

WANHUA CHEMICAL GROUP CO., LTD.

2018 Annual Report



Company Code: 600309



Important Note

I. 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.

II. All directors of the Company attended the Board meeting.

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

IV. Mr. Liao Zengtai, legal representative, Mr. Kou Guangwu, the chief financial officer, and Mr. Zhang Shoujun, the head of accounting department (the person in charge of accounting), certify the authenticity, accuracy and integrity of the financial statements contained in the annual report of the current year.

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

Profits available to shareholders would be distributed to all shareholders at a cash dividend of RMB 20 (inclusive of tax) for every ten shares based on 3,139,746,626.00 outstanding shares in total after the completion of new share registration and cancellation of shares previously held by Wanhua Chemical Industry when the Company merged Wanhua Chemical Industry in February 2019. The profit for distribution totally amounted to RMB 6,279,493,252.00, with undistributed profits of RMB 7,475,172,932.46 carrying forward to subsequent years for distribution.

VI. Risk statement of forward-looking description

Applicable Not Applicable

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.

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

No

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

No

IX. 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.

X. Others

Applicable Not Applicable

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Section I Definitions

I. Definition

In this report, unless the context otherwise 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	Refers to	The previous shareholder controlling the Company, Wanhua Industrial Group Co., Ltd.
Wanhua Chemical Industry, controlling shareholder	Refers to	Yantai Wanhua Chemical Industry Co., Ltd.
Yantai SASAC	Refers to	State-owned Assets Supervision and Administration Commission of Yantai Municipal Government.
Guofeng Investment	Refers to	Yanhua Guofeng Investment Holdings Co., Ltd
Zhongcheng Investment	Refers to	Yantai Zhongcheng Investment Co., Ltd.
Zhongkaixin	Refers to	Shenzhen Zhongkaixin Venture Capital Co., Ltd.
Prime Partner International	Refers to	Prime Partner International Limited
Dejie Huitong	Refers to	Beijing Dejie Huitong Technology
BC Company	Refers to	BorsodChem Zártkör enM köd Részvénytársaság, abbreviation name of BorsodChem Zrt.
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 urethane
LPG	Refers to	Liquified 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 easter
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 diisocynate)
MIBK	Refers to	Methyl isobutyl ketone
PVC	Refers to	Polyvinyl chloride
EO	Refers to	Ethylene oxide
NPG	Refers to	Neopentyl glycol
H₁₂MDI	Refers to	Hydrogenated phenyl methane diisocyanate
TBA	Refers to	Tert-butanol
CWAO	Refers to	Catalytic wet oxidation
LLDPE	Refers to	Linear low density polyethylene

Note: Industry data quoted by this report mainly refer to those in the report provided by Shanghai Santao Business Consulting Co., Ltd.

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
Post code of registration address	264006
Office address	No.7 Xingfu South Road, Yantai City
Post code 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

Major accounting data	Unit: RMB			
	2018	2017	Year on year (%)	2016
Operating income	60,621,193,436.91	53,123,173,258.81	14.11	30,099,861,530.44
Net profit attributable to shareholders of the Company	10,610,379,859.30	11,134,790,281.66	-4.71	3,679,421,831.90
Net profit excluding non-recurring profit or loss attributable to shareholders of the Company	10,034,835,805.76	10,710,734,337.04	-6.31	3,676,300,829.83
Net cash flow from operating activities	19,257,494,429.46	10,707,798,595.40	79.85	7,542,843,878.83
	31 December 2018	31 December 2017	Year on year (%)	31 December 2016
Net assets attributable to shareholders of the Company	33,778,735,672.70	27,279,539,897.19	23.82	14,821,586,070.82
Total assets	76,912,659,201.52	65,827,732,248.24	16.84	50,765,015,455.16
Total equity at the end of the period	2,734,012,800.00	2,734,012,800.00		2,162,334,720.00

In accordance with the *Interpretation on Problems regarding the Format of 2018 Financial Statements for General Business Enterprise* issued by the Ministry of Finance, the cash flow from government grants related to assets previously deemed as from investing activities is changed as the cash flow from operating activities and the comparable data at the corresponding period are adjusted retrospectively.

(II) Major financial indicators

Major financial indicators	2018	2017	Year on year (%)	2016
Basic earnings per share (RMB/Share)	3.88	4.09	-5.13	1.42
Diluted earnings per share (RMB/Share)				
Basic earnings per share excluding non-recurring profit or loss (RMB/Share)	3.67	3.93	-6.62	1.42
Weighted average return on net assets (%)	36.82	50.66	Decreased by 13.84 percentage points	28.11
Weighted average return on net assets excluding non-recurring profit or loss (%)	34.82	48.73	Decreased by 13.91 percentage points	28.09

Explanations for accounting data and financial indicators for recent three years

Applicable Not Applicable

Subsequent to the Company's non-public offering of 116,009,280 shares on 16 January 2017, the Company's total shares changed 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 changed to 2,734,012,800 shares from 2,278,344,000 shares.

The Company has calculated the earnings per share in 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 Not Applicable

(II) Differences between net profit and net assets attributable to shareholders of the Company disclosed by Chinese Accounting Principles and foreign Accounting Principles

Applicable Not Applicable

(III) Explanations for differences between under domestic and foreign accounting principles

Applicable Not Applicable

IX. Quarterly financial data for the year 2018

Unit: RMB

	First Quarter (Jan. to Mar.)	Second Quarter (Apr. to Jun.)	Third Quarter (Jul. to Sept.)	Fourth Quarter (Oct. to Dec.)
Operating income	13,601,913,514.62	16,452,261,124.13	15,869,060,104.85	14,697,958,693.31
Net profit attributable to	3,545,722,178.17	3,404,212,236.15	2,071,087,039.24	1,589,358,405.74
Shareholders of the listed company	3,223,730,585.14	3,256,152,162.07	1,982,266,148.85	1,572,686,909.70
Net profit excluding non-recurring profit or loss attributable to shareholders of the listed company	3,590,001,796.86	4,855,170,222.63	7,074,255,595.41	3,738,066,814.56
Net cash flow from operating activities	3,590,001,796.86	4,855,170,222.63	7,074,255,595.41	3,738,066,814.56

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

Applicable Not Applicable

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

Applicable Not Applicable

Unit: RMB

Items and amounts of non-recurring profit or loss	2018	Notes (if applicable)	2017	2016
Profit or loss on disposal of non-current assets	-92,845,423.60		-217,695,299.04	-85,025,534.54
Government grants recognized in profit or loss for the current year, except those closely related with normal business courses, and given on quota or quantity basis continuously based on the state policy	1,104,353,815.59		901,790,723.66	84,773,232.39
Reversal of impairment provision for accounts receivable for which impairment tests are made individually	75,127.04			
Trust fee income from entrusted operation management	9,433,962.27		9,433,962.26	9,433,962.26
Other non-operating income and expenses other than the above	4,364,664.93		9,815,544.63	2,804,527.46
Amounts affected by minority interests	-198,055,558.52		-114,512,798.89	-5,671,330.13
Income tax effects	-251,782,534.17		-164,776,188.00	-3,193,855.37
Total	575,544,053.54		424,055,944.62	3,121,002.07

Note: The trust fee income from entrusted operation management is related to the Company's management services to Hungary BorsodChem Zrt. under the entrustment of the previous controlling shareholder Wanhua Industry, and the current controlling shareholder, Wanhua Chemical Industry. In the reporting period, the recognized trust fee income amounts to RMB 9,433,962.27 (exclusive of VAT) (Wanhua Industry: 786,163.52; Wanhua Chemical Industry: 8,647,798.75) and RMB10,000,000.00 (inclusive of VAT).

XI. Items at fair value

Applicable Not Applicable

Unit: RMB

Item	Opening balance	Closing balance	Movement	Effects on profit or loss
Derivative financial liabilities		1,173,476.80	1,173,476.80	-7,698,050.97
Total		1,173,476.80	1,173,476.80	-7,698,050.97

XII. Others

Applicable Not Applicable

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), petrochemical products (including propylene, its downstream products acrylic acid, PO series products and others) and fine chemicals and new materials (including SAP, TPU, PC, PMMA, organic amine, ADI, water-based paint and others). Therein, the MDI product is one of the principal materials for manufacturing PU. Having the advantages of both rubber and plastic, the PU is extensively used in the sectors of chemical industry, light industry, textile, construction, household electrical appliances, construction materials, transportation and aerospace etc. At present, the Company is one of the most significant MDI suppliers all over the world, since the product quality and unit consumption of various MDI devices have achieved international advanced level. With the completion of Phase I Project of Wanhua Yantai Industrial Park in 2015, Wanhua Chemical has developed into a highly competitive supplier of PU, petrochemical, fine chemicals and new materials. On 13 September 2018, the Company received from the China Securities Regulatory Commission the *Reply for Approving Wanhua Chemical Group Co., Ltd. to Issue Shares to Yantai Guofeng Investment Holdings Co., Ltd. for Merging Yantai Wanhua Chemical Industry Co., Ltd.* (Zheng Jian Xu Ke [2018] No.1449). The overall listing of the Company, when completed, will build an important institutional foundation for the future leap-forward development.

(II) Business model

The business model of the Company: Wanhua Chemical sticks to development through specialization and constantly focuses on the development of the sector of fine chemicals and new materials. To make better use of the Company's advantages in technology and manufacturing, the Company mainly conducts B2B business.

Procurement model: the pure benzene, coal and LPG etc., which are the major raw materials for the Company's production, are bulk raw materials. Actively exploring the supply channels at home and abroad, establishing good cooperation relationship with strategic suppliers and comprehensively using multiple purchasing model like fixed price, floating price and contractual price etc., the Company realized stable supply and low cost purchasing.

Production model: the Company's products are of great variety and complicated production line, and involves dangerous process of high temperature and high pressure, toxic and harmful processes etc. To assure the safe and durable production operation and provide clients with satisfying, high quality and stable products, the Company adopts the business model of localized production management with coordination of headquarters for Ningbo production base, Yantai production base and Zhuhai Production base. The Company establishes monthly production goals according to annual production plan and makes dynamic adjustments according to market demand and equipment conditions.

Sales model: the main business of the Company is the production and sales of fine chemical and new material products. The major products are all subject to market-oriented operation and sold in the form of direct sale and distribution.

(III) Instruction of situation within the trade

The Company's products relate closely to daily lives, widely applied in construction, home appliances, automobiles, light industry, textiles, etc. In recent years, driven by the rapid development of China's economy, the downstream application

market of PU increases rapidly. In 2018, with the recovery of chemical industry, the domestic demand for MDI exceeds 2 million tons. Relying on the advantages in technology, capacity and product quality etc., Wanhua, as firmly seizing the golden opportunity for development since China joined in WTO, has grown as one of major MDI suppliers globally. Since the financial crisis in 2008, the Company, as realized the risk of single profitable products and single region, has gradually made significant investments in diversified fields of fine chemicals and new materials. At present, the Company has formed three major industry clusters covering PU, petrochemical, fine chemicals and new materials, which are highly integrated in industry chains with high integration of production but significant difference in industry cycles.

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

Applicable Not Applicable

III. Analysis of core competitiveness during the reporting period

Applicable Not Applicable

At the same time of focusing on its core competitiveness, namely technological innovation, Wanhua also commits to pursuing excellent operations and building fine cultures, through which Wanhua has formed the unique comprehensive 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 2018, Wanhua successfully drove its phosgene-method PC devices and TDI devices which were independently researched and developed by itself at the first time; made a new breakthrough in sixth generation of MDI reaction technology; and achieved a success in the development of packaged technology of producing propylene oxide through ethylbenzene co-oxidation method in a high-efficient and environment-friendly way.

(2) Excellent operation

Guided by the working concepts of "Determining the gap between us and the top class, establishing the goal at a high point, and focusing on implementation in pursuit of excellence", the Company, as continues to improve its management in pursuit of excellence, has realized outstanding performance in production and operation, and entered into a new level in terms of its sustainable development abilities.

(3) Fine culture

It is Wanhua's corporate vision to create a world-leading chemical and new material company that has a respected reputation in the society for which employees are proud of. Therefore, the Company has made great efforts to invite, attract, and train talents with excellent corporate culture, to inspire employees' potential with high and clear targets, and to indicate directions for employees upon special and sustainable development strategies, so as to create a fair and equitable cultural environment through efficient management and equal communication. By virtue of continuous practices, Wanhua internalizes corporate culture among people, and guarantees employee's professionalism and talents' stability; hence it has won the honor of Aon Hewitt Best Employer in China for five consecutive years.

Section IV Discussion and Analysis for Operation

I. Discussion and analysis for operation

In 2018, as affected by the Sino-US trade frictions and the depreciation of emerging countries' currencies in the second half year, the domestic economic situation showed a trend from up to down, with similar trends represented for changes in the global chemical and PU market demands.

In 2018, under the management theme of "Further Safety Management Year", the Company's intrinsic safety level was further increased, with employees' safety awareness and skills significantly improved and safety management and control capabilities further strengthened through two main lines of "deepening intrinsic safety design and management, and enhancing process and labor discipline".

(I) Market and marketing

In 2018, as MDI devices all over the world operated stably in general with new capacity releasing, the supply of MDI especially polymeric MDI increases significantly. Due to adoption of flexible response strategies in different regions at different time points, and enhanced exploration in overseas markets, the Company further increases its MDI export proportion.

The petrochemical company actively promotes strategic cooperation with mainstream LPG suppliers in the Middle East in accordance with the business policy of "building platforms on a stable foundation" under the guiding principle of "maximizing profits by creating the blue ocean from red sea"; leads the promotion of MTBE application in non-blend-gasoline fields such as chemical engineering with customer stickiness increasing continuously through scientific market predictions

Facing new changes in the market, the marketing system conducts management reform in an active way, including strengthening sales coordination and management for inter-department customers, simplifying the connecting process between multi-product users and Wanhua, implementing a new carrier access system with a higher access threshold for carriers to carry out multimodal transports.

In terms of brand building, the Company, combining with its strategies, guides the mainstream media in the global industry to pay more attentions to Wanhua with perseverance, and sets up a high-tech, responsible and international corporate image of Wanhua through comprehensive channels such as exhibitions, media activities and news events.

(II) Production and operation

In 2018, Yantai Production Base further improved its safety management capability by implementing various requirements in "Further Safety Management Year" through team standardization, training of process safety personnel, rotation of engineers, and construction of mobile learning platforms; it continued to improve the level of equipment automation with full realization of active monitoring and DCS inspection and monitoring in Phase I devices and one-button driving and stopping in MDI devices.

In 2018, Ningbo Industry Park, on the basis of ensuring safe and stable production, continued to implement cost reduction work and popularize lean improvement culture. It continued to implement in-depth team standardization with close attention to accident investigation, and safety points system to promote full participation by employees with strict control over risks through project management and contractor management.

(III) Technological innovation

In 2018, the Company applied 424 domestic and foreign invention patents throughout the year. The technology to process neopentyl glycol by condensed hydrogenation method won the first prize of Shandong Science and Technology Progress Award, and the key resin in waterborne surface material, together with its industrialization project, won the first prize of Science and Technology Progress Award of China Petroleum and Chemical Industry Federation.

The research and production departments work closely together to refine on device operation levels. For MDI industry chain, the Company has steadily implemented the intelligent and technical transformation and expansion plans for MDI devices in three places. In addition, the Company has also established new platforms regarding synthetic biology, electrochemistry, battery materials, and information materials to accelerate forward-looking research for future deployment.

(IV) Management innovation

1. Instruction of "Further Safety Management Year"

In 2018, closely focused on the theme of "Further Safety Management Year", the Company carried out a great deal of pioneering work for the intrinsic safety of production equipment. It introduced the concept of intrinsic safety abroad for the first time, training all employees with an intrinsic safety concept of "minimization, replacement, ease and simplification", and carried out intrinsic safety design and management regarding devices. The Company also organized to compile documents including "Intrinsic Safety Design Guide, Guidelines for Minimizing the Stock of Dangerous Chemicals, Guidelines for Reactive Hazard Assessment" and others; introducing 9 foreign first-class Process Safety Analysis Agency to take charge of PHA (Process Hazard Analysis) for 22 independent R&D projects of the Company through comprehensive and systematical conduction of various analysis including HAZOP (Hazard and Operability Analysis), LOPA (Layer of Protection Analysis), SIL (Safety Integrity Level); and built a thermal safety research laboratory to carry out reaction hazard research. The Company further deepened the process and labor discipline management. Through a series of management activities, employees improved their safety skills significantly and the Company improved its safety management capabilities greatly.

2. Instruction of excellent operation

In 2018, the Company sets up an informatization strategy committee and sub-committees with related functions, which greatly improved the efficiency of consistency and construction of the Company's informatization. The Company upgraded the original "Audit Department" to the "Audit & Compliance Department" and joined as a council member in the "National Enterprise Compliance Committee". In addition, it established the Enterprise Management Department, which integrated the Company's organizational system planning, system construction and process optimization, so as to strengthen the Company's KPI and organizational performance management to further improve operational efficiency. Moreover, by establishing centralized procurement platform and cloud procurement platform, the Company realized unified negotiation, conclusion and payment in deed. It achieved the full-process online operation through the electronic sign-off and bidding platform, depending on which the Company was evaluated as the national supply chain innovation and application pilot enterprise.

3. Corporate culture

The year of 2018 witnessed the 40th anniversary of Wanhua's establishment. Under the theme of "Striving for the future as encouraged by 40 years of performance", all employees looked forward the bright future which is full of challenges and hopes on the basis of summarizing forty years of magnificent and glorious development processes. The vitality and enthusiasm of employees of the Company are represented in the group wedding ceremony for 100 new couples, in the joyful atmosphere of Wanhua Family Day, in the climax of various sports events, and in active participation of employees in every Wanhua English Corner, which inspires Wanhua people to create and struggle in pursuit of dreams.

(V) Overall listing

The Company started the overall listing work in 2017, lasting more than one year. On 13 September 2018, the Company

received from the China Securities Regulatory Commission the *Reply for Approving Wanhua Chemical Group Co., Ltd. to Issue Shares to Yantai Guofeng Investment Holdings Co., Ltd. for Merging Yantai Wanhua Chemical Industry Co., Ltd.* (Zheng Jian Xu Ke [2018] No.1449). As at 12 February 2019, the Company completed the registration of new shares for the merger and the cancellation of shares held by Wanhua Chemical. The overall listing of the Company, when completed, will build an important institutional foundation for the future leap-forward development.

The simulated financial position of 2018 subsequent to the merger by absorption can refer to Financial Statements and Auditor's Report on a Particular Preparation Basis disclosed in <http://www.sse.com.cn> at the same day.

(VI) BC Company integration

In 2018, operations of BC Company reached a new high. It continued to increase its ranking in top 100 companies in Central and Eastern Europe, with greatly enhancement in sustainable profitability.

BC Company increased market supply by grasping favorable opportunity that the industry is relatively prosperous at the first half of the year; further improved its operational efficiency with increasing stability in equipment operation; and realized global procurement synergy to further reduce the financing costs.

(VII) USA project

In 2018, the Company officially announced to settle an USA project in Convent County, Louisiana for satisfying demands from North American customers in terms of supply stability and product diversity of the Company's MDI products. At present, contract negotiations and related bidding work of this project are conducted in an orderly manner.

II. Operation conditions in the reporting period

In 2018, the Company achieved sales revenue of RMB 60.621 billion, up 14.11% year on year; net profits attributable to shareholders of listed companies of RMB 10.61 billion, down 4.71% year on year, and gained earnings per share of RMB 3.88.

At the end of 2018, the Company's accomplished RMB 76.913 billion in total assets, up 16.84% year on year; RMB 33.779 billion in the owners' equity attributable to the parent company, up 23.82% year on year; 36.82% in the weighted average ROE, down 13.84 % year on year; RMB 12.36 in net assets per share, up 23.85% year on year; and 48.97 % in the asset-liability ratio, down 4.31% year on year.

(I) Analysis on principal businesses

1. Analysis on accounts changes in profit statement and cash flow statement

Unit: RMB

Items	2018	2017	Changes (%)
Operating income	60,621,193,436.91	53,123,173,258.81	14.11
Operating costs	40,114,356,881.19	32,033,253,462.20	25.23
Selling expenses	1,721,464,243.82	1,416,999,560.47	21.49
Administrative expenses	1,001,505,576.04	796,303,927.67	25.77
Research and development expenditures	1,610,117,528.86	1,238,264,348.48	30.03
Financial expenses	795,019,862.22	929,390,186.18	-14.46
Net cash flow from operating activities	19,257,494,429.46	10,707,798,595.40	79.85
Net cash flow from investing activities	-10,318,017,908.11	-5,955,570,029.57	-73.25
Net cash flow from financing activities	-7,937,332,650.60	-3,659,933,147.16	-116.87

2. Income and cost analysis

Applicable Not Applicable

During the reporting period, the sales volume of all business units increased, but the operating results throughout the year decreased slightly since the market price of PU products began to fall at the second half year of 2018.

(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 engineering	59,118,079,966.00	38,810,168,937.83	34.35	13.62	24.45	Decreased by 5.71 percentage points
Others	743,825,419.17	586,304,368.27	21.18	4.98	17.51	Decreased by 8.4 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	30,951,891,911.57	15,384,313,983.07	50.30	3.75	15.63	Decreased by 5.11 percentage points
Petrochemical series	18,907,545,756.05	17,021,133,253.52	9.98	23.52	27.05	Decreased by 2.5 percentage points
Fine chemicals & new material series	5,702,962,374.42	3,916,336,843.31	31.33	35.87	36.21	Decreased by 0.17 percentage points
Others	4,299,505,343.13	3,074,689,226.20	28.49	26.39	45.85	Decreased by 9.54 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	39,341,363,928.14	23,167,710,314.17	41.11	6.45	13.49	Decreased by 3.65 percentage points
Oversea	20,520,541,457.03	16,228,762,991.93	20.91	30.01	44.00	Decreased by 7.69 percentage points

Explanations for main businesses by industry, product or region:

Applicable Not Applicable

The Company's PU series products experienced increases in the operating income and cost, and a slight decrease in the gross profit margin compared with the previous year, mainly due to decreased prices in all products despite the rise in sales volume during the reporting period.

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 fine chemicals & new material series experienced a great surge in the operating income and cost with the gross profit margin almost the same compared with the previous year, mainly due to the rise in sales volume during the reporting period.

The Company's oversea 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 fine chemicals and new materials series mainly include surface materials, TPU, SAP, PC, special isocyanate, special amines, etc. .

(2) Analysis on production and sales

Applicable Not Applicable

Enterprises	Production (Volume)	Sales (Volume)	Inventories (Volume)	Change of production (Volume) (%)	Change of sales (Volume) (%)	Change in inventories (%)
PU series	1,874,161 tons	1,887,114 tons	147,508 tons	2.99	4.71	-8.07
Petrochemical series	1,508,807 tons	1,514,707 tons	68,813 tons	-5.44	-4.64	-7.90
Fine chemicals & new material series	328,954 tons	321,668 tons	44,028 tons	29.08	34.26	19.83

(3) Cost analysis

Unit: RMB

Divided by industry							
By industry	Items	2018	Proportion to total costs (%)	2017	Proportion to total costs (%)	Changes (%)	Remark
Chemical Industry	Raw material,	30,008,080,020.60	77.32	22,982,294,482.34	73.69	30.57	
Chemical Industry	Labor salaries	1,432,038,649.74	3.69	1,214,958,816.23	3.90	17.87	
Chemical Industry	Depreciation	2,684,035,591.85	6.92	2,712,213,923.89	8.70	-1.04	
Chemical Industry	Energy	3,556,692,428.39	9.16	3,280,921,283.57	10.52	8.41	
Chemical Industry	Others	1,129,322,247.25	2.91	995,333,409.09	3.19	13.46	
	Total	38,810,168,937.83	100.00	31,185,721,915.12	100.00	24.45	
Other Industry	Raw material,	309,692,410.00	52.83	278,675,934.76	55.85	11.13	
Other Industry	Labor salaries	34,310,009.56	5.85	18,157,004.65	3.64	88.96	
Other Industry	Depreciation	54,609,460.94	9.31	41,119,179.96	8.24	32.81	
Other Industry	Energy	122,967,740.28	20.97	119,025,604.82	23.86	3.31	
Other Industry	Others	64,724,747.49	11.04	41,970,527.40	8.41	54.21	
	Total	586,304,368.27	100.00	498,948,251.59	100.00	17.51	
Divided by product							
By product	Items	2018	Proportion to total costs (%)	2017	Proportion to total costs (%)	Changes (%)	Remark
PU series	Raw material,	11,111,275,800.73	72.23	9,272,309,620.10	69.69	19.83	
PU series	Labor salaries	866,905,644.99	5.63	733,568,282.59	5.51	18.18	
PU series	Depreciation	1,306,392,125.43	8.49	1,397,701,815.29	10.51	-6.53	
PU series	Energy	1,450,340,672.34	9.43	1,345,870,682.74	10.12	7.76	
PU series	Others	649,399,739.58	4.22	554,828,399.88	4.17	17.05	
	Total	15,384,313,983.07	100.00	13,304,278,800.60	100.00	15.63	
Petrochemical series	Raw material,	14,321,387,584.88	84.14	10,682,200,490.90	79.75	34.07	
Petrochemical series	Labor salaries	263,492,142.18	1.55	239,853,246.08	1.79	9.86	
Petrochemical series	Depreciation	1,055,473,209.83	6.20	1,049,630,713.40	7.83	0.56	
Petrochemical series	Energy	1,142,914,715.20	6.71	1,176,813,512.22	8.78	-2.88	
Petrochemical series	Others	237,865,601.43	1.40	248,464,096.62	1.85	-4.27	
	Total	17,021,133,253.52	100.00	13,396,962,059.22	100.00	27.05	
Fine chemicals & new material series	Raw material,	3,002,901,154.29	76.69	2,178,641,333.71	75.77	37.83	
Fine chemicals & new material series	Labor salaries	242,155,728.85	6.18	185,455,107.44	6.45	30.57	
Fine chemicals & new material series	Depreciation	206,027,530.63	5.26	166,731,618.94	5.80	23.57	
Fine chemicals & new material series	Energy	280,207,733.98	7.15	206,925,437.98	7.20	35.41	
Fine chemicals & new material series	Others	185,044,695.56	4.72	137,493,238.71	4.78	34.58	
	Total	3,916,336,843.31	100.00	2,875,246,736.78	100.00	36.21	
Others	Raw material,	1,882,207,890.72	61.22	1,127,818,972.39	53.49	66.89	
Others	Labor salaries	93,795,143.28	3.05	74,239,184.77	3.52	26.34	
Others	Depreciation	170,752,186.89	5.55	139,268,956.22	6.61	22.61	
Others	Energy	806,197,047.15	26.22	670,337,255.45	31.80	20.27	
Others	Others	121,736,958.16	3.96	96,518,201.28	4.58	26.13	
	Total	3,074,689,226.20	100.00	2,108,182,570.11	100.00	45.85	

Explanations for other information of cost analysis:

Applicable Not Applicable

The production and sales volumes increased significantly in the reporting period, so did the LPG trade volume, which caused the operating cost in 2018 increased largely comparing with that of the same period of last year.

(4) Key customers for sales and suppliers

Applicable Not Applicable

The turnover from top five customers amounts to RMB 5,435,032,858.02, accounting for 8.97% of the total annual turnover, of which the amount from related parties is RMB 1,179,483,110.08, accounting for 1.95% of the total annual turnover.

Unit: RMB

Top five customers	Operating income	Proportion to total operating income (%)	If existing related party relationship
Entity 1	1,202,744,401.15	1.98	No
Entity 2	1,185,609,510.08	1.96	No
Entity 3	1,184,847,132.28	1.95	No
BorsodChem Zrt.	1,179,483,110.08	1.95	Yes
Entity 4	682,348,704.43	1.13	No
Total	5,435,032,858.02	8.97	

The procurement to top five suppliers' amounts to RMB 7,545,588,255.26, accounting for 19.85 % 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.

Top five suppliers	Procurement amount	Proportion to total	If existing related party relationship
Entity 1	2,047,435,611.16	5.39	No
Entity 5	1,484,323,057.41	3.91	No
Entity 6	1,460,708,258.25	3.84	No
Entity 7	1,339,573,706.50	3.52	No
Entity 8	1,213,547,621.94	3.19	No
Total	7,545,588,255.26	19.85	

3. Expenses

Applicable Not Applicable

Unit: RMB

Item	2018	2017	Difference	Ration in changes (%)	Explanation
R&D	1,610,117,528.86	1,238,264,348.48	371,853,180.38	30.03	It is mainly due to the increase in labor expenses, and R&D expenses in the current year
Impairment losses of assets	-35,676,990.78	303,316,067.55	-338,993,058.33	-111.76	It is mainly due to decrease in accounts receivable, and provision for impairment of fixed assets.
Income from disposal of assets	18,720,809.02	1,687,270.04	17,033,538.98	1,009.53	It is mainly due to disposal of paraformaldehyde devices
Non-operating income	9,796,721.29	18,683,867.48	-8,887,146.19	-47.57	It is mainly due to the receipt of default compensation from suppliers and write-off parts of accounts payable.
Non-operating expenses	116,998,288.98	228,250,891.93	-111,252,602.95	-48.74	It is mainly due to the decrease in the retirement of fixed assets in the current year comparing with the same period of last year.

4. Research and development expenditures

Research and development ("R&D") expenditures

Applicable Not Applicable

Unit: RMB

R&D investments expensed in the current period	1,610,117,528.86
R&D investments capitalized in the current period	0
Total R&D investments	1,610,117,528.86
Proportion of R&D investments to operating income (%)	2.66
Headcounts of R & D personnel	1,425
Proportion of R&D headcount to total employee headcount (%)	12.86
Proportion of capitalization of R&D expenditures (%)	0

Explanations

Applicable Not Applicable

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

5. Cash flow

Applicable Not Applicable

Unit: RMB

Item	2018	2017	Difference	Changes (%)	Explanation
Net cash flow from operating activities	19,257,494,429.46	10,707,798,595.40	8,549,695,834.06	79.85	Mainly due to more occupation of working capital comparing with the same period of last year
Net cash flow from investing activities	-10,318,017,908.11	-5,955,570,029.57	-4,362,447,878.54	-73.25	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	-7,937,332,650.60	-3,659,933,147.16	-4,277,399,503.44	-116.87	Mainly due to receipt of additional issued funds and increase in distributed dividends comparing with the same period of last year

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

Applicable Not Applicable

(III) Analysis of assets and liabilities

✓ Applicable Not Applicable

1. Assets and liabilities

Unit: RMB

Items	31 December 2018	Proportion to total assets (%)	31 December 2017	Proportion to total assets (%)	Changes (%)	Explanations
Cash and bank balances	5,096,036,180.56	6.63	3,062,974,654.18	4.65	66.38	Mainly due to the provision for repayment of interest-bearing debts of Wanhua Chemical Industry undertaken for entire listing
Notes receivable	133,376,115.09	0.17	246,322,725.81	0.37	-45.85	Mainly due to the decrease in export rebates receivable
Accounts receivable	4,214,227,005.41	5.48	268,224,126.74	0.41	1,471.16	Mainly due to the interest-bearing debts of Wanhua Chemical Industry undertaken for entire listing
Long-term receivables	459,981,985.67	0.60	318,793,498.76	0.48	44.29	Mainly due to the increase in employee's borrowings for housing purchase
Construction in progress	10,251,052,690.88	13.33	7,305,529,419.73	11.10	40.32	Mainly due to the increase in the investment of Yantai Industrial Park Project in the current year
Long-term prepaid expenses	54,573,026.20	0.07	15,473,499.25	0.02	252.69	Mainly due to the increase in long-term land lease
Other non-current assets	2,333,485,077.35	3.03	1,007,854,102.69	1.53	131.53	Mainly due to the increase in prepaid construction funds
Short-term borrowings	17,411,711,439.85	22.64	12,714,569,960.22	19.31	36.94	Mainly due to the request to add current assets.
Derivative financial liabilities	1,173,476.80					Due to changes in fair value of new hedging instruments for the current period
Long-term borrowings	3,817,504,999.96	4.96	6,321,648,809.13	9.60	-39.61	Mainly due to the repayment of loans for certain projects in the current year
Long-term payables			1,352,722.00		-100.00	Due to the repayment of parts of principal of loans from Yantai City Finance Bureau
Other comprehensive income	-646,318.14		9,518,565.65	0.01	-106.79	Mainly due to the translated differences from the translation of financial statements dominated in foreign currencies

2. Restriction of significant assets as of 31 December 2018

Applicable Not Applicable

Unit: RMB

Item	Closing carrying amount	Reasons for restriction
Cash and bank balances	1,000,201,669.58	Deposits for opening bank acceptances
Cash and bank balances	682,357.97	Deposits for letter of credit
Cash and bank balances	10,000.00	Deposits for borrowings
Cash and bank balances	3,684,714.82	LPG OTC transaction deposits
Notes receivable	5,169,347,611.06	Pledged for receiving bank loans, opening acceptance bills, letter of credit and customs duty guarantee,
Fixed assets	7,402,890,272.82	Mortgaged for borrowings
Intangible assets	447,667,076.77	Mortgaged for borrowings
Total	14,024,483,703.02	

3. Others

Applicable Not Applicable

(IV) Analysis on operational data in the industry

Applicable Not Applicable

In 2019, the government will adjust more policies to release various measures successively as to stimulate domestic demands, including tax reduction and burden alleviation, scaling back of corporate pension contribution proportion. Hence it is expected that the Chinese economy will maintain a steady and healthy development, which will drive the consumption of PU products continuously due to consumption upgrading and promotion of new energy concepts.

However, there are still some pressures in the industry at the same time. Increasing production capacity of MDI competitors in China has brought a challenge to domestic supply and demand relationship. In response to the uncertain Sino-US relations, some downstream enterprises have begun to accelerate their transfer to Southeast Asia. As the global trade protectionism gaining ground, we have encountered more resistance from differential tax policies among countries when export products.

Analysis of operation data for chemical industry**1. Basic information of the industry****(1) Industrial policies and changes**

Applicable Not Applicable

Companies in the industry have set new highs in the peak of the boom cycle in the chemical industry from 2016 to the first half year of 2018. Since the second half year of 2018, with overall downward trends in the international and the domestic economy, as affected by various averse factors cumulatively, including shrinking demands of PU and polyurethane downstream markets, sluggish demand from major downstream industries such as real estate and automobile, fallen international oil price, and gradual release of capacities resulted from the new round of expansion, the overall profitability of the chemical industry fell rapidly. The downstream small and medium-sized private enterprises intended to slow down their reinvestments due to greater operational pressures. It is expected that the industry as a whole will still face challenges in 2019.

In active response to new market situation and challenges, Wanhua, as unswervingly insists independent innovation and internationalization, continuously enhances its global operational capabilities and competitiveness. It earns more income and reduces costs through innovative operation. On the one hand, it created more added values of products by deepening the industrial chain of PU, petrochemical, fine chemicals and new materials. On the other hand, it finds gaps and improve weak links to increase organizational efficiency continuously through production and management innovation by determining the gap between us and the top class, establishing the goal at a high point, and focusing on implementation in pursuit of excellence.

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

Applicable Not Applicable

PU business segment:

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

Bulk isocyanate is divided into MDI and TDI. Wanhua occupies more than 20% market shares in the global MDI industry demands of 7 million products and plays the leading role in the product quality of the industry. As the Company's TDI device that can produced 0.3 million products annually was put into operation at the end of 2018, Wanhua has become a significant TDI supplier in the industry.

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. Due to huge domestic demand on propylene, the consumption of propylene was more than 33 million tons in 2018. As an important manufacturing base of propylene and derivatives, Wanhua Yantai Industrial Park has a propylene capacity of 750,000 tons. By virtue of the advantages of technology innovation, Wanhua developed more refined and higher value-added products represented with Wanhua's unique advantages, including high-absorbent resin SAP, neopentyl glycol NPG, polyether polyol, MIBK, and isophorone, on the basis of first-level propylene derivatives such as acrylic acid/butanol/PO, which has contributed Wanhua become an important manufacturer of propylene and derivatives in China. Thanks to the world-class PO/MTBE devices, Wanhua has also entered into the field of isobutylene and derivatives. Parts of products independently developed from the industry chain will be industrialized one after another. Wanhua will become a complete supplier of isobutylene derivatives. By then, Wanhua will become a isobutylene derivative supplier covering a complete range of products.

In the future, Wanhua's petrochemical business will pay great efforts on the development of C2 olefin derivatives. It is estimated that the one million ton ethylene industrial chain project under construction will complete in 2020. At that time, Wanhua will involve in more downstream high-value-added olefin derivatives and become an important supplier of olefin and derivatives in China.

Fine chemicals and new materials business segment:

In recent years, the Company has invested great R&D and marketing resources in the fine chemicals and new materials business segment for technology and market development. In 2018, related products in this business segment ranked among the top in the industry.

Wanhua's Phase I makrolon device manufacturing 70,000 tons/year was put into operation at the early of 2018. At present, the Phase II project is under construction. Upon completion, it will form a new pillar industry centered on high-end engineering plastic PC.

The PMMA Project with an annual output of 80,000 tons/year of Wanhua Chemical was successfully launched at the beginning of 2019, and qualified products are manufactured, several indicators of products reached level of mainstream products in European countries and Japan.

The special isocyanate business is to the isocyanate field what the jewel is to the crown jewel, as the global demands reach nearly 300,000 tons. It include 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.

The specialty amine business is a unique business platform created by Wanhua based on the hydrogenation technology platform. Products from specialty amine business are partly supplied to Wanhua's internal specialty isocyanate customers, partly sold to high-end epoxy curing agent market. 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 Not Applicable

The Company adheres to take path of professional development, focusing on fields of fine chemicals and new materials all the time. As a raw material manufacturing enterprise in the field of fine chemicals and 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 Not Applicable

(2) Main products

Applicable Not Applicable

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
Fine chemicals and new materials	Chemical engineering	Internal supply	Automobile, painting and daily chemical	Market supply and request

(3) R&D and Innovation

Applicable Not Applicable

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. In 2018, Wanhua successfully drove its phosgene-method PC devices which were independently researched and developed by itself at the first time; made a new breakthrough in sixth generation of MDI reaction technology; successfully operated certain industrialized devices such as self-developed carbon four-method MMA, PMMA, TBA dehydration, CWAO and three catalyst production lines; and achieved a success in the development of packaged technology of producing propylene oxide through ethylbenzene co-oxidation method in a high-efficient and environment-friendly way. In accordance with the verification by the appraisal committee, the overall technology of Wanhua has reached the international leading level.

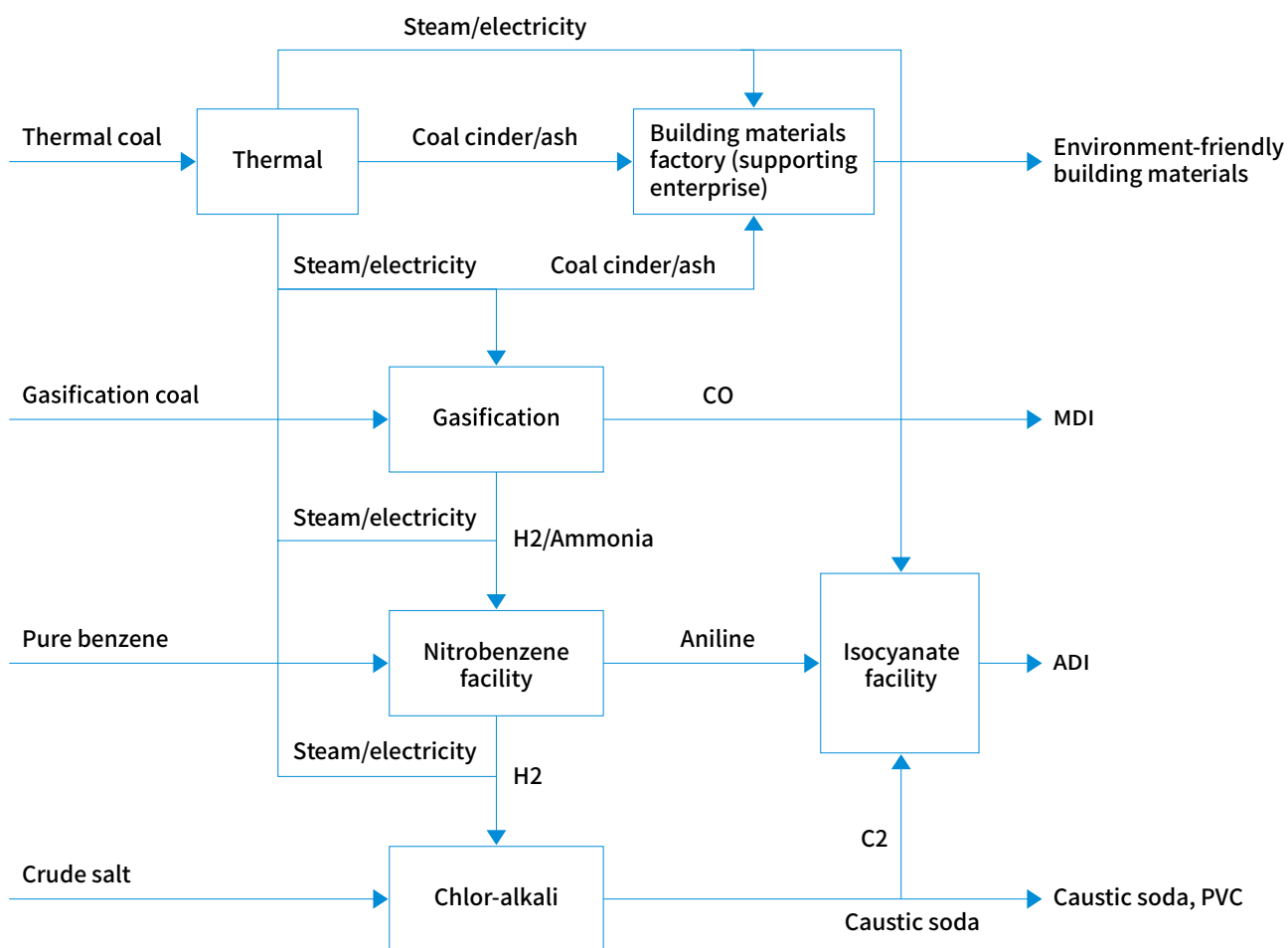
(4) Production technology and process

✓ Applicable Not Applicable

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 fine chemicals and new materials industry is derived.

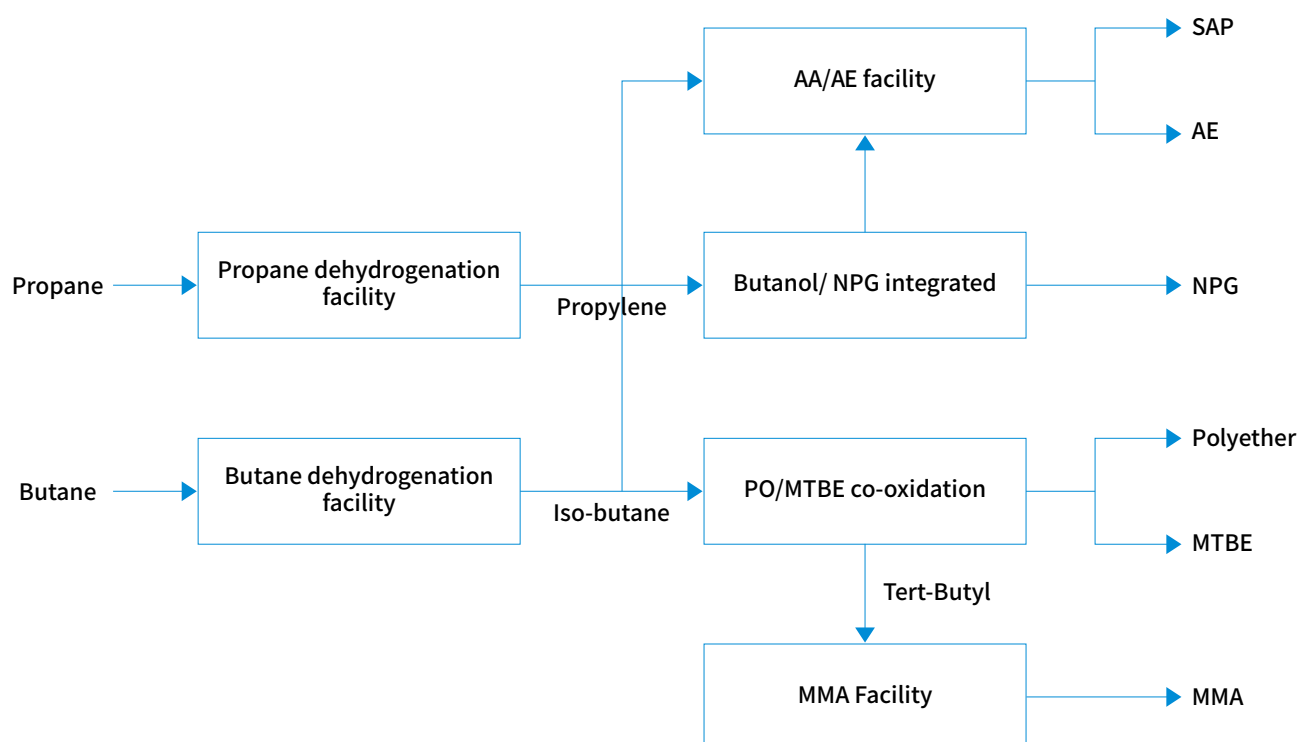
The Company's isocyanate and petrochemical industry chain diagrams are presented as below:

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 Not Applicable

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/per year	77.69		
Yantai Industry Park MDI Integrated Project	0.6 million tons/per year	87.15		
Yantai Industry Park PO/AE Integrated Project	1.83 million tons/per year	94.47		
Yantai Industry Park SAP Project	0.03 million tons/per year	51	0.03 million tons/per year	October 2019
Yantai Industry Park TDI Project	0.3 million tons/ per year		New production capacity at the end of 2018	
Yantai Industry Park PC Project Phase I	0.07 million tons/ per year	69.08		
Yantai Industry Park PC Project Phase II			0.13 million tons/per year	December 2019
Yantai Industry Park PMMA Project			0.08 million tons/per year	January 2019
Yantai Industry Park MMA Project			0.05 million tons/per year	January 2019
Yantai Industry Park PU Industry Chain Integrated Ethylene Project			1 million tons/per year for 1 million tons/year ethylene integrated devices 0.4 million tons/year PVC devices 0.15 million tons/year ethylene oxide devices 0.45 million tons/year LLDPE devices 0.3/0.65 million tons/year propylene oxide/styrene devices 0.05 million tons/year butadiene devices	
UDA MDI Integrated Project			0.4 million tons/per year	October 2021

Changes in production capacity

Applicable Not Applicable

Adjustments on product line and production capacity structure option

Applicable Not Applicable

Abnormal production suspension

Applicable Not Applicable

3. Procurement of raw materials**(1) Basic information of raw materials**

Applicable Not Applicable

Raw materials	Procurement mode	Procurement quantity	Price fluctuation	Influence of price fluctuation on operating cost
Coal used for chemical industry	Strategic procurement	1.88 million tons	The average price for the whole year increases 5% comparing with the same period of last year	The overall price fluctuations of the company's coal have little impact on the operating costs.
Pure Benzene	Integration of domestic and foreign trade, mainly transacted based on agreements with supplement of cash commodity	1.05 million tons	The average price of pure benzene for the whole year decreases 4% comparing with the same period of last year	The operating cost is relatively steady during the report period.
LPG	Adopting various procurement modes comprehensively, including contract price, fixed price and floating price, etc., mainly referring to steady corporation with oversea	3.8 million, including 1.71 million for self-use, and 2.09 million for trading	At the beginning of 2018, the price of LPG gradually fell back due to decreased international demand, but since April, the price rose again driven by continuously increased crude oil. In November, due to temporary fall of petroleum price, the price of LPG is rapidly falling.	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 Not Applicable

Basic information of other approaches such as staged reserves

Applicable Not Applicable

4. Sales of production of products

(1) Sales mode

Applicable Not Applicable

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

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

Applicable Not Applicable

Unit: RMB

Sub-industry	Operating income	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	30,951,891,911.57	15,384,313,983.07	50.30	3.75	15.63	Decreased by 5.11%	Unknown
Petrochemical series	18,907,545,756.05	17,021,133,253.52	9.98	23.52	27.05	Decreased by 2.5%	Unknown
Fine chemicals and new materials series	5,702,962,374.42	3,916,336,843.31	31.33	35.87	36.21	Decreased by 0.17%	Unknown
Others	4,299,505,343.13	3,074,689,226.20	28.49	26.39	45.85	Decreased by 9.54%	Unknown

Pricing strategy and changes in prices of main products

Applicable Not Applicable

Pricing strategy of PU series:

Following the market trends, maintaining the shares and balancing the short-term and long-term benefits.

Price changes in PU series during the reporting period:

In 2018, the price of MDI showed a downward movement overall.

At the beginning of 2018, following the downward trend at the fourth quarter of 2017, the price of polymeric MDI moved down continuously from RMB 25,000/ton at the beginning of the year. At the end of the second quarter, the price declined to around RMB 17,200/ton, while in October, less than RMB 13,000/ton due to continuously withered downstream demands in peak season. At the end of 2018, the price was stable, at around RMB 11,300/ton.

The pure MDI in domestic market was traded in a sideways pattern with a price range between RMB 28,000/ton and RMB 30,000 /ton from the beginning of 2018 to August. In September, as affected by Sino-US trade friction, the market price quickly fell to around RMB 22,000/ton.

Pricing strategy of petrochemical series:

In 2018, along with 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 price adjustment accordingly in the next period.

Price changes in petrochemical series during the reporting period:

From the whole year of 2018, comparing with the same period of last year, prices of some petrochemical products of the Company increased while the other decreased, but the increase trend was the mainstream. The average price of propylene in Shandong was RMB 8,514/ton, up 13.35% year on year; the average price of PO in East China was RMB 12,085/ton, up 10.76% year on year; the average price of butanol in East China RMB 7,653/ton, up 12.36% year on year; the average price of butyl acrylate in East China was RMB 10,140/ton, up 3.23% year on year; the average price of MTBE in Shandong was RMB 6,019/ton, up 13.89% year on year; and the average price of NPG in East China was RMB 12,564/ton, down 14.17% year on year.

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

Applicable Not Applicable

Unit: RMB 0'000

Sales channel	Operating income	Proportions of changes to last year (%)
Direct sales	5,328,396.43	17.34
Distribution	657,794.11	-10.24

Explanation of accounting policies

Applicable Not Applicable

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

Applicable Not Applicable

Other products	Output in the reporting period	Pricing mode	Key clients	Proportion of sales to key clients over the total sales (%)
Anhydrous HCL	203,192.86 tons	Market pricing	Hanwha chemical (Ningbo) Co., Ltd.	67.03
Hydrochloric acid	774,097.76 tons	Market pricing	Longkou City Excellence Chemistry Co., Ltd.	18.02

Explanation

Applicable Not Applicable

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 Not Applicable

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

Applicable Not Applicable

Unit: RMB 100 million

Funds input in environment protection	Proportion over operating income (%)
3.97	0.66

Basic information of significant environmental violations in the reporting period

Applicable Not Applicable

(3) Other explanation

Applicable Not Applicable

(V) Investment analysis

1. General analysis on external equity investment

Applicable Not Applicable

Unit: RMB 0'000

Item	Amount
Investments in the reporting period	76,512.73
Collected investments in the reporting period	10,000.00
Investments in the same period of last year	262,418.68
Collected investments in the same period of last year	2,000.00

Unit: RMB 0'000

Investee	Principal operating activities	Type	Investment amount
Wanhua Chemical Group Material Co., Ltd.	Sales of power	New establishment	21,024.02
Wanhua Chemical Group Energy Co., Ltd.	Sales of material and equipment	New establishment	6,000.00
Wanhua Chemical (Zhuhai) Selling Co., Ltd.	Production and sales of chemical products	New establishment	200.00
Yantai Wanhua Port Service Co., Ltd.	Cargo handling and storage	New establishment	10,000.00
Wanhua Chemical (Singapore) Co., Ltd.	Import and export and wholesale of goods	Capital increment	24,722.10
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Cargo handling and storage	Capital increment	10,000.00
Linde Gas (Yantai) Co., Ltd.	Production and sales of industrial gas	Capital increment	4,566.61
Total			76,512.73

(1) Significant equity investment

Applicable Not Applicable

(2) Significant non-equity investment

Applicable Not Applicable

(3) Financial assets at fair value

Applicable Not Applicable

(VI) Significant disposal of assets and equity

Applicable Not Applicable

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

Applicable Not Applicable

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 22,798.94 million, net assets of RMB 15,897.68 million. During the reporting period, the company achieved principal operating income of RMB 19,847.18 million, principal operating profit of RMB 8,195.94 million and net profit of RMB 6,350.52 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 1,188.89 million, net assets of RMB 804.84 million. During the reporting period, the company achieved net profit of RMB 230.41 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 524.14 million, net assets of RMB 273.57 million. During the reporting period, the company achieved net profit of RMB 19.05 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 1,362.84 million, net assets of RMB 1,026.40 million. During the reporting period, the company achieved net profit of RMB 458.55 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 70 million, the company has total assets of RMB 725.32 million, net assets of RMB 213.78 million. During the reporting period, the company achieved net profit of RMB 26.59 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 1,041.70 million, net assets of RMB 364.17 million. During the reporting period, the company achieved net profit of RMB 89.08 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 1,267.87 million, net assets of RMB 155.36 million. During the reporting period, the company achieved net profit of RMB -3.57 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 3,035.44 million, net assets of RMB 1,003.42 million. During the reporting period, the company achieved net profit of RMB 354.28 million.

(VIII) Structured entities controlled by the Company

Applicable Not Applicable

III. Discussion and analysis on future development of the Company

(I) Industry competitive landscape and development trend

Applicable Not Applicable

The period from 2016 to the first half year of 2018 saw the peak of the boom cycle in the chemical industry, and the second half year of 2018 witnessed a rapid decline in the overall profitability of the chemical industry. Hence it is expected that there are still challenges in the chemical industry in 2019, but the proportion of China's chemical industry over the world will continue to grow in the future. The growth is mainly reflected in two aspects: (1) the demand for and the supply of high-performance fine chemicals and new materials have grown rapidly due to upgrading domestic consumption and enhanced enterprise R&D strength; (2) bulk chemicals such as olefins and aromatics will accelerate their growth and replace imported goods gradually. Meanwhile, the trend for future development remains unchanged as stated below. In details, in the chemical industry, production bases have become more large-scaled and integrated, with products more diversified and functionalized, and business more complex and global.

Facing opportunities and challenges above, the Company has consistently adhered to the established strategy. When the two projects, Yantai Industrial Park Relocation Integration Project and the PO/AE Integration Project, were successfully put into operation, the industrial structure of Wanhua was greatly improved. For further improving the product chain support, the Company launched Phase II projects, including two main types composed of one-million ton PU industry chain integration-ethylene projects and industrial chain high value-added extension projects. 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 hard to transport to polyether industry. At present, the one-million ton ethylene project has started to construct overall and will come to the construction peak period in 2019. 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 in a high efficient way through innovations in technology, process, product, and resource balance.

In addition, the Company accelerated its pace towards globalization with China as the center. In the domestic respect, Ningbo and Yantai production bases are still being expanded and optimized in capacity, and Zhuhai production base has been successfully completed and put into production. In the oversea respect, depending on the integration of Hungarian BC company, Wanhua has improved the layout of Wanhua's overseas production base. Faced with the increasingly fierce domestic competitive environment and frequent global trade frictions, on 16 November 2018, Wanhua officially announced settle the USA project in Convent County, Louisiana for further improving the global layout. In addition, Wanhua is also

gradually improving the warehousing and logistics system in major markets, and setting up technical centers and service centers that focus on the needs of customers.

(II) The Company's development strategy

Applicable Not Applicable

Overall development strategy:

The Company has implemented a 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 guide, technology innovation as the core, talents as the cornerstone, and excellent operation as the solid foundation, with guarantee from fine culture and support from capital operation, and is sparing no efforts to develop Wanhua Chemical to be the first-class new chemical material company operating globally.

(III) Business plan

Applicable Not Applicable

The year of 2019 has been the first year since the Company achieved its holistic listing which laid an important institutional mechanism foundation for the development of Wanhua. On the one hand, the Company must continuously accelerate project construction and globalization layout to improve the Company's international competitiveness. On the other hand, the Company needs to invest more R & D resources to seize the technical commanding height of new chemical materials constantly. In 2019, the Company will carry out its work in accordance with the idea of "focusing on reform, consolidating foundation, controlling costs, and pondering the future", so as to further improve organizational efficiency and enhance sustainable development capabilities.

In 2019, Wanhua intends to realize sales revenue of RMB 73 billion. (This income plan refers to the consolidated income after the merger, not constituting the Company's performance commitment to investors. Please pay attention to the risks.)

(IV) Potential risks

Applicable Not Applicable

Security risk

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

Given that safety is the cornerstone of the long-term prosperity of Wanhua's businesses, the Company defined the management theme in 2019 as "Security Management Improvement Year" based on the "Safety Management Year" in 2017 and the "Further Safety Management Year" in 2018, as to realize comprehensive improvements on the Company's safety management abilities and performances by implementing the three-year activity plan for safety management. In 2018, closely focused on the theme of "Further Safety Management Year", the Company carried out a great deal of pioneering work for the intrinsic safety of production equipment. It introduced the concept of intrinsic safety abroad for the first time, training all employees with an intrinsic safety concept of "minimization, replacement, ease and simplification", and carried out intrinsic safety design and management regarding devices. Wanhua will always adhere to take safety production as the priority and spare no effort to reduce risks in the future.

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 PU, petrochemicals, fine chemicals, and new materials at the same time, has faced with challenges in new businesses different from the previous ones in various respects such as production management, marketing mode and so on. Given that, the Company has established an operation model based on business segments, and conducted new operation and assessment modes with full reference to the successful experience from the existed benchmarking companies, as to accelerate the maturity of the Company's new businesses.

Raw material procurement and exchange rate risk

Since the Yantai Industrial Park was fully put into operation, international purchases have gradually increased, so the Company is facing certain risks from the turmoil in the crude oil market and the fluctuation in the RMB 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, and in the integration of Hungary BC Company. In the future, due to successive constructions of Meishan Base and the American Base, and the marketing for a large number of new products, 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 by virtue of fine culture.

(V) Others

Applicable Not Applicable

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 Not Applicable

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 Not Applicable

The Company approved *Wanhua Chemical Group Co., Ltd. Shareholder Reward Plan for the Next Three Years (2018-2020)* at the 1st session of the 7th Board of Directors held on 10 March 2018, and in 2017 general meeting held on 10 May 2018.

Wanhua Chemical always pays attentions 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 (including the reporting period)

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 (shares)	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 (%)
2018	0	20	0	6,279,493,252.00	10,610,379,859.30	59.18
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

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

Applicable Not Applicable

(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 Not Applicable

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 Not Applicable

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 Not Applicable

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 made in the acquisition report or in the report of changes in equity								
Commitment relating to the material asset reorganization	Solving horizontal competition	Guofeng Investment, Prime Partner International, Zhongcheng Investment, Zhongkaixin Dejie Huitong	Commitment 1	Long-term	No	Yes		
Commitment relating to the material asset reorganization	Solving horizontal competition	Yantai SASAC	Commitment 2	Long-term	No	Yes		
Commitment relating to the material asset reorganization	Solving related party transactions	Guofeng Investment, Prime Partner International, Zhongcheng Investment, Zhongkaixin Dejie Huitong	Commitment 3	Long-term	No	Yes		
Commitment relating to the material asset reorganization	Solving connected transactions	Yantai SASAC	Commitment 4	Long-term	No	Yes		
Commitment relating to the material asset reorganization	Locked-up Share	Guofeng Investment, Prime Partner International, Zhongcheng Investment, Zhongkaixin Dejie Huitong	Commitment 5	Date of Commitment: 8 May 2018 Duration: 36 months subsequent to the completion of issue	Yes	Yes		

Commitment relating to the material asset reorganization	Profits estimate and compensation	Guofeng Investment, Prime Partner International, Zhongcheng Investment, Zhongkaixin Dejie Huitong	Commitment 6	Date of Commitment: 28 June 2018; Duration: 2018-2021	Yes	Yes
Commitment relating to the material asset reorganization		Yantai SASAC	Commitment 7	Long-term	No	Yes
IPO-related commitments						
Refinancing-related commitment						
Commitments relating to equity incentives						
Other commitments to the Company's minority shareholders						
Other commitments	Solving horizontal competition	The original controlling shareholder Wanhua Industrial Group Co., Ltd.	Commitment 8	21 September 2018	Yes	Yes

Commitment 1 -- The parties made commitments including Guofeng Investment, Prime Partner International, Zhongcheng Investment, Zhongkaixin, Dejie Huitong should avoid horizontal competition:

(1) After the consolidation is completed, the parties made commitments and other companies or organizations controlled by the parties made commitments will not add competitive business against the listed company and its subsidiaries.

(2) From the completion of the consolidation to one year or less since it will not be a related party of the listed company, without written consents made by the board of directors and/or the general meeting of shareholders of the listed company, the parties made commitments will not, individually or together with any third party, directly or indirectly, in any form (including but not limited to investment, mergers and acquisitions, joint operations, joint venture, cooperation, partnership, contracting or operation under lease, equity investment), be engaged in or participate in or assist with engagement or participation in any business or activity which has constituted or may constitute competitions against principal operating business of the listed company and its controlled subsidiaries at present or in the future.

(3) During the above commitment period, the parties made commitments promise that it will not support (in any form) any third party other than the listed company and its controlled subsidiaries to participate in business which has constituted or may constitute competitions against principal operating business of the listed company and its subsidiaries at present or in

the future, or (whether directly or indirectly) in other forms participate in business which has constituted or may constitute competitions against principal operating business of the listed company and its subsidiaries at present or in the future.

(4) During the above commitment period, in case that a business opportunity acquired by the parties made commitments or other companies or organizations controlled by the parties made commitments has incurred or may incur horizontal competition against the principal operating business of the listed company and its subsidiaries, the parties made commitments will immediately notify the listed company in written form and make the utmost efforts to facilitate the listed company to preferentially acquire the business opportunity not lower than the terms and conditions entitled to the parties made commitments or other enterprises controlled by the parties made commitments.

(5) The parties made commitments will sufficiently respect the listed company's independent legal person status and guarantee independent operation and decision-making of the listed company and its controlled subsidiaries.

(6) During the above commitment period, if the business participated by the parties made commitments or other enterprises controlled by the parties made commitments in the future may constitute horizontal competition or which is inevitable due to force majeure such as adjustment of the national policies, the parties made commitments will take measures to transfer or terminate the above business in a timely manner or urge its controlled enterprises to transfer or terminate the above business in a timely manner, the listed company is entitled to the priority of the transfer of the above business under the same conditions.

(7) In case that rights and interests of the listed company and its controlled subsidiaries are damaged due to violation against the above statements or commitments committed by the parties made commitments or other companies or organizations controlled by the parties made commitments, the parties made commitments should make full compensation for losses incurred thereof to the listed company and its controlled subsidiaries.

(8) The Commitment will come to force since the date of signing, which has become a legal document with binding effect on the parties made commitments since then, from completion of the transaction to one year or less since it will not be a related party of the listed company. In case of violation of the Commitment, the party made commitment should assume legal liabilities.

Commitment 2 -- Yantai SASAC, the actual controller of the parties made commitments should avoid horizontal competition:

(1) After the consolidation is completed, other companies or organizations controlled by Yantai SASAC will not add competitive business against the listed company and its subsidiaries.

(2) From the completion of the consolidation to one year or less since it will not be a related party of the listed company, without written consents made by the board of directors and/or the general meeting of shareholders of the listed company, Yantai SASAC will not, individually or together with any third party, directly or indirectly, in any form (including but not limited to investment, mergers and acquisitions, joint operations, joint venture, cooperation, partnership, contracting or operation under lease, equity investment), be engaged in or participate in or assist with engagement or participation in any business or activity which has constituted or may constitute competitions against principal operating business of the listed company and its controlled subsidiaries at present or in the future.

(3) During the above commitment period, Yantai SASAC promises that it will not support (in any form) any third party other than the listed company and its controlled subsidiaries to participate in business which has constituted or may constitute competitions against principal operating business of the listed company and its subsidiaries at present or in the future, or (whether directly or indirectly) in other forms participate in business which has constituted or may constitute competitions against principal operating business of the listed company and its subsidiaries at present or in the future.

(4) During the above commitment period, in case that a business opportunity acquired by other companies or organizations controlled by Yantai SASAC has incurred or may incur horizontal competition against the principal operating business of the listed company and its subsidiaries, Yantai SASAC will immediately notify the listed company in written form and make the utmost efforts to facilitate the listed company to preferentially acquire the business opportunity not lower than the terms

and conditions entitled to other enterprises or organizations controlled by Yantai SASAC.

(5) Yantai SASAC will sufficiently respect the listed company's independent legal person status and guarantee independent operation and decision-making of the listed company and its controlled subsidiaries.

(6) During the above commitment period, if the business participated by other enterprises or organizations controlled by Yantai SASAC in the future may constitute horizontal competition or which is inevitable due to force majeure such as adjustment of the national policies, Yantai SASAC will take measures to urge other enterprises or organizations controlled by it to transfer or terminate the above business in a timely manner, the listed company is entitled to the priority of the transfer of the above business under the same conditions.

(7) In case that rights and interests of the listed company and its controlled subsidiaries are damaged due to violation against the above statements or commitments committed by other enterprises or organizations controlled by Yantai SASAC, Yantai SASAC should make full compensation for losses incurred thereof to the listed company and its controlled subsidiaries.

(8) The Commitment will come to force since the date of signing, which has become a legal document with binding effect on Yantai SASAC since then, from completion of the transaction to one year or less since Yantai SASAC will not be a related party of the listed company. In case of violation of the Commitment, Yantai SASAC should assume legal liabilities.

Commitment 3 -- The parties made commitments including Guofeng Investment, Prime Partner International, Zhongcheng Investment, Zhongkaixin, Dejie Huitong should reduce and standardize related party transactions:

(1) After the consolidation is completed, the parties made commitments and other companies or organizations controlled by the parties made commitments will not add competitive business against the listed company and its subsidiaries.

(2) From the completion of the consolidation to one year or less since it will not be a related party of the listed company, without written consents made by the board of directors and/or the general meeting of shareholders of the listed company, the parties made commitments will not, individually or together with any third party, directly or indirectly, in any form (including but not limited to investment, mergers and acquisitions, joint operations, joint venture, cooperation, partnership, contracting or operation under lease, equity investment), be engaged in or participate in or assist with engagement or participation in any business or activity which has constituted or may constitute competitions against principal operating business of the listed company and its controlled subsidiaries at present or in the future.

(3) During the above commitment period, the parties made commitments promise that it will not support (in any form) any third party other than the listed company and its controlled subsidiaries to participate in business which has constituted or may constitute competitions against principal operating business of the listed company and its subsidiaries at present or in the future, or (whether directly or indirectly) in other forms participate in business which has constituted or may constitute competitions against principal operating business of the listed company and its subsidiaries at present or in the future.

(4) During the above commitment period, in case that a business opportunity acquired by the parties made commitments or other companies or organizations controlled by the parties made commitments has incurred or may incur horizontal competition against the principal operating business of the listed company and its subsidiaries, the parties made commitments will immediately notify the listed company in written form and make the utmost efforts to facilitate the listed company to preferentially acquire the business opportunity not lower than the terms and conditions entitled to the parties made commitments or other enterprises controlled by the parties made commitments.

(5) The parties made commitments will sufficiently respect the listed company's independent legal person status and guarantee independent operation and decision-making of the listed company and its controlled subsidiaries.

(6) During the above commitment period, if the business participated by the parties made commitments or other enterprises controlled by the parties made commitments in the future may constitute horizontal competition or which is inevitable due to force majeure such as adjustment of the national policies, the parties made commitments will take measures to transfer or terminate the above business in a timely manner or urge its controlled enterprises to transfer or terminate the above business in a timely manner, the listed company is entitled to the priority of the transfer of the above business under the same conditions.

(7) In case that rights and interests of the listed company and its controlled subsidiaries are damaged due to violation against the above statements or commitments committed by the parties made commitments or other companies or organizations controlled by the parties made commitments, the parties made commitments should make full compensation for losses incurred thereof to the listed company and its controlled subsidiaries.

(8) The Commitment will come to force since the date of signing, which has become a legal document with binding effect on the parties made commitments since then, from completion of the transaction to one year or less since it will not be a related party of the listed company. In case of violation of the Commitment, the party made commitment should assume legal liabilities.

Commitment 4 -- Yantai SASAC, the actual controller of the parties made commitments should reduce and standardize related party transactions:

(1) Yantai SASAC and other companies or organizations controlled by Yantai SASAC will strictly abide by systems, rules and regulations on listed companies, not require the listed company to make advances of wages, welfares, insurances and advertisement expenses, or assume costs or other expenditures on behalf of Yantai SASAC and other companies or organizations controlled by Yantai SASAC;

(2) Yantai SASAC and other companies or organizations controlled by Yantai SASAC will strictly abide by systems, rules and regulations on listed companies, not occupy the listed company's funds and resources in forms of loans, repayment of debts, advances or other forms, or not engage in actions which will damage rights and interests of the listed company, its medium or small shareholders and the creditors, as well as not require the listed company and its subsidiaries to provide illegal guarantees for Yantai SASAC and its related parties.

(3) Yantai SASAC and other companies or organizations controlled by Yantai SASAC will strictly abide by the listed company's articles of association and regulations on decision-making system for related party transactions, and make corresponding decisions in accordance with the listed company's articles of association and procedures and authorities of decision-making for related party transactions

(4) Yantai SASAC and other companies or organizations controlled by Yantai SASAC will implement the following principles in related party transactions with the listed company: the price of related party transaction is subject to market price; if there is no market price, the price is subject to cost plus; if the commodities neither have market price nor be calculated by cost plus, the price is determined mutually by both parties; such transactions should not be used to damage rights and interests of the listed companies and its subsidiaries.

(5) After the party being absorbed under merger by absorption by the listed company, Yantai SASAC and other companies or organizations controlled by Yantai SASAC will avoid and reduce related party transactions with the listed company and its subsidiaries in strict accordance with relevant laws, rules and regulations and normative documents; for inevitable related party transactions or those can reasonably exist, they will legally enter into normative related party transaction agreements with the listed company and perform approval procedures in accordance with relevant laws, administrative rules and regulations, ministerial provisions, normative documents and articles of association of the listed company; the price of the related party transaction is determined as the price of the same or similar transaction with independent third party with no related party relationship so as to guarantee fairness of the price of related party transaction; ensure performance of information disclosure obligation in accordance with laws, rules and regulations and articles of association of the listed company; ensure that it will neither illegally occupy or transfer the listed company's funds and profits by taking advantages of related party transactions nor make advantages of related party transactions to damage rights and interests of the listed company and its non-related shareholders.

(6) After the consolidation is completed, Yantai SASAC will not make use of its status and influence as the actual controller to seek for the priority of the listed company and its subsidiaries in business cooperation superior to third parties in the market, or to seek for the priority of making deals between other enterprises or organizations controlled by Yantai SASAC and the listed company and its subsidiaries.

Commitment 5 -- Locked-up shares of the parties made commitments including Guofeng Investment, Prime Partner International, Zhongcheng Investment, Zhongkaixin, Dejie Huitong:

After the issuance is completed, the newly added shares of the listed company subscribed by the parties made commitments shall not be transferred within 36 months since the completion date of the issuance (including but not limited to public transfer through the securities market or transfer by means of agreements) or others shall not be entrusted to manage shares of the listed company held by the parties made commitments. However, transfer of abovementioned shares or appropriation at no consideration among different entities under the same actual controller will not be restricted by the aforesaid lock-up period. However, the transferee should also abide by laws, rules and regulations, normative documents, business rules of Shanghai Stock Exchange ("SSE"), supervision opinions of China Securities Regulation Commission ("CSRC") or commitments under this Letter of Commitments. After the 36-month lock-up period is expired while before the parties made commitments completed performance of compensation obligations, the aforesaid newly added shares shall not be unlocked.

Within 6 months after the issuance is completed, if the closing price of the listed company's stock for 20 consecutive trading days is lower than the issuance price, or the closing price at the end of the 6-month period after the issuance is completed is lower than the issuance price, the lock-up period of the listed company's stock held by the parties made commitments should be automatically extended to 6 months. Relevant provisions of CSRC and SSE shall prevail afterwards.

Before expiration of the aforesaid lock-up period, the parties make commitments promise that 50% of the total shares of the listed company acquired from this consolidation will not be pledged (namely, the proportion of pledge is not more than 50%).

From the completion date of issuance of the aforesaid newly added shares to the expiration date of the aforesaid lock-up period, if shares acquired by the parties made commitments from this consolidation are changed due to equity distribution, appropriation of reserves to share capitals made by the listed company, this part of shares involved shall also conform to aforesaid regulations.

Commitment 6 -- Profits estimate and compensation of the parties made commitments including Guofeng Investment, Prime Partner International, Zhongcheng Investment, Zhongkaixin, Dejie Huitong:

After the transaction is completed, the actually realized net profits (total commitment net profits and accumulative commitment net profits calculated at sum of (1) the actually realized net profits of BC Company and BC Chenfeng of respective years during the compensation period translated into RMB at the spot exchange rate of 7.8553 on 31 January 2018 (benchmark date of the transaction valuation); and (2) commitment net profits of Wanhua Ningbo and Wanhua Chlor-Alkali) of Wanhua Chemical in 2018, 2019, 2020 and 2021, originated from performance commitment assets (100% equity right of BC Company, 100% equity right of BC Chenfeng, 25.5% equity right of Wanhua Ningbo and 8% equity right of Wanhua Chlor-Alkali) shall not be less than the commitment net profits in respective years (total commitment net profits and accumulative commitment net profits calculated at sum of (1) the commitment net profits of BC Company and BC Chenfeng of respective years during the compensation period translated into RMB at the spot exchange rate of 7.8553 on 31 January 2018 (benchmark date of the transaction valuation); and (2) commitment net profits of Wanhua Ningbo and Wanhua Chlor-Alkali), namely, it is no less than RMB 4,342,918,700 in 2018, no less than RMB 2,507,042,000 in 2019, no less than RMB 2,466,918,600 in 2020, and no less than RMB 2,488,365,200 in 2021.

Commitment 7 -- Yantai SASAC the actual controller of the parties made commitments should ensure independence of personnel, assets, financial affairs, institutions and business of the listed company.**(1) Independency of personnel**

1) Ensure that senior executives including the general manager, the deputy general manager, the head of financial department and the secretary of the board of directors of the listed company (including enterprises controlled by the listed company, the same as below) take full-time job in the listed company, and will not get remunerations from or take positions (other than directors or supervisions) of the party made commitments or other enterprises controlled by the party made commitments.

2) Ensure that the financial staff of the listed company are independent and will not take part-time job or get remunerations from the party made commitments or other enterprises controlled by the party made commitments.

3) Ensure that the listed company has independent and complete management systems for labor, human resources and remunerations, these systems are completely independent of the party made commitments or other enterprises controlled by the party made commitments.

4) Ensure that directors, supervisors and senior managers of the listed company are elected in accordance with the legal procedures, while the party made commitments will not surpass or intervene in appointment and dismissing of directors, supervisors and senior managers of the listed company made by the listed company's general meeting of shareholders and the board of directors.

(2) Independence of assets

1) Ensure that the listed company has independent and complete ownership over its owned assets, is able to conduct independent operation, and is independent of business system and relevant assets of the party made commitments or other enterprises controlled by the party made commitments.

2) Ensure that the listed company's assets, interests or reputation are not taken as guarantees for the party made commitments or other enterprises controlled by the party made commitments.

3) Ensure that the party made commitments or other enterprises controlled by the party made commitments will not illegally occupy the listed company's funds or assets in any form.

4) Ensure that the domicile of listed company is independent of the party made commitments or other enterprises controlled by the party made commitments.

(3) Independence of financial affairs

1) Ensure the listed company maintains independent financial department and financial accounting system.

2) Ensure the listed company maintains independent and standard financial accounting system and financial management systems over subsidiaries and branches.

3) Ensure the listed company independently opens bank account and will not share bank account with the party made commitments or other enterprises controlled by the party made commitments.

4) Ensure the listed company can independently make financial decisions, and the party made commitments or other enterprises controlled by the party made commitments should not intervene in the listed company's funds utilization in any form.

5) Ensure the listed company illegally and independently pays taxes.

(4) Independence of institutions

1) Ensure that the listed company maintains sound structure of legal person governance.

2) Ensure that the listed company's general meeting of shareholders, the board of directors, the independent directors, the board of supervisors and the general manager will independently exercise authorities in accordance with laws, rules and regulations and the articles of association.

3) Ensure that the listed company maintains an independent and complete organizational institution and do not have mixed operations and joint offices with the party made commitments or other enterprises controlled by the party made commitments.

(5) Independence of business

- 1) Ensure that the listed company has independent operation and management system, is provided with assets, personnel, qualification and capability for independent development of operating business, and has abilities of independent operation as a going concern.
- 2) Except for exercise of shareholders' rights and performance of relevant authorities in accordance with legal procedures, ensure that the party made commitments or other enterprises controlled by the party made commitments should not intervene in normal operating activities of the listed company.
- 3) Ensure that that the party made commitments or other enterprises controlled by the party made commitments should avoid new addition of business which may have substantial competition against the listed company's principal business.
- 4) Ensure that related party transactions between the party made commitments or other enterprises controlled by the party made commitments and the listed company should be minimized as much as possible; for related party transactions which are necessary and inevitable, ensure fair operation in accordance with marketable principles and fair values, and perform transaction procedures and obligation of information disclosure in accordance with relevant laws, rules and regulations and normative documents.

Commitment 8 -- The original controlling shareholder of the party made commitments promises to solve horizontal competition against the listed company:

Pursuant to the Company's "Announcement of Wanhua Chemical Group Co., Ltd. on Supervision Letter of SSE and the Reply" (Lin No. 2017-36 interim announcement), the Company's original controlling shareholder, Wanhua Industrial Group Co., Ltd., decided to solve the issue of horizontal competition against Wanhua Chemical by means of merger before 21 September 2018.

The performance of the commitment has been completed so far. Please refer to the "Announcement of Wanhua Chemical Group Co., Ltd. on Results of Yantai Wanhua Chemical Engineering Co., Ltd. Being Absorbed under Merger by Absorption by New Additional Shares by Wanhua Chemical Group Co., Ltd. and Changes in Shares" (Lin No. 2019-15 announcement) on 14 February 2019 for details.

(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 Not Applicable

The related party transaction that Wanhua Chemical Group Co., Ltd. to merger Yantai Wanhua Chemical Industry Co., Ltd. by new additional shares was completed in February 2019. This transaction is deemed as a related party transaction. The parties made commitments to performance including Guofeng Investment, Prime Partner International, Zhongcheng Investment, Zhongkaixin, Dejie Huitong has made commitments to realization of performance of underlying assets from 2018 to 2021, the commitment net profits in 2018 are RMB 4,342,918,700.

Pursuant to the Special Descriptions to Realization of Performance Commitments of Underlying Assets in Significant Assets Restructuring in 2018 (De Shi Bao (He) Zi (19) No.E00149) issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the net profit realized by the underlying assets in the significant assets restructuring in 2018 is RMB 4,963,243,300, which is more than performance commitments, Guofeng Investment, Prime Partner International, Zhongcheng Investment, Zhongkaixin, Dejie Huitong have realized the performance commitment in 2018, so they are not required to make performance compensation.

In regard to the overall listing, for the profits estimate and compensation made by the counterparties Guofeng Investment, Prime Partner International, Zhongcheng Investment, Zhongkaixin, Dejie Huitong, please refer to the section of "profits estimate and compensation" in Report of Yantai Wanhua Chemical Engineering Co., Ltd. Being Absorbed under Merger by Absorption by Wanhua Chemical Group Co., Ltd. and Related Party Transactions (Revision) disclosed on the website of SSE on 14 September 2018 for details.

(III) Competition of performance on commitments and its pacts on impairment testing on goodwill

Applicable Not Applicable

Disclosure of performance commitments in this item equals to the disclosure of the estimated profits in the previous item

There is no goodwill impairment during the reporting period.

III. Funds occupation and settlement during the reporting period

Applicable Not Applicable

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

Applicable Not Applicable

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 Not Applicable

Contents and reasons for changes in accounting policies	Procedure for approval
<p>The Group started adopting the Notice of the Revised Format of 2018 Financial Statements for General Business Enterprise (Cai Kuai (2018) No. 15, hereinafter referred to as the "Cai Kuai No.15 Document") released by the MoF on 15 June 2018 since the preparation of the consolidated financial statements for the year of 2018. Cai Kuai No.15 Document revised the presenting accounts in the balance sheet and income statement, added line items of "Notes and Accounts Receivable", "Notes and Accounts Payable" and "Research and Development Expenses", revised the presenting contents of the line items of "Other Receivables", "Fixed Assets", "Construction in Progress", "Other Payables", "Long-term Payables" and "Administrative Expenses", removed the line items of "Notes Receivable", "Accounts Receivable", "Dividends Receivable", "Interest Receivable", "Disposal of Fixed Assets", "Materials for Construction of Fixed Assets", "Notes Payable", "Accounts Payable", "Interest Payable", "Dividends Payable" and "Special Payables", added line items of "Including: Interest Expenses" and "Interest Income" under "Financial Expenses", and adjusted the presenting location of some accounts in the income statement. The Group has accounted for the above changes in presenting accounts retrospectively, and adjusted comparable data for prior year.</p> <p>In accordance with the Interpretation on problems regarding the Format of 2018 Financial Statements for General Business Enterprise issued by the Ministry of Finance on 7 September 2018, the cash flow from government grants related to assets previously deemed as from investing activities is changed as the cash flow from operating activities in the preparation of cash flow statement. The Group has accounted for the above changes in presenting accounts retrospectively, and adjusted comparable data retrospectively.</p>	<p>Such changes in accounting policies were approved by the Company at the board meeting dated 20 April 2019</p>

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

Applicable Not Applicable

(III) Communication with the previous accounting firms

Applicable Not Applicable

(IV) Others

Applicable Not Applicable

VI. Employment and dismissal of certified public accountants

RMB 0'000

Current employment	
Domestic certified public accountants	Deloitte Touche Tohmatsu CPA LLP
Remuneration paid to domestic certified public accountants	290.00
Audit period of domestic certified public accountants	14 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 Not Applicable

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 2.9 million (inclusive of VAT) as the audit fees for its domestic businesses in 2018. At the end of the reporting period, such accounting firm has provided 14 years of audit services to the Company.

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

Applicable Not Applicable

VII. Risk exposure to the suspension of listing

(I) Reasons to explain the suspension of listing

Applicable Not Applicable

(II) Measures adopted by the Company to resume listing

Applicable Not Applicable

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

Applicable Not Applicable

IX. Bankruptcy and reorganization

Applicable Not Applicable

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 Not Applicable

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

Applicable Not Applicable

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 Not Applicable

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

Share option incentive scheme

Applicable Not Applicable

Other descriptions

Applicable Not Applicable

Employee stock ownership plan

Applicable Not Applicable

Other incentive measures

Applicable Not Applicable

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 Not Applicable

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

Applicable Not Applicable

The 2017 annual general meeting of shareholders held on 10 May 2018 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 2018. The related transactions for the period from January to December 2018 are detailed as follows:

Unit: RMB

Related party	Relationship	Type of transaction	Content of transaction	Pricing principle	Amount	Term of payment
BorsodChem Zrt.	The same parent company	Sales of goods	Sales of goods	Market price for the same period	1,179,483,110.08	T/T
BorsodChem Italia S.r.l.	The same parent company	Sales of goods	Sales of goods	Market price for the same period	14,421,083.61	T/T
Wanhua BorsodChem Latin-America Comercio de Productos Quimicos Ltda.	The same parent company	Sales of goods	Sales of goods	Market price for the same period	64,409,686.47	T/T
Wanhua BorsodChem Rus LLC.	The same parent company	Sales of goods	Sales of goods	Market price for the same period	71,842,096.46	T/T
Wanhua EnergySav Science & Technology Group Co., Ltd.	The same intermediary controlling company	Sales of goods	Sales of goods	Market price for the same period	125,938,143.19	Bank acceptance, T/T
Wanhua EnergySav Science & Technology (Yantai) Co., Ltd.	The same intermediary controlling company	Sales of goods	Sales of goods	Market price for the same period	50,388.12	Bank acceptance, T/T
Wanhua Building Technology (Yantai) Co., Ltd.	The same intermediary controlling company	Sales of goods	Sales of goods	Market price for the same period	4,568.97	Bank acceptance, T/T
Wanhua Chemical Chlor-Alkali Co., Ltd.	Associate of the parent company	Sales of goods	Sales of goods	Market price for the same period	713,183.43	Bank acceptance, T/T
Linde Gas (Yantai) Co., Ltd.	Associates	Sales of goods/ Provision of services/Land lease	Sales of goods/ Provision of services/ Land lease	Market price for the same period	328,219,404.39	Bank acceptance, T/T
Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note)	Joint venture	Sales of goods/ Provision of services/ Housing lease	Sales of goods/ Provision of services/ Housing lease	Market price for the same period	-3,912,064.38	Bank acceptance, T/T
Wanhua Eco-technology (Yantai) Co., Ltd.	Subsidiary of a company where a nature person associated with the Company acts as a director	Sales of goods	Sales of goods	Market price for the same period	275,255,912.08	Bank acceptance, T/T
Wanhua Ecoboard (Jingzhou) Co., Ltd.	Subsidiary of a company where a nature person associated with the Company acts as a director	Sales of goods	Sales of goods	Market price for the same period	27,997,819.63	Bank acceptance, T/T
Yantai Tayho Advanced Materials Co., Ltd.	The same intermediary controlling company	Sales of goods	Sales of goods	Market price for the same period	120,391,315.75	Bank acceptance, T/T
Yantai Yuxiang Fine Chemical Engineering Co., Ltd.	The same intermediary controlling company	Sales of goods	Sales of goods	Market price for the same period	493,320.98	Bank acceptance, T/T
Ningxia Ningdong Tayho New Materials Co., Ltd.	The same intermediary controlling company	Sales of goods	Sales of goods	Market price for the same period	80,245,888.07	Bank acceptance, T/T
Yantai Xinghua Spandex Co., Ltd.	The same intermediary controlling company	Sales of goods	Sales of goods	Market price for the same period	21,054,957.77	Bank acceptance, T/T

Yantai Tayho Engineering Materials Co., Ltd.	The same intermediary controlling company	Sales of goods	Sales of goods	Market price for the same period	46,630.94	Bank acceptance, T/T
Moon Environment Technology Co., Ltd.	The same intermediary controlling company	Sales of goods	Sales of goods	Market price for the same period	1,245,841.49	Bank acceptance, T/T
Wanhua Industrial Group Co., Ltd.	The same intermediary controlling company	Provision of services	Provision of services	Market price for the same period	786,163.52	T/T
Yantai Wanhua Chemical Industry Co., Ltd.	Parent company	Provision of services	Provision of services	Market price for the same period	8,647,798.75	T/T
Wanhua Industrial Group Co., Ltd.	The same intermediary controlling company	Receipt of service/land and housing lease	Receipt of service/land and housing lease	Market price for the same period	16,075,322.43	Bank acceptance, T/T
BorsodChem Zrt.	The same parent company	Purchase of goods/ Receipt of service	Purchase of goods/ Receipt of service	Market price for the same period	440,830,628.10	T/T
Wanhua BorsodChem Latin-America Comercio de Productos Quimicos Ltda.	The same parent company	Receipt of service	Receipt of service	Market price for the same period	4,643,650.87	T/T
Wanhua Building Technology (Yantai) Co., Ltd.	The same intermediary controlling company	Purchase of goods/ Receipt of service	Purchase of goods/ Receipt of service	Market price for the same period	5,345,886.49	Bank acceptance, T/T
Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd.	The same intermediary controlling company	Purchase of material/ Receipt of service	Purchase of material/ Receipt of service	Market price for the same period	22,989,998.21	Bank acceptance, T/T
Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd.	The same intermediary controlling company	Receipt of service	Receipt of service	Market price for the same period	228,225.23	Bank acceptance, T/T
Shanxi Zhongqiang Fushan Coal Mine Co., Ltd.	The same intermediary controlling company	Purchase of materials	Purchase of materials	Market price for the same period	3,895,782.26	Bank acceptance, T/T
Linde Gas (Yantai) Co., Ltd.	Associate	Purchase of materials	Purchase of materials	Market price for the same period	330,821,010.45	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	183,759,810.16	Bank acceptance, T/T
Wanhua Chemical Chlor-Alkali Co., Ltd.	Associate of parent company	Purchase of materials/ fixed assets/receipt of service	Purchase of materials/ fixed assets/receipt of service	Market price for the same period	3,941,352.94	Bank acceptance, T/T
Yantai Huali Thermal Power Supply Co., Ltd.	Wholly-owned subsidiary of associate of parent company	Purchase of material/ Receipt of service	Purchase of material/ Receipt of service	Market price for the same period	13,384,997.25	Bank acceptance, T/T
Moon Environment Technology Co., Ltd.	The same intermediary controlling company	Purchase of materials	Purchase of materials	Market price for the same period	46,379.31	Bank acceptance, T/T
DUNHAM-BUSH (China) Industry Co., Ltd.	The same intermediary controlling company	Purchase of material/ Receipt of service	Purchase of material/ Receipt of service	Market price for the same period	104,028.81	Bank acceptance, T/T
Total				/	3,343,402,321.83	/

Note: include sales return of RMB 5,316,024.82 during the reporting period.

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; and 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 Not Applicable

(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 Not Applicable

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

Applicable Not Applicable

As of February 2019, related party transaction of Yantai Wanhua Chemical Engineering Co., Ltd., being absorbed under merger by absorption by the Company was completed. Please refer to Lin 2018 No.15 "Announcement for Results of Wanhua Chemical Group Co., Ltd. to Merger Yantai Wanhua Chemical Industry Co., Ltd. by New Additional Shares and Share Equity Changes" on 14 February 2019 for details.

3. Events that not been disclosed in the temporary announcement

Applicable Not Applicable

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

Applicable Not Applicable

The related party transaction that Yantai Wanhua Chemical Engineering Co., Ltd. being absorbed under merger by absorption by new additional shares by Wanhua Chemical Group Co., Ltd. was completed in February 2019. This transaction is deemed as a related party transaction. The parties made commitments to performance including Guofeng Investment, Prime Partner International, Zhongcheng Investment, Zhongkaixin, Dejie Huitong has made commitments to realization of performance of underlying assets from 2018 to 2021, the commitment net profits in 2018 are RMB 4,342,918,700.

Pursuant to the Special Descriptions to Realization of Performance Commitments of Underlying Assets in Significant Assets Restructuring in 2018 (De Shi Bao (He) Zi (19) No.E00149) issued by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the net profit realized by the underlying assets in the significant assets restructuring in 2018 is RMB 4,963,243,300, which is more than performance commitments, Guofeng Investment, Prime Partner International, Zhongcheng Investment, Zhongkaixin, Dejie Huitong have realized the performance commitment in 2018, so they are not required to make performance compensation.

(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 Not Applicable

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

Applicable Not Applicable

3. Events that not been disclosed in the temporary announcement

Applicable Not Applicable

(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 Not Applicable

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

Applicable Not Applicable

3. Events that not been disclosed in the temporary announcement

Applicable Not Applicable

(V) Others

Applicable Not Applicable

XV. Significant contracts and implementation

(I) Trusteeship, contracting and leasing

1. Trusteeship

Applicable Not Applicable

2. Contracting

Applicable Not Applicable

3. Leasing

Applicable Not Applicable

(II) Guarantee

Applicable Not Applicable

General information of guarantee (except guarantee provided for subsidiaries)													
Guarantor	Relationship	Guarantee	Amount of guarantee	Signed date of guarantee (Effective date of agreement)	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 Group Co., Ltd.	Head office of the Company	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	225,000,000.00	2 April 2018	4 April 2018	3 April 2025	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.	42,270,000.00	30 December 2018	30 December 2018	18 December 2026	joint and several liability guarantee	No	No		Yes	Yes	Joint venture
Wanhua Chemical Group Co., Ltd.	Head office of the Company	BC Company (Note)	1,949,148,800.00	27 December 2018	27 December 2018	22 January 2022	joint and several liability guarantee	No	No		No	Yes	Wholly-sub-sidiary of the parent company
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
Total amount of guarantee incurred during the reporting period (except guarantee provided for subsidiaries)													2,216,418,800.00
Total balance of guarantee at the end of the reporting period(A) (except guarantee provided for subsidiaries)													2,618,918,800.00
Guarantee provided for subsidiaries from the Company and its subsidiaries.													
Total amount of guarantees provided for subsidiaries during the reporting period													12,178,779,467.61
Total balance of guarantees provided for subsidiaries at the end of the reporting period(B)													16,926,180,032.26
Total amount of guarantees provided (including guarantee provided for subsidiaries)													
Total amount of guarantees provided (A and B)													19,545,098,832.26
Ratio of total amount of guarantee against net assets - %)													57.86

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)	11,086,737,867.61
Amount of total amount exceeding 50% of net assets (E)	2,655,730,995.91
Total amount of guarantee above (C, D and E)	13,742,468,863.52
Statement for joint liability of undue guarantee	
Information of guarantee	The above total guarantee amount (including those for subsidiaries) is the contractual guarantee amount, the actual guarantee amount is RMB 12,812,226,771.97, accounting for 37.93 % of the net assets of the Company.

Note: The guarantee represents pledged guarantee arising from joint and several liabilities of subsidiaries including BC Company undertaken by the original controlling shareholder Wanhua Industry due to merger by absorption during interim period. Please refer to Meeting Documents of the Third Interim General Meeting of Shareholders of Wanhua Chemical in 2018 on 12 July 2018 and the Announcement of Resolutions of the Third Interim General Meeting of Shareholders of Wanhua Chemical in 2018 on 20 July 2018 declared on SSE for details.

(III) Cash asset management by others under entrustment

1. Entrusted financing

(1) General entrusted financing

Applicable Not Applicable

Other descriptions

Applicable Not Applicable

(2) Individual entrusted financial management

Applicable Not Applicable

Other descriptions

Applicable Not Applicable

(3) Provisions for impairment of entrusted financial management

Applicable Not Applicable

2. Entrusted loans**(1) General entrusted loans**

Applicable Not Applicable

Other descriptions

Applicable Not Applicable

(2) Individual entrusted loans

Applicable Not Applicable

Other descriptions

Applicable Not Applicable

(3) Provisions for impairment of entrusted loans

Applicable Not Applicable

3. Other descriptions

Applicable Not Applicable

(IV) Other significant contracts

Applicable Not Applicable

XVI. Explanations on other significant matters

Applicable Not Applicable

XVII. Active fulfilment of social responsibility**(I) Poverty alleviation by listed companies**

Applicable Not Applicable

(II) Achievement of fulfilling social responsibility

Applicable Not Applicable

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 Not Applicable

(1) Pollution information

Applicable Not Applicable

The key pollutant discharging units among Wanhua Chemical Group Co., Ltd. and its subsidiaries include the following four companies: Wanhua Chemical, Yantai Chlor-Alkali, Wanhua Ningbo and Ningbo Thermal Power.

The main monitoring indices of Wanhua Chemical and Wanhua Ningbo are COD (Chemical Oxygen Demand) and ammonia nitrogen in waste water. In 2018, among waste water discharged by Wanhua Chemical, the total discharge volume of COD was 799 tons while that of ammonia nitrogen was 13.7 tons. among waste water discharged by Wanhua Ningbo, the total discharge of COD was 42 tons while that of ammonia nitrogen was 13.3 tons.

The main monitoring indices of Ningbo Thermal Power and Yantai Chlor-Alkali are smoke in exhaust gas, SO₂ and nitric oxide. In 2018, as for Ningbo Thermal Power, exhaust volume of SO₂ was 105.6 tons, that of nitric oxide was 271.6 tons, that of smoke was 17.2 tons. As for Yantai Chlor-Alkali, exhaust volume of SO₂ was 146.2 tons, that of nitric oxide was 297 tons, that of smoke was 9.1 tons

(2) Construction and operation of anti-pollution installations

Applicable Not Applicable

In construction of pollution prevention facilities, the Company ensures synchronous design, synchronous construction and synchronous put-into-use of environmental facilities and main works in strict accordance with "three synchronizations" for environment protection of constructed projects. In order to fulfill all environmental measures, the Company will follow up the progress of implementation through the list of facilities for pollution prevention, meanwhile, check and confirm fulfillment of all measures at interim delivery phase and PSSR (pre-startup safety review) phase. For facilities for environmental protection which have been completed and put into operation, the Company also actively reduces sources of pollutants, upgrading and restructuring of facilities for pollution prevention by means of independent research and development and external cooperation, and reduce discharges of pollutants by means of reduction in sources, progress control and end treatment.

In operation of pollution prevention facilities, the Company takes measures in three aspects to strengthen management. Firstly, the Company will take "prohibition of suspending environmental facilities without permission" as the HSE top ten regulations not allowed to be violated to clarify warning line for operation and management of environmental facilities. Secondly, the Company continuously will strengthen operation of environmental facilities, determine list of key environmental facilities and key parameters of environmental process, make pre-management over discharge of pollutants in combination of operation stability rate of devices, and improve operation stability and treatment efficiency of environmental facilities. Lastly, the Company will monitors the discharge level of pollutants by means of combination of online monitoring and manual monitoring to ensure that the pollutants are discharged stably and up-to-standard.

(3) Environmental impact assessment of construction projects and other environmental protection administrative licenses

Applicable Not Applicable

In the aspect of three synchronizations for the project construction, the Company strictly abides by the Environment Impact Assessment Law of the People's Republic of China, develops environment impact assessment on the newly built projects, and fulfill the environmental measures in the assessment files in the design files and engineering constructions. After the newly built projects are completed and put into operation, the Company has taken acceptance formalities by itself for environmental protection of construction projects completed to ensure compliance of construction projects.

(4) Contingency plan for Emergency Response Law of the People's Republic of China

For precautions against emergent environmental incident, firstly, the Company strengthens safety management, especially strengthens safety management of processes, in order to originally avoid secondary environment incidents arising from

safety accidents. The Company determines the management theme of 2018 of "Further Safety Management Year", deepens substantial safety design and management, starts with storage of hazardous chemicals, reaction hazards, technological processes, automation control, quality of equipment and facilities and substantial safety of safeguard facilities, make full use of internal and external technical power, and develops substantial safety design and management for devices in all aspects. Secondly, the Company strengthens trouble shooting of hidden environmental problems, refines and improves the checklists for 13 environmental special items in line with laws, rules and regulations and systems; each unit has prepared the annual trouble-shooting plan for hidden environmental problems and make follow-up management through HSE information system. Thirdly, the Company strengthens environmental emergency management, prepares a contingency plan against emergent environmental incidents, and complete assessment, revision and record of the contingency plan; meanwhile, the Company also prepares a drill plan for the contingency plan and conduct drills for the contingency plan at regular intervals.

(5) Environment self-monitoring plan

Applicable Not Applicable

In environmental monitoring, firstly, the Company actively boosts establishment of online monitoring and controlling system and connects with the environmental supervision department in accordance with laws and requirements of environmental department and achieves dynamic and real-time environmental monitoring. Secondly, the Company works out the annual environmental monitoring plan, take daily monitoring and controlling over operational effect of environmental facilities and discharges of three wastes by means of combination of externally entrusted monitoring and self-monitoring, and publicize self-monitoring proposals and data of pollutants discharge through internal and external websites.

(6) Other environment information that should be public

Applicable Not Applicable

2. Environmental description of Companies excluding key pollutant discharging units.

Applicable Not Applicable

3. Reasons for non-disclosure of environmental information by companies other than key pollutant discharging entities.

Applicable Not Applicable

4. Explanation of the subsequent progress or changes in the disclosure of environmental information during the reporting period.

Applicable Not Applicable

(IV) Others

Applicable Not Applicable

XVIII. Convertible bonds of the Company

(I) Issue of convertible bonds

Applicable Not Applicable

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

Applicable Not Applicable

(III) Changes in convertible bonds during the reporting period

Applicable Not Applicable

Accumulative shares from convertible bonds during the reporting period

Applicable Not Applicable

(IV) Previous price adjustments on convertible bonds

Applicable Not Applicable

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

Applicable Not Applicable

(VI) Others

Applicable Not Applicable

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

During the reporting period, there are no changes in the Company's total ordinary shares and equity structure.

2. Explanation for changes of ordinary shares

Applicable Not Applicable

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 Not Applicable

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

Applicable Not Applicable

As of disclosure date of this Report, the event that Yantai Wanhua Chemical Engineering Co., Ltd. being absorbed under merger by absorption by new additional shares by Wanhua Chemical Group Co., Ltd. was completed. Please refer to the "Announcement of Wanhua Chemical Group Co., Ltd. on Results of Yantai Wanhua Chemical Engineering Co., Ltd. Being Absorbed under Merger by Absorption by New Additional Shares by Wanhua Chemical Group Co., Ltd. and Changes in Shares" (Lin No. 2019-15 announcement) and Supplementary Announcement (Lin No.2019-16 announcement) on 14 February 2019 for details. Wanhua Chemical made registration of share issuance for this merger by absorption, 1,715,990,206 shares of A-stock issued this time have been registered under the five counterparties' name (including Yantai Guofeng Investment Holding Co., Ltd.). Meanwhile, 1,310,256,380 shares of the listed company held by Wanhua Chemical have been cancelled. The total share capital of Wanhua Chemical was changed from 2,734,012,800 to 3,139,746,626.

(II) Changes of restricted shares✓ Applicable Not Applicable

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)	13,921,114	13,921,114	0	0	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.	22,273,781	22,273,781	0	0	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.	18,375,708	18,375,708	0	0	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.	13,921,113	13,921,113	0	0	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.	13,921,114	13,921,114	0	0	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months	16 Jan 2018
Jinshi Future Co., Ltd.	13,921,114	13,921,114	0	0	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)	27,842,227	27,842,227	0	0	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.	13,928,240	13,928,240	0	0	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.	1,106,725	1,106,725	0	0	Subscription of the shares non-publicly issued by the Company, with lock-up period of 12 months	16 Jan 2018
Total	139,211,136	139,211,136	0	0	/	/

II. Shares issuing and listing

(I) Securities issuing as of the reporting period

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

(III) Existed shares held by internal employees

Applicable Not Applicable

III. Shareholders and actual controller

(I) Total number of shareholders:

Total ordinary shareholders at the end of report period (households)	146,378
Total ordinary shareholders at the end of last month prior to the announcement of the annual report (households)	123,337
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)	

(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: Share

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	
Yantai Wanhua Chemical Industry Co., Ltd.	1,310,256,380	1,310,256,380	47.92	0	None		Domestic non-stated-owned legal person
China Securities Finance Corporation Limited	73,348,508	73,348,584	2.68	0	Unknown		Unknown
Hong Kong Securities Clearing Company	16,148,180	41,624,261	1.52	0	Unknown		Unknown
Sun Huigang	27,320,765	27,320,765	1.00	0	Unknown		Unknown
Central Huijin Asset Management Co., Ltd.	0	25,598,520	0.94	0	Unknown		Unknown
National Social Security Fund 106 Portfolio	19,888,553	19,888,553	0.73	0	Unknown		Unknown
China Pacific Life Insurance Co., Ltd.-Dividend Distribution- Individual Dividend Distribution	5,870,321	18,563,524	0.68	0	Unknown		Unknown
Industrial And Commercial Bank Of China-SEC 50 Trading Open-end index Security Investment Funds	14,972,274	17,389,956	0.64	0	Unknown		Unknown
Beijing Fengshan Investment Co., Ltd.	0	16,417,776	0.60	0	Unknown		Unknown
Shanghai Lvlian Junhe Industry Merge Equity Investment Fund Partnership (LLP)	-13,921,029	13,921,198	0.51	0	Unknown		Unknown

Unit: Share

Top ten shareholders of non-restricted shares				
Name of shareholders	Number of non-restricted shares held	Name of shareholders		
		Type	Number	
Yantai Wanhua Chemical Industry Co., Ltd.	1,310,256,380	Ordinary shares in RMB	1,310,256,380	
China Securities Finance Corporation Limited	73,348,584	Ordinary shares in RMB	73,348,584	
Hong Kong Securities Clearing Company	41,624,261	Ordinary shares in RMB	41,624,261	
Sun Huigang	27,320,765	Ordinary shares in RMB	27,320,765	
Central Huijin Asset Management Co., Ltd.	25,598,520	Ordinary shares in RMB	25,598,520	
National Social Security Fund 106 Portfolio	19,888,553	Ordinary shares in RMB	19,888,553	
China Pacific Life Insurance Co., Ltd.-Dividend Distribution- Individual Dividend Distribution	18,563,524	Ordinary shares in RMB	18,563,524	
Industrial And Commercial Bank Of China-SEC 50 Trading Open-end index Security Investment Funds	17,389,956	Ordinary shares in RMB	17,389,956	
Beijing Fengshan Investment Co., Ltd.	16,417,776	Ordinary shares in RMB	16,417,776	
Shanghai Lvlian Junhe Industry Merge Equity Investment Fund Partnership (LLP)	13,921,198	Ordinary shares in RMB	13,921,198	
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 Not Applicable

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

Applicable Not Applicable

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	
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 Not Applicable

Name	Yantai Wanhua Chemical Industry Co., Ltd.
Company principal or legal representative	Mr. Liao Zentai
Date of establishment	30 January 2018
Business scope	Manufacture, process (located in Wanhua Yantai Industrial Park No. 59, Chongqing Street, Yantai Economic Technology Development Area) and sales of PU and polyurethane resin raw materials and products, industrial gases, caustic soda, and chlorine products, technology transfer services, wholesale of chemicals (excluding hazardous chemicals); place, equipment, facility rental and warehousing services (excluding hazardous articles); investment in PU and upstream and downstream industry chain, by virtue of the own funds(financial operations such as deposit taking, financing guarantee, and wealth management for customers may not be carried out without the approval of the financial regulators); import and export of goods and technologies (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 oversea listed companies during the reporting period	None
Other explanations	None

2. Natural Person

Applicable Not Applicable

3. Special explanation for no controlling shareholders in the Company

Applicable Not Applicable

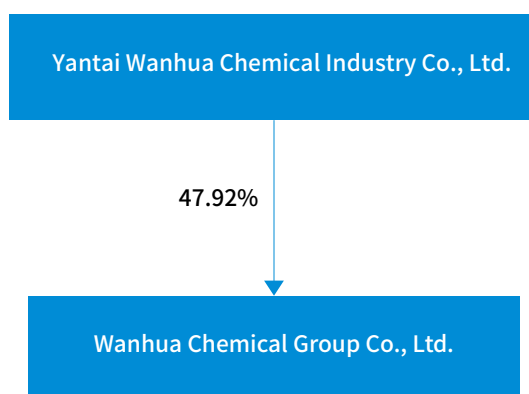
4. Index and date of changes of controlling shareholders in the reporting period

Applicable Not Applicable

As at 30 January 2018, the Company's original controlling shareholder, Wanhua Industry was successfully divided with the original company survival. In details, Wanhua Industry was divided into Wanhua Industry, as the surviving company, and Wanhua Chemical Industry, as the newly established company. Please refer to Lin 2018 No.17 Reminding Announcement for Division of the Controlling shareholder by Continued Existence of Wanhua Chemical Group Co., Ltd. on 1 February 2018 for details.

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

Applicable Not Applicable



(II) Actual controller

1. Legal person

Applicable Not Applicable

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 oversea listed companies during the reporting period	Unknown
Other explanations	

2. Natural Person

Applicable Not Applicable

3. Special explanation for no actual controller in the Company

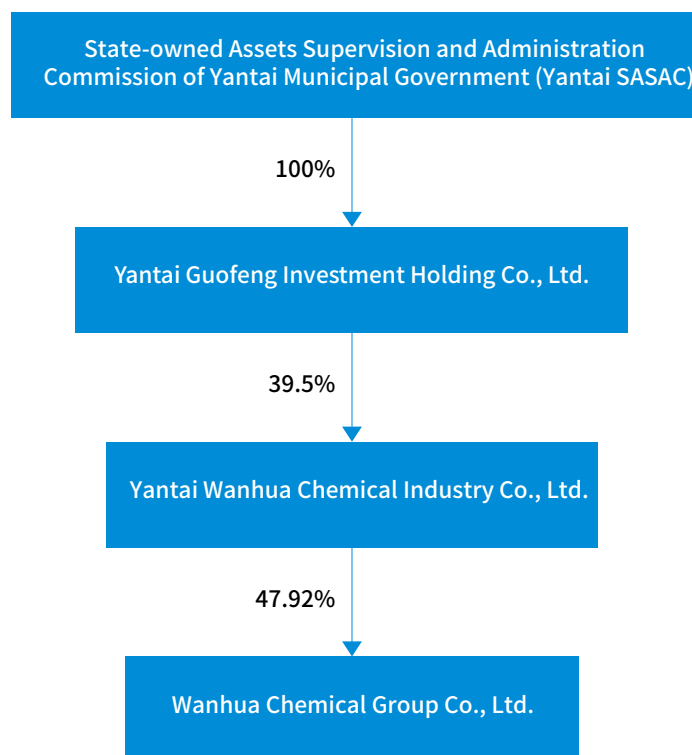
Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable



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

Applicable Not Applicable

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

Applicable Not Applicable

As at 30 January 2018, the Company's original controlling shareholder, Wanhua Industry was successfully divided with the original company survival. In details, Wanhua Industry was divided into Wanhua Industry, as the surviving company, and Wanhua Chemical Industry, as the newly established company. Please refer to Lin 2018 No.17 Reminding Announcement for Division of the Controlling shareholder by Continued Existence of Wanhua Chemical Group Co., Ltd. on 1 February 2018 for details.

As of the disclosure date of this report, Wanhua Chemical has completed to merge Yantai Wanhua Chemical Industry Co., Ltd. by new additional shares, and the Company's controlling shareholder changed to Guofeng Investment, but the Company's actual controller hasn't changed, remaining to be the State-owned Assets Supervision and Administration Commission of Yantai Municipal Government, so that the actual controller of the listed company is unchanged. Please refer to Lin 2018 No.15 "Announcement for Results of Wanhua Chemical Group Co., Ltd. to Merger Yantai Wanhua Chemical Industry Co., Ltd. by New Additional Shares and Share Equity Changes" for details.

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

Applicable Not Applicable

VI. Explanation of less ownership of restricted shares

Applicable Not Applicable

Section VII Preferred Stock Information

Applicable Not Applicable

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 Not Applicable

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			28/03/2008	03/05/2020						
	President	Male	56	26/10/2016	14/06/2020	0	0	0		67.60	No
	Director			28/03/2008	20/04/2019						
Kou Guangwu	Director			12/08/2009	03/05/2020						
	President			20/04/2019	14/06/2020						
	Executive vice president	Male	53	28/03/2008	20/04/2019	0	0	0		506.14	No
	Person in charge of finance			12/12/1998	20/04/2019						
	Secretary of the board			28/03/2008	20/04/2019						
Hua Weiqi	Director			07/03/2019	03/05/2020						
	Executive vice president	Male	47	20/04/2019	14/06/2020	0	0	0		439.64	No
	Vice president			03/04/2010	20/04/2019						
Rong Feng	Director	Male	54	07/03/2019	03/05/2020	0	0	0			No
Chen Dianxin	Director	Female	53	07/03/2019	03/05/2020	0	0	0			No
Qi Guishan	Director	Male	36	07/03/2019	03/05/2020	0	0	0			No
Guo Xingtian	Director	Male	58	12/12/1998	03/05/2020	0	0	0		16.50	No
Wang Baotong	Independent director	Male	61	22/05/2014	03/05/2020	0	0	0		21.30	No
Bao Yongjian	Independent director	Male	53	04/02/2016	03/05/2020	0	0	0		20.70	No
Zhang Xiaorong	Independent director	Male	51	04/02/2016	03/05/2020	0	0	0		21.30	No
Zhang Wanbin	Independent director	Male	55	04/02/2016	03/05/2020	0	0	0		20.10	No
Sun Xiao	Supervisor	Male	57	04/02/2016	03/05/2020	0	0	0		15.30	No
Wang Jianbo	Supervisor	Male	50	15/02/2019	03/05/2020	0	0	0			No
Yao Yuanjun	Supervisor	Female	39	15/02/2019	03/05/2020	0	0	0			No
Su Jingran	Supervisor	Male	31	15/02/2019	03/05/2020						No
Peter Pengtao Huo	Vice-president	Male	53	03/04/2010	14/06/2020	0	0	0		389.48	No
Liu Boxue	Vice-president	Male	56	03/04/2010	14/06/2020	0	0	0		365.77	No
Chen Yifeng	Vice-president	Male	53	14/03/2015	14/06/2020	0	0	0		348.48	No

Li Limin	Vice-president			25/06/2018	14/06/2020						
	Person in charge of finance	Male	44	20/04/2019	14/06/2020	0	0	0	220.39	No	
	Secretary of the board			20/04/2019	14/06/2020						
Li Jiankui	Director	Male	66	12/12/1998	07/03/2019	0	0	0	15.00	No	
Ding Jiansheng	Director	Male	65	12/12/1998	07/03/2019	0	0	0	16.50	No	
Mu Simon Xin-ming	Director	Male	62	28/04/2010	07/03/2019	0	0	0	15.00	No	
Liu Lixin	Director	Male	65	12/12/1998	07/03/2019	0	0	0	15.30	No	
Che Yun	Convener of board of supervisors	Female	54	28/03/2008	15/02/2019	0	0	0	239.43	No	
Tian Hongguang	Supervisor	Male	58	12/12/2004	15/02/2019	0	0	0	134.17	No	
Yao Yuan'en	Supervisor	Male	53	17/10/2016	15/02/2019	0	0	0	123.13	No	
Zhao Junsheng	Supervisor	Male	58	12/12/1998	15/02/2019	0	0	0	50.47	No	
Total	/	/	/	/	/				/	3,061.70	/

Name	Major working experience
Liao Zengtai	He served as the designer of the Technician Department 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., the general manager of Ningbo Wanhua PU Co., Ltd., 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. Now, he works as the president and the secretary of Party Committee of Wanhua Chemical Group Co., Ltd.
Kou Guangwu	He worked in Yantai General Synthetic Leather Factory(the predecessor of Wanhua Chemical Group Co., Ltd.) in 1986, and served as the deputy section chief, the section chief, the department director assistant and the deputy director of the finance department of this company successively. Since 1998, he acted as the general accountant and deputy general manager of Yantai Wanhua PU Co., Ltd. In 2008, he worked as the director, the executive vice president, the person in charge of finance and the secretary of board of Wanhua Chemical Group Co., Ltd. Now, he worked as the director and the president of Wanhua Chemical Group Co., Ltd.
Hua Weiqi	Since joined in Wanhua from January 2001, he has worked as the director of the Chemical Process Research Institute, the director of the Planning Development, the director of the Technology Research Department, the Dean of the Central Research Institute, and the technical director and vice president of Wanhua Chemical Group Co., Ltd. Now, he currently serves as the director and the executive vice-president of Wanhua Chemical Group Co., Ltd., the chief of Wanhua Central Research Institute and the director of National PU Engineering Technology Research Center.
Rong Feng	He used to be the staff member and deputy section chief of the in-factory management office of Yantai City Financial Department, the deputy section chief and the section chief of the Statistical Evaluation Section of the State-owned Assets Supervision and Administration Commission of Yantai City, the supervisor of Yantai Moon Group, Polaris State-owned Holding Company, Yantai Jiaoyun Group, Yantai Spandex Group, and Machinery& Electronics Holding Company; the chairman of the board of supervisors of Yantai Dongfang Electronics Co., Ltd., Laidong Company and Bus Group Company, and Public Transport Group; the chief accountant and the party committee member of State-owned Assets Supervision and Administration Commission of Yantai City; the deputy director, the chief accountant and the party committee member of State-owned Assets Supervision and Administration Commission of Yantai City. Now, he works as the secretary of party committee and the chairman of board of Yantai Guofeng Investment Holding Co., Ltd. and the director of Wanhua Chemical Group Co., Ltd.
Chen Dianxin	She used to be the staff of Yantai Chemical Purchasing and Supply Station, the staff and deputy director of Yantai State-owned Assets Appraisal Center, the deputy section chief of the Statistical Evaluation Section of the State-owned Assets Supervision and Administration Commission of Yantai City, the section chief of the property management department of the State-owned Assets Supervision and Administration Commission of Yantai City, the director of Retired Cadre Work Office. During February 2014 to October 2018, she held concurrent posts in several companies, including the director of Yantai Moon Group, Yantai Moon Co., Ltd. and Yantai Tayho Advanced Materials Co., Ltd.; and the chairman of board of Yantai Guofeng Investment Holdings Co., Ltd. and Yantai Guosheng Investment Holdings Co., Ltd., the vice chairman of Yantai CIMC Raffles Offshore Co., Ltd and Yantai CIMC Raffles Vessel Limited, the director of Yantai Guoyu Financing Lease Co., Ltd. Now, she currently works as the deputy secretary of Party Committee Branch and the general manager of Yantai Guofeng Investment Holdings Co., Ltd., the director of Wanhua Industrial Group Co., Ltd. and the director of Wanhua Chemical Group Co., Ltd.
Qi Guishan	He used to be the text secretary of the Office of Yantai Transportation Group Co., Ltd., the director assistant of the Enterprise Management Department, and the director of the Comprehensive Department of Yantai Guosheng Investment Holdings Co., Ltd. He is currently the director of the Comprehensive Department of Yantai Guosheng Investment Holdings Co., Ltd., the chairman of the board of supervisor of Yantai Guosheng Investment Management Co., Ltd., and the director of Yantai Wanhua Synthetic Leather Group Co., Ltd., Yantai Mingxiang Holdings Co., Ltd., Yantai Ishikawa Sealing Technology Co., Ltd., and Wanhua Chemical Group Co., Ltd.
Guo Xingtian	He served as the board director, the secretary of the board and the deputy general manager of Yantai Wanhua PU Co., Ltd. Now, he currently 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.
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 used to work in the Commerce and Trade Audit Department of Shanghai Municipal Audit Bureau and Oriental Pearl Group Co., Ltd., acting as the chief partner and the chief accountant of Shanghai Certified Public Accountants (LLP), 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.
Sun Xiao	He served as the technician, the deputy director general, and deputy factory manager of SHINVA Medical Instrument Co., Ltd. successfully; the deputy director of Shandong Zibo Food and Drug Administration; and the deputy director general, the director general and the general office secretary of the Production Coordination Department of the Ministry of Chemical Industry successively; the deputy director of the General Office of the National Light Industry Bureau; and the president of HongTa Innovation Investment Co., Ltd. Now, he worked as the vice president of Kaisa Group Holdings Ltd, holding concurrent posts as the supervisor of Wanhua Chemical Group Co., Ltd. and the director of Da An Gene Co. Ltd of Sun Yat-Sen University
Wang Jianbo	He used to be the clerk of the Secretariat Division of the Headquarter Office of Yantai General Synthetic Leather Factory, the deputy-chief-level secretary of the Office, the section chief of the Secretariat Division, the manager of the Administration Department, the director of the Party Committee Office, and the assistant to the general manager of Yantai Wanhua Synthetic Leather Group Co., Ltd. Now, he currently works as the chairman of the Labor Union of Wanhua Industrial Group Co., Ltd. and the supervisor of Wanhua Chemical Group Co., Ltd.
Yao Yuanjun	She served as the accountant of Yantai CIMC Raffles Offshore Co., Ltd, the management audit staff and the management audit module manager of Wanhua Chemical Group Co., Ltd. Now, she worked as the assistant to the general manager of the Audit and Compliance Department of Wanhua Chemical Group Co., Ltd. and the supervisor of Wanhua Chemical Group Co., Ltd.
Su Jingran	He used to operate nitrobenzene devices in Wanhua Chemical Group Co., Ltd. Now, he works as the leader of TDA process of TDI devices of Wanhua Chemical Group Co., Ltd. and the supervisor of Wanhua Chemical Group Co., Ltd.
Peter Pengtao 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 GaltL ab 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.
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. and the chairman of board of Yantai Harbor Wanhua Industrial Park Port Co., Ltd.

Li Limin	He used to be the project manager and senior manager of Shandong Zheyuan Hexin Public Accountants LLP. In June 2006, he joined in Wanhua Chemical, working as the financial administration manager and the general manager of the Finance Department, the general manager of the Domestic Business Department, the general manager of the Purchase Department and the president assistant and the general manager of Polyether Business Unit. Now, he works as the vice president and the person in charge of finance, and secretary of board, and the general manager of PU business unit of Wanhua Chemical Group Co., Ltd.
Li Jiankui	He served as the factory director of Yantai General Synthetic Leather Factory, the board chairman of Yantai Wanhua Synthetic Leather Group Co., Ltd., the board chairman of Wanhua Industrial Group Co., Ltd., the director of Wanhua Chemical Group Co., Ltd. and the director of Wanhua Industrial Group Co., Ltd. . Since 7 March 2019, he has no longer acted as the director of Wanhua Chemical Group Co., Ltd.
Ding Jian-sheng	He used to be the board chairman, the general manager and the chief technician expert of Yantai Wanhua PU Co., Ltd.; the general manager of Yantai Wanhua Synthetic Leather Group Co., Ltd.; the president of Wanhua Industrial Group Co., Ltd.; the director of Wanhua Chemical Group Co., Ltd. and the director of Wanhua Industrial Group Co., Ltd. Since 7 March 2019, he has no longer acted as the director of Wanhua Chemical Group Co., Ltd.
Mu Simon Xinming	He used to be the investment consultant of Infrastructure Department of the World Bank in Washington, USA, United Nations International Development Organization and the United States Agency for International Development, the project officer of the Asian Development Bank in Manila, Philippines, the professor of Texas State University, the vice president of Asia Pacific Region of Solomon Corporation, and the independent director of Hua Xia Bank Co., Ltd., the director of Wanhua Chemical Group Co., Ltd. Now, he currently works as the president and the director of Prime Partner International Limited. Since 7 March 2019, he has no longer acted as the director of Wanhua Chemical Group Co., Ltd.
Liu Lixin	He served as the board chairman of Yantai Moon Co., Ltd and the director of Wanhua Chemical Group Co., Ltd. Since 7 March 2019, he has no longer acted as the director of Wanhua Chemical Group Co., Ltd
Che Yun	She served as the director and the deputy general manager of Beijing TianYuanQuan Certified Public Accountants and jointed in Yantai Wanhua PU Co., Ltd. as the general manager of the Audit Department in 2005. She used to be the convener of board of supervisors of Wanhua Chemical Group Co., Ltd. Now, she works as the secretary of the board, the audit director and the general manager of the audit department of Wanhua Industrial Group Co., Ltd. Since 15 February 2019, she has no longer acted as the employee supervisor of Wanhua Chemical Group Co., Ltd.
Tian Honggu-ang	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 Synthetic Leather Group Co., Ltd., the supervisor of Wanhua Chemical Group Co., Ltd. and the chief of the Party Department of Wanhua Industrial Group Co., Ltd. Since 15 February 2019, he has no longer acted as the employee supervisor of Wanhua Chemical 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., the work union chairman and the employee supervisor of Yantai Industry Park of Wanhua Chemical Group Co., Ltd. Now, he works as the chairman of the Labor Union of Yantai Industrial Park of Wanhua Chemical Group Co., Ltd. Since 15 February 2019, he has no longer acted as the employee supervisor of Wanhua Chemical Group Co., Ltd.
Zhao Junsheng	He served as the photochemical section technical administrator of Wanhua Chemical Group Co., Ltd., and the employee supervisor of Wanhua Chemical Group Co., Ltd. Now he works as photochemical process operation support of Wanhua Chemical Group Co., Ltd. Since 15 February 2019, he has no longer acted as the employee supervisor of Wanhua Chemical Group Co., Ltd.

Other descriptions

 Applicable Not Applicable

(II) Information of incentive shares awarded to directors, supervisors and senior management during reporting period

Applicable Not Applicable

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 Not Applicable

Name	Name of shareholder entity	Position held	Starting date of term	Ending date of term
Liao Zengtai	Yantai Wanhua Chemical Industry Co., Ltd.	Chairman	30/01/2018	03/04/2019
Kou Guangwu	Yantai Wanhua Chemical Industry Co., Ltd.	Director	29/12/2018	03/04/2019
Hua Weiqi	Yantai Wanhua Chemical Industry Co., Ltd.	Director	29/12/2018	03/04/2019
Rong Feng	Yantai Wanhua Chemical Industry Co., Ltd.	Director	29/12/2018	03/04/2019
Chen Dianxin	Yantai Wanhua Chemical Industry Co., Ltd.	Director	29/12/2018	03/04/2019
Qi Guishan	Yantai Wanhua Chemical Industry Co., Ltd.	Director	29/12/2018	03/04/2019
Guo Xingtian	Yantai Wanhua Chemical Industry Co., Ltd.	Director	30/01/2018	03/04/2019
Tian Hongguang	Yantai Wanhua Chemical Industry Co., Ltd.	Supervisor	30/01/2018	03/04/2019
Yao Yuan'en	Yantai Wanhua Chemical Industry Co., Ltd.	Supervisor	30/01/2018	03/04/2019
	Descriptions	Yantai Wanhua Chemical Industry Co., Ltd. was cancelled on 3 April 2019		

(II) Duties in other entities

Applicable Not Applicable

Name	Name of other entity	Position held	Starting date of term	Expiration 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	March 2018
Sunxiao	Kaisa Group Holdings Ltd.	Vice president	November 2018	
Chen Yifeng	Yantai Port Wanhua Industry Park Yard Co., Ltd.	Chairman	January 2013	
	Descriptions			

III. Compensation of directors, supervisors and key management personnel

Applicable Not Applicable

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 30.617 million to the directors, supervisors and senior management of the Company in total.

IV. Alteration of directors, supervisors and key management personnel

Applicable Not Applicable

Name	Position	Changes	Reason for the change
Liao Zengtai	President	Retirement	Changed upon review and approval by the board of directors on 20 April 2019
Kou Guangwu	President	Employment	Employed by the board of directors on 20 April 2019
Kou Guangwu	Vice president, Person in charge of finance, Secretary of the board	Retirement	Changed upon review and approval by the board of directors on 20 April 2019
Hua Weiqi	Director	Election	Elected in the first extraordinary shareholder meeting of the Company of 2019 on 7 March 2019
Hua Weiqi	Executive Vice president	Employment	Employed by the board of directors on 20 April 2019
Li Limin	Vice president	Employment	Employed by the board of directors on 25 June 2019
Li Limin	Person in charge of finance, Secretary of the board	Employment	Employed by the board of directors on 20 April 2019
Rong Feng	Director	Election	Elected in the first extraordinary shareholder meeting of the Company of 2019 on 7 March 2019
Chen Dianxin	Director	Election	Elected in the first extraordinary shareholder meeting of the Company of 2019 on 7 March 2019
Qi Guishan	Director	Election	Elected in the first extraordinary shareholder meeting of the Company of 2019 on 7 March 2019
Wang Jianbo	Supervisor	Election	Elected in the Company's employee representative assembly on 15 February 2019
Yao Yuanjun	Supervisor	Election	Elected in the Company's employee representative assembly on 15 February 2019
Su Jingran	Supervisor	Election	Elected in the Company's employee representative assembly on 15 February 2019
Li Jiankui	Director	Retirement	Retired, submitting to the board of directors the resignation letter on 16 February 2019
Ding Jiansheng	Director	Retirement	Retired, submitting to the board of directors the resignation letter on 16 February 2019
Mu Simon Xinming	Director	Retirement	Retired, submitting to the board of directors the resignation letter on 16 February 2019
Liu Lixin	Director	Retirement	Retired, submitting to the board of directors the resignation letter on 16 February 2019
Che Yun	Supervisor	Retirement	Submitting to the board of directors the resignation letter on 15 February 2019
Tian Hongguang	Supervisor	Retirement	Submitting to the board of directors the resignation letter on 15 February 2019
Yao Yuan'en	Supervisor	Retirement	Submitting to the board of directors the resignation letter on 15 February 2019
Zhao Junsheng	Supervisor	Retirement	Submitting to the board of directors the resignation letter on 15 February 2019

V. Penalty by regulators in recent three years

Applicable Not Applicable

VI. Information of the Company's employees

(I) Information of employees

Amount of employees of parent company	6,749
Amount of employees of main subsidiaries	4,331
Total amount of employees on active duty	11,080
Retired employees whose expense is undertaken by parent company and main subsidiaries	123
Composition of employees by specialization	
Areas of specialization	Headcounts (persons)
Production personnel	6,539
Marketing and sales personnel	552
Engineering technical personnel	2,264
Finance and auditing personnel	150
Administrative personnel	1,575
Total	11,080
Composition of employees by education level	
Education level	Headcounts (persons)
Doctor degree	112
Master degree	1,287
Bachelor degree	2,553
Junior college	5,259
Below junior college	1,869
Total	11,080

(II) Remuneration policy

Applicable Not Applicable

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 performance 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 Not Applicable

For training in 2018, the Company keeps to management theme of "Further Safety Management Year", lays a solid foundation and grasps key points to continuously promote engineer training and position skill certification, seriously fulfills standardization of working shifts and leadership promotion, and improve staff's abilities in all aspects.

In 2019, the Company will establish Wanhua University to reform talents' cultivation system and accelerate cultivation of talents; continuously improve the Company's training course system, teacher management system, information and knowledge management system, and continuously develop and implement oriented training projects, foster a talent team which has ideals, passions for posts and jobs, cohesion and action capacity so as to drive realization of the Company's strategic targets.

(IV) Information of labor outsourcing

Applicable Not Applicable

Total working hours of labor outsourcing	3,447,516
Total remuneration paid for labor outsourcing	102,848,467

VII. Others

Applicable Not Applicable

Section IX Corporate Governance

I. Corporate governance and related information

Applicable Not Applicable

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 has 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, the Company strengthened protection for medium and small investors. The Company modified some articles and clauses of the articles of association, the modification was passed by the 1st interim general meeting of shareholders in 2018 convened on 12 January 2018.

As of February 2019, the overall listing of the Company has been completed. According to agreements such as the Agreement of Merger by Absorption entered into by all counterparties. The Company's registered capital is changed from RMB 2,734,012,800 to RMB 3,139,746,626. Changes of industrial and commercial registration have been completed on 3 April 2019. In addition, according to the newly revised Company Law of the People's Republic of China and the Articles of Association, as well as in combination of demands on the Company's operation and development, the Company modified, supplemented and improved parts of articles and clauses of the Articles of Association. The modification was passed by the 1st interim general meeting of shareholders in 2019 convened on 7 March 2019.

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

Applicable Not Applicable

II. Brief introduction of shareholders meeting

Sequence of the meeting	Date	Designated index website of resolutions publicized	Disclosure date of resolutions
The first extraordinary shareholder meeting of 2018	12/01/2018	http://www.sse.com.cn	13/01/2018
The second extraordinary shareholder meeting of 2018	28/02/2018	http://www.sse.com.cn	01/03/2018
2017 general shareholder meeting	10/05/2018	http://www.sse.com.cn	11/05/2018
The third extraordinary shareholder meeting of 2018	19/07/2018	http://www.sse.com.cn	20/07/2018
The fourth extraordinary shareholder meeting of 2018	17/12/2018	http://www.sse.com.cn	18/12/2018
The fifth extraordinary shareholder meeting of 2018	17/12/2018	http://www.sse.com.cn	18/12/2018

Descriptions to general meeting of shareholder

Applicable Not Applicable

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)	Absence (Times)	Absence twice consecutively (yes or no)	Number of attendance in general meeting of shareholders
Liao Zengtai	No	16	1	15	0	0	No	6
Kou Guangwu	No	16	1	15	0	0	No	6
Li Jiankui	No	16	0	15	1	0	No	0
Ding Jiansheng	No	16	1	15	0	0	No	0
Guo Xingtian	No	16	1	15	0	0	No	0
MU SimonXinming	No	16	0	15	1	0	No	0
Liu Lixin	No	16	1	15	0	0	No	0
Wang Baotong	Yes	16	1	15	0	0	No	0
Bao Yongjian	Yes	16	0	16	0	0	No	2
Zhang Xiaorong	Yes	16	1	15	0	0	No	0
Zhang Wanbin	Yes	16	1	15	0	0	No	0

Statement of absence twice consecutively

Applicable Not Applicable

Number of meetings of the Board	16
Including: Number of on-site meetings	1
Number of meetings via communication tools	15
Number of meetings on-site and via communication tools simultaneously	0

(II) Circumstance where independent directors raised different opinions

Applicable Not Applicable

(III) Others

Applicable Not Applicable

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 Not Applicable

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

Applicable Not Applicable

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 Not Applicable

Resolutions, work schedules and subsequent working plan for peer rivalry

Applicable Not Applicable

Please 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" for details of solving horizontal competition.

Commitments to solve horizontal competition made by the controlling shareholder of the Company have been performed. Please refer to Lin 2018 No.15 "Announcement for Results of Wanhua Chemical Group Co., Ltd. to Merger Yantai Wanhua Chemical Industry Co., Ltd. by New Additional Shares and Share Equity Changes" for details.

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

Applicable Not Applicable

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 Not Applicable

Details refer to the Company's 2018 Self-evaluation Report on Internal Control disclosed in www.sse.com.cn, the official website of Shanghai Stock Exchange, on 23 April 2019.

Explanations of significant deficiency in internal control during the reporting period

Applicable Not Applicable

IX. Auditors' report on internal control

Applicable Not Applicable

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 23 April 2019.

If the Company release internal control report or not: Yes

X. Others

Applicable Not Applicable

Section X Circumstances about Corporate Bonds

Applicable Not Applicable

Section XI Financial Report

I. Auditor's Report

Applicable Not Applicable

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (19) No.P02567

[Translation]

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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 2018, 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 financial statements attached are prepared and present fairly, in all material respects, the consolidated and the Company's financial position as of 31 December 2018, 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: Description of Construction in Progress

As stated in Note VII.11 of the financial statement, for the year ended 31 December 2018, the carrying amount of construction in progress in the Company's consolidated balance sheet amounted to RMB 10,251,052,690.88, accounting for about 13% 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 year 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 a 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 that have been verified by the third-party supervisor, 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 and the third-party supervisor 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: Description of revenue recognition

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, (2), of the financial statements – principal operating income segment report categorized by regions, the Company's principal income in the domestic market for 2018 amounted to RMB 39,341,363,928.14, accounting for 65.72% 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 assume the risks of the potential damages of such products upon acceptance and confirmation by 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 country. It takes a period of time for the receipt to be submitted to the Company by the salesman, following 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 are in a 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 an appropriate accounting period as a key audit matter.

Audit response

Our principal audit procedures in relation to the cut-off 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 appropriateness of accounting policies of revenue recognition of domestic sales by reviewing significant sales contracts and interviewing with the management;

(3) Sample test of revenue from domestic sales and check the delivery orders and other supporting documents accepted and confirmed by the domestic customers;

(4) In terms of the delivery record of December 2018, 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

The management of the Company is responsible for the other information. The other information comprises the information included in the 2018 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 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

The 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, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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 a 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 deficiency 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

Shanghai, China

Chinese Certified Public Accountant

(Engagement Partner)

Wu Xiaohui

Chinese Certified Public Accountant

Wang Xin

20 April 2019

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

II. Financial Statements

Consolidated Balance Sheet

AT 31 DECEMBER 2018

Prepared by Wanhua Chemical Group Co., Ltd.

Unit: RMB

Item	Note	Closing balance	Opening balance
Current Assets:			
Cash and bank balances	VII. 1	5,096,036,180.56	3,062,974,654.18
Balances with clearing agencies			
Placements with banks and other financial institutions			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes and accounts receivable	VII. 2	12,081,634,829.05	14,141,089,963.45
Including: Notes receivable		9,539,066,246.73	11,308,297,066.37
Accounts receivable		2,542,568,582.32	2,832,792,897.08
Prepayments	VII. 3	409,126,010.37	481,975,826.77
Premiums receivable			
Amounts receivable under reinsurance contracts			
Reinsurer's share of insurance contract reserves			
Other receivables	VII. 4	133,376,115.09	246,322,725.81
Including: Interest receivable			
Dividends receivable			
Financial assets purchased under resale agreements			
Inventories	VII. 5	7,810,177,079.88	6,999,627,326.74
Held-for-sale assets			
Non-current assets due within one year			
Other current assets	VII. 6	4,214,227,005.41	268,224,126.74
Total current assets		29,744,577,220.36	25,200,214,623.69
Non-current Assets:			
Loans and advances to customers			
Available-for-sale financial assets	VII. 7	20,000,000.00	20,000,000.00
Held-to-maturity investments			
Long-term receivables	VII. 8	459,981,985.67	318,793,498.76
Long-term equity investments	VII. 9	642,774,181.07	525,628,774.00
Investment properties			
Fixed assets	VII. 10	29,119,836,261.01	27,610,330,297.20
Construction in progress	VII. 11	10,251,052,690.88	7,305,529,419.73
Bearer biological assets			
Oil and gas assets			
Intangible assets	VII. 12	3,129,311,416.21	2,521,052,340.83
Development expenditure			
Goodwill	VII. 13	277,518,585.35	277,518,585.35

Long-term prepaid expenses	VII. 14	54,573,026.20	15,473,499.25
Deferred tax assets	VII. 15	879,548,757.42	1,025,337,106.74
Other non-current assets	VII. 16	2,333,485,077.35	1,007,854,102.69
Total non-current assets		47,168,081,981.16	40,627,517,624.55
TOTAL ASSETS		76,912,659,201.52	65,827,732,248.24
Current Liabilities:			
Short-term borrowings	VII. 17	17,411,711,439.85	12,714,569,960.22
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. 18	1,173,476.80	
Notes and accounts payable	VII. 19	7,835,339,240.56	6,239,855,614.47
Receipts in advance	VII. 20	2,824,093,568.99	2,679,648,525.88
Financial assets sold under repurchase agreements			
Fees and commissions payable			
Employee benefits payable	VII. 21	774,151,138.42	730,321,421.23
Taxes payable	VII. 22	1,597,885,893.22	2,245,188,240.76
Other payables	VII. 23	601,073,183.63	539,995,908.35
Including: Interest payable		56,146,092.48	31,970,671.84
Dividends payable		18,000,000.00	
Amounts payable under reinsurance contracts			
Insurance contract reserves			
Funds from securities trading agency			
Funds from underwriting securities agency			
Held-for-sale liabilities			
Non-current liabilities due within one year	VII. 24	1,934,146,666.65	2,670,513,333.46
Other current liabilities			
Total current liabilities		32,979,574,608.12	27,820,093,004.37
Non-current Liabilities:			
Long-term borrowings	VII. 25	3,817,504,999.96	6,321,648,809.13
Bonds payable			
Including: Preference shares			
Perpetual bonds			
Long-term payables	VII. 26		1,352,722.00
Long-term employee benefits payable			
Provisions			
Deferred income	VII. 27	846,053,109.60	915,610,203.02
Deferred tax liabilities	VII. 15	19,114,820.59	14,900,951.35

Other non-current liabilities			
Total non-current liabilities		4,682,672,930.15	7,253,512,685.50
TOTAL LIABILITIES		37,662,247,538.27	35,073,605,689.87
Owners' Equity (Shareholders' Equity):			
Paid-in capital (or Share capital)	VII. 28	2,734,012,800.00	2,734,012,800.00
Other equity instruments			
Including: Preference shares			
Perpetual bonds			
Capital reserve	VII. 29	2,392,825,722.70	2,392,825,722.70
Less: Treasury shares			
Other comprehensive income	VII. 30	-646,318.14	9,518,565.65
Special reserve	VII. 31		
Surplus reserve	VII. 32	2,823,172,641.71	2,823,172,641.71
General risk reserve			
Retained profits	VII. 33	25,829,370,826.43	19,320,010,167.13
Total owners' equity attributable to equity holders of the Company		33,778,735,672.70	27,279,539,897.19
Minority interests		5,471,675,990.55	3,474,586,661.18
Total Owners' (Shareholders') Equity		39,250,411,663.25	30,754,126,558.37
Total Liabilities and Owners' Equity		76,912,659,201.52	65,827,732,248.24

Legal Representative: Liao Zengtai

Person in Charge of the Accounting Body: Kou Guangwu

Chief Accountant: Zhang Shoujun

Balance Sheet of the Company

At 31 December 2018

Prepared by Wanhua Chemical Group Co., Ltd.

Unit: RMB

Item	Note	Closing balance	Opening balance
Current Assets:			
Cash and bank balances		1,818,122,590.77	2,214,358,511.06
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes and accounts receivable	XVII. 1	6,890,775,370.43	8,870,224,560.84
Including: Notes receivable		677,327,549.70	2,824,289,219.62
Accounts receivable		6,213,447,820.73	6,045,935,341.22
Prepayments		183,477,666.74	221,801,873.88
Other receivables	XVII. 2	1,126,140,051.19	1,126,477,120.08
Including: Interest receivable			
Dividends receivable			44,000,000.00
Inventories		2,243,039,530.49	2,582,117,980.56
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		4,068,087,087.54	16,052,999.25
Total current assets		16,329,642,297.16	15,031,033,045.67
Non-current assets:			
Available-for-sale financial assets		20,000,000.00	20,000,000.00
Held-to-maturity investments			
Long-term receivables		572,211,424.00	462,431,762.00
Long-term equity investments	XVII. 3	5,309,115,613.42	4,868,876,085.21
Investment properties			
Fixed assets		11,379,524,766.75	9,191,430,136.83
Construction in progress		8,252,439,910.97	6,091,226,352.40
Bearer biological assets			
Oil and gas assets			
Intangible assets		2,204,845,125.98	1,583,694,835.82
Development expenditure			
Goodwill			
Long-term prepaid expenses		50,222,542.41	10,844,790.67
Deferred tax assets		202,594,562.32	296,648,593.06
Other non-current assets		1,648,453,941.02	802,974,226.65
Total non-current assets		29,639,407,886.87	23,328,126,782.64
Total assets		45,969,050,184.03	38,359,159,828.31
Current Liabilities:			
Short-term borrowings		6,325,000,000.00	6,086,315,000.00
Financial liabilities at fair value through profit or loss			

Derivative financial liabilities		
Notes and accounts payable	2,899,651,126.32	2,481,903,779.52
Receipts in advance	7,990,313,957.31	37,595,121.71
Employee benefits payable	516,677,939.72	509,759,885.12
Taxes payable	27,108,253.22	378,386,599.22
Other payables	298,443,700.76	247,665,986.74
Including: Interest payable	13,712,973.38	14,481,454.45
Dividends payable		
Held-for-sale liabilities		
Non-current liabilities due within one year	1,864,666,666.65	1,677,333,333.46
Other current liabilities		
Total current liabilities	19,921,861,643.98	11,418,959,705.77
Non-current Liabilities:		
Long-term borrowings	3,696,000,000.00	5,400,666,666.29
Bonds payable		
Including: Preference shares		
Perpetual bonds		
Long-term payables		1,352,722.00
Long-term employee benefits payable		
Provisions		
Deferred income	593,421,396.46	639,666,792.37
Deferred tax liabilities		
Other non-current liabilities		
Total non-current liabilities	4,289,421,396.46	6,041,686,180.66
Total Liabilities	24,211,283,040.44	17,460,645,886.43
Owners' Equity (Shareholders' Equity):		
Paid-in capital (or Share capital)	2,734,012,800.00	2,734,012,800.00
Other equity instruments		
Including: Preference shares		
Perpetual bonds		
Capital reserve	2,445,915,517.42	2,445,915,517.42
Less: Treasury shares		
Other comprehensive income		
Special reserve		
Surplus reserve	2,823,172,641.71	2,823,172,641.71
Retained profits	13,754,666,184.46	12,895,412,982.75
Total Owners' (Shareholders') Equity	21,757,767,143.59	20,898,513,941.88
Total Liabilities and Owners' (Shareholders') Equity	45,969,050,184.03	38,359,159,828.31

Legal Representative: Liao Zengtai

Person in Charge of the Accounting Body: Kou Guangwu

Chief Accountant: Zhang Shoujun

Consolidated Income Statement

January 2018 - December 2018

Unit: RMB

Item	Note	Amount for the current year	Amount for the prior year
I. Total Operating Income		60,621,193,436.91	53,123,173,258.81
Including: Operating income	VII. 34	60,621,193,436.91	53,123,173,258.81
Interest income			
Premiums earned			
Fee and commission income			
II. Total Operating Costs		45,752,758,701.34	37,192,905,993.04
Including: Operating costs	VII. 34	40,114,356,881.19	32,033,253,462.20
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. 35	545,971,599.99	475,378,440.49
Selling expenses	VII. 36	1,721,464,243.82	1,416,999,560.47
Administrative expenses	VII. 37	1,001,505,576.04	796,303,927.67
R&D expenses	VII. 38	1,610,117,528.86	1,238,264,348.48
Financial expenses	VII. 39	795,019,862.22	929,390,186.18
Including: Interest expenses		896,456,537.48	852,789,780.70
Interest income		58,213,182.33	28,161,222.41
Impairment losses of assets	VII. 40	-35,676,990.78	303,316,067.55
Add: Other income	VII. 41	1,104,353,815.59	901,790,723.66
Investment income (Losses are indicated by "-")	VII. 42	93,472,439.19	125,557,555.26
Including: Investment income from investments in associates and joint ventures		93,472,439.19	104,557,555.26
Gains from changes in fair values (Losses are indicated by "-")			
Income from disposal of assets (Losses are indicated by "-")	VII. 43	18,720,809.02	1,687,270.04
Foreign exchange gains (Losses are indicated by "-")			
III. Operating Profit (Losses are indicated by "-")		16,084,981,799.37	16,959,302,814.73
Add: Non-operating income	VII. 44	9,796,721.29	18,683,867.48
Less: Non-operating expenses	VII. 45	116,998,288.98	228,250,891.93
IV. Total Profit (Losses are indicated by "-")		15,977,780,231.68	16,749,735,790.28
Less: Income tax expenses	VII. 46	3,148,138,248.30	3,440,416,082.30
V. Net Profit (Net losses are indicated by "-")		12,829,641,983.38	13,309,319,707.98
(1) Categorized by the continuity of operations: (Net losses are indicated by "-")			
1. Net profit from continuing operations (Net losses are indicated by "-")		12,829,641,983.38	13,309,319,707.98

2. Net profit from discontinued operations (Net losses are indicated by "-")			
(2) Categorized by ownership:			
1. Net profit (losses) attributable to shareholders of the Company		10,610,379,859.30	11,134,790,281.66
2. Net profit(losses) attributable to minority interests		2,219,262,124.08	2,174,529,426.32
VI. Other Comprehensive Income, Net of Tax	VII. 47	-10,164,883.79	1,911,032.41
Amount attributable to shareholders of the Company		-10,164,883.79	1,911,032.41
(1) Items that will not be reclassified subsequently to profit or loss			
1. Changes from re-measurement of net liabilities or assets from defined benefit plans			
2. Share of other comprehensive income of the investee that cannot be reclassified to profit or loss under the equity method			
(2) Items that may be reclassified subsequently to profit or loss		-10,164,883.79	1,911,032.41
1. Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method			
2. Profit or loss on changes in the fair value of available-for-sale financial assets			
3. Profit or loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of profit or loss in cash flow hedges		-1,173,476.80	7,514,019.66
5. Translation differences of financial statements denominated in foreign currencies		-8,991,406.99	-5,602,987.25
6. Others			
Amount attributable to minority interests			
VII. Total Comprehensive Income:		12,819,477,099.59	13,311,230,740.39
Amount attributable to shareholders of the Company		10,600,214,975.51	11,136,701,314.07
Amount attributable to minority interests		2,219,262,124.08	2,174,529,426.32
VIII. Earnings per Share:			
(1) Basic earnings per share (RMB1.00/share)	XVIII. 2	3.88	4.09
(2) Diluted earnings per share (RMB1.00/share)			

Legal Representative: Liao Zengtai

Person in Charge of the Accounting Body: Kou Guangwu

Chief Accountant: Zhang Shoujun

Income Statement of the Company

January 2018 - December 2018

Unit: RMB

Item	Note	Amount for the current year	Amount for the prior year
I. Operating Income	XVII. 4	20,288,200,600.97	21,334,408,066.30
Less: Operating costs	XVII. 4	12,644,508,494.93	11,832,063,044.78
Taxes and levies		204,871,399.20	148,427,200.87
Selling expenses		114,395,213.57	137,060,833.12
Administrative expenses		690,894,543.11	491,848,223.69
R&D expenses		969,644,353.08	796,043,630.61
Financial expenses		390,907,382.59	529,515,069.18
Including: Interest expenses		466,707,117.98	561,236,036.32
Interest income		69,147,582.18	53,917,540.23
Impairment losses of assets		-354,485.24	118,145,356.13
Add: Other income		91,147,900.24	290,871,100.98
Investment income (Losses are indicated by "-")	XVII. 5	333,360,110.03	6,017,389,219.50
Including: Investment income from investments in associates and joint ventures		22,333,194.21	30,885,932.84
Gains from changes in fair values (Losses are indicated by "-")			
Income from disposal of assets (Losses are indicated by "-")		9,032,348.10	33,238,546.96
II. Operating Profit (Losses are indicated by "-")		5,706,874,058.10	13,622,803,575.36
Add: Non-operating income		4,133,463.06	3,137,889.93
Less: Non-operating expenses		78,398,092.07	136,704,426.53
III. Total Profit (Losses are indicated by "-")		5,632,609,429.09	13,489,237,038.76
Less: Income tax expenses		672,337,027.38	1,050,617,212.73
IV. Net Profit (Losses are indicated by "-")		4,960,272,401.71	12,438,619,826.03
(I) Net profit from continuing operations (Net losses are indicated by "-")		4,960,272,401.71	12,438,619,826.03
(II) Net profit from discontinued operations (Net losses are indicated by "-")			
V. Other Comprehensive Income, Net of Tax			
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss			
1. Changes from re-measurement of net liabilities or assets from defined benefit plans			
2. Share of other comprehensive income of the investee that cannot be reclassified to profit or loss under the equity method			
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method			
2. Profit or loss on changes in the fair value of available-for-sale financial assets			
3. Profit or loss arising from reclassification of held-to-maturity investments to available-for-sale financial assets			
4. Effective portion of profit or loss from cash flow hedges			

5. Translation differences of financial statements denominated in foreign currencies		
6. Others		
VI. Total Comprehensive Income	4,960,272,401.71	12,438,619,826.03
VII. Earnings per Share:		
(I) Basic earnings per share (RMB1.00/share)		
(II) Diluted earnings per share (RMB1.00/share)		

Legal Representative: Liao Zengtai

Person in Charge of the Accounting Body: Kou Guangwu

Chief Accountant: Zhang Shoujun

Consolidated Cash Flow Statement

January 2018 - December 2018

Unit: RMB

Item	Note	Amount for the current year	Amount for the prior year
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		77,845,920,170.13	61,535,059,267.31
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 increased amount from 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		1,142,862,412.37	1,093,952,152.13
Other cash receipts relating to operating activities	VII. 48 (1)	1,084,226,238.70	1,344,331,106.02
Sub-total of cash inflows from operating activities		80,073,008,821.20	63,973,342,525.46
Cash payments for goods purchased and services received		46,945,334,576.27	43,714,485,045.21
Net increase in loans and advances to customers			
Net increase in balance with the central bank and due from banks and other financial institution			
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		2,893,584,289.83	2,055,572,019.88
Payments of various types of taxes		7,241,926,293.29	5,311,389,823.34
Other cash payments relating to operating activities	VII. 48 (2)	3,734,669,232.35	2,184,097,041.63
Sub-total of cash outflows from operating activities		60,815,514,391.74	53,265,543,930.06
Net cash flow from operating activities		19,257,494,429.46	10,707,798,595.40
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments			
Cash receipts from investment income		66,304,460.18	29,033,203.80
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		35,874,749.14	35,978,125.93
Net cash receipts from disposals of subsidiaries and other business units			
Cash receipts from other investment activities	VII. 48 (3)	5,400,404.72	
Sub-total of cash inflows from investing activities		107,579,614.04	65,011,329.73

Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		10,279,010,028.35	5,952,652,459.30
Cash payments to acquire investments		145,666,100.00	65,800,000.00
Net increase in pledged loans receivables			
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities	VII. 48 (4)	921,393.80	2,128,900.00
Sub-total of cash outflows from investing activities		10,425,597,522.15	6,020,581,359.30
Net cash flow from investing activities		-10,318,017,908.11	-5,955,570,029.57
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions			2,487,297,171.50
Including: cash receipts from capital contributions from minority shareholders of subsidiaries			27,297,187.50
Cash receipts from borrowings		38,661,869,639.10	24,453,540,306.73
Cash receipts from issue of bonds			
Other cash receipts relating to financing activities			
Sub-total of cash inflows from financing activities		38,661,869,639.10	26,940,837,478.23
Cash repayments of borrowings		41,268,578,961.66	23,289,622,001.53
Cash repayments for distributing of dividends or profits or settlement of interest expenses		5,330,024,872.03	4,298,057,355.00
Including: payments for distribution of dividends or profits to minority shareholders of subsidiaries		328,125,000.00	2,239,590,937.50
Cash repayments of bond redemptions			3,010,400,000.00
Other cash payments relating to financing activities	VII. 48 (5)	598,456.01	2,691,268.86
Sub-total of cash outflows from financing activities		46,599,202,289.70	30,600,770,625.39
Net cash flow from financing activities		-7,937,332,650.60	-3,659,933,147.16
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		43,010,201.92	-8,840,594.16
V. Net Increase in Cash and Cash Equivalents		1,045,154,072.67	1,083,454,824.51
Add: Opening balance of Cash and Cash Equivalents		3,046,303,365.52	1,962,848,541.01
VI. Closing Balance of Cash and Cash Equivalents		4,091,457,438.19	3,046,303,365.52

Legal Representative: Liao Zengtai

Person in Charge of the Accounting Body: Kou Guangwu

Chief Accountant: Zhang Shoujun

Cash Flow Statement of the Company

January 2018 - December 2018

Unit: RMB

Item	Note	Amount for the current year	Amount for the prior year
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		27,368,461,769.05	24,520,299,812.53
Receipts of tax refunds		16,987,744.89	149,258,621.12
Other cash receipts relating to operating activities		29,196,558.50	514,656,486.46
Sub-total of cash inflows from operating activities		27,414,646,072.44	25,184,214,920.11
Cash payments for goods purchased and services received		11,688,193,498.62	13,879,033,232.01
Cash payments to and on behalf of employees		1,675,818,733.92	1,194,360,390.40
Payments of various types of taxes		2,051,654,661.14	1,450,595,820.96
Other cash payments relating to operating activities		1,209,295,252.95	514,382,309.62
Sub-total of cash outflows from operating activities		16,624,962,146.63	17,038,371,752.99
Net cash flow from operating activities	XVII. 6 (1)	10,789,683,925.81	8,145,843,167.12
II. Cash Flows from Investing Activities:			
Cash receipts from investment income		404,681,315.82	319,081,662.50
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		5,864,353,226.75	2,127,903,503.25
Net cash receipts from disposals of subsidiaries and other business units			
Cash receipts from other investment activities		2,825,231,900.00	851,764,100.00
Sub-total of cash inflows from investing activities		9,094,266,442.57	3,298,749,265.75
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		7,787,013,540.98	4,702,392,576.01
Cash payments to acquire investments		407,666,100.00	2,493,502,762.50
Net cash payments for acquisitions of subsidiaries and other business units			
Other cash payments relating to investing activities		2,844,678,000.00	1,025,311,200.00
Sub-total of cash outflows from investing activities		11,039,357,640.98	8,221,206,538.51
Net cash flow from investing activities		-1,945,091,198.41	-4,922,457,272.76
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions			2,459,999,984.00
Cash receipts from borrowings		13,732,262,499.29	10,878,383,026.28
Cash receipts from issue of bonds			
Other cash receipts relating to financing activities			1,153,926,738.34
Sub-total of cash inflows from financing activities		13,732,262,499.29	14,492,309,748.62
Cash repayments of borrowings		18,900,329,073.24	11,629,637,322.67
Cash payments for distribution of dividends or profits or settlement of interest expenses		4,580,305,854.58	1,764,461,868.24
Cash payments to redemption of bonds			2,700,000,000.00
Other cash payments relating to financing activities		220,173.09	113,047.62
Sub-total of cash outflows from financing activities		23,480,855,100.91	16,094,212,238.53

Net Cash flow from financing activities	-9,748,592,601.62	-1,601,902,489.91
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	7,763,953.93	-12,774,357.85
V. Net Increase (Decrease) in Cash and Cash Equivalents	-896,235,920.29	1,608,709,046.60
Add: Opening balance of cash and cash equivalents	2,214,358,511.06	605,649,464.46
VI. Closing Balance of Cash and Cash Equivalents	XVII.6 (2) 1,318,122,590.77	2,214,358,511.06

Legal Representative: Liao Zengtai

Person in Charge of the Accounting Body: Kou Guangwu

Chief Accountant: Zhang Shoujun

Consolidated Statement of Changes in Shareholders' Equity

From January 2018 to June 2018

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	2,734,012,800.00				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
Add: Changes in accounting policies													
Corrections of prior period errors													
Business combination involving enterprises under common control													
Others													
II. Opening 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
III. Changes for the Year							-10,164,883.79				6,509,360,659.30	1,997,089,329.37	8,496,285,104.88
(I) Total other comprehensive income							-10,164,883.79				10,610,379,859.30	2,219,262,124.08	12,819,477,099.59
(II) Owners' contributions and reduction in capital													
1. Ordinary shares contributed by shareholders													
2. Capital contribution from holders of other equity instruments													
3. Share-based payment recognized in owners' equity													
4. Others													
(III) Profit distribution											-4,101,019,200.00	-346,125,000.00	-4,447,144,200.00
1. Transfer to surplus reserve													

2. Transfer to general risk reserve								
3. Distributions to [owners/ shareholders]					-4,101,019,200.00	-346,125,000.00	-4,447,144,200.00	
4. Others								
(IV) Transfers within owners' equity								
1. Capitalization of capital reserve (or share capital)								
2. Capitalization of surplus reserve (or share capital)								
3. Loss offset by surplus reserve								
4. Changes in defined benefit plan carried forward to retained profits								
5. Others								
(V) Special reserve								
1. Transfer to special reserve in the period				135,978,134.06		18,767,191.26	154,745,325.32	
2. Amount utilized in the period				135,978,134.06		18,767,191.26	154,745,325.32	
(VI) Others						123,952,205.29	123,952,205.29	
Changes in consolidation scope (Note)						123,952,205.29	123,952,205.29	
IV. Closing Balance of the current Year	2,734,012,800.00	2,392,825,722.70	-646,318.14	2,823,172,641.71	25,829,370,826.43	5,471,675,990.55	39,250,411,663.25	

Note: Changes in the scope of consolidation refers to the increased minority interests arising from inclusion of the Company' s previous associate, Yantai Recycled Water Co., Ltd. ("Recycled Water Company") in the scope of consolidation since the Company has controlled over the Recycled Water Company. Details can refer to Note VII. 9.

Consolidated Statement of Changes in Shareholders' Equity (Continued)

Unit: RMB

ITEM	Amount for the current period											Minority interests	Total owners' equity
	Attributable to owners of the Company												
	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 combination 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	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 other 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 holders of other equity instruments													
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 risk reserve													

3. Distributions to owners/ 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 (or share capital)							
2. Capitalization of surplus reserve (or share capital)							
3. Loss offset by surplus reserve							
4. Changes in defined benefit plan carried forward to re- tained profits							
5. Others							
(V) Special reserve							
1. Transfer to special reserve in the period				135,978,134.06		12,399,306.82	79,519,539.47
2. Amount utilized in the period				135,978,134.06		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

Legal Representative: Liao Zengtai

Person in Charge of the Accounting Body: Kou Guangwu

Chief Accountant: Zhang Shoujun

Note: As approved by the China Securities Regulatory Commission ("CSRC") 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 (exclusive of VAT) and other issuance expenses of RMB 1,839,622.64 (exclusive of VAT), is the actual raised funds of RMB 2,460,424,512.30, including new registered capital of RMB 116,009,280.00 and share premiums of RMB 2,344,415,232.30.

Statement of Changes in Shareholders' Equity of the Company

January 2018 - December 2018

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	2,734,012,800.00				2,445,915,517.42				2,823,172,641.71	12,895,412,982.75	20,898,513,941.88
Add: Changes in accounting policies											
Corrections of prior period errors											
Others											
II. Opening 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
III. Changes for the Year										859,253,201.71	859,253,201.71
(I) Total other comprehensive income										4,960,272,401.71	4,960,272,401.71
(II) Owners' contributions and reduction in capital											
1. Ordinary shares contributed by shareholders											
2. Capital contribution from holders of other equity instruments											
3. Share-based payment recognized in owners' equity											
4. Others											
(III) Profit distribution										-4,101,019,200.00	-4,101,019,200.00
1. Transfer to surplus reserve											
2. Distributions to owners/shareholders										-4,101,019,200.00	-4,101,019,200.00
3. Others											
(IV) Transfers within owners' equity											
1. Capitalization of capital reserve (or share capital)											
2. Capitalization of surplus reserve (or share capital)											
3. Loss offset by surplus reserve											
4. Changes in defined benefit plan carried forward to retained profits											
5. Others											
(V) Special reserve											
1. Transfer to special reserve in the period								47,016,648.22			47,016,648.22
2. Amount utilized in the period								47,016,648.22			47,016,648.22
(VI) Others											
IV. Closing Balance of the Current Year	2,734,012,800.00				2,445,915,517.42				2,823,172,641.71	13,754,666,184.46	21,757,767,143.59

Consolidated Statement of Changes in Shareholders' Equity (Continued)

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 errors											
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	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 other 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 holders of other equity instruments											
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/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 (or share capital)											
2. Capitalization of surplus reserve (or share capital)											
3. Loss offset by surplus reserve											
4. Changes in defined benefit plan carried forward to retained profits											
5. 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

Legal Representative: Liao Zengtai

Person in Charge of the Accounting Body: Kou Guangwu

Chief Accountant: Zhang Shoujun

III. Basic Information About The Company

(I) General

Applicable Not Applicable

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 (Lu Zheng Gu Zi [1998] No. 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 No.17, Tianshan Rd, YEDA, Yantai, Shandong Province, PRC. The business nature of the Company and its subsidiaries (hereinafter referred to as the "Group") involves development, sale and manufacture of chemical products, with principal operating activities covering development, sale and manufacture of polyurethane and its additives as well as isocyanate (MDI) 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 sales of PU; sales 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 at 30 January 2018, the Company's original controlling shareholder, Wanhua Industrial Group Co., Ltd. (hereinafter referred to as "Wanhua Industry") was successfully divided with the original company survival. In details, Wanhua Industrial was divided into Wanhua Industry, as the surviving company, and Yantai Wanhua Chemical Industry Co., Ltd. (hereinafter referred to as "Wanhua Chemical Industry"), as the newly established company. Subsequent to this division, the parent company of the Company was changed from Wanhua Industry to Wanhua Chemical Industry, with the ultimate controlling shareholder unchanged, still the State-owned Assets Supervision and Administration Commission of Yantai Municipal Government.

As at 19 July 2018, the proposal for material asset reorganization ("Material Asset Reorganization") of the Company by merging Wanhua Chemical Industry was approved in the third extraordinary general shareholder meeting. The transaction for merging Wanhua Chemical Industry into the Company was approved by the Review Committee for M&A and Reorganization of Listing Company of CSRC at the 39th M&A and Reorganization Committee working conference in 2018 held on August 16 2018. Assets involved in the Material Asset Reorganization above was completed on 31 January 2019.

The Company and the consolidated financial statements of the Company have been approved by the board of the directors on 20 April 2019.

(II) Scope of consolidated financial statements

Applicable Not Applicable

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

IV. Basic of Preparation of Financial Statements

(I) 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 (Revised in 2014).

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, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received in exchange for the present obligation, or the amount payable under contract for assuming the present obligation, or at the amount of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement and disclosure of fair value in the financial statements are based on the fair value regardless whether it is directly observable or estimated using valuation technique.

The fair value measurement is categorized into 3 levels subject to the observability of input and the significance of the input to the entire measurement:

Level 1: the inputted value is the same with an unadjusted price of the same assets or liabilities which could be obtained by 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.

(II) Going concern

Applicable Not Applicable

As at 31 December 2018, the Group had total current liabilities in excess of total current assets of RMB 3,234,997,387.76. The Group still has a bank borrowings limit over RMB 4.3 billion to maintain the Group's ability to continue as a going concern, so the financial statements have been prepared on a going concern basis.

V. Significant Accounting Policies and Accounting Estimates

Notes to specific accounting policies and accounting estimates

Applicable Not Applicable

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), valuation method of inventories (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.

(I) 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 2018, and the Company's and consolidated results of operations, changes in shareholders' equity and cash flows for the year then ended.

(II) Accounting period

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

(III) Operating cycle

Applicable Not Applicable

An operating cycle refers to the period since when an enterprise purchases assets for processing purpose till the realization of those assets in cash or cash equivalents. The Group's operating cycle is 140 days. The Group adopts 12 months as the criteria for determining liquidity of assets and liabilities.

(IV) 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.

(V) The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

Applicable Not Applicable

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. Various direct expenses incurred for business combination are recognized in profit or loss when 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 aggregation of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and the equity securities issued by the acquirer in exchange for control of the acquiree. For 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 the 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 the combination. If after that reassessment, the cost of the 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.

(VI) Preparation of consolidated financial statements

Applicable Not Applicable

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 number 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 during 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 shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is 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 shareholders equity of the subsidiary, the excess amounts are still allocated against minority interests.

Acquisition of minority interests or disposal of an 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 shareholders 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 the 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, with a write-off against goodwill meanwhile. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

(VII) Classification of joint venture arrangements and accounting treatment for joint operation

Applicable Not Applicable

Joint venture arrangements include common management and joint venture, which are 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 the 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.

(VIII) 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.

(IX) Translation of transactions and financial statements denominated in foreign currencies

Applicable Not Applicable

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 the transaction. The exchange rate that approximates the actual spot exchange rate on the date of the 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 the functional currency, they use the spot exchange buying rate and spot exchange selling rate searched in Bloomberg as the spot exchange rate. In details, the transaction forming foreign currency assets is translated by spot exchange buying rate, while the transaction forming foreign currency liabilities 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 qualifies 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 dominated in foreign currencies" 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. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date when the fair value is determined. The difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of the exchange rate), and recognized in profit of loss for the current period or in other comprehensive income.

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, namely, the mid-price of the prevailing exchange rate at the closing of the bank of China at the balance sheet date; shareholders' equity items 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 dominated in foreign currencies 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, namely, the spot exchange buying and selling rates 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 in the amounts translated in 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 shareholders' equity of the Company and presented under shareholders' equity in the balance sheet, to profit or loss in the period in which the disposal occurs.

When the percentage of equity in a foreign operation is decreased but not to the extent of losing total control due to disposal of parts of investments in equity or other reasons, the exchange differences arising on translation of financial statements denominated in foreign currencies are attributed to minority interests instead of transferring to profit or loss for the current period. When shares are partly disposed in a foreign operation that is a joint venture or an associate, the exchange differences arising on translation of financial statements denominated in foreign currencies is transferred to profit or loss in the period in which the disposal occurs subject to the percentage of such shares.

(X) Financial instruments

Applicable Not Applicable

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.

For financial assets purchased or sold in a regular way, the Group recognizes assets acquired and liabilities assumed, or derecognizes the assets sold on a trade date basis.

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 book value 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 of 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.

(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

(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 amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss.

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

If financial assets carried at amortized cost are impaired, the carrying amounts of the financial assets are reduced 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 other comprehensive income to profit or loss. The amount of the cumulative loss that is reclassified from 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 the 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 from changes in fair value 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 from changes in fair value 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

Financial instruments or their components are classified into financial liabilities or equity instruments on initial recognition according to not only the legal form but also the contractual arrangements and their economic substance of the financial instruments issued by the Company in consideration of the definitions of financial liability and equity instrument.

Financial liabilities of the Group are other financial liabilities.

(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.

(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 liquefied petroleum gas (LPG) OTC transaction contract, 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.

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

Applicable Not Applicable

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 receivables due from related parties with the same parent company of the Group that are individually significant, the Group does not make provision for bad debt. For accounts receivable that are individually significant, the Group assesses the accounts receivable 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 Not Applicable

The Group makes bad debts provision on receivables, which deducts the receivables of related parties based on the credit risk characteristics portfolio basis, by using the following method:

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

Note: This credit risk characteristics portfolio represents receivables due from related parties under the same parent company of the Group.

Portfolios that aging analysis is used for bad debt provision:

Applicable Not Applicable

Aging	Provision as a proportion of accounts receivable (%)	Provision as a proportion of other receivables (%)
Within 1 year (inclusive)	5	
1 to 2 years	10	
2 to 3 years	30	
3 to 4 years	50	
4 to 5 years	100	
Over 5 years	100	

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

Applicable Not Applicable

Aging	Provision as a proportion of accounts receivable (%)	Provision as a proportion of other receivables (%)
Receivables due from oversea customers	15	

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

Applicable Not Applicable

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

(XII) Inventories

Applicable Not Applicable

1. Categories of inventories

The Group's inventories mainly include raw materials, work in progress, goods on hand and properties under development, 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. Costs of properties under development comprises costs for acquiring the land use rights, expenditures of support infrastructure, expenditures of construction and installation work, borrowing costs incurred before the development project is completed and other related expenses incurred during the course of development.

2. Valuation method of inventories upon delivery

The actual cost of inventories, such as raw materials, work in progress, and goods on hand, upon delivery is calculated using the weighted-average method. The actual cost of properties under development upon delivery is calculated using the specific identification method.

3. Basis for determining the net realizable value of inventories and provision methods for the 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 the 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 the stock system.

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

Low cost and short-lived consumable items and packaging materials are amortized using the immediate write-off method.

(XIII) Long-term equity investments

Applicable Not Applicable

1. Determination criteria of joint control and 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 invested 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. Determination of initial 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 shareholders' 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 long-term equity investment acquired through 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 at the purchase date.

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.

Long-term equity investments acquired other than through a business combination are measured at cost initially. 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

(1) Long-term equity investments accounted for using the cost method

Long-term 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. Increasing or reducing investment will adjust the cost of long-term equity investment accordingly. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

(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 shareholders' equity of the investee other than net profit or loss, other comprehensive income and profit distribution 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 recognizes 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 are recognized on such basis. 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. In addition, if the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

4. Disposal of long-term equity investments

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognized in profit or loss for the period. For a long-term equity investment accounted for using the equity method, if remaining shares after the disposal are still accounted for using the equity method, other comprehensive income is accounted on the basis of directly disposed related assets and liabilities of investee, and profit or loss is carried forward proportionately; Other owners' equity recognized from changes of owners' equity except for net profit or loss, other comprehensive income and profit distribution is recognized in profit or loss of current period and carried forward proportionately. For a long-term equity investment accounted for using the cost method, if remaining shares after the disposal are still accounted for using the cost method, other comprehensive income recognized before controlling the investee according to equity method or recognition and measurement of financial instruments, accounted for on the basis of directly disposed related assets and liabilities of the investee, and recognized in profit or loss for the period and carried forward proportionately; changes of owners' equity except for net profit or loss, other comprehensive income and profit distribution are carried forward and recognized in profit or loss for the current period.

The Group loses control on investee due to disposal of part of shares, during preparing separate financial statement, remaining shares after disposal can make joint control or significant influence on investee, are accounted under equity method, and adjusted as they are accounted under equity method since the acquisition date; If remaining shares after disposal cannot make joint control or significant influence on investee, they are accounted according to recognition and measurement of financial instruments, and the difference between fair value on date of losing control and book value is recognized in profit or loss of current period. Before the Group obtained controls over the investee, other comprehensive income recognized due to equity method or recognition and measurement of financial instruments, is accounted on the basis of related assets and liabilities, and recognized in profit or loss; changes of owners' equity except for net profit or loss, other comprehensive income and profit distribution are recognized in profit or loss of current period. Remaining shares after disposal are accounted under equity method, other comprehensive income and other owners' equity are carried forward as proportion; remaining shares after disposal are accounted due to recognition and measurement of financial instruments other comprehensive income and other owners' equity are all carried forward.

(XIV) Fixed assets

1. Recognition criteria

Applicable Not Applicable

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 Not Applicable

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, fixture 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 the 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 methods for fixed assets acquired under finance leases

Applicable Not Applicable

(XV) Construction in progress

Applicable Not Applicable

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.

(XVI) Borrowing costs

Applicable Not Applicable

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 is 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.

(XVII) Intangible assets

1. Valuation method, useful life and test for impairment

Applicable Not Applicable

Intangible assets include land use rights, non-patented technology, software and concession right, 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 method	Amortization period (years)	Annual amortization rate (%)
Land use rights	Straight-line method	10-50	2-10
Non-patented technology	Straight-line method	10	10
Software	Straight-line method	10	10
Others- concession right (Note 1)	Straight-line method	28-30	3.33-3.57
Others - use right of back-up power (Note 2)	Straight-line method	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 1: It refers to the concession right of public infrastructure construction project of Recycled Water Company. In accordance with relevant concession right agreement, the operating period of the concession right of the Recycled Water Company is 30 years. The Recycled Water Company has recognized in intangible assets costs of completed public infrastructure construction project, which are amortized by using straight-line method at the remaining operating period of concession right.

Note 2: It refers to the supplying fee of Industrial Park backup power laid by State Grid Shandong Electric Power Company, and being amortized over the term of use for the land used in the Wanhua Yantai Industrial Park.

2. Accounting policies for internal research and development expenditure

Applicable Not Applicable

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.

(XVIII) Impairment of long-term assets

Applicable Not Applicable

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 with infinite life and those not ready for intended 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.

(XIX) Long-term prepaid expenses

Applicable Not Applicable

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 of the expected periods in which benefits are derived.

(XX) Employee benefits

1. Accounting methods for short-term employee benefits

Applicable Not Applicable

The Group recognizes the employee benefits payable for those services as a liability. The related expenditures are either included in the cost of related assets or charged to profit or loss in the period when they are incurred. The welfare funds are recorded in 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 the welfare of dismissal

Applicable Not Applicable

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 the cost of related assets or charged to profit or loss in the period when they are incurred.

3. Accounting methods of the termination benefit

Applicable Not Applicable

When the Group provides termination benefits to employees, employee benefit liabilities are recognized for termination benefits, with a corresponding charge to the profit or loss for the period at the earlier of: (1) when the Group cannot unilaterally withdraw the offer of termination benefits because of the termination plan or a curtailment proposal; and (2) when the Group recognizes costs or expenses related to restructuring that involves the payment of termination benefits.

4. Accounting methods of other long-term employee benefits

Applicable Not Applicable

(XXI) Revenue recognition

Applicable Not Applicable

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

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.

(XXII) Government grants

Applicable Not Applicable

Government grants are a 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 Not Applicable

For the Group's government subsidies related to assets, refer to Note VII, 27. 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, using straight-line method.

2. Basis for determining government grants related to an asset and accounting treatment

Applicable Not Applicable

For the government subsidies related an income, refer to VII, 41 and 54, including enterprise development supporting funds and industrial supporting funds. Such government subsidies are recognized as government grants related to an 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.

(XXIII) Deferred tax assets / Deferred tax liabilities

Applicable Not Applicable

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 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 the 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.

(XXIV) 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 Not Applicable

(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 the 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.

(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 method

Applicable Not Applicable

(XXV) Other significant accounting policies and accounting estimates

Applicable Not Applicable

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 are 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.

(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.

(XXVI) Changes in significant accounting policies and accounting estimates

1. Changes in significant accounting policies

Applicable Not Applicable

Contents and reasons for changes in accounting policies	Approval procedures	Remarks (line items and amounts which are significantly affected)
<p>The Company started adopting the Notice of the Revised Format of 2018 Financial Statements for General Business Enterprise (Cai Kuai (2018) No. 15, hereinafter referred to as the "Cai Kuai No.15 Document") released by the MoF on 15 June 2018 since the preparation of financial statements for the year of 2018. Cai Kuai No.15 Document revised the presenting accounts in the balance sheet and income statement, added line items of "Notes and Accounts Receivable", "Notes and Accounts Payable" and "Research and Development Expenses", revised the presenting contents of the line items of "Other Receivables", "Fixed Assets", "Construction in Progress", "Other Payables", "Long-term Payables" and "Administrative Expenses", removed the line items of "Notes Receivable", "Accounts Receivable", "Dividends Receivable", "Interest Receivable", "Disposal of Fixed Assets", "Materials for construction of fixed assets", "Notes Payable", "Accounts Payable", "Interest Payable", "Dividends Payable" and "Special Payables", added line items of "Including: Interest Expenses" and "Interest Income" under "Financial Expenses", and adjusted the presenting location of some accounts in the income statement. The Company has accounted for the above changes in presenting accounts retrospectively, and adjusted comparable data for prior year.</p> <p>In accordance with the Interpretation on problems regarding the Format of 2018 Financial Statements for General Business Enterprise issued by the Ministry of Finance on 7 September 2018, the cash flow from government grants related to assets previously deemed as from investing activities is changed as the cash flow from operating activities in the preparation of cash flow statement. The Group has accounted for the above changes in presenting accounts retrospectively, and adjusted comparable data.</p>	<p>Such changes in accounting policies have been approved by the Company at the board meeting dated 20 April 2019</p>	

2. Changes in significant accounting estimates

Applicable Not Applicable

(XXVII) Others

Applicable Not Applicable

Disclose Critical Judgments in Applying Accounting Policies and Key Assumptions and Uncertainties in Accounting Estimates

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 followings 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 the 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 the 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 the estimated net residual value of the 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

(I) Major categories of taxes and tax rates

Details of major categories of taxes and tax rates

✓ Applicable Not Applicable

Category of tax	Basis of tax computation	Tax rate
Value-added tax	The amount of output tax after deduction of input tax	The output tax of the Company's subsidiaries, 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 at 11% of the steam sales, and the output tax of Wanhua Chemical (Ningbo) Port Co., Ltd. ("Wanhua Port") is calculated at 6% of the port service revenue. Except aforementioned companies, other output tax is calculated at 17% of the sales according to the relevant provisions of tax laws. In accordance with the <i>Notice of the Ministry of Finance and State Administration of Taxation on Adjusting Value-added Tax Rates</i> (Cai Shui [2018] No.32), if the taxpayer is subject to VAT taxable sales or imported goods, the tax rates which were originally 17% and 11% shall be adjusted to 16% and 10% respectively since 1 May 2018.
City maintenance and construction tax	Actual turnover tax	5%-7%
Enterprise income tax	Taxable income	See the table below

The taxpayers with different income tax rates are disclosed as follows:

Applicable Not Applicable

The Company and its subsidiaries	Income tax rates
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 (Ningbo) Rongwei Polyurethane Co., Ltd. ("Ningbo Rongwei") (Note 3)	15%
Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd. ("Ningbo Chlor-Alkali")	25%
Yantai Chlor-Alkali	25%
Wanhua Chemical (Guangdong) Co., Ltd. ("Wanhua Guangdong")(Note 4)	15%
Wanhua Chemical (Hong Kong) Co., Limited. ("Wanhua Hong Kong")	16.5%
Wanhua Chemical (Japan) Co., Ltd.	23.4%
Wanhua Chemical (America) Co., Ltd. (Note 5)	21%
Wanhua Chemical US Holding Inc. (Note 5)	21%
Wanhua America Innovation Technology Co., Ltd. (Note 5)	21%
Wanhua International (India) Private Limited. (Note 6)	25%
Wanhua Chemical (Yantai) Selling Co., Ltd. ("Yantai Selling")	25%
Wanhua Chemical (Yantai) Rongwei Polyurethane Co., Ltd. ("Yantai Rongwei")	25%
Shanghai Wanhua Keiv Chemical Technology Development Co., Ltd. ("Shanghai Keiv")	25%
Wanhua Chemical (Singapore) Co., Ltd. ("Wanhua Singapore") (Note 7)	10%
Wanhua Shipping (Singapore) Co., Ltd. ("Singapore Shipping")	17%
Wanhua Chemical International Holding Co., Ltd. ("BVI") (Note 8)	0%
Wanhua Chemical (Yantai) Petrochemical Co., Ltd. ("Yantai Petrochemical")	25%
Wanhua Chemical US Real Estate LLC (Note 5)	21%
Wanhua Chemical (Hungary) Holding Co., Ltd.	9%
Zhuhai Wanhua Real Estate Development Co., Ltd. ("Zhuhai Real Estate")	25%
Ningbo XinDa Mingzhou Trading Co., Ltd.	25%
Wanhua Chemical (Sichuan) Co., Ltd.	25%
Wanhua Chemical (Zhuhai) Selling Co., Ltd.	25%
Recycled Water Company	25%
Wanhua Chemical Group Material Co., Ltd. ("Wanhua Materials")	25%
Wanhua Chemical Group Energy Co., Ltd. ("Energy Company")	25%
Wanhua Chemical US Operations LLC (Note 5)	21%

(II) Tax preference

Applicable Not Applicable

Note 1: According to Lu Ke Zi [2018] No. 37-"Notice for Determination of 2078 enterprises such as Weihai Tuozhan Fiber Co., Ltd. as 2017 High and New Technology Enterprises" 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 is qualified for a high and new technology enterprise (Certificate No. GR201737001423) 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. (2017 Income tax rate: 15%).

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 the "Notice on Publicizing the First Batch of 2018 Proposed High and New Technology Enterprises in Guangdong Province" issued by the Leading Team Office for Management of National High-tech Enterprise Determination on 28 November 2018, the Company qualifies for the high and new technology enterprise with effective period of three years, and has been subject to the favorable enterprise income tax rate from 1 January 2018 to 31 December 2020 (2017: 25%).

Note 5: According to local tax laws in the United States, a fixed tax rate of 21% has been adopted since 1 January 2018 (2017: applicable progressive tax rate is 35%).

Note 6: According to local tax laws in India, the applicable tax rate is 25% (2017: 33.063%).

Note 7: The Company's subsidiary, Wanhua Singapore, is entitled to enjoy 10% favorable tax rate included, as it is included in global trading enterprises which are designated to engage in bulk commodity and product specific certification transactions under the support of Singapore Global Trade Plan,

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

(III) Others

Applicable Not Applicable

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS**(I) Cash and bank balances**

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Cash on hand:	160,315.22	151,834.64
Bank balances:	4,062,396,474.93	3,038,929,570.25
Other currency funds:	1,033,479,390.41	23,893,249.29
Total	5,096,036,180.56	3,062,974,654.18
Including: cash and bank balances deposited overseas	631,932,364.61	358,421,944.58

Other description:

At 31 December 2018, in the Group's other currencies, RMB 1,000,201,669.58 was used for a pledge to issue bank acceptance bill, RMB 682,357.97 for issuing letter of credit, RMB 3,684,714.82 for LPG OTC transactions deposits, and RMB 10,000.00 for borrowing deposits, referring to Note VII, 51 for details.

(II) Notes and accounts receivable

1. Summary of notes and accounts receivable

(1) Presentation by categories

Applicable Not Applicable

Unit: RMB

Category	Closing balance	Opening balance
Notes receivable	9,539,066,246.73	11,308,297,066.37
Accounts receivable	2,542,568,582.32	2,832,792,897.08
Total	12,081,634,829.05	14,141,089,963.45

2. Notes receivable

(1) Categories of notes receivable

Applicable Not Applicable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptances	9,539,066,246.73	11,308,297,066.37
Total	9,539,066,246.73	11,308,297,066.37

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

Applicable Not Applicable

Unit: RMB

Item	Pledged amount at the end of the year
Bank acceptances	5,169,347,611.06
Total	5,169,347,611.06

Note: Notes receivable used for a pledge to issue bank acceptances, letter of credit and letter of guarantee for customs duties, refer to Note VII 19 and 51.

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

Applicable Not Applicable

Unit: RMB

Item	Amount of derecognized at the end of the period	Amount of non-derecognized at the end of the period
Bank acceptances	2,348,098,679.03	
Total	2,348,098,679.03	

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 Not Applicable

3. Accounts Receivable

(1) Categories of accounts receivable

Applicable Not Applicable

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	1,462,465,989.09	51.04	173,025,155.19	11.83	1,289,440,833.90	1,955,527,319.41	61.22	222,540,645.40	11.38	1,732,986,674.01
Accounts receivable for which bad debt provision is collectively assessed on a portfolio basis and credit risk characteristics	1,396,200,939.59	48.72	143,073,191.17	10.25	1,253,127,748.42	1,231,801,903.01	38.57	132,018,401.57	10.72	1,099,783,501.44
Accounts receivable that are not individually significant and for which bad debt provision has been assessed individually	6,807,491.99	0.24	6,807,491.99	100.00	-	6,867,130.42	0.21	6,844,408.79	99.67	22,721.63
Total	2,865,474,420.67	/	322,905,838.35	/	2,542,568,582.32	3,194,196,352.84	100.00	361,403,455.76	/	2,832,792,897.08

Explanation of each category of accounts receivable:

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

Accounts receivable that are individually significant at 31 December 2018:

Applicable Not Applicable

Unit: RMB

Accounts receivable (by company)	Closing balance			
	Accounts receivable	Bad debt provision	Proportion of provision (%)	Reasons for provision
BorsodChem Zrt.	73,706,587.62	-	-	Related party does not reserve for bad debt
Wanhua BorsodChem Latin-America Comercio de Productos Quimicos Ltda.	60,391,400.37	-	-	Related party does not reserve for bad debt
Company 9	54,874,958.42	2,743,747.92	5.00	Using aging analysis
Wanhua BorsodChem Rus LLC.	53,353,221.49	-	-	Related party does not reserve for bad debt
Company 10	52,164,723.10	2,608,236.16	5.00	Using aging analysis
Others	1,167,975,098.09	167,673,171.11	14.36	Using aging analysis / Using the percentage of total receivables outstanding
Total	1,462,465,989.09	173,025,155.19	/	/

Accounts receivable portfolios for which bad debt provision has been assessed using the aging analysis approach:

Applicable Not Applicable

Unit: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of provision
Within 1 year	650,750,306.60	32,537,515.44	5.00
More than 1 year but not exceeding 2 years	4,676,131.07	467,613.11	10.00
More than 2 years but not exceeding 3 years	4,368,135.16	1,310,440.54	30.00
More than 3 years but not exceeding 4 years	277,737.35	138,868.68	50.00
More than 5 years	189,771.13	189,771.13	100.00
Total	660,262,081.31	34,644,208.90	

Explanations to basis for determination of the portfolio

For accounts receivable that that are not individually significant, the Group makes groups of financial assets based on similarity and correlation of credit risk characteristics. These risk characteristics generally reflect debtors' ability of repaying amounts which fall due in accordance with contractual terms of these assets and relate to forecast of future cash flows of the checked asset.

The portfolio represents accounts receivable due from domestic customers.

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

Applicable Not Applicable

Unit: RMB

Percentage of total receivables outstanding approach	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of provision (%)
Accounts receivable due from overseas customers	735,938,858.28	108,428,982.27	14.73
Total	735,938,858.28	108,428,982.27	14.73

For accounts receivable that that are not individually significant, the Group makes groups of financial assets based on similarity and correlation of credit risk characteristics. These risk characteristics generally reflect debtors' ability of repaying amounts which fall due in accordance with contractual terms of these assets and relate to forecast of future cash flows of the checked asset.

The portfolio represents accounts receivable due from overseas customers.

Accounts receivable portfolios for which bad debt provision has been assessed using other approach

Applicable Not Applicable

(2) Bad debt provision/ collections and reversals during the current period

For the year, the Group recorded a bad debt allowance of RMB 48,485,797.24 and reversed a bad debt provision of RMB 85,020,147.02.

Including: Significant recovery or reversal of bad debt provision for the period:

Applicable Not Applicable

(3) Accounts receivable write-off

Applicable Not Applicable

Unit: RMB

Item	Write-off amount
Accounts receivable write-off	1,963,267.63

Significant written-off of accounts receivable:

Applicable Not Applicable

Description of the write-off of accounts receivable:

Applicable Not Applicable

(4) Top five customers with the largest balances

Applicable Not Applicable

For period ended 31 December 2018, the largest five debtors hold the accounts receivable balance of RMB 294,490,891.00 (at 31 December 2017: RMB 615,462,771.34), which accounts for 10.28% (at 31 December 2017: 19.27%) of total amount receivable balance. The bad debt provision is RMB 5,351,984.08 (at 31 December 2017: RMB 46,513,860.86).

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

Applicable Not Applicable

(6) Transfer of accounts receivable and the amount of financial assets and liabilities arising from continuing involvement

Applicable Not Applicable

Other descriptions:

Applicable Not Applicable

There are no accounts receivable derecognized due to the transfer of financial assets and no transfer of accounts receivable and the amount of financial assets and liabilities arising from continuing involvement.

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

Applicable Not Applicable

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	393,529,758.83	96.19	473,897,387.39	98.32
More than 1 year but not exceeding 2 years	12,031,392.65	2.94	6,111,393.51	1.27
More than 2 years but not exceeding 3 years	1,666,548.49	0.41	1,639,207.32	0.34
More than 3 years	1,898,310.40	0.46	327,838.55	0.07
Total	409,126,010.37	100.00	481,975,826.77	100.00

For prepayments with significant balances and aged more than one year, the reason why each prepayment is not settled in a timely manner should be specified:

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

2. Top five prepayment to suppliers:

Applicable Not Applicable

As of 31 December 2018, top five balances of prepayment to suppliers amounted to RMB 219,827,287.08 (at 31 December 2017: RMB 222,434,124.84), accounting for 53.73% (at 31 December 2017: 46.15%) of total prepayment to suppliers.

(IV) Other receivables**Summary of other receivables****(1) Disclosure of other receivables by categories:**

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Interest receivable	0	0
Dividends receivable	0	0
Other receivables	133,376,115.09	246,322,725.81
Total	133,376,115.09	246,322,725.81

Interest receivable**(1) Categories of interest receivable**

Applicable Not Applicable

(2) Significant overdue interests

Applicable Not Applicable

Dividends receivable**(1) Dividends receivable**

Applicable Not Applicable

(2) Dividends receivable aged more than one year

Applicable Not Applicable

1. Disclosure of other receivables by categories

Applicable Not Applicable

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	113,174,262.92	84.85			113,174,262.92	230,485,681.11	93.57			230,485,681.11
Other receivables for which bad debt provision is collectively assessed on a portfolio basis and credit risk characteristics										
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	20,201,852.17	15.15			20,201,852.17	15,837,044.70	6.43			15,837,044.70
Total	133,376,115.09	/		/	133,376,115.09	246,322,725.81	/			246,322,725.81

Descriptions of categories of other receivables:

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

Significant other receivables and bad debt provision is individually made at the end of the period:

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

Other receivables portfolios for which bad debt provision has been assessed using other methods:

Applicable Not Applicable

2. Disclosure of other receivables by nature

Applicable Not Applicable

Unit: RMB

Payment nature	Closing balance	Opening balance
Export tax refund	98,679,583.57	185,811,036.44
Petty cash	3,078,692.70	2,875,993.11
Deposits	26,600,619.55	54,607,887.44
Others	5,017,219.27	3,027,808.82
Total	133,376,115.09	246,322,725.81

3. Provisions, recovery or reversal of bad debts for the period:

The provision for bad debts for the period is RMB 0.00; and the recovered or reversed bad debt provision is RMB 0.00.

Significant reversal or recovery of bad debt provision for the period:

Applicable Not Applicable

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.

4. Other receivables written off in the reporting period

Applicable Not Applicable

5. Top five other receivables by debtors:

Applicable Not Applicable

Unit: RMB

Name	Payment nature	Closing balance	Aging	Percentage of total closing balance of other receivables (%)	Bad debt provision
Company 11	Export tax refund	68,764,405.09	Within 1 year	51.56	
Company 12	Export tax refund	29,915,178.48	Within 1 year	11.53	
Company 13	Deposits	15,785,360.00	Within 1 year: 5,490,560.00 1 to 2 years: 4,117,920.00 2 to 3 years: 6,176,880.00	11.83	
Company 14	Deposits	2,667,000.00	Within 1 year: 2,458,000.00 1 to 2 years: 209,000.00	2.00	
Company 15	Deposits	2,475,000.00	2 to 3 years	1.86	
Total	/	119,606,943.57	/	89.68	

6. Other receivables related to government grants

Applicable Not Applicable

7. Other receivables derecognized due to the transfer of financial assets

Applicable Not Applicable

8. Transfer of other receivables and the amount of financial assets and liabilities arising from continuing involvement

Applicable Not Applicable

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

Applicable Not Applicable

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for decline in value of inventories	Book value	Carrying amount	Provision for decline in value of inventories	Book value
Raw materials	1,843,165,809.71	9,277,914.71	1,833,887,895.00	2,046,614,541.83	9,304,026.18	2,037,310,515.65
Work in-progress	1,368,713,789.75	121,953.96	1,368,591,835.79	1,217,000,723.59	683,675.21	1,216,317,048.38
Goods on hand	4,373,045,808.75	735,405.04	4,372,310,403.71	3,531,811,391.61	195,086.64	3,531,616,304.97
Properties under development (Note)	235,386,945.38		235,386,945.38	214,383,457.74		214,383,457.74
Total	7,820,312,353.59	10,135,273.71	7,810,177,079.88	7,009,810,114.77	10,182,788.03	6,999,627,326.74

Note: Properties under development refer to properties in Zhuhai developed by Zhuhai Wanhua Real Estate Development Co., Ltd. with the budget of RMB 500,000,000.00. Such properties began to construct in July 2017, and are expected to complete at the end of 2021.

2. Provision for decline in value of inventories

Applicable Not Applicable

Unit: RMB

Item	Opening balance	Increase in the year		decrease in the year		Closing balance
		Provision	Others	Reversal or write-off	Others	
Raw materials	9,304,026.18			26,111.47		9,277,914.71
Work in-progress	683,675.21	121,953.96		683,675.21		121,953.96
Goods on hand	195,086.64	735,405.04		195,086.64		735,405.04
Total	10,182,788.03	857,359.00		904,873.32		10,135,273.71

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 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. 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. Description of capitalized amount included in the closing balance of inventories

Applicable Not Applicable

4. Completed but not yet billed assets arising from construction contracts

Applicable Not Applicable

(VI) Other current assets✓ Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
VAT to be deducted	224,376,175.50	261,273,865.61
Advance payment of income tax	166,309,020.62	2,412,671.62
Undertaking of bank loans from Wanhua Chemical Industry	3,813,830,000.00	
Others	9,711,809.29	4,537,589.51
Total	4,214,227,005.41	268,224,126.74

Other descriptions:

The Company's material asset reorganization transaction has been approved by the Review Committee for M&A and Reorganization of Listing Company of CSRC in 2018. In order to shorten the time used for closing of relevant liabilities involved in the material asset reorganization transaction, as approved in the third interim general meeting of shareholders, the Company undertakes bank loans from Wanhua Chemical Industry in advance, and intends to offset with the carrying amount of corresponding liabilities at the merging of Wanhua Chemical Industry on 31 January 2019.

(VII) Available-for-sale financial assets**1. Details of available-for-sale financial assets**✓ Applicable Not Applicable

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment losses	Book value	Carrying amount	Provision for impairment losses	Book value
Available-for-sale equity instruments	20,000,000.00		20,000,000.00	20,000,000.00		20,000,000.00
At cost	20,000,000.00		20,000,000.00	20,000,000.00		20,000,000.00
Total	20,000,000.00		20,000,000.00	20,000,000.00		20,000,000.00

2. Available-for-sale financial assets measured at fair value at the end of the year Applicable ✓ Not Applicable**3. Available-for-sale financial assets measured at cost at the end of the year**✓ Applicable Not Applicable

Unit: RMB

Investee	Carrying amount				Impairment provision				Proportion of ownership interest in the investee (%)	Cash dividends for the year
	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					5.00	
Total	20,000,000.00			20,000,000.00						

4. Changes of available-for-sale financial assets for the reporting period

Applicable Not Applicable

5. Description about the significant or prolonged decline in the fair value of available-for-sale equity instruments but no impairment provided

Applicable Not Applicable

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

Applicable Not Applicable

Unit: RMB

Item	Closing balance			Opening balance			Range of discount rate
	Carrying amount	Bad debt provision	Book value	Carrying amount	Bad debt provision	Book value	
Staff housing loans (Note)	459,981,985.67		459,981,985.67	318,793,498.76		318,793,498.76	
Total	459,981,985.67		459,981,985.67	318,793,498.76		318,793,498.76	/

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, RMB 150,000 or RMB 200,000 with a maturity of seven, ten or twelve years respectively 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 derecognized due to transfer of financial assets

Applicable Not Applicable

3. Amount of assets and liabilities arising from transfer of long-term receivables and continuing involvement

Applicable Not Applicable

(IX) Long-term equity investments✓ Applicable Not Applicable

Unit: RMB

Investee	Opening balance	Movement of the current year								Closing balance	Closing balance for impairment	
		Increase	De-crease	Investment profit or loss recognized using equity method	Other comprehensive income	Another equity movement	Dividends or profit declared	Provision for impairment loss	Others			
I. Joint Venture												
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.(Note 1)	189,383,736.12	100,000,000.00		14,852,066.10							304,235,802.22	
UI Wanhua (Yantai) peroxide Co., Ltd.	15,205,680.83			395,570.23							15,601,251.06	
Ningbo Xiebei Thermal Power Co., Ltd	223,064,200.62			71,139,244.98			66,304,460.18				227,898,985.42	
Recycled Water Company (Note 2)	55,773,786.84			-85,114.90						-55,688,671.94		
Subtotal	483,427,404.41	100,000,000.00		86,301,766.41			66,304,460.18			-55,688,671.94	547,736,038.70	
II. Associate												
Linde Gas (Yantai) Co., Ltd.(Note 1)	32,224,372.13	45,666,100.00		7,736,454.36							85,626,926.49	
Yantai Bulk Commodity Exchange Center (Note 2)	9,976,997.46			-565,781.58							9,411,215.88	
Subtotal	42,201,369.59	45,666,100.00		7,170,672.78							95,038,142.37	
Total	525,628,774.00	145,666,100.00		93,472,439.19			66,304,460.18	-		-55,688,671.94	642,774,181.07	

Other descriptions:

Note 1: Increased investments refer to the addition capital contributed by the Company pursuant to the previous investment proportion, for which the new subscribed capital amount equals to the real investment amount.

Note 2: The Recycled Water Company is a company co-founded by the Company and Yantai Urban Drainage Management Office ("Drainage Management Office") as well as Yantai Taoziwan Waste Water Treatment Co., Ltd. ("Waste Water Treatment Company"); 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 Recycled Water Company, its board of directors are composed of five members of which two are appointed by the Company. 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, for the period from 2017 to July 2018, the Recycled Water Company which is contributed by the Company is accounted for as a joint venture using the equity method.

Given that the Recycled Water Company mainly supports the Company's Yantai Industrial Park Project, in July 2018, a voting right entrustment agreement was made and entered into by and among the Company, the Drainage Management Office and the Waste Water Treatment Company. Pursuant to this agreement, the Company was authorized with all voting rights held by the Drainage Management Office and the Waste Water Treatment Company in the Recycled Water Company, hence the Company acquired 100% voting rights of the Recycled Water Company. But the Drainage Management Office and the Waste Water Treatment Company still retained the remaining shareholders' rights except the voting right. This agreement cannot be terminated unless it is agreed by all three parties unanimously through negotiation; otherwise, no party has the right to terminate the agreement unilaterally. Therefore, the Recycled Water Company has been changed as the Company's subsidiary since 1 August 2018, which is accounted for using cost method and incorporated in the Group's scope of consolidation. Relevant details can refer to Note VIII, 5 and Note IX, 1.

(X) Fixed assets

Summary of fixed assets

(1) Presentation by categories

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Fixed assets	29,119,836,261.01	27,610,330,297.20
Disposal of assets		
Total	29,119,836,261.01	27,610,330,297.20

Fixed Assets

(1) Details of fixed assets

✓ Applicable Not Applicable

Unit: RMB

Item	Buildings	Machinery and equipment	Transportation vehicles	Electronic equipment, appliances and furniture	Total
I. Original carrying amount:					
1. Opening balance	4,574,257,735.20	33,506,550,619.61	108,895,221.35	293,245,982.59	38,482,949,558.75
2. Increase in the current period	135,254,627.13	4,489,743,204.46	17,170,955.27	24,024,176.49	4,666,192,963.35
(1) Acquisitions	5,705,545.94	401,276,199.71	15,488,824.68	20,584,956.94	443,055,527.27
(2) Transfer from CIP	129,549,081.19	4,088,467,004.75	1,492,806.25	3,271,220.38	4,222,780,112.57
(3) Changes in the scope of consolidation			189,324.34	167,999.17	357,323.51
3. Decrease in the current period	22,926,843.91	338,398,628.53	4,256,216.94	3,354,788.49	368,936,477.87
(1) Disposals or retirement	22,926,843.91	338,398,628.53	4,256,216.94	3,354,788.49	368,936,477.87
(2) Other decreases		85,567,675.79			85,567,675.79
4. Closing balance	4,686,585,518.42	37,657,895,195.54	121,809,959.68	313,915,370.59	42,780,206,044.23
II. Accumulated depreciation					
1. Opening balance	818,326,452.98	9,628,924,136.88	54,337,926.65	198,553,340.20	10,700,141,856.71
2. Increase in the current period	171,553,809.02	2,809,443,130.53	14,052,670.66	32,917,216.59	3,027,966,826.80
(1) Accrual	171,553,809.02	2,809,443,130.53	14,052,670.66	32,917,216.59	3,027,966,826.80
3. Decrease in the current period	4,201,709.95	229,110,203.76	3,874,490.26	3,029,901.16	240,216,305.13
(1) Disposals or retirement	4,201,709.95	229,110,203.76	3,874,490.26	3,029,901.16	240,216,305.13
(2) Other decreases					
4. Closing balance	985,678,552.05	12,209,257,063.65	64,516,107.05	228,440,655.63	13,487,892,378.38
III. Provision for impairment losses					
1. Opening balance	23,600,589.12	148,876,815.72			172,477,404.84
2. Increase in the current period					
(1) Provisions					
3. Decrease in the current period					

(1) Disposals or retirement					
(2) Other decreases					
4. Closing balance	23,600,589.12	148,876,815.72			172,477,404.84
IV. Book value					
1. Closing book value	3,677,306,377.25	25,299,761,316.17	57,293,852.63	85,474,714.96	29,119,836,261.01
2. Opening book value	3,732,330,693.10	23,728,749,667.01	54,557,294.70	94,692,642.39	27,610,330,297.20

(2) Temporary idle fixed assets

Applicable Not Applicable

(3) Fixed assets leased under finance leases

Applicable Not Applicable

(4) Fixed assets leased out under operating leases

Applicable Not Applicable

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

Applicable Not Applicable

Unit: RMB

Item	Book value	Reasons why certificates of title have not been obtained
Buildings	1,296,739,602.17	In process

Other explanation:

Applicable Not Applicable

As at 31 December 2018, machinery and equipment with net book value of RMB 7,402,890,272.82 (2017: RMB 10,098,718,963.01) were pledged to acquire bank loans. For details, please refer to Note VII 24, 25 and 51.

Disposal of fixed assets

Applicable Not Applicable

(XI) Construction in progress**Summary of construction in progress****(1) Presentation by categories**

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Construction in progress	9,903,144,071.10	6,419,934,249.79
Materials for construction of fixed assets	347,908,619.78	885,595,169.94
Total	10,251,052,690.88	7,305,529,419.73

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

Applicable Not Applicable

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Book value	Carrying amount	Impairment provision	Book value
Polyurethane industrial chain extension and supporting project	5,881,623,778.05		5,881,623,778.05	3,604,472,147.65		3,604,472,147.65
Wanhua Yantai Industrial Park Project	1,138,281,673.97		1,138,281,673.97	1,448,743,204.30		1,448,743,204.30
Ethylene project	1,178,272,364.93		1,178,272,364.93	303,083,001.36		303,083,001.36
Wanhua Shanghai Center Project	432,526,353.79		432,526,353.79	407,084,040.63		407,084,040.63
Taoziwan Recycled Water Project	426,249,903.76		426,249,903.76	-		-
U.S. integrated project	406,042,127.44		406,042,127.44	132,133,420.80		132,133,420.80
Technological transformation of Wanhua Ningbo of 2017	150,726,291.53		150,726,291.53	118,650,201.78		118,650,201.78
Technological transformation of Wanhua Ningbo HDI project	64,639,954.95		64,639,954.95	101,090,665.06		101,090,665.06
Others	224,781,622.68		224,781,622.68	304,677,568.21		304,677,568.21
Total	9,903,144,071.10		9,903,144,071.10	6,419,934,249.79		6,419,934,249.79

Construction in progress has not been used as collateral to obtain bank borrowings.

(2) Changes in significant construction in progress

✓ Applicable Not Applicable

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 (Note)	Increase due to changes in the scope of consolidation	Transfer to fixed assets	Transfer to intangible assets	Closing balance	Amount injected as a proportion of budget amount (%)	Construction progress (%)	Amount of accumulated capitalized financial expenses	Including: capitalized financial expenses for the year	Interest capitalization rate for the year(%)	Source of funds
Polyurethane industrial chain extension and supporting project	17,500,000,000.00	3,604,472,147.65	4,004,499,693.97		1,727,348,063.57		5,881,623,778.05	47.09	47.09	243,897,430.74	11,811,055.53	1.20	Cash from operation and loans, and raised funds
Wanhua Yantai Industrial Park Project	24,335,000,000.00	1,448,743,204.30	1,325,410,252.17		1,635,871,782.50		1,138,281,673.97	99.88	99.88	1,100,196,281.80			Cash from operation and loans
Ethylene project	17,500,000,000.00	303,083,001.36	875,189,363.57				1,178,272,364.93	6.73	6.73				Cash from operation
Wanhua Shanghai Center Project	610,000,000.00	407,084,040.63	25,442,313.16				432,526,353.79	70.91	70.91				Cash from operation and raised funds
Taoziwan Recycled Water Project	575,400,100.00		251,313,881.16	230,736,022.60		55,800,000.00	426,249,903.76	83.78	83.78				Cash from operation
U.S. integrated project	8,579,000,000.00	132,133,420.80	273,908,706.64				406,042,127.44	4.73	4.73	2,512,941.81	2,512,941.81	2.30	Cash from operation and loans
Technological transformation of Wanhua Ningbo of 2017	550,000,000.00	118,650,201.78	289,386,166.00		257,310,076.25		150,726,291.53	76.71	76.71				Cash from operation
Technological transformation of Wanhua Ningbo HDI project	520,000,000.00	101,090,665.06	46,118,656.91		82,569,367.02		64,639,954.95	86.60	86.60	1,191,597.87			Cash from operation and loans
Others		304,677,568.21	440,596,843.51		519,680,823.23	811,965.81	224,781,622.68			108,442,478.13	5,008,184.91		Cash from operation and loans
Total	70,169,400,100.00	6,419,934,249.79	7,531,865,877.09	230,736,022.60	4,222,780,112.57	56,611,965.81	9,903,144,071.10	/	/	1,456,240,730.35	19,332,182.25	/	/

Note: Increase for the current year includes depreciation of fixed assets of RMB 4,391,727.32, amortization of intangible assets of RMB 314,052.73, and amortization of long-term prepaid expenses of RMB 1,142,270.88.

(3) Provision for impairment losses for construction in progress

Applicable Not Applicable

Materials for Construction of Fixed Assets**(1) Details of materials for construction fixed assets**

Applicable Not Applicable

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment losses	Book value	Carrying amount	Provision for impairment losses	Book value
Equipment	309,614,598.64		309,614,598.64	704,176,951.57		704,176,951.57
Materials	38,294,021.14		38,294,021.14	181,418,218.37		181,418,218.37
Total	347,908,619.78		347,908,619.78	885,595,169.94		885,595,169.94

(XII) Intangible assets

Applicable Not Applicable

Unit: RMB

Item	Land use right	Non-patent technology	Software	Concession right	Others	Total
I. Original carrying amount						
1. Opening balance	2,116,698,607.36	804,124,695.23	140,011,353.61		21,402,800.00	3,082,237,456.20
2. Increase in the current period	679,633,096.46	3,866,394.42	22,692,763.54	55,800,000.00		761,992,254.42
(1) Acquisitions	679,633,096.46	3,866,394.42	21,880,797.73			705,380,288.61
(2) Transfer from construction in progress			811,965.81	55,800,000.00		56,611,965.81
3. Decrease in the current period						
(1) Disposals						
4. Closing balance	2,796,331,703.82	807,991,089.65	162,704,117.15	55,800,000.00	21,402,800.00	3,844,229,710.62
II. Accumulated amortization						
1. Opening balance	236,000,546.40	251,115,518.78	72,958,373.43		1,110,676.76	561,185,115.37
2. Increase in the current period	50,820,775.25	85,734,901.06	15,197,563.34	1,550,000.00	429,939.39	153,733,179.04
(1) Accrual	50,820,775.25	85,734,901.06	15,197,563.34	1,550,000.00	429,939.39	153,733,179.04
3. Decrease in the current period						
4. Closing balance	286,821,321.65	336,850,419.84	88,155,936.77	1,550,000.00	1,540,616.15	714,918,294.41
III. Impairment provision						
1. Opening balance						
2. Increase in the current period						
3. Decrease in the current period						
4. Closing balance						
IV. Book Value						
1. Closing book value	2,509,510,382.17	471,140,669.81	74,548,180.38	54,250,000.00	19,862,183.85	3,129,311,416.21
2. Opening the book value	1,880,698,060.96	553,009,176.45	67,052,980.18		20,292,123.24	2,521,052,340.83

As at 31 December 2018, the net book value of RMB 447,667,076.77 (2017: RMB 461,656,672.92) of land use right has been pledged as collateral for acquiring borrowings, referring Note VII, 24, 25 and 51 for details.

(2) Land use rights of which certificates of the title have not been obtained

Applicable Not Applicable

Unit: RMB

Item	Carrying amount	Reasons why certificates of title have not been obtained
Land use rights	67,410,126.81	In process

(XIII) Goodwill**1. The Original value of the goodwill**

Applicable Not Applicable

Unit: RMB

Name of the investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
		Arising from 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 Not Applicable

Unit: RMB

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

3. Information of assets group(s) or set of assets group(s) involving goodwill

Applicable Not Applicable

4. Procedures and parameters of impairment test (e.g. projected growth rate, growth rate during stable period, profit rate, discount rate, projection period and etc. when expecting present value of future cash flows, if any), and method for recognition of impairment loss in goodwill:

Applicable Not Applicable

As at 31 December 2018, the Group assesses the recoverability of the goodwill of Ningbo Chlor-Alkali. The recoverable amount of Ningbo Chlor-Alkali asset group is determined based on the present value of expected future cash flows. 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. In the future cash flow projections, the portion of future 5 years is determined subject to the financial budgets approved the management with cash flow projections subsequent to 2023 compliance with the cash flow projection in 2023, and are discounted at discount rate of 12.89%. 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.

5. Effect of test for impairment loss in goodwill:

Applicable Not Applicable

(XIV) Long-term prepaid expenses✓ Applicable Not Applicable

Unit: RMB

Item	Opening balance	Increase in the current period	Amortization in the current period	Other decreases	Closing balance
Land lease payments		46,666,666.67	933,333.33		45,733,333.34
Improvement expenditure of rental fixed assets	15,453,722.54	1,319,895.53	7,948,881.26		8,824,736.81
Others	19,776.71		4,820.66		14,956.05
Total	15,473,499.25	47,986,562.20	8,887,035.25		54,573,026.20

(XV) Deferred tax assets / deferred tax liabilities**1. Deferred tax assets and deferred tax liabilities without offset**✓ Applicable Not Applicable

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	310,584,665.76	55,125,826.04	320,345,358.82	59,350,988.15
Unrealized profit from intra-group transactions	1,323,967,413.37	238,054,395.64	1,831,183,874.39	366,069,199.60
Deductible losses	101,698,277.06	19,636,714.43	52,252,553.80	10,813,743.31
Employee benefits payable	702,518,165.25	127,029,541.31	661,000,000.00	116,250,000.00
Unpaid expenses	2,471,364,463.81	492,178,845.31	1,696,965,046.65	343,069,662.67
Deferred income	846,053,109.60	133,829,960.49	915,610,203.02	156,307,538.16
Differences in depreciation of fixed assets	1,485,658.76	371,414.69	2,647,996.28	661,999.07
Total	5,757,671,753.61	1,066,226,697.91	5,480,005,032.96	1,052,523,130.96

2. Deferred tax liabilities before offsetting:✓ Applicable Not Applicable

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Increase from revaluation of fixed assets and intangible assets acquired through business combination not involving enterprises under common control	57,543,605.28	14,385,901.32	59,603,805.40	14,900,951.35
Differences in depreciation of fixed assets	1,215,969,819.53	191,406,859.76	159,319,610.28	27,186,024.22
Total	1,273,513,424.81	205,792,761.08	218,923,415.68	42,086,975.57

3. Deferred tax assets and deferred tax liabilities that are presented at the net amount after offsetting:✓ Applicable Not Applicable

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	186,677,940.49	879,548,757.42	27,186,024.22	1,025,337,106.74
Deferred tax liabilities	186,677,940.49	19,114,820.59	27,186,024.22	14,900,951.35

4. Details of unrecognized deferred tax assets:✓ Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Deductible losses	97,964,081.06	43,813,079.69
Provision for impairment losses of assets	77,598,275.91	58,606,135.35
Total	175,562,356.97	102,419,215.04

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 Not Applicable

Unit: RMB

Year	Closing balance	Opening balance	Note
2018		4,950,895.77	The deductible losses of Shanghai Wanhua Industrial Development Co., Ltd. amounting to RMB 1,886,832.68 has been overdue in 2018.
2019	9,574,473.98	9,574,473.98	
2020	13,503,867.05	13,503,867.05	
2021	195,641.86	195,641.86	
2023	3,284,672.21		
2027	499,040.76		
2038	70,906,385.20		It refers to the deductible loss of Wanhua Chemical (America) Co., Ltd.
Indefinite		15,588,201.03	It is the deductible losses of Wanhua Singapore. Its maturity has no limitation according to the local tax law.
Total	97,964,081.06	43,813,079.69	

Other descriptions:

✓ Applicable Not Applicable

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.

(XVI) Other non-current assets

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Prepayment for construction	1,989,465,077.35	980,949,525.94
Prepayment for land	334,220,000.00	26,904,576.75
Prepayment for equity (Note)	9,800,000.00	
Total	2,333,485,077.35	1,007,854,102.69

Other Description:

Note: It refers to the prepayment by the Company's subsidiary, Wanhua Ningbo, for the proposed acquisition of shares of Beijing Juliwei Technology Co., Ltd. For details, please refer to Note XIV 1(1).

(XVII) Short-term borrowings**1. Categories of short-term borrowings:**

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Secured loans with collaterals	301,720,000.00	198,389,201.59
Guaranteed loans	2,595,000,000.00	84,786,011.96
Unsecured and non-guaranteed loans	14,514,991,439.85	12,431,394,746.67
Total	17,411,711,439.85	12,714,569,960.22

Descriptions of categories of short-term borrowings:

Note: Secured loans with collaterals as at 31 December 2018 was the loans with deposits as collaterals, referring to Note VII, 1; and secured loans with collaterals as at 31 December 2017 was the loans with notes receivable as collaterals. The guaranteed loans are secured by Wanhua Industrial Group Co., Ltd. referring to Note XII 5 (4).

2. Short-term borrowings overdue but not yet repaid:

Applicable Not Applicable

Including significant short-term borrowings overdue but not yet repaid:

Applicable Not Applicable

(XVIII) Derivative financial liabilities

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Liquefied petroleum gas (LPG) OTC transaction contract	1,173,476.80	
Total	1,173,476.80	

(XIV) Notes and accounts payable**Summary of notes and accounts payable****(1) Presentation by categories**

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Notes payable	4,146,809,415.90	1,851,643,240.39
Accounts payable	3,688,529,824.66	4,388,212,374.08
Total	7,835,339,240.56	6,239,855,614.47

Notes Payable**(1) Presentation of notes payable**

Applicable Not Applicable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptances	2,277,674,547.01	1,851,643,240.39
Total	2,277,674,547.01	1,851,643,240.39

Note: Bank acceptances are mainly issued for notes pledged and deposits received as issuing conditions, referring to Note VII 1 and 2. There is no overdue notes payable outstanding as at 31 December 2018.

Accounts Payable**(1) Details of accounts payable are as follows:**

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Accounts payable for purchase	1,744,972,270.02	2,027,128,320.64
Accounts payable for construction	1,943,557,554.64	2,361,084,053.44
Total	3,688,529,824.66	4,388,212,374.08

(2) Significant accounts payable aged more than one year

Applicable Not Applicable

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

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Receipts in advance from sale of goods	2,824,093,568.99	2,679,648,525.88
Total	2,824,093,568.99	2,679,648,525.88

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

Applicable Not Applicable

(3) Billed but not yet completed projects arising from construction contracts at the end of the period

Applicable Not Applicable

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

Applicable Not Applicable

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Short-term employee-benefits	728,901,767.32	2,682,369,618.50	2,638,507,234.70	772,764,151.12
2. Post-employment benefit-defined contribution plan	1,419,653.91	242,759,660.52	242,792,327.13	1,386,987.30
Total	730,321,421.23	2,925,129,279.02	2,881,299,561.83	774,151,138.42

2. Details of short-term employee benefits

Applicable Not Applicable

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	720,942,961.90	2,269,097,321.80	2,228,347,571.03	761,692,712.67
2. Staff welfare	1,413.67	105,291,702.52	104,867,676.19	425,440.00
3. Social security contributions	961,457.34	134,842,087.36	134,942,319.09	861,225.61
Including: Medical insurance	760,159.32	104,315,797.30	104,336,959.12	738,997.50
Work injury insurance	144,313.31	18,053,990.36	18,134,905.87	63,397.80
Maternity insurance	56,984.71	12,472,299.70	12,470,454.10	58,830.31
4. Housing funds	6,986,934.41	143,295,346.47	140,505,243.51	9,777,037.37
5. Labor union and education fund and others	9,000.00	29,843,160.35	29,844,424.88	7,735.47
Total	728,901,767.32	2,682,369,618.50	2,638,507,234.70	772,764,151.12

3. Defined Contribution Plan

Applicable Not Applicable

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Pension insurance	1,382,541.27	233,769,308.70	233,821,992.67	1,329,857.30
2. Unemployment insurance	37,112.64	8,990,351.82	8,970,334.46	57,130.00
Total	1,419,653.91	242,759,660.52	242,792,327.13	1,386,987.30

Other descriptions:

Applicable Not Applicable

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. Except the mentioned expense above, the Group has no longer any further payments. The relevant expenditure will be accounted for profit and loss or capitalized.

In this current period, the Group deposited RMB 233,769,308.70 and RMB 8,990,351.82 into pension insurance and unemployment insurance, respectively. (2017: RMB 167,352,660.28 and RMB 6,846,663.24) As at 31 December 2018, the Group has outstanding payments of RMB 1,329,857.30 and RMB 57,130.00 (2017: RMB 1,382,541.27 and RMB 37,112.64) for pension insurance and unemployment insurance. The relevant subsequent payments will be settled after reporting period.

(XXII) Taxes payable

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Value-added tax	494,797,026.45	386,767,262.29
Enterprise income tax	1,006,239,927.35	1,759,657,889.04
Individual income tax	4,626,156.08	7,394,714.08
City construction and maintenance tax	34,806,191.26	33,856,120.00
Others	57,416,592.08	57,512,255.35
Total	1,597,885,893.22	2,245,188,240.76

(XXIII) Other payables

Summary of other payables

(1) Presentation by categories

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Interest payable	56,146,092.48	31,970,671.84
Dividend payable	18,000,000.00	
Other payables	526,927,091.15	508,025,236.51
Total	601,073,183.63	539,995,908.35

Interest Payable

(1) Presentation by categories

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Interest payable on short-term borrowings	50,229,768.36	21,301,049.70
Interest payable on long-term borrowings	5,916,324.12	10,669,622.14
Total	56,146,092.48	31,970,671.84

Details of overdue unpaid interest with significant amount:

Applicable Not Applicable

Dividend Payable

(1) Presentation by categories

Applicable Not Applicable

Unit: RMB

Investor	Closing balance	Opening balance
Company 16	18,000,000.00	
Total	18,000,000.00	

Other payables

(1) Other payables listed by nature

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Transportation fees	112,404,123.18	123,875,048.14
Deposit fees	63,951,657.82	58,201,662.75
Current accounts (Note)		149,267,372.94
Unpaid maintenance fee	326,937,945.07	152,006,983.75
Others	23,633,365.08	24,674,168.93
Total	526,927,091.15	508,025,236.51

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 annual interest throughout the year is totaling RMB 369,750.00 (31 December 2017: RMB 5,248,395.86). As at 31 December 2018, the Company has paid up all principals and interests of current accounts.

(2) Other significant payables aged more than one year:

Applicable Not Applicable

(XXIV) Non-current liabilities due within one year

Applicable Not Applicable

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

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	1,934,146,666.65	2,670,513,333.46
Total	1,934,146,666.65	2,670,513,333.46

(XXV) Long-term borrowings**1. Category of long-term borrowings**

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Secured loans with collaterals (Note 2)	1,273,000,000.00	1,995,000,000.00
Guaranteed loans (Note 1)	1,765,000,000.00	1,824,999,999.76
Unsecured and non-guaranteed loans	2,713,651,666.61	5,172,162,142.83
Less: long-term borrowings due within one year	-1,934,146,666.65	-2,670,513,333.46
Total	3,817,504,999.96	6,321,648,809.13

Descriptions of categories of long-term borrowings:

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

Note 2: Fixed assets and intangible assets are pledged to obtain borrowings, referring to Note VII 10 and 12.

Other descriptions: including interest rates range

Applicable Not Applicable

The above interest rates range from 1.20% to 4.90% per annum.

(XXVI) Long-term payables**Summary long-term payables****Presentation by categories**

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Long-term payables		1,352,722.00
Special payables		
Total		1,352,722.00

Long-term payables**Presentation of long-term payables by natures**

Applicable Not Applicable

Unit: RMB

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

Other descriptions:

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

Special Payables**Presentation of long-term payables by natures**

Applicable Not Applicable

(XXVII) Deferred income**Details of deferred income**

Applicable Not Applicable

Unit: RMB

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance	Reasons
Government subsidies	915,610,203.02	9,317,300.00	78,874,393.42	846,053,109.60	Monetary assets obtained from the government at no cost
Total	915,610,203.02	9,317,300.00	78,874,393.42	846,053,109.60	/

Details of items related to government grant:

Applicable Not Applicable

Unit: RMB

Item	Opening balance	New grants in the current year	Recognized in non-operating income	Recognized in other income	Other changes	Closing balance	Related to assets / income
Industrial upgrading subsidies	461,533,562.82			42,276,448.63		419,257,114.19	Related to assets
Industrial supporting subsidies	106,779,380.17			9,491,500.44		97,287,879.73	Related to assets
Key industries and comprehensive technology transformation projects	83,333,333.39			8,333,333.28		75,000,000.11	Related to assets
Environmental protection subsidy	45,940,000.00			3,119,927.08		42,820,072.92	Related to assets
Special funds for strengthening the core competitiveness of manufacturing industry	42,830,000.00			3,271,736.16		39,558,263.84	Related to assets
Special funds for optimization of industrial structure	40,777,050.34			3,852,949.68		36,924,100.66	Related to assets
Special funds for supporting the development of enterprises	27,414,626.84			830,746.32		26,583,880.52	Related to assets
Special fund from construction of two zones	26,974,789.91			3,025,210.08		23,949,579.83	Related to assets
Subsidized interest for key industry technical transformation project	26,815,910.36			3,136,689.72		23,679,220.64	Related to assets
Park upgrading and reconstruction subsidies	18,264,062.50			619,140.42		17,644,922.08	Related to assets
Special subsidies for green Integrated manufacturing project	8,700,000.00					8,700,000.00	Related to income
Recycling transformation subsidies	8,437,500.00			750,000.00		7,687,500.00	Related to assets
Others	17,809,986.69	9,317,300.00		166,711.61		26,960,575.08	Related to assets/income
Total	915,610,203.02	9,317,300.00		78,874,393.42		846,053,109.60	/

(XXVIII) Share capital

Applicable Not Applicable

Unit: RMB

	Opening balance	Changes in current years(+ , -)					Closing balance
		New issue	Bonus issue	Capitalization of surplus reserve	Others	Subtotal	
Total shares	2,734,012,800.00						2,734,012,800.00

(XXIX) Capital reserve

Applicable Not Applicable

Unit: RMB

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Capital premium (share capital premium)	2,372,425,571.21			2,372,425,571.21
Other capital reserve	20,400,151.49			20,400,151.49
Total	2,392,825,722.70			2,392,825,722.70

(XXX) Other comprehensive income✓ Applicable Not Applicable

Unit: RMB

Item	Opening balance	Amount for the current year					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 shareholder of the Company (after tax)	Attributable to Minority interest (after tax)	
I. Items that will not be reclassified subsequently to profit or loss							
Including: Changes as a result of re-measurement of defined benefit plan							
Other comprehensive income accounted for using equity method which will not be reclassified subsequently to profit or loss							
II. Items that may be reclassified subsequently to profit or loss							
	9,518,565.65	-10,164,883.79			-10,164,883.79		-646,318.14
Including: other comprehensive income accounted for using equity method which will be reclassified subsequently into profit or loss							
Gain or loss of changes in fair value of available-for-sale financial assets							
Gains or losses arising from reclassification of held-to-maturity investments as available-for-sale financial assets							
Effective part of gains and losses on cash flow hedging		-1,173,476.80			-1,173,476.80		-1,173,476.80
Translation differences of financial statements denominated in foreign currencies	9,518,565.65	-8,991,406.99			-8,991,406.99		527,158.66
Total other comprehensive income	9,518,565.65	-10,164,883.79			-10,164,883.79		-646,318.14

(XXXI) Special reserve

Applicable Not Applicable

Unit: RMB

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Production safety fee		135,978,134.06	135,978,134.06	
Total		135,978,134.06	135,978,134.06	

(XXXII) Surplus reserve

Applicable Not Applicable

Unit: RMB

Item	Opening balance	Increase in the year	Decrease in the year	Closing balance
Statutory surplus reserve	2,351,465,675.58			2,351,465,675.58
Discretionary surplus reserve	471,706,966.13			471,706,966.13
Total	2,823,172,641.71			2,823,172,641.71

Descriptions of surplus reserve, including changes for the year 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.

(XXXIII) Retained earnings

Applicable Not Applicable

Unit: RMB

Item	2018	2017
Retained earnings at the end of the prior period before adjustment	19,320,010,167.13	11,023,922,668.07
Adjusting the total retained earnings at the beginning of the year (Increase +, Decrease -)		
Retained earnings at the beginning of year after the adjustment	19,320,010,167.13	11,023,922,668.07
Add: Net profit attributable to shareholders of the Company for the period	10,610,379,859.30	11,134,790,281.66
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	4,101,019,200.00	1,139,172,000.00
Conversion of ordinary shares' dividends into share capital		455,668,800.00
Retained earnings at the end of the period	25,829,370,826.43	19,320,010,167.13

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 net income into discretionary surplus reserve upon approval of resolution of the general shareholder meeting.

2. Cash dividends approved by in the general shareholder meeting during the year

In accordance with the proposal from the board of directors, profits available to shareholders for the first three quarters of 2017 were distributed to shareholders at a cash dividend of RMB 15.00 (inclusive of tax) for every ten shares based on 2,734,012,800 outstanding shares as at 30 September 2017. The above profit distribution has been approved by the general shareholders Meeting dated 12 January 2018.

3. Profit distribution declared after the balance sheet date

In accordance with the proposal from the board of directors, profits available to shareholders would be distributed to all shareholders at a cash dividend of RMB 20 (inclusive of tax) for every ten shares based on 3,139,746,626 outstanding shares in total after the completion of new share registration and cancellation of shares previously held by Wanhua Chemical Industry when the Company merged Wanhua Chemical Industry in February 2019. The above profit distribution is to be approved by the General Shareholders Meeting.

4. Appropriation to surplus reserve by subsidiaries

As at 31 December 2018, the balance of the Group's unappropriated profits include appropriation to surplus reserve by subsidiaries amounts to RMB 907,858,150.92 (31 December 2017: RMB 857,128,542.11).

(XXXIV) Operating income and operating costs

Applicable Not Applicable

Unit: RMB

Item	Amount for the current year		Amount for the prior year	
	Revenue	Cost	Revenue	Cost
Principal operation	59,861,905,385.17	39,396,473,306.10	52,740,162,812.99	31,684,670,166.71
Other operation	759,288,051.74	717,883,575.09	383,010,445.82	348,583,295.49
Total	60,621,193,436.91	40,114,356,881.19	53,123,173,258.81	32,033,253,462.20

(XXXV) Taxes and levies

Applicable Not Applicable

Unit: RMB

Item	Amount for the current year	Amount for the prior year
City construction and maintenance tax	226,462,291.07	188,737,013.03
Education surcharges	162,157,014.80	134,975,112.57
House property tax	24,243,572.61	20,913,889.06
Land use tax	61,199,551.61	53,799,691.32
Vehicle and vessel use tax	130,992.23	126,530.81
Stamp tax	60,378,270.63	71,743,496.16
water conservancy construction fund	7,953,510.65	5,023,892.98
Others	3,446,396.39	58,814.56
Total	545,971,599.99	475,378,440.49

(XXXVI) Selling expenses✓ Applicable Not Applicable

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Logistics expenses	1,287,834,584.53	1,108,117,697.73
Staff cost	208,239,405.33	150,184,323.50
Sales commission and consulting fees	77,588,479.11	39,118,328.16
Travelling expenses	41,150,332.15	37,091,758.81
Promotion expenses	17,023,303.52	13,131,597.32
Others	89,628,139.18	69,355,854.95
Total	1,721,464,243.82	1,416,999,560.47

(XXXVII) Administrative expenses✓ Applicable Not Applicable

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Staff cost	502,123,017.84	436,962,250.67
Consulting fee	70,145,478.08	11,444,830.32
Depreciations	64,063,201.99	64,298,634.62
Material consumption	53,554,448.93	32,764,141.89
Information cost	45,428,374.54	44,098,706.52
Labor costs	43,592,481.58	29,380,868.32
Rent and property management fee	38,549,394.85	30,010,718.83
Travel expenses	22,962,952.46	20,297,180.61
Reception fee	20,809,218.01	17,579,058.02
Amortization of intangible assets	19,797,898.69	19,649,369.25
Audit fee	13,784,385.74	5,914,788.56
Insurance fee	7,685,958.74	9,443,920.17
Others	99,008,764.59	74,459,459.89
Total	1,001,505,576.04	796,303,927.67

(XXXVIII) R&D expenses

Applicable Not Applicable

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Staff cost	632,172,492.37	493,800,363.24
Material consumption	589,409,526.95	418,200,636.21
Depreciations	211,977,799.45	129,138,556.20
Water, electricity & gas charges	67,868,467.30	58,726,654.65
Travel expenses	22,114,649.67	16,354,242.44
Consulting fee	9,737,636.06	8,509,531.36
Labor costs	6,880,461.38	6,859,340.37
Rent and property management fee	3,661,319.28	2,857,676.08
Reception fee	1,925,282.10	2,468,704.82
Amortization of intangible assets	1,495,372.37	30,291,073.21
Others	62,874,521.93	71,057,569.90
Total	1,610,117,528.86	1,238,264,348.48

(XXXIX) Financial expenses

Applicable Not Applicable

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Interest expenses	915,788,719.73	864,912,025.71
Less: Capitalized interest expenses	-19,332,182.25	-12,122,245.01
Less: Interest income	-58,213,182.33	-28,161,222.41
Exchange gains and losses	-94,745,734.18	60,255,913.50
Less: Capitalized exchange losses and gains		110,695.25
Others	51,522,241.25	44,395,019.14
Total	795,019,862.22	929,390,186.18

(XL) Impairment losses of assets

Applicable Not Applicable

Unit: RMB

Item	Amount for the current year	Amount for the prior year
I. Bad debt losses	-36,534,349.78	153,560,489.98
II. Losses on decline in value of inventories	857,359.00	878,761.85
III. Impairment on available-for-sale financial assets		
IV. Impairment on held-to-maturity investments		
V. Impairment on long-term equity investments		
VI. Impairment on investment properties		
VII. Impairment on fixed assets		148,876,815.72
VIII. Impairment on materials for construction of fixed assets		
IX. Impairment on construction in progress		
X. Impairment on bearer biological assets		
XI. Impairment on oil and gas assets		
XII. Impairment on intangible assets		
XIII. Impairment on goodwill		
XIV. Others		
Total	-35,676,990.78	303,316,067.55

(XLI) Other income
 Applicable Not Applicable

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Special fund for key industries support (Note)	896,721,746.32	691,773,373.16
Key industries and comprehensive technology transformation projects	64,068,387.00	62,900,305.00
Industrial upgrading subsidies	42,276,448.63	23,466,437.18
Awards for comprehensive utilization of resources and energy-saving	29,388,509.32	40,860,050.25
Special fund for industrial transformation and upgrading	16,359,300.00	5,031,500.00
Industry support subsidies	9,491,500.44	3,049,619.83
Subsidies for industry revitalization and comprehensive technology transformation projects	8,333,333.28	8,333,333.28
Special funds for optimization of industrial structure	3,852,949.68	3,852,949.66
Special funds for improvement of key competitiveness of manufactory industry	3,271,736.16	
Subsidized interest for key industry technical transformation project	3,136,689.72	18,458,089.64
Special subsidies for environmental protection	3,119,927.08	3,600,000.00
Special fund from construction of two zones	3,025,210.08	3,025,210.09
Recycling transformation subsidies	750,000.00	562,500.00
Park upgrading and reconstruction subsidies	619,140.42	435,937.50
Others	19,938,937.46	36,441,418.07
Total	1,104,353,815.59	901,790,723.66

Other descriptions:

Note: It refers to the special funds from the local government to the Company's subsidiary, Wanhua Ningbo, used for its production and operation, and transformation and upgrading, with the purpose to contribute the regional economy develops sustainably, stably and coordinately by promoting the integration and improvement of harbor industry and service industry.

(XLII) Investment income✓ Applicable Not Applicable

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Income from long-term equity investments under equity method	93,472,439.19	104,557,555.26
Investment income from held-for-sale financial assets		21,000,000.00
Total	93,472,439.19	125,557,555.26

(XLIII) Gains on disposal of assets✓ Applicable Not Applicable

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Gains on disposal of non-current assets	18,720,809.02	1,687,270.04
Total	18,720,809.02	1,687,270.04

(XLIV) Non-operating income

Details of non-operating income are as follows:

✓ Applicable Not Applicable

Unit: RMB

Item	Amount for the current year	Amount for the prior year	Amount included in non-recurring profit or loss for the period
Total gains on disposal of non-current assets	2,972,532.93	318,171.02	2,972,532.93
Including: Gains on disposal of fixed assets	2,972,532.93	318,171.02	2,972,532.93
Liquidated damages of suppliers	1,812,530.73	10,000,000.00	1,812,530.73
Others (Note)	5,011,657.63	8,365,696.46	5,011,657.63
Total	9,796,721.29	18,683,867.48	9,796,721.29

Note: Others are gains from safety production penalty.

Government grants recognized in profit or loss for the period

 Applicable ✓ Not Applicable**(XLV) Non-operating expenses**✓ Applicable Not Applicable

Unit: RMB

Item	Amount for the current year	Amount for the prior year	Amount included in non-recurring profit or loss for the period
Total losses on disposal of non-current assets	114,538,765.55	219,700,740.10	114,538,765.55
Including: Losses on disposal of fixed assets	114,538,765.55	219,700,740.10	114,538,765.55
Donations to third parties	1,901,350.55	763,000.00	1,901,350.55
Others	558,172.88	7,787,151.83	558,172.88
Total	116,998,288.98	228,250,891.93	116,998,288.98

(XLVI) Income tax expenses**1. Table of income tax expenses**✓ Applicable Not Applicable

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Current tax expense	2,998,136,029.74	4,021,441,804.14
Deferred tax expense	150,002,218.56	-581,025,721.84
Total	3,148,138,248.30	3,440,416,082.30

2. Reconciliation of income tax expenses to the accounting profit is as follows:✓ Applicable Not Applicable

Unit: RMB

Item	Amount for the current period
Accounting profit	15,977,780,231.68
Income tax expenses calculated at 15% (prior year: 15%)	2,396,667,034.75
Effect of different tax rates of subsidiaries operating in other jurisdictions	956,091,064.04
Final settlement and payment for prior year	-5,955,372.75
Effect of tax-free income	-21,428,201.25
Effect of cost, expenses and losses that are not deductible for tax purposes	2,827,372.14
Effect of using previously unrecognized deductible losses and deductible temporary differences	-2,797,839.62
Effect of unrecognized deductible losses and deductible temporary differences	14,052,335.81
Changes in deferred tax assets/liabilities arising from adjustments of tax rate	11,521,688.02
Purchase of special-purpose equipment for enterprise income tax credits	-10,758,163.89
75% additional deduction of R&D expenses	-196,622,266.53
Others	4,540,597.58
Total	3,148,138,248.30

Other descriptions:

✓ Applicable Not Applicable

Note: In accordance with *the Notice by the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology of Raising the Proportion of Weighted Pre-tax Deduction of Research and Development Expenses* (Cai Shui [2018] No.99), R&D expenses of the Company actually incurred in the research and development activities, if not recognized in profit or loss as intangible assets, an additional deduction equal to 75% of R&D expenses actually incurred is made before tax payment from the amount of taxable income besides the deduction of R&D expenses to the extent of the amount actually incurred during the period from 1 January 2018 to 31 December 2020.

(XLVII) Other comprehensive income✓ Applicable Not Applicable

Details are set out in Note VII, 30.

(XLVIII) Notes to Items in the cash flow statement**1. Other cash receipts relating to operating activities**✓ Applicable Not Applicable

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Government grants received	1,006,608,212.85	1,302,148,797.40
Cash and bank balances with restrictions recovered		7,283,609.52
Customs deposit recovered	28,007,267.89	
Others	49,610,757.96	34,898,699.10
Total	1,084,226,238.70	1,344,331,106.02

2. Other cash payments relating to operating activities✓ Applicable Not Applicable

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Total expenses paid	2,746,771,778.64	2,143,660,745.71
Cash and bank balances with restrictions paid	987,897,453.71	
Customs deposit paid		40,436,295.92
Total	3,734,669,232.35	2,184,097,041.63

3. Other cash receipts relating to investing activities✓ Applicable Not Applicable

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Net cash receipts from subsidiaries	5,400,404.72	-
Total	5,400,404.72	

4. Other cash payments relating to investing activities✓ Applicable Not Applicable

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Deposit of construction project	921,393.80	2,128,900.00
Total	921,393.80	2,128,900.00

5. Other cash payments relating to financing activities✓ Applicable Not Applicable

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Financing charges paid	588,456.01	2,691,268.86
Pledged deposits for receiving loans	10,000.00	
Total	598,456.01	2,691,268.86

(XLIX) Supplementary information to the cash flow statement**1. Supplementary information to the cash flow statement**

Applicable Not Applicable

Unit: RMB

Supplementary information	Amount for the current year	Amount for the prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	12,829,641,983.38	13,309,319,707.98
Add: Impairment losses of assets	-35,676,990.78	303,316,067.55
Depreciation of fixed assets	3,023,575,099.48	3,033,400,427.58
Amortization of intangible assets	153,419,126.31	144,455,456.01
Amortization of long-term prepaid expenses	7,744,764.37	7,778,750.04
Losses on disposal of fixed assets, intangible assets and other long-term assets (income is indicated by "-")	92,845,423.60	217,695,299.04
Losses on retirement of fixed assets (income is indicated by "-")		
Losses on changes in fair value (income is indicated by "-")		
Financial expenses (income is indicated by "-")	962,192,395.78	836,246,812.05
Investment losses (income is indicated by "-")	-93,472,439.19	-125,557,555.26
Decrease in deferred tax assets (increase is indicated by "-")	145,788,349.32	-577,733,343.00
Increase in deferred tax liabilities (decrease is indicated by "-")	4,213,869.24	-3,292,378.84
Decrease in inventories (increase is indicated by "-")	-811,135,567.36	-2,663,155,302.03
Decrease in receivables from operating activities (increase is indicated by "-")	2,135,642,484.61	-9,376,824,722.80
Increase in payables from operating activities (decrease is indicated by "-")	842,715,930.70	5,602,149,377.08
Others		
Net cash flow from operating activities	19,257,494,429.46	10,707,798,595.40
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets acquired under finance leases		
Fixed assets acquired and constructed by debts	1,943,557,554.64	2,361,084,053.44
3. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents	4,091,457,438.19	3,046,303,365.52
Less: Opening balance of cash and cash equivalents	3,046,303,365.52	1,962,848,541.01
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	1,045,154,072.67	1,083,454,824.51

2. Net cash paid to acquire subsidiaries for the period

Applicable Not Applicable

3. Net cash receipts from disposal of subsidiaries for the current period

Applicable Not Applicable

4. Composition of cash and cash equivalents

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	4,091,457,438.19	3,046,303,365.52
Including: Cash on hand	160,315.22	151,834.64
Bank deposits	4,062,396,474.93	3,038,929,570.25
Other monetary funds	28,900,648.04	7,221,960.63
II. Cash equivalents		
Including: Bonds investment due within three months		
III. Closing balance of cash and cash equivalents	4,091,457,438.19	3,046,303,365.52
Including: Restricted cash and cash equivalents of the Company and subsidiaries within the Group.		

Other descriptions:

Applicable Not Applicable

Cash and cash equivalents exclude restricted cash and cash equivalents of the Company and subsidiaries within the Group. As at 31 December 2018, the restricted cash and bank balances amounted to RMB 1,004,578,742.37 (At 31 December 2017: RMB 16,671,288.66).

(L) Notes to items in the statement of changes in owners' equity

Describe matters such as the names and the adjustment amounts of the items included in "others" in respect of adjustments to the closing balances of the prior year.

Applicable Not Applicable

(LI) Restricted ownership of asset and right of use

Applicable Not Applicable

Unit: RMB

Item	Closing balance of book value	Reasons to be restricted
Cash and bank balances	1,000,201,669.58	Deposits for opening bank acceptances, refer to Note VII. 19.
Cash and bank balances	682,357.97	Deposits for letter of credit
Cash and bank balances	10,000.00	Deposits for loans, refer to Note VII,1
Cash and bank balances	3,684,714.82	LPG OTC transaction deposits
Notes receivable	5,169,347,611.06	Pledged for receiving bank loans, opening acceptance bills, letter of credit and customs duty guarantee, see Note VII, 19
Fixed assets	7,402,890,272.82	Used for receiving loans, refer to Note VII 10
Intangible assets	447,667,076.77	Used for receiving loans, refer to Note VII 12
Total	14,024,483,703.02	/

(LII) Foreign monetary item**1. Foreign monetary item**

Applicable Not Applicable

Unit: RMB

Item	Closing balance (O.C)	Exchange rate	Closing balance (RMB)
Cash and bank balances			
Including: USD	21,717,648.51	6.8607	148,998,281.09
EUR	16,019,801.97	7.8369	125,987,607.64
HKD	10,800.89	0.8761	9,460.30
SGD	69,472.96	5.0257	349,833.16
RUB	419,492.66	0.0982	41,194.18
KRW	3,471,138,815.00	0.0061	21,359,809.32
JPY	525,147,922.00	0.0624	32,877,468.78
AED	136,188.92	1.8725	255,013.75
HUF	41,000.82	0.0245	1,001.63
Accounts receivable			
Including: USD	50,183,558.50	6.8607	344,294,339.81
EUR	15,887,327.65	7.8369	124,507,398.06
KRW	4,664,180,928.00	0.0061	28,642,735.08
Other receivables			
Including: KRW	78,725,000.00	0.0061	483,450.23
Short-term borrowings			
Including: USD	102,041,535.67	6.8898	703,045,772.46
Accounts payable			
Including: USD	11,214,819.52	6.8898	77,267,863.54
EUR	2,542,498.82	7.8947	20,072,265.43
JPY	10,198,284.00	0.0628	640,951.95
GBP	39,835.00	8.8215	351,404.45
SGD	160,000.00	5.0611	809,776.00
CHF	1,705,371.53	6.9998	11,937,259.64
Other payables			
Including: USD	2,784.33	6.8898	19,183.48
EUR	1,947.13	7.8947	15,372.01

2. Description of entities operating overseas, including significant overseas operating entities, of which the major operation place, functional currency and choosing basis as well as change of functional currency should be disclosed:

Applicable Not Applicable

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 USD is the main currency used in its business transactions, therefore, it chooses USD as its functional currency.

Wanhua Chemical (America) Co., Ltd., Wanhua Chemical US Holding Inc., Wanhua America Innovation Technology Co., Ltd., Wanhua Chemical US Real Estate LLC and Wanhua Chemical US Operations 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 operate. Therefore, they choose USD as their functional currency.

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

(LIII) Hedging

Applicable Not Applicable

Disclose by category the following information: hedge items, related hedging tools, the qualitative and quantitative information of hedged risks

OTC transaction contract hedging

Wanhua Singapore, a subsidiary of the Company, adopts liquefied petroleum gas (LPG) OTC transaction contract to reduce the cash flow risks of expected transactions of Wanhua Singapore, namely changing parts of floating prices into fixed prices.

The principal hedging arrangement of LPG OTC transaction contract concluded by the Group is set out as below:

Hedged item	Hedging instrument	Hedging method
LPG expected sale	LPG OTC transaction contract	Purchasing LPG OTC transaction contract to lock up the fluctuation of LPG expected sales prices.

The Group designated as the hedging instrument the LPG OTC transaction contract purchased in 2018 which had equal terms with the corresponding sales contract terms. The Group assesses the hedging effectiveness by comparing the main terms and considers the hedging instrument is highly effective. As at 31 December 2018, losses from changes in fair value of cash flow hedging instruments recognized in other comprehensive income amount to RMB 1,173,476.80.

(LIV) Government grants**1. Basic information of government grants**

Applicable Not Applicable

Unit: RMB

Categories	Amount	Presented as	Amount included in profit or loss
Special funds for supporting the development of enterprises	896,721,746.32	Other income	896,721,746.32
Special funds for supporting key and advantageous industries	64,068,387.00	Other income	64,068,387.00
Industrial upgrading subsidies	42,276,448.63	Other income	42,276,448.63
Rewards for comprehensive utilization of resources and energy conservation	29,388,509.32	Other income	29,388,509.32
Special funds for industrial transformation and upgrading	16,359,300.00	Other income	16,359,300.00
Industrial supporting subsidies	9,491,500.44	Other income	9,491,500.44
Key industries and comprehensive technology transformation projects	8,333,333.28	Other income	8,333,333.28
Special funds for optimization of industrial structure	3,852,949.68	Other income	3,852,949.68
Special funds for strengthening the core competitiveness of manufacturing industry	3,271,736.16	Other income	3,271,736.16
Subsidized interest for key industry technical transformation project	3,136,689.72	Other income	3,136,689.72
Environmental protection subsidy	3,119,927.08	Other income	3,119,927.08
Special fund from construction of two zones	3,025,210.08	Other income	3,025,210.08
Recycling transformation subsidies	750,000.00	Other income	750,000.00
Park upgrading and reconstruction subsidies	619,140.42	Other income	619,140.42
Others	19,938,937.46	Other income	19,938,937.46
Total	1,104,353,815.59		1,104,353,815.59

2. Return of government grants

Applicable Not Applicable

VIII. CHANGES IN CONSOLIDATION SCOPE**(I) Business combinations not involving enterprises under common control**

Applicable Not Applicable

(II) Business combinations involving enterprises under common control

Applicable Not Applicable

(III) Counter purchase

Applicable Not Applicable

(IV) Disposal of subsidiaries

Does single disposal of investments in subsidiaries, i.e. the loss of control exist?

Applicable Not Applicable

Does disposal of investments through multiple transactions and the loss of control in current period exist?

Applicable Not Applicable

(V) Other reasons for changes in scope of consolidation

Describe changes in consolidation scope incurred by other reasons (such as incorporate of new subsidiaries, liquidation of subsidiaries and others) and other related circumstances:

Applicable Not Applicable

Name of investees	Principal operating activities	Reasons for changes
Wanhua Chemical Group Energy Co., Ltd.	Sales of power	Included in scope of consolidation for the period
Wanhua Chemical US Operations LLC	Manufacturing and sales of chemical products	Included in scope of consolidation for the period
Wanhua Chemical Group Material Co., Ltd.	Sales of materials and equipment	Included in scope of consolidation for the period
Wanhua Chemical (Zhuhai) Selling Co., Ltd.	Sales of chemical products	Included in scope of consolidation for the period
Recycled Water Co., Ltd. (Note)	Manufacturing, supply and sales of recycled water	Refer to Note VII 9

Note: Identifiable assets and liabilities of Recycled Water Co., Ltd. at consolidation date.

Unit: RMB

	Recycled Water Co., Ltd.	
	Fair value at consolidation date	Carrying amount at consolidation date
Assets:		
Cash and bank balances	5,400,404.72	5,400,404.72
Prepayments	219,280.00	219,280.00
Inventories	271,544.78	271,544.78
Other current assets	22,585,613.68	22,585,613.68
Fixed assets	368,864.00	357,323.51
Construction in progress	230,774,586.70	230,736,022.60
Intangible assets	20,764.97	20,764.97
Long-term prepaid expenses	306,108.43	306,108.43
Other non-current assets	1,308,373.81	1,308,373.81
Total	261,255,541.09	261,205,436.50
Liabilities:		
Accounts payable	41,564,541.39	41,564,541.39
Receipts in advance	15,000,000.00	15,000,000.00
Taxes payable	17.88	17.88
Other payables	25,000,000.00	25,000,000.00
Total	81,564,559.27	81,564,559.27
Net assets	179,690,981.82	179,640,877.23

(VI) Others

Applicable Not Applicable

IX. EQUITY IN OTHER ENTITIES

(I) Equity in subsidiaries

1. Composition of the Group

✓ Applicable □ Not Applicable

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 (Note 8)	Singapore	Singapore	Service	2.5	97.5	Investment
Singapore Shipping	Singapore	Singapore	Service		100	Investment

BVI	Britain	Virgin Island	Service	100	Investment
Wanhua America Innovation Technology Co., Ltd.	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., Ltd.	Hungary	Hungary	Service	100	Investment
Zhuhai Real Estate	China	Zhuhai	Real Estate	100	Investment
Ningbo XinDa Mingzhou Trading Co. Ltd. (Note 9)	China	Ningbo	Service	50.36875	Investment
Wanhua Chemical Group Energy Co., Ltd.	China	Yantai	Service	100	Investment
Wanhua Chemical US Operations LLC	U.S.	U.S.	Service	100	Investment
Wanhua Materials	China	Yantai	Manufacturing	100	Investment
Wanhua Chemical (Zhuhai) Selling Co., Ltd.	China	Zhuhai		100	Investment
Recycled Water Company	China	Yantai		31	(Note VII, 9 Note 2)
Wanhua Chemical (Sichuan) Co., Ltd.	China	Meishan		100	Investment

Description about that shareholding proportion held in subsidiary is different that voting right proportion:

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 on 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.

Basis for holding half of lower voting power but still controls the investee and holding over half voting power but has no control over the investee:

Ningbo Xiebei Thermal Power Co., Ltd. ("Xiebei Thermal Power") was jointly invested by Wanhua Thermal Power (a subsidiary of the Company) and Hong Kong Liwan Group Co., Ltd., Wanhua Thermal Power holds 55% equity of the Company, totally contributing RMB 148,500,000.00; Hong Kong Liwan Group Co., Ltd. holds 45% equity of the Company, totally contributing RMB 121,500,000.00. According to the articles of association of Xiebei Thermal Power, the board of directors consists of 5 directors, including three directors assigned by the Group. Resolutions are entered into force upon agreement of two thirds of directors, therefore, it is accounted as a joint venture using equity method as it is jointly controlled by both parties.

Other descriptions:

Note 1: The Company holds 74.5% of equity interest over Wanhua Ningbo, Wanhua Chemical Industry holds 25.5% of equity interest 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 the capital proportion of 80%. In 2014, according to the agreement signed between the Company and the minority shareholders of Foshan Rongwei in the 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 equity interests over Wanhua Chemical (Yantai) Rongwei Polyurethane Co., Ltd.

Note 6: As at 31 December 2016, the Company holds 25.36875% of equity interest over Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd., Wanhua Chemical (Hong Kong) Co., Ltd. holds 25% of equity interest 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 contributed additional capital on a pro rata basis of shares originally held by the Company and Wanhua Chemical (Hong Kong) Co., Ltd. in total, while the remaining shareholders increased the capital on a proportion of their original shareholdings. After the capital increase, the direct shareholding of the Company increased to 26.84% and the indirect shareholding of Wanhua Chemical (Hong Kong) Co., Ltd. decreased to 23.53%.

Note 7: Newly set up by the Company and Wanhua Beijing which 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: As at 31 December 2017, the Company holds 100% equity interest over Wanhua Singapore. In January 2018, the Company's subsidiary, Wanhua Chemical (Hungary) Holding Co., Kft. contributes additional capital of USD 39 million to Wanhua Singapore, but the Company's contributed capital was still unchanged, amounting to USD 1 million. After the capital increase, the direct shareholding of the Company reduced to 2.5% and the indirect shareholding of Wanhua Chemical (Hungary) Holding Co., Kft. decreased to 97.5%.

Note 9: Newly set up by the Company and Wanhua Chemical (Ningbo) Chlor-Alkali Co., Ltd., which is the subsidiary of the Company, the Company holds 50.36875% of equity interests of Ningbo XinDa Mingzhou Trading Co. Ltd.

2. Significant non-wholly owned subsidiaries

Applicable Not Applicable

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

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	25.50%	1,619,382,474.32		3,971,825,517.83
Wanhua Thermal Power	49%	112,899,448.12	98,000,000.00	382,100,486.29
Ningbo Chlor-Alkali	49.63%	227,585,756.09	198,525,000.00	503,366,546.22
Yantai Chlor-Alkali Thermal Power	40%	141,713,214.35	40,000,000.00	402,025,033.30

Description about that the shareholding proportion of minority interests is different from voting rights proportion:

Applicable Not Applicable

3. Financial information in significant not-wholly-owned subsidiaries

Applicable Not Applicable

Unit: RMB

Name of subsidiaries	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	16,163,384,995.24	6,635,553,162.24	22,798,938,157.48	6,714,229,195.06	187,025,000.00	6,901,254,195.06	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
Wanhua Thermal Power	205,635,339.37	983,257,115.95	1,188,892,455.32	374,560,042.47	9,489,995.00	384,050,037.47	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
Ningbo Chlor-Alkali	549,505,392.91	813,333,973.60	1,362,839,366.51	326,614,716.55	9,825,307.90	336,440,024.45	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
Yantai Chlor-Alkali Thermal Power	433,003,650.57	2,602,433,397.52	3,035,437,048.09	1,807,286,927.98	224,728,919.27	2,032,015,847.25	461,354,220.10	2,450,713,364.58	2,912,067,584.68	1,942,929,419.71	220,000,000.00	2,162,929,419.71

Unit: RMB

Name of subsidiary	Amount for the current year				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	20,660,525,692.47	6,350,519,507.12	6,350,519,507.12	159,163,042.64	20,854,263,340.41	7,031,120,022.97	7,031,120,022.97	3,319,324,511.99
Wanhua Thermal Power	1,176,649,190.50	230,407,036.97	230,407,036.97	139,243,315.68	1,137,131,832.74	230,742,191.53	230,742,191.53	226,510,355.30
Ningbo Chlor-Alkali	1,705,038,909.87	458,553,343.09	458,553,343.09	582,237,745.60	1,762,120,073.34	458,738,357.71	458,738,357.71	409,067,591.93
Yantai Chlor-Alkali Thermal Power	2,344,889,302.32	354,283,035.87	354,283,035.87	609,741,313.94	1,954,545,698.58	361,098,647.80	361,098,647.80	551,549,744.06

4. Significant limitations on use of the group assets and pay off the group debts

Applicable Not Applicable

5. Financial or other support provided to structured entities included in consolidated financial statements

Applicable Not Applicable

(II) Changes of shares of owners' equity in subsidiaries but continue to remain control over transactions of subsidiaries

Applicable Not Applicable

(III) Equity in associates or joint ventures

Applicable Not Applicable

1. Significant associates or joint ventures

Applicable Not Applicable

Unit: RMB

Name of associate and joint venture	Main location	Registration location	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. (Note IX 1, (1))	China	Ningbo	Manufacturing		55	Equity method
Yantai Recycled Water Co., Ltd (Refer to Note VII,11)						
II. Associate	China	Yantai	Manufacturing	10		Equity method
Linde Gas (Yantai) Co., Ltd. (Note 3)	China	Yantai	Service	20		Equity method
Yantai Bulk Commodity Exchange Center (Note 4)	China	Yantai	Service	20		Equity method

Basis for holding lower than 20% with significant influence voting power or over 20% voting power 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. In 2018, Yantai Harbor Wanhua Industrial Park Port Co., Ltd. made resolutions to increase capital to RMB 796,661,000.00, in which the Company added investments by RMB 45,666,100.00 in cash with the shareholding proportion unchanged, still being 10%.

Other descriptions:

Note 1: The registration capital was RMB 120,000,000.00, for which the Company holds 50% of shares. According to the articles of association, the board of directors is composed of four directors, among which the Company has two directors. Therefore, it is a joint venture which is being jointly controlled and thus equity method is adopted. In 2015, Yantai Harbor Wanhua Industrial Park Port Co., Ltd. made resolutions to increase capital to RMB 320,000,000.00, in which the Company added investments by RMB100,000,000.00 in cash, with the shareholding proportion unchanged, still being 50%. In 2018, Yantai Harbor Wanhua Industrial Park Port Co., Ltd. made resolutions to increase capital to RMB 520,000,000.00, in which the Company added investments by RMB100,000,000.00 in cash with the shareholding proportion unchanged, still being 50%.

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

Note 4: It is a joint venture co-founded by Yantai Lianhe Equity Exchange Center Co., Ltd., Yantai Lianchu Fruit Cold Storage Co., Ltd. and the Company, for which the Company holds 20% of shares and subscribed a capital amounting to RMB 10,000,000.00, equal to the actually paid capital. According to the articles of association, the board of directors is composed of five directors, among which the Company has one directors. Therefore, it is accounted for using the equity method.

2. Financial information in significant joint ventures

✓ Applicable Not Applicable

Unit: RMB

	Closing balance / Amount for the current year			Opening balance / Amount for the prior year		
	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	UI Wanhua (Yantai) Peroxide Co., Ltd.	Ningbo Xiebei Thermal Power Co., Ltd.	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	UI Wanhua (Yantai) Peroxide Co., Ltd.	Ningbo Xiebei Thermal Power Co., Ltd.
Current assets	96,122,652.86	29,197,632.05	188,614,931.18	82,273,512.99	28,142,040.90	230,576,423.86
Including: Cash and cash equivalents	59,681,506.02	27,996,827.46	112,045,414.18	73,193,208.93	28,007,464.60	96,956,165.04
Non-current assets	1,599,087,023.07	2,269,320.75	670,630,035.91	907,149,340.04	2,269,320.75	679,071,516.72
Total assets	1,695,209,675.93	31,466,952.80	859,244,967.09	989,422,853.03	30,411,361.65	909,647,940.58
Current liabilities	484,124,606.37	264,450.68	394,883,175.41	445,010,119.85		367,076,666.72
Non-current liabilities	602,613,465.13		50,000,000.00	165,645,260.94		137,000,000.00
Total liabilities	1,086,738,071.50	264,450.68	444,883,175.41	610,655,380.79		504,076,666.72
Minority interests						
Equity attributable to equity holders of the Company	608,471,604.43	31,202,502.12	414,361,791.68	378,767,472.24	30,411,361.65	405,571,273.86
Share of net asset calculated by shareholding proportion	304,235,802.22	15,601,251.06	227,898,985.42	189,383,736.12	15,205,680.83	223,064,200.62
Adjustments						
--Goodwill						
--Unearned profits from internal transactions						
--Others						
Book value of equity investment in joint venture	304,235,802.22	15,601,251.06	227,898,985.42	189,383,736.12	15,205,680.83	223,064,200.62
Fair value of equity investments in joint venture with quoted price on open market						
Operating income	171,494,207.34		799,885,617.39	172,530,272.41		775,969,444.76

Financial expenses	10,564,681.34	-1,065,363.71	8,116,701.73	7,155,541.60	707.01	14,298,811.58
Income tax expenses	4,254,997.35	264,343.68	41,429,569.29		29.99	43,845,480.79
Net profit	29,704,132.19	791,140.46	129,344,081.78	53,010,975.65	-291,419.57	133,948,404.40
Net profit from discontinued operations						
Other comprehensive income						
Total comprehensive income	29,704,132.19	791,140.46	129,344,081.78	53,010,975.65	-291,419.57	133,948,404.40
Dividends received from joint ventures in the current year			66,304,460.18			8,033,203.80

3. Financial information in associates

Applicable Not Applicable

Unit: RMB

	Closing balance / Amount for the current year		Opening balance / Amount for the prior year	
	Linde Gas (Yantai) Co., Ltd	Yantai Bulk Commodity Exchange Center	Linde Gas (Yantai) Co., Ltd	Yantai Bulk Commodity Exchange Center
Current assets	295,665,356.19	36,277,261.25	278,403,340.15	47,024,197.45
Non-current assets	971,371,314.54	11,568,390.16	864,390,674.89	23,846.15
Total assets	1,267,036,670.73	47,845,651.41	1,142,794,015.04	47,048,043.60
Current liabilities	70,469,788.32	789,572.03	444,709,562.63	663,056.28
Non-current liabilities	340,297,617.56		375,840,731.08	
Total liabilities	410,767,405.88	789,572.03	820,550,293.71	663,056.28
Minority interests				
Equity attributable to equity holders of the Company	856,269,264.85	47,056,079.38	322,243,721.33	46,384,987.32
Share of net asset calculated by share-holding proportion	85,626,926.49	9,411,215.88	32,224,372.13	9,976,997.46
Adjustments				
--Goodwill				
--Unearned profits from internal transactions				
--Others				
Book value of equity investment in associates	85,626,926.49	9,411,215.88	32,224,372.13	9,976,997.46
Fair value of equity investments in associates with quoted price on open market	N/A	N/A	N/A	N/A
Operating income	608,832,381.09	2,971.71	517,008,130.81	
Net profit	77,364,543.52	-2,828,907.90	45,753,704.93	-115,012.68
Net profit from discontinued operations				
Other comprehensive income				
Total comprehensive income	77,364,543.52	-2,828,907.90	45,753,704.93	-115,012.68
Dividends received from associates in the current year				

Other descriptions:

When measured by equity method, the accounting policy between the Group and its all joint venture and associate is unnoticeable. In addition, the investment of such long-term investment and income does not have significant limitation, and the ability of joint ventures and associates of transferring capital to the Group does not have significant limitation as well.

4. Summary financial information of insignificant joint ventures and associates

Applicable Not Applicable

5. Descriptions about significant limitations over the ability of joint ventures or associates to transfer funds to the Company

Applicable Not Applicable

6. Excessive loss of joint venture or associates

Applicable Not Applicable

7. Unrecognized commitments relating to investments with joint venture

Applicable Not Applicable

According to the Articles of Association of UI Wanhua (Yantai) Peroxide Co., Ltd., contribution of RMB 30,000,000.00 was subscribed by the Company, for which RMB15,000,000.00 has been paid up actually and the outstanding contribution is RMB 15,000,000.00. For details, refer to Note XIV 1 (1).

The Group has no unrecognized commitments relating to investments with associates in 2018.

8. Contingent liability related to investments in joint ventures

Applicable Not Applicable

(IV) Significant joint operations

Applicable Not Applicable

(V) Interests in structured entities that are not included in consolidated financial statements

Description about structured entities that are not included in consolidated financial statements:

Applicable Not Applicable

(VI) Others

Applicable Not Applicable

X. RISKS RELATED TO FINANCIAL INSTRUMENTS

Applicable Not Applicable

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, 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 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 are based on the assumption that the change in each risk variable is on a stand-alone basis.

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

As at 31 December 2018, 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, KRW and CHF. 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	329,879,669.85	463,342,081.16
Accounts receivable	497,444,472.95	730,695,856.86
Other receivables	483,450.23	478,454.38
Short-term borrowings	703,045,772.46	1,395,984,558.86
Accounts payable	111,079,521.01	292,842,230.81
Interest payable		846,680.72
Other payables	34,555.49	36,347.23

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 exchange rate and decreases exchange losses and acquires exchange gains by means of adjusting amount of liabilities dominated in foreign currencies.

Foreign exchange rate sensitivity analysis:

Holding other factors constant, listed is effect of profit or loss and shareholders' equity (pre-tax) 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	-2,134	-2,134	-5,492	-5,492
USD	Depreciate 1% against RMB	2,134	2,134	5,492	5,492
EUR	Appreciate 1% against RMB	2,522	2,522	1,895	1,895
EUR	Depreciate 1% against RMB	-2,522	-2,522	-1,895	-1,895
JPY	Appreciate 1% against RMB	323	323	202	202
JPY	Depreciate 1% against RMB	-323	-323	-202	-202
KRW	Appreciate 1% against RMB	504	504	443	443
KRW	Depreciate 1% against RMB	-504	-504	-443	-443
CHF	Appreciate 1% against RMB	-101	-101	-48	-48
CHF	Depreciate 1% against RMB	101	101	48	48

(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 loans (refer to Note VII 17, 24 and 25). At the end of 31 December 2018, variable-rate loan amounted to RMB 12,972,304,047.35. It is the Group's policy to keep its loans at variable 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:

- Changes in market interest rate can affect interest income or expense of variable-rate financial instruments.
- For a fixed-rate financial instrument measured at fair value, changes in market interest rate solely affect its interest income or expense;
- For a derivative financial instrument designated as hedging instrument, changes in market interest rate may affect its fair value, and all hedging to interest rate is estimated to be highly effective.
- Changes in fair value of derivative financial instruments and other financial assets and liabilities are calculated using the discounted cash flow method at the market interest rate on the balance sheet date.

Based on aforementioned assumptions, where all other variables are held constant, reasonable and possible changes in interest rate may have the following pre-tax impacts on the current profit or loss and shareholders' equity:

Unit: RMB'000

Item	Change of interest rate	Current year	
		Impact on net profit	Impact on shareholders' equity
Variable-rate financial instruments	1% increase	-68,817	-68,817
Variable-rate financial instruments	1% decrease	68,817	68,817

(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 2018, 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.

As at 31 December 2018, the Group has undertaken RMB 3.814 billion of bank loans from Wanhua Chemical Industry due to material asset reorganization transaction. The material asset reorganization transaction was completed as at 12 February 2019. Save for this, 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 loans as a significant source of liquidity. As at 31 December 2018, the Group has available unutilized bank loan facilities of over RMB 43 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		17,745,390,360.32				17,745,390,360.32
Notes payable		4,146,809,415.90				4,146,809,415.90
Accounts payable		3,688,529,824.66				3,688,529,824.66
Other payables		544,927,091.15				544,927,091.15
Long-term borrowings		2,102,511,553.45	1,626,952,867.20	596,646,694.44	1,848,150,916.67	6,174,262,031.76
Long-term payables						
Derivative financial liabilities						
Financial guarantee contracts			377,500,000.00	25,000,000.00	2,216,418,800.00	2,618,918,800.00

Amounts of aforementioned financial guarantee contracts are the guarantee risk exposures of the Group by maximum guarantee amounts.

(II) Transfer of financial assets

Transferred financial assets with entire derecognition but with 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, the Bank is entitled to require the Group to pay off the outstanding balance of those bills. Pursuant to regulations of the negotiable instruments law, the bill holder has the right of recourse against the endorser, the drawer and other debtors of bills if the bills were declined. Therefore, our group had continually involved those undue bills that had been discounted or endorsed. As 31 December 2018, the balance of those undue but discounted bills, undue but endorsed bills were RMB 2,087,581,670.42 (as at 31 December 2017: RMB 117,673,130.00) and RMB 260,517,008.61 (as at 31 December 2017: RMB 1,582,199,513.32), respectively.

XI. DISCLOSURE OF FAIR VALUE

(I) Closing fair value of liabilities not measured at fair value

Applicable Not Applicable

Unit: RMB

Item	Closing balance			
	Level 1	Level 2	Level 3	Total
I. Continuous fair value measurement				
(I) Financial assets at fair value through profit or loss				
(II) Available-for-sale financial assets				
(III) Investment properties				
(IV) Biological assets				
Total assets continuously measured at fair value				
(V) Held-for-trading financial liabilities		1,173,476.80		1,173,476.80
Including: Held-for-trading bonds issued				
Derivative financial liabilities		1,173,476.80		1,173,476.80
Others				
(VI) Designated as financial liabilities at fair value through profit or loss				
Total liabilities continuously measured at fair value		1,173,476.80		1,173,476.80

(II) Valuation techniques and qualitative and quantitative information of key parameters adopted for continuous and non-continuous level 2 fair value measurement items

Applicable Not Applicable

Item	Fair value at 31 December 2018	Valuation technique	Inputs
Derivative financial instruments			
Held-for-trading financial liabilities			
Including: OTC transaction of LPG	1,173,476.80	Method of discounted cash flow analysis	Forward price

(III) Disclosure of fair value of asset and liability not measured at fair value

Applicable Not Applicable

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, other payables, non-current liability due within one year, long-term borrowings, and long-term payables.

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

Unit: RMB

	Closing balance		Opening balance	
	Book value	Fair value	Book value	Fair value
Financial assets				
-Long-term receivables	459,981,985.67	392,760,939.61	318,793,498.76	264,775,932.98
Financial liabilities				
-Long-term borrowings	3,817,504,999.96	3,317,611,528.82	6,321,648,809.13	5,710,683,671.53

(IV) Others
 Applicable Not Applicable
XII. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS**(I) Parent(s) of the Company**
 Applicable Not Applicable

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 Chemical Industry	Yantai	Polyurethane, TPU as well as manufacture, processing and sale of product, industrial gas, Sodium Hydroxide and Chlorine products etc.	7,893.04	47.92	47.92

Description of the parent(s) of the Company:

As at 30 January 2018, the Company's original controlling shareholder, Wanhua Industry was successfully divided with the original company survival. In details, Wanhua Industry was divided into Wanhua Industry, as the surviving company, and Wanhua Chemical Industry, as the newly established company. Subsequent to this division, the parent company of the Company was changed from Wanhua Industry to 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 Wanhua Industry is RMB 1,400,000,000.00 while the new established company Wanhua Chemical Industry is RMB 78,930,407.46.

The Company's parent company is Wanhua Chemical Industry and the Company's intermediary controlling company is Yantai Guofeng Investment Holding Co., Ltd.

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

(II) Subsidiaries of the Group
 Applicable Not Applicable

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

(III) Associates and joint ventures of the Group
 Applicable Not Applicable

For details of associates and joint ventures of the Group, refer to Note IX 3.

Details of other joint ventures or associates having related party transactions and balances with the Group in the period or in prior periods:

Applicable Not Applicable

Name of associates or joint ventures	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
Linde Gas (Yantai) Co., Ltd.	Associate
Yantai Bulk Commodity Exchange Center	Associate
Yantai Bulk Commodity Exchange Center	Associate

(IV) Other related parties of the Group

Applicable Not Applicable

Other related parties	Relationship between other related parties and the Group
BorsodChem Zrt.	Same parent company
BorsodChem MCHZ, s.r.o.	Same parent company
BorsodChem Italia S.r.l.	Same parent company
Wanhua BorsodChem Latin-America Comercio de Productos Quimicos Ltd.	Same parent company
Wanhua BorsodChem Rus LLC.	Same parent company
Wanhua EnergySav Science & Technology Group Co., Ltd.	Same intermediary controlling company
Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd.	Same intermediary controlling company
Wanhua EnergySav Science & Technology (Yantai) Co., Ltd.	Same intermediary controlling company
Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd.	Same intermediary controlling company
Shanxi Zhongqiang Fushan Coal Mine Co., Ltd.	Same intermediary controlling company
Yantai Tayho Advanced Materials Co., Ltd. (Note 1)	Same intermediary controlling company
Yantai Xinghua Spandex Co., Ltd. (Note 1)	Same intermediary controlling company
Yantai Tayho Engineering Materials Co., Ltd. (Note 1)	Same intermediary controlling company
Ningxia Ningdong Tayho New Materials Co., Ltd. (Note 1)	Same intermediary controlling company
Yantai Yuxiang Fine Chemical Engineering Co., Ltd. (Note 1)	Same intermediary controlling company
Moon Environment Technology Co., Ltd. (Note 1)	Same intermediary controlling company
DUNHAM-BUSH (China) Industry Co., Ltd. (Note 1)	Same intermediary controlling company
Wanhua Industry	Same intermediary controlling company
Wanhua Building Technology (Yantai) Co., Ltd. (Note 2)	Same intermediary controlling company
Yantai Wanhua Chlor-Alkali Co., Ltd.	Associate of parent company
Yantai Huali Thermal Power Co., Ltd	Subsidiary of associate of parent company
Wanhua Ecoboard Co., Ltd.	Company where a nature person associated with the Company acts as a director
Wanhua Ecoboard (Jingzhou) Co., Ltd.	Subsidiary of a company where a nature person associated with the Company acts as a director
Wanhua Ecoboard (Xinyang) Co., Ltd.	Subsidiary of a company where a nature person associated with the Company acts as a director
Wanhua Eco-technology (Yantai) Co., Ltd.	Subsidiary of a company where a nature person associated with the Company acts as a director

Other descriptions:

Note 1: In January 2018, the State-owned Assets Supervision and Administration Commission of Yantai Municipal Government transferred its shares in Yantai Tayho Advanced Materials Co., Ltd. and Moon Environment Technology Co., Ltd. to Yantai Guofeng Investment Holding Co., Ltd. at no consideration, hence Yantai Guofeng Investment Holding Co., Ltd. has become the controlling shareholder of the two companies. Therefore, Yantai Tayho Advanced Materials Co., Ltd. and its subsidiary, Yantai Xinghua Spandex Co., Ltd., Yantai Tayho Engineering Materials Co., Ltd., Ningxia Ningdong Tayho New Materials Co., Ltd., Yantai Yuxiang Fine Chemical Engineering Co., Ltd., Moon Environment Technology Co., Ltd. and its subsidiary, DUNHAM-BUSH (China) Industry Co., Ltd. have become the Group's related parties.

Note 2: It is formerly known as Wanhua Integrated Housing (Yantai) Co., Ltd. and changed as Wanhua Building Technology (Yantai) Co., Ltd. in March 2018.

(V) Related party transactions

1. Sales and purchase of goods, provision and receipt of services

Purchase of goods / receipt of services

Applicable Not Applicable

Unit: RMB

Related Party	Types of related party transaction	Amount for the current year	Amount for the prior year
Wanhua Industry	Receipt of services	2,980,346.16	4,166,544.46
BorsodChem Zrt.	Purchase of goods/Receipt of services	440,830,628.10	343,605,398.75
Wanhua BorsodChem Latin-America Comercio de Productos Quimicos Ltda.	Receipt of services	4,643,650.87	4,244,426.08
Wanhua EnergySav Science & Technology Group Co., Ltd.	Purchase of materials/Receipt of services		29,047.01
Wanhua Building Technology (Yantai) Co., Ltd.	Purchase of materials/Receipt of services	5,345,886.49	5,108,587.34
Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd.	Purchase of materials/Receipt of services	22,989,998.21	354,638.50
Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd.	Receipt of services	228,225.23	792,101.20
Shanxi Zhongqiang Fushan Coal Mine Co., Ltd.	Purchase of materials	3,895,782.26	55,609,198.45
Linde Gas (Yantai) Co., Ltd.	Purchase of materials	330,821,010.45	280,654,532.93
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Receipt of services	183,759,810.16	189,070,340.98
Yantai Wanhua Chlor-Alkali Co., Ltd.	Purchase of materials/Receipt of services	2,525,101.38	6,273,766.83
Yantai Huali Thermal Power Co., Ltd.	Purchase of materials/Receipt of services	13,384,997.25	17,948,356.56
Ningbo Xiebei Thermal Power Co., Ltd.	Purchase of materials	66,206,743.56	34,285,403.55
Moon Environment Technology Co., Ltd.	Purchase of materials	46,379.31	
DUNHAM-BUSH (China) Industry Co., Ltd.	Purchase of materials/Receipt of services	104,028.81	

Sales of goods / provision of services

✓ Applicable Not Applicable

Unit: RMB

Related Party	Types of related party transaction	Amount for the current year	Amount for the prior year
Wanhua Industry	Sales of goods		22,222.22
BorsodChem Zrt.	Sales of goods	1,179,483,110.08	1,019,415,633.13
BORSODCHEM MCHZ, s.r.o.	Sales of goods		3,655,914.06
BorsodChem Italia S.r.l.	Sales of goods	14,421,083.61	7,752,520.55
Wanhua BorsodChem Latin-America Comercio de Productos Quimicos Ltda.	Sales of goods	64,409,686.47	
Wanhua BorsodChem Rus LLC.	Sales of goods	71,842,096.46	
Wanhua EnergySav Science &Technology Group Co., Ltd.	Sales of goods	125,938,143.19	101,859,521.52
Wanhua EnergySav Science &Technology (Yantai) Co., Ltd.	Sales of goods	50,388.12	42,490.50
Wanhua Building Technology (Yantai) Co., Ltd.	Sales of goods	4,568.97	4,273.50
Yantai Wanhua Chlor-Alkali Co., Ltd.	Sales of goods	713,183.43	5,177,323.57
Linde Gas (Yantai) Co., Ltd.	Sales of goods / Provision of services	326,986,774.98	330,041,021.87
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Sales of goods / Provision of services	1,180,843.64	6,172,532.15
Wanhua Ecoboard Co., Ltd.	Sales of goods		136,752.14
Wanhua Eco-technology (Yantai) Co., Ltd.	Sales of goods	275,255,912.08	156,736,124.05
Wanhua Ecoboard (Jingzhou) Co., Ltd.	Sales of goods	27,997,819.63	38,366,332.94
Wanhua Ecoboard (Xinyang) Co., Ltd.	Sales of goods		4,617,094.02
Ningbo Xiebei Thermal Power Co., Ltd.	Sales of goods / Provision of services	351,122,428.37	291,074,450.89
Yantai Tayho Advanced Materials Co., Ltd.	Sales of goods	120,391,315.75	
Yantai Yuxiang Fine Chemical Engineering Co., Ltd.	Sales of goods	493,320.98	
Ningxia Ningdong Tayho New Materials Co., Ltd.	Sales of goods	80,245,888.07	
Yantai Xinghua Spandex Co., Ltd.	Sales of goods	21,054,957.77	
Yantai Tayho Engineering Materials Co., Ltd.	Sales of goods	46,630.94	
Moon Environment Technology Co., Ltd.	Sales of goods	1,245,841.49	-

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

✓ Applicable Not Applicable

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. Details of trust with related parties/subcontracting and trust management/contract-issuing

Details of trust / contracting where a group entity is the trustee / subcontractor

Applicable Not Applicable

Unit: RMB

Name of trustor / main contractor	Name of trustee/ subcontractor	Type of assets under trust/ subcontracting	Inception date of the trust/ subcontracting	Expiration date of the trust/ subcontracting	Basis of pricing of trust/ subcontracting expenses	Trust/ subcontracting expenses recognized in the current year
Wanhua Industry	Wanhua Chemical	Other assets under trust	1 February 2017	30 January 2018	Agreed price	786,183.52
Wanhua Chemical Industry	Wanhua Chemical	Other assets under trust	31 January 2018	31 January 2019	Agreed price	8,647,798.75

Description of trust/subcontracting with related parties:

Applicable Not Applicable

On 1 February 2017, the 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. were executed by the Company and Wanhua Industry, according to which all parties of this agreement have reached an consensus for the operation management of BorsodChem Zrt. ("BC Company"), with detailed terms as below:

- 1) After the acquisition, Wanhua Industry 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 Industry is agreed that management personnel are appointed by the Company;
- 4) Wanhua Industry 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 Industry to come up with appropriate proposal on business consolidation of the Company and BC Company, Meanwhile Wanhua Industry 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.

As at 31 January 2018, the Company's original controlling shareholder, Wanhua Industry was successfully divided with the original company survival. Subsequent to this division, the Supplementary Agreement of the Agreement for Entrusting Wanhua Chemical Group Co., Ltd. by Wanhua Industrial Group Co., Ltd. and Yantai Wanhua Chemical Industry Co., Ltd. to Manage BorsodChem Zrt. were executed by the Company, Wanhua Industry and Wanhua Chemical Industry. As agreed by all parties to this agreement, the right of operation management of the Company as agreed in the original agreement to BC Company is still effective, and the trust fee prior to the date of division is paid by Wanhua Industry while that subsequent to the date of division is paid by Wanhua Chemical Industry.

With the completion of the material asset reorganization transaction that the Company merges Wanhua Chemical Industry on 31 January 2019, the previous controlling shareholder, Wanhua Industry, has completed its commitment for solving the horizontal competition from BC Company.

Details of trust/contracting where a group entity is the trustor / main contractor

Applicable Not Applicable

Description of trust/contracting with related parties

Applicable Not Applicable

3. Leases with related parties

Leases where the Company entity is the lessor

Applicable Not Applicable

Unit: RMB

Name of lessee	Type of leased assets	Lease income recognized in the current year	Lease income recognized in the prior year
Linde Gas (Yantai) Co., Ltd.	Land	1,232,629.41	1,229,879.70
Ningbo Xiebei Thermal Power Co., Ltd.	Land	69,030.72	62,755.20
Ningbo Xiebei Thermal Power Co., Ltd.	Land and buildings	1,545,925.31	471,271.78
Ningbo Xiebei Thermal Power Co., Ltd.	Pipe rack	225,000.00	
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Buildings	223,116.80	167,194.29

Leases where a group entity is the lessee

Applicable Not Applicable

Unit: RMB

Name of lessee	Type of leased assets	Lease income recognized in the current year	Lease income recognized in the prior year
Wanhua Industrial Group Co., Ltd.	Land and buildings	13,094,976.27	15,044,350.73
Ningbo Xiebei Thermal Power Co., Ltd.	Pipe rack	5,273.10	6,508.24

Description of leases with related parties

Applicable Not Applicable

4. Guarantees by related parties

The Group as a guarantor

Applicable Not Applicable

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	7,500,000.00	24 April 2014	22 April 2020	N
Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	50,000,000.00	32,500,000.00	8 May 2015	7 May 2020	N
Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	25,000,000.00	24,500,000.00	29 April 2016	28 April 2021	N
Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	225,000,000.00	225,000,000.00	4 April 2018	3 April 2025	N
Yantai Harbor Wanhua Industrial Park Port Co., Ltd. (Note 1)	42,270,000.00	13,295,000.00	30 December 2018	18 December 2026	N
Ningbo Xiebei Thermal Power Co., Ltd. (Note 2)	55,000,000.00	3,300,000.00	6 September 2015	5 September 2020	N
Ningbo Xiebei Thermal Power Co., Ltd. (Note 2)	82,500,000.00	30,920,400.00	4 March 2016	5 September 2020	N
Ningbo Xiebei Thermal Power Co., Ltd. (Note 2)	165,000,000.00	27,500,000.00	14 October 2014	13 October 2020	N
BC Company (Note 3)	1,949,148,800.00	1,944,953,305.00	27 December 2018	22 January 2022	N

The group as a guaranteed party:

Applicable Not Applicable

Unit: RMB

Guarantor	Guaranteed amount	Guaranteed amount used	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Wanhua Industry	60,000,000.00	45,000,000.00	24 November 2015	23 November 2031	N
Wanhua Industry	2,038,000,000.00	1,720,000,000.00	21 October 2015	20 October 2030	N
Wanhua Industry	2,850,000,000.00	2,595,000,000.00	21 December 2018	19 October 2019	N

Description of guarantees with related parties

Applicable Not Applicable

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

Note 2: Xiebei Thermal Power all with its assets, provides counter-guarantee for Wanhua Thermal Power, undertaking joint and several liability. This counter-guarantee equals the total guaranteed amount of Wanhua Thermal Power.

Note 3: For this borrowing, Wanhua Industry provides a secured guarantee for BC Company as at 16 January 2015, and with 25.5% equity interest it held in Wanhua Ningbo, provide pledged guarantee for BC Company. As at 31 January 2018, Wanhua Industry was successfully divided with the original company survival, Wanhua Industry, the surviving company, and Wanhua Chemical Industry, the newly established company undertakes joint and several guarantee liability over such borrowing. In addition, Wanhua Chemical Industry, with 25.5% equity interest in Wanhua Ningbo it obtained from Wanhua Industry, continued to provide pledged guarantee for BC Company.

During this material asset reorganization, for the purpose to relieve the right restrictions obstacles against 25.5% equity held by Wanhua Chemical Industry in Wanhua Ningbo, Wanhua Chemical provided pledged guarantee and secured guarantee for BC Company with its 50% equity in Wanhua Ningbo as at 27 December 2018, with a relieving of the pledged guarantee provided by Wanhua Chemical for BC Company with its 25.5% equity in Wanhua Ningbo meanwhile. As of 31 December 2018, Wanhua Industry and Wanhua Chemical still have provided secured guarantee for BC Company.

5. Borrowings / loans with related parties

Applicable Not Applicable

6. Assets transfer / debt restructuring with related parties

Applicable Not Applicable

Unit: RMB

Related party	Contents of related transactions	Amount for the current year	Amount for the prior year
Yantai Wanhua Chlor-Alkali Co., Ltd.	Transfer of fixed assets	1,416,251.56	6,042,237.36
Yantai Huali Thermal Power Co., Ltd.	Transfer of fixed assets		193,688.00

7. Compensation for key management personnel

Applicable Not Applicable

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Compensation for key management personnel	30,616,975.89	22,770,553.27

8. Other related party transactions

Applicable Not Applicable

Sales return:

Unit: RMB

Related party	Contents of related transactions	Amount for the current year	Amount for the prior year
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	Return of sold goods	5,316,024.82	

(VI) Amounts due from / to related parties**1. Amounts due from related parties**✓ Applicable Not Applicable

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Accounts receivable	BorsodChem Zrt.	73,706,587.62		219,348,101.28	
Accounts receivable	Linde Gas (Yantai) Co., Ltd.	6,754,291.20	337,714.56	24,075,850.17	1,203,792.51
Accounts receivable	BorsodChem Italia S.r.l.	5,029,470.66		2,338,467.79	
Accounts receivable	Ningbo Xiebei Thermal Power Co., Ltd.	3,568,565.77	178,428.29	2,015,886.11	100,794.31
Accounts receivable	BorsodChem MCHZ, s.r.o.			428,668.42	
Accounts receivable	Wanhua BorsodChem Latin-America Comercio de Productos Quimicos Ltda.	60,391,400.37			
Accounts receivable	Wanhua BorsodChem Rus LLC.	53,353,221.49			
Accounts receivable	Wanhua EnergySav Science &Technology Group Co., Ltd.			234,016.19	
Accounts receivable	Yantai Wanhua Chlor-Alkali Co., Ltd.	357,150.00	17,857.50	68,550.00	3,427.50
Accounts receivable	Wanhua EnergySav Science &Technology (Yantai) Co., Ltd.			20,932.42	
Accounts receivable	Wanhua Building Technology (Yantai) Co., Ltd.			5,000.00	
Accounts receivable	Yantai Yuxiang Fine Chemical Engineering Co., Ltd.	88,203.90	4,410.20		
Other current assets	Wanhua Chemical Industry	3,813,830,000.00			
Prepayments	Wanhua Building Technology (Yantai) Co., Ltd.	2,983,009.81			
Prepayments	Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd.	140,000.00			
Prepayments	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.			6,110,680.34	
Prepayments	Shanxi Zhongqiang Fushan Coal Mine Co., Ltd.	809,853.71		5,381,968.84	
Prepayments	Moon Environment Technology Co., Ltd.	259,999.96			
Prepayments	DUNHAM-BUSH (China) Industry Co., Ltd.	1,893,000.00			

2. Amounts due to related parties

Applicable Not Applicable

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts payable	BorsodChem Zrt.	47,909,346.85	113,497,704.04
Accounts payable	Linde Gas (Yantai) Co., Ltd.	7,321,812.78	24,599,834.74
Accounts payable	Wanhua Chemical Chlor-Alkali Co., Ltd.	2,013,249.79	11,621,063.16
Accounts payable	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	11,686,381.60	5,549,649.45
Accounts payable	Wanhua Building Technology (Yantai) Co., Ltd.	427,251.72	2,741,001.81
Accounts payable	Yantai Huali Thermal Power Co., Ltd.	3,158,730.36	2,025,734.45
Accounts payable	Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd.	143,934.74	287,056.67
Accounts payable	Ningbo Xiebei Thermal Power Co., Ltd.		52,958.95
Accounts payable	Moon Environment Technology Co., Ltd.	174,000.00	
Accounts payable	Wanhua Industry	1,870,912.71	
Receipts in advance	Wanhua EnergySav Science & Technology Group Co., Ltd.	241,852.96	346,395.49
Receipts in advance	Moon Environment Technology Co., Ltd.	94,399.99	
Other payables	Ningbo Xiebei Thermal Power Co., Ltd.	1,000,000.00	1,000,000.00
Other payables	Linde Gas (Yantai) Co., Ltd.	39,000.00	45,600.00
Other payables	Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd.	10,750.00	10,750.00
Other payables	Wanhua Building Technology (Yantai) Co., Ltd.	12,000.00	7,100.00
Other payables	Wanhua EnergySav (Yantai) Environmental Technology Co., Ltd.	7,200.00	3,450.00
Other payables	Wanhua Chemical Chlor-Alkali Co., Ltd.	398.34	1,640.00
Other payables	Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	50.00	350.00
Other payables	Moon Environment Technology Co., Ltd.	121,000.00	

(VII) Related party commitments

Applicable Not Applicable

Please refer to Note XII 5 (2).

(VIII) Others

Applicable Not Applicable

XIII. SHARE-BASED PAYMENTS

(I) Summary of share-based payments

Applicable Not Applicable

(II) Equity-settled share-based payments

Applicable Not Applicable

(III) Cash-settled share-based payments

Applicable Not Applicable

(IV) Modification to and termination of share-based payments

Applicable Not Applicable

(V) Others

Applicable Not Applicable

XIV. COMMITMENTS OR CONTINGENCIES

(I) Significant commitments

Applicable Not Applicable

Significant commitments, their natures and amounts on the balance sheet date

1. Capital commitments

Unit: RMB'000

	Closing balance	Opening balance
- Commitment for acquisition and construction of long-term assets	11,008,076	5,053,691
- External investment commitment (Note)	33,200	60,666
Total	11,041,276	5,114,357

Note: As at 31 December 2018, 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.

As at 31 December 2018, external investment commitment refers to the outstanding capital contribution of RMB 18,200,000.00 not yet paid by the Company's subsidiary, Wanhua Ningbo, under the agreement executed by and between Ningbo Wanhua and Beijing Juliwei Technology Co., Ltd.

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	49,271	48,531
2nd year subsequent to the balance sheet date	36,735	34,935
3rd year subsequent to the balance sheet date	33,587	16,780
4th (or more) year subsequent to the balance sheet date	35,891	19,397
Total	155,484	119,643

3. There is no need to disclose other commitments of the Group as at 31 December 2018.

(II) Contingencies

1. Significant contingencies on the balance sheet date

Applicable Not Applicable

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 303 million borrowings and bears joint liability for repayment, the maturity date of the borrowing is 18 December 2026. Meanwhile, these guarantees are offered counter guarantee by Yantai Harbor Wanhua Industrial Park Port Co., Ltd. As at 31 December 2018, there was no significant guarantee liability, please refer to Note XII 5(4).

The Company's subsidiary, Wanhua Thermal Power, provided guarantee for borrowings and notes payable of RMB 62 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 2018. please refer to Note XII 5(4).

The Company provides guarantee to BC Company for RMB 1.945 billion of borrowings. The maturity date of the related loans was 22 January 2022. There was no significant guarantee liability as of 31 December 2018.

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

2. Description shall also be provided even if the Company has no significant contingencies to be disclosed

Applicable Not Applicable

(III) Others

Applicable Not Applicable

XV. EVENTS AFTER THE BALANCE SHEET DATE

(I) Material non-adjusting event

Applicable Not Applicable

(II) Profit appropriation

Applicable Not Applicable

In accordance with the proposal from the board of directors, profits available to shareholders would be distributed to all shareholders at a cash dividend of RMB 20 (inclusive of tax) for every ten shares based on 3,139,746,626 outstanding shares in total after the completion of new share registration and cancellation of shares previously held by Wanhua Chemical Industry when the Company merged Wanhua Chemical Industry in February 2019. The above profit distribution is to be approved by the General Shareholders Meeting.

Proposed distributions of profits or dividends	6,279,493,252.00
Distributions of profits or dividends authorized and declared	

(III) Sales return

Applicable Not Applicable

(IV) Description of other events after the balance sheet date

Applicable Not Applicable

As at 31 January 2019, an Asset Closing Agreement was made and entered into by and between the listed company and Wanhua Chemical Industry for assets and liabilities involved in the merger, in which the parties agreed to determine the date of 31 January 2019 as the asset closing date for this merger. From the asset closing date, all assets, liabilities, contracts and all other rights, obligations and responsibilities of Wanhua Chemical Industry are enjoyed and assumed by Wanhua Chemical. As of 12 February 2019, procedures for the closing of the assets and liabilities under this merger have been completed.

Meanwhile, the Company issues additional 1,715,990,206 shares to shareholders of Wanhua Chemical Industry, including Yantai Guofeng Investment Holdings Co., Ltd., Prime Partner International Limited (hereinafter referred to as "Prime Partner International"), Yantai Zhongcheng Investment Co., Ltd. (hereinafter referred to as "Zhongcheng Investment"), Shenzhen Zhongkaixin Venture Capital Co., Ltd. (hereinafter referred to as "Zhongkaixin") and Beijing Dejie Huitong Technology Co., Ltd. (hereinafter referred to as "Dejie Huitong"), with the original 1,310,256,380 shares held by Wanhua Chemical Industry cancelled.

As at 1 February 2019, Beijing TianYuanQuan Certified Public Accountants (LLP) conducted a capital verification on this merger by the listed company, and issued the Capital Verification Report (Tian Yuan Quan Yan Zi [2019] No.000001). As at 1 February 2019, the Company has received newly registered capitals amounting to RMB 405,733,826.00 from shareholders of Wanhua Chemical Industry, namely, Yantai Guofeng Investment Holdings Co., Ltd., Prime Partner International, Zhongcheng Investment, Zhongkaixin and Dejie Huitong by the net assets of Wanhua Chemical Industry. Subsequent to this change, the registered capital become RMB 3,139,746,626.00.

XVI. OTHER SIGNIFICANT EVENT

(I) Corrections of prior period errors

1. Retrospective application

Applicable Not Applicable

2. Prospective application

Applicable Not Applicable

(II) Debt restructuring

Applicable Not Applicable

(III) Replacement of assets

1. Exchange of non-monetary assets

Applicable Not Applicable

2. Other replacement of assets

Applicable Not Applicable

(IV) Annuity plan

Applicable Not Applicable

(V) Discontinued operations

Applicable Not Applicable

(VI) Segment reporting

1. Determination basis and accounting policies of reporting segments

Applicable Not Applicable

Based on the Group's internal administration and reporting system, the operations of the Group are under the same reporting segment.

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

2. Financial information of reporting segments

Applicable Not Applicable

Unit: RMB

Industry	Amount for the current year		Amount for the prior year	
	Operating income	Operating costs	Operating income	Operating costs
Chemical industry				
Others	59,118,079,966.00	38,810,168,937.83	52,031,613,297.59	31,185,721,915.12
Total	743,825,419.17	586,304,368.27	708,549,515.40	498,948,251.59
Principle business (By product)	59,861,905,385.17	39,396,473,306.10	52,740,162,812.99	31,684,670,166.71
Polyurethane				
Petrochemical	30,951,891,911.57	15,384,313,983.07	29,834,099,891.78	13,304,278,800.60
Fine chemicals and new materials series	18,907,545,756.05	17,021,133,253.52	15,306,967,065.83	13,396,962,059.22
Others	5,702,962,374.42	3,916,336,843.31	4,197,379,237.07	2,875,246,736.78
Total	4,299,505,343.13	3,074,689,226.20	3,401,716,618.31	2,108,182,570.11
Principle business (By geography)	59,861,905,385.17	39,396,473,306.10	52,740,162,812.99	31,684,670,166.71
Domestic				
Overseas	39,341,363,928.14	23,167,710,314.17	36,955,938,911.84	20,414,750,932.74
Total	20,520,541,457.03	16,228,762,991.93	15,784,223,901.15	11,269,919,233.97
Total	59,861,905,385.17	39,396,473,306.10	52,740,162,812.99	31,684,670,166.71

3. If the Company has no reporting segments, or cannot disclose the total assets and liabilities of reporting segments, specify the reasons

Applicable Not Applicable

4. Other explanations

Applicable Not Applicable

None of a single customer's revenue accounts for more than 10% of the total revenue.

(VII) Other significant transactions and events which have effect on investor's decision

Applicable Not Applicable

(VIII) Others

Applicable Not Applicable

XVII. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

(I) Notes and accounts receivable

Summary

1. Presentation by categories

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Notes receivable	677,327,549.70	2,824,289,219.62
Accounts receivable	6,213,447,820.73	6,045,935,341.22
Total	6,890,775,370.43	8,870,224,560.84

Notes receivable

1. Categories of notes receivable

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptances	677,327,549.70	2,824,289,219.62
Total	677,327,549.70	2,824,289,219.62

2. Notes receivable which have been pledged as security at the end of the period

Applicable Not Applicable

Unit: RMB

Item	Pledged amount at the end of the period
Bank acceptances	305,333,614.57
Total	305,333,614.57

3. Endorsed or discounted and not yet matured notes receivables at the balance sheet date

Applicable Not Applicable

Unit: RMB

Item	Amount of derecognition at the end of the period	Amount continues to be recognized at the end of the period
Bank acceptances	87,910,123.54	
Total	87,910,123.54	

4. Notes converted to accounts receivable due to the default of the issuer at the period end.

Applicable Not Applicable

Accounts Receivable

1. Disclosure of accounts receivable by categories:

Applicable Not Applicable

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	Amount	Proportion (%)	Amount	Proportion of provision (%)	Amount
Account receivable that are individually significant and for which bad debt provision has been assessed individually	6,196,003,179.66	99.44	14,331,169.00	0.23	6,181,672,010.66	6,031,419,421.00	99.46	14,331,169.00	0.24	6,017,088,252.00
Accounts receivable individually significant Receivables for which bad debt provision is collectively assessed on a portfolio basis and credit risk characteristics	35,156,774.68	0.56	3,380,964.61	9.62	31,775,810.07	32,582,539.07	0.54	3,735,449.85	11.46	28,847,089.22
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually										
Total	6,231,159,954.34	/	17,712,133.61	/	6,213,447,820.73	6,064,001,960.07	/	18,066,618.85	/	6,045,935,341.22

Explanations of categories of accounts receivable:

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

Accounts receivable that are individually significant and for which bad debts has been assessed individually as at 31 December 2018:

Applicable Not Applicable

Unit: RMB

Accounts receivable (by company)	Closing balance			
	Accounts receivable	Bad debt provision	Proportion of provision (%)	Reason
Yantai Petrochemical	5,855,891,444.85	0	0	No provision for bad debts in related parties
Wanhua Materials	173,267,458.31	0	0	No provision for bad debts in related parties
Wanhua Hong Kong	144,090,008.52	0	0	No provision for bad debts in related parties
Company 14	14,331,169.00	14,331,169.00	100.00	Expected to be uncollectable
Yantai Rongwei	8,423,098.98	0	0	No provision for bad debts in related parties
Total	6,196,003,179.66	14,331,169.00	/	/

The aging analysis of bad debt provision for accounts receivable in a portfolio basis:

Applicable Not Applicable

Unit: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of provision (%)
Within 1 year (subtotal)	17,669,210.10	750,064.23	4
More than 1 year but not exceeding 2 years	216,232.20	21,623.22	10
More than 2 years but not exceeding 3 years	2,479.51	743.85	30
More than 3 years but not exceeding 4 years	8,100.00	4,050.00	50
More than 4 years but not exceeding 5 years			
More than 5 years	18,082.80	18,082.80	100
Total	17,914,104.61	794,564.10	/

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

Unit: RMB

Name of portfolio	Closing balance		
	Accounts receivable	Bad debt provision	Proportion of provision (%)
Accounts receivables due from overseas customers	17,242,670.07	2,586,400.51	15
Total	17,242,670.07	2,586,400.51	15

Accounts receivable portfolios for which bad debt provision has been assessed using other methods:

Applicable Not Applicable

2. Provisions, recovery or reversal of bad debts for the period

Bad debt provision is nil for the current year, and the recovered or reversed bad debt provision is RMB 354,485.24 for the current year.

Significant recovery or reversal of bad debt provision for the period:

Applicable Not Applicable

3. Accounts receivable written off in the reporting period

Applicable Not Applicable

Significant written-off of accounts receivable:

Applicable Not Applicable

4. Top five accounts receivable categorized by debtor

Applicable Not Applicable

Top five largest balances of accounts receivables amount to RMB 6,196,003,179.66 (as at 31 December 2017: RMB 6,017,088,252.00), representing 99.44% (as at 31 December 2017: 99.23%) of the total accounts receivables, the provision for bad debt is RMB 14,331,169.00 (as at 31 December 2017: Nil).

5. Accounts receivable derecognized due to the transfer of financial assets

Applicable Not Applicable

6. Transfer of accounts receivable and the amount of financial assets and liabilities arising from continuing involvement

Applicable Not Applicable

(II) Other receivables**Summary****1. Presentation by categories**

Applicable Not Applicable

Unit: RMB

Item	Closing balance	Opening balance
Interest receivable		
Dividends receivable		44,000,000.00
Other receivables	1,126,140,051.19	1,082,477,120.08
Total	1,126,140,051.19	1,126,477,120.08

Interest receivable**1. Classification of interest receivable**

Applicable Not Applicable

2. Significant overdue interest Applicable Not Applicable**Dividends receivable****1. Dividends receivable** Applicable Not Applicable

Unit: RMB

Investee	Closing balance	Opening balance
Wanhua Port		44,000,000.00
Total		44,000,000.00

2. Significant dividends receivable aging more than one year Applicable Not Applicable

Other receivables

1. Disclosure of other receivables by categories:

Applicable Not Applicable

Unit: RMB

Categories	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Book value	Carrying amount		Bad debt provision		Book value
	Amount	Pro-portion (%)	Amount	Proportion of provision (%)		Amount	Pro-portion (%)	Amount	Proportion of provision (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	1,115,795,714.77	99.08			1,115,795,714.77	1,075,487,734.00	99.35			1,075,487,734.00
Other receivables portfolio for which bad debt provision is collectively assessed on credit risk basis										
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	10,344,336.42	0.92			10,344,336.42	6,989,386.08	0.65			6,989,386.08
Total	1,126,140,051.19	/		/	1,126,140,051.19	1,082,477,120.08	/		/	1,082,477,120.08

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.

Significant other receivables and bad debt provision is individually made at the end of the period:

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

Other receivables portfolios for which bad debt provision has been assessed using other methods

Applicable Not Applicable

2. Disclosure of other receivables by nature

Unit: RMB

Item	Closing balance	Opening balance
Other receivables due from related parties	1,102,426,562.18	1,076,045,285.11
Export tax refund	13,369,152.59	
Petty cash	2,145,444.73	1,426,353.63
The deposits	7,492,701.72	4,692,979.70
Others	706,189.97	312,501.64
Total	1,126,140,051.19	1,082,477,120.08

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

The provision for bad debts for the period is nil; and the recovered or reversed bad debt provision is nil.

Significant reversal or recovery of bad debt provision for the period:

Applicable Not Applicable

4. Other receivables written off in the reporting period

Applicable Not Applicable

5. Top five other receivables categorized by debtor

Applicable Not Applicable

Unit: RMB

Name	Type	Closing balance	Aging	Percentage of total closing balance of other receivables (%)	Bad debt provision
		41,465,998.35	Within 1 year		
Wanhua Guangdong	Other receivables of related party	142,812,294.41	1-2 years	35.90	0
		220,031,844.23	2-3 years		
Zhuhai Real Estate	Other receivables of related party	38,213,306.70	Within 1 year	20.23	0
		189,600,000.00	1-2 years		
Yantai Rongwei	Other receivables of related party	174,775,823.87	Within 1 year	15.52	0
Wanhua Hong Kong	Other receivables of related party	155,000,000.00	Within 1 year	13.76	0
Yantai Chlor-Alkali	Other receivables of related party	100,213,583.30	Within 1 year	8.90	0
Total	/	1,062,112,850.86	/	94.31	0

(III) Long-term equity investments✓ Applicable Not Applicable

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment loss	Book amount	Carrying amount	Provision for impairment loss	Book amount
Investment in subsidiaries	4,894,240,417.77		4,894,240,417.77	4,566,311,511.83		4,566,311,511.83
Investment in associates and joint ventures	414,875,195.65		414,875,195.65	302,564,573.38		302,564,573.38
Total	5,309,115,613.42		5,309,115,613.42	4,868,876,085.21		4,868,876,085.21

1. Investments in subsidiaries✓ Applicable Not Applicable

Unit: RMB

Investee	Opening balance	Increase	Decrease	Closing balance	Provision for impairment loss	Closing balance for impairment
Wanhua Ningbo	607,920,000.00			607,920,000.00		
Wanhua Chemical (Yantai) Selling Co., Ltd.	20,900,000.00			20,900,000.00		
Wanhua Chemical (Yantai) Petrochemical Co., Ltd.	2,050,000,000.00			2,050,000,000.00		
Yantai Rongwei	72,918,038.59			72,918,038.59		
Foshan Rongwei	30,060,461.41			30,060,461.41		
Yantai Chlor-Alkali	240,000,000.00			240,000,000.00		
Ningbo Chlor-Alkali	217,731,330.11			217,731,330.11		
Wanhua Thermal Power	229,500,000.00			229,500,000.00		
Wanhua Port	66,000,000.00			66,000,000.00		
Wanhua Beijing	61,410,000.00			61,410,000.00		
Wanhua Guangdong	200,000,000.00			200,000,000.00		
Yantai Wanhua Chemical Design Institute	2,005,359.72			2,005,359.72		
Shanghai Kejv	583,369,070.00			583,369,070.00		
Shanghai Wanhua Industrial Development Co., Ltd.	120,000,000.00			120,000,000.00		
Wanhua Chemical Group Energy Co., Ltd. (Note)		210,240,234.00		210,240,234.00		
Wanhua Chemical (Hong Kong)	56,215,720.00			56,215,720.00		
Wanhua Chemical (America)	1,575,840.00			1,575,840.00		
Wanhua Chemical (Japan)	538,192.00			538,192.00		
Wanhua Shipping (Singapore)	6,167,500.00			6,167,500.00		
Wanhua Chemical Group Material Co., Ltd.		60,000,000.00		60,000,000.00		
Wanhua Chemical (Zhuhai) Selling Co., Ltd.		2,000,000.00		2,000,000.00		
Yantai Recycled Water Co., Ltd.		55,688,671.94		55,688,671.94		
Total	4,566,311,511.83	327,928,905.94		4,894,240,417.77		

Note: The additional contributions are made by fixed assets in kind. Relevant assets are assessed by the Valuation Report (Lu Zheng Xin Ping Bao Zi (2018) No. 1009) issued by Shandong Zhengyuan Hexin Assets Valuation Co., Ltd.. The values of the assets assessed, namely the paid-up capitals contributed, is RMB 210,240,234.00.

2. Investment in associates and joint ventures

✓ Applicable Not Applicable

Unit: RMB

Investee	Opening balance	Movement of the current year								Closing balance	Closing balance for impairment increase
		Increase	Decrease	Profit or loss recognized using equity method	Adjustment on 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.	189,383,736.12	100,000,000.00		14,852,066.10							304,235,802.22
UI Wanhua (Yantai) peroxide Co., Ltd.	15,205,680.83			395,570.23							15,601,251.06
Recycled Water Company	55,773,786.84			-85,114.90					-55,688,671.94		
Subtotal	260,363,203.79	100,000,000.00		15,162,521.43					-55,688,671.94		319,837,053.28
II. Associate											
Linde Gas (Yantai) Co., Ltd.	32,224,372.13	45,666,100.00		7,736,454.36							85,626,926.49
Yantai Bulk Commodity Exchange Center	9,976,997.46			-565,781.58							9,411,215.88
Subtotal	42,201,369.59	45,666,100.00		7,170,672.78							95,038,142.37
Total	302,564,573.38	145,666,100.00		22,333,194.21					-55,688,671.94		414,875,195.65

(IV) Operating Income and operating costs

Applicable Not Applicable

Unit: RMB

Item	Amount for the current year		Amount for the prior year	
	Revenue	Cost	Revenue	Cost
Principal operating income	16,848,178,047.97	11,074,591,485.63	17,194,389,844.73	10,116,048,726.68
Other operating income	3,440,022,553.00	1,569,917,009.30	4,140,018,221.57	1,716,014,318.10
Total	20,288,200,600.97	12,644,508,494.93	21,334,408,066.30	11,832,063,044.78

(V) Investment income

Applicable Not Applicable

1. Details of investment income

Unit: RMB

Item	Amount for the current year	Amount for the prior year
Income from long-term equity investments under cost method	307,757,360.00	5,965,659,062.50
Including: Wanhua Ningbo		5,662,000,000.00
Wanhua Port		44,000,000.00
Yantai Chlor-Alkali	60,000,000.00	60,000,000.00
Ningbo Chlor-Alkali	107,357,360.00	90,059,062.50
Wanhua Thermal Power	102,000,000.00	81,600,000.00
Foshan Rongwei	4,000,000.00	
Yantai Rongwei	34,400,000.00	28,000,000.00
Income from long-term equity investments under equity method	22,333,194.21	30,885,932.84
Linde Gas (Yantai) Co., Ltd.	7,736,454.36	4,575,370.49
Yantai Harbor Wanhua Industrial Park Port Co., Ltd.	14,852,066.10	26,505,487.83
UI Wanhua (Yantai) Peroxide Co., Ltd.	395,570.23	-145,709.78
Yantai Bulk Commodity Exchange Center	-565,781.58	-23,002.54
Yantai Recycled Water Co., Ltd.	-85,114.90	-26,213.16
Investment loss from disposal of subsidiaries		-155,775.84
Investment income from available-for-sale financial assets in holding period		21,000,000.00
Others	3,269,555.82	
Total	333,360,110.03	6,017,389,219.50

(VI) Others

✓ Applicable Not Applicable

1. Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Amount for the current year	Amount for the prior year
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	4,960,272,401.71	12,438,619,826.03
Add: Impairment losses of assets	-354,485.24	118,145,356.13
Depreciation of fixed assets	1,030,791,140.49	1,784,571,824.38
Amortization of intangible assets	61,846,731.21	97,193,791.54
Amortization of long-term prepaid expenses	7,369,368.70	7,079,749.35
Losses on disposal of fixed assets, intangible assets and other long-term assets (income is indicated by "-")	67,918,144.89	100,127,554.44
Financial expenses (income is indicated by "-")	434,131,937.14	523,517,947.67
Investment losses (income is indicated by "-")	-333,360,110.03	-6,017,389,219.50
Decrease in deferred tax assets (increase is indicated by "-")	94,054,030.74	-151,962,478.48
Decrease in inventories (increase is indicated by "-")	339,078,450.07	-939,910,902.96
Decrease in receivables from operating activities (increase is indicated by "-")	-4,739,112,698.61	2,906,637,749.38
Increase in payables from operating activities (decrease is indicated by "-")	8,867,049,014.74	-2,720,788,030.86
Net cash flow from operating activities	10,789,683,925.81	8,145,843,167.12
2. Significant investing and financing activities that do not involve cash receipts and payments:		
Fixed assets acquired or constructed by debts	1,500,738,341.38	2,001,387,174.02
Investments by fixed assets	210,240,234.00	-
Repay debts with dividends		1,153,926,738.34
3. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents	1,318,122,590.77	2,214,358,511.06
Less: Opening balance of cash and cash equivalents	2,214,358,511.06	605,649,464.46
Net increase(decrease) in cash and cash equivalents	-896,235,920.29	1,608,709,046.60

2. Composition of cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	1,318,122,590.77	2,214,358,511.06
Including: Cash on hand	122,859.17	78,912.38
Bank deposits readily be drawn on demand	1,317,999,728.31	2,214,279,595.41
Other monetary funds readily be drawn on demand	3.29	3.27
II. Cash equivalents		
III. Closing balance of cash and cash equivalents	1,318,122,590.77	2,214,358,511.06

(VII) Besides the related party relationship and transactions mentioned in note XII, the Company and subsidiaries have significant transactions, listed below:

1. Sales income and purchase

Purchase of goods / receipt of services

Unit: RMB

Related party	Transaction type	Amount for the current year	Amount for the prior year
Wanhua Beijing	Purchase of raw materials	101,775,306.96	14,504,962.55
Wanhua Ningbo	Purchase of goods	275,613,372.46	62,663,642.51
Ningbo Trading	Purchase of goods	83,346,177.66	20,593,344.26
Wanhua Guangdong	Purchase of goods	27,370,970.85	32,210.86
Wanhua Hong Kong	Purchase of raw materials	1,026,966.60	
Shanghai Kejv	Receipt of services	16,000,000.06	6,962,048.29
Ningbo Rongwei	Purchase of raw materials / Receipt of services	3,380,590.70	8,125,458.18
Yantai Rongwei	Purchase of raw materials	12,178,412.88	34,761,205.66
Yantai Chlor-Alkali	Purchase of raw materials	917,431,951.23	821,073,861.89
Yantai Selling	Purchase of goods	3,841,739.49	235,535,478.32
Yantai Petrochemical	Purchase of goods / Purchase of raw materials	1,844,111,911.86	3,546,869,965.69
Yantai Wanhua Chemical Design Institute	Design service	24,102,357.84	19,996,697.82
Wanhua Chemical (Zhuhai) Selling Co., Ltd.	Purchase of goods	103,800,353.49	
Wanhua Materials	Purchase of goods	348,665,009.34	
Energy Company	Receipts of lease	9,487,764.40	

Sales of goods / Provision of services

Unit: RMB

Related party	Transaction type	Amount for the current year	Amount for the prior year
Wanhua Beijing	Sales of materials / Provision of services / Provision of services	42,868,368.19	42,349,123.33
Wanhua Ningbo	Sales of goods / Transfer of technology / Technology services	209,955,773.63	1,299,777,747.57
Ningbo Trading	Sales of goods	856,833,352.31	465,456,864.57
Wanhua Hong Kong	Sales of goods	1,675,982,920.75	1,469,064,957.33
Foshan Rongwei	Provision of services	1,259,035.94	2,191,038.94
Ningbo Rongwei	Sales of materials / Provision of services	12,652,702.67	3,366,489.02
Yantai Rongwei	Sales of materials / Provision of services / Sales of goods / lease income	23,670,608.09	14,131,049.75
Yantai Chlor-Alkali	Sales of materials / Provision of services / Sales of goods	150,663,344.17	138,647,814.96
Wanhua Guangdong	Sales of materials	14,265,710.75	3,188,033.46
Yantai Selling	Sales of goods	12,643,731,647.40	10,827,569,010.05
Yantai Petrochemical	Sales of goods / Provision of services / Lease income / Provision of services	4,461,851,572.06	6,304,274,999.12
Wanhua Materials	Sales of materials	149,534,225.51	
Recycled Water Company	Sales of goods	6,352,211.12	
Wanhua Thermal Power	Sales of goods		602,981.28

Asset transfer

Unit: RMB

Related party	Transaction type	Amount for the current year	Amount for the prior year
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
Yantai Petrochemical	2,065,331,467.61	18 January 2018	29 December 2019	N
Wanhua Ningbo	2,400,000,000.00	28 June 2018	20 November 2021	N
Yantai Chlor-Alkali	1,305,899,632.42	29 March 2017	26 December 2019	N
Wanhua Guangdong	200,000,000.00	23 January 2017	22 January 2025	N
Wanhua Hong Kong	2,855,077,398.95	8 June 2015	14 November 2023	N
Wanhua Singapore	1,279,337,211.85	22 January 2018	20 April 2023	N
Ningbo Rongwei	337,000,000.00	28 December 2017	24 December 2019	N
Yantai Rongwei	50,184,999.96	21 August 2015	22 July 2020	N
Wanhua Materials	9,927,356.18	25 December 2018	24 December 2019	N

3. Borrowings / loans with related parties

Unit: RMB

Related party	Amount of borrowing / loan	Inception date of borrowings	Mature date	Closing balance
Lent to:				
Yantai Chlor-Alkali		21 October 2015	20 October 2030	220,000,000.00
Yantai Chlor-Alkali	100,000,000.00	2 April 2018	29 March 2019	100,213,583.30
Yantai Rongwei	249,930,212.38	23 January 2017	undecided	174,775,823.87
Foshan Rongwei	36,400,000.00	5 January 2015	undecided	10,253,711.32
Zhuhai Real Estate	35,870,000.00	24 May 2017	undecided	227,813,306.70
Wanhua Guangdong	22,831,683.28	9 February 2015	undecided	404,310,136.99
Wanhua Chemical (Sichuan) Co., Ltd.	30,060,000.00	27 November 2018	undecided	30,060,000.00
Wanhua Hong Kong	2,350,140,000.00	8 May 2018	undecided	155,000,000.00
Total	2,825,231,895.66		undecided	1,322,426,562.18
Borrowed from:				
Shanghai Kejv	110,605,499.29	19 June 2017	undecided	52,531,805.24
Total	110,605,499.29			52,531,805.24
Entrusted loans				
Recycled Water Company	150,000,000.00	1 July 2018	30 June 2026	150,000,000.00
Recycled Water Company	50,000,000.00	1 October 2018	30 June 2026	50,000,000.00
Total	200,000,000.00			200,000,000.00

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	8,423,098.98		462,060.66	
Accounts receivable	Yantai Petrochemical	5,855,891,444.85		4,743,106,878.06	
Accounts receivable	Yantai Chlor-Alkali			3,293,914.94	
Accounts receivable	Ningbo Rongwei	316,431.61			
Accounts receivable	Wanhua Hong Kong	144,090,008.52		138,514,221.47	
Accounts receivable	Yantai Selling			1,079,071,230.39	
Accounts receivable	Wanhua Beijing			32,494,986.28	
Accounts receivable	Ningbo Trading			23,900,935.80	
Accounts receivable	Wanhua Guangdong	1,016,915.79		209,654.85	
Accounts receivable	Foshan Rongwei	1,334,578.10			
Accounts receivable	Wanhua Materials	173,267,458.31			
Notes receivable	Yantai Selling	2,851,691.87			
Notes receivable	Foshan Rongwei	517,500.05			
Notes receivable	Wanhua Ningbo	181,180.10			
Prepayments	Yantai Wanhua Chemical Design Institute	1,227,818.98		1,692,073.40	
Prepayments	Wanhua Materials	20,481,750.06			
Prepayments	Recycled Water Company	15,000,000.00			
Other receivables	Foshan Rongwei	10,253,711.32		31,263,711.40	
Other receivables	Wanhua Guangdong	404,310,136.99		460,000,000.00	
Other receivables	Yantai Rongwei	174,775,823.87		194,304,105.97	
Other receivables	Yantai Chlor-Alkali	100,213,583.30		200,319,916.63	
Other receivables	Zhuhai Real Estate	227,813,306.70		189,600,000.00	
Other receivables	Ningbo Chlor-Alkali			201.96	
Other receivables	Wanhua Port			557,349.15	
Other receivables	Wanhua Chemical (Sichuan) Co., Ltd.	30,060,000.00			
Other receivables	Wanhua Hong Kong	155,000,000.00			
Long-term receivables	Yantai Chlor-Alkali	220,000,000.00		220,000,000.00	
Other non-current assets	Recycled Water Company	200,000,000.00			

Amounts due to related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts payable	Wanhua Beijing	1,328,210.58	655,023.79
Accounts payable	Wanhua Ningbo	16,932,603.03	24,294,838.38
Accounts payable	Ningbo Rongwei	1,206,574.20	1,777,423.99
Accounts payable	Yantai Rongwei	7,511,062.05	2,452,003.12
Accounts payable	Yantai Petrochemical	12,893,441.45	12,628,458.41
Accounts payable	Yantai Chlor-Alkali	5,826,104.78	154,380.95
Accounts payable	Ningbo Trading	1,309,013.15	20,593,344.26
Accounts payable	Shanghai Kejv	16,960,000.00	2,379,771.17
Accounts payable	Foshan Rongwei	10,740.53	10,740.53
Accounts payable	Yantai Selling	2,168,153.72	
Accounts payable	Wanhua Materials	3,837,678.41	
Accounts payable	Energy Company	10,250,731.54	
Accounts payable	Wanhua Chemical (Zhuhai) Selling Co., Ltd.	119,110,318.67	
Notes payable	Yantai Petrochemical	225,058,850.92	
Notes payable	Wanhua Materials	436,107,174.69	
Notes payable	Yantai Chlor-Alkali	4,180,000.00	
Receipts in advance	Yantai Selling	6,946,884,472.29	
Other payables	Yantai Chlor-Alkali	23,000.00	23,000.00
Other payables	Ningbo Rongwei	4,208.25	
Other payables	Shanghai Kejv	52,531,805.24	102,144,324.09

5. Dividends receivable

Dividends receivable from related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Dividends receivable	Wanhua Port		44,000,000.00

XVIII. SUPPLEMENTARY INFORMATION

Applicable Not Applicable

(I) Breakdown of non-recurring profit or loss

Unit: RMB

Item	Amount	Descriptions
Profit or (loss) on disposal of non-current assets	-92,845,423.60	
Government grants recognized in profit or loss for the current year, except those closely related with normal business courses, and given on quota or quantity basis continuously based on the state policy	1,104,353,815.59	
Reversal of impairment provision for accounts receivable for which impairment tests are made individually	75,127.04	
Trust fee from entrusted operation management	9,433,962.27	
Other non-operating income or expenses other than the above	4,364,664.93	
Tax effects	-251,782,534.17	
Effects attributable to minority interests (after tax)	-198,055,558.52	
Total	575,544,053.54	

Note: The trust income from trust operation represents receipts of service that the Company, as trusted by the originally shareholder Wanhua Industry and currently shareholder Wanhua Chemical Industry, manages and operates Hungary BorsodChem Zrt. The trust income (exclusive of VAT) during the reporting period is RMB 9,433,962.27 (Wanhua Industry: RMB 786,163.52; Wanhua Chemical Industry: 8,647,798.75), the total amount (inclusive of tax) is RMB 10,000,000.00.

Defining items as non-recurring profit or loss items according to Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1 - Non-recurring Profit or Loss, and reasons for defining non-recurring profit or loss items illustrated in Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1-Non-recurring Profit or Loss as recurring profit or loss items should be specified.

Applicable Not Applicable

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

Applicable Not Applicable

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic EPS RMB	Diluted EPS RMB
Net profit attributable to ordinary shareholders of the Company	36.82	3.88	
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	34.82	3.67	

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

(III) Differences between amounts prepared under foreign accounting standards and China Accounting Standards ("CAS")

Applicable Not Applicable

(IV) Others

Applicable Not Applicable

Section XII List of Documents Available For Inspection

List of Documents Available For Inspection	1. The accounting statements signed and stamped by legal representative of the Company, the person in charge of the accounting body and chief accountant.
List of Documents Available For Inspection	2. In the reporting period, the original copies of documents and announcement publicly disclosed in "China Securities Journal", "Shanghai Securities News" "Securities Times" and "Securities Daily".

Chairman of the Board: Liao Zengtai

Approval date by the Board: 20 April 2019

Other Revised information

Applicable Not Applicable



WANHUA CHEMICAL GROUP CO., LTD.

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