; production of phosgene, formaldehyde, liquid oxygen, liquid nitrogen, hydrochloric acid and compressed air; technical and consulting services etc. With registered capital of RMB 936 million, the company has total assets of RMB 15,586.43 million, net assets of RMB 9,547.16 million. During the reporting period, the company achieved principal operating income of RMB 20,412.69 million, principal operating profit of RMB 9,724.46 million and a net profit of RMB 7,031.12 million.

2. The holding subsidiary Wanhua Chemical (Ningbo) Thermal Power Co., Ltd. is mainly engaged in the production and supply of thermal, power and pure water, as well as the construction of heat force pipe network. With registered capital of RMB 450 million, the company has total assets of RMB 1,192.97 million, net assets of RMB 774.44 million. During the reporting period, the company achieved a net profit of RMB 230.74 million.

3. The wholly-owned subsidiary Wanhua Chemical (Beijing) Co., Ltd. is mainly engaged in the development, manufacturing, and sales of PU; sales of chemical products; project investment; technology development and training, etc. With registered capital of RMB 60 million, the company has total assets of RMB 413.50 million, net assets of RMB 254.52 million. During the reporting period, the company achieved a net profit of RMB 11.08 million.

4. The holding subsidiary Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd. is mainly engaged in the manufacturing of caustic soda, liquid chlorine, hydrochloric acid, sodium-hypochlorite, chlorinated paraffin and chemical machinery; filling of hydrogen and liquid chlorine, test of seamless gas cylinder (limited to hydrogen) and welding gas cylinder (limited to liquid chlorine); wholesale and retail of corrosive (sulfuric acid), flammable liquid (methanol, toluene); chemical technology consulting and service, development of chemical technology; self-operating and proxy for import and export of various goods and technologies (exclusive of those restricted by the state). With registered capital of RMB 170 million, the company has total assets of RMB 1,315.96 million, net assets of RMB 967.85 million. During the reporting period, the company achieved a net profit of RMB 458.74 million.

5. The holding subsidiary Wanhua Chemical (Foshan) Rongwei Polyurethane Co., Ltd. is mainly engaged in the production and sales of PU material and PU products, as well as the export of goods and technologies etc. With registered capital of RMB 28.86 million, the company has total assets of RMB 178.39 million, net assets of RMB 82.24 million. During the reporting period, the company achieved a net profit of RMB 4.64 million.

6. The holding subsidiary Wanhua Chemical (Ningbo) Rongwei Polyurethane Co., Ltd. is mainly engaged in the production and sales of PU material and PU products, as well as the export of goods and technologies etc. With registered capital of RMB 150 million, the company has total assets of RMB 924.42 million, net assets of RMB 274.25 million. During the reporting period, the company achieved a net profit of RMB 77.32 million.

7. The wholly-owned subsidiary Wanhua Chemical (Guangdong) Co., Ltd. is mainly engaged in the production, sales, R&D promotion and technical services of chemical products like water-based paint resin, polyether glycol, modified MDI, adhesive etc. With registered capital of RMB 200 million, the Company has total assets of RMB 1,173.46 million, net assets of

RMB 158.92 million. During the reporting period, the company achieved net profit of RMB -38.32 million.

8. The holding subsidiary Wanhua Chemical (Yantai) Chlor-Alkali Thermal Power Co., Ltd. is mainly engaged in the investment development, construction and management of chlor-alkali chemical products, thermal power engineering, steam, industrial water and food additives. With registered capital of RMB 400 million, the Company has total assets of RMB 2,912.07 million, net assets of RMB 749.14 million. During the reporting period, the company achieved net profit of RMB 361.10 million.

(VIII) Structured entities controlled by the Company

Applicable N/A

III. Discussion and analysis on the future development of the Company

(I) Industry competitive landscape and development trend

Applicable N/A

In 2017, with a moderate growth in the global economy, China implemented a more stringent environmental protection policy. The macro economy was basically stable under the support of infrastructure, real estate, and automobiles, and the effectiveness of supply-side reforms was more obvious. Under the background of increased global crude oil prices, prices of bulk commodities in China rose significantly, creating a favorable environment for Wanhua's operations. Meanwhile, production bases of the chemical industry developed into larger scale and became more integrated, with products more diversified and functionalized, and business more complexity. Globalization was still the trend for future development.

On the basis of the above favorable external background, the Company has consistently adhered to the established strategy. Since the two major projects, namely the relocation integrated project and the PO/AE integrated project in Yantai Industrial Park, were successfully put into operation, Wanhua has significantly improved its industrial structure. In addition, Wanhua has also launched two main types of projects including one million tons of ethylene projects and industrial chain high value-added extension projects, as a way to further diversify Wanhua's product categories, improve the industrial chain support, use the hedging of each product industry cycle, and address the risk that profitable products are relatively single. On the one hand, PVC and EO included in the ethylene projects made up the weak points existed in Wanhua's PU industrial chain, guaranteeing high-load stable operation in the isocyanate industry and provision of key materials to polyether industry hard to transport; on the other hand, the Company developed high value-added projects by using key materials from the current industry chain and ethylene projects, realizing the horizontal and vertical use of the industry chain and the high-efficient use of energy through innovations in technology, process, product, and resource balance to diversify Wanhua's businesses, so that Wanhua PU can transform into Wanhua Chemical in deed.

When the Chinese economy entered into a stage of cyclical and structural adjustment, the Company accelerated the pace to globalization at the same time of taking China as the center. In the domestic respect, Ningbo and Wanhua production bases are still being optimized, and Zhuhai production base Phase I has also been successfully completed and put into production. In the oversea respect, Wanhua is actively preparing for the construction of a production base in American. In addition, Wanhua is also gradually improving the warehousing and logistics system in major markets, seizing good opportunities to set up technical centers and service centers that focus on the needs of customers, with the purpose to approach to the market and deeply understand the needs of customers by taking customers' needs as the guideline, and fully participate in the global market competition and cooperation.

(II) The Company's development strategy

Applicable N/A

Overall development strategy:

The Company has implemented an integrated development strategy regarding diversification, refinement and low cost focused on high-tech and high value-added new chemical materials by taking customer needs as the guideline, technology

innovation as the core, talents as the cornerstone, and excellent operation as the solid foundation, with guarantee from the support from capital operation, and is sparing no efforts to develop Wanhua to be the first-class new chemical material company operating globally.

(III) Business plan

Applicable N/A

The year of 2018 is the critical period for Wanhua's leapfrogging development. The Company will do a good job in four aspects, namely, safety, innovation, excellence, and globalization, as to effectively enhance the Company's sustainable development capabilities; go all out to complete the overall listing and solve the system and mechanism problems for the future development; and improve the personnel training system through talent matching and highest point positioning, so as to accumulate strength for Wanhua's long-term development.

In 2018, Wanhua intends to realize sales revenue of RMB 51.2 billion. (This income plan does not constitute the Company's performance commitment to investors. Please pay attention to the risks.)

(IV) Potential risks

Applicable N/A

Security Risk

As a chemical manufacturer, the safety risks of production operations cannot be eradicated.

Based on the "Safety Management Year" in 2017, the Company defined the management theme in 2018 as "Security Management Deepen Year". At present, the Company has implemented a series of measures to prevent new safety production accidents, such as paying much attention on production discipline and labor discipline, carrying out reaction mechanism and hazard research, employing experienced safety production management personnel, and introducing new external consulting agencies and concepts. Work in safety production can never complete. Wanhua will always adhere to take safety production as the priority and spare no effort to reduce risks in the future.

Risk of single profitable product and market

Since 2011, the Company has realized that, as most of its operating income comes from the sales of PU products in Chinese market, it is exposed to the risk of single profitable product and market, hence it has increased investment to overseas and other industries. At present, the risk is gradually mitigated. In the future, the Company will continue to increase investments in functional material and specialty chemicals, overseas production bases and others to gradually mitigate risks at the same time of expanding and strengthening the PU sector.

New industry learning curve risk

At present, Wanhua is under a critical period for the development of new industries. The Company, as expanded to diversified fields including petrochemicals, functional material and specialty chemicals of chemical industry from a single MDI product through health growth model, has faced different challenges in various respects of production management and marketing mode, which requires some time to learn and explore. Therefore, how to shorten the learning curve has become a major challenge for the Company's development.

Given that, the Company has established a model for the operation of business departments, namely, on the basis of the original MDI business, setting up the petrochemical company and various business departments to operate industries such as petrochemicals, functional material and specialty chemicals respectively. For these new businesses, Wanhua has conducted a model of operation and assessment different from MDI business as to accelerate the maturity of these new businesses with full reference to the successful experience from the existed benchmarking companies.

Raw material procurement and exchange rate risk

The turmoil in the crude oil market and the fluctuation in the RMB exchange rate have caused many uncertainties in the

upstream raw material market. Since the Yantai Industrial Park was fully put into operation, international purchases have gradually increased, so the Company is facing certain risks from raw material procurement and exchange rate. To address this risk, the Company has strengthened its observation and analysis on the raw material market, improved its grasp on market rules, and enhanced its sourcing ability for global procurement strategy.

Insufficient supply of human resources reserves

With the implementation of internationalization and related diversification strategies, the Company has invested a large amount of human resources in the construction of Yantai Industrial Park and Zhuhai Base. In the future, both the successive construction of the Southwest Base and the American Base and the marketing for a large number of new products have challenged the personnel reserves, therefore, the Company is exposed to the risk of insufficient human resources reserves.

To address the risk, the Company pays more efforts to attract talents, retain talents, and educate talents on the basis of further emphasizing the concept that "Talent is fundamental to the development of the enterprise", as to attract and impel more outstanding domestic and overseas talents.

(V) Others

Applicable N/A

IV. Explanation for conditions and reasons for not disclosing subject to standards due to not applicable to standard regulations or other special reasons such as national secrets or business secrets.

Applicable N/A

Section V Important Events

I. Ordinary shares distribution or preliminary proposal for capitalization of capital reserve

(I) Policies of cash dividend distribution of the Company and the implementation or adjustment

Applicable N/A

Pursuant to *Notice for Further Implementation of Events on Distribution of Cash Dividends by Listed Companies* released by China Securities Regulatory Commission ("CSRC"), *Notice for Forwarding the Notice for Further Implementation of Events on Distribution of Cash Dividends by Listed Companies* from CSRC (Lu Zheng Jian Fa [2012] No.48) and *Emergency Circular on Amending Matters Concerning the Cash Dividend Clause of Articles of Association* (Lu Zheng Jian Gong Si Zi [2012] No.48) released by Shandong Branch of CSRC, the Company amended the cash dividend clauses in the articles of association at the 3rd session of the 5th Board of Directors held on 18 August 2012, and formulated *Yantai Wanhua Dividends Distribution Policy and Shareholder Reward Plan for the Next Three Years* (2012-2014), which was implemented subsequent to the approval at the 2nd extraordinary general meeting of 2012 held on 25 December 2012.

Pursuant to relevant provisions in Guidelines No.3 on the Supervision and Administration of Listed Companies – Distribution of Cash Dividends of Listed Companies (Announcement of CSRC [2013] No.43), for the purpose to standardize the Company's cash dividends, increase the transparency degree in cash dividends, and protect the legal rights and interests of the Company's shareholders and investors, the Company, after passed the *Proposal on Amending the Articles of Association* at the 6th session of the 5th board of directors held on 12 April 2014 combining with the Company's actual conditions, amended clauses related to profit distribution and cash dividends in the Company's article of association, which was implemented upon approval on the Company's 2013 annual general meeting.

Wanhua Chemical always pays attention to the rewards to shareholders' investments. It distributes cash dividends to shareholders every year, which is in conformity with requirements of the Company's articles of association and the resolutions of shareholders' meetings since the distribution is made under clear dividend standards and percentages after implementation of relevant decision procedures on the basis of independent opinions issued by independent directors, hence the legal rights and interests of small and medium shareholders are safeguarded.

(II) Plan or preliminary proposal for ordinary share distribution and capitalization of capital reserve of the Company in recent three years

Unit: RMB

Year	Stock dividend per 10 shares (shares)	Cash dividend per 10 shares (RMB) (inclusive of tax)	Capital reserve transferred into share capital per 10 shares (share)	Amount of cash dividend (inclusive of tax)	Net profit attributable to shareholders of the Company in consolidated financial statements for the year of dividend distribution	Proportion of net profit attributable to the Company in consolidated financial statements (%)
2017	0	15	0	4,101,019,200.00	11,134,790,281.66	36.83
2016	2	5	0	1,139,172,000.00	3,679,421,831.90	30.96
2015	0	2	0	432,466,944.00	1,609,743,609.59	26.87

In the reporting period, pursuant to the Profit Distribution Plan For The First Three Quarters of 2017 of Wanhua Chemical Group Co., Ltd. approved in the fourth temporary meeting in 2017 by the 7th board of directors on 25 December 2017, the Company, based on total 2,734,012,800.00 shares as of 30 September 2017, planned to distribute RMB 15 (inclusive of tax) per 10 shares by using the profits available for distribution to shareholders in the first three quarters of 2017, amounting to RMB 4,101,019,200.00 in total. Such profit distribution plan was approved by the first extraordinary shareholder meetings of 2018 held by the Company on 12 January 2018 and completed on 26 January 2018.

(III) Particulars of repurchase of shares in cash offer recognized in cash dividends

Applicable N/A

(IV) Where the preliminary proposal for cash profits distribution of ordinary shares is not proposed although the Company earns profits and the distributed profits attributable for ordinary shareholders is set out in positive figures, the Company shall disclose relevant reasons in details, and the usage and plan for retained profits.

Applicable N/A

II. Performance on commitment matters

(I) Commitments in or sustain to the reporting period in actual controllers, shareholders, related parties, purchaser, companies or others relating to commitments

Applicable N/A

Background of commitment	Type of commitment	Commitment made by	Content of commitment	Date and period	Whether there is deadline for fulfillment?	Whether the commitment is fulfilled timely and strictly	Where the commitment is not fulfilled timely, specify the reason.	Where the commitment is not fulfilled timely, specify subsequent plan.
Commitment relating to share reform								
Commitment relating to share reform								
Commitment relating to significant assets restructuring								
IPO related commitments								
IPO related commitments								
Commitments relating to equity incentives								
Commitments relating to equity incentives	solving horizontal competition	The original controlling shareholder Wanhua Industrial Group Co., Ltd.	In 2011, the Company's original controlling shareholder Wanhua Industrial Group Co., Ltd. acquired 96% equity of Hungary BorsodChem Zrt. on 31 January 2011 at Hungary Budapest time. As BorsodChem company (the "BC company") and Wanhua Chemical formed horizontal competition and have related transactions, Wanhua Industrial made the commitment that "within 18 months after significant improvement of BC company's operation (including but not limited to that BC company meet the criteria as going concern and is not expected to experience normal operating loss in the next 12 months), Wanhua Chemical is entitled to request Wanhua Industrial to raise a proposal of solving the chemical business combination between BC company and Wanhua Chemical with appropriate measures, and upon the submission of the proposal to general meeting of shareholders for voting, Wanhua Industrial will avoid the voting." Details refer to the Company's Lin No.2011-01 Announcement. In 2014, on the basis of the agreement, the two parties have entered into a supplementary agreement for an extension of 3 years regarding the valid period specified in the agreement and the two parties may further negotiate upon the expiry of the agreement. In 2017, the two parties continued to enter into supplementary agreement based on the agreement for an extension of 3 years regarding the valid period specified in the agreement and the two parties may further negotiate upon the expiry of the agreement. In 2016, Wanhua Industrial acquired the rest 4% equity of BC company. As at the end of the reporting period, Wanhua Industrial held 100% equity of BC company.	Within 18 months after significant improvement of BC company's operation (including but not limited to that BC company meet the criteria as going concern and is not expected to experience normal operating loss in the next 12 months),	Yes	Yes		
Other Commitment								
Other Commitment								

Note: During the reporting period, as noticed by the original controlling shareholder, Wanhua Industrial Group Co., Ltd. (hereinafter referred to as "Wanhua Industry"), that Wanhua Industry intended to carry out company separation and overall listing, which may constituted a major reorganization of assets, the Company's shares temporarily suspended for transaction on 5 December 2017 upon application to the Shanghai Stock Exchange, and continued to suspend in consecutive period commencing at the time when the stock market opened on 6 December 2017.

In January 2018, the original controlling shareholder of the Company, Wanhua Industry, completed the division by continued existence. In particular, Wanhua Industry was divided into Wanhua Industrial Group Co., Ltd. (surviving company) and the newly established Yantai Wanhua Chemical Industry Co., Ltd. (hereinafter referred to as "Wanhua Chemical Industry"). After this division, the original shareholders of Wanhua Industry kept the same proportion of capital contribution in the surviving company Wanhua Industry and the new company Wanhua Chemical Industry. Moreover, the Company's controlling shareholder changed to Wanhua Chemical Industry from Wanhua Industry, but the Company's actual controller hasn't changed, remaining to be the State-owned Assets Supervision and Administration Commission of Yantai Municipal Government.

As of the disclosure date of this report, it has been still in progress for the transfer of shares held by Wanhua Industry in Wanhua Chemical and the application submitted by Wanhua Chemical Industry to CSRC for exemption from the tender offer.

When the aforementioned major asset reorganization related to stock suspension has been completed, the controlling shareholder will fulfill the commitment of solving horizontal competition.

(II) For assets or projects which the Company estimates their profits and still within the estimate period as of the reporting period, the Company shall state whether the estimated profits are achieved and explain relevant reasons.

Achieved Not achieved N/A

III. Funds occupation and settlement during the reporting period

Applicable N/A

IV. Explanations on "Non-standard Auditor's Report" issued by certified public accountants by the Board

Applicable N/A

V. Analysis and explanation of the Company for reasons and effects of accounting policies and estimate change and significant accounting mistakes correction

(I) Analysis and explanation of the Company for reasons and effects of accounting policies and estimate change

Applicable N/A

1. On 10 May 2017, the Ministry of Finance released the revised *Accounting Standard for Business Enterprise No.16 - Government Grants*, which, as implemented since 12 June 2017, required enterprises to account for government grants existing on 1 January 2017 prospectively, in particular, enterprises should make adjustments for government grants added during the period from 1 January 2017 to the implementation date of the standard pursuant to the revised standard.

The Company has accounted for government grants existing on 1 January 2017 prospectively and adopts new policies on the new added government grants. For transactions prior to 1 January 2017 and financial statements for the comparable period

in 2017 financial statements, the Company makes no adjustment retrospectively.

Changes in the accounting policies bring no influences on the net profit for the current year.

2. The Accounting Standard for Business Enterprise No.42 - Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations was released by the Ministry of Finance on 28 April 2017 and implemented since 28 May 2018. The Company added the item of "income from disposal of assets" in the income statement and presented net profits by continued operations pursuant to the aforementioned standard and the regulation in Notice of the Revised Format of Financial Statements for General Business Enterprise (Cai Kuai [2017] No.30) released by the Ministry of Finance. The Company has adjusted the comparative figures for the comparable period in accordance with relevant regulations on the *Accounting Standard for Business Enterprise No.30 Presentation of Financial Statements*. Changes in the accounting policies bring no influences on the net profit for the current year.

(II) Analysis and explanation of the Company for reasons and effect of significant accounting mistakes correction

Applicable N/A

(III) Communication with the previous accounting firms

Applicable N/A

(IV) Others

Applicable N/A

VI. Employment and dismissal of certified public accountants

Unit: RMB 0'000

Current employment	
Domestic certified public accountants	Deloitte Touche Tohmatsu CPA LLP
Remuneration paid to domestic certified public accountants	300.00
Audit period of domestic certified public accountants	13 years

	Name	Remuneration
Certified public accountants for internal control audit	Deloitte Touche Tohmatsu CPA LLP	70

Explanations on the employment and dismissal of certified public accountants

Applicable N/A

During the reporting period, the Company hasn't changed the accounting firm. At present, the Company employs Deloitte Touche Tohmatsu Certified Public Accountants LLP as the Company's domestic auditor, and proposes to pay RMB 3 million (inclusive of VAT) as the audit fees for its domestic businesses in 2017. At the end of the reporting period, such accounting firm has provided 13 years of audit services to the Company.

Explanations on changing the Certified Public Accountants during the audit period.

Applicable N/A

VII. Risk exposure to the suspension of listing

(I) Reasons to explain the suspension of listing

Applicable N/A

(II) Measures adopted by the Company to resume listing

Applicable N/A

VIII. Events that the listing of shares shall be terminated and relevant explanation

Applicable N/A

IX. Bankruptcy and reorganization

Applicable N/A

X. Significant lawsuit and arbitration

Significant lawsuits and arbitrations for the year No significant lawsuits and arbitrations for the year

XI. Penalty and rectification of the Company and its directors, supervisors, senior management, controlling shareholders, actual controllers and purchasers

Applicable N/A

XII. Explanations on credit issue of the Company and its controlling shareholders and actual controllers during the reporting period.

Applicable N/A

XIII. The Company's share option incentive scheme, employee stock ownership plan or other employee incentive scheme and relevant impacts.

(I) Related incentive schemes that have been disclosed in the temporary announcement but have no progress or change subsequently

Applicable N/A

(II) Incentive schemes not disclosed in the temporary announcement or having subsequent progresses.

Share option incentive scheme

Applicable N/A

Others

Applicable N/A

Employee stock ownership plan

Applicable N/A

Other incentive measures

Applicable N/A

XIV. Significant related party transactions of the Company during the reporting period

(I) Significant related party transactions related to daily operations

1. Events that have been disclosed in the temporary announcement but have no progress or change subsequently

Applicable N/A

Event summary	Search index
The Company received the custody fees amounting to RMB 10 million (inclusive of VAT) for the management and operation of BorsodChem Zrt. under the entrustment of the controlling shareholder Wanhua Industry.	Lin No.2011-01 "Yantai Wanhua's Announcement on The Acquisition Of Shares In BC Company By The Controlling Shareholder Wanhua Industry".

2. Events that have been disclosed in the temporary announcement and have progresses or changes subsequently

Applicable N/A

The 2016 annual general meeting of shareholders held on 3 May 2017 passed the "Proposal on the Fulfillment of the Normal Related Transactions Agreement between the Company and Related Parties", approving the expected normal related transactions between the Company and related parties in 2017. The related transactions for 2017 are detailed as follows:

Unit: RMB

Related party	Relationship	Type of transaction	Content of transaction	Pricing principle	Amount	Term of payment
Wanhua Industrial Group Co., Ltd.	Parent Company	Sales of commodities	Sales of goods	Market price for the same period	22,222.22	Bank acceptance, T/T
BorsodChem Zrt.	Wholly-owned subsidiary of parent company	Sales of commodities	Sales of goods	Market price for the same period	1,019,415,633.13	T/T
BorsodChem MCHZ,S.R.O.	Wholly-owned subsidiary of parent company	Sales of commodities	Sales of goods	Market price for the same period	3,655,914.06	T/T
BorsodChem ITALIA SRL	Wholly-owned subsidiary of parent company	Sales of commodities	Sales of goods	Market price for the same period	7,752,520.55	T/T
Wanhua EnergySav Science & Technology Co., Ltd.	Holding subsidiary of parent company	Sales of commodities	Sales of goods	Market price for the same period	101,859,521.52	Bank acceptance, T/T
Wanhua EnergySav Science Technology (Yantai) Co., Ltd.	Holding subsidiary of parent company	Sales of commodities	Sales of goods	Market price for the same period	42,490.50	Bank acceptance, T/T
Wanhua Integrated Housing (Yantai) Co., Ltd.	Holding subsidiary of parent company	Sales of commodities	Sales of goods	Market price for the same period	4,273.50	Bank acceptance, T/T
Yantai Wanhua Chlor-Alkali Co., Ltd.	Associate of parent company	Sales of commodities	Sales of goods	Market price for the same period	5,177,323.57	Bank acceptance, T/T
Linde Gas (Yantai) Co., Ltd	Associate	Sales of commodities	Sales of good/land lease	Market price for the same period	331,270,901.57	Bank acceptance, T/T
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Joint venture	Sales of commodities	Sales of goods/rendering service/housing lease	Market price for the same period	6,339,726.44	Bank acceptance, T/T
Wanhua Ecoboard Co., Ltd.	Associate of parent company	Sales of commodities	Sales of goods	Market price for the same period	136,752.14	Bank acceptance, T/T
Wanhua Ecological Technology (Yantai) Co., Ltd.	Wholly-owned subsidiary of associate of parent company	Sales of commodities	Sales of goods	Market price for the same period	156,736,124.05	Bank acceptance, T/T
Wanhua Ecoboard(Jingzhou) Co., Ltd.	Wholly-owned subsidiary of associate of parent company	Sales of commodities	Sales of goods	Market price for the same period	38,366,332.94	Bank acceptance, T/T
Wanhua Ecoboard(Xinyang) Co., Ltd.	Wholly-owned subsidiary of associate of parent company	Sales of commodities	Sales of goods	Market price for the same period	4,617,094.02	Bank acceptance, T/T
Wanhua Industrial Group Co., Ltd.	Parent company	Other flowing out	Purchase of material/receipt of service/housing lease	Market price for the same period	19,210,895.19	Bank acceptance, T/T
BorsodChem Zrt.	Wholly-owned subsidiary of parent company	Purchase of commodities/receipt of service	Purchase of commodities/receipt of service	Market price for the same period	343,605,398.75	T/T

Wanhua BorsodChem Latin-America	Wholly-owned subsidiary of parent company	Receipt of service	receipt of service	Market price for the same period	4,244,426.08	T/T
Wanhua EnergySav Science & Technology Co., Ltd.	Holding subsidiary of parent company	Purchase of material/receipt of service	Purchase of commodities/receipt of service	Market price for the same period	29,047.01	Bank acceptance, T/T
Wanhua Integrated Housing (Yantai) Co., Ltd.	Holding subsidiary of parent company	Purchase of commodities/receipt of service	Purchase of commodities/receipt of service	Market price for the same period	5,108,587.34	Bank acceptance, T/T
Wanhua EnergySav (Yantai) Environment Protection Science & Technology Co., Ltd.	Holding subsidiary of parent company	Purchase of materials for construction of fixed assets	Purchase of material	Market price for the same period	354,638.50	Bank acceptance, T/T
Wanhua EnergySav (Yantai) Engineering Co., Ltd.	Holding subsidiary of parent company	Receipt of service	receipt of service	Market price for the same period	792,101.20	Bank acceptance, T/T
Shanxi Zhongqiang Fushan Coal Industry Co., Ltd.	Wholly-owned subsidiary of parent company	Purchase of material	Purchase of material	Market price for the same period	55,609,198.45	Bank acceptance, T/T
Linde Gas (Yantai) Co., Ltd	Associate	Purchase of material	Purchase of material	Market price for the same period	280,654,532.93	Bank acceptance, T/T
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Joint venture	receipt of service	receipt of service	Market price for the same period	189,070,340.98	Bank acceptance, T/T
Yantai Wanhua Chlor-Alkali Co., Ltd.	Associate of parent company	Purchase of material/receipt of service	Purchase of commodities/receipt of service	Market price for the same period	6,273,766.83	Bank acceptance, T/T
Yantai Huali Thermal Power Co., Ltd.	Wholly-owned subsidiary of associate of parent company	Purchase of material/receipt of service	Purchase of commodities/receipt of service	Market price for the same period	17,948,356.56	Bank acceptance, T/T

For the Company's related transactions, on one hand, considering the Company's strategic layout, i.e., enlarging the shares in overseas market and so on, it is inevitable to have related transactions; on the other hand, as the related parties for selling goods are the downstream clients of MDI products, these transactions are also inevitable; the related parties for purchasing materials are the raw material suppliers of the Company, providing supporting service for the production of the Company. Therefore, the related transactions are inevitable; in addition, the related transactions due to the influence of location are also inevitable.

The related transaction has no significant influence on the Company's independence.

The Company's dependence on related parties is minor, no related measure is required.

3. Events that not been disclosed in the temporary announcement

Applicable N/A

(II) Significant related party transactions related to assets or equity acquisition and disposal

1. Events that have been disclosed in the temporary announcement but have no progress or change subsequently

Applicable N/A

2. Events that have been disclosed in the temporary announcement and have progresses or changes subsequently

Applicable N/A

3. Events that not been disclosed in the temporary announcement

Applicable N/A

Unit: RMB

Related party	Relationship	Type of transaction	Content of transaction	Pricing principle	Amount
Yantai Wanhua Chlor-Alkali Co., Ltd.	Associate of parent company	Purchase of assets other than commodities	Transfer of fixed assets	Market pricing	6,042,237.36
Yantai Huali Thermal Power Co., Ltd.	Wholly-owned subsidiary of associate of parent company	Purchase of assets other than commodities	Transfer of fixed assets	Market pricing	193,688.00

4. Performance achievement events involving performance convention in reporting period which should be disclosed

Applicable N/A

(III) Significant related party transactions related to external joint investment

1. Events that have been disclosed in the temporary announcement but have no progress or change subsequently

Applicable N/A

2. Events that have been disclosed in the temporary announcement and have progresses or changes subsequently

Applicable N/A

3. Events that not been disclosed in the temporary announcement

Applicable N/A

(IV) Balances due from/to related parties

1. Events that have been disclosed in the temporary announcement but have no progress or change subsequently

Applicable N/A

2. Events that have been disclosed in the temporary announcement and have progresses or changes subsequently

Applicable N/A

3. Events that not been disclosed in the temporary announcement

Applicable N/A

(V) Others

Applicable N/A

XV. Significant contracts and implementation

(I) Trusteeship, contracting and leasing

1. Trusteeship

Applicable N/A

2. Contracting

Applicable N/A

3. Leasing

Applicable N/A

(II) Guarantee

Applicable N/A

Unit: RMB

General information of guarantee (except guarantee provided for subsidiaries)													
Guarantor	Relationship	Guarantee	Amount of guarantee	Signed date of guarantee	Starting date of guarantee	Ending date of guarantee	Type of guarantee	Completion of guarantee	Overdue of guarantee	Overdue amount of guarantee	Counter guarantee	Related party guarantee	Relationship
Wanhua Chemical Group Co., Ltd.	Head office of the Company	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	25,000,000.00	24 April 2014	24 April 2014	22 April 2022	joint and several liability guarantee	No	No		Yes	Yes	Joint venture
Wanhua Chemical Group Co., Ltd.	Head office of the Company	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	50,000,000.00	8 May 2015	8 May 2015	7 May 2020	joint and several liability guarantee	No	No		Yes	Yes	Joint venture
Wanhua Chemical Group Co., Ltd.	Head office of the Company	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	25,000,000.00	29 April 2016	29 April 2016	28 April 2021	joint and several liability guarantee	No	No		Yes	Yes	Joint venture
Wanhua Chemical (Ningbo) Thermal Power Co., Ltd.	Holding subsidiary	Ningbo Xiebei Thermal Power Co., Ltd.	55,000,000.00	6 September 2015	6 September 2015	5 September 2020	joint and several liability guarantee	No	No		Yes	Yes	Joint venture
Wanhua Chemical (Ningbo) Thermal Power Co., Ltd.	Holding subsidiary	Ningbo Xiebei Thermal Power Co., Ltd.	82,500,000.00	4 March 2016	4 March 2016	5 September 2020	joint and several liability guarantee	No	No		Yes	Yes	Joint venture
Wanhua Chemical (Ningbo) Thermal Power Co., Ltd.	Holding subsidiary	Ningbo Xiebei Thermal Power Co., Ltd.	165,000,000.00	14 October 2014	14 October 2014	13 October 2020	joint and several liability guarantee	No	No		Yes	Yes	Joint venture
Wanhua Chemical (Ningbo) Thermal Power Co., Ltd.	Holding subsidiary	Ningbo Xiebei Thermal Power Co., Ltd.	27,500,000.00	10 May 2016	10 May 2016	9 May 2018	joint and several liability guarantee	No	No		Yes	Yes	Joint venture
Total amount of guarantee incurred during the reporting period (except guarantee provided for subsidiaries)													
Total balance of guarantee at the end of the reporting period(A) (except guarantee provided for subsidiaries)													430,000,000.00
Guarantee provided for subsidiaries from the Company and its subsidiaries.													
Total amount of guarantees provided for subsidiaries during the reporting period													6,722,649,799.26
Total balance of guarantees provided for subsidiaries at the end of the reporting period(B)													9,139,368,942.10
Total amount of guarantees provided (including guarantee provided for subsidiaries)													
Total amount of guarantees provided (A and B)													9,569,368,942.10
Ratio of total amount of guarantee against net assets - (%)													35.08
Including:													
Amount of guarantee provided for shareholders, actual controller and its related parties (C)													-
Direct or indirect debt guarantees provided for guaranteed parties whose asset-liability ratio exceeds 70% (D)													7,489,510,789.50
Amount of total amount exceeding 50% of net assets (E)													-
Total amount of guarantee above (C, D and E)													7,489,510,789.50
Statement for joint liability of undue guarantee								The above total guarantee amount (including those for subsidiaries) is the contractual guarantee amount, the actual guarantee amount is RMB 7,251,494,682.62, accounting for 26.58% of the net assets of the Company.					

XVI. Explanations on other significant matters

Applicable N/A

XVII. Active fulfillment of social responsibility

(I) Poverty alleviation by listed companies

Applicable N/A

(II) Achievement of fulfilling social responsibility

Applicable N/A

Refer to the Company's Social Responsibility Report.

(III) Environment protection

1. Environment protection of the Companies and their subsidiaries in high pollution industries regulated by the State Environmental Protection Department.

Applicable N/A

During the reporting period, Wanhua Chemical, on the basis of serious implementation of the environmental protection guidelines and policies with a strict compliance with environmental protection laws and regulations as the baseline, focuses on the upgrading and rebuilding of environmental facilities and deepening of environmental management. On the one hand, Wanhua Chemical properly reconstructs a batch of environmental facilities integrated with new progresses in pollution prevention and abatement as to ensure the emission of three kinds of wastes meeting the new standard; on the other hand, Wanhua Chemical continues to deepen the environment protection management and further improve the basic level thereof through steadily implementation of environmental compliance management model and hazardous waste emission reduction plan. Therefore, environmental risk has been effectively controlled and the environmental management system is running well, without any emergent environmental pollution incidents.

During the reporting period, the Company has enhanced the environment protection management on construction projects, and steadily conducted various stages of work related to environmental impact assessment on construction projects, environment supervision, and inspection and acceptance upon completion, etc., implementing difference environment protection measures as required by environmental impact assessment files overall and verifying the results through examination using PSSR(Pre-startup Safety Review). Prior to the operation of projects, the Company has completed the construction of all environment protection facilities and kept them running in good conditions, set up specified sampling ports on sewage outfalls with relevant date listed in the environment automatic monitoring plan, and employed professional institutions to sample and monitor three wastes emission data of each sewage outfall. Meanwhile, key pollutant discharging entities such as Wanhua Chemical, Wanhua Ningbo and Ningbo Thermal Power have published environment information including sewage outfalls, pollutant discharge, environmental protection facilities and environmental monitoring plans through website, display screen and other ways, for the purpose of accepting public supervisions.

Monitoring indicators of the subsidiary Wanhua Chemical (Ningbo) Thermal Power Co., Ltd. mainly include smoke, SO₂ and nitrogen oxides in flue gas. Exhaust gases produced from the production process are not discharged until they have gone through flue gas purification facilities. With the purpose to realize the ultra-low emissions of pollutants, a waste gas upgrading and reconstruction project was implemented in 2017. Through increase of spraying devices on the absorption section, comprehensive reconstruction on the defogging section, and addition of ultrasonic demisters, the pollutant emission concentration continues to decrease. In the year of 2017, Wanhua Chemical (Ningbo) Thermal Power Co., Ltd. emitted 100 tons of SO₂, 302.9 tons of nitrogen oxide, and 58.2 tons of smoke in total. The total emission of smoke pollutants have met the requirements of emission standards.

Monitoring indicators of Wanhua Ningbo include COD and ammonia in the wastewater. In order to further reduce the pollutant emission in wastewater, a new set of wastewater biochemical treatment device was constructed in 2017, which adopted a technology integrated activated sludge and MBR to conduct deep treatment on the original discharge sewage, as to further reduce the pollutant concentration of discharge sewage. In the year of 2017, Wanhua Ningbo discharged 115 tons of COD and 3 tons of ammonia in the effluent sewage respectively in total. The total emission of COD and ammonia mentioned above have met the requirements of discharge standards.

Key monitoring indicators of Wanhua Yantai Production base mainly include COD and ammonia in the wastewater. The Company has established a complete wastewater collection and treatment system. Production wastewater and sanitary wastewater can discharge into the corresponding sewage treatment systems through an independent pipe network, after which one part of the wastewater in the sewage treatment system has been discharged into the recycled water reuse system for recycling after a future treatment, and the other part of the wastewater into the urban sewage pipe network. In the year of 2017, Yantai production base discharged 690 tons of COD and 26 tons of ammonia in the effluent sewage respectively in total. The total emission of COD and ammonia mentioned above have met the requirements of discharge standards.

2. Companies other than high pollution industries

Applicable N/A

3. Other explanation

Applicable N/A

(IV) Others

Applicable N/A

XVIII. Convertible bonds of the Company

(I) Issue of convertible bonds

Applicable N/A

(II) Holders and guarantors of convertible bonds during the reporting period

Applicable N/A

(III) Changes in convertible bonds during the reporting period

Applicable N/A

(IV) Accumulative shares from convertible bonds during the reporting period

Applicable N/A

(V) Previous price adjustments on convertible bonds

Applicable N/A

(VI) The Company's liability and credit changes and cash arranges for future payments

Applicable N/A

(VII) Others

Applicable N/A

Section VI Ordinary Share Capital Changes and Information of Shareholders

I. Changes in share capital of ordinary shares

(I) Changes in ordinary shares

1. Changes in ordinary shares

	Before the change		Increase/ decrease (indicated by " + ", "-")					After the change	
	Amount	Ratio (%)	Issue new shares	Stock-Paid	Reserve Capitalization	Other	Sub-Total	Amount	Ratio (%)
I. Restricted tradable shares	0		116,009,280	23,201,856			139,211,136	139,211,136	5.09
i. Shares held by the State									
ii. Shares held by the State-owned legal person									
iii. Other intra-group held shares			116,009,280	23,201,856			139,211,136	139,211,136	5.09
Including: shares held by domestic non-state-owned legal persons			116,009,280	23,201,856			139,211,136	139,211,136	5.09
Shares held by domestic natural persons									
iv. Shares held by foreign investment									
Including: shares held by overseas legal persons									
Shares held by overseas natural persons									
II. Unrestricted tradable shares	2,162,334,720	100		432,466,944			432,466,944	2,594,801,664	94.91
i. Ordinary shares denominated in RMB	2,162,334,720	100		432,466,944			432,466,944	2,594,801,664	94.91
Foreign stock listed domestically									
iii. Foreign stock listed overseas									
iv. Others									
III. Total of ordinary shares	2,162,334,720	100	116,009,280	455,668,800			571,678,080	2,734,012,800	100

2. Explanation for changes of ordinary shares

Applicable N/A

(1) During the reporting period, the Company non-publicly offered share of 116,009,280 shares with lock-up period of 12 months. The additional shares were registered for trusteeship at CSDC Shanghai Branch on 16 January 2017. Relevant details can refer to the Company's Lin 2017 No.02 Announcement "Announcement of Results of Non-public Offering by Wanhua Chemical Group Co., Ltd. and Changes in Share Capital" released by the Company on 18 January 2017. Thereafter, the Company's total shares increased to 2,278,344,000 shares from 2,162,334,720 shares, of which 2,162,334,720 shares were non-restricted circulation shares while 116,009,280 shares were restricted circulation shares.

(2) During the reporting period, the Company has distributed RMB 0.5 cash dividend (inclusive of tax) per share and 0.2 bonus share per share to all shareholders on the basis of the total 2,278,344,000 shares pursuant to 2016 annual profit distribution plan, with payment of cash dividends of RMB 1,139,172,000.00 and awards of bonus share of 455,668,800 shares in total. After this distribution, the Company's total shares increased to 2,734,012,800 shares. The aforementioned profit distribution plan has been completed on 19 May 2017, after which non-restricted circulation shares changed to 2,594,801,664 shares while restricted circulation shares changed to 139,211,136 shares.

(3) On 16 January 2018, as the Company's 139,211,136 shares of restricted circulation shares met the condition of 12 months of lock-up period, such restricted circulation shares were transacted in stock markets. Relevant details can refer to Lin 2018 No.03 "Announcement for Listing Circulation of Non-public Offering Restricted Shares by Wanhua Chemical Group Co., Ltd.".

3. Effect of changes in ordinary shares in financial indicators including earnings per share and net assets per share in latest year/period(if any)

Applicable N/A

During the reporting period, the Company distributed 0.2 bonus share per share on the basis of the total 2,278,344,000 shares, with awards of 455,668,800 bonus shares in total. For the purpose to compare with indicators at the same period, the Company adjusted those into the some calibers when calculating earnings per share and net assets per share, with non-adjusted and adjusted indicators presented in the following:

Financial indicators	2017	Adjusted indicator at the same period of last year	Disclosed indicator at the same period of last year
Basic earnings per share (RMB/share)	4.09	1.42	1.70
Basic earnings per share net of non-recurring profit or loss (RMB/share)	3.93	1.42	1.70
Net assets per share (RMB/share)	9.98	5.71	6.85

4. Other content the Company considers necessary or required to be disclosed by regulators

Applicable N/A

(II) Changes of restricted shares

Applicable N/A

Unit: shares

Name of shareholder	Restricted shares at the beginning of year	Restricted shares released in the year	Restricted shares increased in the year	Restricted shares at the end of year	Reason of restriction	Date of release
Weihai Zhongtai Qidong Blue Merge Investment Center (LLP)	0	0	13,921,114	13,921,114	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months	16 Jan 2018
China Huarong Asset Management Co., Ltd.	0	0	22,273,781	22,273,781	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months	16 Jan 2018
HuaAn Future Asset Management (Shanghai) Co., Ltd.	0	0	18,375,708	18,375,708	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months	16 Jan 2018
Hotland Innovation Asset Management Co., Ltd.	0	0	13,921,113	13,921,113	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months	16 Jan 2018
Shenzhen Capital Group Co., Ltd.	0	0	13,921,114	13,921,114	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months	16 Jan 2018
Jinshi Future Co., Ltd.	0	0	13,921,114	13,921,114	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months	16 Jan 2018
Shanghai Lvlian Junhe Industry Merge Equity Investment Fund Partnership (LLP)	0	0	27,842,227	27,842,227	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months	16 Jan 2018
Shenzhen TFTC Asset Management Co., Ltd.	0	0	13,928,240	13,928,240	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months	16 Jan 2018
Guizhou Railway Development Fund Management Co., Ltd.	0	0	1,106,725	1,106,725	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months	16 Jan 2018
Total	0	0	139,211,136	139,211,136	/	/

II. Shares issuing and listing

(I) Securities issuing as of the reporting period

Applicable N/A

Unit: share Currency: RMB

Types of stock and derivative securities	Issue date	Issue price (or interest rate)	Issue number	Listing date	Number of transactions approved for listing	Termination date of the transaction
Ordinary shares						
A-share	16 Jan 2017	21.55	116,009,280	16 Jan 2018	139,211,136	

Explanation for securities issuing as of the reporting period (Please specify separately for bonds with different interest rate in the duration):

Applicable N/A

(1) During the reporting period, the Company non-publicly offered share of 116,009,280 shares with lock-up period of 12 months. The additional shares were registered for trusteeship at CSDC Shanghai Branch on 16 January 2017. Relevant details can refer to the Company's Lin 2017 No.02 Announcement "Announcement of Results of Non-public Offering by Wanhua Chemical Group Co., Ltd. and Changes in Share Capital".

(2) During the reporting period, the Company has distributed RMB 0.5 cash dividend (inclusive of tax) per share and 0.2 bonus share per share to all shareholders on the basis of the total 2,278,344,000 shares pursuant to 2016 annual profit distribution plan, with payment of cash dividends of RMB 1,139,172,000.00 and awards of bonus share of 455,668,800 shares in total. After this distribution, the Company's total shares increased to 2,734,012,800 shares, of which the new non-restricted circulation shares of 432,466,944 shares were transacted in the market on 19 May 2017 and the new restricted circulation shares of 23,201,856 were transacted in the market on 16 January 2018. The accumulated restricted circulation shares are 139,211,136 shares.

(3) On 16 January 2018, the aforementioned restricted circulation shares were transacted in stock markets. Relevant details can refer to Lin 2018 No.03 "Announcement for Listing Circulation of Non-public Offering Restricted Shares by Wanhua Chemical Group Co., Ltd." released by the Company on 11 January 2018.

(II) Changes in the Company's total ordinary shares and shareholders' structure, as well as assets and liabilities.

Applicable N/A

During the reporting period, the Company non-publicly offered share of 116,009,280 shares with lock-up period of 12 months. The additional shares were registered for trusteeship at CSDC Shanghai Branch on 16 January 2017. Relevant details can refer to the Company's Lin 2017 No.02 Announcement "Announcement of Results of Non-public Offering by Wanhua Chemical Group Co., Ltd. and Changes in Share Capital" released by the Company on 18 January 2017. Thereafter, the Company's total shares increased to 2,278,344,000 shares from 2,162,334,720 shares, of which 2,162,334,720 shares were non-restricted circulation shares while 116,009,280 shares were restricted circulation shares.

During the reporting period, the Company has distributed RMB 0.5 cash dividend (inclusive of tax) per share and 0.2 bonus share per share to all shareholders on the basis of the total 2,278,344,000 shares recognized at the share registration date pursuant to 2016 annual profit distribution plan, with payment of cash dividends of RMB 1,139,172,000.00 and awards of bonus share of 455,668,800 shares in total. After this distribution, the Company's total shares increased to 2,734,012,800 shares.

(III) Existed shares held by internal employees

Applicable N/A

III. Shareholders and actual controller

(I) Total number of shareholders:

Total ordinary shareholders at the end of report period (households)	128,663
Total ordinary shareholders at the end of last month prior to the announcement of the annual report (households)	128,686
The preferred shareholders at the end of report period (households)	N/A
Total preferred shareholders having voting rights at the end of last month prior to the announcement of the annual report (households)	N/A

(II) Shareholding of top ten shareholders, and top ten circulating shareholders (or shareholders of non-restricted shares) as of the end of reporting period

Unit: RMB

Top ten shareholders							
Name of shareholders	Changes in reporting period	Shareholding at end of reporting period	Proportion (%)	Restricted shares held	Number of shares pledged or frozen		Nature of shareholders
					Status	Quantity	
Wanhua Industrial Group Co., Ltd.	218,376,063	1,310,256,380	47.92	0	Pledge	186,000,000	Domestic non-States-owned legal person
National Social Security Fund 108 Portfolio	10,599,674	36,598,825	1.34	0	Unknown		Unknown
Shanghai Lvlian Junhe Industry Merge Equity Investment Fund Partnership (LLP)	27,842,227	27,842,227	1.02	27,842,227	Unknown		Unknown
Central Huijin Asset Management Co., Ltd.	4,266,420	25,598,520	0.94	0	Unknown		Unknown
Hong Kong Securities Clearing Company	-22,653,694	25,476,081	0.93	0	Unknown		Unknown
China Huarong Asset Management Co., Ltd.	23,949,233	23,949,233	0.88	22,273,781	Unknown		Unknown
Beijing Fengshan Investment Co., Ltd.	2,736,296	16,417,776	0.60	0	Unknown		Unknown
China Construction Bank Co. Ltd. — Xingquan Social Responsibility Mixed Security Investment Fund	14,944,426	14,944,426	0.55	0	Unknown		Unknown
Shenzhen TFTC Asset Management Co., Ltd. — Tianfu No.13 Asset Management Plan	13,928,240	13,928,240	0.51	13,928,240	Unknown		Unknown
Shenzhen Capital Group Co., Ltd.	13,921,114	13,921,114	0.51	13,921,114	Unknown		Unknown
Top ten shareholders of non-restricted shares							
Name of shareholders	Number of non-restricted shares held	Type of shares and number					
		Type	Number				
Wanhua Industrial Group Co., Ltd.	1,310,256,380	Ordinary shares in RMB	1,310,256,380				
National Social Security Fund 108 Portfolio	36,598,825	Ordinary shares in RMB	36,598,825				
Central Huijin Asset Management Co., Ltd.	25,598,520	Ordinary shares in RMB	25,598,520				
Hong Kong Securities Clearing Company	25,476,081	Ordinary shares in RMB	25,476,081				
Beijing Fengshan Investment Co., Ltd.	16,417,776	Ordinary shares in RMB	16,417,776				
China Construction Bank Co. Ltd. — Xingquan Social Responsibility Mixed Security Investment Fund	14,944,426	Ordinary shares in RMB	14,944,426				
Bank of Communication Co., Ltd.- Hua'an Strategy Optimization Mixed Security Investment Fund	13,212,794	Ordinary shares in RMB	13,212,794				
China Pacific Life Insurance Co., Ltd.-Dividend Distribution- Individual Dividend Distribution	12,693,203	Ordinary shares in RMB	12,693,203				
Ningbo Meishan Bonded Port Area Changjia Hongtai Investment Center(LP)	10,864,116	Ordinary shares in RMB	10,864,116				
Bank of Communication Co., Ltd.- Fuguo Tianyi Value Mixed Security Investment Fund	8,799,978	Ordinary shares in RMB	8,799,978				
Explanation of the related relationship or concerted actions among the above shareholders	It is unknown that whether the above shareholders are related parties or acting-in-concert parties under "Administrative Rules on Acquisition of Listed Company"						
Explanation on preferential shareholders of voting power recovered and shareholding numbers	N/A						

Quantity of restricted shares held by the top ten shareholders and the restricted conditions.

✓ Applicable N/A

Unit: Shares

NO.	Names of restricted tradable shares	Numbers of restricted tradable shares	Conditions of restricted tradable shares can be listed		Restricted conditions
			Time can be traded	Number of new shares can be traded	
1	Shanghai Lvlian Junhe Industry Merge Equity Investment Fund Partnership (LLP)	27,842,227	2018-1-16	27,842,227	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months
2	China Huarong Asset Management Co., Ltd.	22,273,781	2018-1-16	22,273,781	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months
3	Shenzhen TFTC Asset Management Co., Ltd. — Tianfu No.13 Asset Management Plan	13,928,240	2018-1-16	13,928,240	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months
4	Shenzhen Capital Group Co., Ltd.	13,921,114	2018-1-16	13,921,114	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months
5	Weihai Zhongtai Qidong Blue Merge Investment Center (LLP)	13,921,114	2018-1-16	13,921,114	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months
6	Jinshi Future Co., Ltd. — Zhongxinjian Merchant Equity Investment Co., Ltd.	13,921,114	2018-1-16	13,921,114	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months
7	HuaAn Future Asset-GCB-Aijiang Trust-Aijiang Zhiying-Wanhua No.1 Matters Manager Order-Asset Trust	13,921,030	2018-1-16	13,921,030	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months
8	Hotland Innovation-Jiangsu Bank-Hotland Innovation Hotland Zijin No.2 Asset Management Plan	13,085,846	2018-1-16	13,085,846	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months
9	HuaAn Future Asset-Ningbo Bank-Shanghai Guoxin Investment and Development Co., Ltd	4,454,678	2018-1-16	4,454,678	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months
10	Guizhou Railway Development Fund Management Co., Ltd. — Guizhou Railway Life Insurance Term I No.1 Equity Investment Fund Center (LLP)	1,106,725	2018-1-16	1,106,725	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months
A description of the above shareholders' relationship or concerted action		It is unknown that whether the above shareholders are related parties or acting-in-concert parties under "Administrative Rules on Acquisition of Listed Company"			

(III) Strategic investors or general legal representative who have been included in top 10 shareholders due to placement of new shares.

✓ Applicable N/A

Name of strategic investor or common legal representative	Agreed date of shareholding	Agreed date of termination of shareholding
Shanghai Lvlian Junhe Industry Merge Equity Investment Fund Partnership (LLP)	16 Jan 2017	
China Huarong Asset Management Co., Ltd.	16 Jan 2017	
Shenzhen TFTC Asset Management Co., Ltd. — Tianfu No.13 Asset Management Plan	16 Jan 2017	
Shenzhen Capital Group Co., Ltd.	16 Jan 2017	
Agreed term of shareholding regarding strategic investor's or common legal representative's involvement in issuance of new shares		Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months, listing and circulating on 16 January 2018.

IV. Controlling shareholders and actual controlling party

(I) Corporate controlling shareholder

1. Legal person

Applicable N/A

Name	Wanhua Industrial Group Co., Ltd.
Company principal or legal representative	Mr. Liao Zengtai
Date of establishment	29 October 2001
Business scope	Manufacture, process and sales of PU and polyurethane resin raw materials and products, industrial gases, caustic soda, and chlorine products, technology transfer services, wholesale of footwear materials, steel, wood, cement, chemical products (excluding hazardous articles), general machinery and accessories, daily-used goods, daily sundries (excluding firecrackers), hardware and electrical equipment, decorative materials, detergents, battery liquids (excluding hazardous articles), and coal; place, equipment, facility rental and warehousing services (excluding hazardous articles); investment in PU and upstream and downstream industry chain, coal, coal chemical industry, energy saving, building materials, eco-board industry by virtue of the own funds (Projects in need of approval subject to laws cannot carry out until they have been approved by relevant authorities.)
Equity situation of the holding and participation of other domestic and overseas listed companies during the reporting period	None
Other explanations	As of the disclose date of the report, the original controlling shareholder of the Company, Wanhua Industry, completed the division by continued existence. In particular, Wanhua Industry was divided into Wanhua Industrial Group Co., Ltd. (surviving company) and the newly established Yantai Wanhua Chemical Industry Co., Ltd. (hereinafter referred to as "Wanhua Chemical Industry"). After this division, the original shareholders of Wanhua Industry kept the same proportion of capital contribution in the surviving company Wanhua Industry and the new company Wanhua Chemical Industry. Moreover, the Company's controlling shareholder changed to Wanhua Chemical Industry from Wanhua Industry, but the Company's actual controller hasn't changed, remaining to be the State-owned Assets Supervision and Administration Commission of Yantai Municipal Government. Details can refer to Lin 2018 No.17 <i>Reminding Announcement for Division of the Controlling shareholder by Continued Existence of Wanhua Chemical Group Co., Ltd.</i> At present, it has been still in progress for the transfer of shares held by Wanhua Industry in Wanhua Chemical and the application submitted by Wanhua Chemical Industry to CSRC for exemption from the tender offer.

2. Natural person

Applicable N/A

3. Special explanation for no controlling shareholders in the Company

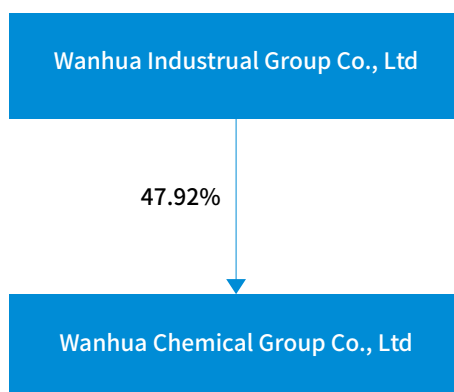
Applicable N/A

4. Index and date of changes of controlling shareholders in the reporting period

Applicable N/A

5. The Company's organizational chart of ownership and controlling relationships are illustrated as below:

Applicable N/A



(II) Actual controller

1. Legal person

Applicable N/A

Name of the controlling shareholder	State-owned Assets Supervision and Administration Commission of Yantai Municipal Government
Company principal or legal representative	Wei Jing
Date of establishment	March 2005
Business Scope	
Equity situation of the holding and participation of other domestic and overseas listed companies during the reporting period	Unknown
Other explanation	

2. Natural person

Applicable N/A

3. Special explanation for no actual controller in the Company

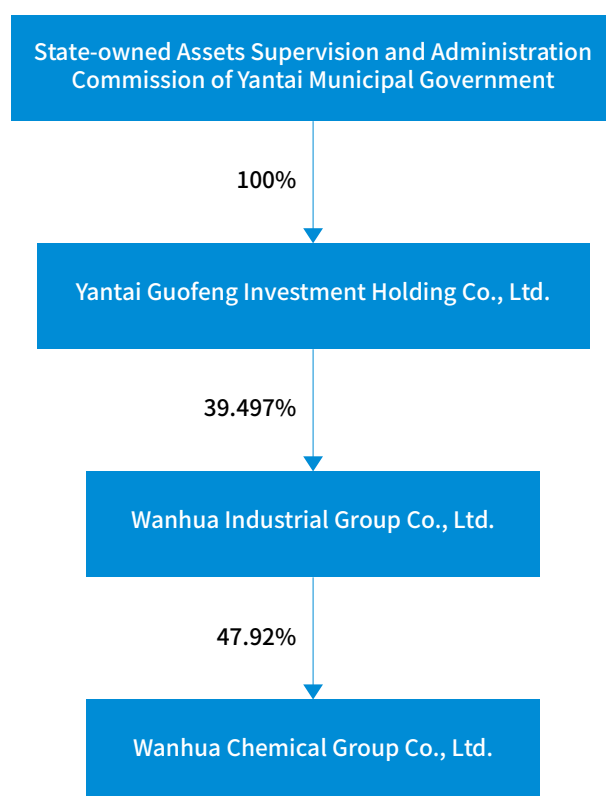
Applicable N/A

4. Index and date of changes of actual controller in the reporting period

Applicable N/A

5. The block diagram of controlling relationship and ownership between the Company and the actual controller

Applicable N/A



6. The actual controller controls the Company through trust and other asset management

Applicable N/A

(III) Other particulars about the controlling shareholder and the actual controller

Applicable N/A

During the reporting period, the State-owned Assets Supervision and Administration Commission of Yantai Municipal Government decided to transfer to Yantai Guofeng Investment Holding Co., Ltd. the 39.497% shares it held in Wanhua Industrial Group Co., Ltd. at no consideration.

Details can refer to Lin 2017 No.85 *Reminding Announcement for Transfer of State-owned Shares Held by the Controlling shareholder of Wanhua Chemical Group Co., Ltd. at No Consideration*.

In January 2018, Wanhua Industry, completed the division by continued existence. In particular, Wanhua Industry was divided into Wanhua Industrial Group Co., Ltd. (surviving company) and the newly established Yantai Wanhua Chemical Industry Co., Ltd. (hereinafter referred to as "Wanhua Chemical Industry"). After this division, the original shareholders of Wanhua Industry kept the same proportion of capital contribution in the surviving company Wanhua Industry and the new company Wanhua Chemical Industry. Moreover, the Company's controlling shareholder changed to Wanhua Chemical Industry from Wanhua Industry, but the Company's actual controller hasn't changed, remaining to be the State-owned Assets Supervision and Administration Commission of Yantai Municipal Government. Details can refer to Lin 2018 No.17 *Reminding Announcement for Division of the Controlling shareholder by Continued Existence of Wanhua Chemical Group Co., Ltd.* released by the Company on 1 February 2018.

As of the disclosure date of the report, it has been still in progress for the transfer of shares held by Wanhua Industry in Wanhua Chemical and the application submitted by Wanhua Chemical Industry to CSRC for exemption from the tender offer.

V. Other corporate shareholders holding more than 10% shares of the Company

Applicable N/A

VI. Explanation of less ownership of restricted shares

Applicable N/A

Section VII Preferred Stock Information

Applicable N/A

Section VIII Directors, Supervisors, Senior Management and Employees

I. Information of shareholding and remuneration

(I) Ownership and remuneration of directors, supervisors and senior management in incumbent and outgoing in reporting period

Applicable N/A

Unit: share

Name	Position (note)	Gender	Age	Beginning date of term	Ending date of term	Shares held at the beginning of the year	Shares held at the end of the year	Increase/decrease of number of shares held	Reason for the change	The Company's total amount of compensation before tax from reporting period (0'000)	Whether the related parties get paid
Liao Zengtai	Chairman	Male	55	26 Oct 2016	14 Jun 2020	0	0	0		219.64	No
	President			28 Mar 2008	14 Jun 2020						
	Director			28 Mar 2008	3 May 2020						
Kou Guangwu	Director	Male	52	12 Aug 2009	3 May 2020	0	0	0		429.13	No
	Executive vice president			28 Mar 2008	14 Jun 2020						
	Person in charge of finance			12 Dec 1998	14 Jun 2020						
	Secretary of the board			28 Mar 2008	14 Jun 2020						
Li Jiankui	Director	Male	65	12 Dec 1998	3 May 2020	0	0	0		15.30	No
Ding Jiansheng	Director	Male	64	12 Dec 1998	3 May 2020	0	0	0		17.25	No
Guo Xingtian	Director	Male	57	12 Dec 1998	3 May 2020	0	0	0		16.50	Yes
MuSimonXinming	Director	Male	61	28 Apr 2010	3 May 2020	0	0	0		15.30	No
Liu Lixin	Director	Male	64	12 Dec 1998	3 May 2020	0	0	0		15.30	No
Wang Baotong	Independent director	Male	60	22 May 2014	3 May 2020	0	0	0		21.15	No
Bao Yongjian	Independent director	Male	52	4 Feb 2016	3 May 2020	0	0	0		20.85	No
Zhang Xiaorong	Independent director	Male	50	4 Feb 2016	3 May 2020	0	0	0		21.30	No
Zhang Wanbin	Independent director	Male	54	4 Feb 2016	3 May 2020	0	0	0		20.10	No
Che Yun	Convener of board of supervisors	Female	53	28 Mar 2008	3 May 2020	0	0	0		15.60	Yes
Sun Xiao	Supervisor	Male	56	4 Feb 2016	3 May 2020	0	0	0		15.30	No
Tian Hongguang	Supervisor	Male	57	12 Dec 2004	3 May 2020	0	0	0		15.30	Yes
Yao Yuan'en	Supervisor	Male	52	17 Oct 2016	7 Apr 2020	0	0	0		110.30	No
Zhao Junsheng	Supervisor	Male	57	12 Dec 1998	7 Apr 2020	0	0	0		42.71	No
PeterPengtaoHuo	Vice-president	Male	52	3 Apr 2010	14 Jun 2020	0	0	0		331.83	No
Hua Weiqi	Vice-president	Male	46	3 Apr 2010	14 Jun 2020	0	0	0		385.12	No
Liu Boxue	Vice-president	Male	55	3 Apr 2010	14 Jun 2020	0	0	0		302.59	No
Chen Yifeng	Vice-president	Male	52	14 Mar 2015	14 Jun 2020	0	0	0		246.49	No
Total	/	/	/	/	/				/	2,277.06	/

The remuneration received by Mr. Liao Zengtai, the chairman of the board, includes his personal performance from January to September 2016.

Name	Major working experience
Liao Zengtai	He served as the designer of Yantai General Synthetic Leather Factory, the deputy section chief of the Equipment Driving Section of MDI Branch, the team leader of the Phase II project technology team, the factory manager assistant and deputy factory manager of MDI Branch of Yantai General Synthetic Leather Factory, the chief engineer and deputy general manager of Yantai Wanhua PU Co., Ltd., and the general manager of Ningbo Wanhua PU Co., Ltd. Now, he works as the board chairman and the secretary of Party Committee of Wanhua Industrial Group Co., Ltd., and the board chairman, the president, and the secretary of Party Committee of Wanhua Chemical Group Co., Ltd.
Kou Guangwu	He served as the deputy section chief and section chief of the cost section of finance department, the department director assistant and deputy director of the finance department of Yantai Wanhua PU Co., Ltd. successively; and the general accountant and deputy general manager of Yantai Wanhua PU Co., Ltd. since 1998. Now, he works as the director, executive vice president, person in charge of finance and secretary of the board of Wanhua Chemical Group Co., Ltd.
Li Jiankui	He served as the factory director of Yantai General Synthetic Leather Factory; board chairman of Yantai Wanhua PU Co., Ltd.; and board chairman of Wanhua Industrial Group Co., Ltd. Now, he works as the director of Wanhua Chemical Group Co., Ltd. and the director of Wanhua Industrial Group Co., Ltd.
Ding Jiansheng	He served as the board chairman, general manager and chief technology expert of Yantai Wanhua PU Co., Ltd.; the general manager of Yantai Wanhua PU Co., Ltd., and the president of Wanhua Industrial Group Co., Ltd. Now, he works as the director of Wanhua Chemical Group Co., Ltd. and the director of Wanhua Industrial Group Co., Ltd.
Guo Xingtian	He served as the board director, secretary of the board and deputy general manager of Yantai Wanhua PU Co., Ltd. Now, he works as the board chairman of Wanhua Ecoboard Co., Ltd., the director of Wanhua Chemical Group Co., Ltd. and the director of Wanhua Industrial Group Co., Ltd.
MUSimonXin-ming	He served as the investment consultant of Infrastructure Bureau of World Bank in Washington DC, USA, the United Nations Development Programme and the United States Agency for International Development, officer of Philippine Manila Project of Asia Development Bank, the professor of Texas State University, USA, the Vice-president of Asia-Pacific Area of Salomon Brothers Inc., and the independent director of Huaxia Bank Co., Ltd. Now, he works as the president and director of Prime Partner International Limited, and the director of Wanhua Chemical Group Co., Ltd.
Liu Lixin	He served as the board chairman of Moon Environment Technology Co., Ltd. Now, he works as the director of Wanhua Chemical Group Co., Ltd.
Wang Baotong	He served as the deputy director general of the Market Regulation Department of the State Administration for Industry & Commerce of PRC, the director general of the Futures Department of CSRC, the director general of the Policy Study Department of CSRC, the deputy director of Chongqing Branch of CSRC, and the director of Zhejiang Province Branch of CSRC. Now, he works as the board chairman of Zhejiang Juren Capital Management Co., Ltd. and the independent director of Wanhua Chemical Group Co., Ltd.
Bao Yongjian	He served as the deputy director of the Asia-Pacific Industry Strategy Development Institute of the University of Southern California, the education and enterprise strategy consultant of many multi-international companies in USA, Canada and China, and the independent director of Tianping P&C Insurance Co., Ltd. Now, he works as the deputy professor of the Management College of University of Lethbridge in tenured position, the distinguished visiting professor of EMBA of School of Management of Fudan University, the visiting professor of Nanjing University Business School, the independent director of Wanhua Chemical Group Co., Ltd. and the independent director of Shanghai Greencourt Investment Holdings Group Co., Ltd.
Zhang Xiaorong	He worked in the Commerce and Trade Audit Department of Shanghai Municipal Audit Bureau and Oriental Pearl Group Co., Ltd. Now, he works as the chief partner and the chief accountant of Shanghai Certified Public Accountants (Special General Partnership), the independent director of Wanhua Chemical Group Co., Ltd., the independent director of Guangxi Guidong Electric Power Co., Ltd. and the director of Shanghai Laimu Electronic Limited.
Zhang Wanbin	He worked as the assistant professor of Osaka University from April 1997 to May 2001, the Principal Scientist of Yokohama Research Institute of Mitsubishi Chemical Co., Ltd. from June 2001 to January 2003, and the professor and doctoral supervisor of the School of Chemistry and Chemical Engineering, STJU from February 2003. He has served as the distinguished professor of Shanghai Jiao Tong University and the independent director of Wanhua Chemical Group Co., Ltd. since August 2013.
Che Yun	She served as the director and the deputy general manager of Beijing Tianyuanquan Certified Public Accountants and joined in Yantai Wanhua PU Co., Ltd. as the general manager of the Audit Department in 2005. Now, she worked as the convener of board of supervisors of Wanhua Chemical Group Co., Ltd., and the secretary of the board, the audit director and the general manager of the audit department of Wanhua Industrial Group Co., Ltd.

Sun Xiao	He served as the deputy factory manager of SHINVA Medical Instrument Co., Ltd.; the deputy director of Shangdong Zibo Food and Drug Administration; and the deputy director general, director general and the general office secretary of the Production Coordination Department of the Ministry of Chemical Industry; and the deputy director of the General Office of the National Light Industry Bureau. Now, he worked as the director and the president of HongTa Innovation Investment Co., Ltd., the supervisor of Wanhua Chemical Group Co., Ltd. and the director of Da An Gene Co. Ltd of Sun Yat-Sen University.
Tian Hongguang	He served as the deputy section chief and the section chief of Propaganda Department of CPC of Yantai Synthetic Leather Factory, the deputy chief and the chief of the Political Work Department and the deputy work union chairman of Yantai Wanhua PU Co., Ltd.. Now, he worked as the supervisor of Wanhua Chemical Group Co., Ltd. and the chief of the Party Department of Wanhua Industrial Group Co., Ltd.
Yao Yuan'en	He served as the secretary of Youth League Committee of the Supply and Sales Company of Yantai General Synthetic Leather Factory, the technician and the deputy director of the tank storage plant of Yantai General Synthetic Leather Factory, the deputy general manager of HR department of Yantai Wanhua PU Co., Ltd., the deputy manager and the manager of the HSE Department of Yantai Wanhua PU Co., Ltd., Now, he works as the work union chairman and the staff supervisor of Yantai Industry Park of Wanhua Chemical Group Co., Ltd.
Zhao Junsheng	He served as the photochemical section technical administrator of Wanhua Chemical Group Co., Ltd. Now, he works as the staff supervisor and photochemical process operation support of Wanhua Chemical Group Co., Ltd.
PeterPengtao-Huo	His Chinese name is Huo Pengtao. He served in W.R. Grace (a USA company, working as a researcher), Pharmacia & Upjohn (a USA company, working as the project manager) and GaltLab Inc. (as USA company, working as the technology director) successively for the period from 1993 to 1999. After he joined in Yantai Wanhua in March 2002, he worked as the Dean of the Beijing Research Institute, the Chief of the International Business Department, and the Chief of Sales Department. He currently serves as vice-president of Wanhua Chemical Group Co., Ltd.
Hua Weiqi	He joined in Wanhua from January 2001. Now, he currently serves as vice-president and technical director of Wanhua Chemical Group Co., Ltd., the executive deputy director of National PU Engineering Technology Research Center, and the chief of Shandong Province PU Materials Synthesis and Application Technology Key Laboratory. He has engaged in the R&D of new product technologies and achievement industrialization in the PU field for a long time.
Liu Boxue	He once served as the chief and the deputy chief engineer of Qilu Petrochemical Engineering Designing Institute of Sinopec Group, the deputy director and the director of the Engineering Department of Qilu Petrochemical Company of Sinopec Group, the deputy general engineer of Qilu Petrochemical Company of Sinopec Group and the deputy general manager of Qilu Petrochemical Company of Sinopec Group. Doctor Liu Boxue joined in Wanhua Chemical in April 2009 and currently works as the vice-president of Wanhua Chemical Group Co., Ltd.
Chen Yifeng	Since joined in Wanhua in 1998, he served as the researcher of the Research Institute of Wanhua Synthetic Leather Group; the phosgenation project manager and the chief assistant of the Production Department of Yantai Wanhua PU Co., Ltd.; the MDI facility manager, the manager of the Production Management Department, the manager of HSE department, the production director and the deputy general manager of Ningbo Wanhua PU Co., Ltd.; and the production director and the senior production director of Wanhua Chemical Group Co., Ltd. successively. He currently works as the vice-president of Wanhua Chemical Group Co., Ltd.

Others

 Applicable N/A**(II) Information of incentive shares awarded to directors, supervisors and senior management during reporting period** Applicable N/A

II. Information of directors, supervisors and senior management in incumbent and outgoing in the reporting period

(I) Information of positions held in shareholders' entities

✓ Applicable N/A

Name	Name of shareholder entity	Position held	Starting date of term	Ending date of term
Liao Zengtai	Wanhua Industrial Group Co., Ltd.	Chairman	27 September 2016	
Che Yun	Wanhua Industrial Group Co., Ltd.	Secretary of the board, the audit director and the general manager of the audit department	18 February 2008	
Tian Hongguang	Wanhua Industrial Group Co., Ltd.	Chief of the Party Department	December 2016	
	Explanations			

(II) Duties in other entities

✓ Applicable N/A

Name	Name of other entity	Position held	Starting date of term	Ending date of term
Guo Xingtian	Wanhua Ecoboard Co., Ltd.	Chairman	December 2006	
Bao Yongjian	University of Lethbridge	Professor	2001	
Bao Yongjian	School of Management of Fudan University	Distinguished Professor of EMBA Course	2009	
Wang Baotong	Zhejiang Juren Capital Management Co., Ltd.	Chairman	March 2013	
Zhang Xiaorong	Shanghai Certified Public Accountants (Special General Partnership)	Chief partner and chief accountant	January 2014	
Zhang Wanbin	Shanghai Jiao Tong University	Distinguished Professor	2013	
Sun Xiao	HongTa Innovation Investment Co., Ltd.	Director, President	March 2003	
Chen Yifeng	Yantai Port Wanhua Industry Park Yard Co., Ltd.	Chairman	January 2013	
	Explanations None			

III. Compensation of directors, supervisors and key management personnel

✓ Applicable N/A

Decision-making process of remuneration of directors supervisors and senior management	Determined and approved by the Company's board of directors and the general shareholder meetings.
Basis for decision of remuneration of directors, supervisors and senior management	Management Method for the Assessment and Payment of the Remuneration of Senior Management of Wanhua Chemical Group Co., Ltd, Allowance System for Director and Supervisor of Wanhua Chemical Group Co., Ltd. and Wanhua Chemical Position Rank Remuneration System.
Actual payment of remuneration of directors supervisors and senior management	Remunerations payable have been paid to directors, supervisors and senior management of the Company
Total remuneration of directors supervisors and senior management received by the end of the reporting period	During the reporting period, the Company has actually paid remuneration and allowances of RMB 22,770,600 to the directors, supervisors and senior management of the Company in total.

IV. Alteration of directors, supervisors and key management personnel

Applicable N/A

Name	Position	Changes	Reason for the change
Liao Zengtai	Director, Chairman, President	Election	Completing the general election of board of directors in the reporting period
Kou Guangwu	Director, Executive vice president, person in charge of finance, Secretary of the board	Election	Completing the general election of board of directors in the reporting period
Li Jiankui	Director	Election	Completing the general election of board of directors in the reporting period
Ding Jiansheng	Director	Election	Completing the general election of board of directors in the reporting period
Guo Xingtian	Director	Election	Completing the general election of board of directors in the reporting period
MUSimonXinming	Director	Election	Completing the general election of board of directors in the reporting period
Liu Lixin	Director	Election	Completing the general election of board of directors in the reporting period
Wang Baotong	Independent director	Election	Completing the general election of board of directors in the reporting period
Bao Yongjian	Independent director	Election	Completing the general election of board of directors in the reporting period
Zhang Xiaorong	Independent director	Election	Completing the general election of board of directors in the reporting period
Zhang Wanbin	Independent director	Election	Completing the general election of board of directors in the reporting period
Che Yun	Convener of board of supervisors	Election	Completing the general election of board of supervisors in the reporting period
Sun Xiao	Supervisor	Election	Completing the general election of board of supervisors in the reporting period
Tian Hongguang	Supervisor	Election	Completing the general election of board of supervisors in the reporting period
Yao Yuan'en	Supervisor	Election	Completing the general election of board of supervisors in the reporting period
Zhao Junsheng	Supervisor	Election	Completing the general election of board of supervisors in the reporting period
PeterPengtaoHuo	Vice-president	Employment	Completing the employment of management for one session in the reporting period
Hua Weiqi	Vice-president	Employment	Completing the employment of management for one session in the reporting period
Liu Boxue	Vice-president	Employment	Completing the employment of management for one session in the reporting period
Chen Yifeng	Vice-president	Employment	Completing the employment of management for one session in the reporting period

V. Penalty by regulators in recent three years

Applicable N/A

VI. Information of the Company's employees

(I) Information of positions held in shareholders' entities

Amount of employees of parent company	6,047
Amount of employees of main subsidiaries	3,118
Total amount of employees on active duty	9,165
Retired employees whose expense is undertaken by parent company and main subsidiaries	121
Composition of employees by specialization	
Areas of specialization	Headcounts (persons)
Production personnel	5,465
Marketing and sales personnel	255
Engineering technical personnel	2,007
Finance and auditing personnel	153
Administrative personnel	1,285
Total	9,165
Composition of employees by education level	
Education level	Headcounts (persons)
Doctor degree	97
Master degree	1,066
Bachelor degree	2,137
Junior college	4,442
Below junior college	1,423
Total	9,165

(II) Remuneration policy

Applicable N/A

Wanhua Chemical Position Rank Remuneration System adopts a common rank system prevailing in the international market, which assesses the position rank depending on job value to determine the remuneration structure, and considers the employees' position competency comprehensively to enable employees matching with their position. Meanwhile, the system increases and decreases remunerations on the basis of assessments on employees' completion of keyperformance indicators, emphasizing the external market's competitiveness and internal fairness. In addition, the Company regularly cooperates with well-known management consulting companies in the human resources industry to evaluate, confirm and update the market value of the position, as to maintain a good market competitiveness.

(III) Training plan

Applicable N/A

In 2017, the Company accelerated the capacity building of grass-roots engineers and operators by reforming the concept of talent cultivation, improving the pride of the front-line employees, and laying a solid foundation for the development of a highly professional and skilled workforce.

1. The established engineer training system has achieved initial results. At the beginning of the year, the implementation of relevant policies for the engineers provided support for the development of engineers; in the middle of the year, the determination of engineers' capability models and more than 400 courses at various levels available for engineers

guaranteed the growth of the engineers.

2. The Company continues to promote and improve position skill certification. On the one hand, the Company continuously expands the scope of position skill certification, for which the petrochemical integration and various business departments in Yantai Production Base developed 1,664 courseware for workers and technicians at junior, middle and senior levels and 38,374 theoretical and practical exercises, so that more front-line operational staffs can accelerate the speed of their skill improvements. On the other hand, the capacity standards of mid-level technicians and above have been formulated, which has broadened the development space of the operational staffs and enhanced their professional pride.

3. The team standardization work has achieved remarkable results. By applying the "one post one standard, one standard two controls", each employee performed his duties and fulfilled his responsibility, so that the standardized management of the Company and departments was achieved and the work efficiency was promoted. At present, Wanhua Ningbo has established a systematic and scientific methodology, providing a good reference to other departments for carrying out this work.

(IV) Information of labor outsourcing

Applicable N/A

Total working hours of labor outsourcing	1,653,696
Total remuneration paid for labor outsourcing	46,213,468

VII. Others

(I) Information of positions held in shareholders' entities

Applicable N/A

Section IX Corporate Governance

I. Corporate governance and related information

Applicable N/A

During the reporting period, pursuant to laws and regulations *including Corporate Law, Securities Law, Code of Corporate Governance for Listed Companies, Stock Listing Rules of Shanghai Stock Exchange*, the Company continued to improve the legal person governance structure and standardize the corporate operations. The Company's actual governance is subject to the requirements of the Corporate Law and normative documents released by CSRC *such as Code of Corporate Governance for Listed Companies*.

During the reporting period, as to strengthen the protection for small-and-middle-sized investors, the Company modified parts of the Company's Articles of Association, with details referring to the Company's Lin 2017-No.81 *Announcement for Modifying Parts of the Company's Articles of Association by Wanhua Chemical Group Co., Ltd.* Such modified articles of associations were approved by the Company at the first extraordinary general meeting of 2018 held on 12 January 2018.

If corporate governance is significantly different from related requirements of China Securities Regulatory Commission; if there is significant difference, specify the reason

Applicable N/A

II. Brief introduction of Shareholders meeting

Sequence of the Meeting	Date	Designated index website of resolutions publicized	Disclosure date of resolutions
2016 General shareholder meeting	3 May 2017	http://www.sse.com.cn	4 May 2017

Explanation for Shareholder meeting

Applicable N/A

III. General meeting of shareholders

(I) Attendance of directors in the meeting of Board of Directors and shareholder meeting

Name of director	Independent director (yes or no)	Attendance of directors in board meetings						Attendance of directors in general meeting of shareholders
		Number of board meetings for attendance (Times)	Attended in person (Times)	Attended via communication tools (Times)	Attended by delegation(-Times)	Ab-sence (Times)	Absence twice consecutively (yes or no)	Number of attendance in general meeting of shareholders
Liao Zengtai	No	7	1	6	0	0	No	1
Kou Guangwu	No	7	1	6	0	0	No	1
Li Jiankui	No	7	0	6	1	0	No	0
Ding Jiansheng	No	7	1	6	0	0	No	0
Guo Xingtian	No	7	1	6	0	0	No	0
MUSimonXinming	No	7	1	6	0	0	No	0
Liu Lixin	No	7	1	6	0	0	No	0
Wang Baotong	Yes	7	1	6	0	0	No	0
Bao Yongjian	Yes	7	1	6	0	0	No	0
Zhang Xiaorong	Yes	7	1	6	0	0	No	0
Zhang Wanbin	Yes	7	1	6	0	0	No	0

Statement of absence twice consecutively

Applicable N/A

Number of meetings of the Board	7
Including: Number of on-site meetings	1
Number of meetings via communication tools	6
Number of meetings on-site and via communication tools simultaneously	0

(II) Circumstance where independent directors raised different opinions

Applicable N/A

(III) Others

Applicable N/A

IV. Important comments and suggestions made by specialized committees under the Board when performing their duties during the reporting period, any disagreement should be disclosed with details.

Applicable N/A

V. Illustration about the risks of the Company identified by board of supervisors

Applicable N/A

VI. Declaration on whether the Company is independent from the controlling shareholder on business, personnel, assets, organization and finance and whether it can keep independent operating abilities

Applicable N/A

Resolutions, work schedules and subsequent working plan for peer rivalry

Applicable N/A

Details refer to Lin No.2011-01 "Announcement of Yantai Wanhua PU Co., Ltd. on the Acquisition of 96% Shares in Hungary BorsodChem Zrt. by the Controlling Shareholder Wanhua Industrial Group Co., Ltd." and parts of "Performance on Commitment Matters" in Chapter V "Important Events".

VII. The establishment and execution of evaluation and incentive system for senior management during the reporting period

Applicable N/A

Pursuant to the Management Method for the Assessment and Payment of the Remuneration of Senior Management and Wanhua Chemical Position Rank Remuneration System, the Company assesses projects in the charge of the senior management and key performance indicators of departments quarterly, and assesses and evaluates each senior management personnel at the end of year, linking the assessment results with wages, bonuses and position promotion and demotion, and integrating performance improvement plan with elimination mechanism, as to guarantee the effectiveness of the Company's restriction and stimulation mechanism.

VIII. If the Company release self-assessment report on internal control or not

Applicable N/A

Details refer to the Company's 2017 Self-evaluation Report on Internal Control disclosed in www.sse.com.cn, the official website of Shanghai Stock Exchange, on 13 March 2018.

Explanations of significant deficiency in internal control during the reporting period

Applicable N/A

IX. Auditors' report on internal control

Applicable N/A

The Company's internal control auditor, Deloitte Touche Tohmatsu Certified Public Accountants LLP, issued an unqualified auditors' report on internal control. For details, please refer to relevant announcements of the Company disclosed in www.sse.com.cn, the official website of Shanghai Stock Exchange, on 13 March 2018.

If the Company release internal control report or not: Yes

X. Others

Applicable N/A

Section X Circumstances about Corporate Bonds

Applicable N/A

Section XI Financial Report

I. Auditor's report

De Shi Bao (Shen) Zi (18) No.P00274

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

I. Opinion

We have audited the financial statements of Wanhua Chemical Group Co., Ltd. (hereinafter referred to as "Wanhua Chemical" or "the Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2017, and the consolidated and the Company's income statements, the consolidated and the Company's cash flow statements and the consolidated and the Company's changes in shareholders' equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements are prepared and present fairly, in all material respects, the consolidated and the Company's financial position as of 31 December 2017, and the consolidated and the Company's results of operations and cash flows for the year in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the code of ethics for Chinese Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter 1: Construction in Progress

Description

As stated in Note VII.13 of the financial statement, as of 31 December 2017, the carrying amount of construction in progress in the Company's consolidated balance sheet amounted to RMB 6,419,934,249.79, accounting for about 10% of the total consolidated assets. Fixed assets under construction in progress mainly include polyurethane industry chain extension and supporting projects, Wanhua Yantai Industrial Park Project, etc. The costs of construction in progress mainly include the expenditure to use the allocated machinery, and the costs of construction, etc.; of which the costs of construction are recognized using the percentage of completion method, i.e.the supplier of the construction submits the application of construction progress to the Company and the third-party project supervision for confirmation based on the actual

progress. Afterward, the Company recognized the amount for the current period based on the visual progress identified by the third party, using the percentage of completion method. We identified the measurement of the costs of the construction as a key audit matter due to the large amount of construction in progress.

Audit response

Our principal audit procedures in relation to the measurement of construction in progress include:

- (1) Obtain an understanding of internal control relevant to construction in progress, test and evaluate the effectiveness of relevant internal control;
- (2) Select samples of construction contracts, check the relevant contracts and the visual progress sheet of corresponding items for the year-end, and identify if the amount of the relevant construction cost recognized by the Company at the year-end is correct; pay on-site visits to relevant construction projects and communicate with the engineering and management department to evaluate the reasonableness of the visual progress of relevant construction.
- (3) Compare the budget of construction and the actual amount to evaluate the reasonableness of the total budget costs of the construction;
- (4) Perform confirmation procedures on major construction suppliers and identify the contract amount, year-end visual progress and the balance payable of relevant construction.

Key audit matter 2: Revenue recognition

Description

The revenue of the Company principally comes from sales of polyurethane, petrification and other chemical products to end customers in both domestic and overseas market. As stated in Note XVI, 6(2) of the financial statements – principal operating income segment report categorized by regions, the Company's principal income in domestic market for 2017 amounted to RMB 36,955,938,911.84, accounting for 70.07% of the total principal operating income in the consolidated statement. As agreed in the contract between the Company and the domestic customer, the Company is required to deliver its chemical products to the place designated by the customer, and the customer is entitled to sell or use the products concerned at its sole discretion and bear the risks of the potential damages of such products upon the acceptance and signature of the customer. Revenue from domestic sales is recognized by the Company subject to the acceptance date of the customer.

Domestic customers of the Company can be found all over the county. It takes a period of time for the receipt to be submitted to the Company by the salesman, following by the relevant accounting treatment accordingly; during the closing procedure at the end of the year, for receipts that are not recovered yet, the Business Department will, based on the historical experience, estimate if relevant orders are accepted and confirmed by the customer concerned at the balance sheet date and give feedbacks to the Finance Department for accounting treatment. As the domestic sales is in large amount and the time point of revenue recognition for domestic sales is estimated by the Company, the acceptance date may vary from the sales confirmation date. Therefore, we identify whether the revenue from domestic sales is recognized in appropriate accounting period as a key audit matter.

Audit response

Our principal audit procedures in relation to the above KAM of revenue recognition include:

- (1) Obtain an understanding of internal control relevant to procedures of revenue from domestic sales and key internal control, test and evaluate the effectiveness of relevant internal control;
- (2) Understand and evaluate the accounting policies of revenue recognition of domestic sales by reviewing significant sales contract and interviewing with the management;
- (3) sampling test of revenue from domestic sales and check the delivery order signed by the domestic customer and other supporting documents;

(4) in terms of the delivery record of December 2017, check if the recording date of transactions concerned and the actual acceptance date are included in the same accounting period, summarize cut-off incorrect transaction amount and evaluate if such amount has a significant impact on the financial statements.

IV. Other information

Management of the Company is responsible for the other information. The other information comprises the information included in the 2017 annual report of the Company, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

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

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

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

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

VI. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

Deloitte Touche Tohmatsu CPA LLP Chinese Certified Public Accountant

(Partner)

Wu Xiaohui

Shanghai, China

Chinese Certified Public Accountant

Wang Xin

10 March 2018

II. Financial Statement

Consolidated Balance Sheet

31 December 2017

Prepared by: Wanhua Chemical Group Co., Ltd.

Unit: RMB

Item	Note	Closing balance	Opening balance
Current assets:			
Cash and bank balances	(VII)1	3,062,974,654.18	1,986,803,439.19
Balances with clearing agencies			
Placements with banks and other financial institutions			
Financial assets at fair value through profit or loss	(VII)2		
Derivative financial assets			
Notes receivable	(VII)3	11,308,297,066.37	3,608,297,836.67
Accounts receivable	(VII)4	2,832,792,897.08	1,714,873,634.39
Prepayments	(VII)5	481,975,826.77	239,227,748.59
Premiums receivable			
Amounts receivable under reinsurance contracts			
Reinsurer's share of insurance contract reserves			
Interest receivable			
Dividends receivable			
Other receivables	(VII)6	246,322,725.81	126,061,504.73
Financial assets purchased under resale agreements			
Inventories	(VII)7	6,999,627,326.74	4,337,350,786.56
Assets held for sale			
Non-current assets due within one year			
Other current assets	(VII)8	268,224,126.74	1,223,181,558.97
Total Current Assets		25,200,214,623.69	13,235,796,509.10
Non-current Assets:			
Loans and advances to customers			
Available-for-sale financial assets	(VII)9	20,000,000.00	20,000,000.00
Held-to-maturity investments			
Long-term receivables	(VII)10	318,793,498.76	276,851,198.01
Long-term equity investments	(VII)11	525,628,774.00	363,304,422.54
Investment properties			
Fixed assets	(VII)12	27,610,330,297.20	28,467,944,952.56
Construction in progress	(VII)13	6,419,934,249.79	4,244,587,397.64
Materials for construction of fixed assets	(VII)14	885,595,169.94	454,182,921.75
Disposal of fixed assets			
Bearer biological assets			
Oil and gas assets			
Intangible assets	(VII)15	2,521,052,340.83	2,611,559,168.74
Development expenditure			

Goodwill	(VII)16	277,518,585.35	277,518,585.35
Long-term prepaid expenses	(VII)17	15,473,499.25	17,564,859.40
Deferred tax assets	(VII)18	1,025,337,106.74	447,603,763.74
Other non-current assets	(VII)19	1,007,854,102.69	348,101,676.33
Total Non-current Assets		40,627,517,624.55	37,529,218,946.06
TOTAL ASSETS		65,827,732,248.24	50,765,015,455.16
Current Liabilities:			
Short-term borrowings	(VII)20	12,714,569,960.22	8,501,465,901.41
Loans from the central bank			
Customer deposits and deposits from banks and other financial institutions			
Taking from banks and other financial institutions			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities	(VII)21		7,514,019.66
Notes payable	(VII)22	1,851,643,240.39	1,860,820,056.31
Accounts payable	(VII)23	4,388,212,374.08	3,467,152,841.25
Receipts in advance	(VII)24	2,679,648,525.88	1,496,702,136.79
Financial assets sold under repurchase agreements			
Fees and commissions payable			
Employee benefits payable	(VII)25	730,321,421.23	362,941,027.16
Taxes payable	(VII)26	2,245,188,240.76	556,392,301.68
Interest payable	(VII)27	31,970,671.84	91,712,154.74
Dividends payable			
Other payables	(VII)28	508,025,236.51	511,581,101.39
Amounts payable under reinsurance contracts			
Insurance contract reserves			
Funds from securities trading agency			
Funds from underwriting securities agency			
Liabilities held for sale			
Non-current liabilities due within one year	(VII)29	2,670,513,333.46	4,045,125,000.13
Other current liabilities	(VII)30		1,700,000,000.00
Total Current Liabilities		27,820,093,004.37	22,601,406,540.52
Non-current Liabilities:			
Long-term borrowings	(VII)31	6,321,648,809.13	9,333,344,999.74
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Long-term payables	(VII)32	1,352,722.00	2,705,450.00
Long-term employee benefits payable	(VII)33		
Special payables			
Provisions			
Deferred income	(VII)34	915,610,203.02	475,428,079.03
Deferred tax liabilities	(VII)18	14,900,951.35	18,193,330.19

Other non-current liabilities			
Total Non-current Liabilities		7,253,512,685.50	9,829,671,858.96
TOTAL LIABILITIES		35,073,605,689.87	32,431,078,399.48
OWNERS' EQUITY			
Share capital	(VII)35	2,734,012,800.00	2,162,334,720.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	(VII)36	2,392,825,722.70	48,410,490.40
Less: Treasury shares			
Other comprehensive income	(VII)37	9,518,565.65	7,607,533.24
Special reserve	(VII)38		
Surplus reserve	(VII)39	2,823,172,641.71	1,579,310,659.11
General reserve			
Retained profits	(VII)40	19,320,010,167.13	11,023,922,668.07
Total owners' equity attributable to equity holders of the Company		27,279,539,897.19	14,821,586,070.82
Minority interests		3,474,586,661.18	3,512,350,984.86
TOTAL OWNERS' EQUITY		30,754,126,558.37	18,333,937,055.68
TOTAL LIABILITIES AND OWNERS' EQUITY		65,827,732,248.24	50,765,015,455.16

Legal Representative: Liao Zengtai

Chief Accountant: Kou Guangwu

Person in Charge of the Accounting Body: Zhang Shoujun

Balance Sheet of the Company

31 December 2017

Prepared by: Wanhua Chemical Group Co., Ltd.

Unit: RMB

Item	Note	Closing balance	Opening balance
Current assets:			
Cash and bank balances		2,214,358,511.06	605,649,464.46
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable		2,824,289,219.62	5,300,000.00
Accounts receivable	(XVII)1	6,045,935,341.22	170,325,974.10
Prepayments		221,801,873.88	75,046,969.36
Interest receivable			
Dividends receivable		44,000,000.00	
Other receivables	(XVII)2	1,082,477,120.08	860,124,111.26
Inventories		2,582,117,980.56	1,642,207,077.60
Assets held for sale			
Non-current assets due within one year			
Other current assets		16,052,999.25	916,366,420.77
Total Current Assets		15,031,033,045.67	4,275,020,017.55
Non-current Assets:			
Available-for-sale financial assets		20,000,000.00	20,000,000.00
Held-to-maturity investments			
Long-term receivables		462,431,762.00	485,442,509.40
Long-term equity investments	(XVII)3	4,868,876,085.21	2,364,487,389.87
Investment properties			
Fixed assets		9,191,430,136.83	18,933,436,195.69
Construction in progress		5,304,949,160.10	3,040,725,980.80
Materials for construction of fixed assets		786,277,192.30	365,175,790.81
Disposal of fixed assets			
Bearer biological assets			
Oil and gas assets			
Intangible assets		1,583,694,835.82	2,087,759,719.44
Development expenditure			
Goodwill			
Long-term prepaid expenses		10,844,790.67	17,538,540.02
Deferred tax assets		296,648,593.06	144,686,114.58
Other non-current assets		802,974,226.65	247,733,136.84
Total Non-current Assets		23,328,126,782.64	27,706,985,377.45
TOTAL ASSETS		38,359,159,828.31	31,982,005,395.00
Current Liabilities:			
Short-term borrowings		6,086,315,000.00	4,342,210,453.14
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			

Notes payable	20,000.00	654,000,000.00
Accounts payable	2,481,883,779.52	3,097,496,626.89
Receipts in advance	37,595,121.71	3,440,112,292.45
Employee benefits payable	509,759,885.12	254,002,074.54
Taxes payable	378,386,599.22	20,344,904.34
Interest payable	14,481,454.45	75,710,175.27
Dividends payable		
Other payables	233,184,532.29	177,421,812.55
Liabilities held for sale		
Non-current liabilities due within one year	1,677,333,333.46	3,403,333,333.46
Other current liabilities		1,700,000,000.00
Total Current Liabilities	11,418,959,705.77	17,164,631,672.64
Non-current Liabilities:		
Long-term borrowings	5,400,666,666.29	7,282,999,999.75
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Long-term payables	1,352,722.00	2,705,450.00
Long-term employee benefits payable		
Special payables		
Provisions		
Deferred income	639,666,792.37	393,026,669.06
Deferred tax liabilities		
Other non-current liabilities		
Total Non-current Liabilities	6,041,686,180.66	7,678,732,118.81
TOTAL LIABILITIES	17,460,645,886.43	24,843,363,791.45
OWNERS' EQUITY:		
Share capital	2,734,012,800.00	2,162,334,720.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	2,445,915,517.42	101,500,285.12
Less: Treasury shares		
Other comprehensive income		
Special reserve		
Surplus reserve	2,823,172,641.71	1,579,310,659.11
Retained profits	12,895,412,982.75	3,295,495,939.32
TOTAL OWNERS' EQUITY	20,898,513,941.88	7,138,641,603.55
TOTAL LIABILITIES AND OWNERS' EQUITY	38,359,159,828.31	31,982,005,395.00

Legal Representative: Liao Zengtai

Chief Accountant: Kou Guangwu

Person in Charge of the Accounting Body: Zhang Shoujun

Consolidated Income Statement

From January 2017 to December 2017

Unit: RMB

Item	Note	Amount for the current period	Amount for the prior period
I. Total operating income		53,123,173,258.81	30,099,861,530.44
Including: Operating income	(VII)41	53,123,173,258.81	30,099,861,530.44
Interest income			
Premiums earned			
Fee and commission income			
II. Total operating costs		37,192,905,993.04	24,502,087,346.65
Including: Operating costs	(VII)41	32,033,253,462.20	20,744,809,250.07
Interest expenses			
Fee and commission expenses			
Surrenders			
Claims and policyholder benefits (net of amounts recoverable from reinsurers)			
Changes in insurance contract reserves (net of reinsurers' share)			
Insurance policyholder dividends			
Expenses for reinsurance accepted			
Taxes and levies	(VII)42	475,378,440.49	203,761,067.86
Selling expenses	(VII)43	1,416,999,560.47	1,165,983,654.89
Administrative expenses	(VII)44	2,034,568,276.15	1,423,283,407.77
Financial expenses	(VII)45	929,390,186.18	889,951,201.73
Impairment losses of assets	(VII)46	303,316,067.55	74,298,764.33
Add: Gains from changes in fair values (Losses are indicated by " - ")			
Investment income (Loss is indicated by " - ")	(VII)47	125,557,555.26	52,752,991.72
Including: Income from investments in associates and joint ventures		104,557,555.26	22,768,159.90
Gains from disposal of assets (Loss is indicated by " - ")		1,687,270.04	-1,928,714.31
Foreign exchange gains (Losses are indicated by " - ")			
Other income		901,790,723.66	
III. Operating profit (Loss is indicated by " - ")		16,959,302,814.73	5,648,598,461.20
Add: Non-operating income	(VII)48	18,683,867.48	89,481,665.44
Less: Non-operating expenses	(VII)49	228,250,891.93	85,000,725.82
IV. Total profit (Total loss is indicated by " - ")		16,749,735,790.28	5,653,079,400.82
Less: Income tax expenses	(VII)50	3,440,416,082.30	1,105,009,965.22
V. Net profit (Net loss is indicated by " - ")		13,309,319,707.98	4,548,069,435.60
(1)Categorized by the continuity of operations			
1. Net profit from continuing operations (Net loss is indicated by " - ")		13,309,319,707.98	4,548,069,435.60
2. Net profit from discontinued operations (Net loss is indicated by " - ")			
(2)Categorized by ownership			
1. Profit or loss attributable to minority interests		2,174,529,426.32	868,647,603.70
2. Net profit(loss) attributable to shareholders of the Company		11,134,790,281.66	3,679,421,831.90

VI. Other comprehensive income, net of tax	(VII)37	1,911,032.41	3,592,393.74
Other comprehensive income attributable to owners of the Company, net of tax		1,911,032.41	3,592,393.74
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss:			
1. Changes in net liabilities or net assets of the re-measurement of defined benefit plan			
2. Share of other comprehensive income of investees under equity method which cannot be reclassified into profit and loss			
(II) Other comprehensive income that will be reclassified subsequently to profit or loss:		1,911,032.41	3,592,393.74
1. Share of other comprehensive income of investees under equity method which will be reclassified into profit and loss			
2. Gain (loss) from changes in fair values of available-for-sale financial assets			
3. Held-to-maturity investments which will be reclassified into available-for-sale financial assets			
4. Effective part of gain or loss on hedging of cash flow		7,514,019.66	-7,514,019.66
5. Exchange differences arising on translation of foreign currency financial statements		-5,602,987.25	11,106,413.40
6. Others			
Other comprehensive income attributable to minority interests net of tax			
VII. Total comprehensive income		13,311,230,740.39	4,551,661,829.34
Total comprehensive income attributable to owners of the Company		11,136,701,314.07	3,683,014,225.64
Total comprehensive income attributable to minority interests		2,174,529,426.32	868,647,603.70
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	(XVIII)2	4.09	1.42
(II) Diluted earnings per share (RMB/share)			

Legal Representative: Liao Zengtai

Chief Accountant: Kou Guangwu

Person in Charge of the Accounting Body: Zhang Shoujun

Income Statement of the Company

From January 2017 to December 2017

Unit: RMB

Item	Note	Amount for the current period	Amount for the prior period
I. Total operating income	(XVII)4	21,334,408,066.30	10,863,983,104.57
Less: Operating costs	(XVII)4	11,832,063,044.78	7,545,163,053.83
Taxes and levies		148,427,200.87	44,172,786.96
Selling expenses		137,060,833.12	122,259,062.54
Administrative expenses		1,287,891,854.30	926,445,471.75
Financial expenses		529,515,069.18	509,044,040.98
Impairment losses of assets		118,145,356.13	12,600,691.27
Add: Gains from changes in fair values (Losses are indicated by " - ")			
Investment income (Loss is indicated by " - ")	(XVII)5	6,017,389,219.50	1,124,206,644.94
Including: Income from investments in associates and joint ventures		30,885,932.84	4,684,644.94
Gains from disposal of assets(Loss is indicated by " - ")		33,238,546.96	-7,342.91
Other income		290,871,100.98	
II. Operating profit (Loss is indicated by " - ")		13,622,803,575.36	2,828,497,299.27
Add: Non-operating income		3,137,889.93	24,022,716.92
Less: Non-operating expenses		136,704,426.53	38,368,852.52
III. Total profit (Total loss is indicated by " - ")		13,489,237,038.76	2,814,151,163.67
Less: Income tax expenses		1,050,617,212.73	186,252,723.58
Net profit (Net loss is indicated by " - ")		12,438,619,826.03	2,627,898,440.09
(1) Net profit from continuing operations (Net loss is indicated by " - ")		12,438,619,826.03	2,627,898,440.09
(2) Net profit from discontinued operations (Net loss is indicated by " - ")			
V.Other comprehensive income, net of tax			
(1) Other comprehensive income that will not be reclassified subsequently to profit or loss:			
1. Changes in net liabilities or net assets of the re-measurement of defined benefit plan			
2. Share of other comprehensive income of investees under equity method which cannot be reclassified into profit and loss			
(II)Other comprehensive income that will be reclassified subsequently to profit or loss:			
1. Share of other comprehensive income of investees under equity method which will be reclassified into profit and loss			
2. Gain (loss) from changes in fair values of available-for-sale financial assets			
3. Held-to-maturity investments which will be reclassified into available-for-sale financial assets			
4. Effective part of gain or loss on hedging of cash flow			
5. Exchange differences arising on translation of foreign currency financial statements			
6. Others			
VI.Total comprehensive income		12,438,619,826.03	2,627,898,440.09

VII. Earnings per share:

(I) Basic earnings per share(RMB/share)

(II) Diluted earnings per share (RMB/share)

Legal Representative: Liao Zengtai

Chief Accountant: Kou Guangwu

Person in Charge of the Accounting Body: Zhang Shoujun

Consolidated Cash Flow Statement

From January 2017 to December 2017

Unit: RMB

Item	Note	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		61,535,059,267.31	37,012,639,797.66
Net increase in customer deposits and deposits from banks and other financial institutions			
Net increase in loans from the central bank			
Net increase in taking from banks and other financial institutions			
Cash receipts from premiums under direct insurance contracts			
Net cash receipts from reinsurance business			
Net cash receipts from policyholders' deposits and investment contract liabilities			
Net increase in disposal of financial assets at fair value through profit or loss			
Cash receipts from interest, fees and commissions			
Net increase in taking from banks			
Net increase in financial assets sold under repurchase arrangements			
Receipts of tax refunds		1,093,952,152.13	456,361,742.00
Other cash receipts relating to operating activities	(VII)52(1)	848,679,106.02	186,759,133.04
Sub-total of cash inflows from operating activities		63,477,690,525.46	37,655,760,672.70
Cash payments for goods purchased and services received		43,714,485,045.21	24,633,123,207.39
Net increase in loans and advances to customers			
Net increase in balance with the central bank and due from banks and other financial institutions			
Cash payments for claims and policyholders' benefits under direct insurance contracts			
Cash payments for interest, fees and commissions			
Cash payments for insurance policyholder dividends			
Cash payments to and on behalf of employees		2,055,572,019.88	1,443,746,530.44
Payments of various types of taxes		5,311,389,823.34	2,239,167,671.94
Other cash payments relating to operating activities	(VII)52(2)	2,184,097,041.63	1,990,879,384.10
Sub-total of cash outflows from operating activities		53,265,543,930.06	30,306,916,793.87
Net Cash Flow from Operating Activities		10,212,146,595.40	7,348,843,878.83
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments			
Cash receipts from investment income		29,033,203.80	30,000,000.00
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		35,978,125.93	1,830,407.09
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities	(VII)52(3)	495,652,000.00	194,000,000.00
Sub-total of cash inflows from investing activities		560,663,329.73	225,830,407.09

Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		5,952,652,459.30	4,113,460,406.99
Cash payments to acquire investments		65,800,000.00	15,000,000.00
Net increase in pledged loans receivables			
Other cash payments relating to investing activities	(VII)52(4)	2,128,900.00	66,949,009.10
Sub-total of cash outflows from investing activities		6,020,581,359.30	4,195,409,416.09
Net Cash Flow from Investing Activities		-5,459,918,029.57	-3,969,579,009.00
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		2,487,297,171.50	
Including: cash receipts from capital contributions from minority owners of subsidiaries		27,297,187.50	
Cash receipts from borrowings		24,453,540,306.73	20,637,077,946.00
Cash receipts from issue of bonds			1,700,000,000.00
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities		26,940,837,478.23	22,337,077,946.00
Cash repayments of borrowings		23,289,622,001.53	23,210,937,929.86
Cash payments for distribution of dividends or profits or settlement of interest expenses		4,298,057,355.00	1,948,913,155.60
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		2,239,590,937.50	491,478,000.00
Cash payments to redemption of bonds		3,010,400,000.00	669,600,000.00
Other cash payments relating to financing activities	(VII)52(5)	2,691,268.86	11,897,770.83
Sub-total of cash outflows from financing activities		30,600,770,625.39	25,841,348,856.29
Net Cash Flow from Financing Activities		-3,659,933,147.16	-3,504,270,910.29
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		-8,840,594.16	25,562,818.50
V. Net Increase in Cash and Cash Equivalents		1,083,454,824.51	-99,443,221.96
Add: Opening balance of Cash and Cash Equivalents		1,962,848,541.01	2,062,291,762.97
VI. Closing Balance of Cash and Cash Equivalents		3,046,303,365.52	1,962,848,541.01

Legal Representative: Liao Zengtai

Chief Accountant: Kou Guangwu

Person in Charge of the Accounting Body: Zhang Shoujun

Cash Flow Statement of the Company

From January 2017 to December 2017

Unit: RMB

Item	Note	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		24,520,299,812.53	9,100,273,960.13
Receipts of tax refunds		149,258,621.12	72,042,869.79
Other cash receipts relating to operating activities		134,196,486.46	86,596,786.12
Sub-total of cash inflows from operating activities		24,803,754,920.11	9,258,913,616.04
Cash payments for goods purchased and services received		13,879,033,232.01	6,356,331,952.70
Cash payments to and on behalf of employees		1,194,360,390.40	793,256,693.86
Payments of various types of taxes		1,450,595,820.96	263,540,024.65
Other cash payments relating to operating activities		514,382,309.62	408,826,315.55
Sub-total of cash outflows from operating activities		17,038,371,752.99	7,821,954,986.76
Net Cash Flow from Operating Activities	(XVII)6	7,765,383,167.12	1,436,958,629.28
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments			
Cash receipts from investment income		319,081,662.50	1,147,810,370.41
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		2,127,903,503.25	1,335,863.64
Net cash receipts from disposals of subsidiaries and other business units			
Other cash receipts relating to investing activities		1,232,224,100.00	1,595,318,514.03
Sub-total of cash inflows from investing activities		3,679,209,265.75	2,744,464,748.08
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		4,702,392,576.01	2,469,053,319.76
Cash payments to acquire investments		2,493,502,762.50	15,000,000.00
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities		1,025,311,200.00	975,876,989.91
Sub-total of cash outflows from investing activities		8,221,206,538.51	3,459,930,309.67
Net Cash Flow from Investing Activities		-4,541,997,272.76	-715,465,561.59
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		2,459,999,984.00	
Cash receipts from borrowings		10,878,383,026.28	10,647,690,979.10
Cash receipts from issue of bonds			1,700,000,000.00
Other cash receipts relating to financing activities		1,153,926,738.34	
Sub-total of cash inflows from financing activities		14,492,309,748.62	12,347,690,979.10
Cash repayments of borrowings		14,329,637,322.67	12,733,629,123.67
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,764,461,868.24	1,065,565,771.36
Other cash payments relating to financing activities		113,047.62	6,183,299.51
Sub-total of cash outflows from financing activities		16,094,212,238.53	13,805,378,194.54
Net Cash Flow from Financing Activities		-1,601,902,489.91	-1,457,687,215.44
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		-12,774,357.85	-3,542,952.86

V. Net Increase in Cash and Cash Equivalents		1,608,709,046.60	-739,737,100.61
Add: Opening balance of Cash and Cash Equivalents		605,649,464.46	1,345,386,565.07
VI. Closing Balance of Cash and Cash Equivalents	(XVII)6	2,214,358,511.06	605,649,464.46

Legal Representative: Liao Zengtai

Chief Accountant: Kou Guangwu

Person in Charge of the Accounting Body: Zhang Shoujun

Consolidated Statement of Changes in Owners' Equity

From January 2017 to December 2017

Unit: RMB

ITEM	Amount for the current period												
	Attributable to owners of the Company										Minority interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General reserve			Retained profits
Preferred shares		Perpetual bonds	Others										
I. Closing balance of the preceding year	2,162,334,720.00			48,410,490.40		7,607,533.24		1,579,310,659.11			11,023,922,668.07	3,512,350,984.86	18,333,937,055.68
Add: Changes in accounting policies													
Corrections of prior period errors													
Business combinations involving enterprises under common control													
Others													
II. Opening balance of the current year	2,162,334,720.00			48,410,490.40		7,607,533.24		1,579,310,659.11			11,023,922,668.07	3,512,350,984.86	18,333,937,055.68
III. Changes for the year (Losses are indicated by " - ")	571,678,080.00			2,344,415,232.30		1,911,032.41		1,243,861,982.60			8,296,087,499.06	-37,764,323.68	12,420,189,502.69
(I) Total comprehensive income						1,911,032.41					11,134,790,281.66	2,174,529,426.32	13,311,230,740.39
(II) Owners' contributions and reduction in capital	116,009,280.00			2,344,415,232.30								27,297,187.50	2,487,721,699.80
1. Ordinary shares contributed by shareholders	116,009,280.00			2,344,415,232.30								27,297,187.50	2,487,721,699.80
2. Capital contribution from other equity instrument holders													
3. Share-based payment recognized in owners' equity													
4. Others													
(III) Profit distribution	455,668,800.00							1,243,861,982.60		-2,838,702,782.60	-2,239,590,937.50	-3,378,762,937.50	
1. Transfer to surplus reserve								1,243,861,982.60		-1,243,861,982.60			
2. Transfer to general reserve													
3. Distributions to owners (or shareholders)	455,668,800.00									-1,594,840,800.00	-2,239,590,937.50	-3,378,762,937.50	
4. Others													

(IV)Transfers within owners' equity								
1. Capitalization of capital reserve								
2. Capitalization of surplus reserve								
3. Loss offset by surplus reserve								
4. Others								
(V)Special reserve								
1. Transfer to special reserve in the period				67,120,232.65		12,399,306.82		79,519,539.47
2. Amount utilized in the period				67,120,232.65		12,399,306.82		79,519,539.47
(VI)Others								
IV. Closing balance of the current year	2,734,012,800.00	2,392,825,722.70	9,518,565.65	2,823,172,641.71	19,320,010,167.13	3,474,586,661.18		30,754,126,558.37

Note: As approved by the China Securities Regulatory Commission on the Approval of Non-Public Offering of Stock of Wanhua Chemical Group Co., Ltd. (Zheng Jian Xu Ke [2016] No. 1805), the company issued RMB 116,009,280 ordinary shares (A Share) at the offering price of RMB 21.55 per share on 6 January 2017, totaling RMB 2,499,999,984.00 After deducting the underwriter's issuance expenses of RMB 37,735,849.06(excluding VAT) and other issuance expenses of RMB 1,839,622.64(excluding VAT), the actual raised funds is RMB 2,460,424,512.30(net), including new registered capital of RMB 116,009,280.00 and share premiums of RMB 2,344,415,232.30.

ITEM	Amount for the current period												
	Attributable to owners of the Company										Minority interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General reserve			Retained profits
	Preferred shares	Perpetual bonds	Others										
I. Closing balance of the preceding year	2,162,334,720.00				48,344,557.95		4,015,139.50		1,579,310,659.11		7,776,967,780.17	3,252,261,539.05	14,823,234,395.78
Add: Changes in accounting policies													
Corrections of prior period errors													
Business combinations involving enterprises under common control													
Others													
II. Opening balance of the current year	2,162,334,720.00				48,344,557.95		4,015,139.50		1,579,310,659.11		7,776,967,780.17	3,252,261,539.05	14,823,234,395.78
III. Changes for the year (Losses are indicated by " - ")					65,932.45		3,592,393.74				3,246,954,887.90	260,089,445.81	3,510,702,659.90
(I) Total comprehensive income							3,592,393.74				3,679,421,831.90	868,647,603.70	4,551,661,829.34
(II) Owners' contributions and reduction in capital													
1. Ordinary shares contributed by shareholders													
2. Capital contribution from other equity instrument holders													
3. Share-based payment recognized in owners' equity													
4. Others													
(III) Profit distribution											-432,466,944.00	-491,478,000.00	-923,944,944.00
1. Transfer to surplus reserve													
2. Transfer to general reserve													
3. Distributions to owners(or shareholders)											-432,466,944.00	-491,478,000.00	-923,944,944.00
4. Others													
(IV) Transfers within owners' equity													
1. Capitalization of capital reserve													

2. Capitalization of surplus reserve							
3. Loss offset by surplus reserve							
4. Others							
(V)Special reserve							
1. Transfer to special reserve in the period			48,384,611.40		11,856,679.12		60,241,290.52
2. Amount utilized in the period			48,384,611.40		11,856,679.12		60,241,290.52
(VI)Others		65,932.45			-117,080,157.89		-117,014,225.44
1. Changes in the scope of consolidation(Note)					-117,080,157.89		-117,080,157.89
2. Others		65,932.45					65,932.45
IV. Closing balance of the current year	2,162,334,720.00	48,410,490.40	7,607,533.24	1,579,310,659.11	11,023,922,668.07	3,512,350,984.86	18,333,937,055.68

Note: Changes in the scope of consolidation refers to the subsidiary, Ningbo Xiebei Thermal Power Co., Ltd. was then changed to a joint venture. Ningbo Xiebei Thermal Power Co., Ltd. was jointly established by the subsidiary of the Company, Wanhua Chemical (Ningbo) Thermal Power Co., Ltd. ("Wanhua Thermal Power") and Union King Holdings Limited, of which Wanhua Thermal Power held 55% of the equity with the contribution of RMB 148,500,000.00, and Union King Holdings Limited held 45% of the equity with the contribution of RMB 121,500,000.00. According to the articles of association of Ningbo Xiebei Thermal Power Co., Ltd. the resolution of the board of directors shall be subject to the approval of more than two-thirds of the attending directors. However, according to *the Agreement to Exercise of the Voting Rights of Shareholders*, Union King Holdings Limited, as a shareholder of Ningbo Xiebei Thermal Power Co., Ltd., promised to act in line with the Company in exercising the right of proposal such as operating plans, financial budget preparation, financial policies and systems, investment and financing management, cash and assets management and other operating and financial decisions, or urge the directors it designated to keep consistent in exercising the voting rights. Therefore, Ningbo Xiebei Thermal Power Co., Ltd. was included in the scope of consolidation by Wanhua Thermal Power.

On 1 July 2016, Wanhua Thermal Power and Union King Holdings Limited agreed to terminate the Agreement to Exercise of the Voting Rights of Shareholders, pursuant to which, Ningbo Xiebei Thermal Power Co., Ltd. was no longer controlled by Wanhua Thermal Power and therefore, not included in the scope of consolidation.

Legal Representative: Liao Zengtai

Chief Accountant: Kou Guangwu

Person in Charge of the Accounting Body: Zhang Shoujun

Statement of Changes in Owners' Equity of the Company

From January 2017 to December 2017

Unit: RMB

ITEM	Amount for the current period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total owners' equity
		Preferred shares	Perpetual bonds	Others							
I. Closing balance of the preceding year	2,162,334,720.00				101,500,285.12				1,579,310,659.11	3,295,495,939.32	7,138,641,603.55
Add: Changes in accounting policies											
Corrections of prior period											
Others											
II. Opening balance of the current year	2,162,334,720.00				101,500,285.12				1,579,310,659.11	3,295,495,939.32	7,138,641,603.55
III. Changes for the year (Losses are indicated by " - ")	571,678,080.00				2,344,415,232.30				1,243,861,982.60	9,599,917,043.43	13,759,872,338.33
(I) Total comprehensive income										12,438,619,826.03	12,438,619,826.03
(II) Owners' contributions and reduction in capital	116,009,280.00				2,344,415,232.30						2,460,424,512.30
1. Ordinary shares contributed by shareholders	116,009,280.00				2,344,415,232.30						2,460,424,512.30
2. Capital contribution from other equity instrument holders											
3. Share-based payment recognized in owners' equity											
4. Others											
(III) Profit distribution	455,668,800.00								1,243,861,982.60	-2,838,702,782.60	-1,139,172,000.00
1. Transfer to surplus reserve									1,243,861,982.60	-1,243,861,982.60	
2. Distributions to owners(or shareholders)	455,668,800.00									-1,594,840,800.00	-1,139,172,000.00
3. Others											
(IV) Transfers within owners' equity											
1. Capitalization of capital reserve											
2. Capitalization of surplus reserve											
3. Loss offset by surplus reserve											
4. Others											
(V) Special reserve											
1. Transfer to special reserve in the period								26,109,031.80			26,109,031.80
2. Amount utilized in the period								26,109,031.80			26,109,031.80
(VI) Others											
IV. Closing balance of the current year	2,734,012,800.00				2,445,915,517.42				2,823,172,641.71	12,895,412,982.75	20,898,513,941.88

ITEM	Amount for the current period										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total owners' equity
		Preferred shares	Perpetual bonds	Others							
I. Closing balance of the preceding year	2,162,334,720.00				101,434,352.67				1,579,310,659.11	1,100,064,443.23	4,943,144,175.01
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening balance of the current year	2,162,334,720.00				101,434,352.67				1,579,310,659.11	1,100,064,443.23	4,943,144,175.01
III. Changes for the year (Losses are indicated by " - ")					65,932.45					2,195,431,496.09	2,195,497,428.54
(I) Total comprehensive income										2,627,898,440.09	2,627,898,440.09
(II) Owners' contributions and reduction in capital											
1. Ordinary shares contributed by shareholders											
2. Capital contribution from other equity instrument holders											
3. Share-based payment recognized in owners' equity											
4. Others											
(III) Profit distribution										-432,466,944.00	-432,466,944.00
1. Transfer to surplus reserve											
2. Distributions to owners(or shareholders)										-432,466,944.00	-432,466,944.00
3. Others											
(IV) Transfers within owners' equity											
1. Capitalization of capital reserve											
2. Capitalization of surplus reserve											
3. Loss offset by surplus reserve											
4. Others											
(V) Special reserve											
1. Transfer to special reserve in the period								17,654,200.20			17,654,200.20
2. Amount utilized in the period								17,654,200.20			17,654,200.20
(VI) Others					65,932.45						65,932.45
IV. Closing balance of the current year	2,162,334,720.00				101,500,285.12				1,579,310,659.11	3,295,495,939.32	7,138,641,603.55

Legal Representative: Liao Zengtai

Chief Accountant: Kou Guangwu

Person in Charge of the Accounting Body: Zhang Shoujun

(III) BASIC INFORMATION ABOUT THE COMPANY

1. General

Applicable N/A

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. Lu Zheng Gu Zi[1998] 70 issued by the People's 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 Uniform Social Credit Code of 91370000163044841F.

The Company is located in Yantai city of Shandong province economic and technical development district No. 17 of Tianshan 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; sales of liquefied petroleum gas, propylene, acrylic and other petrochemical products; Technical 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 and Technical training and etc.; 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..

As approved by the China Securities Regulatory Commission on the Approval of Non-Public Offering of Stock of Wanhua Chemical Group Co., Ltd. (Zheng Jian Xu Ke [2016] No. 1805), the company issued RMB 116,009,280 ordinary shares (A Share) at the offering price of RMB 21.55 per share on 6 January 2017.

As approved by the shareholders meeting on 3 May 2017, distributable profits available for shareholders were declared to all the shareholders at a cash dividend of RMB 5(including tax) for every shares based on the Company's total share capital of 2,278,344,000 shares after the additional issue. For every 10 shares, 2 bonus shares were delivered, and a total of 455,668,800 shares were delivered. As such, the share capital of the company was then changed to 2,734,012,800 shares.

The parent company of the Company is Wanhua Industrial Group Co., Ltd. and the ultimate controlling shareholder of the Company is State-owned Assets Supervision and Administration Commission of Yantai Municipal Government.

The Company and the consolidated financial statements of the Company have been approved by the board of the directors on 10 March 2018.

2. Scope of consolidated financial statements

Applicable N/A

The scope of and changes in consolidated financial statements for the year are disclosed in Note (VIII).

(IV) BASIC OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The Group has adopted the Accounting Standards for Business Enterprises ("ASBE") 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 accordance 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.

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.

2. Going concern

Applicable N/A

As at 31 December 2017, the Group's total current liabilities exceeded of total current assets of RMB 2.62 billion. However, as at 31 December 2017, unutilized bank facility was more than RMB 27.5 billion, and unutilized corporate bonds facility for issuance was RMB7.5 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.

(V) SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND PRIOR PERIOD ADJUSTMENT

Tips for the specific accounting policies and accounting estimates:

Applicable N/A

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: V (11)), Inventory (Note: V(12)), depreciation of fixed assets and amortization of intangible assets (Note: V(14) &(17)), timing for recognizing the revenue (Note: V(21)) etc.

1. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with Accounting Standards for Business Enterprises, and present truly and completely, the Company's and consolidated financial position as of 31 December 2017, and the Company's and consolidated results of operations and cash flows for the year then ended.

2. Accounting period

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

3. Operating cycle

Applicable N/A

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 Group's operating cycle is 140 days. The Group adopts 12 months as time division for liquidity of assets and liabilities.

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, including USD, JPY, INR, SGD etc.. The Group adopts RMB to prepare its financial statements.

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

Applicable N/A

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

(1) Business combinations involving enterprises under common control

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

Assets 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.

(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. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when 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 reassesses 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.

6. Preparation of consolidated financial statements

Applicable N/A

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the 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. If changes of related facts and situations lead to changes of related elements of control, the Group will undertake reassessment.

The combination of subsidiaries begins with controlling the subsidiary by the Group, and ends with the Group's losing control of the subsidiary.

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 amounts 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 is 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 recognized 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.

7. Classification of joint venture arrangements and accounting treatment for joint operation

Applicable N/A

Joint venture arrangements include common management and joint venture, which is decided by rights and obligations agreed

in the arrangements based on the structure, legal form and contract terms. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The joint venture arrangements of the Group are joint ventures.

The Group's investment in the joint venture is accounted by the equity method. Refer to Note (V) 13.3.2."Long-term equity investments measured at equity method" for details.

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

Applicable N/A

(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.

The Company and subsidiaries employing RMB as functional currency adopt spot exchange buying rate and spot exchange selling rate of the Bank of China as the spot exchange rate. As for the subsidiaries which do not use RMB as functional currency, they use the spot exchange buying rate and spot exchange selling rate searched in Bloomberg as functional currency. That is, the transaction form foreign currency asset converting by spot exchange buying rate, and the transaction form foreign currency liabilities converting by spot exchange selling rate.

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 changes in the carrying amounts (other than the amortized cost) of available-for-sale monetary items are recognized as other comprehensive income.

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" in other comprehensive income, 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 retranslated 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).

(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; shareholders' 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 difference between the translated assets and the aggregate of liabilities and shareholders' equity items is separately presented as other comprehensive income under the shareholders' equity.

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.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on translation of financial statements of this foreign operation attributable to the owners' equity of the Company and presented under owners' equity, to profit or loss in the period in which the disposal occurs.

In case of a disposal or other reason that does not result in the Group losing control over a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to minority interests and are not recognized in profit and loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

10. Financial instruments

Applicable N/A

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.

(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.

(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. The Group's financial assets comprise of loans and receivables and available-for-sale financial assets.

10.2.1. 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, other receivables, 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.

10.2.2. Available-for-sale financial assets

Available-for-sale financial assets include 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, except that impairment losses and exchange differences related to amortised 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 income.

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, they are measured at cost.

(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.

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 other comprehensive income is reclassified from the in other comprehensive income to profit or loss. The amount of the cumulative loss that is reclassified from in other comprehensive income 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, 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.

(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.

(5) Classification, recognition and measurement of financial liabilities

Debt and equity instruments issued by the Group are classified into financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument, other than in legal ways only.

Financial liabilities of the Group are other financial liabilities.

10.5.1 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. Financial liabilities other than liabilities from financial guarantee contracts 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.

10.5.2 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.

(6) Derecognition of financial liabilities

The Group derecognizes 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.

(7) Derivatives and embedded derivatives

Derivative financial instruments include forward future contracts, etc. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognized in profit or loss unless the derivative is designated and highly effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and treated as a standalone derivative if 1) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and 2) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Group is unable to measure the embedded derivative separately either an acquisition or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

(8) 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.

(9) 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 issues (including refinancing), repurchases, sells, or cancels 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 are deducted from the rights and interests.

All types of distributions made by the Group to holders of equity instruments are treated as profit distribution and shall not change the total shareholders' equity.

11. Receivables

(1) Receivables that are individually significant and for which bad debt provision is individually assessed

Applicable N/A

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 does not make 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. If there is objective evidence that the Group is unable to recover relevant debts under the original terms of other receivables, the Group has made provision for bad debts of other receivables.

(2) Receivables for which bad debt provision is collectively assessed on a credit risk characteristics portfolio basis:

Applicable N/A

Receivables for which bad debt provision is collectively assessed on a credit risk characteristics portfolio basis(aging analysis, percentage of balance and other methods)	
Receivables due from domestic customers	aging analysis
Receivables due from overseas customers	percentage of balance

Note: This credit risk characteristics portfolio represents receivables due from related parties.

Aging analysis of accounts receivable:

Applicable N/A

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

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

Applicable N/A

Name of portfolio	Provision as a proportion of accounts receivable (%)	Provision as a proportion of other receivables (%)
Accounts receivable-overseas clients	15	

Portfolios that other methods are used for bad debt provision:

Applicable N/A

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

Applicable N/A

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

12. Inventories

Applicable N/A

(1) Categories of inventories

The Group's inventories mainly include raw materials, work in progress 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.

(2) Valuation method of inventories upon delivery

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

(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 of the purposes of holding inventories and effect of post balance sheet events.

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.

(4) Inventory count system

The perpetual inventory system is maintained for stock system.

(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-off method.

13. Long-term equity investments

Applicable N/A

(1) Determine the control of or significant influence

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 determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

(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.

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.

(3) Subsequent measurement and the method to recognize profit and loss

13.3.1. Long-term equity investments accounted for using the cost method

Investments in subsidiaries are accounted for using cost method in the Company's separate financial statements. Subsidiaries refer to the investees over which the Group 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. Long-term equity investments accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence and a joint venture refer to joint arrangements in which the Group exert rights over the net assets.

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

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income and other comprehensive income for the period. Meanwhile, carrying amount of long-term equity investment is adjusted: the carrying amount of long-term equity investment is decreased in accordance with its share of the investee's declared profit or cash dividends; Other changes in owners' equity of the investee other than net profit or loss and other comprehensive income are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognized in the capital reserve. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual identifiable assets, etc. at the acquisition date after making appropriate adjustments. When the investors' accounting policies and accounting period are inconsistent with those of the Company, the Company recognises investment income and other comprehensive income after making appropriate adjustments to conform to the Company's accounting policies and accounting period. However, unrealized gains or losses resulting from the Group's transactions with its associates and joint ventures, which does not constitute a business, are eliminated based on the proportion attributable to the Group and the investment gains or losses or is recognized. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. Otherwise, if the Group should bear extra loss, the loss should be recorded in accrued liabilities and current loss. When the investees realize profit afterward, the Group should not recognize the related portion of profit until the extra loss has been recovered.

(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 pro 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 pro 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 in 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.

14. Fixed assets

(1) Recognition criteria

Applicable N/A

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 derecognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

(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:

Applicable N/A

Category	Depreciation method	Depreciation period (years)	Residual value rate	Annual depreciation rate
Buildings	straight-line method	20-40	4%-5%	2.38%-4.80%
Machinery and equipment (excluding R&D equipment and catalyst)	straight-line method	10-12	4%-5%	7.92%-9.60%
Machinery and equipment - R&D equipment	straight-line method	2-12	4%-5%	7.92%-48.00%
Machinery and equipment -catalyst	straight-line method	1-10	0-30%	7.00%-100.00%
Electronic equipment, appliances and furniture	straight-line method	5-8	4%-5%	11.88%-19.20%
Transportation vehicles	straight-line method	6-12	4%-5%	7.92%-16.00%

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.

Other explanations:

If a fixed asset is to be disposed of or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. 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 accounts for any change as a change in an accounting estimate.

(3) Identification basis, and valuation and depreciation methods for fixed assets acquired under finance leases

Applicable N/A

15. Construction in progress

Applicable N/A

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized 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.

16. Borrowing Costs

Applicable N/A

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized 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 sales have commenced. Capitalization 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 capitalized 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 capitalized 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. During the Capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

17. Intangible assets

(1) Valuation method, useful life and impairment test

Applicable N/A

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 amortized 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	2-10
Non-patented technology	10	10
Software	10	10
Others –use right of backup power(Note)	50	2

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

Note: Others are supply fee of Industrial Park backup power laid by State Grid Shandong Electric Power Company, and being depreciated by using the term of use of the land used in the Wanhua Yantai Industrial Park.

(2) Accounting policies of research and development expenditure

Applicable N/A

Expenditure during the research phase is recognized in profit or loss 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 long-term assets

Applicable N/A

The Group assesses at each balance sheet date whether there is any indication that long-term equity investments, fixed assets, construction in progress, and intangible assets with finite useful life may be impaired. If there is any indication that such assets may be impaired, the recoverable amount is estimated. Intangible assets 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.

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 is 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 first 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 on the pro-rata 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

Applicable N/A

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), including leasehold improvement expenses etc.. Long-term prepaid expenses are amortized using the straight-line method over 3 to 5 years of the expected periods in which benefits are derived.

20. Employee benefits

(1) Accounting methods for short-term employee benefits

Applicable N/A

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 welfare funds are recorded into the profits and losses of the current cost according to the actual amount. The welfare funds for non-monetary benefits are accounted for, in accordance with the fair value measurement.

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as trade

union fund and employee education fund provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

(2) Accounting methods of welfare of dismissal

Applicable N/A

Post-employment benefits are all included in defined contribution plan.

In an accounting period in which an employee has rendered service to the Group, the Group recognizes the contributions payable as a liability, and the related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

(3) Accounting methods of welfare of termination

Applicable N/A

(4) Accounting methods of other long-term employee benefits

Applicable N/A

21. Revenue

Applicable N/A

(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.

(2) Revenue from rendering of services

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 Group; (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 services rendered will be compensated, revenue is not recognized.

(3) Interest income

The amount of interest revenue is measured and confirmed in accordance with the length of time for which the Group's monetary funds is used by others and the effective interest rates.

22. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. 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.

(1) Basis for determining government grants related to an asset and accounting treatment

Applicable N/A

For the Group's government subsidies related to an assets, refer to Note VII 34. The grants are used to acquire, construct or otherwise contribute to long-term assets, such government grants are related to an asset.

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.

(2) Basis for determining government grants related to an income and accounting treatment

Applicable N/A

For the government subsidies related to an income, refer to Note VII, 48 and 57, including tax refunds and industrial supporting funds. Such government subsidies are recognized as government grants related to an income.

Government grants other than those related to assets are recognized to be related to income.

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, the Group will recognize the government grants 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.

A government grant related to the Group's daily activities is recognized in other income based on the nature of economic activities; a government grant is not related to the Group's daily activities is recognized in non-operating income.

23. Deferred tax assets/Deferred tax liabilities

Applicable N/A

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

(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.

(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 only 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 shareholders' equity, in which case they are recognized in other comprehensive income or in shareholders' 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.

(3) Offsetting 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.

(1) Operating lease accounting methods

Applicable N/A

24.1.1 The Group as lessee under operating leases

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 The Group as lessor under operating leases

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.

(2) Finance lease accounting methods

Applicable N/A

25. Other significant accounting policies and accounting estimates

Applicable N/A

(1) Hedge accounting

Some financial instruments are used as hedging instruments by the Group for the purpose of avoiding certain risks. The Group applies hedging accounting for a hedge that satisfies the prescribed conditions. Hedging activities of the Group is cash flow hedges.

At the inception of a hedge, the Group records the relationship between the hedging instrument and hedged item, risk management objective and strategy for undertaking various hedging transactions. At the inception and in subsequent periods, the hedge is assessed for effectiveness by the Group on an ongoing basis so as to determine whether the hedge is highly effective throughout the accounting periods for which the hedging relationship was designated.

25.1.1 Cash flow hedges

The effective portion of a change in the fair value of a derivative that is designated and qualifies as a cash flow hedge is recognized in other comprehensive income, and the gain or loss relating to the ineffective portion is recognized in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the amounts previously recognized in other comprehensive income are reclassified to profit or loss in the same periods during which the financial asset or financial liability affects profit or loss. If the Group expects that all or a portion of a net loss previously recognized in other comprehensive income will not be recovered in future accounting periods, the net loss that is not expected to be recovered is immediately recognized in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the amounts previously recognized in other comprehensive income are reclassified to profit or loss in the same periods during which the non-financial asset or non-financial liability affects profit or loss. If the Group expects that all or a portion of a net loss previously recognized in other comprehensive income will not be recovered in future accounting periods, the net loss that is not expected to be recovered is immediately recognized in profit or loss.

Except as stated above, the amounts previously recognized in other comprehensive income are reclassified to profit or loss in the same periods during which the hedged forecast transaction affects profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in other comprehensive income at that time is reclassified to profit or loss when the forecast transaction occurs and is recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in other comprehensive income is reclassified immediately to profit or loss.

26. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Applicable N/A

Contents and reasons for changes in accounting policies	Procedure for approval	Remarks(name and amount of accounts that have been significantly influenced)
<p>The Company started adopting the <i>Accounting Standard for Business Enterprise No.42 Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations</i> issued by Ministry of Finance ("MoF") in 2017, and the <i>Accounting Standard for Business Enterprise No.16 - Government Grants</i> revised by MoF in 2017 respectively since 28 May 2017 and 12 June 2017 respectively. Besides, the financial statements have been prepared under the <i>Notice of the Revised Format of Financial Statements for General Business Enterprise</i> (Cai Kuai (2017) No. 30, hereinafter referred to as the "Cai Kuai No.30 Document") released by the MoF on 25 December 2017.</p>	<p>Such changes in accounting policies have been approved by the Company at the board meeting dated 10 March 2018</p>	
<p>Government grants Prior to the implementation of the <i>Accounting Standard for Business Enterprise No.16 - Government Grants (revised)</i>, a government grant related to an assets of the Company is recognized as deferred income and evenly amortized to profit or loss for the period over the useful life of the related assets. 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 included in profit or loss for the period 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. After the implementation of the <i>Accounting Standard for Business Enterprise No.16 - Government Grants (revised)</i>, a government grant related to an asset of the Company is offset by the carrying amount of the related asset or recognized as deferred income. A government grant recognized as deferred income is included in profit or loss by stages over the useful life of the related asset based on reasonable and systematic methods(detailed description). For a government grant related to an 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 included in profit or loss or offset by relevant costs over the periods in which the related costs or losses 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 or offset by relevant costs. A government grant related to the Company's daily activities is recognized in other income based on the nature of economic activities; a government grant is not related to the Company's daily activities is recognized in non-operating income and expenses. The Company has accounted for the above change in accounting policy prospectively. Such changes in accounting policy has no impact on the financial statements for the comparative years.</p>	<p>Such changes in accounting policies have been approved by the Company at the board meeting dated 10 March 2018</p>	

(2) Changes in significant accounting estimates

Applicable N/A

27. Others- critical judgments in applying accounting policies and key assumptions and uncertainties in accounting estimates

Applicable N/A

In the application of accounting policies as set out Note (V), the Group is required to make judgments, 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 judgments, 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 judgments, 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.

(1) Impairment of accounts receivable

The Group makes bad debt provision for receivables when there is clear evidence that the recovery of receivables is uncertain. As the Group's management needs to consider historical record of debt recovery, debt aging, financial status of debtors and overall economic environment when evaluating the provision, the measurement of bad debt provision is uncertain. Although there is no reason to believe significant change will take place on the assumption on which the measurement of receivables is based, the carrying amount and provision of receivables will change when actual results are different from previous assumptions.

(2) Provision for decline in value of inventories

As stated in Note V 12, inventories are measured at the lower of cost and net realizable value. 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.

A specific operating procedure has been developed by the Group to control the risk as there is a considerable proportion of operating capital of the Group being used for inventories. The Group will conduct a comprehensive review of the inventory on a regular basis to determine if there is an outdated or obsolete inventory and to review its impairment. The review procedures include the compare of the carrying amount of the outdated or obsolete inventory with its corresponding net realizable value so as to determine if provision for any outdated or obsolete inventory shall be made in the financial statements. Appropriate accounting estimates shall be made in the selling price of inventories, the costs of completion, selling expenses and relevant taxes that being adopted by the net realizable value. The management has taken into consideration historical experience and current production costs as well as selling expenses based on the best estimate to ensure the reasonableness of its accounting estimates. The management of the Group believes that adequate bad debt provisions for decline in value of these outdated or obsolete inventories have been made based on above procedures.

(3) Impairment of goodwill

For the purpose of impairment testing, goodwill is considered together with the present value of the future cash flows expected to be derived from the related assets group(s), and the present value of expected future cash flows of such assets group(s) shall be determined as well as the determination of the pre-tax interest rate which reflects the time value of money in the present market and the specific risk of the assets.

(4) Fixed assets and accumulated depreciation

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.

(5) 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 for some subsidiaries, carrying forward losses of future years and deductible temporary differences are not fully recognized as deferred tax assets in these subsidiaries.

(VI) TAXES**1. Major categories of taxes and tax rates**

Major categories of taxes and tax rates

✓ Applicable N/A

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") and Wanhua Chemical (Yantai) Chlor-Alkali Thermal Power Co., Ltd. ("Yantai Chlor-Alkali") are calculated as 11% 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.
City maintenance and construction tax	Actual turnover tax	5%-7%
Enterprise income tax	Taxable income	See the table below

Note: According to the Ministry of Finance and the State Administration of Taxation's Notice on Policies of Simplifying VAT Rates(Cai Shui[2017]No.37): As of 1 July 2017, State Administration of Taxation of The People's Republic of China (SAT) simplified its VAT system and removed the 13 percent bracket. The applicable VAT rate of the steam sales of the Group is 11%.

Disclosures are required for taxpayers with different enterprise income taxes

✓ Applicable N/A

Taxpayers	Income tax rate (%)
Wanhua Chemical (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") (Note2)	15
Wanhua Chemical (Foshan) Rongwei Polyurethane Co., Ltd. ("Foshan Rongwei")	25
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")(Note VIII 5)	25
Wanhua Chemical (Ningbo) Rongwei Polyurethane Co., Ltd. ("Ningbo Rongwei") (Note3)	15
Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd. ("Ningbo Chlor-Alkali")	25
Yantai Chlor-Alkali	25
Wanhua Chemical (Guangdong) Co., Ltd. ("Wanhua Guangdong")	25
Wanhua Chemical (Hong Kong) Co., Limited. ("Wanhua Hong Kong")	16.5
Wanhua Chemical (Japan) Co., Ltd.(Note 7)	
Wanhua Chemical (America) Co., Ltd.(Note 5)	
Wanhua Chemical US Holding Inc.(Note 5)	
Wanhua Innovation & Technology LLC. (Note 5)	
Wanhua International (India) Private Limited.(Note 6)	
Wanhua Chemical (Yantai) Selling Co., Ltd. ("Yantai Selling")	25
Wanhua Chemical (Yantai) Rongwei Polyurethane Co., Ltd. ("Yantai Rongwei")	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 4)	
Wanhua Chemical (Yantai) Petrochemical Co., Ltd. ("Yantai Petrochemical")	25
Wanhua Chemical US Real Estate LLC (Note 5)	
Wanhua Chemical (Hungary) Holding Co., KFT.	9
Zhuhai Wanhua Real Estate Development Co., Ltd.	25
Ningbo XinDa Mingzhou Trading Co., Ltd.	25

2. Tax Preference

Applicable N/A

Note 1: According to Lu Ke Han 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 (Certificate No. GR201437000035) 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. (2016 Income tax rates: 15%). The management of the Company believes that the Company is very likely to qualify for the high and new technology enterprise, therefore, the enterprise income tax is levied at 15% for 2017.

Note 2: According to Guo Ke Fa Huo[2016]No.32, Guo Ke Fa Huo[2016]No.195 – "About the public of the list of the high and new technology enterprises in Beijing of 2017" issued by Department of Science and Technology of Beijing, Department of Finance of Beijing and State Administration of Taxation of Beijing, the subsidiary of the Company, Wanhua Beijing qualifies for the high and new technology enterprise (Certificate No.: GR201711002957) with effective period of three years, and has been subject to the favorable enterprise income tax rate from 1 January 2017 to 31 December 2019.

Note 3: According to Yong Gao Qi Ren Ling [2016] No.2 – "The Announcement of High and New Technology Enterprises Designation Review list of Year 2016", issued by Department of Science and Technology of Ningbo, the subsidiary of the Company, Ningbo Rongwei qualifies for the high and new technology enterprise (Certificate No. GR201633100167) with effective period of three years, and has been subject to the favorable enterprise income tax rate from 1 January 2016 to 31 December 2018.

Note 4: According to local tax laws in the British Virgin Islands, the progressive tax rate is 0%.

Note 5: According to local tax laws in the United States, the applicable progressive tax rate is 35%. The fixed tax rate of 21% is adopted starting from 1 January 2018 (2016: 15% to 39%).

Note 6: According to local tax laws in India, the applicable tax rate is 33.063% (2016: 32.445%).

Note 7: According to local tax laws in Japan, the enterprise income tax rate is 23.4% starting from 1 April 2016 to 31 March 2017 (2016: the income tax rate is lower from 25.5% to 23.9% starting from 1 April 2015 and fiscal years thereafter).

3. Others

Applicable N/A

(VII) NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Applicable N/A

Unit: RMB

Item	Closing balance	Opening balance
Cash on hand:	151,834.64	149,905.42
Bank balances:	3,038,929,570.25	1,962,681,300.94
Other Currency:	23,893,249.29	23,972,232.83
Total	3,062,974,654.18	1,986,803,439.19
Including: Total balances deposited overseas	358,421,944.58	223,549,635.19

Other description:

At 31 December 2017, other currency used for pledge to issue bank acceptance bill and letter of credit reached to RMB 16,671,288.66 (31 December 2016: RMB 23,954,898.18), refer to Note VII 22.

2. Financial assets at fair value and through profit or loss

Applicable N/A

3. Notes receivable**(1) Categories of notes receivable**

Applicable N/A

Unit: RMB

Item	Closing balance	Opening Balance
Bank acceptances	11,308,297,066.37	3,608,297,836.67
Total	11,308,297,066.37	3,608,297,836.67

(2) Notes receivables have been pledged as security at the end of the period

Applicable N/A

Unit: RMB

Item	Pledged amount at the end of the period	Opening Balance
Bank acceptances	2,379,923,723.36	652,974,346.93
Total	2,379,923,723.36	652,974,346.93

Note: Notes receivable used for pledge to acquire borrowings, issue bank acceptances and customs duty guarantee, refer to Note VII 20 and 22.

(3) Undue endorsed or discounted notes receivables at balance sheet date

Applicable N/A

Unit: RMB

Item	Amount of derecognized at the end of the period	Amount of non-derecognized at the end of the period
Bank acceptances	1,699,872,643.32	
Total	1,699,872,643.32	

Note: Refer to Note (X) 2

(4) At the closing of the period, no notes receivables were reclassified to accounts receivable due to the drawers' inability to settle the notes on maturity.

Applicable N/A

4. Accounts receivable**(1) Categories of accounts receivable**

Applicable N/A

Unit: RMB

Category	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 (%)	
Account receivable that are individually significant and for which bad debt provision has been assessed individually	1,955,527,319.41	61.22	222,540,645.40	11.38	1,732,986,674.01	963,391,162.06	50.07	103,779,050.79	10.77	859,612,111.27
Accounts receivable for which bad debt provision is collectively assessed according to credit risk characteristics	1,231,801,903.01	38.57	132,018,401.57	10.72	1,099,783,501.44	960,644,169.39	49.93	105,382,646.27	10.97	855,261,523.12
Accounts receivable that are not individually significant and for which bad debt provision is individually assessed	6,867,130.42	0.21	6,844,408.79	99.67	22,721.63					
Total	3,194,196,352.84	/	361,403,455.76	/	2,832,792,897.08	1,924,035,331.45	/	209,161,697.06	/	1,714,873,634.39

Accounts receivable that are individually significant at the end of the period

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

Applicable N/A

Unit: RMB

Accounts receivable (by company)	Closing balance			
	Accounts receivable	Bad debt provision	Proportion of provision (%)	Reasons of provision
BorsodChem Zrt.	219,348,101.28			Related party does not reserve for bad debt
Company 10	129,033,396.31	6,451,669.82	5.00	Using aging analysis
Company 11	90,442,494.11	13,566,374.13	15.00	Using the percentage of total receivables outstanding
Company 12	88,419,728.93	13,262,959.33	15.00	Using the percentage of total receivables outstanding
Company 13	88,219,050.71	13,232,857.58	15.00	Using aging analysis /Using the percentage of total receivables outstanding
Others	1,340,064,548.07	176,026,784.54	13.14	Using aging analysis /Using the percentage of total receivables outstanding
Total	1,955,527,319.41	222,540,645.40	/	/

Note: The Group assessed the bad debt provision of accounts receivable which are individually significant separately. At 31 December 2017, RMB 14,331,169.00 of bad debt provision is accrued for accounts receivable that are individually significant (31 December 2016: RMB 14,331,169.00), for which provisions have been made in full amount due to the bankruptcy insolvency of the counterparty. With reference to the Note V.11, receivables for which bad debt provision is collectively assessed on a portfolio basis, as at 31 December 2017, an amount of RMB 208,209,476.40 is accrued as bad debt provision (at 31 December 2016: RMB 89,447,881.79)

The aging analysis of bad debt provision in portfolio basis:

Applicable N/A

Unit: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of provision (%)
Within 1 year	523,688,705.98	26,172,284.63	5.00
Sub-total of accounts receivable aged within 1 year	523,688,705.98	26,172,284.63	5.00
More than 1 year but not exceeding 2 years	5,086,088.85	508,608.88	10.00
More than 2 years but not exceeding 3 years	290,876.77	87,263.03	30.00
More than 3 years but not exceeding 4 years	267,356.67	133,678.34	50.00
More than 4 years but not exceeding 5 years	18,082.80	18,082.80	100.00
More than 5 years	171,688.33	171,688.33	100.00
Total	529,522,799.40	27,091,606.01	

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

Applicable N/A

Unit: RMB

Percentage of total receivables outstanding	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of provision (%)
Accounts receivable due from overseas customers	702,279,103.61	104,926,795.56	14.94
Total	702,279,103.61	104,926,795.56	14.94

Basis for determining a portfolio

The Group classifies accounts receivable that are not individually significant 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 overseas customers.

Portfolios that other methods are used for bad debt provision:

Applicable N/A

(2) Bad debt provisions that have been made, recovered or reversed during the current period:

Bad debt provisions of RMB 157,128,635.23 have been made for the current period; bad debt provisions of RMB 3,568,145.25 have been recovered or reversed for the current period.

Significant reversals and collections during the current period:

Applicable N/A

(3) Accounts receivable write-off

Applicable N/A

Unit: RMB

Item	Write-off amount
Accounts receivable write-off	1,318,731.28

Significant accounts receivable write-off

Applicable N/A

Description of accounts receivable write-off

Applicable N/A

(4) Top five customers with the largest balances

Applicable N/A

For period ended 31 December 2017, the largest five debtors hold the accounts receivable balance of RMB 615,462,771.34 (at 31 December 2016: RMB 230,909,080.17), which accounts for 19.27% (at 31 December 2016: 12.00%) of total amount receivable balance. The bad debt provision is RMB 46,513,860.86 (at 31 December 2016: RMB 8,421,857.34).

(5) Accounts receivable derecognized due to transfer of financial assets

Applicable N/A

(6) Transfer of accounts receivable involved in the amount of assets and liabilities

Applicable N/A

Other description:

Applicable N/A

There are no accounts receivables that have been derecognized in the current period due to transfer of financial assets; no transfer of accounts receivable is involved in the amount of assets and liabilities.

5. Prepayments**(1) Aging analysis of prepayments is as follows:**

Applicable N/A

Unit: RMB

Aging	Closing balance		Opening Balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	473,897,387.39	98.32	218,851,018.11	91.49
More than 1 year but not exceeding 2 years	6,111,393.51	1.27	19,837,642.01	8.29
More than 2 years but not exceeding 3 years	1,639,207.32	0.34	294,495.26	0.12
More than 3 years	327,838.55	0.07	244,593.21	0.10
Total	481,975,826.77	100.00	239,227,748.59	100.00

Reasons for significant prepayments that aged more than 1 year but delayed settlement:

There are no significant items that aged more than 1 year in prepayments.

(2) Top five advanced payment to suppliers:✓ Applicable N/A

As of 31 December 2017, top five balances of advanced payment to suppliers amounted to RMB 222,434,124.84 (at 31 December 2016: RMB 137,909,476.66), accounting for 46.15% (at 31 December 2016: 57.65%) of total advanced payment to suppliers.

6. Other receivables**(1) Disclosure of other receivables by categories:**✓ Applicable N/A

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	230,485,681.11	93.57			230,485,681.11	105,581,841.23	83.75			105,581,841.23
Other receivables for which bad debt provision is collectively assessed according to credit risk characteristics										
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	15,837,044.70	6.43			15,837,044.70	20,479,663.50	16.25			20,479,663.50
Total	246,322,725.81	/		/	246,322,725.81	126,061,504.73	/		/	126,061,504.73

Description of categories of other receivables:

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

Receivables that are individually significant and for which bad debt provision is individually assessed at the end of the period

 Applicable ✓ N/A

Portfolios that aging analysis is used for bad debt provision:

 Applicable ✓ N/A

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

Applicable N/A

Portfolios that other methods are used for bad debt provision:

Applicable N/A

(2) Reversals and collections during the current period:

Bad debt provision of RMB 0 is made for the current period; the amount of reversals or collections is RMB 0 for the current period.

Including, significant reversals or collections:

Applicable N/A

Other receivables of the Group mainly include export tax refund and deposits, which is most likely to recover; therefore, no bad debt provision is made in this regard.

(3) Write-off of other receivables

Applicable N/A

Including: write-off of other receivables that are significant

Applicable N/A

Description of write-off of other receivables:

Applicable N/A

(4) Disclosure of other receivables by nature:

Applicable N/A

Unit: RMB

Payment nature	Closing balance	Opening Balance
Export tax refund	185,811,036.44	105,581,841.23
Petty cash	2,875,993.11	3,008,488.20
Deposits	54,607,887.44	14,171,591.52
Others	3,027,808.82	3,299,583.78
Total	246,322,725.81	126,061,504.73

(5) Top five other receivables:

Applicable N/A

Unit: RMB

Name	Payment nature	Closing balance	Aging	Percentage of total closing balance of other receivables (%)	Closing balance of bad debt provision
Company 14	Export tax refund	163,751,240.59	Within 1 year	66.48	
Company 15	Deposits	36,640,000.00	Within 1 year	14.87	
Company 16	Export tax refund	22,059,795.85	Within 1 year	8.96	
Company 17	Deposits	9,801,300.00	1 to 2 years	3.98	
Company 18	Deposits	2,475,000.00	1 to 2 years	1.00	
Total	/	234,727,336.44	/	95.29	

(6) Receivables involved in government grants

Applicable N/A

(7) Other receivables that have been derecognized due to transfer of financial assets

Applicable N/A

(8) Transfer of other receivable involved in the amount of assets and liabilities

Applicable N/A

7. Inventories**(1) Categories of inventories**

Applicable N/A

Unit: RMB

Item	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	2,046,614,541.83	9,304,026.18	2,037,310,515.65	1,182,750,277.75	10,657,740.26	1,172,092,537.49
Work in-progress	1,217,000,723.59	683,675.21	1,216,317,048.38	1,534,649,421.92	2,466,700.89	1,532,182,721.03
Goods on hand	3,531,811,391.61	195,086.64	3,531,616,304.97	1,633,653,139.54	577,611.50	1,633,075,528.04
Properties under development (Note)	214,383,457.74		214,383,457.74			
Total	7,009,810,114.77	10,182,788.03	6,999,627,326.74	4,351,052,839.21	13,702,052.65	4,337,350,786.56

Note: Properties under development refer to properties in Zhuhai developed by Zhuhai Wanhua Real Estate Development Co., Ltd. with the budget of RMB 340,049,737.74, such properties are expected to be completed in early 2020.

(2) Provision for decline in value of inventories

Applicable N/A

Unit: RMB

Item	Opening Balance	Increase in the period		Decrease in the period		Closing balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	10,657,740.26			1,353,714.08		9,304,026.18
Work in-progress	2,466,700.89	683,675.21		2,466,700.89		683,675.21
Goods on hand	577,611.50	195,086.64		577,611.50		195,086.64
Total	13,702,052.65	878,761.85		4,398,026.47		10,182,788.03

Note: Inventories are measured at the lower of cost and net realizable value, including the compare of the carrying amount of the outdated and obsolete inventory with its corresponding net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. 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 realisable value of inventories is higher than their book value, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

Inventories for which bad debt provisions have been made shall be written off by enterprises in the sales (equivalent sales inclusive) upon transfer of sales costs of inventories.

(3) Interest expense capitalized in the closing balance of inventory as at 31 December 2017 Applicable N/A**(4) Unsettled assets that have been completed arising from construction contracts as at 31 December 2017** Applicable N/A**(5) Other description** Applicable N/A**8. Other current assets** Applicable N/A

Unit: RMB

Item	Closing balance	Closing balance
VAT to be deducted	261,273,865.61	1,167,362,458.83
Advance payment of income tax	2,412,671.62	54,573,350.14
Others	4,537,589.51	1,245,750.00
Total	268,224,126.74	1,223,181,558.97

9. Available-for-sale financial assets**(1) Details of available-for-sale financial assets:** Applicable N/A

Unit: RMB

Item	Closing balance			Opening Balance		
	Carrying amount	Bad debt provision	Book Value	Carrying amount	Bad debt provision	Book Value
Available-for-sale financial assets	20,000,000.00		20,000,000.00	20,000,000.00		20,000,000.00
Measured by costs	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	20,000,000.00		20,000,000.00

(2) Available-for-sale financial assets measured at fair value at end of the year Applicable N/A**(3) Available-for-sale financial assets measured at cost at end of the year** Applicable N/A

Unit: RMB

Investee	Carrying amount				Provision for impairment losses				Proportion of ownership interest in the investee (%)	Cash dividends 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	21,000,000.00
Total	20,000,000.00			20,000,000.00					/	21,000,000.00

(4) Movements in impairment of available-for-sale financial assets in the reporting period

Applicable N/A

(5) Description of significant decrease or other-than-temporary decrease in fair value of available-for-sale equity instruments but for which no bad debt provision is made at the end of the period

Applicable N/A

10. Long-term receivables**(1) Details of long-term receivables:**

Applicable N/A

Unit: RMB

Item	Closing balance			Opening Balance			Discount rate range
	Carrying amount	Bad debt provision	Book Value	Carrying amount	Bad debt provision	Book Value	
Staff housing loans (Note)	318,793,498.76		318,793,498.76	276,851,198.01		276,851,198.01	
Total	318,793,498.76		318,793,498.76	276,851,198.01		276,851,198.01	/

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 seven to ten years if certain conditions are met; interest is calculated at the bank loan rate of interest over the same period. The Group is responsible for the interests and withholding individual income tax for the staff.

(2) Long-term receivables that have been derecognized due to transfer of financial assets

Applicable N/A

(3) Transfer of long-term receivable involved in the amount of assets and liabilities

Applicable N/A

11. Long-term equity investments

✓ Applicable □ N/A

Unit: RMB

Investee	Opening Balance	Movement of the current year								Closing balance	Closing balance for impairment	
		Increase	Decrease	Investment profit or loss recognized using equity method	Other comprehensive income	Other equity movement	Dividends or profit declared	Provision for impairment loss	Others			
I. Joint Venture												
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	162,878,248.29			26,505,487.83							189,383,736.12	
UI Wanhua (Yantai) peroxide Co., Ltd.	15,351,390.61			-145,709.78							15,205,680.83	
Ningbo Xiebei Thermal Power Co., Ltd.	157,425,782.00			73,671,622.42			8,033,203.80				223,064,200.62	
Yantai Recycled Water Co., Ltd. (Note 1)		55,800,000.00		-26,213.16							55,773,786.84	
Sub-total	335,655,420.90	55,800,000.00		100,005,187.31			8,033,203.80				483,427,404.41	
II. Associate												
Linde Gas (Yantai) Co., Ltd.	27,649,001.64			4,575,370.49							32,224,372.13	
Yantai Bulk Commodity Exchange Center (Note 2)		10,000,000.00		-23,002.54							9,976,997.46	
Sub-total	27,649,001.64	10,000,000.00		4,552,367.95							42,201,369.59	
Total	363,304,422.54	65,800,000.00		104,557,555.26			8,033,203.80				525,628,774.00	

Other explanations:

Note 1: Yantai Recycled Water Co., Ltd. is a company co-founded by the Company and Yantai Urban Drainage Management Office as well as Yantai Taoziwan Waste Water Treatment Co., Ltd.; the Company holds 31% of equity interest, subscribed capital of RMB 55,800,000.00, equivalent to actual contribution. According to the Articles of the Company, general activities shall be subject to the approval of two-thirds of the Board of Directors and special activities shall be subject to the consensus of all directors. Therefore, Yantai Recycled Water Co., Ltd. which is contributed by the Company is accounted for as a joint venture using the equity method.

Note 2: Yantai Bulk Commodity Exchange Center is a company co-founded by the Company and Yantai United Property Rights Trading Center Co., Ltd. as well as Yantai Lianchu Fruit Refrigeration Co., Ltd., of which the Company holds 20% of equity interest, subscribed capital of RMB10,000,000.00(equivalent to actual contribution). According to the Articles of the Company, the Board of Directors consists of five directors, 1 of which is appointed by the Company, therefore, it is accounted for by the Company using the equity method.

12. Fixed assets

(1) Details of fixed assets

✓ Applicable N/A

Unit: RMB

Item	Buildings	Machinery and equipment	Transportation vehicles	Electronic equipment, appliances and furniture	Total
I. Original carrying amount					
1. Opening carrying amount	4,358,754,684.52	31,607,005,462.04	127,884,693.38	268,639,696.54	36,362,284,536.48
2. Increase in the current period	253,542,035.73	2,280,191,755.08	20,655,681.23	26,147,883.31	2,580,537,355.35
(1) Acquisitions		64,153,826.15	20,655,681.23	25,322,412.13	110,131,919.51
(2) Construction in progress	253,542,035.73	2,216,037,928.93		825,471.18	2,470,405,435.84
3. Decrease in the current period	38,038,985.05	380,646,597.51	39,645,153.26	1,541,597.26	459,872,333.08
(1) Disposals or retirement	38,038,985.05	380,646,597.51	39,645,153.26	1,541,597.26	459,872,333.08
(2) other decreases					
4. Closing carrying amount	4,574,257,735.20	33,506,550,619.61	108,895,221.35	293,245,982.59	38,482,949,558.75
II. Accumulated depreciation					
1. Opening carrying amount	667,845,952.80	6,973,245,040.17	54,262,143.48	163,561,888.13	7,858,915,024.58
2. Increase in the current period	166,456,172.64	2,822,844,885.67	9,966,519.84	36,334,191.87	3,035,601,770.02
(1) Accrual	166,456,172.64	2,822,844,885.67	9,966,519.84	36,334,191.87	3,035,601,770.02
3. Decrease in the current period	15,975,672.46	167,165,788.96	9,890,736.67	1,342,739.80	194,374,937.89
(1) Disposals or retirement	15,975,672.46	167,165,788.96	9,890,736.67	1,342,739.80	194,374,937.89
(2) Other decreases					
4. Closing carrying amount	818,326,452.98	9,628,924,136.88	54,337,926.65	198,553,340.20	10,700,141,856.71
III. Provision for impairment losses					
1. Opening Balance	24,207,249.24	511,969.80	10,705,340.30		35,424,559.34
2. Increase in the current period		148,876,815.72			148,876,815.72
(1) Accrual		148,876,815.72			148,876,815.72
3. Decrease in the current period	606,660.12	511,969.80	10,705,340.30		11,823,970.22
(1) Disposals or retirement	606,660.12	511,969.80	10,705,340.30		11,823,970.22
(2) Other decreases					
4. Closing balance	23,600,589.12	148,876,815.72			172,477,404.84
IV. Book Value					
1. Closing carrying amount	3,732,330,693.10	23,728,749,667.01	54,557,294.70	94,692,642.39	27,610,330,297.20
2. Opening carrying amount	3,666,701,482.48	24,633,248,452.07	62,917,209.60	105,077,808.41	28,467,944,952.56

(2) Temporary idle fixed assets

 Applicable ✓ N/A

(3) Fixed assets under finance leases

 Applicable ✓ N/A

(4) Fixed assets under operating leases

 Applicable ✓ N/A

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

Applicable N/A

Unit: RMB

Item	Carrying amount	Reasons why certificates of title have not been obtained
Buildings	1,617,167,805.07	In progress

Other description:

Applicable N/A

As at 31 December 2017, there were no buildings pledged to acquire bank borrowings for the current year (2016: RMB 1,132,097,105.95); as at 31 December 2017, machinery and equipment with net value of RMB 10,098,718,963.01(2016: RMB 12,486,192,917.25) were pledged to acquire bank borrowings. For details, please refer to Note (VII) 29 and 31.

13. Construction in progress**(1) Details of construction in progress are as follows:**

Applicable N/A

Unit: RMB

Item	Closing balance			Opening Balance		
	Carrying amount	Provision for impairment losses	Book value	Carrying amount	Provision for impairment losses	Book value
Polyurethane industrial chain extension and supporting project	3,604,472,147.65		3,604,472,147.65	2,940,252,453.85		2,940,252,453.85
Wanhua Yantai Industrial park Project	1,448,743,204.30		1,448,743,204.30	100,473,526.95		100,473,526.95
Wanhua Shanghai Center project	407,084,040.63		407,084,040.63	213,785,814.94		213,785,814.94
Ethylene project	303,083,001.36		303,083,001.36			
U.S. integrated project	132,133,420.80		132,133,420.80	16,886,944.02		16,886,944.02
Technological transformation of Wanhua Ningbo of 2017	118,650,201.78		118,650,201.78	99,100.84		99,100.84
Technological transformation of Wanhua Ningbo HDI project	101,090,665.06		101,090,665.06	94,832,126.93		94,832,126.93
Zhuhai special polyurethane project – phase I	24,319,552.90		24,319,552.90	503,466,533.71		503,466,533.71
Chlor-alkali-phase II of Yantai Chlor-Alkali Thermoelectric Co., Ltd	13,441,716.95		13,441,716.95	290,911,936.23		290,911,936.23
Others	266,916,298.36		266,916,298.36	83,878,960.17		83,878,960.17
Total	6,419,934,249.79		6,419,934,249.79	4,244,587,397.64		4,244,587,397.64

No construction in progress has been used as collateral to obtain bank borrowings.

(2) Changes in significant construction in progress

Applicable N/A

The Group decides that construction in progress of more than RMB 50,000,000.00 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 decreases	Closing balance	Amount injected as a proportion of budget amount (%)	Construction progress	Amount of accumulated capitalized interest expenses	Including: capitalized interest expenses for the period	Interest capitalization rate for the period (%)	Source of funds
Polyurethane industrial chain extension and supporting project	17,500,000,000.00	2,940,252,453.85	1,166,589,034.51	502,369,340.71		3,604,472,147.65	24.21	24.21	232,086,375.21	2,825,111.10	1.20	Cash from operation and loans, and raised funds
Wanhua Yantai Industrial park Project	23,800,000,000.00	100,473,526.95	1,945,392,692.28	597,123,014.93		1,448,743,204.30	96.55	96.55	1,100,196,281.80			Cash from operation and loans
Wanhua Shanghai Center project	610,000,000.00	213,785,814.94	193,298,225.69			407,084,040.63	66.74	66.74				Cash from operation and raised funds
Ethylene project	17,500,000,000.00		303,083,001.36			303,083,001.36	1.73	1.73				Cash from operation
U.S. integrated project	7,800,000,000.00	16,886,944.02	115,246,476.78			132,133,420.80	1.69	1.69				Cash from operation
Technological transformation of Wanhua Ningbo of 2017	150,000,000.00	99,100.84	132,508,746.12	13,957,645.18		118,650,201.78	88.34	88.34				Cash from operation
Technological transformation of Wanhua Ningbo HDI project	410,000,000.00	94,832,126.93	114,957,085.85	108,698,547.72		101,090,665.06	98.59	98.59	1,191,597.87			Cash from operation and loans
Zhuhai special polyurethane project – phase I	606,591,800.00	503,466,533.71	97,718,715.15	576,865,695.96		24,319,552.90	99.11	99.11	139,650.00	139,650.00	4.41	Cash from operation and loans
Chlor-alkali-phase II of Yantai Chlor-Alkali Thermoelectric Co., Ltd	374,027,078.00	290,911,936.23	33,096,441.49	310,566,660.77		13,441,716.95	86.63	86.63	24,585,530.31	8,801,785.05	3.57	Cash from operation and loans
Others		83,878,960.17	543,861,868.76	360,824,530.57		266,916,298.36			78,709,112.91	245,003.61		Cash from operation and loans
Total	68,750,618,878.00	4,244,587,397.64	4,645,752,287.99	2,470,405,435.84		6,419,934,249.79	/	/	1,436,908,548.10	12,011,549.76	/	/

Note : Increase for the current year includes depreciation of fixed assets of RMB 2,201,342.44 and amortization of intangible assets of RMB 1,114,727.30.

(3) Bad debt provision for impairment of construction in progress

Applicable N/A

Other description

Applicable N/A

14. Materials for construction of fixed assets✓ Applicable N/A

Unit: RMB

Item	Closing balance	Opening Balance
Equipment	704,176,951.57	361,317,214.90
Materials	181,418,218.37	92,865,706.85
Total	885,595,169.94	454,182,921.75

15. Intangible assets**(1) Details of Intangible assets**✓ Applicable N/A

Unit: RMB

Item	Land use right	Non-patent technology	Software	Others	Total
I. Original carrying amount					
1. Opening carrying amount	2,077,624,736.35	794,102,630.72	134,043,933.73	21,402,800.00	3,027,174,100.80
2. Increase in the current period	39,073,871.01	10,022,064.51	5,967,419.88		55,063,355.40
(1) Acquisitions	39,073,871.01	10,022,064.51	5,967,419.88		55,063,355.40
(2) Transferred from CIP					
3. Decrease in the current period					
(1) Disposals					
4. Closing carrying amount	2,116,698,607.36	804,124,695.23	140,011,353.61	21,402,800.00	3,082,237,456.20
II. Accumulated amortization					
1. Opening carrying amount	190,386,820.86	165,808,642.45	58,738,731.38	680,737.37	415,614,932.06
2. Increase in the current period	45,613,725.54	85,306,876.33	14,219,642.05	429,939.39	145,570,183.31
(1) Accrual	45,613,725.54	85,306,876.33	14,219,642.05	429,939.39	145,570,183.31
3. Decrease in the current period					
(1) Disposals					
4. Closing balance	236,000,546.40	251,115,518.78	72,958,373.43	1,110,676.76	561,185,115.37
III. Provision for impairment losses					
1. Opening balance					
2. Increase in the current period					
(1) Accrual					
3. Decrease in the current period					
(1) Disposals					
4. Closing balance					
IV. Book Value					
1. Closing book value	1,880,698,060.96	553,009,176.45	67,052,980.18	20,292,123.24	2,521,052,340.83
2. Opening book value	1,887,237,915.49	628,293,988.27	75,305,202.35	20,722,062.63	2,611,559,168.74

As at 31 December 2017, net carrying amount of RMB 461,656,672.92 (2016: RMB 537,654,456.70) of land use right has been pledged as collateral for acquiring borrowings, refer Note(VII)29 and Note (VII)31 for details.

(2) Land use right of which certificate of title have not been obtained

✓ Applicable N/A

Unit: RMB

Item	Carrying amount	Reasons why certificates of title have not been obtained
Land use right	122,687,139.01	In process

16. Goodwill

(1) The Original value of the goodwill

✓ Applicable N/A

Unit: RMB

Name of the investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
		Business combination	Disposals	
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

✓ Applicable N/A

Unit: RMB

Name of the investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
		Accrual	Disposals	
Ningbo Chlor-Alkali	0			0
Total	0			0

Description of impairment test process and parameters of goodwill and determination of impairment losses of goodwill

✓ Applicable N/A

The Group determines the recoverable amount of Ningbo Chlor-Alkali based on the present value of expected future cash flows in five years when conducting impairment test 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 estimates of market development by the management of Ningbo Chlor-Alkali and are discounted at discount rate of 15.88%. The Group believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of goodwill to exceed its recoverable amount and therefore, no provision for impairment losses is made.

Other description

 Applicable N/A

17. Long-term prepaid expenses

✓ Applicable N/A

Unit: RMB

Item	Opening balance	Increase in the period	Amortization in the period	Other decreases	Closing balance
Leasehold improvements	17,538,540.02	5,740,364.89	7,825,182.37		15,453,722.54
Others	26,319.38		6,542.67		19,776.71
Total	17,564,859.40	5,740,364.89	7,831,725.04		15,473,499.25

18. Deferred tax assets/Deferred tax liabilities

(1) Deferred tax assets and deferred tax liabilities without offset

✓ Applicable N/A

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	320,345,358.82	59,350,988.15	134,339,435.52	26,957,647.91
Unrealized profit from inter-group transactions	1,831,183,874.39	366,069,199.60	607,923,412.16	118,779,543.95
Deductible losses	52,252,553.80	10,813,743.31	69,126,069.14	20,317,686.87
Employee benefits payable	661,000,000.00	116,250,000.00	307,447,148.44	52,461,787.11
Unpaid expenses	1,696,965,046.65	343,069,662.67	740,099,356.01	154,540,200.86
Deferred income	915,610,203.02	156,307,538.16	473,468,704.01	78,564,508.92
Differences in depreciation of fixed assets	2,647,996.28	661,999.07	3,810,333.80	952,583.45
Total	5,480,005,032.96	1,052,523,130.96	2,336,214,459.08	452,573,959.07

(2) Deferred tax liabilities without offset

✓ Applicable N/A

Unit: RMB

Item	Closing balance		Opening Balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Revaluation of assets of subsidiaries acquired through business combination not involving enterprises under common control	59,603,805.40	14,900,951.35	72,773,320.76	18,193,330.19
Differences in depreciation of fixed assets	159,319,610.28	27,186,024.22	26,561,554.97	4,970,195.33
Total	218,923,415.68	42,086,975.57	99,334,875.73	23,163,525.52

(3) Deferred tax assets and deferred tax liabilities that are presented at the net amount after offset

✓ Applicable N/A

Unit: RMB

Item	Offset amount at the end of the reporting period	Balance after the offset at the end of the reporting period	Offset amount at the beginning of the reporting period	Balance after the offset at the beginning of the reporting period
Deferred tax assets	27,186,024.22	1,025,337,106.74	4,970,195.33	447,603,763.74
Deferred tax liabilities	27,186,024.22	14,900,951.35	4,970,195.33	18,193,330.19

(4) Details of unrecognized deferred tax assets:✓ Applicable N/A

Unit: RMB

Item	Closing balance	Opening Balance
Deductible losses	43,813,079.69	71,588,080.32
Provision for impairment losses of assets	58,606,135.35	52,982,943.29
Total	102,419,215.04	124,571,023.61

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.

(5) Deductible losses, for which no deferred tax assets are recognized, will expire in the following years:✓ Applicable N/A

Unit: RMB

Year	Closing balance	Opening balance	Note
2017		2,917,578.63	
2018	4,950,895.77	5,034,146.13	
2019	9,574,473.98	9,574,473.98	
2020	13,503,867.05	17,771,129.67	
2021	195,641.86	273,983.72	
Indefinite	15,588,201.03	36,016,768.19	It is the deductible losses of Wanhua Singapore and Wanhua Shipping. Its maturity has no limitation according to the local tax law.
Total	43,813,079.69	71,588,080.32	/

Other description:

✓ Applicable N/A

Apart from deductible temporary differences and deductible losses of unrecognized deferred tax assets, the Group believes that it is probable that sufficient taxable profits will be available in future periods to offset the deductible temporary differences and deductible losses. Therefore, the related deferred tax assets are recognized.

19. Other non-current assets✓ Applicable N/A

Unit: RMB

Item	Closing balance	Opening Balance
Prepayment for construction	980,949,525.94	321,335,296.99
Prepayment for land	26,904,576.75	26,766,379.34
Total	1,007,854,102.69	348,101,676.33

20. Short-term borrowings**(1) Categories of short-term borrowings:**✓ Applicable N/A

Unit: RMB

Item	Closing balance	Opening Balance
Secured loans with collaterals	198,389,201.59	-
Guaranteed loans	84,786,011.96	712,971,400.84
Unsecured and non-guaranteed loans	12,431,394,746.67	7,788,494,500.57
Total	12,714,569,960.22	8,501,465,901.41

Description of categories of short-term borrowings:

Note 1: Secured loans with collaterals as at 31 December 2017 was the loans for notes receivable, refer to Note (VII) 3(2).

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

(2) Short-term borrowings overdue but not yet repaid:

Applicable N/A

Details of significant short-term borrowings overdue but not yet repaid:

Applicable N/A

21. Derivative financial liabilities

Applicable N/A

Unit: RMB

Item	Closing balance	Opening Balance
Liquefied petroleum gas (LPG) Futures contract	-	7,514,019.66
Total	-	7,514,019.66

22. Notes payable

Applicable N/A

Unit: RMB

Category	Closing balance	Opening Balance
Bank acceptances	1,851,643,240.39	1,860,820,056.31
Total	1,851,643,240.39	1,860,820,056.31

Note: Bank acceptances are mainly issued for notes pledged and deposits received as issuing terms, refer to Note (VII), 1, 2.

Notes payable due at the end of the period but not yet paid amounted to RMB 0.

23. Accounts payable

(1) Details of accounts payable are as follows:

Applicable N/A

Unit: RMB

Item	Closing balance	Opening Balance
Accounts payable for purchase	2,027,128,320.64	1,153,281,657.38
Accounts payable for construction	2,361,084,053.44	2,313,871,183.87
Total	4,388,212,374.08	3,467,152,841.25

(2) Significant accounts payable aged more than one year

Applicable N/A

24. Receipts in advance**(1) Details of receipts in advance are as follows:**

Applicable N/A

Unit: RMB

Item	Closing balance	Opening balance
Receipts in advance from sale of goods	2,679,648,525.88	1,496,702,136.79
Total	2,679,648,525.88	1,496,702,136.79

(2) Significant receipts in advance aged more than one year

Applicable N/A

(3) Project of construction contracts that have been settled but not completed yet at the end of the period

Applicable N/A

25. Employee benefits payable**(1) Details of employee benefits payable**

Applicable N/A

Unit: RMB

Item	Opening Balance	Increase in the current period	Decrease in the current period	Closing balance
1. Short-term employee-benefits	361,286,033.52	2,287,637,194.21	1,920,021,460.41	728,901,767.32
2. Post-employment benefit-defined contribution plan	1,654,993.64	174,199,323.52	174,434,663.25	1,419,653.91
Total	362,941,027.16	2,461,836,517.73	2,094,456,123.66	730,321,421.23

(2) Details of short-term employee benefits

Applicable N/A

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	359,659,405.78	1,979,378,099.23	1,618,094,543.11	720,942,961.90
2. Staff welfare		79,529,797.64	79,528,383.97	1,413.67
3. Social security contributions	1,090,593.95	96,550,225.59	96,679,362.20	961,457.34
Including: Medical insurance	872,874.55	78,599,302.07	78,712,017.30	760,159.32
Work injury insurance	165,156.12	12,463,724.41	12,484,567.22	144,313.31
Maternity insurance	52,563.28	5,487,199.11	5,482,777.68	56,984.71
4. Housing funds	239,265.57	114,737,458.59	107,989,789.75	6,986,934.41
5. labor union and education fund	296,768.22	17,441,613.16	17,729,381.38	9,000.00
Total	361,286,033.52	2,287,637,194.21	1,920,021,460.41	728,901,767.32

(3) Defined Contribution Plan✓ Applicable N/A

Unit: RMB

Item	Opening Balance	Increase in the current period	Decrease in the current period	Closing balance
1. Pension insurance	1,648,252.27	167,352,660.28	167,618,371.28	1,382,541.27
2. Unemployment insurance	6,741.37	6,846,663.24	6,816,291.97	37,112.64
Total	1,654,993.64	174,199,323.52	174,434,663.25	1,419,653.91

Other description:

✓ Applicable N/A

The Group has set up the pension fund insurance and employment insurance by the government regulation. According to the plan, the Group deposits 13~18% and 0.5~2% of employee's monthly basic salary into the insurance every month. Besides the mentioned expense above, the Group has no further payments. The relevant expenditure will be accounted into Profit and Loss or capitalized.

In this current period, the Group deposited RMB 167,352,660.28 and RMB 6,846,663.24 into pension insurance and unemployment insurance, respectively. (2016: RMB 142,031,808.98 and RMB 8,718,734.21) As at 31 December 2017, the Group has outstanding payments of RMB 1,382,541.27 and RMB 37,112.64 (2016: RMB 1,648,252.27 and 6,741.37) for pension insurance and unemployment insurance. The relevant subsequent payments will be settled after reporting period.

26. Taxes payable✓ Applicable N/A

Unit: RMB

Item	Closing balance	Opening Balance
Value-added tax	386,767,262.29	93,759,535.55
Enterprise income tax	1,759,657,889.04	430,651,537.05
Individual income tax	7,394,714.08	4,386,236.17
City construction and maintenance tax	33,856,120.00	6,454,567.23
Others	57,512,255.35	21,140,425.68
Total	2,245,188,240.76	556,392,301.68

27. Interest payable✓ Applicable N/A

Unit: RMB

Item	Closing balance	Opening Balance
Interest payable on short-term borrowings	21,301,049.70	16,388,456.74
Interest payable on long-term borrowings	10,669,622.14	14,325,021.00
Interest payable on bonds payable		60,998,677.00
Total	31,970,671.84	91,712,154.74

Significant interest due but not paid yet:

 Applicable ✓ N/A

Other description

 Applicable N/A**28. Other payables****(1) Details of other payables are as follows:** Applicable N/A

Unit: RMB

Item	Closing balance	Opening Balance
Transportation fees	123,875,048.14	103,231,860.04
Deposit fees	58,201,662.75	59,262,110.37
Current accounts (Note)	149,267,372.94	144,018,977.08
Unpaid maintenance fee	152,006,983.75	181,408,441.49
Others	24,674,168.93	23,659,712.41
Total	508,025,236.51	511,581,101.39

Note: Current accounts refer to the amount borrowed by Yantai Selling from Yantai Wanhua Synthetic Leather Co., Ltd., in November 2015, Yantai Wanhua Synthetic leather Group Co., Ltd. transferred 39.497% equity of Wanhua Industrial Group Co., Ltd., which is state-owned equity, to State-Owned Assets Supervision and Administration Commission of Yantai Municipal People's Government for free. Therefore, there is no Association relation between the company and Yantai Wanhua Synthetic leather Group Co., Ltd. The annual interest rate is 15% lower than the one-year benchmark loan interest rate announced by the People's Bank of China. The carrying amount of interest at the end of the year is RMB 9,267,372.94(31 December 2016: RMB 4,018,977.08), and the annual interest is totaling RMB 5,248,395.86(31 December 2016: RMB 5,004,977.08).

(2) Significant other payables aging more than one year Applicable N/A

Unit: RMB

Item	Closing balance	Reasons for amounts not paid or carried forward
Company 19	149,267,372.94	Borrowings and loans planned to be paid after the period
Company 20	42,148,384.19	Long settlement period of overhaul cost
Total	191,415,757.13	/

Other description

 Applicable N/A**29. Non-current liabilities due within one year** Applicable N/A

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	2,670,513,333.46	2,734,725,000.13
Bonds payable due within one year	-	1,310,400,000.00
Total	2,670,513,333.46	4,045,125,000.13

30. Other current liabilities

Details of other liabilities

Applicable N/A

Unit: RMB

Item	Closing balance	Opening balance
Short-term Financing Bonds	-	1,700,000,000.00
Total	-	1,700,000,000.00

Increase and decrease of short-term financing bonds:

Applicable N/A

Unit: RMB

Name of bonds	Par values	Issue date	Term of the bond	Issue amount in current period	Opening balance	Issue for the current period	Provision for interest	Discount amortization	Repayment in the current period	Closing balance
Short-term financing bonds (Note 1)	300,000,000.00	1 March 2016	One year		300,000,000.00		1,428,904.11		300,000,000.00	
Superb short-term financing bonds (Note 2)	600,000,000.00	17 August 2016	270 days		600,000,000.00		6,258,082.19		600,000,000.00	
Superb short-term financing bonds (Note 2)	800,000,000.00	9 September 2016	270 days		800,000,000.00		10,145,586.01		800,000,000.00	
Total	/	/	/		1,700,000,000.00		17,832,572.31		1,700,000,000.00	

Other description:

Applicable N/A

Note 1: In accordance with the "Registration Acceptance Notice" (CP 17) issued by National Association of Financial Market Institutional Investors on 21 January 2016, the Company was approved to issue short-term financing bonds of RMB 2,500,000,000.00. In March 2016, RMB 300,000,000 were issued for the first time with one-year maturity and a fixed interest rate of 2.85% per annum, the interests should be paid upon maturity.

Note 2: In accordance with the "Registration Acceptance Notice" (SCP 77) issued by National Association of Financial Market Institutional Investors on 7 April 2016, the Company was approved to issue Superb short-term financing bonds of RMB 5,000,000,000.00. In August 2016, RMB 600,000,000 were issued for the first time with 270-day maturity and a fixed interest rate of 2.82% per annum, the interests should be paid upon maturity. In September 2016, the second-time issue was RMB 800,000,000 with 270-day maturity and a fixed interest rate of 2.90% per annum, the interests should be paid upon maturity.

31. Long-term borrowings

(1) Categories of long-term borrowings

Applicable N/A

Unit: RMB

Item	Closing balance	Opening Balance
Secured loans with collateral	1,273,000,000.00	2,195,000,000.00
Guaranteed loans	1,804,999,999.64	1,839,999,999.76
Unsecured and non-guaranteed loans	3,243,648,809.49	5,298,344,999.98
Total	6,321,648,809.13	9,333,344,999.74

Description of categories of long-term borrowings:

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

Note 2: Secured loans with collateral are acquired with fixed assets and intangible assets as collaterals, for details refer to Note (VII) 12 and 15.

Others description, including interest rates range:

Applicable N/A

The above interest rates range from 1.20% to 4.90% per annum for this reporting period.

32. Long-term payables

(1) Long-term payables categorized by nature:

Applicable N/A

Unit: RMB

Item	Opening balance	Closing balance
For re-lending money from Department of Finance of Yantai	2,705,450.00	1,352,722.00

Other description:

Applicable N/A

According to the official documents Lu Jing Mao Tou Zi [2002] No. 592 and Lu Cai Jian Zhi [2002] No. 112 issued by government of Shandong Province, the MDI Project with 80,000 tons annual production is qualified as the special fund for national key technology transformation projects in 2002, thus the local finance bureau granted the loans and the Company pays interests annually.

33. Long-term employee benefits payable

Applicable N/A

34. Deferred income

Details of deferred income

Applicable N/A

Unit: RMB

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance	Reasons
Government subsidies	475,428,079.03	510,961,365.11	70,779,241.12	915,610,203.02	Monetary assets obtained from the government at no cost
Total	475,428,079.03	510,961,365.11	70,779,241.12	915,610,203.02	/

Details of deferred income

✓ Applicable N/A

Unit: RMB

Liability item	Opening balance	New grants in the current year	Recognized in non-operating income	Other movements	Closing balance	Related to assets/income
Industrial upgrading subsidies	185,000,000.00	300,000,000.00		23,466,437.18	461,533,562.82	Related to assets
Industrial supporting subsidies		109,829,000.00		3,049,619.83	106,779,380.17	Related to assets
Key industries and comprehensive technology transformation projects	91,666,666.67			8,333,333.28	83,333,333.39	Related to assets
Environmental protection subsidy	45,000,000.00	4,540,000.00		3,600,000.00	45,940,000.00	Related to assets
Special funds for strengthening the core competitiveness of manufacturing industry		42,830,000.00			42,830,000.00	Related to assets
Special funds for optimization of industrial structure	44,630,000.00			3,852,949.66	40,777,050.34	Related to assets
Subsidized interest for key industry technical transformation project	34,651,000.00	10,623,000.00		18,458,089.64	26,815,910.36	Related to assets
Special funds for supporting the development of enterprises		27,830,000.00		415,373.16	27,414,626.84	Related to assets
Special fund from Bureau of finance and construction	30,000,000.00			3,025,210.09	26,974,789.91	Related to assets
Park upgrading and reconstruction subsidies	18,700,000.00			435,937.50	18,264,062.50	Related to assets
Special subsidies for green integrated manufacturing project		8,700,000.00			8,700,000.00	Related to income
Recycling transformation subsidies	9,000,000.00			562,500.00	8,437,500.00	Related to assets
Others	16,780,412.36	6,609,365.11		5,579,790.78	17,809,986.69	Related to assets/income
Total	475,428,079.03	510,961,365.11		70,779,241.12	915,610,203.02	/

35. Share capital

Details of deferred income

✓ Applicable N/A

Unit: RMB

	Opening balance	Changes in current years(+ , -)					Closing balance
		New issue	Bonus issue	Capitalization of surplus reserve	Others	Subtotal	
Total shares	2,162,334,720.00	116,009,280.00	455,668,800.00			571,678,080.00	2,734,012,800.00

Other description:

1. Approved by the China Securities Regulatory Commission on the *Approval Of The Non-Public Offering of Wanhua Chemical Group Co., Ltd. ([2016] No. 1805)*, the Company issued 116,009,280 RMB ordinary shares(A share) on 6 January 2016 at RMB21.55 per share with the totaling stock capital of RMB2,499,999,984.00, after deducting the underwriter's issue expenses of RMB37,735,849.06 (excluding VAT) and other issuance-related expenses of RMB 1,839,622.64(excluding VAT), the net actual capital raised was RMB2,460,424,512.30, including additional registered capital of RMB116,009,280.00, and share capital premium of RMB2,344,415,232.30.

2. As approved by the general meeting of shareholders dated 3 May 2017, based on 2,278,344,000.00 outstanding shares after the increase in January 2017, a cash dividend of RMB 5.00 (pre-tax) per share for every ten shares with two bonus shares for every ten shares, totaling 455,668,800 shares.

3. As at 31 December 2017, Wanhua Industrial Group Co., Ltd., the holding shareholder of the Company, has pledged its 186,000,000 shares to Export-Import Bank of China as collateral to acquire bank facilities, which totally accounts for 6.8% of total outstanding shares.

36. Capital reserve

Details of deferred income

Applicable N/A

Unit: RMB

Item	Opening Balance	Increase in the period	Decrease in the period	Closing balance
Capital premium(share premium)	28,010,338.91	2,344,415,232.30		2,372,425,571.21
Other capital reserve	20,400,151.49			20,400,151.49
Total	48,410,490.40	2,344,415,232.30		2,392,825,722.70

Other description, including changes for the period and reasons for such changes:

Refer to Note (VII) 35, other description 1

37. Other comprehensive income

✓ Applicable □ N/A

Unit: RMB

Name of bonds	Par values	Amount for the current period					Closing balance
		Before income tax amount	Less: transferred from other comprehensive income previously to gains and losses in current period	Less: income tax expense	Attributable to the Company (after tax)	Attributable to Minority interest (after tax)	
I. Items that will not be reclassified subsequently to profit or loss							
Including: changes in net liabilities and net assets from re-measurement of defined benefit plan							
Shares of other comprehensive income in the investee that will not be reclassified subsequently to profit or loss under equity method							
II. Items that may be reclassified subsequently to profit or loss							
	7,607,533.24	-5,602,987.25	7,514,019.66		1,911,032.41		9,518,565.65
Including: shares of other comprehensive income in the investee that may be reclassified subsequently to profit or loss							
Changes in profit or loss from fair value of available-for-sale financial assets							
Held-to-maturity investments reclassified to profit or loss of available-for-sale financial assets							
Effective part of gains and losses on cash flow hedging	-7,514,019.66		7,514,019.66		7,514,019.66		
Translation differences of financial statements denominated in foreign currencies	15,121,552.90	-5,602,987.25			-5,602,987.25		9,518,565.65
Total other comprehensive income	7,607,533.24	-5,602,987.25	7,514,019.66		1,911,032.41		9,518,565.65

38. Special reserve✓ Applicable N/A

Unit: RMB

Item	Opening Balance	Increase in the period	Decrease in the period	Closing balance
Production safety fee		67,120,232.65	67,120,232.65	
Total		67,120,232.65	67,120,232.65	

39. Surplus reserve✓ Applicable N/A

Unit: RMB

Item	Opening Balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserve	1,107,603,692.98	1,243,861,982.60		2,351,465,675.58
Discretionary surplus reserve	471,706,966.13			471,706,966.13
Total	1,579,310,659.11	1,243,861,982.60		2,823,172,641.71

Description of surplus reserve, including changes for the period, and reasons for the changes:

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

40. Retained profit✓ Applicable N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Retained profit at the end of the prior period before adjustment	11,023,922,668.07	7,776,967,780.17
Adjustment for total retained profit at the beginning of the period (increase "+", decrease "-")		
Retained profit at the beginning of the period after adjustment	11,023,922,668.07	7,776,967,780.17
Add: Net profit attributable to owners of the Company for the period	11,134,790,281.66	3,679,421,831.90
Less: Appropriation to statutory surplus reserve	1,243,861,982.60	
Appropriation to discretionary surplus reserve		
Appropriation to general risk reserve		
Declaration of dividends on ordinary shares	1,139,172,000.00	432,466,944.00
Conversion of ordinary shares' dividends into share capital	455,668,800.00	
Retained profit at the end of the period	19,320,010,167.13	11,023,922,668.07

(1) Appropriation to statutory surplus reserve and discretionary surplus reserve

According to the Articles of corporation, 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 appropriates 5% of net income into discretionary surplus reserve. This year, the company decided not to appropriate discretionary surplus reserve.

(2) Cash dividends and stock dividends approved by shareholders during the year

On 3 May 2017, the 2016 Board of Directors proposed and approved, based on 2,278,344,000.00 outstanding shares after the increase in January 2017, a cash dividend of RMB 5.00 (pre-tax) per share for every ten shares with two bonus shares for every ten shares. The total profit distribution amounted to RMB 1,594,840,800.00.

(3) Profit distribution declared after the balance sheet date

The Board of Directors proposed and approved, based on 2,734,012,800 outstanding shares as at 30 September 2017, profits available to shareholders for the first 3 quarters of 2017 were distributed to all shareholders at a cash dividend of RMB 15(pre-tax) for every ten shares. The above profit distribution has been approved by the General Shareholders' Meeting dated 12 January 2018.

(4) Appropriation to surplus reserve by subsidiaries

As at 31 December 2017, the balance of the Group's unappropriated profits include appropriation to surplus reserve by subsidiaries amounts to RMB 857,128,542.11 (2016: RMB 786,241,460.37).

41. Operating income and operating costs

Applicable N/A

Unit: RMB

Item	Amount for the current period		Amount for the prior period	
	Revenue	Cost	Revenue	Cost
Principal operation	52,740,162,812.99	31,684,670,166.71	29,824,207,561.91	20,521,991,074.72
Other operation	383,010,445.82	348,583,295.49	275,653,968.53	222,818,175.35
Total	53,123,173,258.81	32,033,253,462.20	30,099,861,530.44	20,744,809,250.07

42. Taxes and levies

Applicable N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Business tax		537,244.68
City construction and maintenance tax	188,737,013.03	76,437,184.28
Education surcharges	134,975,112.57	54,748,943.84
House property tax	20,913,889.06	10,699,147.35
Land use tax	53,799,691.32	40,250,799.38
Vehicle and vessel use tax	126,530.81	90,655.11
Stamp tax	71,743,496.16	17,212,327.97
Water conservancy construction fund	5,023,892.98	3,699,471.74
Others	58,814.56	85,293.51
Total	475,378,440.49	203,761,067.86

Other description:

Notice on Preparation for Full Launch of the Pilot Scheme on Levying Value-added Tax in Place of Business Tax (Cai Shui [2016] No. 32) was issued by Ministry of Finance and State Administration of Taxation, the accounts" house property tax, stamp tax and land use tax, etc. under "management fees" are accounted for under "taxes and levies" since May 2016.

43. Selling expenses✓ Applicable N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Logistics expenses	1,108,117,697.73	893,837,475.84
Staff cost	150,184,323.50	122,084,230.88
Sales commission and consulting fees	39,118,328.16	44,748,207.33
Travelling expenses	37,091,758.81	29,911,391.24
Others	82,487,452.27	75,402,349.60
Total	1,416,999,560.47	1,165,983,654.89

44. Administrative expenses✓ Applicable N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Staff cost	930,762,613.91	603,625,111.34
Material consumption	450,964,778.10	291,383,586.94
Depreciations	193,437,190.82	107,055,635.89
Tax fee		33,324,332.72
Consulting fee	19,954,361.68	30,026,783.63
Information cost	44,115,699.29	33,847,829.00
Rent and property management fee	32,868,394.91	32,642,134.69
Labor costs	36,240,208.69	26,451,546.25
Water, electricity & gas charges	71,810,599.22	59,867,295.75
Travelling expenses	36,651,423.05	28,240,817.43
Entertainment cost	20,047,762.84	12,929,347.07
Amortization of intangible assets	49,940,442.46	59,024,751.85
Insurance fee	9,554,464.88	5,804,618.85
Others	138,220,336.30	99,059,616.36
Total	2,034,568,276.15	1,423,283,407.77

45. Financial expenses✓ Applicable N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Interest expenses	864,912,025.71	1,045,945,849.20
Less: Capitalized interest expenses	-12,122,245.01	-86,619,650.04
Less: Interest income	-28,161,222.41	-28,886,774.70
Exchange gains and losses	60,255,913.50	-80,391,284.52
Less: Capitalized exchange losses and gains	110,695.25	-414,982.40
Others	44,395,019.14	40,318,044.19
Less: Capitalized fees and commissions		
Total	929,390,186.18	889,951,201.73

46. Impairment losses of assets✓ Applicable N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
I. Bad debt allowance	153,560,489.98	53,673,635.42
II. Provision for decline in value of inventories	878,761.85	9,919,788.61
III. Impairment loss of available-for-sale financial assets		
IV. Impairment loss of held-to-maturity investments		
V. Impairment loss of long-term equity investments		
VI. Impairment loss of investment properties		
VII. Impairment loss of fixed assets	148,876,815.72	10,705,340.30
VIII. Impairment loss of construction of fixed assets		
IX. Impairment loss of construction in progress		
X. Impairment loss of bearer biological assets		
XI. Impairment loss of gas and oil assets		
XII. Impairment loss of intangible assets		
XIII. Impairment loss of goodwill		
XIV. Others		
Total	303,316,067.55	74,298,764.33

47. Investment income✓ Applicable N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Income from long-term equity investments under equity method	104,557,555.26	22,768,159.90
Investment income from held-for-sale financial assets	21,000,000.00	30,000,000.00
Others		-15,168.18
Total	125,557,555.26	52,752,991.72

48. Non-operating income

Details of non-operating income

✓ Applicable N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss for the period
Total gains on disposal of non-current assets	318,171.02	75,884.25	318,171.02
Including: Gains on disposal of fixed assets	318,171.02	75,884.25	318,171.02
Government grants		84,773,232.39	
Liquidated damages of suppliers	10,000,000.00		10,000,000.00
Others	8,365,696.46	4,632,548.80	8,365,696.46
Total	18,683,867.48	89,481,665.44	18,683,867.48

Government grants recognized in profit or loss for the current period

✓ Applicable N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period	Related to assets/ income
Special fund for key industries support		40,044,188.50	Related to income
Special funds for optimization of industrial structure		8,182,800.00	Related to income
Finance discount		2,325,500.00	Related to income
Technology development subsidies		3,315,000.00	Related to income
Key industries and comprehensive technology transformation projects		8,333,333.33	Related to assets
Subsidy for energy saving		4,650,000.00	Related to income
Informatization subsidies		1,000,000.00	Related to income
Environmental protection subsidy		396,040.78	Related to assets
Special fund for high and new technology industry development		300,000.00	Related to income
Others		16,226,369.78	Related to assets/ income
Total		84,773,232.39	/

Other description:

 Applicable N/A

The MOF issued the Notice about *Issuance of Accounting Standards for Business Enterprises No.16-Government Grants (Cai Kuai [2017] No.15)*, the government grants relevant to enterprises' daily activities included in non-operating income are recognized in other income by the Group since 1 January 2017.

49. Non-operating expenses

 Applicable N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period	Amount included in non-recurring profit or loss for the period
Total losses on disposal of non-current assets	219,700,740.10	83,172,704.48	219,700,740.10
Including: Losses on disposal of fixed assets	219,700,740.10	83,172,704.48	219,700,740.10
Donations to third parties	763,000.00	1,033,000.00	763,000.00
Others	7,787,151.83	795,021.34	7,787,151.83
Total	228,250,891.93	85,000,725.82	228,250,891.93

Other description:

Non-operating expenses – Other stamp tax late fees, etc.

50. Income tax expenses

(1) Details of income tax expenses

 Applicable N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Current income tax expenses	4,021,441,804.14	1,221,967,751.39
Deferred income tax expenses	-581,025,721.84	-116,957,786.17
Total	3,440,416,082.30	1,105,009,965.22

(2) Reconciliation of income tax expenses to the accounting profit is as follows:✓ Applicable N/A

Unit: RMB

Item	Amount for the current period
Accounting profit	16,749,735,790.28
Income tax expenses calculated under statutory/applicable tax rate	2,512,460,368.54
Effect of subsidiaries applicable to different tax rate	1,040,420,823.96
Effect of adjustments of income tax for prior periods	22,444,846.96
Effect of non-taxable income	-34,852,407.07
Effect of non-deductible costs, expenses and losses	4,126,840.64
Effect of using previously unrecognized deductible losses of deferred tax assets	-4,173,972.45
Effect of using previously unrecognized deductible differences	-1,605,801.04
Effect of unrecognized deductible temporary differences or deductible losses of deferred tax assets for the current period	2,457,002.21
Changes in deferred income tax assets/liabilities arising from adjustments of tax rate	3,032,360.84
Offset enterprise income tax by acquisition of special-purpose equipment	-3,722,631.03
50% additional tax deduction for qualified research and development expenditures	-99,790,136.05
Others	-381,213.21
Income tax expenses	3,440,416,082.30

Other description

✓ Applicable N/A**51. Other comprehensive income**✓ Applicable N/A

Refer to Note VII 37 for details.

52. Items in the cash flow statement**(1) Other cash receipts relating to operating activities:**✓ Applicable N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Government grants related to income	806,496,797.40	103,294,860.67
Cash and bank balances with restrictions recovered	7,283,609.52	4,070,000.00
Customs deposit recovered		62,195,640.64
Others	34,898,699.10	17,198,631.73
Total	848,679,106.02	186,759,133.04

(2) Other cash payments relating to operating activities✓ Applicable N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Total expenses	2,143,660,745.71	1,990,879,384.10
Customs deposit paid	40,436,295.92	
Total	2,184,097,041.63	1,990,879,384.10

(3) Government grants related to asset✓ Applicable N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Government grants related to asset	495,652,000.00	194,000,000.00
Total	495,652,000.00	194,000,000.00

(4) Other cash payments relating to investing activities✓ Applicable N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Cash and bank balances of Xiebei Thermal Power at the date of losing control		60,094,550.67
Fixed assets disposal costs		5,494,706.62
Deposit of construction project	2,128,900.00	1,359,751.81
Total	2,128,900.00	66,949,009.10

(5) Other cash payments relating to financing activities✓ Applicable N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Financing charges paid	2,691,268.86	11,897,770.83
Total	2,691,268.86	11,897,770.83

53. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Applicable N/A

Unit: RMB

Supplementary information	Current period	Prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	13,309,319,707.98	4,548,069,435.60
Add: Impairment losses of assets	303,316,067.55	74,298,764.33
Depreciation of fixed assets, depreciation of gas and oil assets, depreciation of bearer biological assets	3,033,400,427.58	2,629,476,704.14
Amortization of intangible assets	144,455,456.01	129,481,556.45
Amortization of long-term prepaid expenses	7,778,750.04	3,511,454.08
Losses on disposal of fixed assets, intangible assets and other long-term assets(income is indicated by "-")	217,695,299.04	85,025,534.54
Losses on disposal of fixed assets(income is indicated by "-")		
Losses on changes in fair value(income is indicated by "-")		
Financial expenses(income is indicated by "-")	836,246,812.05	975,448,474.04
Investment losses(income is indicated by "-")	-125,557,555.26	-52,752,991.72
Decrease in deferred tax assets(increase is indicated by "-")	-577,733,343.00	-114,442,959.04
Increase in deferred tax liabilities(decrease is indicated by "-")	-3,292,378.84	-2,514,827.13
Decrease in inventories(increase is indicated by "-")	-2,663,155,302.03	-165,241,872.48
Decrease in receivables from operating activities (increase is indicated by "-")	-9,376,824,722.80	-2,816,512,528.51
Increase in payables from operating activities (decrease is indicated by "-")	5,106,497,377.08	2,054,997,134.53
Others		
Net cash flow from operating activities	10,212,146,595.40	7,348,843,878.83
2. Significant investing and financing activities that do not involve cash receipts and payments		
Capital transferred from debts		
Convertible debts due within 1 year		
Fixed assets under finance lease		
Fixed assets purchased by debts	2,361,084,053.44	2,313,871,183.87
3. Net changes in cash and cash equivalents:		
Closing balance of cash	3,046,303,365.52	1,962,848,541.01
Less: Opening balance of cash	1,962,848,541.01	2,062,291,762.97
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase of cash and cash equivalents	1,083,454,824.51	-99,443,221.96

(2) Net cash payments for acquisition of subsidiaries

Applicable N/A

(3) Net cash receipts from disposal of subsidiaries

Applicable N/A

(4) Composition of cash and cash equivalents✓ Applicable N/A

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	3,046,303,365.52	1,962,848,541.01
Including: Cash on hand	151,834.64	149,905.42
Bank deposits	3,038,929,570.25	1,962,681,300.94
Other monetary funds	7,221,960.63	17,334.65
II. Cash equivalents		
Including: Bond investments due within 3 months		
III. Closing balance of cash and cash equivalents	3,046,303,365.52	1,962,848,541.01
Including: Restricted cash and cash equivalents of the Company or intra-group companies		

Other description:

✓ Applicable N/A

Cash and cash equivalents exclude restricted cash and cash equivalents of the Company and subsidiaries within the Group. As at 31 December 2017, the restricted cash and bank balances amounted to RMB 16,671,288.66 (at 31 December 2016: RMB 23,954,898.18).

54. Notes to items in the statement of changes in owners' equity

Description of events such as other item names and adjusted amount for closing balance of the prior year

✓ Applicable N/A**55. Restricted ownership of asset and right of use**✓ Applicable N/A

Unit: RMB

Item	Closing balance of book value	Reasons to be restricted
Cash and bank balances	16,671,288.66	Deposit for opening bank acceptances and letter of credit
Notes receivable	2,379,923,723.36	Notes pledged for acquisition of bank loans, opening bank acceptances and customs duty guarantee
Fixed assets	10,098,718,963.01	Used for receiving loans
Intangible assets	461,656,672.92	Used for receiving loans
Total	12,956,970,647.95	/

56. Foreign monetary item

(1) Foreign monetary item

Applicable N/A

Unit: RMB

Item	Closing balance (O.C)	Exchange rate	Closing balance (RMB)
Cash and bank balances			
Including: USD	61,439,834.70	6.4993	399,315,917.63
EUR	2,916,208.46	7.7869	22,737,715.76
JPY	352,804,216.00	0.0576	20,447,951.65
RUB	197,047.29	0.1124	22,148.12
KRW	3,373,690,502.00	0.0061	20,580,622.41
AED	128,995.15	1.7729	228,695.50
HKD	10,800.89	0.8318	9,030.09
Accounts receivable			
Including: USD	71,497,555.85	6.4993	464,684,064.74
EUR	31,141,931.00	7.7869	242,499,102.50
KRW	3,869,764,585.00	0.0061	23,512,689.62
Other receivables			
SGD	25.00	4.8510	121.28
KRW	78,725,000.00	0.0061	478,333.10
Short-term borrowings			
USD	206,640,111.13	6.5263	1,348,595,357.27
EUR	6,041,689.71	7.8437	47,389,201.59
Accounts payable			
USD	38,194,084.38	6.5263	249,266,052.89
EUR	4,770,894.46	7.8437	37,421,464.89
JPY	3,037,174.00	0.0580	176,192.54
GBP	13,296.50	8.8353	117,478.57
KRW	32,698,469.00	0.0061	200,245.42
AED	21,565.00	1.7730	38,234.75
CHF	838,500.00	6.7055	5,622,561.75
Interest payable			
USD	129,733.65	6.5263	846,680.72
Other payables			
USD	2,784.33	6.5263	18,171.37
EUR	1,947.13	7.8437	15,272.70
SGD	594.30	4.8850	2,903.16

(2) Description of entities operating overseas, including significant entities operating overseas, disclosures of their main operating places, functional currencies and their basis, reasons for changes of functional currency (if any)

Applicable N/A

Wanhua Chemical (Hong Kong) Co., Ltd., a subsidiary of the Company, mainly operates in Hong Kong, and USD is the

currency of the primary economic environment in which Wanhua Chemical (Hong Kong) Co., Ltd. operates. Therefore, Wanhua Chemical (Hong Kong) Co., Ltd., chooses USD as its functional currency.

Wanhua Chemical (Japan) Co., Ltd., a subsidiary of the Company, mainly operates in Japan, and JPY is the currency of the primary economic environment in which Wanhua Chemical (Japan) Co., Ltd. operates. Therefore, Wanhua Chemical (Japan) Co., Ltd., chooses JPY as its functional currency.

Wanhua Shipping Singapore Co., Ltd., a subsidiary of the Company, mainly operates in Singapore, and SGD is the currency of the primary economic environment in which the above company operates. Therefore, it chooses SGD as its functional currency.

Wanhua Chemical (Singapore) Co., Ltd., a subsidiary of the Company, mainly operates in Singapore, and engages in purchases and sales of liquefied petroleum gas and petrochemical products. As the cash environment in which Wanhua Chemical (Singapore) Co., Ltd. generates and expenses has changed significantly, and USD is the main currency in its business, therefore, it chooses USD as its functional currency instead of SGD(previous functional currency).

Wanhua Chemical (America) Co., Ltd., Wanhua Chemical US Holding Inc., Wanhua Innovation & Technology LLC and Wanhua Chemical US Real Estate LLC, subsidiaries of the Company, mainly operate in the U.S.A., and USD is the currency of the primary economic environment in which they operates. Therefore, they chooses USD as their functional currency.

Wanhua Chemical International Holding ("BVI"), a subsidiary of the Company, mainly operates in the British Virgin Islands, and CNY is the main currency in its business. Therefore, BVI chooses CNY as its functional currency.

Wanhua International (India) Private Limited., a subsidiary of the Company, mainly operates in India, and INR is the currency of the primary economic environment in which Wanhua International (India) Private Limited. Operates. Therefore, it chooses INR as functional currency.

Wanhua Chemical (Hungary) Holding Co., KFT., a subsidiary of the Company, mainly operating in Hungary, chooses USD as functional currency, since USD is the currency of the primary economic environment in which Wanhua Chemical (Hungary) Holding Co., KFT., operates.

57. Government grants

(1) General information of government grants

Applicable N/A

Unit: RMB

Categories	Amount	Presenting item	Amount recognized in profit or loss
Special fund for supporting enterprise development	691,773,373.16	Other income	691,773,373.16
Special fund for key industries support	62,900,305.00	Other income	62,900,305.00
Subsidy for comprehensive utilization of resources and energy saving	40,860,050.25	Other income	40,860,050.25
Industry upgrading subsidy	23,466,437.18	Other income	23,466,437.18
Subsidized interest for key industry technical transformation project	18,458,089.64	Other income	18,458,089.64
Key industries and comprehensive technology transformation projects	8,333,333.28	Other income	8,333,333.28
Special fund for industrial transformation and upgrading	5,031,500.00	Other income	5,031,500.00
Special funds for optimization of industrial structure	3,852,949.66	Other income	3,852,949.66
Environmental protection subsidy	3,600,000.00	Other income	3,600,000.00
Industrial supporting subsidies	3,049,619.83	Other income	3,049,619.83
Special fund from Bureau of finance and construction	3,025,210.09	Other income	3,025,210.09
Recycling transformation subsidies	562,500.00	Other income	562,500.00
Park upgrading and reconstruction subsidies	435,937.50	Other income	435,937.50
Others	36,441,418.07	Other income	36,441,418.07
Total	901,790,723.66		901,790,723.66

(2) Return of government grants

Applicable N/A

(VIII) Changes of scope of consolidation**1. Business combination not involving enterprises under common control**

Applicable N/A

2. Business combination involving enterprises under common control

Applicable N/A

3. Counter purchase

Applicable N/A

4. Disposal of subsidiaries

Where the loss of control is incurred upon single disposal of investment in subsidiaries

Applicable N/A

Other description:

Applicable N/A

Whether there is disposal of investments in subsidiaries in stages and the control is lost for the period

Applicable N/A

5. Changes of scope of consolidation due to other reasons

Description of changes of scope of consolidation due to other reasons (e.g. establishment of new subsidiaries, and liquidation of subsidiaries, etc.)

Applicable N/A

Wanhua Chemical (Yantai) Trade Co., Ltd. is liquidated in the current year.

6. Others

Applicable N/A

(IX) EQUITY IN OTHER ENTITIES**1. Equity in subsidiaries****(1) Composition of the Group**

Applicable N/A

Unit: RMB

Name of subsidiary	Main location	Registration location	Operation nature	Proportion (%)		Means of establishment
				Direct	Indirect	
Wanhua Ningbo (Note 1)	China	Ningbo	Manufacturing	74.5		Investment
Wanhua Port	China	Ningbo	Service	55	45	Investment
Wanhua Chemical (Ningbo) Thermal Power Co., Ltd. (Note 2)	China	Ningbo	Manufacturing	51		Investment
Wanhua Chemical (Beijing) Co., Ltd.	China	Beijing	Manufacturing	100		Investment
Shanghai Wanhua Industrial Development Co., Ltd.	China	Shanghai	Service	100		Investment
Wanhua Chemical (Ningbo) Trading Co., Ltd.(Note 3)	China	Ningbo	Service		74.5	Investment
Wanhua Chemical (Ningbo) Rong Wei Polyurethane Co., Ltd. (Note 4)	China	Ningbo	Manufacturing		80	Investment
Wanhua Chemical (Hong Kong) Co., Ltd.	Hong Kong	Hong Kong	Service	100		Investment
Wanhua Chemical (Japan) Co., Ltd.	Japan	Japan	Service	100		Investment
Wanhua Chemical (America) Co., Ltd.	U.S.	U.S.	Service	100		Investment
Wanhua International (India) Private Limited	India	India	Service		100	Investment
Wanhua Chemical (Yantai) Chlor-Alkali Thermal Power Co., Ltd	China	Yantai	Manufacturing	60		Investment
Wanhua Chemical (Guangdong) Co., Ltd.	China	Zhuhai	Manufacturing	100		Investment
Wanhua Chemical (Foshan) Rongwei Polyurethane Co., Ltd.(Note 5)	China	Foshan	Manufacturing	80		Subsidiary acquired not under common control
Yantai Wanhua Chemical Design Institute	China	Yantai	Service	100		Subsidiary acquired not under common control
Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd. (Note 6)	China	Ningbo	Manufacturing	26.83934	23.52941	Subsidiary acquired not under common control
Yantai Selling (Note 7)	China	Yantai	Service	95	5	Investment
Wanhua Chemical (Yantai) Rongwei Polyurethane Co., Ltd. (Note 4)	China	Yantai	Manufacturing	80		By spinning off
Shanghai Kejv	China	Shanghai	Service	100		Subsidiary acquired not under common control
Wanhua Chemical US Holding Inc.	U.S.	U.S.	Service		100	Investment
Wanhua Singapore	Singapore	Singapore	Service	100		Investment
Singapore Shipping	Singapore	Singapore	Service		100	Investment
BVI	Britain	Virgin Island	Service		100	Investment
Wanhua Innovation & Technology LLC	U.S.	U.S.	Service		100	Investment
Yantai Petrochemical	China	Yantai	Service	100		Investment
Wanhua Chemical US Real Estate LLC	U.S.	U.S.	Service		100	Investment
Wanhua Chemical (Hungary) Holding Co., KFT.	Hungary	Hungary	Service		100	Investment
Zhuhai Wanhua Real Estate Development Co., Ltd.	China	Zhuhai	Real Estate		100	Investment
Ningbo XinDa Mingzhou Trading Co. Ltd.(Note 8)	China	Ningbo	Service		50.36875	Investment

Description of the shareholding varies from the voting right over the subsidiaries:

Note 5: According to the agreement signed between the Company and the subsidiary Foshan Rongwei and Yantai Rongwei, the Company holds 65% of the total voting rights. Based on the capital injection agreement, the Company promises 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 annual gross profit is below RMB 10,000,000, the Group guarantees the shareholders that the return of equity will be RMB 1,977,150, the distribution will be accumulated. While, the annual gross profit is more than RMB 10,000,000, the distribution will be based on the capital proportion.

The basis for holding half or less of the voting rights but still controlling the investee, and holding more than half of the voting rights but not controlling the investee:

Ningbo Xiebei Thermal Power Co., Ltd. is the joint venture set up by the subsidiary Wanhua Thermal and Union King Holdings Limited. Wanhua Thermal holds 55% of its total share and the investment reached RMB 148,500,000.00. While Union King Holdings Limited holds 45% of the total shares and its investment reached RMB 121,500,000. According to the articles of incorporation of Xiebei Thermal Power, the decision made by the board will not be effective unless approved by two-thirds of the directors. However, based on the Agreements of Shareholders' Voting Rights signed between our Company and Union King Holdings Limited, Union King Holdings Limited, as a shareholder of Xiebei Thermal Power, promises to act in concert with our Company when exercising 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. Otherwise, the appointed director will act in concert 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.

On 1 July 2016, Wanhua Thermal Power and Union King Holdings Limited agreed to terminate the Agreements of Shareholders' Voting Rights, and Union King Holdings Limited is no longer controlled by Wanhua Thermal Power nor included in the consolidated scope. According to the Articles of Xiebei Thermal Power, the Board of Directors consists of five directors, three of which is appointed by the Group, and the decision made by the board will not be effective unless approved by over two-thirds of the directors. Therefore it is a joint venture which is being jointly controlled and thus equity method is adopted.

Other description:

Note 1: The Company holds 74.5% of voting rights over Wanhua Ningbo, Wanhua Industrial Group Co., Ltd. holds 25.5% of voting rights over Wanhua Ningbo.

Note 2: Newly set up by Ningbo Electric Power Development Company and Ningbo Daxie Development Zone Klc Holdings Ltd., the Company holds 51% of its total equity interests.

Note 3: A subsidiary invested by Wanhua Ningbo, who was a wholly owned subsidiary of the Company. Therefore, the Group holds 74.5% of voting rights over Wanhua Ningbo.

Note 4: Wanhua Chemical (Ningbo) Rong Wei Polyurethane Co., Ltd is used to be 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 divided into Yantai Rongwei and Foshan Rongwei. It is now a wholly-owned subsidiary of Yantai Rongwei after the split-off based on the agreement. The Company holds 80% of voting rights over Wanhua Chemical (Yantai) Rongwei Polyurethane Co., Ltd.

Note 6: As at 31 December 2016, the Company 25.36875% of voting rights over Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd., Wanhua Chemical (Hong Kong) Co., Ltd. holds 25% of voting rights over Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd. In September 2017, shareholders other than Wanhua Chemical (Hong Kong) Co., Ltd. contributed RMB 55 million to Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd., of which the Company and Wanhua Chemical (Hong Kong) Co., Ltd. increased the capital according to their total shareholdings, and the remaining shareholders increased the capital according to their original shareholdings. After the capital increase, the direct shareholding of the Company increased to 26.83934% and the indirect shareholding of Wanhua Chemical (Hong Kong) Co., Ltd. decreased to 23.52941%.

Note 7: Newly set up by the Company and Wanhua Beijing who is the subsidiary of the Company, the Company holds

95% of total equity interests and Wanhua Beijing holds 5% of total equity interests.

Note 8: Newly set up by the Company and Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd., who is the subsidiary of the Company, the Company holds 50.36875% of equity interest of Ningbo XinDa Mingzhou Trading Co. Ltd.

(2) Significant not-wholly-owned subsidiaries

Applicable N/A

Unit: RMB

Name of subsidiary	Proportion of minority interest	Profit and loss attributable to minority interest	Dividend declared	Closing balance of minority interest
Wanhua Ningbo	25.5%	1,792,935,605.86	1,938,000,000.00	2,266,117,251.29
Wanhua Chemical (Ningbo) Thermal Power Co., Ltd.	49%	113,063,673.85	78,400,000.00	363,431,599.01
Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd.	49.63125%	227,677,581.16	176,190,937.50	471,929,710.92

Description of minority interests in subsidiaries varies from their voting rights:

Applicable N/A

Other descriptions:

Applicable N/A

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

Applicable N/A

Unit: RMB

Name of subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total asset	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total asset	Current liabilities	Non-current liabilities	Total liabilities
Wanhua Ningbo	8,798,399,770.60	6,788,031,912.04	15,586,431,682.64	5,979,167,227.34	60,100,000.00	6,039,267,227.34	8,667,551,378.37	6,132,524,223.67	14,800,075,602.04	3,829,031,169.71	855,000,000.00	4,684,031,169.71
Wanhua Chemical (Ningbo) Thermal Power Co., Ltd.	174,393,628.46	1,018,579,856.58	1,192,973,485.04	408,684,041.66	9,854,062.50	418,538,104.16	142,253,168.42	1,000,733,758.76	1,142,986,927.18	431,664,050.33	7,629,687.50	439,293,737.83
Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd.	605,200,852.81	710,757,861.78	1,315,958,714.59	337,896,108.41	10,216,607.21	348,112,715.62	294,186,352.72	741,214,294.95	1,035,400,647.67	212,907,771.11	13,385,235.30	226,293,006.41

Name of subsidiary	Amount for the current period				Amount for the prior period			
	Operating income	Net profit	Total comprehensive income	Operation cash flow	Operating income	Net profit	Total comprehensive income	Operation cash flow
Wanhua Ningbo	20,854,263,340.41	7,031,120,022.97	7,031,120,022.97	3,319,324,511.99	12,680,579,388.80	2,481,995,324.18	2,481,995,324.18	4,083,357,466.01
Wanhua Chemical (Ningbo) Thermal Power Co., Ltd.	1,137,131,832.74	230,742,191.53	230,742,191.53	226,510,355.30	1,061,560,054.96	179,553,485.09	179,553,485.09	248,052,558.16
Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd.	1,762,120,073.34	458,738,357.71	458,738,357.71	409,067,591.93	1,313,131,057.83	223,202,738.89	223,202,738.89	331,284,052.92

(4) Significant restrictions on utilization of the group's assets and liquidation of the group's debts

Applicable N/A

(5) Financial supports or other supports to structural entities included in the scope of consolidated financial statements

Applicable N/A

Other description:

Applicable N/A

2. Changes in shares of owners' equity in subsidiaries but still controlling transactions of subsidiaries

Applicable N/A

3. Equity in joint ventures or associates

Applicable N/A

(1) Significant joint venture or associates

Applicable N/A

Unit: RMB

Name of associate and joint venture	Main location	Registration location	Business nature	Proportion (%)		Accounting method
				Direct	Indirect	
I. Joint Venture						
Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	China	Yantai	Service	50		Equity method
UI Wanhua (Yantai) peroxide Co., Ltd. (Note 2)	China	Yantai	Manufacturing	50		Equity method
Ningbo Xiebei Thermal Power Co., Ltd. (Refer to Note IX 1,(1))	China	Ningbo	Manufacturing		55	Equity method
Yantai Recycled Water Co., Ltd (Refer to Note VII,11)	China	Yantai	Manufacturing	31		Equity method
II. Associate						
Linde Gas (Yantai) Co., Ltd.(Note 3)	China	Yantai	Manufacturing	10		Equity method
Yantai Bulk Commodity Exchange Center (Note VII, 11)	China	Yantai	Service	20		Equity method

The basis for holding 20% or less of the voting rights but having a significant influence, or holding 20% or more of the voting rights without significant influence:

Note 3: It is a joint venture co-founded by Linde Gas (Hong Kong) Co., Ltd. and the Company; 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 can exert significant influence over the operating policy decisions and thus equity method is adopted.

Other description:

Note 1: The registration capital was RMB 120,000,000.00, the Company holds 50% of equity interest. Yantai Harbor Wanhua Industrial Park Port Co., Ltd. made resolutions to increase capital to RMB 320,000,000.00 in 2015. The Company added investments by RMB100,000,000.00 in cash, holding 50% of the equity interests.

Note 2: It is a joint venture co-founded by United Initiators Asia Limited and the Company, and the Company holds 50% of equity interest. According to the articles of association, the board of director is composed of four directors, among which of the Company has two directors. Therefore, it is a joint venture which is being jointly controlled and thus equity method is adopted.

(2) Financial information in significant joint ventures

Applicable N/A

Unit: RMB

	Closing balance/Amount for the current period				Opening balance/Amount for the prior period			
	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	UI Wanhua (Yantai) peroxide Co., Ltd.	Ningbo Xiebei Thermal Power Co., Ltd.	Yantai Recycled Water Co., Ltd.	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	UI Wanhua (Yantai) peroxide Co., Ltd.	Ningbo Xiebei Thermal Power Co., Ltd. (Note: Amount for the prior period from July to December 2016)	Yantai Recycled Water Co., Ltd.
Current assets	82,273,512.99	28,142,040.90	230,576,423.86	60,757,834.81	184,430,406.36	28,546,732.17	257,267,322.49	
Including: Cash and cash equivalents	73,193,208.93	28,007,464.60	96,956,165.04	60,600,403.64	169,252,823.40	28,416,684.16	50,480,051.97	
Non-current assets	907,149,340.04	2,269,320.75	679,071,516.72	88,336,456.62	912,929,677.15	2,193,849.05	710,164,276.81	
Total assets	989,422,853.03	30,411,361.65	909,647,940.58	149,094,291.43	1,097,360,083.51	30,740,581.22	967,431,599.30	
Current liabilities	445,010,119.85		367,076,666.72	3,650.00	465,790,817.25	37,800.00	426,202,904.75	
Non-current liabilities	165,645,260.94		137,000,000.00		305,812,769.68		255,000,000.00	
Total liabilities	610,655,380.79		504,076,666.72	3,650.00	771,603,586.93	37,800.00	681,202,904.75	
Minority interests								
Shareholders' interests attributable to the Company	378,767,472.24	30,411,361.65	405,571,273.86	149,090,641.43	325,756,496.58	30,702,781.22	286,228,694.55	
Share of net assets calculated based on proportion of shareholdings	189,383,736.12	15,205,680.83	223,064,200.62	55,773,786.84	162,878,248.29	15,351,390.61	157,425,782.00	
Adjustments:								
--Goodwill								
--Unrealized profit of internal transactions								
--Others								
Carrying amount of equity investment in joint ventures	189,383,736.12	15,205,680.83	223,064,200.62	55,773,786.84	162,878,248.29	15,351,390.61	157,425,782.00	
Fair value of equity investments in joint venture with quoted price on open market								
Operating income	172,530,272.41		775,969,444.76		140,294,206.58		289,280,216.55	
Financial expenses	7,155,541.6	707.01	14,298,811.58	-54,375.72	12,390,563.62	-707,381.52	6,732,618.27	
Income tax expenses		29.99	43,845,480.79			112,038.22	8,890,072.44	
Net profit	53,010,975.65	-291,419.57	133,948,404.40	-84,558.57	15,184,772.88	553,670.72	32,879,118.11	
Net profit from discontinued operations								
Other comprehensive income								
Total comprehensive income	53,010,975.65	-291,419.57	133,948,404.40	-84,558.57	15,184,772.88	553,670.72	32,879,118.11	
Dividend from joint ventures			8,033,203.80					

(3) Financial information in significant joint ventures✓ Applicable N/A

Unit: RMB

Name of associate and joint venture	Closing balance/Amount for the current period		Opening balance/Amount for the prior period	
	Linde Gas (Yantai) Co., Ltd	Yantai Bulk Commodity Exchange Center	Linde Gas (Yantai) Co., Ltd	Yantai Bulk Commodity Exchange Center
Current assets	278,403,340.15	47,024,197.45	181,393,047.39	
Non-current assets	864,390,674.89	23,846.15	801,213,678.00	
Total assets	1,142,794,015.04	47,048,043.60	982,606,725.39	
Current liabilities	444,709,562.63	663,056.28	327,111,545.14	
Non-current liabilities	375,840,731.08		379,005,163.85	
Total liabilities	820,550,293.71	663,056.28	706,116,708.99	
Minority interests				
Shareholders' interests attributable to the Company	322,243,721.33	46,384,987.32	276,490,016.40	
Share of net assets calculated based on proportion of shareholdings	32,224,372.13	9,976,997.46	27,649,001.64	
Adjustments:				
-- Goodwill				
-- Unrealized profit of internal transactions				
-- Others				
Carrying amount of equity investment in joint ventures	32,224,372.13	9,976,997.46	27,649,001.64	
Fair value of equity investments in joint venture with quoted price on open market	N/A	N/A	N/A	
Operating income	517,008,130.81		422,341,323.15	
Net profit	45,753,704.93	-115,012.68	-36,184,249.67	
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	45,753,704.93	-115,012.68	-36,184,249.67	
Dividend from associates				

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

(4) Summary of financial information in nonsignificant joint venture and associates Applicable ✓ N/A**(5) Significant restrictions on the ability of joint ventures or associates to transfer capital to the Company** Applicable ✓ N/A**(6) Excess losses incurred in joint ventures or associates** Applicable ✓ N/A

(7) Unrecognized commitments relating to investments with joint ventures

Applicable N/A

According to Association of UI Wanhua (Yantai) peroxide Co., Ltd., contribution of RMB30,000,000.00 was subscribed by the company, and the actual contribution was RMB15,000,000.00 and the outstanding contribution of RMB15,000,000.00. Refer to Note (XIV), 1(1).

(8) Contingent liability related to associates and joint ventures

Applicable N/A

4. Significant common management

Applicable N/A

5. Equity in structured entities that are not included in the consolidated scope

Description of structured entities that are not included in the consolidated scope

Applicable N/A

6. Others

Applicable N/A

In accordance with the Capital Increment Agreement signed between Wanhua Chemical Group Co., Ltd. and Linde Gas (Hong Kong) Limited on 10 November 2017, both parties shall contribute additional capitals to Linde Gas (Yantai) Co., Ltd at the same proportion, in which Wanhua Chemical Group Co., Ltd. shall subscribe RMB 45,666,100.00. As of 31 December 2017, the Company hasn't paid the additional capital, with details referring to Note XIV 1 (1).

(X) RISKS RELATED TO FINANCIAL INSTRUMENTS

Applicable N/A

The Group's major financial instruments include cash and bank balances, notes receivable, accounts receivable, other receivables, available-for-sale financial assets, long-term receivables, borrowings, notes payable, accounts payable, interest payable, other payables, derivative financial liabilities, long-term payables, bonds payable etc. Details of these financial instruments are disclosed in Note (VII). The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group 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 independence.

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 analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, and implement risk management, and monitor regularly and effectively these exposures to ensure the risks are monitored at a certain level.

(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, KRW, CHF, GBP and AED. Several of the Group's subsidiaries have purchases and sales denominated in USD, EUR, JPY, KRW, CHF, GBP and AED while the Group's other principal activities are denominated and settled in RMB.

As at 31 December 2017, 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, RUB, SGD, KRW, HKD, CHF, GBP and AED. 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	463,342,081.16	464,304,327.19
Accounts receivable	730,695,856.86	312,343,047.96
Other receivables	478,454.38	403,456.94
Short-term borrowings	1,395,984,558.86	348,360,000.00
Accounts payable	292,842,230.81	160,532,221.51
Interest payable	846,680.72	87,004.65
Other payables	36,347.23	42,613.07

The Group closely monitors the effects of changes in the foreign exchange rates on the Group's currency risk exposures. The Group analyzes and forecasts changes in the foreign exchange rates and adjusts foreign currency liabilities to reduce foreign currency losses and obtains foreign currency income.

Foreign exchange rate sensitivity analysis:

Holding other factors constant, listed is the effect of net profit and shareholders' equity due to exchange rate change:

Unit: RMB'000

Item	Exchange rate change	Current year		Prior year	
		Impact on net profit	Impact on shareholders' equity	Impact on net profit	Impact on shareholders' equity
USD	Appreciate 1% against RMB	-5,492	-5,492	1,327	1,327
USD	Depreciate 1% against RMB	5,492	5,492	-1,327	-1,327
EUR	Appreciate 1% against RMB	1,895	1,895	661	661
EUR	Depreciate 1% against RMB	-1,895	-1,895	-661	-661
JPY	Appreciate 1% against RMB	202	202	117	117
JPY	Depreciate 1% against RMB	-202	-202	-117	-117
KRW	Appreciate 1% against RMB	443	443	248	248
KRW	Depreciate 1% against RMB	-443	-443	-248	-248
CHF	Appreciate 1% against RMB	-48	-48	-48	-48
CHF	Depreciate 1% against RMB	48	48	48	48
GBP	Appreciate 1% against RMB	-1	-1	-1	-1
GBP	Depreciate 1% against RMB	1	1	1	1
AED	Appreciate 1% against RMB	2	2		
AEC	Depreciate 1% against RMB	-2	-2		

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 31 December 2017, floating-rate loan amounted to RMB 14,085,452,145.35. 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 expense;

Holding other factors constant, listed is effect of profit or loss and shareholders' equity due to interest rate change.

Unit: RMB'000

Item	Change of interest rate	Current year		Prior year	
		Impact on net profit	Impact on shareholders' equity	Impact on net profit	Impact on shareholders' equity
Floating rate financial instruments	Increase by 1%	-88,708	-88,708	-108,008	-108,008
Floating rate financial instruments	Decrease by 1%	88,708	88,708	108,008	108,008

1.1.3 Other price risk

Due to the fluctuation of liquefied petroleum gas prices, the Group's exposure to price risks are partly offset by cash flow hedges in response to price risks. The Group intends to further reduce price risks by using derivative financial instruments where applicable.

(2) Credit risk

As at 31 December 2017, 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 guarantee contracts disclosed in Note (XIV) 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.

(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 2017, the Group has available unutilized bank loan facilities of over RMB 27.5 billion, and bonds issuing facilities of RMB 7.5 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:

Unit: RMB

	No maturity date	Within 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
Non-derivative financial liabilities						
Short-term borrowings		12,915,417,512.84				12,915,417,512.84
Notes payable		1,851,643,240.39				1,851,643,240.39
Accounts payable		4,388,212,374.08				4,388,212,374.08
Other payables		508,025,236.51				508,025,236.51
Long-term borrowings		2,731,215,424.77	2,814,005,186.86	1,682,132,136.16	2,447,616,527.78	9,674,969,275.57
Long-term payables	1,377,071.00					1,377,071.00
Derivative financial liabilities						
Financial guarantee contracts	-	27,500,000.00		377,500,000.00	25,000,000.00	430,000,000.00

2. Transfer of financial assets

Transferred financial assets with entire derecognition but continued involvement

The Group has discounted the bank acceptance and third-party endorsement bank acceptance 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 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 31 December 2017, the balance of those undue but discounted bills, undue but endorsed bills were RMB 117,673,130.00 (as at 31 December 2016: RMB 3,217,001,177.61) and RMB 1,582,199,513.32 (as at 31 December 2016: RMB 1,034,210,941.45), respectively.

(XI) FAIR VALUE

1. Closing fair values of assets and liabilities measured at fair value

Applicable N/A

2. Basis to determine the market price of items at continues and non-continues level 1 fair value measurement

Applicable N/A

3. Items at continues and non-continues level 2 fair value measurement, qualitative and quantitative information on valuation techniques and important parameters adopted

Applicable N/A

4. Items at continues and non-continues level 3 fair value measurement, qualitative and quantitative information on valuation techniques and important parameters adopted

Applicable N/A

5. Items at continues level 3 fair value measurement, reconciliation information between opening carrying amount and closing carrying amount and sensitive analysis on unobservable parameter.

Applicable N/A

6. Items continuously measured at fair value, which transfer among all levels, and the reasons for the transfer and the policy at the time of the transfer

Applicable N/A

7. Changes in valuation techniques incurred in the current year and relevant reasons

Applicable N/A

8. Disclosure of fair value of asset and liability not measured at fair value

Applicable N/A

The Group's financial asset and liability, measured by amortized cost, mainly include: notes receivable, accounts receivable, other receivables, long-term receivables, short-term borrowings, notes payable, accounts payable, interest payable, other payables, non-current liability due within a year, long-term borrowings, bonds payable and long-term payables.

Other than financial asset and liability mentioned below, the difference between the 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 assets				
-Long-term receivables	318,793,498.76	264,775,932.98	276,851,198.01	231,393,153.05
Financial liabilities				
-Long-term borrowings	6,321,648,809.13	5,710,683,671.53	9,333,344,999.74	8,916,342,382.50
-Bonds payable	-	-		

(XII) RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parents of the Company

Applicable N/A

Unit: RMB0 '000

Name of Company	Registered place	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.	Yantai	Manufacture, processing and sale of raw materials and production of PU and TPU, industrial gas, sodium hydroxide and chlorine products etc.	147,893.04	47.92	47.92

Explanation of the Company's parent company

Subsequent to the non-public offering shares in 2017, the proportion of shares in the Company held by Wanhua Industrial Group Co., Ltd. has increased to 50.5% from 47.92%.

The Company's ultimate controlling party is State-owned Assets Supervision and Administration Commission of Yantai Municipal Government.

2. Subsidiaries of the Company

3. For details of subsidiaries of the Company, refer to Notes.

Applicable N/A

For details of subsidiaries of the Group, refer to Note (IX) 1.

4. Associates and joint ventures of the Company

For details of associates and joint ventures of the Company, refer to Note (IX) 3.

✓ Applicable N/A

Details of other joint ventures or associates that had related party transactions with the Company for the current period or prior periods of which the balance is incurred

✓ Applicable N/A

Name of associate and joint venture	Relationship with the Company
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Joint venture
UI Wanhua (Yantai) peroxide Co., Ltd.	Joint venture
Ningbo Xiebei Thermal Power Co., Ltd.	Joint venture
Yantai Recycled Water Co., Ltd.	Joint venture
Linde Gas (Yantai) Co., Ltd.	Associate
Yantai Bulk Commodity Exchange Center	Associate

Other explanation

✓ Applicable N/A

5. Other related parties

✓ Applicable N/A

Name of other related parties	Relationship between other related parties and the Company
Wanhua EnergySav Science & Technology Co., Ltd.	Subsidiary controlled by the parent company
Wanhua EnergySav (Yantai) Engineering Co., Ltd.	Subsidiary controlled by the parent company
Wanhua EnergySav Science Technology (Yantai) Co., Ltd.	Subsidiary controlled by the parent company
Wanhua EnergySav (Yantai) Environment Protection Science & Technology Co., Ltd.	Subsidiary controlled by the parent company
Wanhua Integrated Housing (Yantai) Co., Ltd.	Subsidiary controlled by the parent company
BorsodChem Zrt.	Wholly-owned subsidiary of the parent company
BORSODCHEM MCHZ, S.R.O.	Wholly-owned subsidiary of the parent company
BorsodChem ITALIA SRL	Wholly-owned subsidiary of the parent company
Wanhua BorsodChem Latin-America	Wholly-owned subsidiary of the parent company
BorsodChem (Yantai) Co., Ltd.	Wholly-owned subsidiary of the parent company
Shanxi Wanhua Clean Energy Co., Ltd.	Wholly-owned subsidiary of the parent company
Shanxi Zhongqiang Fushan Coal Industry Co., Ltd.	Wholly-owned subsidiary of the parent company
Shanxi Zhongqiang International Logistics Co., Ltd.	Wholly-owned subsidiary of the parent company
Wanhua Ecoboard Co., Ltd.	Associate of the parent company
Wanhua Ecoboard(Jingzhou) Co., Ltd.	Wholly-owned subsidiary of the associate of the parent company
Wanhua Ecoboard(Xinyang) Co., Ltd.	Wholly-owned subsidiary of the associate of the parent company
Wanhua Eco-technology (Yantai) Co., Ltd.	Wholly-owned subsidiary of the associate of the parent company
Yantai Wanhua Chlor-Alkali Co., Ltd.	Associate of the parent company
Yantai Huali Thermal Power Co., Ltd.	Wholly-owned subsidiary of the associate of the parent company

6. Related party transactions

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

Purchase of goods/receipt of services

✓ Applicable N/A

Unit: RMB

Related Party	Types of related party transaction	Amount for the current period	Amount for the prior period
Wanhua Industrial Group Co., Ltd.	Purchase of materials/ Receipt of services	4,166,544.46	3,199,432.83
BorsodChem Zrt.	Purchase of goods / Receipt of services	343,605,398.75	190,675,220.88
Wanhua BorsodChem Latin-America	Receipt of services	4,244,426.08	4,283,275.95
BorsodChem (Yantai) Co., Ltd.	Purchase of goods		2,105,876.07
Wanhua EnergySav Science & Technology Co., Ltd.	Purchase of materials/Receipt of services	29,047.01	550,725.80
Wanhua Integrated Housing (Yantai) Co., Ltd.	Purchase of goods /Receipt of services	5,108,587.34	1,778,779.71
Wanhua EnergySav (Yantai) Environment Protection Science & Technology Co., Ltd.	Purchase of materials for construction of fixed assets	354,638.50	740,118.50
Wanhua EnergySav (Yantai) Engineering Co., Ltd.	Receipt of services	792,101.20	1,809,500.00
Shanxi Zhongqiang Fushan Coal Industry Co., Ltd.	Purchase of materials	55,609,198.45	1,731,199.74
Shanxi Zhongqiang International Logistics Co., Ltd.	Purchase of materials		2,566,537.62
Linde Gas (Yantai) Co., Ltd	Purchase of materials	280,654,532.93	287,104,311.48
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Receipt of services	189,070,340.98	154,008,102.56
Yantai Wanhua Chlor-Alkali Co., Ltd.	Purchase of materials/Receipt of services	6,273,766.83	30,287,280.32
Yantai Huali Thermal Power Co., Ltd.	Purchase of materials/Receipt of services	17,948,356.56	69,928,379.50
Ningbo Xiebei Thermal Power Co., Ltd.	Purchase of materials/Receipt of services	34,285,403.55	5,200,706.30

Sales of goods/ provision of services

✓ Applicable N/A

Unit: RMB

Related Party	Types of related party transaction	Amount for the current period	Amount for the prior period
Wanhua Industrial Group Co., Ltd.	Sales of goods	22,222.22	
BorsodChem Zrt.	Sales of goods	1,019,415,633.13	375,228,534.68
BORSODCHEM MCHZ, S.R.O.	Sales of goods	3,655,914.06	2,880,623.12
BorsodChem ITALIA SRL	Sales of goods	7,752,520.55	
Wanhua EnergySav Science & Technology Co., Ltd.	Sales of goods	101,859,521.52	115,184,017.21
Wanhua EnergySav Science Technology (Yantai) Co., Ltd.	Sales of goods	42,490.50	60,509.80
Wanhua EnergySav (Yantai) Engineering Co., Ltd.	Sales of goods		21,606.83
Wanhua Integrated Housing (Yantai) Co., Ltd.	Sales of goods	4,273.50	5,299.14
Yantai Wanhua Chlor-Alkali Co., Ltd.	Sales of goods	5,177,323.57	42,330,856.67
Yantai Huali Thermal Power Co., Ltd.	Sales of goods		222,520.22
Linde Gas (Yantai) Co., Ltd	Sales of goods	330,041,021.87	317,370,911.31
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Sales of goods/Provision of services	6,172,532.15	1,430,721.00
Wanhua Ecoboard Co., Ltd.	Sales of goods	136,752.14	286,999.99
Wanhua Ecological Technology (Yantai) Co., Ltd.	Sales of goods	156,736,124.05	42,182,041.83
Wanhua Ecoboard(Jingzhou) Co., Ltd.	Sales of goods	38,366,332.94	16,450,596.33
Wanhua Ecoboard(Xinyang) Co., Ltd.	Sales of goods	4,617,094.02	2,672,165.74
Ningbo Xiebei Thermal Power Co., Ltd.	Sales of goods/ Provision of services	291,074,450.89	143,230,834.32

Description of related party transactions related to purchase and sale of goods, provision and receipt of services

Applicable N/A

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 Group and the related companies. The Company enters into arm's length transactions with the related parties based on the principles of equality, voluntariness, equivalence.

(2) Description of trust/contracting/subcontracting with related parties

Details of trust/contracting with related parties

Applicable N/A

Unit: RMB

Name of trustor / main contractor	Name of trustee/ sub-contractor	Type of assets under trust/ subcontracting	Inception date of the trust/ subcontracting	Expiration date of the trust/ subcontracting	Trust income/ Basis of pricing of contract income	Trust/ contracting income recognized in the current year
Wanhua Industrial	Wanhua Chemical	Other assets under trust	1 February 2017	1 February 2020	Lease agreement	10,000,000.00

Note: The Trust/ contracting income recognized in the current year is the amount inclusive of VAT, and the amount exclusive of VAT is RMB 9,433,962.26.

Description of trust/contracting with related parties

Applicable N/A

On 1 February 2014, the Company signed agreement with Wanhua Industrial Group Co., Ltd. entrusting Yantai Wanhua Co., Ltd. for operation management of BorsodChem Company by 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.

On 1 February 2017, the Company signed Supplementary Agreement to the Agreement of Wanhua Industrial Group Co., Ltd. Entrusting Wanhua Chemical Group Co., Ltd. to Manage Hungary BorsodChem Co., Ltd. with Wanhua Industrial Group Co., Ltd., upon mutual consent, the original period of validity is postponed for three years from the effective date of the Agreement, and the parties may agree otherwise after the expiration of the agreement.

In accordance with the 2016 auditor's report for BC Company issued by Deloitte Auditing and Consulting Ltd. on 21 March 2017, Wanhua Industrial Group Co., Ltd., integrated with the initial entrustment, decided to solve the horizontal competition with Wanhua Chemical within 18 months since the issued date of 2016 auditor's report for BC Company, namely, prior to 21 September 2018.

Details of trust/subcontracting with related parties:

Applicable N/A

Description of relating management// subcontracting with related parties

Applicable N/A

(3) Leases with related parties

Leases where the Company entity is the lessor

Applicable N/A

Unit: RMB

Name of lessee	Type of leased assets	Rental income recognized in the current period	Rental income recognized in the prior period
Linde Gas (Yantai) Co., Ltd.	Land	1,229,879.70	1,311,584.25
Ningbo Xiebei Thermal Power Co., Ltd. (Note)	Land	62,755.20	104,592.00
Ningbo Xiebei Thermal Power Co., Ltd.	Office Building	471,271.78	
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Housing	167,194.29	

Note: Rental income recognized in the prior period to Ningbo Xiebei Thermal Power Co., Ltd. referred to the transacted amount from July to December 2016.

Leases where the Company is the lessee

Applicable N/A

Unit: RMB

Name of lessor	Type of leased assets	Lease payment recognized in the current period	Lease payment recognized in the prior period
Wanhua Industrial Group Co., Ltd.	Land and housing	15,044,350.73	12,357,949.78
Ningbo Xiebei Thermal Power Co., Ltd.	Pipe rack	6,508.24	

Description of leases with related parties

Applicable N/A

(4) Guarantees with related parties

Guarantees where the Company is the guarantor

Applicable N/A

Unit: RMB

Guaranteed party	Guaranteed amount	Guaranteed amount used	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.(Note 1)	25,000,000.00	12,500,000.00	24 April 2014	22 April 2020	No
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.(Note 1)	50,000,000.00	45,000,000.00	8 May 2015	7 May 2020	No
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.(Note 1)	25,000,000.00	25,000,000.00	29 April 2016	28 April 2021	No
Xiebei Thermal Power(Note 2)	55,000,000.00	35,200,000.00	6 September 2015	5 September 2020	No
Xiebei Thermal Power(Note 2)	82,500,000.00	38,155,991.20	4 March 2016	5 September 2020	No
Xiebei Thermal Power(Note 2)	165,000,000.00	44,000,000.00	14 October 2014	13 October 2020	No
Xiebei Thermal Power(Note 2)	27,500,000.00		10 May 2016	9 May 2018	No

Guarantees where the Company is the guarantor

Applicable N/A

Unit: RMB

Guarantor	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.	2,045,843,011.14	1,909,786,011.72	5 June 2013	23 November 2031	No

Explanation for guarantees with related parties

Applicable N/A

Note 1: Yantai Harbor Wanhua Industrial Park Port Co., Ltd., with all assets, provide counter-guarantee for Wanhua Chemical, undertaking joint liability. This counter-guarantee equals the total amount guaranteed by the Company.

Note 2: Ningbo Xiebei Thermal Power Co., Ltd., with all assets, provide counter-guarantee for Wanhua Chemical, undertaking joint liability. This counter-guarantee equals the total amount guaranteed by the Company.

(5) Borrowings/loans with related parties

Applicable N/A

(6) Assets transfer/debt restructuring with related parties

Applicable N/A

Unit: RMB

Related party	Contents of related transactions	Amount for the current period	Amount for the prior period
Yantai Wanhua Chlor-Alkali Co., Ltd.	Transfer of fixed assets	6,042,237.36	
Yantai Huali Thermal Power Co., Ltd.	Transfer of fixed assets	193,688.00	

(7) Compensation for key management personnel

Applicable N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Compensation for key management personnel	22,770,553.27	22,412,337.87

(8) Other related-party transactions

Applicable N/A

7. Amounts due from / to related parties

(1) Amounts due from related parties

Applicable N/A

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accounts receivable	BorsodChem Zrt.	219,348,101.28		66,942,580.61	
Accounts receivable	Linde Gas (Yantai) Co., Ltd	24,075,850.17	1,203,792.51		
Accounts receivable	BorsodChem ITALIA SRL	2,338,467.79			
Accounts receivable	Ningbo Xiebei Thermal Power Co., Ltd.	2,015,886.11	100,794.31	8,022,689.94	401,134.50
Accounts receivable	BORSODCHEM MCHZ, S.R.O.	428,668.42			
Accounts receivable	Wanhua EnergySav Science & Technology Co., Ltd.	234,016.19			
Accounts receivable	Yantai Wanhua Chlor-Alkali Co., Ltd.	68,550.00	3,427.50	219,727.50	10,986.38
Accounts receivable	Wanhua EnergySav Science Technology (Yantai) Co., Ltd.	20,932.42			
Accounts receivable	Wanhua Integrated Housing (Yantai) Co., Ltd.	5,000.00			
Accounts receivable	Wanhua EnergySav (Yantai) Engineering Co., Ltd.			720.00	
Accounts receivable	Shanxi Wanhua Clean Energy Co., Ltd.			252,000.00	
Prepayments	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	6,110,680.34			
Prepayments	Shanxi Zhongqiang Fushan Coal Industry Co., Ltd.	5,381,968.84			

(2) Amounts due to related parties
 Applicable N/A

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts payable	BorsodChem Zrt.	113,497,704.04	20,701,505.98
Accounts payable	Linde Gas (Yantai) Co., Ltd	24,599,834.74	13,835,779.87
Accounts payable	Yantai Wanhua Chlor-Alkali Co., Ltd.	11,621,063.16	10,645.51
Accounts payable	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	5,549,649.45	5,136,288.99
Accounts payable	Wanhua Integrated Housing (Yantai) Co., Ltd.	2,741,001.81	2,315,188.69
Accounts payable	Yantai Huali Thermal Power Co., Ltd.	2,025,734.45	2,763,451.76
Accounts payable	Wanhua EnergySav (Yantai) Engineering Co., Ltd.	287,056.67	47,506.34
Accounts payable	Ningbo Xiebei Thermal Power Co., Ltd.	52,958.95	
Accounts payable	Wanhua BorsodChem Latin-America		765,227.10
Accounts payable	Wanhua EnergySav Science & Technology Co., Ltd.		185,410.31
Receipts in advance	Wanhua EnergySav Science & Technology Co., Ltd.	346,395.49	574,206.05
Receipts in advance	Yantai Huali Thermal Power Co., Ltd.		165,890.00
Other payables	Ningbo Xiebei Thermal Power Co., Ltd.	1,000,000.00	1,000,000.00
Other payables	Linde Gas (Yantai) Co., Ltd	45,600.00	15,000.00
Other payables	Wanhua EnergySav (Yantai) Engineering Co., Ltd.	10,750.00	
Other payables	Wanhua Integrated Housing (Yantai) Co., Ltd.	7,100.00	43,756.00
Other payables	Wanhua EnergySav (Yantai) Environment Protection Science & Technology Co., Ltd.	3,450.00	3,150.00
Other payables	Yantai Wanhua Chlor-Alkali Co., Ltd.	1,640.00	1,640.00
Other payables	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	350.00	100.00

8. Related party commitments

Applicable N/A

Please refer to Note (XII)5(2) for details.

9. Others

Applicable N/A

(XIII) SHARE-BASED PAYMENTS**1. Summary of share-based payments**

Applicable N/A

2. Equity-settled share-based payments

Applicable N/A

3. Cash-settled share-based payments

Applicable N/A

4. Modification to and termination of share-based payments

Applicable N/A

5. Others

Applicable N/A

(XIV) Commitments or contingencies**1. Significant commitment**

Applicable N/A

Significant commitment, nature, and amount at the balance sheet date

(1) Capital Commitment

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	5,053,691	3,290,054
- External investment commitment (note)	60,666	15,000
Total	5,114,357	3,305,054

Note: As at 31 December 2017, external investment commitment refers to the outstanding capital contribution of RMB 15,000,000.00 not yet paid by the Company under the Articles of Association of UI Wanhua (Yantai) Peroxide Co., Ltd. and the outstanding capital contribution of RMB 45,666,100.00 not yet paid by the Company under the Capital Increment of Linde Gas (Yantai) Co., Ltd. Details can refer to Note IX 3(7) and IX 6.

(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	48,531	19,538
2nd year subsequent to the balance sheet date	34,935	16,363
3rd year subsequent to the balance sheet date	16,780	7,915
4th (or more) year subsequent to the balance sheet date	19,397	2,062
Total	119,643	45,878

(3) There is no need to disclose other commitments of the Group as at the 31 December 2017.

2. Contingencies**(1) Significant contingencies at the balance sheet date**

Applicable N/A

Contingent liabilities arise from providing guarantees to other entities and the related financial effects.

The Company provides guarantee to Yantai Harbor Wanhua Industrial Park Port Co., Ltd. for RMB 82.5 million borrowings and bears joint liability for repayment, the maturity date of the borrowing is 28 April 2021. Meanwhile, these guarantees are offered counter guarantee by Yantai Harbor Wanhua Industrial Park Port Co., Ltd. As at 31 December 2017, there is no liability to the guarantee.

The Company's subsidiary, Wanhua Thermal Power, provided guarantee for borrowings and notes payable of RMB 117 million of Xiebei Thermal Power and undertakes joint liability. The maturity date of the related loans was 13 October 2020. At the same time, Xiebei Thermal Power provided counter-guarantee of the above guarantees for the Wanhua Thermal Power. There was no significant guarantee liability as of 31 December 2017.

For guarantees provided by the Company for loans to its subsidiaries, refer to Note (XVII) 6.

(2) Description for not having significant contingencies that are required to be disclosed:

Applicable N/A

3. Others

Applicable N/A

(XV) EVENTS AFTER THE BALANCE SHEET DATE**1. Significant events that are not adjusted**

Applicable N/A

2. Profit appropriation

Applicable N/A

Unit: RMB

Profits or dividends declared upon approval	4,101,019,200.00
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The Board of Directors proposed and approved, based on 2,734,012,800.00 shares in total as of 30 September 2017, a cash dividend of RMB 15.00 (inclusive of tax) per share for every ten shares for the profits of the first three quarters in 2017 available for distribution to shareholders. The proposal were approved by the General Shareholders' Meeting on 12 January 2018.

3. Sales return

Applicable N/A

4. Description of other events after the balance sheet date

Applicable N/A

On 31 January 2018, the Company's controlling shareholder, Wanhua Industrial Group Co., Ltd., completed the division by continued existence. In particular, Wanhua Industrial Group Co., Ltd., was divided into Wanhua Industrial Group Co., Ltd. (surviving company) and the newly established Yantai Wanhua Chemical Industry Co., Ltd. (hereinafter referred to as "Wanhua Chemical Industry"). Before this division, the registered capital of Wanhua Industry was RMB 1,478,930,407.46. After this division, the registered capital of the surviving company is RMB 1,400,000,000.00 while the new established company Wanhua Chemical Industry is RMB 78,930,407.46. After this division, the original shareholders of Wanhua Industry kept the same proportion of capital contribution in the surviving company Wanhua Industry and the new company Wanhua Chemical Industry. Moreover, the Company's controlling shareholder changed to Wanhua Chemical Industry from Wanhua Industry, but the Company's actual controller hasn't changed.

(XVI) Other significant events**1. Corrections of prior period errors****(1) Retrospective application**

Applicable N/A

(2) Prospective application

Applicable N/A

2. Debt restructuring

Applicable N/A

3. Exchange of assets**(1) Exchange of non-monetary assets**

Applicable N/A

(2) Exchange of other assets

Applicable N/A

4. Annuity plan

Applicable N/A

5. Discontinued operations

Applicable N/A

6. Segment information**(1) Accounting policies and measurement criteria of determining reporting segment:**

Applicable N/A

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.

Measurement of segment information is consistent with the accounting and measurement criteria in the preparation of the financial statements.

(2) Financial information of reporting segments

Applicable N/A

Unit: RMB

Item	Amount for the current period		Amount for the prior period	
	Operating income	Operating costs	Operating income	Operating costs
Principle business (By industry)				
Chemical industry	52,031,613,297.59	31,185,721,915.12	29,224,415,042.40	20,089,298,793.65
Others	708,549,515.40	498,948,251.59	599,792,519.51	432,692,281.07
Total	52,740,162,812.99	31,684,670,166.71	29,824,207,561.91	20,521,991,074.72
Principle business (By product)				
PU series	29,834,099,891.78	13,304,278,800.60	16,417,266,624.29	9,748,584,228.43
Petrochemical series	15,306,967,065.83	13,396,962,059.22	8,260,636,790.84	7,087,584,194.64
Functional material and specialty chemicals	4,197,379,237.07	2,875,246,736.78	2,731,590,780.66	1,729,455,795.95
Others	3,401,716,618.31	2,108,182,570.11	2,414,713,366.12	1,956,366,855.70
Total	52,740,162,812.99	31,684,670,166.71	29,824,207,561.91	20,521,991,074.72
Principle business (By geography)				
Domestic	36,955,938,911.84	20,414,750,932.74	23,603,075,160.46	16,187,687,983.25
Overseas	15,784,223,901.15	11,269,919,233.97	6,221,132,401.45	4,334,303,091.47
Total	52,740,162,812.99	31,684,670,166.71	29,824,207,561.91	20,521,991,074.72

(3) Descriptions for not having reporting segments or not being able to disclose total assets and total liabilities for each reporting segment.

Applicable N/A

(4) Other explanation

Applicable N/A

None of a single customer's revenue accounts for more than 10% of the total revenue

7. Other significant transactions and events which have effect on investor's decision

Applicable N/A

8. Others

Applicable N/A

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

1. Accounts receivable

(1) Disclosure of accounts receivable by categories

Applicable N/A

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 (%)	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	6,031,419,421.00	99.46	14,331,169.00	0.24	6,017,088,252.00	137,625,002.07	71.95	16,526,261.22	12.01	121,098,740.85
Accounts receivables for which bad debt provision has been collectively assessed according to credit risk characteristics	32,582,539.07	0.54	3,735,449.85	11.46	28,847,089.22	53,655,711.56	28.05	4,428,478.31	8.25	49,227,233.25
Accounts receivable that are individually insignificant and for which bad debt provision has been assessed individually										
Total	6,064,001,960.07	/	18,066,618.85	/	6,045,935,341.22	191,280,713.63	/	20,954,739.53	/	170,325,974.10

Accounts receivable that are individually significant and for which bad debt provision has been assessed individually at the end of the period:

Applicable N/A

Unit: RMB

Accounts receivable (by company)	Closing balance			
	Accounts receivable	Bad debt provision	Proportion of	Proportion of provision (%)
Yantai Petrochemical	4,743,106,878.06			No provision for bad debts in related parties within the Group
Yantai Selling	1,079,071,230.39			No provision for bad debts in related parties within the Group
Wanhua Chemical (Hong Kong) Co., Ltd.	138,514,221.47			No provision for bad debts in related parties within the Group
Wanhua Chemical (Beijing) Co., Ltd.	32,494,986.28			No provision for bad debts in related parties within the Group
Ningbo Trade	23,900,935.80			No provision for bad debts in related parties within the Group
Company 21	14,331,169.00	14,331,169.00	100	Expected to be uncollectable uncollectable
Total	6,031,419,421.00	14,331,169.00	/	/

Note: The Company did impairment test for significant amount of accounts receivable. As at 31 December 2017, individual provision impairment amounts to RMB 14,331,169.00 (31 December 2016: RMB 14,331,169.00). For individual test, which impairment is not detected, as all of which are from related parties within the Group, no bad debt provision is made. (31 December 2016: RMB 2,195,092.22 was made for the bad debt provision on portfolio basis according to Note (V), 11).

Portfolios of accounts receivables that aging analysis is used for bad debt provision

Applicable N/A

Unit: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of Provision (%)
Within 1 year	9,690,642.69	285,203.99	3
More than 1 year but not exceeding 2 years	2,479.51	247.95	10
More than 2 years but not exceeding 3 years	8,100.00	2,430.00	30
More than 3 years but not exceeding 4 years			
More than 4 years but not exceeding 5 years	18,082.80	18,082.80	100
Total	9,719,305.00	305,964.74	

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

Applicable N/A

Unit: RMB

Percentage of total receivables outstanding	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of Provision (%)
Accounts receivables due from overseas customers	22,863,234.07	3,429,485.11	15
Total	22,863,234.07	3,429,485.11	15

Accounts receivable portfolios for which bad debt provision has been assessed using other methods.

Applicable N/A

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

Bad debt provision is RMB 0 for the current period, and recovered/ reversal of provision for bad debt is RMB 2,888,120.68 for the current period.

Significant amounts of recovered/reversal of provision for bad debt for the current period:

Applicable N/A

(3) Accounts receivable write-offs in the current period

Applicable N/A

Significant accounts receivable write-offs

Applicable N/A

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

Applicable N/A

Top five largest balances of accounts receivables amount to RMB 6,017,088,252.00 (as at 31 December 2016: RMB 143,540,054.13), representing 99.23% (as at 31 December 2016:75.04%) of the total accounts receivables, the provision for bad debt is RMB 0 (as at 31 December 2016: RMB 16,822,013.82).

(5) Accounts receivable derecognized due to transfer of financial assets:

Applicable N/A

(6) Amounts of assets or liabilities arising from where accounts receivable are transferred but with continuous involvement

Applicable N/A

Other description:

Applicable N/A

2. Other receivables**(1) Disclosure of other receivables by categories:**

Applicable N/A

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 of provision (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	1,075,487,734.00	99.35			1,075,487,734.00	845,497,898.34	98.30			845,497,898.34
Other receivables for which bad debt provision has been collectively assessed according to credit risk characteristics										
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	6,989,386.08	0.65			6,989,386.08	14,626,212.92	1.70			14,626,212.92
Total	1,082,477,120.08	/		/	1,082,477,120.08	860,124,111.26	/		/	860,124,111.26

Explanations of categories of other receivables:

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

Other receivables that are individually significant and for which bad debt provision is individually assessed as at 31 December 2017

Applicable N/A

Other receivables portfolios for which bad debt provision is assessed using aging analysis:

Applicable N/A

Other receivables portfolios for which bad debt provision is assessed using percentage of total receivables outstanding:

Applicable N/A

Other receivables portfolios for which bad debt provision is assessed using other methods

Applicable N/A

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

Bad debt provision is RMB 0 for the period, recovered or reversal of provision for bad debt is RMB 0 for the period

Significant amounts of reversal/recovery of bad debt provision in the current period:

Applicable N/A

(3) Other receivables write-off in the current period

Applicable N/A

(4) Disclosure of other receivables by nature

Applicable N/A

Unit: RMB

Nature of receivables	Closing balance	Opening Balance
Other receivables due from related parties	1,076,045,285.11	845,497,898.34
Export tax refund		7,272,884.19
Petty cash	1,426,353.63	1,537,687.80
The deposits	4,692,979.70	5,170,213.99
Others	312,501.64	645,426.94
Total	1,082,477,120.08	860,124,111.26

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

Applicable N/A

Unit: RMB

Name	Type	Closing balance	Aging	Percentage of total closing balance of other receivables (%)	Closing balance of bad debt provision
Wanhua Guangdong	Other receivables of related party	142,812,294.41	Within 1 year	42.50	
		317,187,705.59	1 to 2 years		
Yantai Chlor-Alkali	Other receivables of related party	200,319,916.63	Within 1 year	18.51	
Yantai Rongwei	Other receivables of related party	194,304,105.97	Within 1 year	17.95	
Zhuhai Wanhua Real Estate Development Co., Ltd.	Other receivables of related party	189,600,000.00	Within 1 year	17.52	
Foshan Rongwei	Other receivables of related party	31,263,711.40	Within 1 year	2.89	
Total	/	1,075,487,734.00	/	99.37	

(6) Accounts receivable involving government grants

Applicable N/A

(7) Other receivables derecognized due to transfers of financial assets

Applicable N/A

(8) Amounts of assets and liabilities arising from where accounts receivable are transferred but with continuous involvement

Applicable N/A

3. Long-term equity investment

Applicable N/A

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment loss	Book value	Carrying amount	Provision for impairment loss	Book value
Investment in subsidiaries	4,566,311,511.83		4,566,311,511.83	2,158,608,749.33		2,158,608,749.33
Investment in associates and joint ventures	302,564,573.38		302,564,573.38	205,878,640.54		205,878,640.54
Total	4,868,876,085.21		4,868,876,085.21	2,364,487,389.87		2,364,487,389.87

(1) Investments in subsidiaries

Applicable N/A

Unit: RMB

Investee	Opening Balance	Increase	Decrease	Closing balance	Provision for impairment loss	Closing balance for impairment
Wanhua Thermal Power	229,500,000.00			229,500,000.00		
Wanhua Chemical (Beijing) Co., Ltd.	61,410,000.00			61,410,000.00		
Wanhua Port	66,000,000.00			66,000,000.00		
Wanhua Ningbo	607,920,000.00			607,920,000.00		
Wanhua Chemical (Hong Kong) Co., Ltd.	56,215,720.00			56,215,720.00		
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		
Wanhua Chemical (America) Co., Ltd.	1,575,840.00			1,575,840.00		
Yantai Wanhua Chemical Design Institute	2,005,359.72			2,005,359.72		
Wanhua Chemical (Foshan) Rongwei Polyurethane Co., Ltd.	30,060,461.41			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	27,702,812.50		217,731,330.11		
Yantai Trade	20,000,000.00		20,000,000.00	0.00		
Yantai Chlor-Alkali	240,000,000.00			240,000,000.00		
Wanhua Chemical (Guangdong) Co., Ltd.	200,000,000.00			200,000,000.00		
Yantai Selling	20,900,000.00			20,900,000.00		
Shanghai Kejv	183,369,120.00	399,999,950.00		583,369,070.00		
Wanhua Singapore	6,167,500.00			6,167,500.00		
Yantai Petrochemical	50,000,000.00	2,000,000,000.00		2,050,000,000.00		
Total	2,158,608,749.33	2,427,702,762.50	20,000,000.00	4,566,311,511.83		

(2) Investments in associates and joint ventures

✓ Applicable N/A

Unit: RMB

Investor	Opening Balance	Movement of the current year			Closing balance	Closing balance for impairment Increase
		Decrease	Profit or loss recognized using equity method	Increase		
I. Joint venture						
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	162,878,248.29		26,505,487.83		189,383,736.12	
UI Wanhua (Yantai) peroxide Co., Ltd.	15,351,390.61		-145,709.78		15,205,680.83	
Yantai Recycled Water Co., Ltd.		55,800,000.00	-26,213.16		55,773,786.84	
Sub-total	178,229,638.90	55,800,000.00	26,333,564.89		260,363,203.79	
II. Associate						
Linde Gas (Yantai) Co., Ltd	27,649,001.64		4,575,370.49		32,224,372.13	
Yantai Bulk Commodity Exchange Co., Ltd.		10,000,000.00	-23,002.54		9,976,997.46	
Sub-total	27,649,001.64	10,000,000.00	4,552,367.95		42,201,369.59	
Total	205,878,640.54	65,800,000.00	30,885,932.84		302,564,573.38	

4. Operating income and operating costs

✓ Applicable N/A

Unit: RMB

Item	Amount for the current period		Amount for the prior period	
	Revenue	Cost	Revenue	Cost
Principal operating income	17,194,389,844.73	10,116,048,726.68	8,770,313,422.51	6,145,365,717.80
Other operating income	4,140,018,221.57	1,716,014,318.10	2,093,669,682.06	1,399,797,336.03
Total	21,334,408,066.30	11,832,063,044.78	10,863,983,104.57	7,545,163,053.83

5. Investment income

✓ Applicable N/A

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Income from long-term equity investments under cost method	5,965,659,062.50	1,089,522,000.00
Including: Wanhua Ningbo	5,662,000,000.00	894,000,000.00
Yantai Chlor-Alkali	60,000,000.00	60,000,000.00
Wanhua Chemical (Yantai) Rongwei Polyurethane Co., Ltd.	28,000,000.00	12,000,000.00
Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd.	90,059,062.50	32,472,000.00
Wanhua Thermal Power	81,600,000.00	79,050,000.00
Wanhua Chemical (Foshan) Rongwei Polyurethane Co., Ltd.		12,000,000.00
Wanhua Port	44,000,000.00	
Income from long-term equity investments under equity method	30,885,932.84	4,684,644.94
Including: Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	26,505,487.83	7,592,386.44
Linde Gas (Yantai) Co., Ltd	4,575,370.49	-3,184,576.86
UI Wanhua (Yantai) peroxide Co., Ltd.	-145,709.78	276,835.36
Yantai Bulk Commodity Exchange Center	-23,002.54	
Yantai Recycled Water Co., Ltd.	-26,213.16	
Investment income on disposal of long-term equity investments	-155,775.84	
Investment income from holding available-for-sale financial assets	21,000,000.00	30,000,000.00
Total	6,017,389,219.50	1,124,206,644.94

6. Others

Applicable N/A

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	12,438,619,826.03	2,627,898,440.09
Add: Impairment losses of assets	118,145,356.13	12,600,691.27
Depreciation of fixed assets	1,784,571,824.38	1,612,134,513.44
Amortization of intangible assets	97,193,791.54	101,047,795.04
Amortization of long-term prepaid expenses	7,079,749.35	3,507,708.01
Losses on disposal of fixed assets, intangible assets and other long-term assets	100,127,554.44	37,572,060.42
Financial expenses	523,517,947.67	572,802,199.28
Investment income	-6,017,389,219.50	-1,124,206,644.94
Decrease(increase) in deferred tax assets	-151,962,478.48	16,945,464.86
Increase in inventories	-939,910,902.96	-216,603,354.64
Decrease(increase) in receivables from operating activities	2,906,637,749.38	1,129,573,183.65
(Decrease) increase in payables from operating activities	-3,101,248,030.86	-3,336,313,427.20
Net cash flow from operating activities	7,765,383,167.12	1,436,958,629.28
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Fixed assets acquired or constructed by debts	2,001,387,174.02	2,055,504,527.69
Repay debts with dividends	1,153,926,738.34	
3. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents	2,214,358,511.06	605,649,464.46
Less: Opening balance of cash and cash equivalents	605,649,464.46	1,345,386,565.07
Net increase in cash and cash equivalents	1,608,709,046.60	-739,737,100.61

(2) Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	2,214,358,511.06	605,649,464.46
Including: Cash on hand	78,912.38	56,742.30
Bank deposits	2,214,279,595.41	605,575,387.51
Other monetary funds	3.27	17,334.65
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	2,214,358,511.06	605,649,464.46

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

(1) Purchase of goods and sales

Purchase of goods/receipt of services

Unit: RMB

Related party	Transaction type	Amount for the current period	Amount for the prior period
Wanhua Chemical (Beijing) Co., Ltd.	Purchase of raw materials	14,504,962.55	18,979,999.45
Wanhua Ningbo	Purchase of goods	62,663,642.51	400,781,725.94
Ningbo Trade	Purchase of goods	20,593,344.26	
Wanhua Chemical (Guangdong) Co., Ltd.	Purchase of goods	32,210.86	653,008.90
Wanhua Chemical (Hong Kong) Co., Ltd.	Purchase of raw materials	-	11,266,278.41
Shanghai Kejv	Receipt of services	6,962,048.29	18,867,924.60
Ningbo Rongwei	Purchase of raw materials /Receipt of services	8,125,458.18	649,188.72
Wanhua Chemical (Yantai) Rongwei Polyurethane Co., Ltd.	Purchase of raw materials	34,761,205.66	2,577,508.06
Yantai Chlor-Alkali	Purchase of raw materials	821,073,861.89	486,536,603.89
Yantai Selling	Purchase of goods	235,535,478.32	6,933,465.78
Yantai Petrochemical	Purchase of goods / Purchase of raw materials	3,546,869,965.69	1,051,742,362.35
Yantai Wanhua Chemical Design Institute	Design services	19,996,697.82	25,765,801.73

Sales of goods/rendering of services

Unit: RMB

Related party	Transaction type	Amount for the current period	Amount for the prior period
Wanhua Beijing	Sales of materials / rendering of services	42,349,123.33	21,759,255.38
Wanhua Ningbo	Sales of goods /Technology transfer /Technology service	1,299,777,747.57	646,576,420.40
Ningbo Trade	Sales of goods	465,456,864.57	64,953,594.66
Wanhua Chemical (Hong Kong) Co., Ltd.	Sales of goods	1,469,064,957.33	731,496,662.73
Wanhua Chemical (Foshan) Rongwei Polyurethane Co., Ltd.	Rendering of services	2,191,038.94	-
Ningbo Rongwei	Sales of materials /Rendering of services	3,366,489.02	5,910,836.89
Wanhua Chemical (Yantai) Rongwei Polyurethane Co., Ltd.	Sales of materials /Rendering of services /Sales of goods/rental income	14,131,049.75	3,477,990.85
Yantai Chlor-Alkali	Sales of materials /Rendering of services /Sales of goods	138,647,814.96	308,563,736.24
Wanhua Chemical (Guangdong) Co., Ltd.	Sales of materials	3,188,033.46	7,911,772.84
Yantai Selling	Sales of goods	10,827,569,010.05	4,118,643,652.22
Yantai Petrochemical	Sales of goods /Rendering of services /Rental income	6,304,274,999.12	3,695,762,836.61
Ningbo Thermal Power	Sales of goods	602,981.28	-

Asset transfer

Unit: RMB

Related parties	Transaction type	Amount for the current period	Amount for the prior period
Yantai Petrochemical	Asset transfer	9,132,209,628.53	-
Yantai Chlor-Alkali	Asset transfer	125,457,418.00	-

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. All the agreements are signed according to the principles of equality, voluntariness and fairness.

(2) Guarantees with related parties

Unit: RMB

Guaranteed party	Guaranteed amount used	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Wanhua Chemical (Hong Kong) Co., Ltd.	1,838,755,200.51	19 May 2016	11 August 2019	N
Yantai Chlor-Alkali	1,310,420,000.00	27 July 2016	23 November 2018	N
Yantai Petrochemical	1,955,814,846.66	1 April 2017	17 June 2018	N
Wanhua Ningbo	1,447,708,152.60	6 June 2016	16 November 2018	N
Ningbo Rongwei	280,078,348.81	7 June 2016	26 December 2018	N
Wanhua Chemical (Yantai) Rongwei Polyurethane Co., Ltd.	118,862,142.84	21 August 2015	22 July 2020	N
Wanhua Chemical (Guangdong) Co., Ltd.	100,000,000.00	23 January 2017	22 January 2025	N

(3) Borrowings/loans with related parties

Unit: RMB

Related party	Amount of borrowing/loan	Inception date of guarantee	Expiration date of guarantee	Closing balance
Lent to:				
Yantai Chlor-Alkali		21 October 2015	20 October 2030	220,000,000.00
Yantai Chlor-Alkali	200,000,000.00	13 September 2016	29 February 2018	200,319,916.63
Shanghai Kejv	41,051,799.98	31 December 2014	19 June 2017	-
Wanhua Chemical (Yantai) Rongwei Polyurethane Co., Ltd.	198,292,955.86	23 January 2017	No fixed-term	194,304,105.97
Wanhua Chemical (Foshan) Rongwei Polyurethane Co., Ltd.	37,622,501.28	5 January 2015	No fixed-term	31,263,711.40
Zhuhai Wanhua Real Estate Development Co., Ltd.	299,600,000.00	24 May 2017	No fixed-term	189,600,000.00
Wanhua Chemical (Guangdong) Co., Ltd.	124,158,972.58	9 February 2015	No fixed-term	460,000,000.00
Total	900,726,229.70			1,295,487,734.00
Borrowing from				
Shanghai Kejv	117,029,604.91	19 June 2017	No fixed-term	102,144,324.09
Total	117,029,604.91			102,144,324.09

(4) Amounts due from / to related parties

Amounts due from related parties

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accounts receivable	Yantai Rongwei	462,060.66	-	-	-
Accounts receivable	Yantai Petrochemical	4,743,106,878.06	-	-	-
Accounts receivable	Yantai Chlor-Alkali	3,293,914.94	-	23,256,610.68	-
Accounts receivable	Ningbo Rongwei	-	-	520,500.42	-
Accounts receivable	Wanhua Hong Kong	138,514,221.47	-	60,606,024.91	-
Accounts receivable	Yantai Selling	1,079,071,230.39	-	-	-
Accounts receivable	Wanhua Beijing	32,494,986.28	-	-	-
Accounts receivable	Ningbo Trade	23,900,935.80	-	-	-
Accounts receivable	Wanhua Guangdong	209,654.85	-	-	-
Prepayments	Yantai Wanhua Chemical Design Institute	1,692,073.40	-	2,164,220.61	-
Other receivables	Foshan Rongwei	31,263,711.40	-	33,560,175.94	-
Other receivables	Wanhua Guangdong	460,000,000.00	-	475,020,000.00	-
Other receivables	Yantai Rongwei	194,304,105.97	-	-	-
Other receivables	Shanghai Kejv	-	-	135,043,933.51	-
Other receivables	Yantai Chlor-Alkali	200,319,916.63	-	201,873,788.89	-
Other receivables	Zhuhai Wanhua Real Estate Development Co., Ltd.	189,600,000.00	-	-	-
Other receivables	Ningbo Chlor-alkali	201.96	-	-	-
Other receivables	Wanhua Port	557,349.15	-	-	-
Long-term receivables	Yantai Chlor-Alkali	220,000,000.00	-	277,000,000.00	-

Amounts due to related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts payable	Wanhua Beijing	655,023.79	19,982.80
Accounts payable	Wanhua Ningbo	24,294,838.38	7,415,510.21
Accounts payable	Wanhua Guangdong		764,020.40
Accounts payable	Ningbo Rongwei	1,777,423.99	
Accounts payable	Yantai Rongwei	2,452,003.12	230,879.04
Accounts payable	Yantai Petrochemical	12,628,458.41	772,029,553.57
Accounts payable	Yantai Chlor-Alkali	154,380.95	17.70
Accounts payable	Ningbo Trade	20,593,344.26	
Accounts payable	Shanghai Kejv	2,379,771.17	
Accounts payable	Foshan Rongwei	10,740.53	
Receipts in advance	Yantai Selling		3,231,705,979.11
Other payables	Yantai Chlor-Alkali	23,000.00	23,000.00
Other payables	Yantai Trade		19,800,000.00
Other payables	Shanghai Kejv	102,144,324.09	

(5) Dividends Receivable

Dividends due from related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Dividends receivable	Wanhua Port	44,000,000.00	-

(XVIII) SUPPLEMENTARY INFORMATION**1. Breakdown of non-recurring profit or loss**✓ Applicable N/A

Unit: RMB

Item	Amount	Remark
Profit or (loss) on disposal of non-current assets	-217,695,299.04	
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)	901,790,723.66	
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		
Trust fee from entrusted operation management	9,433,962.26	
Other non-operating income or expenses other than the above	9,815,544.63	
Tax effects	-164,776,188.00	
Effects attributable to minority interests (after tax)	-114,512,798.89	
Total	424,055,944.62	

If the Company determines an item as non-recurring profit or loss in accordance with the Explanatory Announcement to Information Disclosure Guidance for Public Companies No. 1 - Non-recurring Profit and Loss, or recognizes as recurring profit or loss for an item which was defined as non-recurring profit or loss in accordance with the Explanatory Announcement to Information Disclosure Guidance for Public Companies No. 1 - Non-recurring Profit and Loss, the Company should disclose corresponding reasons.

 Applicable N/A**2. Return on net assets and earnings per share ("EPS")**✓ Applicable N/A

Unit: RMB

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic EPS	Remark
Net profit attributable to ordinary shareholders of the Company	50.66	4.09	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	48.73	3.93	N/A

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

3. Differences between amounts prepared under foreign accounting standards and CAS Applicable N/A**4. Others** Applicable N/A

Section XII List of Documents Available For Inspection

List of Documents Available For Inspection	Financial statements with signatures of legal person, the chief financial officer and the head of accounting department.
List of Documents Available For Inspection	Original auditor's report with signatures of accounting firm and certificated accountants
List of Documents Available For Inspection	All original documents and announcements of the Company released on paper of "China Securities Journal", "Shanghai Securities News" "Securities Times" and "Securities Daily" during reporting period

Board of Directors: Liao Zengtai

Date of Approval by the board: 10 March 2018

Other revised information

Applicable N/A



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