IMPORTANT NOTICE

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CNAC (HK) Finbridge Company Limited

(incorporated with limited liability in Hong Kong)

U.S.$500,000,000 3.00 per cent. Guaranteed Bonds due 2020
U.S.$1,500,000,000 3.50 per cent. Guaranteed Bonds due 2022
U.S.$1,000,000,000 4.125 per cent. Guaranteed Bonds due 2027
each series unconditionally and irrevocably guaranteed by

CHEMCHINA

中国化工集团公司

China National Chemical Corporation

China National Chemical Corporation

(a state-owned enterprise incorporated in the People's Republic of China)

Issue Price for the Guaranteed Bonds due 2020: 99.923 per cent.
Issue Price for the Guaranteed Bonds due 2022: 99.855 per cent.
Issue Price for the Guaranteed Bonds due 2027: 99.570 per cent.

The U.S.$500,000,000 3.00 per cent. Guaranteed Bonds due 2020 (the "**2020 Bonds**"), the U.S.$1,500,000,000 3.50 per cent. Guaranteed Bonds due 2022 (the "**2022 Bonds**") and the U.S.$1,000,000,000 4.125 per cent. Guaranteed Bonds due 2027 (the "**2027 Bonds**" and together with the 2020 Bonds and 2022 Bonds, collectively the "**Bonds**") will be issued by CNAC (HK) Finbridge Company Limited (the "**Issuer**") and unconditionally and irrevocably guaranteed by China National Chemical Corporation (the "**Guarantor**" or the "**Company**" and such guarantee, the "**Guarantee of the Bonds**"). Each series of Bonds will be constituted by a trust deed to be dated 19 July 2017 (collectively, the "**Trust Deeds**") made between the Issuer, the Guarantor and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**"). The Bonds will constitute direct, unsecured, unconditional and unsubordinated obligations of the Issuer, and will rank at all times at least *pari passu* with all other present and future unsecured, unconditional and unsubordinated obligations of the Issuer. The Guarantee of the Bonds will constitute direct, general and unconditional obligations of the Guarantor which will rank at least *pari passu* with all other present and future unsecured, unconditional and unsubordinated obligations of the Guarantor. The Issuer is an indirectly wholly-owned subsidiary of the Guarantor.

The 2020 Bonds will bear interest from and including 19 July 2017 at the rate of 3.00 per cent. of their outstanding principal amount per annum. Interest on the Bonds is payable semi-annually in arrear on each Interest Payment Date (as defined in the Terms and Conditions of the 2020 Bonds) on 19 July and 19 January in each year commencing the first interest payment date on 19 January 2018. If interest is required to be calculated for a period of less than a complete Interest Period, it will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and in the case of an incomplete month, the number of days elapsed.

The 2022 Bonds will bear interest from and including 19 July 2017 at the rate of 3.50 per cent. of their outstanding principal amount per annum. Interest on the Bonds is payable semi-annually in arrear on each Interest Payment Date (as defined in the Terms and Conditions of the 2022 Bonds) on 19 July and 19 January in each year commencing the first interest payment date on 19 January 2018. If interest is required to be calculated for a period of less than a complete Interest Period, it will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and in the case of an incomplete month, the number of days elapsed.

The 2027 Bonds will bear interest from and including 19 July 2017 at the rate of 4.125 per cent. of their outstanding principal amount per annum. Interest on the Bonds is payable semi-annually in arrear on each Interest Payment Date (as defined in the Terms and Conditions of the 2027 Bonds (the Terms and Conditions of the 2020 Bonds, the Terms and Conditions of the 2022 Bonds and the Terms and Conditions of the 2027 Bonds shall collectively be referred to as the "**Terms and Conditions of the Bonds**")) on 19 July and 19 January in each year commencing the first interest payment date on 19 January 2018. If interest is required to be calculated for a period of less than a complete Interest Period, it will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and in the case of an incomplete month, the number of days elapsed.

Unless previously redeemed, purchased or cancelled, the 2020 Bonds will mature on 19 July 2020, the 2022 Bonds will mature on 19 July 2022 and the 2027 Bonds will mature on 19 July 2027, each at their principal amount. On giving not less than 30 nor more than 60 days' notice, the Bonds may be redeemed at the option of the Issuer, in whole but not in part, at the Make Whole Price (as defined in the Terms and Conditions of the Bonds), together with accrued and unpaid interest, if any, to (but excluding) the date fixed for redemption. See "Terms and Conditions of the Bonds – Redemption and Purchase – Redemption at the Option of the Issuer". The Bonds are also subject to redemption, in whole but not in part, at their principal amount, together with accrued interest, at the option of the Issuer at any time in the event of certain changes affecting taxes of Hong Kong or the PRC. See "Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons". Within 14 calendar days following the occurrence of a Change of Control (as defined in the "Terms and Conditions of the Bonds"), the Issuer will be required to make an offer to repurchase all of the Bonds at 101 per cent. of their principal amount, together with accrued and unpaid interest on the amount of Bonds being repurchased to but excluding the date of repurchase. See "Terms and Conditions of the Bonds – Redemption and Purchase – Repurchase upon a Change of Control". In addition, upon the occurrence of a Non-Registration Event (as defined in the "Terms and Conditions of the Bonds"), the Issuer shall mandatorily redeem all and not some only of the Bonds at their principal amount, together with accrued and unpaid interest to but excluding the date of redemption. See "Terms and Conditions of the Bonds-Redemption and Purchase-Mandatory Redemption for Non-Registration".

For a more detailed description of the Bonds, see "Terms and Conditions of the Bonds".

The Bonds will be issued in denominations of U.S.$200,000 each and integral multiples of U.S.$1,000 in excess thereof.

Investing in the Bonds involves risks. See "Risk Factors" beginning on page 15 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the "**NDRC Circular**") issued by the National Development and Reform Commission of the PRC ("**NDRC**") on 14 September 2015 which came into effect on the same day, the Issuer has caused the issuance of the Bonds to be registered with NDRC and obtained a certificate from NDRC on 23 June 2017 evidencing such registration and intends to cause the requisite information on the issuance of the Bonds to be provided to NDRC within 10 PRC Business Days (as defined in the "Terms and Conditions of the Bonds") after the Issue Date (as defined in the "Terms and Conditions of the Bonds").

The Guarantor will enter into a deed of guarantee with the Trustee to be effective on 19 July 2017 for each series of Bonds (collectively, the "**Deeds of Guarantee**"). The Guarantor will be required to register or cause to be registered with the Beijing Bureau of State Administration of Foreign Exchange ("**SAFE**") the Deeds of Guarantee in accordance with, and within the time period prescribed by, the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) promulgated by SAFE. The Guarantor intends to complete the registration of the Deeds of Guarantee with SAFE as soon as practicable and in any event before the Registration Deadline (being 120 Registration Business Days (as defined in the "Terms and Conditions of the Bonds") after the Issue Date).

The Bonds are expected to be assigned a rating of "BBB" by Standard & Poor's Ratings Services, or S&P, and "A-" by Fitch Inc., or Fitch. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawal at any time by S&P or Fitch. A suspension, reduction or withdrawal of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "Subscription and Sale".

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited, or the SGX-ST for the listing and quotation of the 2020 Bonds, the 2022 Bonds and the 2027 Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and the listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the offering, the Issuer, the Guarantor or any of their respective associated companies (if any), the Bonds or the Guarantee of the Bonds. This Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore. Please see the selling restrictions set out under the section entitled "Subscription and Sale" of this Offering Circular.

Each series of the Bonds will be issued in registered form and initially represented by interests in a global certificate (collectively, the "**Global Bond Certificates**" and each a "**Global Bond Certificate**") deposited on or about the Issue Date with a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**"). Beneficial interests in the Global Bond Certificates will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described herein, certificates for the Bonds will not be issued in exchange for interests in the Global Bond Certificates.

Joint Global Coordinators

BNP PARIBAS	**BOC International**	**China CITIC Bank International**	**Credit Suisse**	**HSBC**	**Morgan Stanley**

Joint Bookrunners and Joint Lead Managers

BNP PARIBAS	**BOC International**		**China CITIC Bank International**	**Credit Suisse**	**HSBC**	**Morgan Stanley**
Crédit Agricole CIB	**Natixis**	**Rabobank**	**Shanghai Pudong Development Bank Co., Ltd. Hong Kong Branch**	**UniCredit Bank**	**China Industrial Securities International**	**Industrial Bank Co., Ltd. Hong Kong Branch**

Offering Circular dated 12 July 2017

IMPORTANT NOTICE

Each of the Issuer and the Guarantor, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and its subsidiaries taken as a whole (the "**Group**"), and the Bonds which is material in context of the issue and offering of the Bonds, (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor and the Group are in every material respect true and accurate and not misleading, (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor and the Group are honestly and reasonably held, have been reached after considering all relevant circumstances and are based on reasonable assumptions, (iv) the financial, operational, statistical, industry and market related data included in this Offering circular has been accurately extracted from the various sources, and (v) all reasonable enquiries have been made by the Issuer and the Guarantor to ascertain all facts in relation to the Issuer, the Guarantor, the Group and the Bonds and to verify the accuracy of all such information and statements in this Offering Circular.

The Issuer and the Guarantor have prepared this Offering Circular solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of BNP Paribas, BOCI Asia Limited, China CITIC Bank International Limited, Credit Suisse (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Morgan Stanley & Co. International plc, Crédit Agricole Corporate and Investment Bank, Natixis, Coöperatieve Rabobank U.A., Hong Kong Branch, Shanghai Pudong Development Bank Co., Ltd. Hong Kong Branch, UniCredit Bank AG, China Industrial Securities International Brokerage Limited and Industrial Bank Co., Ltd. Hong Kong Branch (the "**Joint Lead Managers**"), the Issuer or the Guarantor to subscribe for or purchase any of the Bonds. The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor and the Joint Lead Managers to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions including without limitation the United States, the United Kingdom, Italy, Spain, France, Denmark, the Netherlands, Hong Kong, the PRC, Japan and Singapore, and to persons connected therewith. For a description of certain further restrictions on offers and sales of the Bonds, and distribution of this Offering Circular, see "Subscription and Sale". By purchasing the Bonds, investors represent and agree to all of those provisions contained in that section of this Offering Circular. This Offering Circular is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Bonds. Distribution of this Offering Circular to any other person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorised. Each prospective investor, by accepting delivery of this Offering Circular, agrees to the foregoing and to make no photocopies of this Offering Circular or any documents referred to in this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Issuer, the Guarantor, the Group or the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents (as defined in the Terms and Conditions of the Bonds) or their respective affiliates, directors or advisers. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Group or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent

to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents to subscribe for or purchase the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisers has independently verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisers, as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular or any other information supplied in connection with the Bonds and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by any of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents that any recipient of this Offering Circular should purchase the Bonds. Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, the Agents or on any person affiliated with the Joint Lead Managers, the Trustee or the Agents or any director or adviser to the Joint Lead Managers, the Trustee or the Agents in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer, the Guarantor and the Group and the merits and risks involved in investing in the Bonds. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisers accepts any responsibility for the contents of this Offering Circular or for any statement made or purported to be made by any of them or on their behalf in connection with the Issuer, the Guarantor, the Group or the Bonds. Each of the Joint Lead Managers, the Trustee and the Agents and their respective affiliates, directors and advisers accordingly disclaims all and any liability, whether arising in tort or contract or otherwise, which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors or advisers undertakes to review the results of operations, financial condition or affairs of the Issuer, the Guarantor or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Joint Lead Managers, the Trustee or the Agents.

IN CONNECTION WITH THIS OFFERING, THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED AS STABILISING MANAGER (THE "STABILISING MANAGER") OR ANY PERSON(S) ACTING FOR THE STABILISING MANAGER MAY, SUBJECT TO ALL APPLICABLE LAWS, OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR PERSON(S) ACTING ON BEHALF OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME AND MUST BE BROUGHT TO AN END AFTER A LIMITED PERIOD. EACH OF THE ISSUER AND THE GUARANTOR AUTHORISES THE STABILISING MANAGER TO MAKE ADEQUATE PUBLIC DISCLOSURE OF INFORMATION, AND TO ACT AS THE CENTRAL POINT RESPONSIBLE FOR HANDLING ANY REQUEST FROM A COMPETENT AUTHORITY, IN EACH CASE AS REQUIRED BY ARTICLE 6(5) OF COMMISSION DELEGATED

REGULATION (EU) 2016/1052 OF 8 MARCH 2016 WITH REGARD TO REGULATORY TECHNICAL STANDARDS FOR THE CONDITIONS APPLICABLE TO BUY-BACK PROGRAMMES AND STABILISATION MEASURES.

Prospective investors should not construe anything in this Offering Circular as legal, business or tax advice. Each prospective investor should determine for itself the relevance of the information contained in this Offering Circular and consult its own legal, business and tax advisers as needed to make its investment decision and determine whether it is legally able to purchase the Bonds under applicable laws or regulations.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts used throughout this Offering Circular have been obtained based on internal calculation, internal surveys, industry forecast, market research, publicly available information and industry publications. Internal calculation may use data that were made available as of different dates or on different bases. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee, the Agents and their respective directors and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

Any information sourced from third parties contained in this Offering Circular has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Circular incorporates by reference the audited consolidated financial information of the Group in the original Chinese version with respect to the years ended 31 December 2014, 2015 and 2016 (the "**Group Financial Information**"), together with the independent auditors' reports thereon issued by Ruihua Certified Public Accountants, as contained in the 2015 and 2016 annual reports of the Group which can be found on the website of China Foreign Exchange Trading System & National Interbank Funding Center (http://www.chinamoney.com.cn/fe/Info/20919892 and http://www.chinamoney.com.cn/fe/Info/37635480). The Group Financial Information has only been prepared in Chinese. The English translations of such financial statements (the "**Financial Statements Translations**") have been prepared and included in this Offering Circular for reference. The Financial Statements Translations do not constitute audited financial statements, and are qualified in their entirety by, and are subject to the Group Financial Information. None of the Joint Lead Managers, the Trustee, the Agents nor their respective affiliates, directors, officers and advisors has independently verified or checked the accuracy of the Financial Statements Translations and can give no assurance that the information contained in the Financial Statements Translations is accurate, truthful or complete. Consequently, such Financial Statements Translations should not be relied upon by potential purchasers to provide the same quality of information associated with information that has been subject to an audit or review. Potential purchasers must exercise caution when using such financial information to evaluate the financial condition, results of operations and prospects of the Group. PRC GAAP differs in certain material respects from the International Financial Reporting Standards ("**IFRS**").

Certain items in the Group's audited consolidated financial statements as at and for the year ended 31 December 2015 have been restated to reflect (i) the consolidation of certain subsidiaries of the Group previously held for disposal and (ii) the change in accounting policies of a subsidiary of the Group pursuant to the guidance of local regulatory authorities in Norway. For a discussion of such restatements, please see Note 5 of the audited consolidated financial statements as at and for the years ended 31 December 2016 included in this Offering Circular.

ROUNDING

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. References to information in billions of units are to the equivalent of a thousand million units.

CONVENTIONS USED IN THIS OFFERING CIRCULAR

In this Offering Circular, unless otherwise indicated or the context otherwise requires, references to:

- "we", "us", "our company", the "Group", the "Guarantor", "our" and words of similar import refers to China National Chemical Corporation itself, or to China National Chemical Corporation and its consolidated subsidiaries, as the context requires;
- the "Issuer" refers to CNAC (HK) Finbridge Company Limited, our indirectly wholly-owned subsidiary;
- "China" or the "PRC" refers to the People's Republic of China, excluding, for purposes of this Offering Circular only, Taiwan, the Hong Kong Special Administrative Region and the Macau Special Administrative Region;
- "MOFCOM" refers to the Ministry of Commerce of the People's Republic of China;
- "NDRC" refers to the National Development and Reform Commission of the People's Republic of China or its local counterparts;
- "PBOC" refers to the People's Bank of China, the central bank of the PRC;
- "PRC GAAP" refers to the generally accepted accounting principles in the PRC;
- the "PRC government" refers to the central government of China and its political subdivisions, including provincial, municipal and other regional or local government entities, and instrumentalities thereof, or where the context requires, any of them;
- "SAFE" refers to the State Administration of Foreign Exchange of the People's Republic of China or its competent local counterpart;
- "SAIC" refers to the State Administration for Industry and Commerce of the People's Republic of China or its competent local counterpart;
- "SASAC" refers to the State-owned Assets Supervision and Administration Commission of the People's Republic of China;

- "SAT" refers to the State Administration of Taxation of the People's Republic of China;
- "CNY", "RMB" or "Renminbi" refers to the legal currency of China; and
- "U.S.$", "US$" or "US dollars" refers to the legal currency of the United States.

We record and publish our financial information in Renminbi. Unless otherwise stated in this Offering Circular, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.9430 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on 30 December 2016. All such translations in this Offering Circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see "Exchange Rate Information".

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only.

FORWARD-LOOKING STATEMENTS

We have made certain forward-looking statements in this Offering Circular. All statements other than statements of historical facts contained in this Offering Circular constitute "forward-looking statements". Some of these statements can be identified by forward-looking terms, such as "anticipate", "target", "believe", "can", "would", "could", "estimate", "expect", "aim", "intend", "may", "plan", "will", "would" or similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue and profitability, planned projects and other matters as they relate to our company discussed in this Offering Circular regarding matters that are not historical fact. These forward-looking statements and any other projections contained in this Offering Circular (whether made by us or by any third party) involve known and unknown risks, including those disclosed under the caption "Risk Factors", assumptions, uncertainties and other factors that may cause the actual results, performance or achievements of our company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or other projections.

These forward-looking statements speak only as at the date of this Offering Circular. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change of events, conditions or circumstances, on which any such statement was based.

The factors that could cause our actual results, performance and achievements of to be materially different include, among others:

- risks associated with our business activities;
- general economic and political conditions, including those related to the PRC;
- our ability to implement our business strategy and plan of operation;
- our ability to expand and manage our growth;
- our financial condition and results of operations;
- fluctuations in foreign currency exchange rates;
- obtaining governmental permits and approvals;
- impacts of natural disasters, epidemics and safety accidents; and
- those other risks identified in the "Risk Factors" section of this Offering Circular.

We do not undertake any obligation to update or revise publicly any of the opinions or forward-looking statements expressed in this Offering Circular as a result of any new information, future events or otherwise.

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SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should, therefore, read this Offering Circular in its entirety.

OVERVIEW

Our Group was established in 2004 by the SASAC through the merger of China National Bluestar (Group) Co., Ltd. ("**Bluestar**") and China National Haohua Chemical (Group) Corporation ("**Haohua Chemical**") following the restructuring of several state-owned enterprises under the former Ministry of Chemical Industry. As the only central state-owned enterprise focussing on the chemical industry, we rank 234th on the 2016 Fortune Global 500 list and are the largest chemical company in China and the third largest chemical company globally, according to the Fortune Global 500, with approximately RMB300.1 billion (US$43.2 billion) in revenues in 2016 and RMB377.6 billion (US$54.4 billion) in assets as at 31 December 2016. Currently, our Group comprises 92 subsidiaries in China and seven overseas operating subgroups, including controlling interests in seven listed companies on the Shenzhen stock exchange and/or the Shanghai stock exchange, with over 55,000 employees that are based overseas. As at 31 December 2016, we had production sites, research and development centres and a distribution network in China and more than 150 overseas countries, all of which are strategically located in close proximity to our customers and end markets.

We primarily conduct our operations in the following five business segments:

Oil Processing and Fundamental Chemical Products: Our oil processing and fundamental chemical products segment is the foundation of our production chain, providing cost-efficient and reliable supply of key intermediaries and raw materials for the production of chemical materials and performance chemicals and intermediates. Our products are used in automotive and jet fuel, heating oil, fuel additives, and in the manufacturing of household appliances, stretch film, synthetic fibres, and in many varieties of plastics.

New Chemical Materials and Specialty Chemicals: We supply a broad range of innovative and high value-added new chemical materials and specialty products. These products are typically used as catalysts, intermediates, components, protectants, or additives in a wide range of industries, including feed additives, solar panels, mechanical components, artificial body parts, medicine, fibre optic cable, and mortar and concrete.

Agrochemicals: We are a leading provider of non-patented agricultural chemicals. We provide a comprehensive range of high-quality, innovative, and effective products, including herbicides, insecticides, bactericides, and plant growth regulators.

Rubber Products: We are well-reputed for our production expertise and application knowledge in the rubber products industry. Our major products include auto tyres, specialty tyres, latex products, polysulphide rubber, specialty rubber products, and carbon black. We have a diverse portfolio of rubber products marketed under a number of well-recognised brand names and trademarks.

Chemical Equipment: We are one of the leading rubber machinery manufacturers worldwide and in China. Our chemical equipment segment manufactures equipment for the manufacture of chemical products, such as vulcanising machines, ionic membrane electrolysers, large drying equipment and axle gears.

We have a demonstrated track record of consistent growth driven by organic growth, continuous introduction of commercially successful and effective products and services and expansion of our global reach through strategic mergers and acquisitions.

Building upon our global, vertically integrated business model, we are promoting a "3+1" strategy which is expected to make our business portfolio more competitive, advanced, and focussed. The "3+1" strategy prioritises the expansion of our core sectors comprising material science, life science, and advanced manufacturing in the future with all three sectors being supported by our basic chemicals and intermediates products. We expect to continue to optimise our business portfolio around these priorities and to enhance our leadership position in the global chemical industry by upgrading our production facilities and technologies, introducing innovative and high value-added products and services, streamlining our non-strategic product lines, developing our sales network by leveraging on overseas operations and investing in research and development efforts.

We have been striving to improve people's living standards by providing critical products and services through our five key subsidiaries, and have contributed significantly to China's economic development. We are one of the largest producers of caustic soda, tyres, rubber and plastics manufacturing equipment in China and have one of the largest domestic market shares and the largest global market shares of crop protection products.

Our Competitive Strengths

- A pillar central state-owned enterprise in China's chemical industry with strong government support
- A market leader in the chemical industry
- Diversified product portfolio and global presence
- Significant contribution from businesses of high profitabilities and encouraging growth outlook
- Commitment to innovation with a leading research and development capacity in China's chemical industry
- Successful consolidation and integration of international companies with a view to build a world-leading chemical company
- Strong financial performance and diversified financing channels

Our Strategies

We intend to further expand our business, improve profitability, enhance our position as a leader in the chemical industry and build an internationally recognised enterprise. We seek to achieve our goals through the following strategies:

- Implement "3+1" strategy and leverage our advanced manufacturing platform and expertise
- Expand the scale and scope of international operations and build a strong global brand
- Further enhance research and development capabilities with a focus on high value-added segments
- Continue to build an environment-friendly enterprise

RECENT DEVELOPMENTS

Acquisition of Syngenta

We entered into a transaction agreement dated 2 February 2016 with the board of directors of Syngenta AG ("**Syngenta**"), a company incorporated under the laws of Switzerland, to acquire Syngenta. The board of directors of Syngenta unanimously recommended our offer to purchase 100% of Syngenta's equity. On 23 March 2016, we launched a tender offer in Switzerland and U.S. for Syngenta. On 18 May 2017, we completed the purchase of approximately 82.2% of Syngenta's publicly held registered shares (including those represented by American Depositary Shares) at the first settlement of the tender offer. The condition of the tender offer on minimum acceptance rate of approximately 67% has been satisfied. On 7 June 2017, we successfully completed the second settlement of the tender offer. Shareholders who tendered their shares after 4 May 2017 received the consideration of US$465 per share, and holders of American Depositary Shares (the "**ADSs**") who tendered their ADSs after 4 May 2017 received US$93 per ADS, on 7 June 2017. In the first and the second settlements, we acquired approximately 94.7% of Syngenta's publicly held registered shares in aggregate. Subsequently, we have further acquired Syngenta's publicly held registered shares from the secondary market. As at the date of the Offering Circular, we have acquired approximately 97.9% of Syngenta's publicly held shares in aggregate, and we intend to further purchase Syngenta's publicly held registered shares from the secondary market. As soon as permitted by law and applicable regulation, we intend to de-list the shares of Syngenta from the SIX Swiss Exchange and to de-list the ADSs of Syngenta from the New York Stock Exchange. As of the date of this Offering Circular, we have consolidated the financial information of Syngenta into our consolidated financial information.

Syngenta is a company that engages in research and development, production, commercial and supporting activities in the agrochemistry industry and, according to the Syngenta Form 20-F (as defined below) and other public filings of Syngenta, has operation in more than 90 countries around the world. Syngenta conducts research and development on crop protection discovery and innovation, advanced seed breeding and addressing of insect, fungus, weed and environmental stress on crops. In addition, Syngenta undertakes production of seed, active ingredients, intermediates, formulation, fill and packaging, as well as commercial activities, including product management, crop-based offers and marketing, sales and distribution. Syngenta also engages in supporting activities, such as stewardship, product registration, health, safety, environment, quality and security, technology and engineering and multi-stakeholder dialogue. Syngenta's main products include herbicides, insecticides, fungicides, seedcare, seeds and traits for plants such as cereals, corn, diverse field crops, rice, soybean, specialty crops, sugar cane, vegetables and lawn and garden.

According to the Form 20-F published on 16 February 2017 by Syngenta (the "**Syngenta Form 20-F**"), for the year ended 31 December 2016, Syngenta recorded a revenue of US$12,790 million, gross profit of US$6,283 million and net income of US$1,181 million, respectively; as at 31 December 2016, Syngenta had total assets of US$19,068 million. The Syngenta Form 20-F can be found at https://www.sec.gov/Archives/edgar/data/1123661/000095010317001494/dp72904_20f.htm. For the avoidance of doubt, the Syngenta Form 20-F and other public filings of Syngenta are not incorporated by reference into this Offering Circular. None of the Issuer, the Guarantor, the Joint Lead Managers or any of their respective affiliates, directors or advisers has independently verified the information contained in the Syngenta Form 20-F and other public filings of Syngenta. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Issuer, the Guarantor, the Joint Lead Managers or any of their respective affiliates, directors or advisers, as to the accuracy, completeness or sufficiency of the information contained in the Syngenta Form 20-F or in other public filings of Syngenta.

June 2017 Securities

On 2 June 2017, CNRC Capitale Limited, an indirect wholly-owned subsidiary of the Company, issued US$600 million in aggregate amount of 3.90 per cent. guaranteed perpetual capital securities (the "**June 2017 Securities**").

Additional Indebtedness and Hybrid Securities

Since 31 December 2016, the Group has incurred additional indebtedness to fund the acquisition of Syngenta, including (i) the issuance of perpetual securities with a total principal amount of US$18 billion and exchangeable notes with a total principal amount of US$2 billion and (ii) the drawdown of approximately US$11.5 billion under existing credit facilities granted by various financial institutions.

RECENT FINANCIAL INFORMATION

For the years ended 31 December 2014, 2015 and 2016, we recorded total revenue of approximately RMB257.6 billion, RMB260.3 billion and RMB300.1 billion (US$43.2 billion), respectively, a gross profit of approximately RMB30.6 billion, RMB38.1 billion and RMB50.6 billion (US$7.3 billion), respectively. As at 31 December 2014, 2015 and 2016, our total assets were approximately RMB268.1 billion, RMB372.7 billion and RMB377.6 billion (US$54.4 billion), respectively.

According to the unaudited and unreviewed financial statements we published in compliance with the regulations over domestic bond issuance of the National Association of Financial Market Institutional Investors of the PRC, for the three months ended 31 March 2017, we recorded total revenue of approximately RMB83.7 billion (US$12.1 billion) and gross profit of approximately RMB13.0 billion (US$1.9 billion). As at 31 March 2017, our total assets were approximately RMB376.1 billion (US$54.2 billion). Such financial information has not been subject to an audit or review and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. For more details, see also "Risk Factors – Risks Relating to Our Business – The summary consolidated financial information of the Group as at and for the three months ended 31 March 2016 and 2017 contained in this Offering Circular has not been audited or reviewed".

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

*The following table sets forth the Group's summary consolidated financial information as at and for the years ended 31 December 2014, 2015 and 2016, which has been derived from the Group's audited consolidated financial statements for the years ended 31 December 2015 and 2016, including the notes thereto, if any. Such financial information should be read in conjunction with the Group's audited consolidated financial statements and the notes thereto, together with the auditor's report in respect of such financial years. Except as otherwise disclosed in the auditor's interim report for the relevant year, the Group's audited consolidated financial statements were prepared in accordance with PRC GAAP, and were audited by Ruihua Certified Public Accountants. PRC GAAP differs in certain material aspects from the International Financial Reporting Standard ("**IFRS**"). The following table also sets forth the Group's summary consolidated financial information as at and for the three months ended 31 March 2016 and 2017, which has been extracted from the unaudited and unreviewed financial statements we published in compliance with the regulations over domestic bond issuance of the National Association of Financial Market Institutional Investors of the PRC. Such financial information has not been subject to an audit or review and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. For more details, see also "Risk Factors – Risks Relating to Our Business – The summary consolidated financial information of the Group as at and for the three months ended 31 March 2016 and 2017 contained in this Offering Circular has not been audited or reviewed". The summary consolidated financial information below is not necessarily indicative of the results of future operations.*

Certain items in the Group's audited consolidated financial statements as at and for the year ended 31 December 2015 have been restated to reflect (i) the consolidation of certain subsidiaries of the Group previously held for disposal and (ii) the change in accounting policies of a subsidiary of the Group pursuant to the guidance of local regulatory authorities in Norway. For a discussion of such restatements, please see Note 5 of the audited consolidated financial statements as at and for the years ended 31 December 2016 included in this Offering Circular.

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE GROUP

	For the Year Ended 31 December				For the three months Ended 31 March		
	2014	2015	2016	2016	2016	2017	2017
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)	(RMB'000)	(RMB'000)	(US$'000)
Total operating income	257,631,356	260,304,359	300,127,176	43,227,305	66,423,005	83,706,875	12,056,298
Total operating costs	(257,988,483)	(260,873,133)	(303,363,762)	(43,693,470)	66,155,677	82,654,478	11,904,721
Operating cost	(226,994,566)	(222,253,207)	(249,495,632)	(35,934,845)	55,958,394	70,669,528	10,178,529
Operating taxes and surcharges	(1,201,258)	(1,590,715)	(2,014,239)	(290,111)	345,341	552,916	79,636
Sale expenses	(8,176,914)	(10,169,252)	(16,160,636)	(2,327,616)	3,593,797	4,653,885	670,299
General and administrative expenses	(11,137,554)	(12,433,322)	(18,419,835)	2,653,008	3,836,772	4,356,194	627,422
Financial expenses – net	(7,797,557)	(11,018,711)	(13,334,300)	1,920,539	2,403,552	2,376,669	342,312
Interest expense	(9,119,087)	(10,254,196)	(11,886,191)	1,711,968	2,673,751	2,828,077	407,328
Interest income	1,371,553	2,187,973	2,849,626	410,432	404,967	731,390	105,342
Foreign exchange (loss)/gain	586,469	(1,560,293)	(786,118)	(113,225)	31,797	(48,315)	(6,959)
Asset impairment loss	(2,680,634)	(3,407,926)	(3,939,119)	(567,351)	17,820	45,285	6,522
(Losses)/gains arising from changes in fair value	(547,234)	523,848	110,573	15,926	(47,467)	4,814	693
Investment income/(loss)	1,781,067	1,465,556	5,929,094	853,967	520,129	95,670	13,779
Operating Profit	876,706	1,420,630	2,803,082	403,728	739,990	1,152,882	166,050
Non-operating income	1,811,174	2,281,680	3,442,444	495,815	251,637	151,071	21,759
Government grants	1,028,742	847,154	969,594	139,651	115,388	107,025	15,415
Non-operating expenses	(675,581)	(700,945)	(1,091,559)	(157,217)	44,099	77,447	11,155
Losses from disposal of non-current assets	(169,299)	(263,560)	(331,743)	(47,781)	4,361	2,857	411

	For the Year Ended 31 December				For the three months Ended 31 March		
	2014	2015	2016	2016	2016	2017	2017
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)	(RMB'000)	(RMB'000)	(US$'000)
Total (loss)/profit	2,012,299	3,001,365	5,153,966	742,326	947,528	1,226,507	176,654
Income tax expenses	(1,787,483)	(3,064,544)	(2,611,472)	(376,130)	687,503	472,842	68,103
Net (loss)/profit	224,816	(63,179)	2,542,494	366,195	260,026	753,665	108,550
Attributable to:							
Owners of our Company	(1,145,614)	(974,735)	119,085	17,152	40,246	102,939	14,826
Non-controlling interests	1,370,430	911,557	2,423,409	349,043	219,780	650,726	93,724
	224,816	(63,179)	2,542,494	366,195	260,026	753,665	108,550

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE GROUP

	For the Year Ended 31 December			
	2014	2015	2016	2016
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
Net (loss)/profit	224,816	(63,179)	2,542,494	366,195
Other comprehensive income after tax net value	(2,384,992)	(1,892,630)	1,283,122	184,808
Total comprehensive (loss)/profit	(2,160,177)	(1,955,809)	3,825,615	551,003
Attributable to equity holders of the Company	(1,885,928)	(1,960,783)	1,297,498	186,879
Attributable to the non-controlling interests	(274,249)	4,974	2,528,117	364,125

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

	As at 31 December				As at 31 March	
	2014	2015	2016	2016	2017	2017
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)	(RMB'000)	(US$'000)
Current assets						
Cash and cash equivalents	21,009,149	38,902,900	48,507,376	6,986,515	43,945,369	6,329,450
Financial assets at fair value through profit or loss	23,230	942,553	841,096	121,143	1,816,677	261,656
Derivative financial assets	808,201	481,999	423,892	61,053	226,544	32,629
Note receivables	3,846,195	3,138,301	4,155,013	598,446	3,560,090	512,760
Account receivables	22,648,616	28,844,037	28,584,553	4,117,032	35,591,526	5,126,246
Advance to suppliers	9,925,475	8,878,871	6,462,988	930,864	6,683,512	962,626
Interest receivables	410,471	527,468	533,783	76,881	611,081	88,014
Dividend receivables	14,679	22,229	173,804	25,033	172,285	24,814
Other receivables	24,879,433	24,918,924	22,709,353	3,270,827	22,726,583	3,273,309
Inventories	42,735,517	46,473,953	41,313,752	5,950,418	42,995,433	6,192,630
Including: Raw material	12,222,421	12,677,242	12,904,108	1,858,578	11,761,381	1,693,991
Finished products	17,076,066	22,834,793	19,789,647	2,850,302	22,235,433	3,202,568
Assets classified held-for-sale	166,267	311,612	114,789	16,533	114,789	16,533
Non-current assets due within one year	415,258	490,411	3,573	515	–	–
Other current assets	2,781,424	9,821,770	10,806,613	1,556,476	10,566,611	1,521,908
Total current assets	129,663,914	163,755,028	164,630,586	23,711,736	169,010,502	24,342,576
Non-current assets						
Available-for-sale financial assets	1,545,986	3,854,256	2,853,981	411,059	3,482,731	501,618
Held-to-maturity investment	–	50,000	–	–	–	–
Long-term receivables	10,184,176	12,821,459	4,443,492	639,996	4,487,068	646,272
Long-term equity investments	1,535,867	2,509,692	11,440,074	1,647,713	11,321,308	1,630,607
Investment properties	525,384	460,996	541,943	78,056	536,942	77,336
Fixed assets at original cost	115,882,221	171,181,704	146,102,545	21,043,143	162,931,323	23,466,992
Less: Accumulated Depreciation	45,579,522	69,339,361	49,382,412	7,112,547	68,239,205	9,828,490
Net fixed assets	70,302,699	101,842,343	96,720,133	13,930,597	94,692,118	13,638,502
Less: Provision for impairment of fixed assets	3,123,476	3,360,510	3,856,430	555,441	3,375,332	486,149
Net book value of fixed assets	67,179,223	98,481,833	92,863,703	13,375,155	91,316,786	13,152,353
Construction in progress	21,139,117	16,150,453	8,269,497	1,191,055	8,367,583	1,205,183
Engineering material	336,912	319,897	191,974	27,650	159,130	22,919
Disposal of fixed assets	178,134	123,821	8,600	1,239	11,104	1,599
Intangible assets	25,894,822	31,969,540	58,395,565	8,410,711	53,489,184	7,704,045
Development expenditure	145,502	343,296	329,040	47,392	356,559	51,355
Goodwill	5,745,851	35,173,481	27,212,881	3,919,470	27,346,768	3,938,754
Long-term deferred expenses	491,047	506,809	457,334	65,870	475,031	68,419
Deferred tax assets	1,948,448	2,640,603	2,772,207	399,281	2,787,345	401,461
Other non-current assets	1,615,010	3,516,626	3,231,004	465,361	2,957,950	426,033
Total non-current assets	138,465,478	208,922,762	213,011,293	30,680,008	207,095,489	29,827,955
TOTAL ASSETS	268,129,392	372,677,791	377,641,879	54,391,744	376,105,991	54,170,530

	As at 31 December				As at 31 March	
	2014	2015	2016	2016	2017	2017
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)	(RMB'000)	(US$'000)
Current liabilities						
Short-term loans	64,225,661	95,953,586	49,785,793	7,170,646	56,148,323	8,087,041
Financial liabilities at fair value through profit or loss	–	771,284	747,718	107,694	819,471	118,028
Derivative financial liabilities	2,104,240	853,495	647,947	93,324	694,807	100,073
Note payables	14,586,583	13,575,613	5,277,800	760,161	4,356,384	627,450
Account payables	28,642,685	28,561,534	34,223,101	4,929,152	30,809,812	4,437,536
Advance from customers	4,823,726	4,389,787	6,289,156	905,827	6,517,137	938,663
Employee benefits payables	2,928,546	4,498,968	4,990,803	718,825	4,130,265	594,882
Taxes and surcharges payables	1,663,177	3,508,949	3,638,004	523,982	2,683,175	386,458
Interest payables	813,455	1,119,492	1,129,192	162,637	1,625,297	234,092
Dividend payables	14,220	62,672	77,013	11,092	394,310	56,792
Other payables	11,356,434	18,042,322	8,459,550	1,218,429	6,832,570	984,095
Non-current liabilities due within one year	13,593,649	27,576,343	17,351,017	2,499,066	22,355,745	3,219,897
Other current liabilities	3,846,996	6,834,082	6,673,492	961,183	9,082,806	1,308,196
Total current liabilities	148,599,371	205,748,127	139,290,587	20,062,017	146,450,103	21,093,202
Non-current liabilities						
Long-term borrowings	36,830,509	49,819,968	91,339,876	13,155,679	76,321,147	10,992,532
Securities payables	22,088,891	30,594,290	47,425,612	6,830,709	53,329,263	7,681,012
Long-term payables	4,687,465	4,190,790	2,530,156	364,418	2,354,607	339,134
Long-term employee benefits payable	1,408,510	3,982,723	5,277,256	760,083	5,244,586	755,377
Special fund payables	898,742	871,498	360,477	51,919	385,789	55,565
Projected liabilities	567,938	1,872,631	2,634,211	379,405	2,473,855	356,309
Deferred income	1,871,757	2,149,129	2,176,163	313,433	2,086,657	300,541
Deferred tax liabilities	4,418,435	2,657,230	13,548,148	1,951,339	13,584,601	1,956,589
Other non-current liabilities	277,057	1,180,609	1,215,447	175,061	1,283,542	184,869
Total non-current liabilities	73,049,305	97,318,868	166,507,346	23,982,046	157,064,047	22,621,928
Total liabilities	221,648,676	303,066,995	305,797,932	44,044,063	303,514,150	43,715,130
Owners' equity						
Paid-in capital	11,010,026	11,080,026	11,580,026	1,667,871	11,580,026	1,667,871
Other equity instruments	3,000,000	8,000,000	10,500,000	1,512,315	10,500,000	1,512,315
Including: Perpetual Bond	3,000,000	8,000,000	10,500,000	1,512,315	10,500,000	1,512,315
Capital reserves	20,780,898	23,910,876	19,011,731	2,738,259	19,533,795	2,813,452
Other comprehensive income	(4,051,499)	(5,051,955)	(3,897,641)	(561,377)	(3,581,924)	(515,904)
Including: Difference from foreign currency financial statements translation	(3,929,025)	(4,963,014)	(3,933,208)	(566,500)	(3,989,970)	(574,675)
Special reserves	165,886	111,776	76,472	11,014	83,002	11,955
Undistributed profits	(10,828,576)	(12,874,839)	(13,209,402)	(1,902,550)	(13,081,706)	(1,884,158)
Total equity attributable to equity holders of the Company	20,076,736	25,175,883	24,061,186	3,465,532	25,033,193	3,605,530
Minority interests	26,403,980	44,434,912	47,782,760	6,882,149	47,558,647	6,849,870
Total owners' equity	46,480,715	69,610,795	71,843,946	10,347,681	72,591,841	10,455,400
TOTAL LIABILITIES AND OWNERS' EQUITY	268,129,392	372,677,791	377,641,879	54,391,744	376,105,991	54,170,530

OTHER FINANCIAL DATA

	For the Year Ended 31 December			
	2014	2015	2016	2016
		(Unaudited)		
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
EBITDA[(1)]	20,316,764	24,816,108	28,616,528	4,121,637
EBITDA margin[(2)]	7.9%	9.5%	9.5%	9.5%
Total debt[(3)]	150,087,451	214,177,175	209,854,158	30,225,286
Net debt[(4)]	129,078,302	175,274,275	161,346,782	23,238,770
Total debt/EBITDA	7.4	8.6	7.3	7.3
Net debt/EBITDA	6.4	7.1	5.6	5.6

(1) The calculation of EBITDA is based on the sum of net profit/(loss) for the year, taxation, finance costs, depreciation and amortisation and asset impairment loss less investment income/(loss) and (losses)/gains arising from changes in fair value. EBITDA is not a standard measure under PRC GAAP. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. The following table reconciles our EBITDA to our net profit for the periods:

	For the Year Ended 31 December			
	2014	2015	2016	2016
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
Net Profit/(Loss)	224,816	(63,179)	2,542,494	366,195
Adjustments:				
Add:				
Taxation	1,787,483	3,064,544	2,611,472	376,130
Finance costs	7,797,557	11,018,711	13,334,300	1,920,539
Depreciation	7,318,321	8,116,390	8,808,724	1,268,720
Amortisation of intangible assets	1,558,571	1,050,663	3,220,476	463,845
Amortisation of long term deferred expenses	183,215	210,457	199,610	28,750
Asset impairment loss	2,680,634	3,407,926	3,939,119	567,351
Less:				
Investment income (loss)	1,781,067	1,465,556	5,929,094	853,967
(Losses)/gains arising from changes in fair value	(547,234)	523,848	110,573	15,926
EBITDA	20,316,764	24,816,108	28,616,528	4,121,637

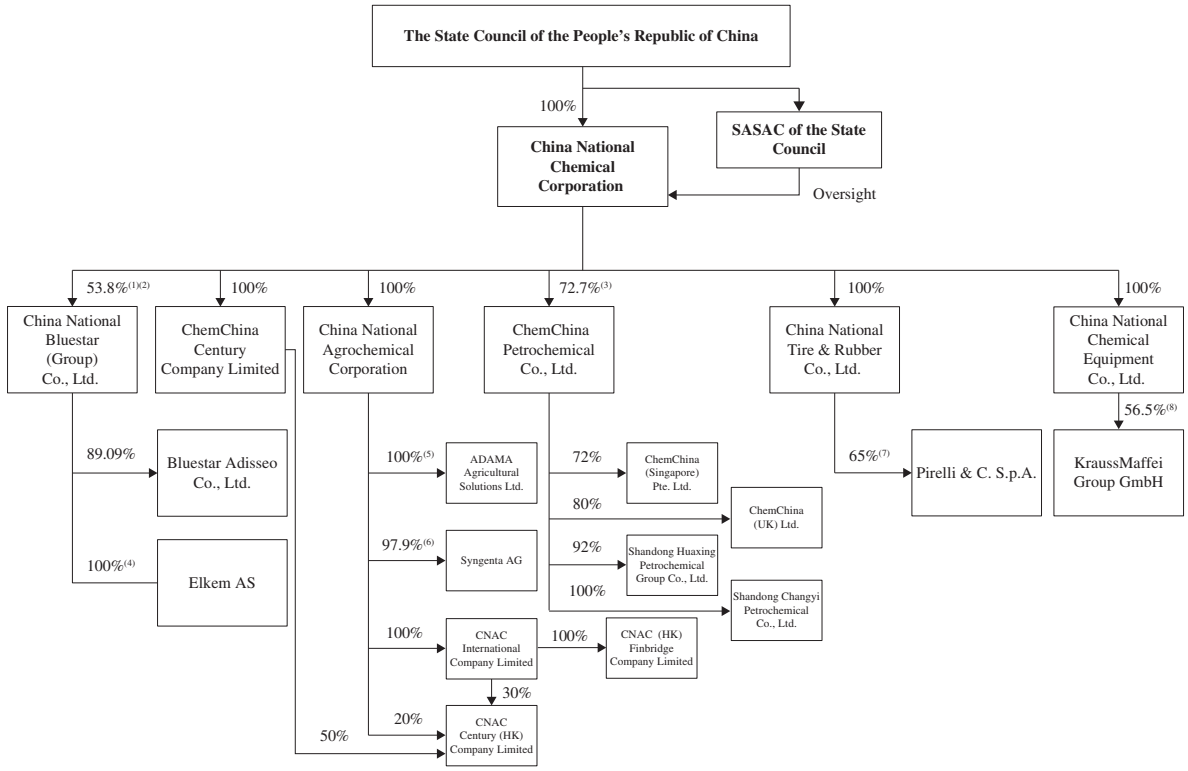
(2) EBITDA margin is calculated by dividing EBITDA by turnover.

(3) Total debt is the sum of short-term borrowings, notes payable, long-term borrowings due within one year, bonds payable due within one year, long-term borrowings and bonds payable.

(4) Net debt is calculated as total debt less cash and cash equivalents.

CORPORATE STRUCTURE

The following chart shows the simplified corporate structure of the Guarantor, its principal subsidiaries and the Issuer as at the date of this Offering Circular.



(1) If the shares subscribed by Shenzhen Zhongrong Yuxiang Equity Management Center (Limited Liability Partnership), which have not been paid as at the date of this Offering Circular, are excluded in calculating the shareholding percentages, China National Chemical Corporation would own 63.58% of the equity interest in China National Bluestar (Group) Co., Ltd.

(2) All of the shares held by ChemChina in China National Bluestar (Group) Co, Ltd. are subject to an encumbrance in favour of China Development Bank to secure certain financing arrangement of the Group.

(3) All of the shares held by ChemChina in ChemChina Petrochemical Co., Ltd. are subject to an encumbrance in favour of China Development Bank to secure certain financing arrangement of the Group.

(4) All of the shares held by ChemChina through China National Bluestar (Group) Co, Ltd. in Elkem AS are subject to an encumbrance in favour of China Development Bank to secure certain financing arrangement of the Group.

(5) All of the shares held by ChemChina through China National Agrochemical Corporation in ADAMA Agricultural Solutions Ltd. are subject to an encumbrance in favour of Export-Import Bank of China to secure certain financing arrangement of the Group.

(6) As at the date of the Offering Circular, ChemChina has acquired through its subsidiaries approximately 97.9% of Syngenta's publicly held shares in aggregate, and ChemChina intends to further acquire Syngenta's publicly held shares from the secondary market.

(7) All of the shares held by ChemChina through China National Tire & Rubber Co., Ltd. in Pirelli & C. S.p.A. are subject to an encumbrance in favour of BNP Paribas Securities Services, Milan Branch to secure certain financing arrangement of the Group.

(8) All of the shares held by ChemChina through China National Chemical Equipment Co., Ltd. in KraussMaffei Group GmbH are subject to an encumbrance in favour of UniCredit S.p.A. to secure certain financing arrangement of the Group.

THE OFFERING

The following contains summary information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" and "Summary of Provisions relating to the Bonds in Global Form" have the same meanings in this summary. For a comprehensive description of the terms of the Bonds, see "Terms and Conditions of the 2020 Bonds", "Terms and Conditions of the 2022 Bonds" and "Terms and Conditions of the 2027 Bonds" in this Offering Circular.

Issuer	CNAC (HK) Finbridge Company Limited (中國農化(香港)峰橋有限公司).
Company/Guarantor	China National Chemical Corporation (中國化工集團公司).
Guarantee	The Guarantor has in the Deeds of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Bonds and the Trust Deeds. The Guarantor undertakes that it will register or cause to be registered the Deeds of Guarantee with SAFE in accordance with the Cross-border Security Registration (跨境擔保外匯管理規定) as soon as possible and in any event before the date 15 Registration Business Days after the execution of the Guarantee of the Bonds.
Issue	2020 Bonds: U.S.$500,000,000 in aggregate principal amount of 3.00 per cent. Guaranteed Bonds due 19 July 2020. 2022 Bonds: U.S.$1,500,000,000 in aggregate principal amount of 3.50 per cent. Guaranteed Bonds due 19 July 2022. 2027 Bonds: U.S.$1,000,000,000 in aggregate principal amount of 4.125 per cent. Guaranteed Bonds due 19 July 2027.
Issue Price	2020 Bonds: 99.923 per cent. 2022 Bonds: 99.855 per cent. 2027 Bonds: 99.570 per cent.
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of U.S.$200,000 each and integral multiples of U.S. Dollar 1,000 in excess thereof.
Interest	The 2020 Bonds will bear interest from and including 19 July 2017 at the rate of 3.00 per cent. per annum, payable semi-annually in arrear on each Interest Payment Date on 19 July and 19 January in each year. The 2022 Bonds will bear interest from and including 19 July 2017 at the rate of 3.50 per cent. per annum, payable semi-annually in arrear on each Interest Payment Date on 19 July and 19 January in each year. The 2027 Bonds will bear interest from and including 19 July 2017 at the rate of 4.125 per cent. per annum, payable semi-annually in arrear on each Interest Payment Date on 19 July and 19 January in each year.

Issue Date	19 July 2017.
Maturity Date	2020 Bonds: 19 July 2020 2022 Bonds: 19 July 2022 2027 Bonds: 19 July 2027
NDRC Registration	Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by NDRC on 14 September 2015 which came into effect on the same day, the Issuer has caused the issuance of the Bonds to be registered with NDRC and obtained a certificate from NDRC on 23 June 2017 evidencing such registration and intends to cause the requisite information on the issuance of the Bonds to be provided to NDRC within the timeframe prescribed by the NDRC after the Issue Date.
Status of the Bonds	The Bonds will constitute direct, unsecured, unconditional and unsubordinated obligations of the Issuer, except for such obligations as may be preferred by applicable provisions of law, and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and regulations, at all times rank at least *pari passu* with all its other present and future , unsecured, unconditional and unsubordinated obligations.
Status of the Guarantee of the Bonds	The Guarantee of the Bonds will constitute direct, general and unconditional obligations of the Guarantor which will at all times rank at least *pari passu* with all other present and future unsecured, unconditional and unsubordinated obligations of the Guarantor, save as provided under Condition 3(a) of the "Terms and Conditions of the Bonds" and except for such obligations as may be preferred by applicable provisions of law.
Negative Pledge	The Bonds contain a negative pledge provision, as further described in Condition 4(c) of "Terms and Conditions of the Bonds".
Events of Default	The Bonds contain certain events of default provisions as further described in Condition 9 of "Terms and Conditions of the Bonds".

Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or the PRC or any jurisdiction through which payments are made or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In such event the Issuer shall, subject to the limited exceptions specified in Condition 8 of "Terms and Conditions of the Bonds", increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.
Final Redemption	Unless previously redeemed, or purchased and cancelled, the 2020 Bonds will be redeemed at their principal amount on 19 July 2020. Unless previously redeemed, or purchased and cancelled, the 2022 Bonds will be redeemed at their principal amount on 19 July 2022. Unless previously redeemed, or purchased and cancelled, the 2027 Bonds will be redeemed at their principal amount on 19 July 2027.
Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice in writing to the Bondholders and the Trustee and the Agents (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, in the event of certain changes affecting taxes of Hong Kong or the PRC or any jurisdiction through which payments are made by the Issuer or the Guarantor or any political subdivision thereof or any authority thereof or therein having power to tax, as further described in Condition 6(b) of "Terms and Conditions of the Bonds".
Redemption at the Option of the Issuer	At any time, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Bondholders in accordance with Condition 17 of the "Terms and Conditions of the Bonds", the Issuer may at any time redeem the Bonds, in whole but not in part, at the Make Whole Price (as defined in each of the Terms and Conditions of the 2020 Bonds, the Terms and Conditions of the 2022 Bonds and the Terms and Conditions of the 2027 Bonds) as of, and accrued and unpaid interest, if any, to (but excluding), the redemption date specified in the Option Redemption Notice.
Repurchase upon a Change of Control	Within 14 calendar days following the occurrence of a Change of Control, the Issuer will be required to make an offer to repurchase all of the Bonds at a price in cash equal to 101 per cent. of the principal amount of the Bonds to be repurchased, plus accrued and unpaid interest on the principal amount of Bonds being repurchased to but excluding the date of repurchase, as further described in Condition 6(d) of "Terms and Conditions of the Bonds".

Mandatory Redemption for Non-Registration	Upon the occurrence of a Non-Registration Event, the Issuer shall redeem on the Non-Registration Event Redemption Date all, and not some only, of the Bonds at 100 per cent. of their principal amount together with accrued and unpaid interest up to, but excluding, the Non-Registration Event Redemption Date, as further described in Condition 6(e) of "Terms and Conditions of the Bonds".
Clearing Systems	The Bonds will be represented by beneficial interests in the Global Bond Certificates, which will be registered in the name of a nominee for, and deposited on the Issue Date with a common depositary for, Euroclear and Clearstream. Beneficial interests in the Global Bond Certificates will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear and Clearstream. Except as described herein, certificates for Bonds will not be issued in exchange for beneficial interests in the Global Bond Certificates.
ISIN Code	2020 Bonds: XS1644428614 2022 Bonds: XS1644429695 2027 Bonds: XS1644429935
Common Code	2020 Bonds: 164442861 2022 Bonds: 164442969 2027 Bonds: 164442993
Governing Law	English law.
Trustee	The Hongkong and Shanghai Banking Corporation Limited.
Principal Paying Agent, Registrar and Transfer Agent	The Hongkong and Shanghai Banking Corporation Limited.
Listing	Approval in-principle has been received from the SGX-ST for the listing and quotation of the 2020 Bonds, the 2022 Bonds and the 2027 Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Approval-in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantor, their respective subsidiaries, their respective associated companies (if any), the Guarantee of the Bonds or the Bonds. Each series of the Bonds will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as such Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

	So long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Bonds may be presented or surrendered for payment or redemption, in the event that the Global Bonds Certificate is exchanged for definitive certificates. In addition, an announcement of such exchange will be made through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive certificates or, as the case may be, certificates including details of the paying agent in Singapore.
Rating	The Bonds are expected to be assigned a rating of "BBB" by S&P and "A-" by Fitch. The Guarantor is rated "BBB" with stable outlook by S&P and "A-" with stable outlook by Fitch. The sovereign rating of the PRC is AA with negative outlook by S&P and A+ with stable outlook by Fitch. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawal at any time by the rating agencies.
Further Issues	The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them, the deemed Issue Date for purposes of Condition 6(e) of "Terms and Conditions of the Bonds" and the timing for complying with the requirements set out in Condition 4(e) "Terms and Conditions of the Bonds" in relation to the NDRC Post-issue Filings) and so that such further issue shall be consolidated and form a single series with the Bonds, as further described in Condition 13 of "Terms and Conditions of the Bonds".
Use of Proceeds	See "Use of Proceeds".

RISK FACTORS

Prior to making an investment decision, prospective investors should carefully consider the following risk factors, along with the other matters set out in this Offering Circular. PRC laws and regulations may differ from the laws and regulations in other countries. Additional risks not described below or not currently known to us or that we currently deem immaterial may also adversely affect the value of the Bonds. We believe that the risk factors described below represent the principal risks inherent in investing in the Bonds, but we may not be able to pay interest, principal or other amounts on or in connection with any Bonds or to satisfy our obligations under the Deeds of Guarantee for reasons which we may not consider as significant risks based on information currently available to us, which we may not currently be able to anticipate or which we may currently deem immaterial. All of these factors are contingencies which may or may not occur and we are not in a position to express a view on the likelihood of any such contingency occurring.

We do not represent that the statements below regarding the risk factors of holding any Bonds are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

RISKS RELATING TO OUR BUSINESS

Our investment plans have significant capital expenditure and financing requirements, which are subject to a number of risks and uncertainties.

Our business is capital intensive. Our ability to maintain and increase our revenues, net income and cash flows depends upon continued capital spending. Our capital expenditures may vary significantly due to various factors, including, among others, our ability to generate sufficient cash flows from operations to finance capital expenditures, our ability to finance such expenditures through borrowings and other requirements that are beyond our control. We may also encounter unforeseen costs and expenses in the process of carrying out our investment plans. In addition, we cannot assure as to whether, or at what cost, capital projects will be completed or that such projects will be successful if completed.

Operating losses may be incurred if we do not have adequate capital resources to complete our investment plans or if actual expenditures exceed planned expenditures. We cannot assure you that any required additional financing, either on a short-term or long-term basis, will be available to us on satisfactory terms, or at all. If adequate funds are not available on satisfactory terms, we may be forced to curtail expansion plans, which could result in an inability to successfully implement our business strategies and limitations on the growth of our business.

We have the ability under our existing credit facilities to incur substantial additional indebtedness and we plan to incur significant additional indebtedness from time to time in the future. Our ability to make payments on our debt, fund our other liquidity needs and make planned capital expenditures will depend on our ability to generate cash in the future. Our historical financial results have been, and it is anticipated that our future financial results will continue to be, subject to fluctuations. Our ability to generate cash, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We cannot assure you that our business will generate sufficient cash flows from operations or that future borrowings will be available to us in an amount sufficient to enable us to make payments on our debt, fund our other liquidity needs and make planned capital expenditures.

We require a significant amount of cash to service our debt, the availability of which depends on many factors beyond our control.

As at 31 December 2014, 2015 and 2016, we had total debt of approximately RMB150.1 billion, RMB214.2 billion and RMB209.9 billion (US$30.2 billion), respectively. Total debt represents the sum of short-term borrowings, notes payables, long-term borrowings due within one year, bond payables due within one year, long-term borrowings and bonds payables. We recorded net current liabilities (calculated as current liabilities minus current assets) of RMB18.9 billion and RMB42.0 billion as at 31 December 2014 and 2015, and we recorded net current assets (calculated as current assets minus current liabilities) of RMB25.3 billion (US$3.6 billion) as at 31 December 2016, primarily due to the expansion of our business scales and increase in our demand for working capital and short-term bridged financing. Our net current liabilities position exposes us to certain liquidity risks. Our future liquidity, the payment of trade and other payables and the repayment of outstanding debt obligations as and when they become due will depend primarily on our ability to maintain adequate cash inflows from operating activities and adequate external financing. If we fail to generate sufficient turnover from our operations, or if we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure or to meet our needs or refinance our loans on commercially acceptable terms, or at all, and our business and financial position could be adversely affected. Substantially all of our operations are conducted through our subsidiaries. As a result, our ability to generate sufficient cash flow for our needs is dependent to a large extent on the earnings of our subsidiaries and the payment of those earnings to us in the form of dividends, loans or advances and through repayment of loans or advances from them. Our subsidiaries are separate and distinct legal entities. They have no obligation to pay any amounts due on our debt or to provide us with funds to meet our cash flow needs, whether in the form of dividends, distributions, loans or advances. In addition, any payment of dividends, loans or advances by our subsidiaries could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries is also contingent upon such subsidiaries' earnings and business considerations. Our rights to receive any assets of any of our subsidiaries upon liquidation or reorganisation will be effectively subordinated to the claims of the subsidiaries' creditors, including trade creditors. Even if we are a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by them. Furthermore, changes in the laws of foreign jurisdictions in which our subsidiaries operate may adversely affect the ability of some of our foreign subsidiaries to repatriate funds to us. Finally, we have provided guarantees for certain subsidiaries and other related companies in connection with their financial indebtedness. The default of any of those subsidiaries or related companies on those guaranteed debts may lead to our obligation to repay the outstanding amount due and payable. Such obligations to repay may materially affect our financial condition and ability to service our own debts. In such circumstances, we cannot assure you that our assets and cash flows would be sufficient to fulfil our obligations or that we would be able to find alternative financing.

We have incurred net losses in the past and may incur net losses in the future.

We have incurred net losses in the past and we may incur net losses in the future. We recognised a net loss of RMB63.2 million for the year ended 31 December 2015, and we recognised a net profit of RMB224.8 million and RMB2,542.5 million (US$366.2 million) for the years ended 31 December 2014 and 2016. Our ability to become profitable and to maintain profitability depends on the rate of growth of our target markets, the continued market acceptance of our products, the competitive position of our products and our ability to develop new products. Even though we have achieved profitability, we may not be able to sustain or increase profitability on an annual basis. If we experience negative cash flow from operations over a prolonged period of time, or if we suffer unexpected cash outflows, our liquidity and ability to operate our business effectively could be adversely affected.

We may be unable to implement our strategies for future growth.

Our success in the future will depend on, among other things, our ability to implement our business strategies for future growth. The successful implementation of such business strategies may be affected by a number of factors, including fluctuations in demand from domestic and global markets, changes in customer preference and demand, the availability of resources suitable for our future product diversification into different industries, increasing competition, our ability to obtain any necessary approvals to enter into any markets in the future and changes in government policies. We may also require additional funds and/or resources from time to time to pursue our future business strategies. We cannot assure you that our business strategies can be implemented successfully or that the funds required to implement such business strategies will be available. If availability of funds and/or other resources cannot be met timely, we may be unable to pursue our business strategies, which could adversely affect our future growth and profitability.

The manufacturing processes for our products are complex and dangerous.

The manufacturing of our products involves complex, precise and often dangerous processes, requiring production in tightly controlled environments. As a result, our operations are subject to manufacturing risks, including, among others:

- the failure to achieve an acceptable success rate in the manufacture of our products. The likelihood of facing such difficulties is higher when transitioning to new methods of production, which may occur from time to time during various stages of the manufacturing process. The interruption of certain processes or the failure to achieve acceptable manufacturing yields at any of our facilities could adversely affect our business and results of operations;

- risks associated with the use of hazardous, toxic or flammable raw materials and intermediate products. The storage of such materials near our production facilities and the handling of these materials in the production process pose inherent risks. An accident could materially disrupt our manufacturing operations and could lead to death or personal injuries. Any such accident could have a material adverse effect on our operations, business and financial condition. Any such accident may also subject us to adverse publicity and damage to our brand name and reputation. Due to the public's growing awareness of and concern about safety and environmental protection, the risk of such accident may result in social demonstrations against the building and operation of our facilities, which may further disrupt our business operations, negatively affect our image and reputation and materially and adversely affect our business and financial condition;

- the consumption of substantial amounts of electricity in our production processes. In order to reduce interruptions and to facilitate a continuous source of electricity, we maintain backup power generators and a dynamic uninterrupted power system to power machinery and equipment until they can be safely turned off or switched to a backup electricity supply. Despite taking such measures, we cannot assure you that power shortages would not adversely affect our results of operations and financial condition; and

- certain inherently dangerous activities undertaking by in the course of our operations that expose us to a number of additional risks, including the risk of fire, explosion, leakage, release of toxic fumes or other unexpected or hazardous conditions causing personal injuries or death, property damage, environmental damage or interruption of operations. See "Our insurance coverage may be insufficient to cover all associated risks of loss".

On 24 January 2015, we experienced a fire involving an organic silicone device with an annual capacity of 100,000 tonnes in our Jiangxi Xinghuo Organic Silicone Plant. This accident caused no casualties or environmental pollution. The remaining three organic silicone production devices continued to operate after the accident without an adverse effect on our supply of products, and our losses from the incident were not significant. We have not experienced any major accidents in our manufacturing process that had a material adverse impact on our results of operations and financial condition. However, we cannot assure you that such accidents will not happen in the future. Furthermore, our operations could be adversely affected if we are not able to overcome manufacturing problems, secure access to advanced manufacturing process technologies or maintain necessary safety measures in a timely and cost-effective manner.

Shortages of raw materials or volatility of raw material prices may adversely affect our business and operations.

The cost of raw materials is the largest component of our operating costs. The nature of our operations require us to obtain sufficient quantities of high quality raw materials in a timely manner and at acceptable prices. As a result, our operations are vulnerable to changes in the supply and price of raw materials. Most of the raw materials we use are typically sourced from a limited group of suppliers. Therefore, disruptions to the operations of our suppliers could limit our ability to obtain sufficient quantities of such raw materials of an acceptable or comparable quality, or at an acceptable price. Any inability to obtain high-quality raw materials in a timely and cost effective manner may cause delays in our production and delivery schedules, which may result in loss of customers and revenues.

Large amounts of raw materials are required in our manufacturing processes. Although we have not experienced any significant difficulties in obtaining raw materials to satisfy our production requirements in the past, we cannot assure you that we will be able to continue to meet our raw materials requirements in the future. Any significant increase in the prices of raw materials could materially affect our businesses, results of operations and financial condition if such price increases cannot be passed on to customers by way of higher selling prices. Our ability to pass on cost increases to our customers is dependent on market conditions and the bargaining power of those customers.

For example, crude oil constitutes the major feedstock cost of our petroleum processing and refining segment. Prices for crude oil may fluctuate widely in response to relatively minor changes in the supply and demand for oil, market uncertainty and other factors beyond our control, including but not limited to global macroeconomic conditions, consumer demand, political developments, the ability of petroleum producing nations to set and maintain production levels and prices, the price and availability of other energy sources, domestic and foreign government regulations and weather conditions. Therefore, our revenue and profit from our petroleum processing and refining operations may be adversely affected by a wide range of macroeconomic and microeconomic factors beyond our control.

If we fail to maintain an appropriate inventory level, we could incur more inventory carrying costs or lose sales, either of which could materially and adversely affect our business, financial condition and results of operations.

Due to a number of factors, including macroeconomic and microeconomic factors beyond our control, it is difficult to accurately estimate market demand for our products and to manage our inventories accordingly. While we must maintain sufficient inventory to operate our business successfully and meet market demand, we also strive to avoid excess inventory to reduce inventory carrying costs. Changing demands of end-user customers, inaccurate demand forecasts and time lag between when the raw materials are ordered from our suppliers and when our finished products are sold could expose us to inventory risk. We carry a wide variety of inventory and must maintain a reasonable inventory level of our products. If

we do not maintain a sufficient inventory to fulfil orders, we may lose orders. On the other hand excessive inventory levels could lead to additional inventory carrying cost. We cannot assure you that we can manage our inventories effectively and any failure to do so could materially and adversely affect our business, financial condition and results of operations.

Fluctuations in the average selling prices of our products may adversely affect our results of operations.

The average selling prices of most of our products are subject to fluctuation. Fluctuations in the average selling prices of our products are primarily caused by intense market competition, changes in raw material costs and other factors that are beyond our control. We cannot assure you that we will not continue to experience volatile or declining average selling prices for our products in the future. If we cannot increase our sales volume to compensate for the loss of revenue caused by volatile or declining average selling prices for our products, our results of operations could be adversely affected.

Deterioration in the performance of our oil processing and fundamental chemical products businesses could have a material and adverse effect on our consolidated financial condition and results of operations.

For the years ended 31 December 2014, 2015 and 2016, our oil processing and fundamental chemical products businesses contributed approximately 48.6%, 49.0% and 44.1% to our consolidated operating revenue and approximately 25.1%, 18.6% and 14.0% to our consolidated operating profit, respectively. Deterioration in the performance of our oil processing and fundamental chemical products businesses may materially and adversely impact our consolidated financial performance. If the business operations of these segments encounter difficulties or cannot perform as expected, our consolidated financial condition and results of operation may be materially and adversely affected.

A reduction in or elimination of government subsidies and economic incentives could affect our results of operations and cash flow.

We and certain of our subsidiaries receive government subsidies and grants and various economic incentives in the form of interest-subsidies, tax exemptions and policy-based loans. A significant amount of our profit is derived from non-operating activities, which mainly consist of government grants. For the years ended 31 December 2014, 2015 and 2016, we received government grants of RMB1,028.7 million, RMB847.2 million and RMB969.6 million (US$139.7 million), respectively. Government grants include grants which are to be applied towards operational costs and grants which are to be applied towards capital investments on an amortised basis over a period of time depending on the nature of the asset. The form and amount of such grants vary according to current government policies with respect to the chemical industry in China. The amounts of and conditions attached to such grants are determined at the sole discretion of relevant government authorities. We cannot assure you that we will be eligible to continue to receive such government grants or that the amount of any such grants will not be reduced in the future, and even if we continue to be eligible, we cannot assure you that any conditions attached to such grants will be as favourable to us as they have historically been. If we are unable to receive future government grants, and are not able to arrange for alternative funding on similar terms, our financial condition and results of operations may be adversely affected.

The scale and complexity of our operations may expose us to management and internal control risks.

We operate more than 500 subsidiaries and joint venture companies globally, control multiple A-share listed companies and have a minority interest in companies operating in a variety of business segments. As a result of the diversity among our portfolio companies and our operations in multiple business segments, we face management challenges not faced by companies with a single business line.

Due to our large number of subsidiaries, portfolio companies and production sets, our successful operation requires an effective management and internal control system that emphasises proper authorizations, reliability and accountability of financial reporting, imposes financial and internal control disciplines on portfolio companies, and creates value-focussed incentives for management. Given our size and large number of companies and production sets, we may fail to respond timely to problems faced by the lower level subsidiaries. If we are unable to exercise effective management control over our various business segments and different levels of subsidiaries, it may have a material adverse effect on our business, financial condition and results of operations.

Furthermore, our portfolio companies in different operating segments may determine that it is in their shareholders' interests to pursue new business ventures. We cannot assure you that such business ventures will be successful or generate the synergies expected, if any. The successful completion of these business ventures will depend on a number of factors, including satisfactory due diligence and the receipt of necessary regulatory approval, among others. If we fail to complete such business ventures or such ventures prove to be unsuccessful, our operating segments involved may be adversely affected.

Significant fluctuations in exchange rates affect our results of operations.

We conduct a significant portion of our operations and sell a substantial portion of our products in overseas markets. In 2016, approximately 68.1% of our revenue was generated from overseas markets. Accordingly, an increasing number of our transactions are denominated in foreign currencies. Fluctuations in foreign currencies, especially the U.S. dollar and euros, could materially affect our revenues and results of operations. For example, changes in currency exchange rates may affect the relative prices at which we and our competitors sell products in the same market, the cost of products and services we require for our operations and other Renminbi-denominated items in our financial statements. These fluctuations could have a negative effect on our results of operations.

Our profit margins could be adversely affected if we are not able to reflect significant foreign exchange rate fluctuations in the currencies in which our transactions are conducted. In addition, foreign currency fluctuations could impose liquidity constraints on us in respect of our ordinary course of trading and the purchase of raw materials, which could have a material adverse effect on our businesses, financial positions or results of operations.

We have operations and assets in over 150 countries and are required to comply with a wide variety of complex domestic and foreign laws and regulations, which are extensive and the compliance of which may be onerous or expensive. Our international operations and assets may be subject to various economic, social and governmental risks.

Our international operations and sales are subject to various political, legal and regulatory environments, some of which are known to be unstable and differ in certain significant respects from those prevailing in developed countries and their laws, regulations and policies are subject to changes due to political and economic uncertainties. Therefore, we are exposed to risks that could negatively impact our future sales or profitability. Our operations may not develop in the same way or at the same rate as might be expected in a country with an economy similar to China. The additional risks that we may be exposed to in these cases include, but are not limited to:

- fluctuations in foreign exchange rates;
- unexpected changes in regulatory requirements;
- political conditions;

- management and operation of an enterprise spread over various countries;
- the burden and administrative costs of complying with a wide variety of foreign regulations;
- currency restrictions;
- tariffs and trade barriers;
- regulations related to customs and import/export matters;
- tax issues, such as tax law changes and variations;
- limited access to qualified staff;
- inadequate infrastructure;
- cultural and language differences;
- inadequate banking systems;
- different or more stringent environmental laws and regulations;
- restrictions on the repatriation of profits or payment of dividends;
- crime, strikes, riots, civil disturbances, terrorist attacks or wars;
- nationalisation or expropriation of property;
- law enforcement authorities and courts that are weak or inexperienced in commercial matters; and
- deterioration of political relations among countries.

The global efforts to reduce carbon emissions may significantly increase our operation and production costs and the risk of non-compliance.

As a company in the chemical industry, we are exposed to the global efforts to reduce carbon emissions. The Paris Agreement within the United Nations Framework Convention on Climate Change ("**UNFCCC**"), aiming at holding the increase in the global average temperature to well below 2 Celsius degrees, went into effect on 4 November 2016. The Paris Agreement is binding upon various countries and regions where we have extensive business and operations, including those in the North and South America, Asia, Europe, the Pacific, and Africa. Though the agreement does not impose any specific mechanism upon the participating countries and regions to achieve their carbon reduction goals, we anticipate that more stringent regulatory framework, cap-and-trade system or carbon tax will be adopted by those countries and regions, respectively, which may lead to significant increase in our costs of compliance as well as operation and production costs. In the event that we fail to comply with such laws or regulations, we may be subject to governmental inspections, penalties, fines, civil liabilities, suspension or revocation of our licences or permits to conduct our businesses. Such event may result in material and adverse effect on our business, financial condition, results of operations and market position.

Some of our revenue is derived from countries, individuals or entities that are targets of sanctions imposed by the United States, the European Union and other government authorities.

The U.S. government, through the U.S. Department of the Treasury's Office of Foreign Asset Control and the U.S. Department of State, administers and enforces economic and trade sanctions against targeted foreign countries (including but not limited to Cuba, Iran, North Korea, Sudan and Syria), entities and individuals based on U.S. foreign policy and national security goals. As we have operations globally we may be subject to such sanctions and those imposed by the European Union or other regulatory authorities. For example, the United States imposed sanctions relating to Ukraine in March 2014, which were followed by other countries or groups of countries, including the European Union. These sanctions target specified Russian and Ukrainian persons and entities (and entities that are at least 50% owned, directly or indirectly, by them), including Rosneft, and prohibit certain activities in or related to the Crimea region. Additional sanctions have been imposed concerning the provision of goods and services related to certain aspects of the Russian petroleum and defence industries, and dealings in the debt and equity of and the extension of credit to certain Russian entities. The U.S. and the European Union have also imposed extensive restrictions on trade with and investment in Crimea.

We entered into a non-legally-binding memorandum of undertaking with Rosneft under which Rosneft may propose to acquire 30% of equity interest in one of our subsidiaries in 2015. We also entered into a framework agreement with Rosneft in 2016 with respect to further implementation of the Far-Eastern petrochemical company project and a potential joint venture between Rosneft and us. Furthermore, we have been purchasing crude oil from Rosneft, which accounts for no more than one percent of our total annual supply. We have also exported a small amount of our products to Cuba, Iran, North Korea, Sudan and Syria, which in aggregate accounts for no more than one percent of our total annual revenue in 2016. If certain of our business activities in sanctioned countries, regions or with sanctioned entities or individuals come within U.S. or European Union jurisdiction or involve U.S. or European Union persons, including U.S. financial institutions, we could face civil and criminal penalties if we are found to have violated any of the sanctions programmes. We could also suffer reputational damage as a result of such activities.

We cannot assure you that in the future we will not continue doing business with countries, regions, individuals or entities that are targets of sanctions imposed by the United States, the European Union or other government authorities. Our business activities in sanctioned countries or regions or involving other sanctions targets could limit our ability to pursue business opportunities in the United States or the European Union or obtain financing from the United States or the European Union, which may in turn materially and adversely affect our business, financial condition or results of operations.

In addition, as a result of various sanctions programmes, we must engage in additional due diligence of prospective customers, suppliers and other third parties, which may delay or prohibit us from entering into agreements with such third parties. Any negative perception by our international customers or suppliers of our direct and indirect relationships with sanctioned parties, or regarding the overall geopolitical situation, may make it more difficult to do business with these customers or suppliers and may negatively impact our revenue and profitability.

We incur significant expenses to maintain our manufacturing equipment and any interruption in the operations of our facilities may harm our operating performance.

We regularly incur significant expenses to maintain our manufacturing equipment and facilities. The machines and equipment that we use to produce our products are complex, have many parts and may be run on a continuous basis. We must perform routine maintenance on our equipment and will have to periodically replace a variety of parts such as motors, pumps, pipes and electrical parts. In addition, our facilities require periodic shutdowns to perform major maintenance. These scheduled shutdowns of facilities result in decreased sales and increased costs in the periods in which a shutdown occurs and could result in unexpected operational disruptions in future periods as a result of changes to equipment and operational and mechanical processes made during the shutdown period. Any prolonged disruption in operations at any of our facilities could cause significant lost production, which would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Some of our production facilities are highly technical. Our ability to shift production or sourcing to other facilities in the event of an accident is limited at such facilities. If a production facility was shut down temporarily, we would likely suffer production delays and, to the extent that facility was used for the production of input material for our downstream products, we could incur additional costs in sourcing alternative supplies, either of which could have a material adverse effect on our business, results of operations, financial condition and prospects.

We may be exposed to risk from potential information system failures or disruptions.

Our success depends on an efficient and effective computer information system to provide accurate and timely information to monitor and fine-tune production specifications. To prevent the failure of computer systems, we continuously monitor, maintain and update the systems. However, we cannot assure you that there will not be any disruptions to our computer system and, in such event, that the production process will not be adversely affected. Despite the implementation of safety measures, our systems are vulnerable to damage caused by computer viruses, natural disasters, unauthorised access and similar disruptions. Any system failure, accident or security breach could result in disruption to our operations. To the extent any disruption or security breach results in a loss of or damage to our data, such disruption or breach could harm our business. In addition, we may be required to incur significant costs to protect against the damage caused by future disruptions or system failures.

The anticipated benefits of the acquisition of Pirelli & C. S.p.A. may not be realised, which could adversely impact our business and operating results.

We anticipate the acquisition of Pirelli & C. S.p.A. ("**Pirelli**") will result in benefits including, among other things, enhanced revenues and our enhanced ability to provide a wide range of tyres and related products. The acquired business may underperform relative to our expectations. If the acquired business underperforms and such underperformance is other than temporary, we may be required to take an impairment charge.

Achieving the anticipated benefits of the acquisition of Pirelli is subject to a number of uncertainties. Pirelli may not contribute to our revenues or earnings to the extent anticipated and the synergies we expect from the acquisition may not be realised. The costs or difficulties related to the integration of Pirelli's business and operations into ours could be greater than expected, and the acquisition could cause disruption to our business and operations and our relationships with customers, employees and other parties. Failure to achieve the anticipated benefits of the acquisition could result in increased costs, decreases in the amount of expected revenues and the diversion of management's time and energy and could have an adverse effect on our business, financial position, results of operations and cash flows. Thus, the anticipated benefits of the acquisition may not be realised, and significant time and cost beyond that anticipated may be required in connection with the integration of Pirelli.

Pirelli operates in countries where the general economic and political context and tax regime may prove unstable in the future. Its performance may be influenced by the general economic conditions, specifically considering the unstable geopolitical environment in the Middle East area, the Chinese economic slowdown and the recession in the Latin American continent. Change in demand of Pirelli's products may result from technological innovation and changes in consumer values and behaviour as well as regulation in the automotive sector. Pirelli is also exposed to financial risks related to the exchange rate, financial resources in the market, interest rate, consumer credit and financial assets held in portfolio. The prices of natural rubber, synthetic rubber and raw materials related to oil may contribute to the uncertainty of Pirelli's cost structure. Furthermore, Pirelli is subject to the risk of litigation and liability due to failure to comply with environmental or employment laws or occurrence of product defect. Failure of Pirelli's plant or interruption of the supply of utilities, due to natural events, accidents or wilful misconduct, may cause significant property damage as well as reduction and/or interruption in production. At last, any negative perception of Pirelli by one or more stakeholders may result in a loss of profits and affect Pirelli's propensity to buy.

The anticipated benefits of the acquisition of Syngenta AG may not be realised, which could adversely impact our business and operating results.

As at the date of the Offering Circular, we have acquired approximately 97.9% of Syngenta's publicly held shares in aggregate. The acquisition of Syngenta is anticipated to result in benefits including, among other things, enhanced revenues and our enhanced ability to provide a wide range of agrochemical products. However, Syngenta's business after acquisition may fail to integrate with our existing operations or underperform as compared to our expectations. Syngenta may not contribute to our revenues or earnings to the extent anticipated and the synergies we expect from the acquisition may not be realised. The costs or difficulties related to the integration of Syngenta's business and operations into ours could be greater than expected, and the acquisition could cause disruption to our business and operations and our relationships with customers, employees and other parties. Failure to integrate or achieve the anticipated benefits of the acquisition could result in increased costs, decreases in the amount of expected revenues and the diversion of management's time and energy and could have an adverse effect on our business, financial position, results of operations and cash flows.

Furthermore, according to the Syngenta Form 20-F and other public filings of Syngenta, Syngenta is involved in (i) legal proceedings regarding Syngenta's commercialization of certain corn seeds in North America without obtaining import approval from China for such products, (ii) legal proceedings regarding Syngenta's negligence in allowing its insecticides to harm bees and as a result beekeepers and (iii) a legal proceeding relating to personal injury. The Syngenta Form 20-F can be found at https://www.sec.gov/Archives/edgar/data/1123661/000095010317001494/dp72904_20f.htm. For the avoidance of doubt, the Syngenta Form 20-F and other public filings of Syngenta are not incorporated by reference into this Offering Circular. None of the Issuer, the Guarantor, the Joint Lead Managers or any of their respective affiliates, directors or advisers has independently verified the information contained in the Syngenta Form 20-F and other public filings of Syngenta. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Issuer, the Guarantor, the Joint Lead Managers or any of their respective affiliates, directors or advisers, as to the accuracy, completeness or sufficiency of the information contained in the Syngenta Form 20-F or in other public filings of Syngenta.

We may make investments or complete transactions that may be unsuccessful and could expose us to unforeseen liabilities.

Investments, acquisitions, joint ventures or other development opportunities identified and complete may involve material cash expenditure, debt incurrence, operating losses, amortisation of certain intangible assets of acquired companies, issuances of equity securities, and expenses, some of which are unforeseen, that could affect our business, financial position, results of operations and liquidity. Acquisitions, investments and joint ventures involve numerous risks, including:

- limitations on our ability to complete such acquisitions on terms, timetables and terms reasonable to us;
- limitations in obtaining financing for acquisitions at a cost reasonable to us;
- difficulties in integrating acquired operations, personnel and information systems, and in realising projected revenues, efficiencies and cost savings or returns on invested capital;
- entry into markets, businesses or services in which we may have little or no experience;
- the incurrence of additional debt to finance such investments;
- diversion of business resources or management's attention from ongoing business operations;
- exposure to undisclosed or unforeseen liabilities of acquired operations, including liabilities for failure to comply with laws and anti-trust considerations in specific markets; and
- existence of unknown liabilities or contingencies and potential disputes with counterparties.

We may not be able to meet regulatory requirements imposed by the governments of our export destinations and governments may impose taxes or penalties on our export products.

Certain countries to which we export our products may impose technical, hygienic or environmental requirements on our products that may be higher than the standards imposed by the PRC government. These countries may also require us to obtain various permits, licences and approvals before we can import our products. We cannot assure you that we will be able to meet the relevant standards or obtain the requisite permits, licences and approvals. If we fail to meet the standards adopted by such countries or to obtain the requisite permits, licences and approvals now or in the future, our ability to export to these markets could be materially and adversely affected.

We may not be able to renew certain licences, certificates and permits for our operations.

Under PRC law, we are required to obtain certain licences, certificates and permits from relevant PRC governmental authorities. We believe that, and as confirmed by our PRC legal advisors, we have obtained all material licences, certificates and permits for the production and sale of our products. However, we cannot assure you that we will be able to renew such licences, certificates and permits upon their expiration. In addition, eligibility criteria for these licences, certificates and permits may change from time to time and additional licences, certificates and permits may be required and higher compliance standards may have to be observed. If there are new laws or regulations, or changes in the interpretation of any existing laws or regulations, our compliance costs may increase and it may be more expensive for us to continue the operation of any part of our business, which could have a material adverse effect on our financial condition and results of operations.

We may not be able to protect our patents or other intellectual property.

We believe that developing new and enhanced products, processes and technologies is important in differentiating our business from that of our competitors and is critical to the success of our business. We rely heavily on patents to protect certain advanced technical features of our products. As at 31 December 2016, we owned over 10,000 patents. In the future, however, we may not be able to successfully apply for patents to protect our intellectual property. Furthermore, patent applications in certain countries may not be published until more than 18 months after they are first filed and, therefore, we cannot be certain that we will be the first creator of technologies covered by pending patent applications or the first to file patent applications on these inventions. For details of our intellectual properties, please see the section headed "Business – Intellectual Property Rights".

In addition, we could lose our exclusive rights to use the proprietary processes and technologies that are covered by patents and patent applications. Our patents may be subject to challenges as to their scope or may be found to be invalid or otherwise unenforceable. Statutory differences in patentable subject matter depending on the jurisdiction may also limit the protection we obtain on certain of the technologies we develop. Complicated factual and legal issues could introduce uncertainty as to the validity, scope and enforceability of our patents and other intellectual property rights. We may not be able to exclude competitors from using the technologies we seek to protect if patent applications are not granted, patents were to expire or patents were successfully challenged. In addition, the enforcement of patent rights through administrative action in China involves a higher level of uncertainty than may exist in other countries where we operate our business, meaning that in order to enforce our rights against infringing third parties, we may have to resort to costly and prolonged litigation. Any failure to protect, maintain and enforce our intellectual property could, therefore, impair our competitiveness, divert our management's attention and have a material adverse effect on our business, financial condition or results of operations.

Moreover, patent protections are subject to geographic restrictions and are limited to the countries in which the patents were granted. As a result, if we have a patent in one jurisdiction in relation to a particular technology, we may not be able to exclude competitors from using that technology in another jurisdiction where we do not have a patent. Furthermore, we may also be unable to use such technology in a jurisdiction (including exporting and selling products that are the direct result of that technology into that jurisdiction) if a third party owns a similar patent in that jurisdiction. This could be the case even when we have independently developed the technology in question. This may jeopardise our strategy of expanding exports of our products into new markets, and could, therefore, have a material adverse effect on our competitiveness, financial condition or results of operations.

We rely on trade secrets and proprietary technology and processes and any unauthorised disclosure of such intellectual property could adversely affect our business.

We rely on a combination of patents, trade secrets and other unpatented proprietary know-how to maintain our competitive position. We have developed several proprietary production processes. Our management and certain key personnel have entered into employment contracts with us containing confidentiality and non-compete obligations as well as provisions acknowledging that all intellectual property, trade secrets, products and other processes that are developed by them during the course of their employment are our property. However, we cannot assure you that agreements we use to protect our trade secrets and other proprietary know-how will not be breached, or that, in the event of a breach, we will be able to adequately remedy or offset resulting losses. Any unauthorised disclosure of our trade secrets or other unpatented proprietary know-how, or any disputes with our collaborators regarding the ownership of patents or other forms of intellectual property, could negatively affect our business.

We seek to protect our intellectual property across numerous jurisdictions including the PRC, where intellectual property protection has historically been difficult to enforce. Further, in practice, it may be difficult to enforce rights in trade secrets and unpatented proprietary know-how due to the difficulty of identifying the confidential aspects of relevant trade secrets and know-how. In the event we decide to enforce our intellectual property rights, through litigation or otherwise, such enforcement could require substantial costs and may divert the attention and resources of our senior management from their day-to-day responsibilities in the operation of our business. In addition, if the ownership of our intellectual property is disputed, we cannot assure you that we will prevail. Existing or potential competitors may also independently develop similar technology or obtain other proprietary rights, which could impose restrictions on our activities or provide them with a competitive advantage.

Any of these factors could adversely affect our research and product development, which could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to claims of infringement of third-party intellectual property rights.

In the process of implementing new technologies and process, we may not be aware of third party intellectual property rights and, accordingly, may be unable to assess the scope and validity of such rights in relation to our products and operations. In addition, product development is inherently uncertain in a rapidly evolving technology environment as there may be numerous patent applications pending, many of which are confidential when filed and relate to similar technologies. Accordingly, we may become subject to lawsuits for infringement on third party intellectual property rights. Intellectual property litigation could adversely affect the development or sale of the challenged product or technology and require us to pay substantial damages or royalties to licence proprietary rights from third parties. Such licences may not be available to us on acceptable terms, if at all. Given the rapid technological change that characterises our industries, we cannot assure you that our current measures are adequate and that we will not be subject to claims of infringement by third parties, both within China or elsewhere. Any intellectual property litigation could cause us reputational damage and to incur significant expenses or divert our personnel's attention and efforts, any of which could have a material adverse effect on our business, financial condition or results of operation.

The summary consolidated financial information of the Group as at and for the three months ended 31 March 2016 and 2017 contained in this Offering Circular has not been audited or reviewed.

The summary consolidated financial information of the Group as at and for the three months ended 31 March 2016 and 2017 contained in this Offering Circular, which has been extracted from the unaudited and unreviewed financial statements we published in compliance with the regulations over domestic bond issuance of the National Association of Financial Market Institutional Investors of the PRC, has not been subject to an audit or review and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Accordingly, such financial information should not be taken as an indication of the expected financial condition, results of operations and results of the Group for the full year ended 31 December 2017. Potential investors are advised to exercise caution when using such data to evaluate the financial condition and results of operations of the Group, and should not place undue reliance upon such data.

Our auditor has limited international capital markets experience and is currently under investigation initiated by relevant PRC authorities.

Ruihua Certified Public Accountants ("**Ruihua**"), our independent auditor, is a registered accounting firm in the PRC supervised by relevant PRC regulatory agencies, including the Ministry of Finance ("**MOF**") and the China Securities Regulatory Commission ("**CSRC**"). Ruihua is also a member of Beijing Institute of Certified Public Accountants and a member of National Association of Financial Market Institutional Investors ("**NAFMII**"). Although Ruihua has significant audit experience in the PRC, it has limited international capital markets experience.

CSRC has imposed administrative sanctions on Ruihua for five times since November 2016, all resulting from Ruihua's negligence in performing its audit services for PRC companies. Such sanctions include warnings, monetary penalties on Ruihua and/or monetary penalties on specific accounting personnel involved in the relevant audit work at Ruihua. In addition, in connection with the investigations on Ruihua's certain such negligence, MOF and CSRC jointly suspended Ruihua's "new securities-related business" from January 2017 and requested Ruihua to complete internal rectification and submit a report on such rectification by March 2017. MOF and CSRC restored Ruihua's ability to engage in "new securities-related business" after conducting on-site examination on Ruihua and receiving its report on completion of internal rectification to their satisfaction in April 2017. Ruihua is also currently under two investigations by CSRC. The first investigation was initiated by CSRC in May 2016 in relation to a corporate reorganisation proposal by an A-share listed company, of which Ruihua was the auditor. The second investigation was initiated by CSRC in November 2015 in relation to annual audit services provided by Ruihua to an A-share listed company. While these two investigations are ongoing, CSRC may impose sanctions on Ruihua, its management, officers or employees, refuse to accept applications which include reports audited or opinions issued by Ruihua. CSRC may also, jointly with MOF, declare any rectification measures implemented by Ruihua to be ineffective or suspend or revoke Ruihua's relevant licences, pursuant to which no securities and futures business services may be provided. CSRC may also re-examine the financial statements audited by Ruihua (including our financial statements included elsewhere in this Offering Circular) and declare such financial statements to be untrue or unreliable. There is no certainty as to how long the CSRC investigations may last, what the final result of the CSRC investigations may be, or what sanctions, if any, may be imposed on Ruihua. According to Ruihua, the on-going CSRC investigations are not related to the Ruihua team serving as our auditors.

In connection with an investigation against a bond offering by an A-share listed company on the PRC Inter-bank Bond Market, NAFMII requested Ruihua, who is the auditor of the parent company of such A-share listed company, to provide audit working papers of the parent company. Ruihua did not promptly provide such working papers due to its client-auditor confidentiality obligations. As a result, NAFMII issued a public warning notice against Ruihua in June 2016 for not promptly providing certain audit working papers as requested by NAFMII. In the aforementioned warning notice and a clarification letter subsequently issued by NAFMII, NAFMII stated that it is entitled to reject audit or review reports issued by Ruihua from 17 June 2016 to 16 June 2017 in relation to any bond issuance in the PRC by any new client to whom Ruihua did not provide audit or review services and which had not issued any securities in the PRC as at the date of warning notice. Ruihua has subsequently obtained waivers from its client with respect to its client-auditor confidentiality obligations and announced in August 2016 that it will cooperate with the NAFMII investigation. Although NAFMII does not have general supervising authority on PRC accounting firms, any further sanctions by NAFMII may affect Ruihua's ability to provide services in the PRC Inter-bank Bond Market. Such further sanctions may restrict Ruihua from providing audit services or other services in connection with our financing transactions. According to Ruihua, the NAFMII notice is not related to the Ruihua team serving as our auditor. The public warning notice issued by NAFMII does not (i) disqualify the Ruihua team from participating in the Offerings as our auditor, (ii) have any impact

on Ruihua's unqualified audit opinions for our financial statements as at and for the years ended 31 December 2014, 2015 and 2016, (iii) have any impact on Ruihua in continuing to provide audit services to us, or (iv) have any impact on Ruihua's ability to provide services to us in relation to any future bond issuance by us in the PRC as an existing client of Ruihua who had issued securities in the PRC prior to the warning notice.

We cannot assure you that these investigations would not subject Ruihua or any of its management, officers or employees to further sanctions imposed by other PRC authorities or further suspension of business operations by MOF and/or CSRC. Such further sanctions, revocations and suspensions may restrict Ruihua from providing audit services or other services in connection with our financing transactions. In that case, we may have to discontinue our engagement with Ruihua, which may adversely affect our business operations and harm our reputation. Prospective investors should consider these factors prior to making any investment decision.

Our growth depends on our ability to continue to attract and retain qualified personnel, including senior management members.

We rely heavily on our employees, including skilled workers, equipment operators, engineers and other technical personnel, for our daily operations and business expansion. We cannot assure you that we will be able to continue to attract and retain sufficient skilled and experienced employees in the future. If we fail to recruit, retain or train skilled employees, our growth and business prospects could be adversely affected. Additionally, a significant increase in the wages paid by competing employers could result in a reduction in our skilled labour force or increases in our expenses for employee wages.

In addition, the industry expertise and extensive contributions of our executive directors and other members of our senior management are essential to our continuing success. As we continue to grow our business, we will increasingly require employees and executives who have industry-related experience and expertise. We cannot assure you that we will not lose the services of any of our senior management members or directors. If this occurs, we may not be able to recruit and retain replacement personnel with equivalent qualifications on a timely or cost-effective basis, which could have a material adverse effect on our business, financial condition or results of operation.

We engage in related party transactions with our subsidiaries and joint ventures from time to time which may create potential conflicts of interest.

We have engaged in and will continue to engage in a variety of transactions with our subsidiaries and joint ventures, including purchases of raw materials, sales of products, provision of services, extending loans and providing guarantees. We cannot assure you that those transactions would be deemed as arm's-length or our related parties will not take actions that favour their interests over ours. We cannot assure you that corporate opportunities and resources will not be allocated within the companies under our control based on considerations other than those in the best interests of our operations. Please refer to Note 11 to our audited consolidated financial statements for the year ended 31 December 2015 and Note XI to our audited consolidated financial statements for the year ended 31 December 2016 incorporated by reference in this Offering Circular for details relating to related party transactions between us and our related parties during the years ended 31 December 2014, 2015 and 2016.

In addition, we cannot assure you that our management of related parties will be as effective as that of ourselves due to the large number, diversified locations and different sizes of our subsidiaries. As a result, the internal control regarding and management of various related party transactions can be challenging and demanding for us. Failure to adequately control and manage our related party transaction could have an adverse effect on our business, financial condition or results of operations.

Our insurance coverage may be insufficient to cover all associated risks of loss.

We maintain insurance policies that cover our fixed assets (including buildings and machinery) and our current assets (including inventory) against damage caused by, among other things, fire, explosions, thunderstorms, typhoons and landslides. We cannot, however, guarantee that our insurance policies will provide adequate compensation for all potential losses. Consistent with established practice in China, we do not carry any insurance for business interruption or loss of profit arising from accidents at any of our production facilities or other disruptions of our operations. Accidents or natural disasters may also result in significant property damage, disruption to our operations and personal injuries, and our insurance coverage may be inadequate to cover such losses. In the case of an uninsured loss or a loss in excess of insured limits, we could suffer reputational damage or lose all or a portion of our production capacity as well as future revenue contribution from the relevant facilities.

Any interruption, shortage of utilities or fluctuation in utility prices may adversely affect operations of us.

Our production processes require a consistent and large supply of utilities, especially electricity, gas and water. As a result, our production processes may be interrupted if there is an insufficient supply of utilities or a suspension of such supply. Also, we anticipate that our reliance on such utilities will further increase as we seek to expand our production capacities. Any shortage of supply may, therefore, adversely affect our production and prevent us from satisfying obligations under purchase contracts with our customers during the affected period.

The PRC government does not guarantee our obligations.

Although we are ultimately controlled by SASAC, and SASAC has in the past provided support to us in in our financing activities, our medium-term notes, bank loans and private equity investment, the borrowings and other obligations of us, including payments to be made under the Bonds and the Guarantee of the Bonds, are not guaranteed by the PRC government. We cannot assure you that SASAC or any other government authority will provide financial or other support to us in the event that we experience liquidity problems.

RISKS RELATING TO OUR INDUSTRY

Our sales and growth in market demand for our products are dependent, among other things, on the conditions of the global and, in particular, PRC economy.

We derive revenue primarily from sales of various chemical products in the PRC and globally. The demand for our products are, therefore, dependent, among other things, on the conditions of the global and PRC economy. For instance, the demand for our petroleum processing and refining products in the PRC is significantly affected by the number of cars and other motor vehicles (and the mileage those cars and other motor vehicles are driven) in the PRC. The PRC economy and the number of cars and other motor vehicles have grown significantly in recent years. However, we cannot assure you that this level of growth will continue and, in particular, whether the PRC government may implement more strict limitations on the number of cars sold in the PRC in order to improve traffic conditions or control air pollution. Demand for our petroleum processing and refining products outside the PRC is dependent, amongst other things, on the growth of the automotive industry in overseas markets.

In both the PRC and our overseas markets, general economic conditions and interest rate levels, inflation and unemployment rates, demographic trends, GDP growth and consumer confidence influence the growth of industries where our products are widely used or applied. A downturn in the markets in which our products are sold, or a downturn in general economic conditions could impact our sales, resulting in price pressure and reduced volumes and margins. A decline in demand or a shift to lower value end-products resulting from deteriorating economic conditions could materially and adversely affect our business, financial condition or results of operations.

The cyclical nature of the chemical industry may cause significant fluctuations in our results of operations.

Our historical results of operations reflect the cyclical and volatile nature of supply and demand within the chemicals industry. The chemicals industry has experienced alternating periods of inadequate capacity and supply, allowing prices and profit margins to increase, followed by periods when substantial capacity is added, resulting in oversupply and overcapacity with corresponding declining utilisation rates and, ultimately, declining prices and profit margins. Due primarily to industry overcapacity and slowdown in the growth of the PRC and the global economies, we incurred net loss of RMB962.6 million (US$138.6 million) in 2013. Some of the markets in which our customers participate, such as the automotive, electronics and building and construction industries, are cyclical in nature. These markets are highly competitive, are driven to a large extent by end-use markets and may experience overcapacity, all of which may affect demand for and the pricing of our products. Excess industry capacity may also continue to depress volumes and margins on some products. In addition to changes in the supply and demand for products, changes in energy prices and other worldwide economic conditions may lead to additional volatility. These factors result in significant fluctuations in our profits and cash flows from period to period and over business cycles.

In addition, a broad decline in general economic or business conditions in the industries served by our customers could adversely affect the demand for our products and impair the ability of our customers to satisfy their obligations to us, resulting in uncollected receivables and unanticipated contract terminations or project delays. Such conditions could impact the utilisation of manufacturing capacity which may require us to recognise impairment losses on tangible assets such as property, plant and equipment as well as on intangible assets such as intellectual property or goodwill.

Furthermore, volatility and disruption of financial markets could limit our customers' ability to obtain adequate financing to maintain operations, which could result in a decrease in sales volume and have a negative impact on our results of operations.

We face competition from both domestic and international companies, which may affect our market share and profit margins.

The chemical industry is highly competitive in the PRC and globally. We actively compete with both domestic and international companies producing the same or similar products and, in some instances, with companies producing different products designed for similar uses. Our competitors may have greater access to financial resources, more experience in resource allocation, better ability in product innovation and longer operating histories. Some of our international competitors may have more sophisticated management and may utilise more advanced technology than we do. Our competitors in any particular market may also benefit from raw material supplies or production facilities that are closer to such markets, which could provide them with competitive advantages in terms of cost and proximity to customers. Our failure to compete effectively could materially and adversely affect our business, financial condition, results of operations and market position.

We are required to comply with various environmental, health and safety laws which are extensive and the compliance of which may be onerous or expensive.

We are subject to applicable national and local laws and regulations with respect to the protection of the environment and the health and safety of employees and the public in the countries in which we operate, including the US upon acquisition of Syngenta. These laws and regulations govern, among other things, aerial emissions, waste water discharges, the storage, use and handling of hazardous substances, waste disposal, potential investigation and remediation of soil and ground water contamination and protection of the health and safety of employees. Our manufacturing processes and products are subject to stringent quality, environmental and occupational safety standards.

If we fail to comply with these laws and regulations, we could be subject to penalties, fines, suspension or revocation of our licences or permits to conduct business, administrative proceedings and litigation. Due to the magnitude and complexity of these laws and regulations, compliance with them or the establishment of effective monitoring systems may be onerous and could require a significant amount of financial and other resources. As these laws and regulations continue to evolve, we cannot assure you that the relevant regulatory authorities will not impose additional or more onerous laws or regulations, compliance with which may cause us to incur significantly increased costs that we may not be able to pass on to our customers.

In March 2015, two of our oil refineries in Jinan were ordered to halt production and to pay a RMB1.9 million (US$0.3 million) fine for air and waste water emissions that exceeded permitted levels. The incident did not have any material impact on our financial position or results of operations. Furthermore, Syngenta may have ongoing environmental liabilities. Please see the Syngenta Form 20-F for more details. For the avoidance of doubt, the Syngenta Form 20-F is not incorporated by reference into this Offering Circular. None of the Issuer, the Guarantor, the Joint Lead Managers or any of their respective affiliates, directors or advisers has independently verified the information contained in the Syngenta Form 20-F. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Issuer, the Guarantor, the Joint Lead Managers or any of their respective affiliates, directors or advisers, as to the accuracy, completeness or sufficiency of the information contained in the Syngenta Form 20-F. We have not encountered any material issues relating to environmental, health and safety matters or been subject to any material administrative penalties due to any failures to comply with environmental, health and safety laws.

RISKS RELATING TO THE PRC

PRC economic, political and social conditions, as well as government policies, could affect our business and prospects.

The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, uniformity in the implementation and enforcement of laws in relation to control of foreign exchange and control over capital investment and allocation of resources.

The PRC economy is in the process of transitioning from a centrally planned economy to a more market-oriented economy. For more than three decades, the PRC government has implemented economic reform measures to utilise market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries and the economy through policy measures. We cannot predict whether changes in PRC economic, political or social conditions and in PRC laws, regulations and policies will adversely affect our business, financial condition or results of operations.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. Our business, financial condition and results of operations may be adversely affected by:

- changes in PRC political, economic and social conditions;
- changes in policies of the PRC government, including changes in policies in relation to our various business segments;
- changes in laws and regulations or the interpretation of laws and regulations;
- measures that may be introduced to control inflation or deflation;
- changes in the rate or method of taxation;
- the imposition of additional restrictions on currency conversion and remittances abroad; and
- a reduction in tariff protection and other import restrictions.

Furthermore, the growth of demand in China for chemical industry depends heavily on economic growth. We cannot assure you that such growth will be sustained in the future. From time to time, the PRC government has implemented certain measures in order to prevent the PRC economy from experiencing excessive inflation. Such governmental measures may cause a decrease in the level of economic activity and have an adverse impact on economic growth in China. If China's economic growth slows down or if the Chinese economy experiences a recession, the growth of demand for chemical industry may also decrease. Such events could have a material adverse effect on our business, results of operations and financial condition.

Uncertainties with respect to the PRC legal system could limit the protections available to us.

The PRC legal system is a civil law system based on written statutes. Unlike in common law systems, prior court decisions may be cited for reference but have limited precedential value. Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, since many laws, rules and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involve uncertainties, which may limit legal protections available to us. For example, we may have to resort to administrative and court proceedings to enforce the legal protections that we enjoy either by law or contract. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate and predict the outcome of PRC administrative and court proceedings and the level of legal protection we enjoy in China as compared to more developed legal systems. These uncertainties may impede our ability to enforce our contracts with future partners, service providers and suppliers. The effect of future developments in the PRC legal system cannot be predicted, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of our resources and management attention.

Interpretation of PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to you.

Our core business is conducted in China and governed by PRC laws and regulations. Our principal operating subsidiaries are located in China and are subject to the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have limited precedential value and can only be used as a reference. In addition, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law. Because these laws and regulations have not been fully developed and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty and the legal protection available to you may be limited. Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favourable interpretations of laws and regulations than our competitors. In addition, any litigation in China may be protracted and could result in substantial costs and diversion of resources and management attention. These uncertainties may impede our ability to enforce the contracts we have entered into. Furthermore, such uncertainties, including the potential inability to enforce our contracts, together with any development or interpretation of PRC laws that is adverse to us, may materially and adversely affect our business, financial condition and results of operations.

It may be difficult to effect service of process or enforce any judgments obtained from non-PRC jurisdictions.

A substantial amount of our assets are located in the PRC, and all of our management members reside in the PRC together with their personal assets. Therefore, investors may encounter difficulties in effecting service of process from outside PRC upon us or our management.

Moreover, it is understood that the enforcement of foreign judgments in the PRC is subject to uncertainties. The mechanisms for enforcement of rights under the corporate governance framework to which we are subject are also relatively undeveloped and untested. China is not a party to any treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, most other Western countries or Japan, and, therefore, enforcement of judgments of a court in any of these jurisdictions in the PRC may be difficult or impossible.

Government control of currency conversion and future movements in exchange rates may adversely affect our business, results of operations and financial condition.

A portion of our Renminbi revenue may need to be converted into other currencies to meet our substantial requirements for foreign currencies, including debt service on foreign currency-denominated debt, overseas acquisitions of mining properties, purchases of imported equipment and payment of dividends declared in respect of shares held by international investors.

Foreign exchange transactions under the capital account, including principal payments with respect to foreign currency-denominated obligations, are subject to the approval requirements of SAFE. In addition, the value of Renminbi against the US dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. Fluctuations in the exchange rate of the Renminbi against the US dollar and certain other foreign currencies may adversely affect our business, results of operations and financial condition.

Interest paid by the Issuer to our foreign investors and gain on the sale of our Bonds may be subject to taxation under PRC tax laws.

Pursuant to the Enterprise Income Tax Law of the PRC (the "**EIT Law**") and its implementation regulations, enterprises that are established under laws of foreign countries and regions but whose "de facto management bodies" are within the territory of the PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay enterprise income tax at the rate of 25% in respect of their worldwide income. If the Issuer is treated as a PRC "resident enterprise" for PRC tax purposes, PRC withholding income tax at a rate of 10% may be applicable to interest paid by the Issuer to investors that are "non-resident enterprises" if such "non-resident enterprise" investors do not have an establishment or place of business in China or if, despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China, if the interest is treated as PRC-sourced. In the case of non-resident individual investors, the income tax may be withheld at a rate of 20%. If the Issuer is treated as a PRC "resident enterprise", it may be required to withhold value-added tax on payments of interest at the rate of 6% plus local levies. Any gain realised on the transfer of the Bonds by "non-resident enterprise" investors may be subject to a 10% PRC tax (or 20% in the case of non-resident individuals) if the Issuer was treated as a PRC "resident enterprise" and such gain is regarded as income derived from sources within China. Any PRC tax liability on interest or gain described above may be reduced under applicable tax treaties.

As the Guarantor is a PRC enterprise, if any payments are made by the Guarantor under the Guarantee of the Bonds, the Guarantor must withhold PRC income tax on payments of interest or redemption premiums with respect to the Bonds to non-PRC enterprise holder of Bonds generally at the rate of 10% (and possibly at a rate of 20% in the case of payments to non-PRC individual holders of Bonds), and may be required to withhold value-added tax on payments of interest or any redemption premiums at the rate of 6% plus local levies, subject to the provisions of any applicable tax treaty.

Subject to certain exceptions, the Issuer and the Guarantor have agreed to pay additional amounts to non-PRC resident holders of Bonds so that such holders would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions of the Bonds. The requirement to pay additional amounts as a result of any such PRC withholding tax will increase the cost of servicing the debt and could have an adverse effect on the Issuer or Guarantor's financial condition. In addition, if a holder of the Bonds is required to pay PRC income tax on the transfer of our Bonds, the value of such holder's investment in our Bonds may be materially and adversely affected. See "Taxation – PRC".

The outbreak, or threatened outbreak, of any severe communicable disease in the PRC could materially and adversely affect our business, financial condition and results of operations.

The outbreak, or threatened outbreak, of any severe communicable disease (such as severe acute respiratory syndrome or avian influenza) in the PRC could materially and adversely affect the overall business sentiment and environment in the PRC, particularly if such outbreak is inadequately controlled. This could materially and adversely affect domestic consumption, labour supply and possibly the GDP growth of the PRC. In addition, if any of our employees are affected by any severe communicable disease, it could adversely affect or disrupt production levels and operations at the relevant plants and materially and adversely affect our business, financial condition and results of operations, which may also involve a closure of our facilities to prevent the spread of the disease. The spread of any severe communicable disease in the PRC may also affect the operations of our customers and suppliers, which could materially and adversely affect our business, financial condition and results of operations.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy, and the selected PRC regional data contained in this Offering Circular.

Facts, forecasts and other statistics in this Offering Circular relating to China, the PRC economy, and the selected PRC regional data have been derived from various official or other publications available in China and may not be consistent with other information compiled within or outside of China. We cannot guarantee, however, the quality or reliability of such source materials. The materials have not been prepared or independently verified by us, the Joint Lead Managers or any of us or their affiliates or advisors (including legal advisors), or other participants in the Offerings and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts, forecasts and statistics in this Offering Circular may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to China, the PRC economy, and the selected PRC regional data contained in this Offering Circular.

RISKS RELATING TO THE BONDS AND THE GUARANTEE OF THE BONDS

The Issuer is currently a special purpose finance vehicle and payments with respect to the Bonds are dependent upon cash flow from other members of our Group.

As at the date of this Offering Circular, the Issuer is a special purpose finance vehicle with no material operations. We conduct our operations primarily through our PRC and overseas subsidiaries, which will not provide guarantees for the Bonds. The Issuer's primary assets are expected to be intergroup loans to non-PRC subsidiaries upon the completion of this offering. Some of such non-PRC subsidiaries may not have material operations or assets. Accordingly, the Issuer's ability to pay principal and interest on the Bonds will depend upon its receipt of principal and interest payments on the intergroup loans from such borrowing subsidiaries and the ability of the Company to honour its obligations under the Guarantee of the Bonds. The borrowing subsidiaries and the Company may not have material operations or assets, and therefore depend upon the receipt of sufficient funds from their subsidiaries or other members in our Group to meet their obligations.

The Issuer may undertake operating activities in the future that diminishes its ability to meet payment obligations under the Bonds.

The Issuer currently does not have any operating activities. However, the Issuer may undertake operating activities in the future and there is no restriction under the Bonds to prevent the Issuer from doing so. Engaging in operating activities may cause the Issuer to incur additional debt or other liabilities, including but not limited to accounts payables with trade creditors, wage payables, and taxes payables. Such debt or liability will rank at least *pari passu* with the Bonds. As a result, the payment obligations under the Bonds may be adversely affected in the situations described in "Risk Factors – Risks Relating to the Bonds and the Guarantee of the Bonds – The Bonds and the Guarantee of the Bonds are unsecured obligations".

In addition, operating activities may involve operating expenses and operating losses, some of which are unforeseen. Expenses and losses could affect the Issuer's financial position. If the Issuer experiences negative cash flow from operations over a prolonged period of time, or if the Issuer suffers unexpected cash outflows, the Issuer's liquidity and ability to fulfil the payment obligations under the Bonds may be adversely affected.

The Company has its own operations and assets but also relies on dividend payments from its subsidiaries other than the Issuer.

The Company has its own operations and assets which generate income. However, its ability to make payments in respect of the Guarantee of the Bonds also depends to a large extent upon the receipt of

dividends, distributions, interest or advances from its subsidiaries other than the Issuer, associated companies and jointly controlled entities. The ability of such subsidiaries, associated companies and jointly controlled entities to pay dividends and other amounts to the Company may be subject to their profitability and to applicable laws and restrictions on the payment of dividends and other amounts contained in financing or other agreements. For example, PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that the Company or its subsidiaries may enter into in the future may also restrict the ability of the subsidiaries to provide capital or declare dividends to the Company and its ability to receive distributions. Therefore, the Company's ability to satisfy its obligations under the Guarantee of the Bonds may be impacted.

The Bonds do not contain restrictive operating covenants.

The Trust Deeds will contain various covenants intended to benefit the Bondholders that limit the ability of the Issuer or the Company to, among other things, incur liens on Relevant Indebtedness (as defined in the "Terms and Conditions of the Bonds"). The Trust Deeds, however, do not contain restrictions on the payment of dividends or making of other restricted payments. In addition, the Trust Deeds do not contain any other covenants or provisions designed to afford the Bondholders protection in the event of a highly leveraged transaction involving the Issuer or the Company that could adversely affect such holders. Subject to the terms of the existing debt and credit facilities of the Issuer and the Company, the Issuer and the Company may incur substantial additional indebtedness in the future.

The Bonds and the Guarantee of the Bonds are unsecured obligations.

The Bonds and the Guarantee of the Bonds are unsecured obligations of the Issuer and the Company, respectively. The payment obligations under the Bonds and the Guarantee of the Bonds may be adversely affected if:

- the Issuer or the Company enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;

- there is a default in payment under the Issuer's or the Company's future secured indebtedness or other unsecured indebtedness; or

- there is an acceleration of any of the Issuer's or the Company's indebtedness.

If any of these events were to occur, the Issuer's or the Company's assets may not be sufficient to pay amounts due on the Bonds.

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the potential investor's home currency;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant financial markets; and

- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Bonds are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Bonds unless it has the expertise (either alone or with a financial advisor) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of the Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Credit ratings may not reflect all risks.

The Bonds are expected to be assigned a rating of "BBB" by S&P and "A-" by Fitch upon issuance. Additionally, the Guarantor has been assigned a corporate credit rating of "BBB" with stable outlook by S&P and "A-" with stable outlook by Fitch. The sovereign rating of the PRC is AA- with negative outlook by S&P and A+ with stable outlook by Fitch. The ratings represent opinions of the rating agencies and their assessment of the ability of the Issuer and the Guarantor to perform their respective obligations under the Bonds and the Guarantee of the Bonds and credit risks in determining the likelihood that payments will be made when due under the Bonds. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Any downgrading of the Guarantor's corporate ratings, or those of its subsidiaries, by rating agencies could adversely affect the Group's business and the Group's liquidity.

The Guarantor is rated "BBB" with stable outlook by S&P and "A-" with stable outlook by Fitch. The sovereign rating of the PRC is AA with negative outlook by S&P and A+ with stable outlook by Fitch. Any adverse revision to the Guarantor's corporate ratings, or those of its subsidiaries, for domestic and international debt by rating agencies such as Moody's, S&P and Fitch may adversely affect the Group's business, its financial performance and the trading price of the Bonds. Further, the Group's ability to obtain financing or to access to capital markets may also be limited, thereby lowering its liquidity. Further, the Group's ability to obtain financing or to access to capital markets may also be limited, thereby lowering its liquidity.

Change of law may affect the Conditions of the Bonds.

The conditions of the Bonds are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

The Issuer will follow the applicable corporate disclosure standards for debt securities listed on the Singapore Exchange Trading Limited, which standards may be different from those applicable to companies in certain other countries.

The Issuer will be subject to reporting obligations in respect of the Bonds to be listed on the Singapore Exchange Trading Limited. The disclosure standards imposed by the Singapore Exchange Trading Limited may be different from those imposed by securities exchanges in other countries or regions. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

The Issuer or the Company may not be able to redeem the Bonds upon the due date for redemption thereof.

Following the occurrence of a Change of Control (as defined in the "Terms and Conditions of the Bonds"), the Issuer will be required to make an offer to repurchase all of the Bonds at 101 per cent. of their principal amount, together with accrued and unpaid interest on the amount of Bonds being repurchased to but excluding the date of repurchase. In addition, following the occurrence of a Non-Registration Event (as defined in the "Terms and Conditions of the Bonds"), the Issuer shall mandatorily redeem all and not some only of the Bonds at their principal amount, together with accrued interest to but excluding the date of redemption. If such an event were to occur, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to repurchase or redeem the Bonds in time, or on acceptable terms, or at all. There is also no assurance that the Company would have sufficient liquidity at such time to make the required repurchase or redemption of the Bonds. The ability to repurchase or redeem the Bonds in such event may also be limited by the terms of other debt instruments. The Issuer's and the Company's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's, the Company's or the Group's other indebtedness.

If the Company fails to complete the SAFE registration in connection with the Guarantee of the Bonds within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Guarantee of the Bonds.

Pursuant to the Deeds of Guarantee executed by the Company, the Company will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deeds. The Company is required to submit the Deeds of Guarantee to the local SAFE for registration in accordance with the Cross-border Security Registration as soon as possible and in any event before the date 15 Registration Business Days (as defined in the "Terms and Conditions of the Bonds") after the execution of the Guarantee of the Bonds. Although the non-registration does not render the Guarantee of the Bonds ineffective or invalid under PRC law, SAFE may impose penalties on the Company if registration is not carried out within the stipulated time frame. The Company intends to register the Deeds of Guarantee as soon as practicable and in any event on or prior to the Registration Deadline (being 120 Registration Business Days after the Issue Date). In addition, if the Company fails to complete the SAFE registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Company under the Guarantee of the Bonds) as domestic banks may require evidence of SAFE registration in connection with the Deeds of Guarantee in order to effect such remittance, although this does not affect the validity of the Guarantee of the Bonds itself.

The PRC courts have limited experience with handling enforcement of a non PRC-law governed guarantee with respect to bonds issued by a subsidiary of an onshore entity.

The courts of Hong Kong are to have jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Deeds of Guarantee or the Trust Deeds. Notwithstanding the "Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned", which provides that a final and conclusive money judgements given by a Hong Kong court may be recognised by a PRC court, the PRC courts have limited experience on handling enforcement of a non PRC-law governed guarantee with respect to bonds issued by a subsidiary of an onshore entity. As such, as at the date of this Offering Circular, it is uncertain on the outcome of an enforcement of a Hong Kong judgement against the Company in the PRC courts.

The insolvency laws of Hong Kong, the PRC and other local insolvency laws may differ from the laws of jurisdictions with which holders of the Bonds are familiar.

The Issuer is incorporated under the laws of Hong Kong. Therefore, an insolvency proceeding relating to the Issuer would likely involve the insolvency laws of Hong Kong, which may have different procedural and substantive provisions from the United States federal bankruptcy law. In addition, the Company is incorporated under the laws of the PRC. The insolvency laws of the PRC may also differ from the laws of other jurisdictions with which the holders of the Bonds are familiar.

We conduct substantially all of our business operations through subsidiaries incorporated in the PRC or other local jurisdictions, including France, Australia, Switzerland and Italy. We are therefore subject to the bankruptcy and insolvency laws of the PRC and such other local jurisdictions in a bankruptcy or insolvency proceeding involving our PRC or other subsidiaries. The laws and regulations of the PRC and other local jurisdictions relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of jurisdictions with which the holders of the Bonds are familiar. You should analyse the risks and uncertainties carefully before you invest in our Bonds.

If we are unable to comply with the restrictions and covenants in our debt agreements or the Trust Deeds, there could be a default under the terms of these agreements or the Trust Deeds, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in the Trust Deeds, or our current or future debt and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Trust Deeds, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of debt, including the Bonds, or result in a default under our other debt agreements, including the Trust Deeds. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favourable or acceptable to us.

A trading market for the Bonds may not develop, and there are restrictions on resales of the Bonds.

The Bonds are a new issue of securities for which there is currently no trading market. Approval in-principle has been received from the SGX-ST for the listing and quotation of the 2020 Bonds, the 2022 Bonds and the 2027 Bonds on the SGX-ST. The Issuer cannot assure investors as to the liquidity of the Bonds, that an active trading market will develop, or that the Issuer will be able to maintain a listing of the Bonds on the Singapore Exchange Trading Limited. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial price depending on many factors, including prevailing interest rates, our operating and financial results and the market for similar securities. We have been advised that the Joint Lead Managers intend to make, or to continue to make, a market in the Bonds, but none of the Joint Lead Managers is obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Bonds are being offered without registration under the Securities Act and, as a result, you will only be able to resell your Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See "Subscription and Sale". We cannot predict whether an active trading market for the Bonds will develop or be sustained.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in our revenues, earnings and cash flows and proposals for new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. We cannot assure you that these developments will not occur in the future.

Developments in other markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the subprime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

The Bonds will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Bonds will initially only be issued in global form and held through Euroclear and Clearstream. Interests in the Bonds represented by the Global Bond Certificates will trade in book-entry form only, and Bonds in definitive registered form, or definitive registered Bonds, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners or holders of the Bonds. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the Global Bond Certificates representing the Bonds. Payments of principal, interest and other amounts owing on or in respect of the Global Bond Certificates representing the Bonds will be made to the Paying Agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to accounts of participants that hold book-entry

interests in the Global Bond Certificates representing the Bonds and credited by such participants to indirect participants. After payment to the Paying Agent, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of Euroclear and Clearstream or, if you are not a participant in Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of Bondholder under the Trust Deeds.

Unlike the holders of the Bonds themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from Bondholders. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis. Similarly, upon the occurrence of an Event of Default under the Trust Deeds, unless and until definitive registered Bonds are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Bonds.

The Trustee may request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, including without limitation giving of notice to the Issuer pursuant to Condition 17 and taking enforcement steps pursuant to Condition 14 of the Terms and Conditions of the Bonds, the Trustee may, at its sole discretion, request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of holders of the Bonds. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deeds (as defined in the Terms and Conditions of the Bonds) or the Terms and Conditions of the Bonds or in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such actions directly.

Decisions that may be made on behalf of all holders of the Bonds may be adverse to the interests of individual holders of the Bonds.

The Terms and Conditions of the Bonds contain provisions for calling meetings of holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individuals.

Our financial statements are prepared according to PRC GAAP, which may differ significantly from IFRS.

Our financial statements are prepared and presented in accordance with PRC GAAP, which differ in certain significant respects from IFRS. We have not prepared a reconciliation of our consolidated financial information and our consolidated financial statements and related footnotes between PRC GAAP and other GAAPs or otherwise compared the PRC GAAP with the IFRS and summarized any differences thereof. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between PRC GAAP and any other GAAPs and how those differences might affect the financial information contained in this Offering Circular.

As a privately held company, public information about us is very limited.

Unlike publicly listed companies that have sufficient public disclosure for investors to fully understand their business, operation, prospects and risks, we are a privately held company with very limited public information. As a result, you could only rely on this Offering Circular to understand our business, operation, prospects and risks, which may not present a comprehensive picture of us.

Exchange rate risks, exchange controls and interest rate risks may result in a Bondholder receiving less on the Bonds than expected.

The Issuer will pay principal, premium (if any) and interest on the Bonds in U.S. Dollars. This presents certain risks relating to currency conversions if a Bondholder's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. Dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the U.S. Dollars would decrease (i) the Investor's Currency equivalent yield on the Bonds; (ii) the Investor's Currency equivalent value of the principal payable on the Bonds; and (iii) the Investor's Currency equivalent market value of the Bonds.

Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, a Bondholder may receive less interest or principal than expected, or no interest or principal.

The Bonds will carry a fixed interest rate. Consequently, the trading price of the Bonds will vary with fluctuations in interest rates. If a Bondholder tries to sell any Bonds before their maturity, the Bondholder may receive an offer that is less than the amount invested.

If the Issuer and the Guarantor are unable to comply with the restrictions and covenants in their respective debt agreements, there could be a default under the terms of these agreements, which could cause repayment of their respective debt to be accelerated.

If the Issuer and the Guarantor are unable to comply with their respective current or future debt obligations and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer and the Guarantor, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. From time to time we may need consents under these agreements for actions that we want to undertake. Although we believe that we have obtained all necessary consents, there is no assurance that the relevant lenders may take the same view. Furthermore, some of the Issuer's or the Guarantor's debt agreements contain cross-acceleration or cross-default provisions. As a result, the Issuer's or the Guarantor's default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt, including the Bonds, or result in a default under the Issuer's or the Guarantor's other debt agreements. If any of these events occur, the Issuer and the Guarantor cannot assure holders that their respective assets and cash flows would be sufficient to repay in full all of their respective indebtedness, or that the Issuer and the Guarantor would be able to find alternative financing. Even if they could obtain alternative financing, they cannot assure holders that it would be on terms that are favourable or acceptable to them.

TERMS AND CONDITIONS OF THE 2020 BONDS

The following, subject to modification and except for the paragraphs in italics, is the text of the Terms and Conditions of the 2020 Bonds.

The issue of the U.S.$500,000,000 per cent. Guaranteed Bonds due 2020 (the "**Bonds**" which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 13 and consolidated and forming a single series therewith) was authorised by a resolution of the board of directors of CNAC (HK) Finbridge Company Limited (中國農化(香港)峰橋有限公司) (the "**Issuer**") passed on 3 July 2017. The Bonds will be constituted by a Trust Deed (the "**Trust Deed**") to be dated on or about 19 July 2017 between the Issuer, China National Chemical Corporation (中國化工集團公司) (the "**Company**") and The Hongkong and Shanghai Banking Corporation Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for itself and the holders of the Bonds. The Bonds will have the benefit of a deed of guarantee (the "**Deed of Guarantee**") to be dated on or about 19 July 2017 made by the Company in favour of the Trustee and will be the subject of an agency agreement (the "**Agency Agreement**") to be dated on or about 19 July 2017 relating to the Bonds between the Issuer, the Company, the Trustee, The Hongkong and Shanghai Banking Corporation Limited as registrar (the "**Registrar**"), as transfer agent (the "**Transfer Agent**") and as initial principal paying agent (the "**Principal Paying Agent**"), and any other agents named in it. References herein to "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. The Bondholders will be entitled to the benefit of, are bound by, and will be deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee and of those provisions of the Agency Agreement applicable to them. Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement will be available for inspection by Bondholders at all reasonable times during usual business hours with prior written notice at the registered office for the time being of the Trustee (presently at Level 30, HSBC Main Building, 1 Queen's Road Central, Hong Kong) and at the specified office for the time being of the Principal Paying Agent.

All capitalised terms that are not defined in these terms and conditions (the "**Conditions**") will have the meanings given to them in the Trust Deed.

1 Form, Specified Denomination and Title

The Bonds are issued in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

The Bonds are represented by registered certificates ("**Certificates**") and each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by transfer and registration in the Register as described in Condition 2. The holder of any Bond will (except as required by law) be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**" or "**holder**" in relation to a Bond means the person in whose name a Bond is registered.

2 Transfers of Bonds

(a) Register

The Issuer will cause a register (the "**Register**") to be kept at the specified office of the Registrar outside of the United Kingdom and in accordance with the terms of the Agency Agreement, on which shall be entered the names and addresses of the holders and the particulars of the Bonds held by them and of all transfers of the Bonds. Each holder shall be entitled to receive only one Certificate in respect of its entire holding of Bonds.

(b) Transfer

Subject to the Agency Agreement and Conditions 2(e) and 2(f) herein, a Bond may be transferred by depositing the Certificate issued in respect of that Bond, with the form of transfer on the back of the Certificate duly completed and signed, at the specified office of the Registrar or any Transfer Agent.

(c) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within five business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify.

In this Condition 2(c), "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(d) Formalities Free of Charge

Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but (i) upon payment by the relevant holder of any and all tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require), and (ii) subject to Conditions 2(e) and 2(f).

(e) Closed Periods

No holder may require the transfer of a Bond to be registered during the period of (i) seven business days ending on (but excluding) the due date for any payment of principal in respect of that Bond, (ii) during the period of seven business days ending on (and including) any Record Date (as defined in Condition 7(a)), (iii) during the period of seven days prior to (and including) any date on which Bonds may be called for redemption by the Issuer pursuant to Conditions 6(b) or 6(c), or (iv) after any such Bond has been put for redemption pursuant to Condition 6(d).

(f) Regulations

All transfers of Bonds and entries on the register of holders will be made subject to the detailed regulations concerning transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee or by the Registrar with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection by the Registrar to any Bondholder who requests in writing a copy of such regulations.

So long as the Bonds are listed on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where such Bonds may be presented or surrendered for payment or redemption, in the event that the Global Certificate (as defined below) representing such series of Bonds is exchanged for definitive certificates. In addition, an announcement of such exchange will be made through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive certificates or, as the case may be, certificates including details of the paying agent in Singapore.

3 Status and Guarantee of the Bonds

(a) Status

The Bonds constitute direct, unsecured, unconditional and unsubordinated obligations of the Issuer, except for such obligations as may be preferred by applicable provisions of law, and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and regulations, at all times rank at least equally with all its other present and future unsecured, unconditional and unsubordinated obligations.

(b) Guarantee

The Company has in the Deed of Guarantee unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Bonds and the Trust Deed. This guarantee (the "**Guarantee of the Bonds**") constitutes direct, general and unconditional obligations of the Company which will at all times rank at least *pari passu* with all other present and future unsecured, unconditional and unsubordinated obligations of the Company, except for such obligations as may be preferred by applicable provisions of law.

*Upon issue, the Bonds will be evidenced by a global certificate (the "**Global Certificate**") substantially in the form scheduled to the Trust Deed. The Global Certificate will be registered in the name of a nominee for, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg, and will be exchangeable for individual Bond Certificates only in the circumstances set out therein.*

4 Covenants

(a) Undertaking by the Issuer

The Issuer undertakes that so long as any Bond remains outstanding (as defined in the Trust Deed), save with the approval of an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders, it shall use all reasonable endeavours to maintain a rating on the Bonds by any one of the Rating Agencies.

(b) Undertakings in relation to the Guarantee of the Bonds

The Company undertakes that it will register or cause to be registered with the Beijing Branch of the State Administration of Foreign Exchange (the "**SAFE**") the Deed of Guarantee in accordance with the Foreign Exchange Administration Rules on Cross-border Security (跨境擔保外匯管理規定) as soon as possible and in any event before the date 15 Registration Business Days after the execution of the Guarantee (the "**Cross-border Security Registration**"). The Company further undertakes that on the date the documents comprising the Release Condition (as defined below in Condition 6(e)) are delivered to the Trustee, it shall procure that copies of such documents are also delivered to each of Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors ("**S&P**") and Fitch Inc., a subsidiary of Fimalac, S.A., and its successors ("**Fitch**"). In addition, the Company shall procure that within 10 calendar days after the documents comprising the Release Condition have been delivered to the Trustee, the Issuer releases a notice to the Bondholders confirming the completion of the Release Condition. The Trustee shall have no obligation to monitor or ensure the registration of the Deed of Guarantee with SAFE on or before the Registration Deadline and shall not be liable to Bondholders or any other person for not doing so.

(c) Negative Pledge

So long as any Bond remains outstanding, neither the Issuer nor the Company will, and the Company will ensure that none of its Subsidiaries will, create, or have outstanding, any mortgage, charge, lien, pledge, encumbrance, other security interest or other arrangement with similar economic effect upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds (i) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (ii) such other security as shall be approved by an Extraordinary Resolution of the Bondholders.

(d) Financial Statements and Notices of Default

So long as any Bond remains outstanding (as defined in the Trust Deed), the Company shall send to the Trustee:

(i) as soon as practicable after their date of publication and in any event not more than 135 calendar days after the end of each Relevant Period, two copies of the Company Audited Financial Reports (audited by an internationally or nationally recognised firm of independent accountants) prepared and presented in accordance with accounting principles generally accepted in, and pursuant to the relevant laws of, the PRC, and if such statements shall be in the Chinese language, together with an English translation of

the same translated by (A) an internationally or nationally recognised firm of independent accountants or (B) a professional translation service provider and checked by an internationally or nationally recognised firm of independent accountants, together with a certificate signed by a director or duly authorised officer of the Company certifying that such translation is complete and accurate; and

(ii) as soon as practicable after their date of publication and in any event not more than 90 calendar days after the end of each Relevant Period, two copies of the Company Unaudited Financial Reports prepared on a basis consistent with Company Audited Financial Reports, and if such statements shall be in the Chinese language, together with an English translation of the same translated by (A) an internationally or nationally recognised firm of independent accountants or (B) a professional translation service provider and checked by an internationally or nationally recognised firm of independent accountants together with a certificate signed by a director or duly authorised officer of the Company certifying that such translation is complete and accurate;

provided that, if at any time the Capital Stock of the Company is listed for trading on a recognised stock exchange, the Company may make available to the Trustee, as soon as they are available but in any event not more than 10 calendar days after any financial or other reports of the Company are filed with any recognised exchange on which the Company's Capital Stock is at any time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports identified in clauses (i) and (ii) above, if such financial or other report is in the English language.

So long as any of the Bonds remain outstanding, the Company will file with the Trustee, as soon as possible and in any event within 10 calendar days after the Company becomes aware of the occurrence thereof, written notice of the occurrence of any event or condition which constitutes, or which, after notice or lapse of time or both, would become, an Event of Default and a director's certificate of the Company setting forth the details thereof and the action the Company is taking or proposes to take with respect thereto.

So long as the Issuer engages in or undertakes any activity other than to finance the business operations of the Company or one or more companies controlled by the Company through the offering, sale or issuance of securities and borrowings of indebtedness and investing in or lending the proceeds thereof to the Company or a company controlled by the Company, and any other activities in connection therewith (the "**Issuer's Other Activity**"), the Issuer shall send to the Trustee, as soon as practicable after their date of publication and in any event not more than 135 calendar days after the end of each Relevant Period or not more than 30 calendar days after the Issuer first engages in or undertakes any Issuer's Other Activity, two copies of the Issuer Audited Financial Reports (audited by an internationally or regionally recognised firm of independent accountants) prepared and presented in accordance with accounting principles generally accepted in, and pursuant to the relevant laws of, Hong Kong, and if such statements shall be in the Chinese language, together with an English translation of the same translated by (A) an internationally or regionally recognised firm of independent accountants or (B) a professional translation service provider and checked by an internationally or regionally recognised firm of independent accountants, together with a certificate signed by a director or duly authorised officer of the Issuer certifying that such translation is complete and accurate;

provided that, if at any time the Capital Stock of the Issuer is listed for trading on a recognised stock exchange, the Issuer may make available to the Trustee, as soon as they are available but in any event not more than 10 calendar days after any financial or other reports of the Issuer are filed with any recognised exchange on which the Issuer's Capital Stock is at any time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports identified in the paragraph above, if such financial or other report is in the English language.

(e) NDRC Registration

(i) The Company undertakes to file or cause to be filed with the NDRC the requisite information and documents within the timeframe prescribed by the NDRC after the Issue Date (as defined under Condition 5) in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on 14 September 2015 and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**").

(ii) The Company shall within 15 Registration Business Days after submission of the NDRC Post-issue Filing, provide the Trustee with a certificate in English signed by an Authorised Signatory of the Company confirming the submission of the NDRC Post-issue Filing and having attached to it documents evidencing submission of the NDRC Post-issue Filing.

(iii) The Trustee shall have no obligation or duty to monitor or ensure the completion of the NDRC Post-issue Filing within the timeframe referred to above or to verify the accuracy, validity and/or genuineness of any certificate, confirmation or other documents in relation to or in connection with the NDRC Post-issue Filing or to give notice to the Bondholders confirming the completion of the NDRC Post-Issue Filing, and shall not be liable to any Bondholder or any other person for not doing so.

In this Condition 4:

"**Capital Stock**" means any and all shares, interests (including joint venture interests), participations or other equivalents (however designated) of capital stock of a corporation or any and all equivalent ownership interests in a Person (other than a corporation).

"**Company Audited Financial Reports**" means the annual audited consolidated statement of financial position, statement of profit or loss, statement of cash flows and statements of changes in owners' equity of the Company and its Subsidiaries together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them.

"**Company Unaudited Financial Reports**" means the semi-annual unaudited and unreviewed consolidated statement of financial position, statement of profit or loss, statement of cash flows and statements of changes in owners' equity of the Company and its Subsidiaries together with any statements, reports (including any directors' and auditors' review reports) and the notes attached to or intended to be read with any of them, if any.

"**Event of Default**" has the meaning ascribed to it in Condition 9.

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China.

"**Indebtedness**" of any Person means, at any date, without duplication, (i) any outstanding indebtedness for or in respect of money borrowed (including bonds, debentures, notes or other similar instruments, whether or not listed) that is evidenced by any agreement or instrument, excluding trade payables, (ii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, and (iii) all Indebtedness of others guaranteed by such Person.

"**Issuer Audited Financial Reports**" means the annual audited consolidated statement of financial position, statement of profit or loss, statement of cash flows and statements of changes in owners' equity of the Issuer and its Subsidiaries, if any, together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them.

"**NDRC**" means the National Development and Reform Commission of the PRC or its local counterparts.

"**Person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, government or any agency or political subdivision thereof or any other entity.

"**PRC**" means the People's Republic of China, which shall for the purposes of these Conditions, exclude Hong Kong, Macau and Taiwan.

"**Rating Agencies**" means (i) S&P; (ii) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors ("**Moody's**"); (iii) Fitch; and (iv) if one or more of S&P, Moody's or Fitch shall not make a rating of the Bonds publicly available, any United States nationally recognised securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody's or Fitch or any combination thereof, as the case may be.

"**Relevant Indebtedness**" of any Person means, at any date, Indebtedness incurred or issued outside the PRC which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which for the time being are, or are intended to be, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market without regard, however, to whether such securities are sold through public offering or private placements (which for the avoidance of doubt shall not include any indebtedness under any transferrable loan facilities or agreements (including any drawing down of any existing credit line or facility of the Issuer, the Company or any of the Company's Subsidiaries)).

"**Relevant Period**" means (a) in relation to the Company Audited Financial Reports, each period of twelve months ending on the last day of the Company's financial year (being 31 December of that financial year) and (b) in relation to the Company Unaudited Financial Reports, each period of six months ending on the last day of the Company's respective first half financial year (being 30 June of that financial year).

"**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

5 Interest

The Bonds bear interest on their outstanding principal amount from and including 19 July 2017 at the rate of 3.00 per cent. per annum, payable semi-annually in arrear in equal instalments on 19 July and 19 January in each year (each an "**Interest Payment Date**") commencing on 19 January 2018. Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgement) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day falling seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period, it will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and in the case of an incomplete month, the number of days elapsed.

Interest in respect of any Bond shall be calculated per U.S.$1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall (save as provided above in relation to equal instalments) be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

In this Condition 5:

"**Interest Period**" means each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (and excluding) the next Interest Payment Date.

"**Issue Date**" means the initial issuance date of the Bonds.

6 Redemption and Purchase

(a) Final Redemption

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 19 July 2020 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition.

(b) Redemption for Taxation Reasons

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice in writing to the Bondholders, the Trustee and the Agents (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that it has or will on the next Interest Payment Date become obliged to pay Additional Tax Amounts as provided in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Hong Kong or the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in an existing official position regarding the application or interpretation of such laws or

regulations (including but not limited to any decision by a court of competent jurisdiction) or the statement of a new official position with respect to such laws or regulations by a competent taxing authority, which change or amendment becomes effective, or in the case of a statement of an official position, is announced, on or after 12 July 2017, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, *provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the giving of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee (x) a certificate signed by any one Director of the Issuer stating that the obligation referred to in Condition 6(b)(i) above cannot be avoided by the Issuer taking reasonable measures available to it, and (y) an opinion of counsel of recognised standing with respect to tax matters of the relevant jurisdiction, stating that the requirement to pay such Additional Tax Amounts results from a change, amendment or the stating of a new official position referred to in Condition 6(b)(i) above. The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the condition precedent set out in Condition 6(b)(ii) above, in which event it shall be conclusive and binding on the Bondholders.

(c) Redemption at the Option of the Issuer

At any time, on giving not less than 30 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee and the Bondholders in accordance with Condition 17, the Issuer may at any time redeem the Bonds, in whole but not in part, at the Make Whole Price as of, and accrued and unpaid interest, if any, to (but excluding), the redemption date (the "**Optional Redemption Date**") specified in the Option Redemption Notice.

In this Condition 6(c):

"**Comparable Treasury Issue**" means the U.S. Treasury security having a maturity comparable to the Maturity Date, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Maturity Date.

"**Comparable Treasury Price**" means, with respect to any Optional Redemption Date:

(i) the average of the Reference Treasury Dealer Quotations for such Optional Redemption Date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations; or

(ii) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations.

"**Make Whole Price**" means, with respect to a Bond at the Optional Redemption Date, the amount calculated by the Quotation Agent to be the greater of (1) the present value of the principal amount of the Bonds, assuming a scheduled repayment thereof on the Maturity Date plus all required remaining scheduled interest payments due on such Bond through the Maturity Date (but excluding accrued and unpaid interest to the Optional Redemption Date), computed using a discount rate equals to the Treasury Rate plus 25 basis points, and (2) the principal amount of such Bonds.

"**Quotation Agent**" means the Reference Treasury Dealer selected by the Issuer and notified in writing to the Trustee.

"**Reference Treasury Dealer**" means each of any three investment banks of recognised standing that is a primary U.S. Government securities dealer in New York City, selected by the Issuer in good faith and notified in writing to the Trustee.

"**Reference Treasury Dealer Quotations**" means, with respect to each Reference Treasury Dealer and any Optional Redemption Date, the average, as determined by the Quotation Agent, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to such Quotation Agent by such Reference Treasury Dealer at 5:00 p.m. (New York time) on the third business day preceding such Optional Redemption Date.

"**Treasury Rate**" means, with respect to any Optional Redemption Date, the rate per annum equal to: (1) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity corresponding to the applicable Comparable Treasury Issue; *provided* that, if no maturity is within three months before or after the remaining life of the Bonds to be redeemed, yields for the two published maturities most closely corresponding to the applicable Comparable Treasury Issue will be determined and the Treasury Rate will be interpolated or extrapolated from those yields on a straight line basis, rounding to the nearest month; or (2) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the applicable Comparable Treasury Issue, calculated using a price for the applicable Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the related Comparable Treasury Price for such redemption date. The Treasury Rate will be calculated on the third business day preceding the redemption date.

(d) Repurchase upon a Change of Control

Upon a Change of Control (as defined below), the Issuer will be required to make an offer to repurchase all of the Bonds at a price in cash equal to 101 per cent. of the principal amount of the Bonds to be repurchased, plus accrued and unpaid interest on the principal amount of Bonds being repurchased to but excluding the date of repurchase (a "**Change of Control Offer**").

Within 14 calendar days following any Change of Control, the Issuer will be required to give written notice to holders describing the transaction or transactions that constitute the Change of Control and offering to repurchase all of the Bonds on the date specified in the notice, which date will be no earlier than 30 calendar days and no later than 60 calendar days from the date such notice is given.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes such an offer substantially in the manner, at the times and in compliance with the requirements for a Change of Control Offer (and for at least the same purchase price payable in cash) and such third party purchases all Bonds properly tendered and not withdrawn under its offer.

A holder of Bonds will have no right to require the Issuer to repurchase portions of Bonds if it would result in the issuance of new Bonds, representing the portion not repurchased, in an amount of less than U.S.$200,000.

The Issuer will comply, to the extent applicable, with the requirements of applicable securities laws or regulations in connection with the repurchase of Bonds pursuant to this covenant.

In this Condition 6(d):

"**Change of Control**" means the occurrence, at any time, of any of the following:

(i) the Company ceasing to own and control directly or indirectly 100 per cent. of the Voting Shares of the Issuer;

(ii) (x) the State Administration of State-owned Assets Commission ("**SASAC**") and (y) any other person directly Controlled by the central government of the PRC (such person and the SASAC, "**PRC Government Persons**"), together cease to directly or indirectly own or control at least 50.1 per cent. of the Voting Shares of the Company;

(iii) the Company consolidates with or merges into any other person or persons acting together, unless such person(s) is/are Controlled by PRC Government Persons; or

(iv) the Company sells or transfers all or substantially all of its assets to any other person or persons acting together, unless (x) such person(s) is/are Controlled by PRC Government Persons and (y) (a) such sale or transfer is on an arm's length basis or (b) such person(s) expressly assume/assumes all the obligations of the Company under the Bonds, the Deed of Guarantee, the Trust Deed and the Agency Agreement.

"**Control**" means (i) the ownership or control of more than 50 per cent. of the Voting Rights of the issued share capital of a person or (ii) the nomination or designation of no less than 50 per cent. of the members then in office of a person's board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise.

"**Voting Shares**" means, with respect to any Person, the Capital Stock having the general voting power under ordinary circumstances to vote on the election of the members of the board of directors or other governing body of such Person (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

(e) Mandatory Redemption for Non-Registration

Upon the occurrence of a Non-Registration Event, the Issuer shall redeem on the Non-Registration Event Redemption Date all, and not some only, of the Bonds at 100 per cent. of their principal amount together with accrued and unpaid interest up to, but excluding, the Non-Registration Event Redemption Date.

In this Condition 6(e):

A "**Non-Registration Event**" occurs when the Release Condition has not been satisfied on the Registration Deadline;

"**Non-Registration Event Redemption Date**" means five business days after the Registration Deadline;

"**Registration Business Day**" means a day, other than a Saturday, Sunday or a public holiday, on which the SAFE branch in Beijing is open for business;

"**Registration Deadline**" means the day falling 120 Registration Business Days after the Issue Date; and

"**Release Condition**" means the receipt by the Trustee of:

(i) a certificate in substantially the form set out in the Trust Deed of a director or duly authorised officer of the Company confirming (A) the completion of the Cross-border Security Registration and (B) no Event of Default has occurred; and

(ii) a certified true copy of the relevant SAFE registration certificate and the particulars of registration.

(f) Purchase

The Company, the Issuer and the Company's Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Company, the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) and 14.

(g) Cancellation

All Certificates representing Bonds purchased by or on behalf of the Issuer shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

7 Payments

(a) Method of Payment

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii).

(ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the fifth business day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in U.S. dollars by cheque drawn on a bank and mailed (at the expense of the Issuer) to the holder (or to the first named of joint holders) of such Bond at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in U.S.

dollars maintained by the payee with a bank. In this Condition 7(a)(ii), "**business day**" means a day, other than a Saturday, a Sunday or a public holiday, on which the Registrar is open for business in the place of its specified office.

Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the Holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(b) Payments subject to Fiscal Laws

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) Payment Initiation

Where payment is to be made by transfer to an account in U.S. dollars, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated, and, where payment is to be made by cheque, the cheque will be mailed (at the expense of the Issuer), on the due date or, if that is not a Payment Business Day, on the first following day which is a Payment Business Day or, in the case of payments of principal where the relevant Certificate has not been surrendered at the specified office of any Paying Agent or of the Registrar, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) Agents

The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, *provided that* the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar and (iii) a Transfer Agent.

Notice of any such termination or appointment or any change of any specified office shall promptly be given by the Issuer to the Bondholders.

(e) Delay in Payment

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, if

the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 7(a)(ii) arrives after the due date for payment.

(f) Non-Payment Business Days

If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment.

In this Condition 7, (i) "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in Hong Kong, London, New York City and the place in which the specified office of the Principal Paying Agent is located and where payment is to be made by transfer to an account maintained with a bank in U.S. dollars, the place on which foreign exchange transactions may be carried on in U.S. dollars in the principal financial centre of the country of such currency.

8 Taxation

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Hong Kong or the PRC or any jurisdiction through which payments are made or any political subdivision or authority therein or thereof having power to tax (the "**Relevant Taxing Jurisdiction**"), unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer by or within the PRC up to the rate applicable on 12 July 2017 to payment from PRC resident enterprises to non-PRC enterprises (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

In the event that any such PRC deduction or withholding in excess of the Applicable Rate or Hong Kong deduction or withholding is required, the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts or additional amounts payable pursuant to the preceding paragraph (collectively, the "**Additional Amounts**") shall be payable in respect of any Bond:

(a) held by or on behalf of a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of its or its beneficial owner having some connection with the Relevant Taxing Jurisdiction other than the mere holding of the Bond; or

(b) in respect of which the Certificate representing it is presented (where presentation is required) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days.

References in these Conditions to principal, premium and interest shall be deemed also to refer to any Additional Amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

"**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with the Conditions, such payment will be made, *provided that* payment is in fact made upon such surrender.

Neither the Trustee nor the Agents shall be responsible for paying any tax, duty, charge, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Bondholders or any other person to pay such tax, duty, charge, withholding or other payment.

9 Events of Default

If an Event of Default (as defined below) occurs, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution, shall (*provided* that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer that the Bonds are, and they shall immediately become, due and payable. Upon any such notice being given to the Issuer, the Bonds shall immediately become due and payable at their principal amount together (if applicable) with accrued and unpaid interest. An "**Event of Default**" occurs if:

(a) **Non-Payment**: there has been a failure to pay the principal of or interest on any of the Bonds when due and, in the case of interest, such failure continues for a period of seven days; or

(b) **Breach of Other Obligations**: the Issuer or the Company defaults in the performance or observance of any of its other obligations under or in respect of the Bonds or the Trust Deed or the Deed of Guarantee or the Agency Agreement and such default (i) is incapable of remedy or, (ii) being a default which is capable of remedy, remains unremedied for 30 days after the Trustee has given written notice thereof to the Issuer or the Company, as the case may be; or

(c) **Cross-Default**:

(i) any Indebtedness of the Issuer, the Company or any of the Company's Subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period;

(ii) any such Indebtedness becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described); or

(iii) the Issuer, the Company or any of the Company's Subsidiaries fails to pay when due any amount payable by it under any guarantee of any Indebtedness;

provided that the amount of Indebtedness referred to in sub-paragraph (i) and/or sub-paragraph (ii) above and/or the amount payable under any guarantee referred to in sub-paragraph (iii) above individually or in the aggregate exceeds U.S.$100,000,000 (or its equivalent in any other currency or currencies); or

(d) **Unsatisfied judgement**: one or more judegment(s) or order(s) for the payment of an aggregate amount in excess of U.S.$80,000,000 (or its equivalent in any other currency or currencies) is rendered against the Issuer, the Company or the Company's Subsidiaries and continue(s) unsatisfied and unstayed for a period of 60 days after the date(s) thereof or, if later, the date therein specified for payment; or

(e) **Security Enforced**: an encumbrancer takes possession or an administrative or other receiver or an administrator or other similar officer is appointed of the whole or any material part of the property, assets or revenues of the Issuer, the Company or any of the Company's Material Subsidiary and such appointment is not discharged within 45 days; or

(f) **Insolvency**: the Issuer or the Company or any of the Company's Material Subsidiary is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of the debts of the Issuer, the Company or any of the Company's Material Subsidiary; or

(g) **Winding-up**: an order of any court of competent jurisdiction is made or an effective resolution passed for the winding-up or dissolution of the Issuer or the Company or any of the Company's Material Subsidiaries, or the Issuer or the Company or any of the Company's Material Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of any of the Company's Material Subsidiaries (other than the Issuer), whereby the undertaking and assets of the Company's Material Subsidiary are transferred to or otherwise vested in the Issuer or the Company (as the case may be) or another of the Company's Subsidiaries; or

(h) **Nationalisation**: any step is taken by any person with a view to the seizure, compulsory acquisition or expropriation of the assets of the Issuer, the Company or any of the Company's Material Subsidiary; *provided that* the value of the assets subject to the seizure, compulsory acquisition or expropriation, individually or in the aggregate, exceeds 50 per cent. of the Company's consolidated total assets; or

(i) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Company lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed, the Deed of Guarantee and the Agency Agreement (other than with regard to the performance of and compliance with the obligations thereunder), (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed, the Deed of Guarantee and the Agency Agreement admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done; or

(j) **Illegality**: it is or will become unlawful for the Issuer or the Company to perform or comply with any one or more of their respective obligations under any of the Bonds, the Trust Deed, the Deed of Guarantee or the Agency Agreement; or

(k) **Guarantee**: the Guarantee of the Bonds is not (or is claimed by the Company not to be) enforceable, valid or in full force and effect; or

(l) **Analogous Events**: any event occurs which under the laws of Hong Kong or the PRC has an analogous effect to any of the events referred to in any of Conditions 9(d) to 9(k) (both inclusive).

In this Condition 9,

"**Material Subsidiary**" means any Subsidiary of the Company

(i) as to which one or more of the following conditions is/are satisfied:

(a) its revenue or (in the case of one of the Company's Subsidiaries which has one or more Subsidiaries) consolidated revenue attributable to the Company is at least 5 per cent. of the Company's consolidated revenue;

(b) its net profit or (in the case of one of the Company's Subsidiaries which has one or more Subsidiaries) consolidated net profit attributable to the Company (in each case before taxation and exceptional items) is at least 5 per cent. of the Company's consolidated net profit (before taxation and exceptional items); or

(c) its net assets or (in the case of one of the Company's Subsidiaries which has one or more Subsidiaries) consolidated net assets attributable to the Company (in each case after deducting minority interests in Subsidiaries) are at least 5 per cent. of the Company's consolidated net assets (after deducting minority interests in Subsidiaries);

all as calculated by reference to the then latest available financial statements (consolidated or, as the case may be, unconsolidated) of the Company's Subsidiary and the Company's then latest consolidated financial statements, *provided* that: (1) in the case of a Subsidiary of the Company acquired after the end of the fiscal year to which the then latest relevant available financial statements relate, the reference to the then latest available financial statements for the purposes of the calculation above shall, until financial statements for the fiscal period in which the acquisition is made become available, be deemed to be a reference to the financial statements adjusted to consolidate the latest available financial statements of such Subsidiary in the financial statements; (2) if, in the case of a Subsidiary of the Company which itself has one or more Subsidiaries, no consolidated financial statements are prepared, its consolidated revenue, consolidated net profits and consolidated net assets shall be determined on the basis of *pro forma* consolidated financial statements of the relevant Subsidiary and its Subsidiaries prepared for this purpose and opined on by its auditors; or (3) if the financial statements of a Subsidiary of the Company (not being a Subsidiary referred to in (1) above) are not consolidated with those of the Company then the determination of whether or not the Subsidiary is a Material Subsidiary shall, if the Company requires, be based on a *pro forma* consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements of the Company and its Subsidiaries; or

(ii) to which is transferred all or substantially all of the assets of the Company's Subsidiary which immediately prior to the transfer was a Material Subsidiary, *provided* that, with

effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Material Subsidiary (but without prejudice to paragraph (i) above) and the Company's Subsidiary to which the assets are so transferred shall become a Material Subsidiary.

A certificate signed by any director of the Company confirming that a Subsidiary is or is not, or was or was not, a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

The Trustee shall not be obliged to take any steps to ascertain whether an Event of Default has occurred or to monitor the occurrence and continuance of any Event of Default under this Condition 9, and shall not be liable to any Bondholder or any other person for not doing so.

10 Prescription

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Meetings of Bondholders, Modification and Waiver

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed, the Deed of Guarantee or the Agency Agreement. Such a meeting may be convened by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution or (v) to modify, release or terminate the Deed of Guarantee, in which case the necessary quorum will be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by the holders of not less than 90 per cent. in aggregate principal amount of the Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by one or more Bondholders.

(b) Modification of the Conditions, the Trust Deed, the Agency Agreement and the Deed of Guarantee

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of the provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee that is, in its opinion, of a formal, minor or technical nature or to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach or any of the provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer, failing whom, the Company, to the Bondholders as soon as practicable. The Issuer shall notify as soon as possible S&P and Fitch of any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee.

(c) Entitlement of the Trustee

In connection with the exercise of its functions, rights, powers and/or discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders, and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

(d) Directions from Bondholders

Notwithstanding anything to the contrary in these Conditions or the Trust Deed, whenever the Trustee is required or entitled by the terms of these Conditions, the Trust Deed or the Agency Agreement to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek directions from the Bondholders by way of an Extraordinary Resolution and shall have been indemnified and/or secured and/or prefunded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages, expenses (including legal expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

13 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the existing Bonds in all respects (or in all respects except for the first payment of interest on them and the timing for complying with the requirements set out in these Conditions in relation to the NDRC Post-issue Filings) and so that such further issue shall be consolidated and form a single series with the existing Bonds; *provided* that (i) the Company shall undertake to comply with Condition 4 with respect to such new bonds and "Issue Date" as used therein and in Condition 6(e) shall be deemed to mean the initial issue date of such new bonds and (ii) either (a) the Deed of Guarantee with respect to the existing Bonds may be amended without consent from any Bondholders to reflect the issuance of such new bonds or (b) the Company may enter into a new deed of guarantee with respect to such new bonds in favour of the Trustee having the same terms and conditions as the Deed of Guarantee with respect to the existing bonds; *provided further* that for such new bonds to be consolidated to form a single series with the existing Bonds prior to the completion of the Cross-border Security Registration of the existing Bonds, the Deed of Guarantee with respect to the existing Bonds shall be amended or restated to reflect the issuance of such new bonds, and the term "Registration Deadline" under Condition 6(e) with respect to such new bonds shall mean the day falling 120 Registration Business Days after the issue date of the existing Bonds.

References in these Conditions to the existing Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 13. However, such further securities may only be issued if (i) S&P and Fitch have been informed of such issue; (ii) such issue will not result in any change in the then credit rating of the Bonds; and (iii) such supplement documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed.

14 Enforcement

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, institute such steps, actions or proceedings against the Issuer or the Company as it may think fit to enforce the terms of the Trust Deed, the Deed of Guarantee, the Agency Agreement and the Bonds, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in principal amount of the Bonds outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer or the Company unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

15 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility. The Trustee is entitled to enter into business transactions with the Issuer, the Company and any entity related (directly or indirectly) to the Issuer without accounting for any profit.

The Trustee may rely without liability to Bondholders on a report, confirmation or certificate or any advice of any lawyers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Issuer, the Company, the Trustee and the Bondholders.

16 Currency Indemnity

U.S. dollar is the sole currency of account and payment for all sums payable by the Issuer and the Company under or in connection with the Bonds, including damages. Any amount received or recovered in a currency other than U.S. dollar (whether as a result of, or of the enforcement of, a judgement or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or the Company or otherwise) by any Bondholder in respect of any sum expressed to be due to it from the Issuer or the Company shall only constitute a discharge to the Issuer or the Company, as applicable, to the extent of the U.S. dollar amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any Bond, the Issuer and the Company shall indemnify it against any loss sustained by it as a result. In any event, the Issuer and the Company shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it will be sufficient for the Bondholder to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's and the Company's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Bondholder and shall continue in full force and effect despite any other judgement, order, claim or proof for a liquidated amount in respect of any sum due under any Bond or any other judgement or order.

17 Notices

Notices to the holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of the Bonds shall also be published in a daily newspaper of general circulation in Asia (which is expected to be the Asian Wall Street Journal). If the opinion of the Trustee any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper of general circulation in Asia, as approved by the Trustee. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which such publication is made.

Until such time as any definitive certificates are issued and so long as the Global Certificate is held in its entirely on behalf of Euroclear and Clearstream, any notice to the Bondholders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

18 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999, but this shall not affect any right or remedy which exists or is available apart from such Act.

19 Governing Law and Jurisdiction

(a) Governing Law

The Trust Deed, the Bonds, the Deed of Guarantee and the Agency Agreement and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with any Bonds ("**Proceedings**") may be brought in such courts. Pursuant to the Trust Deed, each of the Issuer and the Company has irrevocably submitted to the jurisdiction of such courts.

(c) Agent for Service of Process

Pursuant to the Trust Deed, the Company has irrevocably appointed the Issuer to receive service of process in any Proceedings in Hong Kong based on any of the Bonds.

(d) Waiver of Immunity

To the extent that each of the Issuer and the Company may in any jurisdiction claim for itself or its assets immunity from suit, execution, attachment (whether in aid of execution, before judgement or otherwise) or other legal process, and to the extent that in any such jurisdiction there may be attributed to itself or its assets or revenues such immunity (whether or not claimed), each of the Issuer and the Company agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction.

TERMS AND CONDITIONS OF THE 2022 BONDS

The terms and conditions of the 2022 Bonds will be identical to those under "Terms and Conditions of the 2020 Bonds" except as set out below. References to "Bonds" shall be construed as references to the 2022 Bonds.

1. The principal amount of the 2022 Bonds shall be US$1,500,000,000.

2. The rate of interest of the 2022 Bonds shall be 3.50 per cent. per annum.

3. The Maturity Date shall be 19 July 2022.

TERMS AND CONDITIONS OF THE 2027 BONDS

The terms and conditions of the 2027 Bonds will be identical to those under "Terms and Conditions of the 2020 Bonds" except as set out below. References to "Bonds" shall be construed as references to the 2027 Bonds.

1. The principal amount of the 2027 Bonds shall be US$1,000,000,000.

2. The rate of interest of the 2027 Bonds shall be 4.125 per cent. per annum.

3. The Maturity Date shall be 19 July 2027.

4. The definition of "Make Whole Price" shall be deleted in its entirety and replaced with the following:

   "**Make Whole Price**" means, with respect to a Bond at the Optional Redemption Date, the amount calculated by the Quotation Agent to be the greater of (1) the present value of the principal amount of the Bonds, assuming a scheduled repayment thereof on the Maturity Date plus all required remaining scheduled interest payments due on such Bond through the Maturity Date (but excluding accrued and unpaid interest to the Optional Redemption Date), computed using a discount rate equals to the Treasury Rate plus 30 basis points, and (2) the principal amount of such Bonds.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Bond Certificates contain provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. The following is a summary of certain of those provisions.

Terms defined in the terms and conditions of the 2020 Bonds, the terms and conditions of the 2022 Bonds and the terms and conditions of the 2027 Bonds (collectively, the "**Conditions**" or "**Terms and Conditions**") set out in this Offering Circular have the meaning in the paragraphs below.

Each series of the Bonds will be represented by a Global Bond Certificate deposited with a common depositary for, and representing such series of the Bonds registered in the name of a nominee of, Euroclear and Clearstream.

The Global Bond Certificates will become exchangeable in whole, but not in part, for definitive certificates if (a) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 9 (Events of Default) occurs.

Whenever a Global Bond Certificate is to be exchanged for definitive certificates, such definitive certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Bond Certificate within five business days of the delivery, by or on behalf of the registered Holder of the Global Bond Certificate, Euroclear and/or Clearstream, to the Registrar of such information as is required to complete and deliver such definitive certificates (including, without limitation, the names and addresses of the persons in whose names the definitive certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Bond Certificate at the Specified Office of the Registrar. Such exchange will be effected in accordance with the provisions of the Agency Agreement for such bond and the regulations concerning the transfer and registration of Bonds scheduled thereto and, in particular, shall be effected without charge to any Holder or the Trustee, but against such indemnity, security and/or pre-funding as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

In addition, each Global Bond Certificate will contain provisions that modify the Terms and Conditions of the Bonds as they apply to the Bonds evidenced by such Global Bond Certificate. The following is a summary of certain of those provisions:

Payments Business Days: In the case of all payments made in respect of the Global Bond Certificates, "business day" means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are open for business in Hong Kong, London, New York City and the place in which the specified office of the Principal Paying Agent is located and where payment is to be made by transfer to an account maintained with a bank in U.S. dollars, the place on which foreign exchange transactions may be carried on in U.S. dollars in the principal financial centre of the country of such currency.

Payment Record Date: Each payment in respect of the Global Bond Certificates will be made to the person shown as the Holder in the Register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where "**Clearing System Business Day**" means a day on which each clearing system for which such Global Bond Certificate is being held is open for business.

Notices: Notwithstanding Condition 17 (Notices), so long as the Global Bond Certificate is held on behalf of Euroclear, Clearstream or any other clearing system (an "**Alternative Clearing System**"), notices to Holders of Bonds represented by such Global Bond Certificate may be given by delivery of the relevant notice to Euroclear, Clearstream or (as the case may be) such Alternative Clearing System.

USE OF PROCEEDS

The total gross proceeds from the Offerings will be US$3,000,000,000. The Group intends to use the net proceeds, after deducting commissions to be charged by the Joint Lead Managers and other estimated expenses payable in connection with the offerings of the Bonds, to refinance the Group's existing indebtedness and for general corporate purposes.

The foregoing represents the Group's current intentions based upon its present plans and business conditions to use and allocate the net proceeds of the Offerings. The Group, however, will have significant flexibility and discretion to apply the net proceeds of the Offerings subject to applicable PRC laws and regulations. If an unforeseen event occurs or business conditions change, the Group may use the proceeds of the Offerings differently than as described in this Offering Circular subject to the applicable PRC laws and regulations.

EXCHANGE RATE INFORMATION

RENMINBI

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi with reference to a basket of currencies in the market during the prior day. The PBOC also takes into account other factors such as general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to U.S. dollar was generally stable. Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investments, loans, or securities requires the approval of the SAFE and other relevant authorities.

On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC government has since made and in the future may make further adjustments to the exchange rate system. The PBOC authorised the China Foreign Exchange Trading Centre, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 AM each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over the counter exchange rate for that business day. On 18 May 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the U.S. dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. On 19 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012, the band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the U.S. dollar was expanded to 1.0 per cent. and the spread between the Renminbi and U.S. dollar buying and selling prices offered by the designated foreign exchange banks to their clients was expanded from 1.0 per cent. to 2.0 per cent. The PBOC announced on 15 March 2014 that since 17 March 2014, the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the U.S. dollar was further expanded from 1 per cent. to 2 per cent. On each business day, the spread between the Renminbi and U.S. dollar buying and selling prices offered by the designated foreign exchange banks to their clients shall be within 3 per cent. of the published central parity of U.S. dollars on that day, instead of 2 per cent. The following table sets forth the noon buying rates for U.S. dollar in New York City for cable transfers payable in Renminbi as certified by the Federal Reserve Bank of New York for customs purposes for and as at the periods indicated as set forth in the H.10 statistical release of the Federal Reserve Board:

	Noon Buying Rate			
	Low	**Average[(1)]**	**High**	**Period End**
2012	6.2221	6.2990	6.3879	6.2301
2013	6.0537	6.1478	6.2438	6.0537
2014	6.0402	6.1704	6.2591	6.2046
2015	6.1870	6.2869	6.5932	6.4778
2016	6.9430	6.6549	6.9580	6.4480
December	6.9430	6.9198	6.9580	6.8771
2017				
January	6.8768	6.8907	6.9575	6.8360
February	6.8517	6.8694	6.8821	6.8665
March	6.8687	6.8940	6.9132	6.8832
April	6.8778	6.8876	6.8988	6.8900
May	6.8098	6.8843	6.9060	6.8098
June (through 23 June)	6.7888	6.8079	6.8345	6.8345

Note:

(1) Averages are calculated by using the average of the exchange rates on the last business day of each month during the relevant year. Monthly averages or the average for a period are calculated by using the average of the daily exchange rates during the relevant month or period.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalisation and indebtedness of the Group as at 31 December 2016 on an actual basis and as adjusted on a pro forma basis to give effect to the issuance of the June 2017 Securities with the aggregate principal amount of US$600 million on 2 June 2017 (before deducting the underwriting fees and commissions and other estimated transaction expenses payable) and as further adjusted on a pro forma basis to give effect to the issuance of the Bonds (before deducting the underwriting fees and commissions and other estimated transaction expenses payable) as if the issuance of the Bonds had occurred on 31 December 2016.

The following table should be read in conjunction with "Use of Proceeds", "Summary Consolidated Financial Information of the Group" and the Group's financial statements and related notes included elsewhere in this Offering Circular.

	As at 31 December 2016		
	Actual	As adjusted	As further adjusted
		(RMB in millions)	
Short-term debt			
– Short-term borrowings	49,785.8	49,785.8	49,785.8
– Notes payables	5,277.8	5,277.8	5,277.8
– Long-term borrowings due within one year	12,025.1	12,025.1	12,025.1
– Bond payables due within one year	4,000.0	4,000.0	4,000.1
Total short-term debt	71,088.7	71,088.7	71,088.7
Long-term debt			
– Long-term borrowings	91,339.9	91,339.9	91,339.9
– Securities payables	47,425.6	47,425.6	47,425.6
– Bonds to be issued[(1)]	–	–	20,829.0
Total long-term debt	138,765.5	138,765.5	159,594.5
Equity			
– Paid-in capital	11,580.0	11,580.0	11,580.0
– Other equity instruments	10,500.0	10,500.0	10,500.0
– Capital reserves	19,011.7	19,011.7	19,011.7
– Other comprehensive income	(3,897.6)	(3,897.6)	(3,897.6)
– Special reserves	76.5	76.5	76.5
– Undistributed profits	(13,209.4)	(13,209.4)	(13,209.4)
– Minority interests	47,782.8	47,782.8	47,782.8
– June 2017 Securities[(1)]	–	4,165.8	4,165.8
Total equity	**71,843.9**	**76,009.7**	**76,009.7**
Total capitalisation[(2)]	**210,609.4**	**214,775.2**	**235,604.2**

(1) Translation of US dollar amounts to Renminbi amounts were made of US$1.00 to RMB6.9430. These translations are solely for your convenience and should not be considered as representations that the relevant US dollar amounts could be converted into the corresponding Renminbi amounts at the rates indicated or at all.

(2) Total capitalisation represents total long-term debt plus total equity.

Since 31 December 2016, the Group has issued perpetual securities with a total principal amount of US$18 billion and exchangeable notes with a total principal amount of US$2 billion to fund the acquisition of Syngenta. In addition, since 31 December 2016, the Group has withdrawn approximately US$11.5 billion under existing credit facilities granted by various financial institutions. Except as otherwise disclosed in this Offering Circular, there has been no material change in the consolidated capitalisation and indebtedness of the Group since 31 December 2016.

DESCRIPTION OF THE ISSUER

FORMATION

The Issuer, CNAC (HK) Finbridge Company Limited, was incorporated with limited liability on 30 June 2017 in Hong Kong under the Hong Kong Companies Ordinance with company registration number 67912359-000-06-17-2. The registered office of the Issuer is at 17/F, Shing Lee Commercial Building 6-12 Wing Kut Street, Central, Hong Kong. The Issuer is a directly wholly owned subsidiary of CNAC International Company Limited, which is wholly owned by China National Agrochemical Corporation ("**CNAC**"). The Guarantor holds 100.0% equity interest in CNAC. Thus, the Guarantor indirectly holds 100.0% equity interest in the Issuer.

DIRECTORS

The directors of the Issuer are Mr. Lu Xiaobao and Chen Hongbo. The directors of the Issuer do not hold any shares or options to acquire shares of the Issuer. There are no potential conflicts of interest between any duties of the Issuer's directors owed to the Issuer, and his/her private interests and/or other duties.

SHARE CAPITAL

As at the date of this Offering Circular, the authorised share capital of the Issuer is US$1.00 divided into one ordinary share, which is issued and fully paid. No part of the equity securities of the Issuer is listed or dealt in on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought.

FINANCIAL STATEMENTS OF THE ISSUER

As at the date of this Offering Circular, the Issuer has not published any financial statements.

DESCRIPTION OF THE GROUP

OVERVIEW

Our Group was established in 2004 by the SASAC through the merger of China National Bluestar (Group) Co., Ltd. ("**Bluestar**") and China National Haohua Chemical (Group) Corporation ("**Haohua Chemical**") following the restructuring of several state-owned enterprises under the former Ministry of Chemical Industry. As the only central state-owned enterprise focussing on the chemical industry, we rank 234th on the 2016 Fortune Global 500 list and are the largest chemical company in China and the third largest chemical company globally, according to the Fortune Global 500, with approximately RMB300.1 billion (US$43.2 billion) in revenues in 2016 and RMB377.6 billion (US$54.4 billion) in assets as at 31 December 2016. Currently, our Group comprises 92 subsidiaries in China and seven overseas operating subgroups, including controlling interests in seven listed companies on the Shenzhen stock exchange and/or the Shanghai stock exchange, with over 55,000 employees that are based overseas. As at 31 December 2016, we had production sites, research and development centres and a distribution network in China and more than 150 overseas countries, all of which are strategically located in close proximity to our customers and end markets.

We primarily conduct our operations in the following five business segments:

Oil Processing and Fundamental Chemical Products: Our oil processing and fundamental chemical products segment is the foundation of our production chain, providing cost-efficient and reliable supply of key intermediaries and raw materials for the production of chemical materials and performance chemicals and intermediates. Our products are used in automotive and jet fuel, heating oil, fuel additives, and in the manufacturing of household appliances, stretch film, synthetic fibres, and in many varieties of plastics.

New Chemical Materials and Specialty Chemicals: We supply a broad range of innovative and high value-added new chemical materials and specialty products. These products are typically used as catalysts, intermediates, components, protectants, or additives in a wide range of industries, including feed additives, solar panels, mechanical components, artificial body parts, medicine, fibre optic cable, and mortar and concrete.

Agrochemicals: We are a leading provider of non-patented agricultural chemicals. We provide a comprehensive range of high-quality, innovative, and effective products, including herbicides, insecticides, bactericides, and plant growth regulators.

Rubber Products: We are well-reputed for our production expertise and application knowledge in the rubber products industry. Our major products include auto tyres, specialty tyres, latex products, polysulphide rubber, specialty rubber products, and carbon black. We have a diverse portfolio of rubber products marketed under a number of well-recognised brand names and trademarks.

Chemical Equipment: We are one of the leading rubber machinery manufacturers worldwide and in China. Our chemical equipment segment manufactures equipment for the manufacture of chemical products, such as vulcanising machines, ionic membrane electrolysers, large drying equipment and axle gears.

We have a demonstrated track record of consistent growth driven by organic growth, continuous introduction of commercially successful and effective products and services and expansion of our global reach through strategic mergers and acquisitions.

Building upon our global, vertically integrated business model, we are promoting a "3+1" strategy which is expected to make our business portfolio more competitive, advanced, and focussed. The "3+1" strategy prioritises the expansion of our core sectors comprising material science, life science, and advanced manufacturing in the future with all three sectors being supported by our basic chemicals and intermediates products. We expect to continue to optimise our business portfolio around these priorities and to enhance our leadership position in the global chemical industry by upgrading our production facilities and technologies, introducing innovative and high value-added products and services, streamlining our non-strategic product lines, developing our sales network by leveraging on overseas operations and investing in research and development efforts.

We have been striving to improve people's living standards by providing critical products and services through our five key subsidiaries, and have contributed significantly to China's economic development. We are one of the largest producers of caustic soda, tyres, rubber and plastics manufacturing equipment in China and have one of the largest domestic market shares and the largest global market shares of crop protection products.

RECENT DEVELOPMENTS

Acquisition of Syngenta

We entered into a transaction agreement dated 2 February 2016 with the board of directors of Syngenta AG ("**Syngenta**"), a company incorporated under the laws of Switzerland, to acquire Syngenta. The board of directors of Syngenta unanimously recommended our offer to purchase 100% of Syngenta's equity. On 23 March 2016, we launched a tender offer in Switzerland and U.S. for Syngenta. On 18 May 2017, we completed the purchase of approximately 82.2% of Syngenta's publicly held registered shares (including those represented by American Depositary Shares) at the first settlement of the tender offer. The condition of the tender offer on minimum acceptance rate of approximately 67% has been satisfied. On 7 June 2017, we successfully completed the second settlement of the tender offer. Shareholders who tendered their shares after 4 May 2017 received the consideration of US$465 per share, and holders of ADSs who tendered their ADSs after 4 May 2017 received US$93 per ADS, on 7 June 2017. In the first and the second settlements, we acquired approximately 94.7% of Syngenta's publicly held registered shares in aggregate. Subsequently, we have further acquired Syngenta's publicly held registered shares from the secondary market. As at the date of the Offering Circular, we have acquired approximately 97.9% of Syngenta's publicly held shares in aggregate, and we intend to further purchase Syngenta's publicly held registered shares from the secondary market. As soon as permitted by law and applicable regulation, we intend to de-list the shares of Syngenta from the SIX Swiss Exchange and to de-list the ADSs of Syngenta from the New York Stock Exchange. As of the date of this Offering Circular, we have consolidated the financial information of Syngenta into our consolidated financial information.

Syngenta is a company that engages in research and development, production, commercial and supporting activities in the agrochemistry industry and, according to the Syngenta Form 20-F (as defined below) and other public filings of Syngenta, has operation in more than 90 countries around the world. Syngenta conducts research and development on crop protection discovery and innovation, advanced seed breeding and addressing of insect, fungus, weed and environmental stress on crops. In addition, Syngenta undertakes production of seed, active ingredients, intermediates, formulation, fill and packaging, as well as commercial activities, including product management, crop-based offers and marketing, sales and distribution. Syngenta also engages in supporting activities, such as stewardship, product registration, health, safety, environment, quality and security, technology and engineering and multi-stakeholder dialogue. Syngenta's main products include herbicides, insecticides, fungicides, seedcare, seeds and traits for plants such as cereals, corn, diverse field crops, rice, soybean, specialty crops, sugar cane, vegetables and lawn and garden.

According to the Form 20-F published on 16 February 2017 by Syngenta (the "**Syngenta Form 20-F**"), for the year ended 31 December 2016, Syngenta recorded a revenue of US$12,790 million, gross profit of US$6,283 million and net income of US$1,181 million, respectively; as at 31 December 2016, Syngenta had total assets of US$19,068 million. The Syngenta Form 20-F can be found at https://www.sec.gov/Archives/edgar/data/1123661/000095010317001494/dp72904_20f.htm. For the avoidance of doubt, the Syngenta Form 20-F and other public filings of Syngenta are not incorporated by reference into this Offering Circular. None of the Issuer, the Guarantor, the Joint Lead Managers or any of their respective affiliates, directors or advisers has independently verified the information contained in the Syngenta Form 20-F and other public filings of Syngenta. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Issuer, the Guarantor, the Joint Lead Managers or any of their respective affiliates, directors or advisers, as to the accuracy, completeness or sufficiency of the information contained in the Syngenta Form 20-F or in other public filings of Syngenta.

June 2017 Securities

On 2 June 2017, CNRC Capitale Limited, an indirect wholly-owned subsidiary of the Company, issued US$600 million in aggregate amount of 3.90 per cent. guaranteed perpetual capital securities (the "**June 2017 Securities**").

Additional Indebtedness and Hybrid Securities

Since 31 December 2016, the Group has incurred additional indebtedness to fund the acquisition of Syngenta, including (i) the issuance of perpetual securities with a total principal amount of US$18 billion and exchangeable notes with a total principal amount of US$2 billion and (ii) the drawdown of approximately US$11.5 billion under existing credit facilities granted by various financial institutions.

RECENT FINANCIAL INFORMATION

For the years ended 31 December 2014, 2015 and 2016, we recorded total revenue of approximately RMB257.6 billion, RMB260.3 billion and RMB300.1 billion (US$43.2 billion), respectively, a gross profit of approximately RMB30.6 billion, RMB38.1 billion and RMB50.6 billion (US$7.3 billion), respectively. As at 31 December 2014, 2015 and 2016, our total assets were approximately RMB268.1 billion, RMB372.7 billion and RMB377.6 billion (US$54.4 billion), respectively.

According to the unaudited and unreviewed financial statements we published in compliance with the regulations over domestic bond issuance of the National Association of Financial Market Institutional Investors of the PRC, for the three months ended 31 March 2017, we recorded total revenue of approximately RMB83.7 billion (US$12.1 billion) and gross profit of approximately RMB13.0 billion (US$1.9 billion). As at 31 March 2017, our total assets were approximately RMB376.1 billion (US$54.2 billion). Such financial information has not been subject to an audit or review and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. For more details, see also "Risk Factors – Risks Relating to Our Business – The summary consolidated financial information of the Group as at and for the three months ended 31 March 2016 and 2017 contained in this Offering Circular has not been audited or reviewed".

KEY STRENGTHS

We believe our key strengths are as follows:

A Pillar Central State-Owned Enterprise in China's Chemical Industry with Strong Government Support

We are the only state-owned enterprise under the direct supervision of central SASAC with capacities in research and development, production and sales of comprehensive products in the whole value chain of chemical industry. Established through the reorganisation of core enterprises and research institutions controlled by the former Ministry of Chemical Industry of China, we act as the primary operation and investment vehicle of the government in the chemical industry with a vision to consolidate the chemical resources and lead the growth and upgrading of the chemical industry in China. With the strong support and direct supervision from the central government of China, we maintain a leading position in China's chemical industry.

Key State-Owned Enterprise to Serve Public Wellbeing

We engage in businesses closely related to the public wellbeing. We undertake to ensure the security of grain and the supply of food, water and refined oil in China. According to the list of Top 20 Global Agrochemical Firms in 2015 issued by AgroPages, we are the largest agrochemical company in China and seventh largest in the world in terms of sales, with more than 5,000 products registered globally, approximately 120 pesticide active ingredients and a global distribution network covering more than 120 countries and regions. We cooperate closely with the Ministry of Agriculture ("**MOA**"), providing MOA with monitored data, industry development planning on a weekly basis and expertise advice, participating in the government's major projects and planning and performing various assurance testing. We also obtained highly efficient, non-toxic and non-residual agricultural chemical technologies and advanced field information management solutions by acquiring ADAMA Agricultural Solutions Ltd.

According to the Sustainable Development Report 2015 of Adisseo, we are the world's third largest animal nutrition additive supplier and the second largest methionine supplier in terms of production volume. In addition, we are the largest methionine producer in China in terms of revenue, accounting for 30% of the domestic market share. As the only company in the world that is able to produce both solid and liquid methionine, we own the world-leading methionine production technology and the complete research and development system, with the largest liquid methionine production facility in China that have an annual production capacity of 140,000 tonnes. Furthermore, as the leading desalination enterprise in China, we account for over 70% of the domestic membrane desalination market and have one of China's largest desalination bases. We were the first company to successfully introduce world-leading reverse osmosis membrane production and rolling technologies into China and were the first Chinese supplier with cutting-edge automatic membrane production and rolling technologies. We undertook all reverse osmosis desalination demonstration projects under the state science and technology plan, participated in several national desalination technology research and development assignments and undertook international projects in Indonesia, Saudi Arabia, Middle East. We also own the former research arm of the State Oceanic Administration, which is a pioneer in membrane technology research and development with the leading technological expertise and scale in China. As to the supply of refined oil, we are one of the six enterprises being allowed to import and trade in crude oil with an annual quota of 20.0 million tonnes currently. ChemChina Petrochemical Co., Ltd., our subsidiary, is the fourth largest oil refining company in China with processing capacity of 25 million tonnes per year in 2016. We are also a shareholder of Mercuria Energy Trading, one of the world's largest integrated energy and commodity traders.

Additionally, we are a pioneer in energy conservation and environmental protection. We acquired and consolidated over 100 chemical businesses in China since the 1980s, including large and medium-sized state-owned enterprises. We are one of the largest and strongest players in China's industrial cleaning sector and the only company holding multiple Grade A qualifications and developed the non-mercury catalyst-based vinyl chloride production technology. We led the development of several national standards for the industry, which include the national standards for various products, the national standards for energy consumption and the national standards for industrial emissions.

Leader in the Development of Safety, Product and Quality Standards for the Chemical Industry in China

We are assigned to develop industry planning and standards and conduct quality and assurance testing. We have developed more than 500 industry standards in China. From 2012 to 2015, we developed 27 national industry standards in total. We are also responsible for key national industry information services and the development and operation of the Industry Damage Alarming System, which tracks 12 key chemical sectors and has identified the sources of 70% of the anti-dumping cases in China. Our testing capability is widely recognised by the government. We are designated by the government and industry associations to perform pre-launching testing of new products to ensure such products' quality. We also perform various assurance testing for the government through 13 national testing centres. Utilising our access to mass information and monitoring of onshore and offshore data, we can make report and proposal regarding industry development planning to the government and key industry associations. Institutions and associations we work with in the chemical industry include National Centre for Energy Conservation (Emissions Reduction) of the Chemical Industry, Academy of Industry Planning, China Petroleum and Chemical Industry Federation, China Association of Fluorine and Silicone Industry, China Chemical Industry Information Association, China Chemical Enterprise Management Association, The Membrane Industry Association and The Industry Cleaning Association of China.

Strong Support and Direct Supervision from the Government

The key members of our senior management are directly appointed by the government, and we are directly administered by SASAC. Our Chairman Ren Jianxin is appointed under the direct order of Premier Li Keqiang of the State Council. Chairman Ren was a delegate to the 12th National People's Congress and the 16th, 17th and 18th Party Congress of the Chinese Communist Party. As a highly recognised entrepreneur, Chairman Ren has over 30 years of experience in the chemical industry and has received accolades in China and overseas, including "Ten Distinguished Young Persons in China", "National Outstanding Young Entrepreneur", "the Golden Medal of the 5th Yuan Baohua Business Management", the rank of commander in the National Order of the Légion d'honneur awarded by the French ambassador to China and "CCTV Annual Economic Figures". The other key members of the senior management are directly appointed by SASAC. SASAC directed us to follow the national Five-year Plan and report our planning in detail. We prepared our report accordingly and submitted relevant materials and important data to SASAC. SASAC also directed us to report our three-year plan and update our progress on a yearly basis. We thus formed a designated work force to hold regular meetings with our subsidiaries, in order to ensure execution of the plan, and report to SASAC on a regular basis. What is more, we have continuously received wide attention from the government leaders and ministries, including President Xi Jinping, Former President Hu Jintao, Former Premier Wen Jiabao, Wu Bangguo, member of Politburo Standing Committee and Chairman of NPC Standing Committee, He Guoqiang, former member of the Politburo Standing Committee, Gu Xiulian, Vice Chairwoman of NPC and the former Minister of Ministry of Chemical Industry, and SASAC Director Zhang Yi.

Financial Support from the Government

We have received strong financial support from the government for our business expansion in the form of capital funding, totalling over RMB9.6 billion since 2010. As at 31 December 2016, we had total credit facilities of over RMB300 billion, of which over RMB160 billion was provided by China's top banks, including credit facilities of RMB75 billion provided by China Construction Bank, credit facilities of RMB30.9 billion provided by Industrial and Commercial Bank of China, credit facilities of RMB30 billion provided by Agricultural Bank of China, credit facilities of RMB20 billion provided by Bank of Communication and credit facilities of RMB8.2 billion provided by Bank of China. As at 31 December 2016, China's policy banks had provided us with loans of RMB45 billion, including loans of RMB4 billion provided by Agriculture Development Bank of China, loans of RMB19 billion provided by The Export-Import Bank of China and loans of RMB22 billion provided by China Development Bank. In our acquisition of Adisseo France S.A.S., China Development Bank provided a loan facility of Euro340 million for up to 12 years, and SASAC provided RMB500 million of capital funding. In the acquisition of Rhodia Group's silicone and sulphide business, The Export-Import Bank of China granted a Euro295 million loan facility for up to 12 years. China Development Bank also provided loans of Euro987 million and Euro482 million in our acquisition of Elkem AS. The first tranche of the US$2 billion investment framework agreement signed by China Reform Holdings Corporation was used to acquire the preferred shares of Elkem and Adisseo. Also, for our acquisition of ADAMA Agricultural Solutions Ltd., we received a loan facility of Euro952 million from The Export-Import Bank of China as well as capital funding of RMB800 million from SASAC. Furthermore, our acquisition of Pirelli & C. S.p.A. was joined by The Silk Road Fund and received a Euro800 million syndicated loan from China Development Bank, The Export-Import Bank of China and China Construction Bank and capital funding of RMB500 million from SASAC.

Leveraging our close and enduring relationship with the PRC government as well as our leading position in the chemical industry globally and in China, we are well-positioned to capture market opportunities and adapt to changes in the industry.

A Market Leader in the Chemical Industry

We are the largest chemical company in China and the third largest chemical company globally in terms of sales, according to the 2016 Fortune Global 500. We have established global leadership in multiple areas in the chemical industry, including new chemical materials and specialty chemical products, agrochemicals, tyre and rubber products, oil processing and refining products, and chemical equipment.

- *New Chemical Materials and Specialty Chemicals*: According to the Sustainable Development Report 2015 of Adisseo, we are the world's third largest animal nutrition additive supplier and the second largest methionine supplier in terms of production volume. In addition, according to the 2015 Sustainability Report of China National Chemical Corporation, we are the third largest organic silicone producer globally in terms of production volume. We are the largest fluororubber and white carbon black supplier in terms of production volume in China and the largest PBT resin producer in Asia. We rank the first as a TDI producer in China. Furthermore, we account for approximately 90% of the domestic market share of the industrial cleaning and water treatment businesses.

- *Agrochemicals*: According to the list of Top 20 Global Agrochemical Firms in 2015 issued by AgroPages, we are the seventh largest agrochemical company in the world in terms of sales. We rank the first in the world as a non-patented agricultural chemicals producer and rank the first in China as an agricultural chemical producer and distributor. We are also the largest chemical company in China in terms of market share in trichlorfon, pymetrozine, ethrel, buprofezin, endosulfan E.C., MCPA, MNT and toluidine.

- *Tyre and Rubber Products*: We are the largest tyre manufacturer in China and the fifth largest in the world. We are the largest manufacturer in China of all-steel radial tyres, semi-steel radial tyres, aviation tyres, and giant engineering tyres in terms of total production capacity. We are also the largest manufacturer of rubber conveyor belts, automobile brake hoses, high speed rail brake hoses and air conditioner hoses in China in terms of total production volume.

- *Oil Processing and Refining Products*: We own China's first 500,000 ton-per-year catalytic cracking unit. We are one of the six enterprises being allowed to import and trade in crude oil in China with an annual quota of 20.0 million tonnes. We have a crude oil processing capacity of 25 million tonnes per year. We are also a shareholder of Mercuria Energy Trading, one of the world's largest integrated energy and commodity traders.

- *Chemical Equipment*: We are the largest rubber and plastics machinery company in China and the fourth largest in the world in terms of total production capacity. We are the only ion exchange membrane electrolyser manufacturer in China and rank the third in the world in terms of sales. We have a dominating share of approximately 70% of the domestic curing press market and 50% of the domestic banbury mixer market of China.

Diversified Product Portfolio and Global Presence

We have a comprehensive and diversified business and product portfolio comprising: new chemical materials and specialty chemicals, agrochemicals, oil processing and fundamental chemical products, tyre and rubber products, and chemical equipment accounting for approximately 27.4%, 15.6%, 15.7%, 29.5% and 5.3%, respectively, of our EBITDA for the year ended 31 December 2016. This diversified portfolio offers a broader coverage of products and services, compared to other state-owned oil and chemical enterprises in China. We are well positioned to address a full spectrum of customer demands and support a wide variety of end market applications. For example, the end market applications of our new chemical materials segment include clean energy, solar energy, automotive, aerospace, construction, communications, pharmaceutical and food applications, among others. Our nutritional science business covers animal nutrition, breeding, healthcare, feed and feed additives.

Geographically, we have a dominant position in the PRC market and have also strategically entered into the local markets in Asia, Europe, Africa, North America, South America and Oceania. In 2016, we further integrated and allocated our domestic and overseas resources to optimise our global strategic layout. Currently, we operate over 40 manufacturing sites and over 50 research institutions on six continents and in 29 different overseas countries, including Argentina, Australia, Brazil, Canada, Colombia, Egypt, France, Germany, Greece, Iceland, India, Indonesia, Israel, Italy, Mexico, Norway, Poland, Romania, Russia, Singapore, Slovakia, South Africa, South Korea, Spain, Switzerland, Turkey, the United Kingdom, the United States and Venezuela. We have developed a network of research and development, production and distribution spanning over 150 countries and regions, which allows us to enjoy balanced sources of income from China as well as foreign markets. The revenue from our overseas businesses accounted for approximately 68.1% of our total revenue in 2016, and the assets of our overseas businesses accounted for approximately 51.1% of our total assets as at 31 December 2016. We have increased, and expect to continue to increase, our international presence. Since 2006, we have acquired eight overseas companies or businesses. The acquisition of Syngenta allows us to leverage its global platform and global leading position to further strengthen our brand reputation and international marketing network.

Our product diversity and global presence help mitigate the effects of potential adverse events affecting a specific industry, end market or region and thus provide stability to our business and allow us to optimise our resource allocation, capture profits and growth opportunities from various segments, and increase our overall competitiveness.

Significant Contribution from Businesses of High Profitabilities and Encouraging Growth Outlook

We have business segments with high gross profit margin that contribute substantial amounts of our gross profit. As at 2016, our new chemical materials and specialty chemicals, agrochemicals and tyre and rubber products enjoy a gross margin around 24% to 35%, and they account for approximately 76% of our gross profit. There are significant entry barriers over these highly profitable businesses, consisting of, among others, high capital costs, proprietary production technology, complex chemical synergies, strict administrative approval system and rigid requirement on product safety certification, strong customer loyalty to credible brands and significant lead times required to construct manufacturing facilities, which not only prevent potential competitors from entering the market, but also benefit manufacturers like us, who already have large-scale production and established market reputation. For example, a world-leading factory of new chemical materials typically requires a minimum expenditure of around US$500 million and may take 4 years to build. The research and development of pesticide chemicals requires substantial investment and typically takes 8 to 10 years to complete the process.

Furthermore, our new chemical materials and specialty chemicals, agrochemicals and tyre and rubber products businesses are enjoying a very optimistic market environment and encouraging growth outlook. China has the fastest growing specialty chemical market in the world, with a CAGR of 8.5% for the years from 2011 to 2016, while the global CAGR was 3.8%, and the real GDP growth in China was 8.2% for the same period. The demand for pesticide in China is expected to grow from US$5,209 million in 2014 to US$6,676 million in 2019, with a CAGR of 5.1%, while the global CAGR is expected to be 2.6%. In addition, Asia (excluding India) was the largest tyre market, accounting for 34% of the global tyre market in 2016 in terms of sales volume. We believe our highly profitable businesses are well-positioned in these large and fast-growing markets and will further increase our profitability.

Commitment to Innovation with a Leading Research and Development Capacity in China's Chemical Industry

We dedicate significant resources to the research and development of new products and processes to enhance our competitiveness. Our commitment to research and development has enabled us to develop sophisticated technologies that have helped us maintain a leading position in certain key industries. We have increased our input in scientific research from approximately RMB1,500 million in 2006 to approximately RMB5,737 million in 2016 and our expense in research and development from approximately RMB400 million in 2006 to approximately RMB3,456 million in 2016.

We are a leading enterprise in innovation and the national key innovation and scientific research platform of the chemical industry. We have 24 scientific research and development centres in China with a team of over 17,000 research and development staff, including over 200 Ph.D. holders and over 1,000 master degree holders. We operate eight national level engineering research centres, ten state-authorised enterprise technical centres, four national quality supervision and testing centres and two national key laboratories. In 2016, we developed 646 new products, contributing RMB2.8 billion of sales revenue in the same year. We have developed a broad portfolio of intellectual properties. As at 31 December 2016, we had over 10,000 patents registered across the world and are one of the leading central state-owned enterprises in China in terms of the number of patents owned. For the years ended 31 December 2014, 2015 and 2016, we were granted 743, 1,011 and 1,306 patents, respectively, including 398, 685 and 897 invention patents, respectively. For the years ended 31 December 2014, 2015 and 2016, we engaged in 168, 125 and 111 national research and development projects, respectively, and 645, 541 and 741 provincial, municipal and corporate projects, respectively.

We have developed strong and in-depth technology partnerships with leading players in the industry from many countries. For example, we partnered with Japan-based Toray to establish a joint venture and successfully introduced world-leading reverse osmosis membrane production and rolling technologies into China, becoming the first Chinese supplier with cutting-edge automatic membrane production and rolling technologies. We partnered with U.S.-based DuPont and played a significant role in driving the technology progress and industry upgrading of the organic fluorine industry and improving economic efficiency of the industry, leveraging our production facilities and marketing channels in China and DuPont's leading technology and global presence. We established the first rubber machinery joint venture in partnership with Japan-based Kobelco and Shinsho Corp. The joint venture owns breakthrough technologies in the domestic market and mainly manufactures high-precision curing press and hydraulic curing press, exporting over 80% of its products to the overseas markets. The other partners of ours include Korea-based Daesung and U.S.-based Celanese. The recent acquisition of Syngenta further strengthens our agrochemicals activities with the benefit of an attractive seeds portfolio from a global leading player in crop protection and a robust pipeline of technology and innovations.

We expect to leverage our core research and development capabilities to continuously pursue advances in our current products as well as the development and refinement of new products and manufacturing processes.

Successful Consolidation and Integration of International Companies with a View to Build a World-Leading Chemical Company

We have a track record of successfully consolidating and integrating advanced technologies and expansive businesses in different countries. For example, by acquiring Adisseo France S.A.S., we obtained a world-leading technology development system in the field of animal nutrition with 794 patents. With this system as well as Adisseo's patents, we established China's largest liquid methionine manufacturing facility in Nanjing, China jointly with Adisseo's teams from France and Spain and became the only company in the world that was able to produce both solid and liquid methionine. The acquisition also strengthened Adisseo's global leadership position and allowed it access to the Chinese market. After the acquisition, Adisseo realised a 25% year-over-year revenue growth and profitability turnaround by the end of 2006. Its EBITDA grew from Euro40 million in 2005 to Euro550 million in 2016, representing a CAGR of 26.9%. We have successfully repaid the Euro400 million loan related to the acquisition and received two rounds of dividends from Adisseo in the amount of Euro230 million and RMB1.1 billion, respectively. The factory in Nanjing was also built with Adisseo's own capital. The consolidation of Adisseo also covered human resources management, training system, project management and health, safety and environment management. Close relationship developed across all levels and between different offices through various activities. The retention rate of Adisseo's senior management was close to 100%. We also won support from Adisseo's labour union regarding the Nanjing project through active conversations with all levels of employees. Our successful acquisition of Adisseo has been selected by Harvard Business School and Tsinghua University School of Economics and Management into their case study database.

Another example of our successful integration of international businesses is the acquisition of Pirelli & C. S.p.A., which has led to a steady relationship as well as the creation of tremendous synergy. After the acquisition, Mr. Marco Tronchetti Provera remains as the CEO of Pirelli so that the management of Pirelli remains autonomous. Pirelli's industrial tyre business is integrated with part of our existing operations, thus more than doubling the size of the industrial tyre business and creating economies of scale. We thereby become an international specialist enterprise providing all types of tyre products. The acquisition also strengthens Pirelli's global presence with a strong foothold in key markets by combining the two enterprises' markets. We gain from the acquisition a full coverage of tyre products and markets and a unique multi-brand proposition on the industrial tyre segment by integrating Pirelli's premium consumer

and industrial products as well as its established brand with our industrial products. Pirelli's access to our production facilities in China lowers the production cost and diversifies its production bases. Our assets can be better utilised by upgrading the facilities with Pirelli's technology and know-how and by leveraging Pirelli's overseas channels. Furthermore, integrating Pirelli's world-leading know-how in the premium segment and thousands of tyre patents with our expertise in middle-class products yields stronger research and development across all levels of products. In addition, combining the two enterprises' procurement bargaining power has achieved economy of scale, thereby integrating our supply and reducing raw material costs.

Specifically, we are further integrating the business of various subsidiaries under our rubber products segment, in order to provide our customers with a full spectrum of tyre products and one-stop solution. To execute the integration, Aeolus Tyre Co. Ltd. ("**Aeolus**"), a public company listed on the Shanghai Stock Exchange and one of our key subsidiaries in the rubber products segment, acquired 10% equity interest in Prometeon Tyre Group S.r.l ("**Pirelli Industrial**"), a subsidiary of Pirelli focusing on industrial tyre business. Pirelli obtained 80% equity interest in Jiaozuo Aeolus Tire Co., Ltd., through which Aeolus conducts its consumer tyre business. The integration of our subsidiaries under the rubber products segment also includes the acquisition of Double Happiness Tyre Industrial Co., Ltd. ("**Double Happiness**") and Qingdao Yellow Sea Rubber Company Limited ("**Qingdao Yellow Sea Rubber**") by Aeolus. Aeolus announced in April 2017 to acquire 100% equity interest in Guilin Beili Tyre Co., our subsidiary focusing on industrial tyre products. Aeolus also passed a board resolution in April 2017 to purchase the remaining 90% equity interest in Pirelli Industrial, upon completion of which all of the assets under our industrial tyre business will be held by a public company. As a result of the integration, Pirelli has become the largest market player in the global prestige OEM market and one of the top three market players in the global premium OEM market. Aeolus has become China's largest and the world's fourth largest industrial tyre producer. Aeolus is also our sole international asset holding platform for our industrial tyre business. Through this integration, Pirelli utilises Aeolus's extensive distribution network of over 800 sales outlets in China and expands its business into the first-and second-tier cities in China. In addition, Pirelli's PCR tyre production capacity in China increased by approximately 75% as a result of the integration. After the integration, Aeolus offers a diversified combination of industrial tyre products and a one-stop resolution to its customers. Aeolus also utilises Pirelli's extensive sales network and increases its market share in the international industrial tyre market. Furthermore, the integration results in synergies for both Pirelli and Aeolus in terms of management, procurement and technology. For example, after the integration, 100% of our industrial tyre production capacity is located in countries across Asia, Europe, Africa and America that impose low cost on our production.

Strong Financial Performance and Diversified Financing Channels

We have delivered strong financial performance and increased our profitability in recent years. For the years ended 31 December 2014, 2015 and 2016, our revenue was approximately RMB257.6 billion, RMB260.3 billion and RMB300.1 billion (US$43.2 billion), respectively. For the same periods, our gross profit was approximately RMB30.6 billion, RMB38.1 billion and RMB50.6 billion (US$7.3 billion), respectively, and our gross profit margin was approximately 11.9%, 14.6% and 16.9%, respectively.

Leveraging the credit advantages available to state-owned enterprises, we benefit from access to diversified funding sources, including the capital markets in China, through equity offerings and bond offerings, as well as our long-standing relationships with Chinese and international commercial banks and Chinese policy banks. We have from time to time obtained credit facilities from various state-owned policy and commercial banks, including China Development Bank, The Export-Import Bank of China, Industrial and Commercial Bank of China, Bank of Communication, Bank of China, Agricultural Bank of China and China Construction Bank, as well as international banks such as J.P. Morgan, HSBC, BNP Paribas, Natixis,

Crédit Agricole Corporate and Investment Bank, Credit Suisse, ING, UniCredit, Rabobank and Santander. As at 31 December 2016, we had total credit facilities of over RMB300 billion, of which over RMB140 billion was undrawn. In addition, we issued 1.871% bonds due 2021 with an aggregate principal amount of Euro700 million on 30 November 2016. 70% of the bonds were subscribed by investors from Europe. This demonstrates the rapid increase of the recognition of our brand in the global capital markets. This is our first offshore corporate bond offering, which further diversified our offshore and long-term financing channels.

STRATEGIES

We intend to further expand our business, improve profitability, enhance our position as a leader in the chemical industry and build an internationally recognised enterprise. We seek to achieve our goals through the following strategies:

Implement "3+1" Strategy and Leverage Our Advanced Manufacturing Platform and Expertise

We plan to continue to implement our "3+1" strategy prioritising the expansion of our core areas of business comprising material science, nutrition science, and advanced manufacturing, supported by our basic chemicals and intermediate products. The material science business focuses on products such as fluorine and silicone high performance material, polysilicon materials and photovoltaic system, engineering plastics and high-performance fibres. The life science business covers segments including agrochemicals, animal nutrition products and biological products. The advanced manufacturing business is a combination of the advanced manufacturing technologies and premium products we acquired overseas with an emphasis on the plastic, rubber and tyre related products from KraussMaffei and Pirelli. We expect to continue to refine our business portfolio around these priorities and to enhance our leading position in the global chemical industry by upgrading our existing production facilities and technologies, introducing innovative and high value-added products and services, streamlining our nonstrategic product lines, developing our sales network through overseas operations, and investing in research and development efforts.

We intend to further leverage and strengthen our advantages in our well-developed manufacturing platform as well as advanced technology and expertise in the chemical industry. These advantages will enable us to create more synergy under our "3+1" strategy. We plan to enhance our integrated manufacturing model and reduce our per unit manufacturing costs in order to increase our cost-competitiveness. We also plan to further optimise our business structure by adopting market oriented sales and pricing policies and to improve production efficiency by applying the advanced technologies we develop and acquire across the world. With respect to the product lines that do not constitute our core businesses, we are examining various possibilities in connection with the continued integration of such activities and is preparing to divest activities that are not synergetic with our core businesses. We believe that a continued focus on the development of our three core areas of business with support from our basic chemicals and intermediate products will allow us to drive strong growth in our businesses and continue to increase our market share and improve our profitability.

Expand the Scale and Scope of International Operations and Build a Strong Global Brand

Global leadership is a key element of our strategy. Leveraging an established international presence, we will continue to develop and expand our international operations and businesses across our integrated value chain while acquiring advanced technologies and premium products across the world. We plan to focus on maintaining and enhancing our position as a global leader in the chemical industry, improving our ability to cost-effectively deliver high value-added products to customers and supporting both

traditional and high-end global demand growth. Under such plan, we have successfully acquired companies and businesses from various countries and businesses, including Adisseo France S.A.S., Qenos (Australia) Pty Ltd., Rhodia Group, Israeli Makhteshim Agan Industries (currently known as ADAMA Agricultural Solutions Ltd.), Elkem AS, REC Solar Holdings AS, Pirelli & C. S.p.A. and KraussMaffei Group GmbH. In 2016, we have launched a tender offer for Syngenta AG. On 18 May 2017, we completed the purchase of approximately 82.2% of Syngenta's publicly held registered shares (including those represented by American Depositary Shares) at the first settlement of the tender offer. On 7 June 2017, we successfully completed the second settlement of the tender offer. Shareholders who tendered their shares after 4 May 2017 received the consideration of US$465 per share, and holders of ADSs who tendered their ADSs after 4 May 2017 received US$93 per ADS, on 7 June 2017. In the first and the second settlements, we acquired approximately 94.7% of Syngenta's publicly held registered shares in aggregate. As at the date of the Offering Circular, China National Chemical Corporation has acquired approximately 97.9% of Syngenta's publicly held shares in aggregate, and it intends to further purchase Syngenta's publicly held registered shares from the secondary market. Our global expansion will also include developing and implementing international management concepts and systems that meet international standards and attracting talented foreign employees. We will continue to build and maintain a core staff team that has extensive experience in international operations. All of these efforts will contribute to realising our strategy of building a strong global brand, which will further facilitate our operations in the global market and enhance our international presence.

Further Enhance Research and Development Capabilities with a Focus on High Value-Added Segments

We are committed to research and development as we believe that domestic and overseas chemical enterprises compete not only in terms of quality and cost, but also in their ability to research and develop new technologies and products. We plan to continue to invest in research and development to improve our manufacturing process, product quality, production efficiency, reduce production and labour costs and increase the level of precision in our products. We will continue to consolidate internal resources and extend cooperation with external partners, promoting technological development at our production facilities, implementing low-cost strategies to ensure sustainable growth, and seeking opportunities to cooperate with leading global chemical companies. Under our "3+1" strategy, we will focus our research and development efforts on developing chemical products and establishing production capabilities for products with high added-value and/or large market potential, in particular those products that can leverage our current manufacturing platform and advanced expertise. In the material science segment, we are leveraging our expertise and know-how to develop more advanced and environmentally safe products. In the field of nutrition science, we are expanding our product offerings to those suitable for human consumption, such as food products, pharmaceuticals and cosmetics, among others. In the area of advance manufacturing, we will further consolidate and integrate our technologies and manufacturing expertise in the domestic and overseas markets. Moreover, we are utilising our rich experience and technical expertise to reform the traditional chemical engineering industry through improving cost-structure and production efficiency. We intend to expand our research and development efforts and capabilities by hiring more research and development personnel and purchasing the equipment and materials necessary for our research and development efforts.

Continue to Build an Environment-Friendly Enterprise

Promoting environment protection and sustainable economic development is a key element of our overall growth strategy. As a state-owned enterprise and a leader in the chemical industry, we focus on building an environmentally friendly and socially responsible company. Recognising that the chemical business entails inherent environmental risks, we will continue to emphasise the importance of environmental protection in all of our operations. We will prioritise environmental protection, energy conservation, emission reduction and clean operations in our business operations and promote these policies at all of our production facilities. We intend to continue to carry out our health, safety and environmental protection measures throughout our supply chain and operations in order to reduce damage to the environment. We will also enhance accountability in environmental safety assessment, push forward key energy saving and environmental protection projects and enhance environmental protection management of our projects, so as to become an environment-friendly enterprise and achieve sustainable development.

BUSINESS MILESTONES

The following table sets forth various milestones in our history of corporate and business development:

Year	Events
2004	• ChemChina was established.
2006	• Acquisition of Adisseo France S.A.S. (France).
2006	• Acquisition of Qenos (Australia) Pty Ltd. (Australia).
2007	• Acquisition of Rhodia Group's global silicone and sulphide business.
2008	• Bluestar received US$600 million strategic investment from Blackstone.
2010	• ChemChina repositioned itself and gradually developed the "3+1" business model, expanding aggressively in material science, life science and advanced manufacturing with the support from the traditional chemical operations.
2011	• Acquisition of Elkem AS (Norway).
2011	• Acquisition of Israeli Makhteshim Agan Industries' controlling equity interest (Israel), currently known as ADAMA Agricultural Solutions Ltd.
2015	• Acquisition of REC Solar Holding Company (Singapore).
2015	• Acquisition of Pirelli & C. S.p.A. (Italy).
2016	• Acquisition of KraussMaffei Group GmbH (Germany).
2017	• Acquisition of Syngenta AG (Switzerland).

AWARDS

We have received numerous awards and recognition for our business operations as set forth below:

- We ranked 234th among the Fortune Global 500 companies in 2016.
- We ranked the first on China's Top 500 Chemical Companies list for 2016.
- We had five patents that won China Patent Award of Excellence in 2016 and 29 patents in total that had won China Patent Award of Excellence.
- We ranked the fourth among the central state-owned enterprises by the number of patents awarded and are one of the top five central state-owned enterprises by number of patents awarded for 4 consecutive years.
- We won several First Class State Scientific and Technological Progress Awards for our research and development of chemical propellant and its raw materials, 1.2 million tonnes per year potassium sulphate packaged technology at Lop Nor salt lake and PSA technology.
- We were named by the State Council for National Award for Science and Technology Progress – Enterprise Technology Innovation and Engineering in 2014.
- We were named by the State Council for Outstanding Central State-owned Enterprise in Energy Conservation and Emission Reduction in 2013.

PRINCIPAL BUSINESSES

We participate globally across the chemical industry value chain and are an industry leader in many of our product lines. Our worldwide operations are organised into five principal operating segments: oil processing and fundamental chemical products, new chemical materials and specialty chemicals, rubber products, agrochemicals, and chemical equipment.

The tables below show the respective contribution to our operating revenue and gross profit by principal operating segments for the years ended 31 December 2014, 2015 and 2016:

Operating Revenue

	Operating Revenue			
	For the year ended 31 December			
Product Segment	**2014**	**2015**	**2016**	**2016**
	RMB	**RMB**	**RMB**	**US$**
	(in millions)			
Oil processing and fundamental chemical products	125,324.7	127,399.7	132,425.2	19,073.2
New chemical materials and specialty chemicals	53,116.4	51,863.7	51,763.7	7,455.5
Agrochemicals	31,706.2	27,134.9	25,650.7	3,694.5
Rubber products	11,583.7	24,464.2	53,362.6	7,685.8
Chemical equipment	2,934.3	2,507.5	8,764.5	1,262.4
Others	32,965.9	26,934.3	28,160.5	4,056
Total	257,631.4	260,304.4	300,127.2	43,227.3

Gross Profit

Product Segment	Gross Profit			
	For the year ended 31 December			
	2014	2015	2016	2016
	RMB	RMB	RMB	US$
	(in millions)			
Oil processing and fundamental chemical products	7,682.8	7,090.7	7,073.9	1,018.9
New chemical materials and specialty chemicals	8,934.2	12,592.4	18,002.1	2,592.8
Agrochemicals	8,090.4	7,127.5	7,407.7	1,066.9
Rubber products	2,323.0	7,409.4	13,061.7	1,881.3
Chemical equipment	640.0	606.3	2,086.1	300.5
Others	2,966.4	3,224.8	3,000.1	432.1
Total	30,636.8	38,051.2	50,631.5	7,292.5

Oil Processing and Fundamental Chemical Products

The oil processing and fundamental chemical products segment is the foundation of our production chain, providing a cost-efficient and reliable supply of key intermediaries and raw materials for the production of chemical materials and performance chemicals and intermediates. For example, our subsidiary, ChemChina Petrochemical Co., Ltd. ("**CCPC**"), produces oil-related products as raw materials for our other businesses segments.

Major products under this segment include low-end refined oil, ethylene, propylene and MTBE. We also produce petrochemicals such as butadiene, phenol, acetone, methyl ethyl ketone, maleic anhydride, 1,4-butanediol, tetrahydrofuran, and acrylic acid. Our products are used in automotive and jet fuel, heating oil, fuel additives, and in the manufacturing of household appliances, stretch film, synthetic fibres, and in many varieties of plastics. They are also used in the production of corrosion inhibitors, textile adhesives, fragrances, pesticides, and dyes.

Our major competitors in this segment include Sinopec Limited and PetroChina Company Limited. Our oil processing and fundamental chemical products compete with other domestic and foreign private and government-owned producers based on price, product quality, product delivery, and reliability of supply.

For the years ended 2014, 2015 and 2016, the oil processing and fundamental chemical products segment had operating revenue of approximately RMB125.3 billion, RMB127.4 billion and RMB132.4 billion (US$19.1 billion), respectively, representing 48.6%, 48.9% and 44.1% of our total operating revenue. Gross profit for the same periods was approximately RMB7.7 billion, RMB7.1 billion and RMB7.1 billion (US$1.0 billion), respectively, representing 25.1%, 18.6% and 14.0% of our total gross profit.

The following table sets forth the production volumes of our main products in the oil processing and fundamental chemical products segment for the periods indicated:

	For the year ended 31 December		For the nine months ended 30 September
Product (1,000 tonnes)	**2014**	**2015**	**2016**
Crude oil processing volume	16,609	16,945	11,717
Gasoline sales volume	3,270	3,277	1,430
Diesel sales volume	7,211	3,924	1,570

Our key subsidiaries engaged in oil processing and fundamental chemical products are CCPC and Qenos (Australia) Pty Ltd. ("**Qenos**").

CCPC

CCPC has 85 oil refining and chemical production units and related oil products storage and delivery facilities. The company produces standard gasoline, liquefied gas, petroleum coke and other oil products, as well as basic chemical raw materials such as styrene, acrylic acid, butyl acrylate, methyl ethyl ketone (MEK), nonylphenol, octene, nonene, propylene and polypropylene. CCPC's one-step refining capacity of crude oil is approximately 25 million tonnes per year. It also possesses three special rail lines, a 50,000-ton crude oil terminal and a 100,000-ton crude oil terminal and more than 100 kilometres of long-distance transport pipes for crude oil and oil products. CCPC has developed a structure that integrates petroleum processing, chemical production, storage, transportation and sales.

Qenos

In 2006, we acquired Qenos through our subsidiary, China National Bluestar (Group) Co., Ltd. Qenos is the sole manufacturer and leading supplier of world-class polyethylene and polymers in Australia and regarded as the cornerstone of Australia's plastics and rubber industry. In addition to ethylene and polyethylene, Qenos' product range includes HDPE, LDPE, and LLDPE for use in blow moulding, pipe extrusion, rotational moulding, film extrusion, extrusion coating and injection moulding processes. Qenos has more than 50 years of experience in developing its technical expertise and productive relationships and has production facilities in Altona, Melbourne, and Botany Bay, Sydney.

New Chemical Materials and Specialty Chemicals

We supply a broad range of innovative and high value-added new chemical materials and specialty products. New chemical materials are materials used in the same manufacturing process as traditional materials but with better performance or special features from the adoption of new technologies. Our products include silicone, fluororubber, methionine and metallurgical solar-grade polysilicon. Other major products under this segment include organosilicon, silicon alloy, organo-fluorine, polyurethane, high performance fibre, engineering plastics, general plastics and rubber, and animal nutrition products. These products are typically used as catalysts, intermediates, components, protectants, or additives in a wide range of industries, including feed additives, solar panels, mechanical components, artificial body parts, medicine, fibre optic cable, and mortar and concrete among others.

New chemical materials and specialty chemicals play an important role in the development of the information, aviation, aerospace, energy, biology, automotive, construction, pharmaceutical, and other industries that are fundamental to the economy of China. Of our new chemical material businesses, production volume of methionine ranks second globally, production volume of organic silicone ranks third globally, and production of PVC resin, PBT resin, and industrial silicon ranks first in Asia. Our production capacities in fluororubber, fumed silica and epoxy resin are one of the highest in China.

We compete with regional and multinational chemical companies and divisions of large oil companies operating in this segment. Our major competitors include E. I. du Pont de Nemours, Dow Corning, Wacker Chemie AG, SABIC, and Asahi Kasei Corporation, as well as domestic companies such as Shandong Dongyue Chemical Co., Ltd. and Yuntianhua Group Co., Ltd. We compete with these and other competitors on the basis of our global presence, process know-how, innovative technology, strong commitment to research and development, dedication to customer service and broad range of proprietary products.

For the years ended 31 December 2014, 2015 and 2016, our new chemical and specialty chemicals segment had operating revenue of approximately RMB53.1 billion, RMB51.9 billion and RMB51.8 billion (US$7.5 billion), respectively, representing 20.6%, 19.9% and 17.2% of our total operating revenue. Gross profit for the same periods was approximately RMB8.9 billion, RMB12.6 billion and RMB18.0 billion (US$2.6 billion), respectively, representing 29.2%, 33.1% and 35.6% of our total gross profit.

The following table sets forth the production volumes of our main products in the new chemical materials and specialty chemicals segment for the periods indicated:

	For the year ended 31 December		
Product (1,000 tonnes)	**2014**	**2015**	**2016**
Bisphenol A	82.5	57.1	133.7
Chloroprene rubber	40.8	35.4	20.5
Polyethylene	842.4	833.7	478.7
Paste resin	112.3	85.5	83.9

We conduct our new chemical materials and specialty chemicals business primarily through our subsidiary China National Bluestar (Group) Co., Ltd.

Bluestar

Founded in 1984, Bluestar is the largest specialty chemicals and materials manufacturer in China. Bluestar operates in several fields in the chemical industry with core competencies in new chemical materials and nutritional science. Through organic growth and strategic mergers and acquisitions, Bluestar has become a global chemical conglomerate. As at 31 December 2016, it had over 100 operating subsidiaries in China, five significant wholly-owned foreign subsidiaries with operations in over ten overseas countries and regions across six continents, 45 manufacturing facilities and 30 research and development centres around the world and controlling interests in two listed companies on the Shenzhen and Shanghai stock exchanges. As at 31 December 2016, we held an 53.8% interest in Bluestar and are its largest controlling shareholder. See Footnote (1) to "Corporate Structure".

In 2007, Bluestar completed the acquisition of French company Rhodia Group's global silicone and sulphide business, increasing the company's capabilities in the chemical engineering new materials and specialty chemicals segment. In 2011, Bluestar acquired Norwegian company Elkem AS, including its

silicone materials, moulded products, carbon, and metallurgically purified solar grade polysilicon businesses. With a combined production capacity of approximately 620,000 tonnes in 2016, Bluestar's silicone product line ranked first in China and third globally.

Agrochemicals

We offer more than 120 types of APIs and over 900 preparations, we have an extensive and diversified portfolio of off-patent products. We provide a comprehensive range of high-quality, innovative and effective products, including herbicides, insecticides, bactericides and plant growth regulators, which help farmers increase crop yields by preventing or controlling weeds, insects, and disease. We have a well-established crop protection distribution platform, with direct product sales in nearly all key agricultural markets. Our offerings include both a broad range of high value-added and high-volume off-patent crop protection products, as well as an increasing number of innovative mixtures and formulations, which are supported by our intellectual property capabilities and a growing patented portfolio of mixtures and processes.

In China, we are engaged in agrochemicals production, most of which are located in agricultural provinces such as Heilongjiang, Jiangsu, Shanxi and Henan, provinces with relatively steady demand for chemical fertilisers and pesticides. Our overseas agrochemical operations are located mainly in Europe, Israel, Latin America and the United States. We use a direct-sales model for our agrochemical products and our sales of agrochemical products rely to a large extent on sales from overseas markets.

Our agrochemicals companies compete on a number of factors including the quality and breadth of their product offering, price, distribution network, customer services as well as registration and patent expertise.

For the years ended 31 December 2014, 2015 and 2016, the agrochemical segment had operating revenue of approximately RMB31.7 billion, RMB27.1 billion and RMB25.7 billion (US$3.7 billion), respectively, representing 12.3%, 10.4% and 8.5% of our total operating revenue. Gross profit for the same periods was approximately RMB8.1 billion, RMB7.1 billion and RMB7.4 billion (US$1.1 billion), respectively, representing 26.4%, 18.7% and 14.6% of our total gross profit.

The following table sets forth the production volumes of our main products in the agrochemical segment for the periods indicated:

	For the year ended 31 December		
Product (1,000 tonnes)	**2014**	**2015**	**2016**
Chlorendic anhydride	1.4	1.4	1.4
Hexachlorocyclopentadiene	3.4	3.7	2.6
o-Toluidine	35.6	34.2	24.9
Dipterex (100%)	4.5	5.4	4.9
DDVP (100%)	13.3	11.0	8.6
Glyphosate (100%)	13.5	1.5	0.2
Viologens (100%)	6.3	6.6	6.5
Acephate (100%)	19.9	11.7	11.3
Urea	378.5	120.9	70.0

Our agrochemicals manufacturing business is primarily conducted through our subsidiary CNAC.

CNAC was established in 1991 and is a large-scale state-owned corporation that developed under the former Geological Mine Bureau of the Department of Chemical Engineering. CNAC is primarily involved in the production, operation and management of pesticides and chemical fertilisers. According to the list of Top 20 Global Agrochemical Firms in 2015 issued by AgroPages, CNAC has the largest agrochemical sales in China and seventh largest in the world. CNAC currently ranks first in China in terms of the production and sales volume of crop protection products, producing more than 100 types of insecticides, herbicides, fungicides and active ingredients with an annual production capacity of approximately 180,000 tonnes in crop protection.

CNAC owns a group of six enterprises, including Cangzhou Dahua Group Co. Ltd, Jingzhou Sanonda Holding Co. Ltd, Shandong Dacheng Agrochemical Co. Ltd., Jiangsu Anpon Electrochemical Co. Ltd., Jiangsu Huaihe Chemicals Co. Ltd., Jiamusi Heilong Agricultural and Industrial Chemical Co. Ltd. CNAC holds a controlling equity interest in Israel ADAMA Agricultural Solutions Ltd. CNAC also holds shares in three listed companies, Cangzhou Dahua Group Co., Ltd. (600230.SH), Hubei Sanonda Co. Ltd. (000553.SZ) and Shandong Dacheng Pesticide Co. Ltd. (600882.SH). Its businesses include herbicides, insecticides, bactericides, plant growth regulators and dietary supplements, food additives, aromatic products, environmental protection services and more. It is capable of producing over 120 varieties of APIs and over 900 varieties of preparations and has nearly 6,000 product registrations and over 6,000 trademarks in 120 countries.

Sanonda

Hubei Sanonda Co., Ltd.is a large chemical enterprise listed on the Shanghai Stock Exchange, which covers salt based chemicals, agrochemicals and fine chemicals. It owns an "enterprise technology center at the national level" and is one of the 520 enterprises that receive government support in relation to pesticide reserves. As at 31 December 2016, it operated six production factories, one thermal power plant and one chlor-alkali plant.

Syngenta

Syngenta was founded in November 2000 through the merger of the agricultural divisions of Novartis and AstraZeneca. As at the date of the Offering Circular, we have acquired approximately 97.9% of Syngenta's publicly held shares in aggregate. The acquisition is expected to generate synergies in distribution and purchasing, as Syngenta's product portfolios are highly complementary with CNAC focusing on non-patented agrochemicals while Syngenta focusing on patented solutions and seeds. In addition, the acquisition enables the continued expansion of Syngenta's presence in the emerging markets, most notably in China, which represents over 50% of the world's supply of fruits and vegetables.

Syngenta is a global leading manufacturer of agrochemical products and seeds, engaging in research and development, production, commercial and supporting activities in the agrochemistry industry. Its product offerings include crop protection products, seeds, lawn and garden and adjacent technologies, with an unparalleled innovation pipeline potentially leading to over US$4 billion peak sales. It ranked first in the world in terms of crop protection products market share, and ranked the third in terms of seeds market share, according to its published revenue in 2015. As at 31 December 2016, it operated 107 production and supply sites, and 119 research and development sites in 90 countries with 27,810 employees. For the year ended 2016, Syngenta recorded a group sale of approximately US$12.8 billion, among which the sales from crop protection products reached approximately US$9.6 billion and the sales from seeds reached approximately US$2.7 billion. With regard to the geographic coverage, the sales in North America ("**NA**"), Europe, Africa and Middle East ("**EMEA**"), Latin America ("**LATAM**") and Asia Pacific ("**APAC**") represent 26.4%, 31.4%, 27.3% and 14.9% of its total sales, respectively, in 2016.

We believe Syngenta has huge potential growth in China. After the acquisition, Syngenta would have access to our infrastructure and sales network as well as our e-commerce platform in China. Its leading technology in hybrid seeds and broad product portfolio, with the support from the Chinese government on genetically modified organisms technology will allow Syngenta to drive strong growth in its businesses in China and continue to increase its market share in China.

We plan to maintain Syngenta and China National Chemical Corporation as two independent brands, with the former focusing on the high-end market and patented agrochemical products while the latter focusing on mid-to-low-end market and cost efficient non-patented agrochemical products. The acquisition of Syngenta is anticipated to result in benefits for both, including, among other things, synergies in revenue, cost and capital expenditures. We expect that the acquisition of Syngenta would enable us to achieve approximately five to eight per cent. of the seed market share in China by 2022 from the current market share of approximately one per cent., and to achieve approximately 15 to 20 per cent. of the crop protection products market share in China by 2022 from the current market share of approximately six per cent. In addition, the acquisition would allow Syngenta to enhance its product portfolio, including its herbicide and fungicide molecules. We also expect that our cost and Syngenta's cost would reduce significantly, as Syngenta plans to source four molecules from us, and we plan to leverage Syngenta's global distribution network. In the future, we plan to expand our existing research and development facilities, production sites and warehouses instead of building new ones, which also helps both parties reduce cost significantly.

Rubber Products

We are well-known for our production expertise and application knowledge in the rubber products industry. Our major products include auto tyres, specialty tyres, latex products, polysulphide rubber, specialty rubber products and carbon black. We have a diverse portfolio of rubber products marketed under a number of well-recognised brand names and trademarks. In addition to standardised grades, we also produce specialty grades tailored to meet specific customer performance requirements.

We operate multiple tyre, rubber and latex manufacturers in China that produce a variety of innovative and high value-added tyres and non-tyre products. Our main tyre products are all-steel radial tyres, semi-steel radial tyres, giant engineering tyres, specialty tyres and aviation tyres.

Our rubber products are sold in over 160 countries and regions and compete worldwide based on our ability to offer differentiated products and on the sustainability and quality of our products, customer services and price.

For the years ended 31 December 2014, 2015 and 2016, the rubber products segment had operating revenue of approximately RMB11.6 billion, RMB24.5 billion and RMB53.4 billion (US$7.7 billion), respectively, representing 4.5%, 9.4% and 17.8% of our total operating revenue. Gross profit for the same periods was approximately RMB2.3 billion, RMB7.4 billion and RMB13.1 billion (US$1,886.8 million), respectively, representing 7.6%, 19.5% and 25.8% of our total gross profit.

The production capacities of our main products in the rubber products segment are as follows:

	For the year ended 31 December		
Product (1,000 pieces)	**2014**	**2015**	**2016**
TBR tyres	12,570	15,107	15,166
AGRO/OTR tyres	1,069	974	1,025
TBB tyres	1,243	1,187	1,092
PCR tyres	72,583	71,968	71,644
Motorcycle tyres	13,031	13,647	14,013

We conduct our rubber products business primarily through our subsidiary China National Tire & Rubber Co., Ltd. ("**CNRC**"). Its key subsidiaries include Aeolus Tyre Co. Ltd. ("**Aeolus**"), ChemChina Guilin Tire Co., Ltd. ("**Guilin Tire**"), Pirelli & C. S.p.A. ("**Pirelli**"), Qingdao Rubber Six Conveyor Belt Company Limited ("**Qingdao Rubber Six Conveyor Belt**") and Nanjing Orientleader Technology Co., Ltd. ("**Orientleader**").

CNRC

CNRC is the largest tyre manufacturer in China and one of the world's five largest tyre manufacturers. CNRC mainly engages in the research, development and production of PCR tyres, TBR tyres, OTR tyres, motorcycle tyres, AGRO tyres, rubber hoses, conveyor belts and other rubber products. CNRC is also a leading producer of rubber conveyor belts, automobile brake hoses, high-speed rail brake hoses and air-conditioner hoses in China. For the year ended 31 December 2016, CNRC and its subsidiaries had annual production capacity of over 100 million tyres, approximately 20 million square metres of conveyor belts and approximately 28 million automobile brake hoses. CNRC and its subsidiaries sell their products to over 160 countries and regions across the world. For the year ended 31 December 2016, the total external sales of the key subsidiaries of CNRC, namely Aeolus, Guilin Tire, Pirelli, Qingdao Rubber Six Conveyor Belt and Orientleader, exceeded RMB53 billion.

Aeolus

Aeolus is listed on the Shanghai Stock Exchange (Stock Code: 600469). As at 31 December 2016, we held 45% equity interest in Aeolus. It is one of the world's leading tyre companies and is one of China's popular tyre brand. Aeolus is a key manufacturer of all-steel radial heavy load tyres in China and is the largest OTR tyre manufacturer in terms of capacity in China. It has more than 400 types of products and is primarily involved in engineering machinery tyres, all-steel radial heavy load tyres, heavy load bias tyres, special type tyres, compact truck tyres, agricultural-use tyres, and military-use tyres. As the first enterprise worldwide to realise 100% green manufacturing of radial tyres, Aeolus is the most popular Chinese TBR all-steel tyre brand in Europe and the premier strategic supplier of Dongfeng Trucks, the world's top medium- and heavy-duty truck manufacturer. For the year ended 31 December 2016, Aeolus sold approximately 10.4 million tyres and recorded sales of approximately RMB7.3 billion. For the same year, Aeolus's industrial tyre products and consumer tyre products accounted for 93% and 7%, respectively, of Aeolus's total revenue. Aeolus acquired Double Happiness Tyre Industrial Co., Ltd. ("**Double Happiness**") and Qingdao Yellow Sea Rubber Company Limited ("**Qingdao Yellow Sea Rubber**") from CNRC on 30 September 2016.

Guilin Tire

Guilin Tire specialises in the production of all-steel massive OTR tyres, diagonal massive OTR tyres, diagonal OTR tyres, all-steel heavy-duty radial tyres and high-duty tyres. It also serves as a tyre research and development and production base and manufactures accessories for large engineering and machinery, all-steel heavy-duty radial tyres and heavy-duty trucks. Its main customers are automobile enterprises in China. For the year ended 31 December 2016, Guilin Tire recorded sales of approximately RMB380 million. As at 31 December 2016, Guilin Tire had annual capacity of approximately one million TBR tyres, 100,000 OTR tyres and 7,000 massive tyres. As at 31 December 2016, we held 100% equity interest in Guilin Tire.

Pirelli

In 2015, we completed the acquisition of Pirelli, a leading global tyre-maker with a focus on high-end segments. It was founded in 1872 and before its delisting had been traded on the Milan Stock Exchange since 1922. As at 31 December 2016, Pirelli has operations in 14 countries with 20 plants, producing car, motorcycle, truck, bus and agricultural tyres with products sold in more than 160 countries. As at 31 December 2016, Pirelli had global production capacity of 75 million consumer tyres. For the year ended 31 December 2016, Pirelli derived 38%, 22%, 16%, 13% and 3%, respectively, of its revenue under its tyre business from Europe, South America, North American Free Trade Area, Asia and Pacific and Russia, respectively. Middle East, Africa and India together accounted for 8% of Pirelli's revenue under its tyre business for the year ended 31 December 2016. For the year ended 31 December 2016, Pirelli recorded sales of approximately RMB44.9 billion. As at 31 December 2016, Pirelli had annual capacity of approximately 75 million PCR tyres and 6 million industrial tyres (including TBR tyres and OTR tyres). For the year ended 31 December 2016, Pirelli's consumer tyre products and industrial tyre products accounted for 84% and 16%, respectively, of Pirelli's total revenue under its tyre business.

Pirelli owns a portfolio of approximately 5,000 patents concerning innovations of product, process and materials as well as copyright, software and a brand recognised worldwide. Pirelli has ten research and development centres across the world under its headquarter's supervision. It maintains a research and development team of over 1,400 engineers, accounting for approximately 4% of its total number of employees. Pirelli currently has over 150 ongoing innovation projects. Pirelli developed the first mobile application that is capable of reporting the tyre status monitored by tyre built-in sensors to drivers. Pirelli also leads the research, development and production of coloured tyres and started the sales of coloured tyres to high-end consumers in early 2017. In addition, Pirelli applies its technology in Formula 1™ to its mass consumer tyre products.

Pirelli implements a forward-looking and customer-oriented business model through its application of digital technologies. Pirelli's forward-looking supply planning reduces loss in procurement and optimises capital expenditure and capacity planning. Pirelli's intelligent manufacturing includes forward-looking facility maintenance and digital training. Pirelli adopts digital marketing and sales methods, such as B2C e-commerce platform, to enhance customers' engagement and attract potential customers. Pirelli also provides network-based solutions, such as the "on board" interface, to further enhance the safety and performance of its products. Pirelli plans to expand its sales network and increase the number of its sales outlets by 1,000 each year.

Pirelli is the exclusive tyre supplier for Formula 1™ from 2011 to 2019. It also maintains close partnerships with a number of carmakers, including Audi, Mercedes, BMW, Jaguar Land Rover and Volvo, and luxury carmakers, including Ferrari, Maserati, Lamborghini, Porsche, Bentley, Tesla, Lotus, Mercedes-AMG, Aston Martin and McLaren. Particularly, Pirelli is the exclusive tyre supplier for Lamborghini and McLaren.

According to Pirelli's press release on 28 April 2017, Pirelli plans to list its shares in the fourth quarter of 2017 on the Milan stock exchange or one of the leading stock exchanges at the international level. Pirelli's press release can be found at https://www.pirelli.com/corporate/en/press/2017/04/28/pirelli-and-marco-polo-approve-a-transaction-for-ipo-already-from-fourth-quarter-2017/. For the avoidance of doubt, such press release is not incorporated by reference into this Offering Circular. None of the Issuer, the Guarantor, the Joint Lead Managers or any of their respective affiliates, directors or advisers has independently verified the information contained in such press release. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Issuer, the Guarantor, the Joint Lead Managers or any of their respective affiliates, directors or advisers, as to the accuracy, completeness or sufficiency of the information contained in such press release.

Qingdao Rubber Six Conveyor Belt

Qingdao Rubber Six Conveyor Belt primarily engages in the design, development and production of conveyor belts, which are mainly used in the coal, chemicals, mining, metallurgy, power and harbour industries. For the year ended 31 December 2016, it recorded sales of approximately RMB231.9 million.

Orientleader

Orientleader primarily produces and sells hoses, seals, O-rings and pipelines for automobile and railway industries. Its customers include a number of established enterprises, such as Dongfei Motor, Volkswagen, Peugeot, Citroen and General Motors. For the year ended 31 December 2016, it recorded sales of approximately RMB424.8 million.

Chemical Equipment

We are one of the leading rubber machinery manufacturers worldwide and in China. The chemical equipment segment manufactures equipment for the manufacture of chemical products, such as vulcanising machines, ionic membrane electrolysers, large drying equipment and axle gears. Our vulcanising machines are used for the production of tyres and non-tyre rubber products. Our ionic membrane electrolysers are used for the production of caustic soda and chlor-alkali chemicals while the large drying equipment is used for improving the purity and portability of certain materials.

Our Yixiangji series is a well-received China-made rubber machinery brand in the international market and our Lichuang and Double Wheel radial tyre vulcanisers are well-known Chinese brands. We have the construction capacity and expertise for ion membrane caustic soda plants. Our chemical equipment operations are strategically located in close proximity to customers, which allows us to collaborate with customers to develop innovative equipment and tailored solutions.

Chemical equipment manufacturers compete on the basis of quality, technology, and price as well as technical support and customer service network.

For the years ended 2014, 2015 and 2016, the chemical equipment segment had operating revenue of approximately RMB2.9 billion, RMB2.5 billion and RMB8.8 billion (US$1.3 billion), respectively, representing 1.1%, 1.0% and 2.9% of our total operating revenue. Gross profit for the same periods was approximately RMB0.6 billion, RMB0.6 billion and RMB2.1 billion (US$302.5 million), respectively, representing 2.1%, 1.6% and 4.1% of our total gross profit.

The following table sets forth the production capacities of our main products in the chemical equipment segment for the periods indicated:

	For the year ended 31 December		
Product	**2014**	**2015**	**2016**
Vulcanisers (units)	942	1,527	1,442
Mixers (units)	71	80	80
Ion membrane electrolysers (1,000 tonnes)	2,000	2,000	2,000

Our key subsidiaries engaged in chemical equipment manufacturing are Bluestar (Beijing) Chemical Machinery Co., Ltd., Yiyang Rubber & Plastics Machinery Group Co, Ltd., Guilin Rubber Machinery, Sanming Double-Wheel Chemical Engineering Machinery Co. Ltd. and KraussMaffei Group GmbH.

Bluestar (Beijing) Chemical Machinery Co., Ltd.

Bluestar (Beijing) Chemical Machinery Co., Ltd. is a professional company that develops, designs and manufactures ion-membrane electrolysers. Its ion-membrane electrolyser and electrode output supplies 2 million tonnes of caustic soda production per year, representing approximately 33% of all ion-membrane processed caustic soda in China.

Yiyang Rubber & Plastics Machinery Group Co, Ltd.

Yiyang Rubber & Plastics Machinery Group Co, Ltd. is a major manufacturer of large rubber and plastics machinery and ships in China. The company's research and development is supported by more than 60 technicians, a research and development centre, a national level enterprise technical centre and a postdoctoral research centre. It also operates the Hunan Provincial Rubber and Plastics Machinery Engineering Research Centre.

Guilin Rubber Machinery

Established in 1966 as a technical centre, national computer-aided design application engineering model enterprise, and national patent pilot unit, Guilin Rubber Machinery is a national high-tech enterprise. Guilin Rubber Machinery designs and produces rubber machines tailored to the technological specifications of its customers. Its main products are tyre shaping and curing presses, tyre building machines as well as other rubber machines and chemical equipment. The company has the capacity to produce more than 550 tyre curing presses and 3,000 tonnes of rubber machinery units each year.

Sanming Double-Wheel Chemical Engineering Machinery Co. Ltd.

Sanming Double-Wheel Chemical Engineering Machinery Co. Ltd. is a manufacturer of automation technology and machinery equipment. It primarily manufactures non-standard pressure vessels and equipment, metal structure components, hoisting and transportation machinery, high-grade radial tyre vulcaniser and other special-purpose plants for rubber and plastics industry.

KraussMaffei Group GmbH

KraussMaffei Group GmbH ("**KraussMaffei**") was established in 1838. Headquartered in Munich, Germany, it is among the global leading manufacturers of machines and systems for the production and processing of plastic and rubber. KraussMaffei provides services for a variety of market leaders across different industries. It is also the only provider in the world who has mastered the key technologies in plastic and rubber processing (injection moulding, extrusion and reaction process technology). It provides sophisticated plastic processing solutions to its clients and is ranked first or second place among the various global manufactures and providers in its field. KraussMaffei operates 13 production plants worldwide, employing 4,540 people (684 research staff). It also has one of the largest market services and sales networks, with 134 sales and service centres worldwide, housing more than 1,100 employees in their sales and services teams. For the period from 1 May 2016 (after our acquisition of KraussMaffei on 29 April 2016) to 31 December 2016, KraussMaffei's sales totalled to approximately Euro869.1 million, and Euro62.3 million before interest, taxes, depreciation and amortisation (EBITDA), with an EBITDA margin of approximately 7.2%. We completed the acquisition of KraussMaffei in April 2016.

INTERNATIONAL OPERATIONS

We have an industry-leading global footprint with extensive market presence. As at 31 December 2016, we own the following overseas subsidiaries:

Name	Time of acquisition	Places of operation	Main businesses
Adisseo France S.A.S.	January 2006	China, France and Spain	Methionine, ruminants, enzymes, vitamins and feed additives
Qenos (Australia) Pty Ltd.	April 2006	Australia	HDPE, LDPE, LLDPE, mLLDPE, polymers and additives
Bluestar Silicones International	January 2007	Brazil, China, France, Germany, Italy, Spain and the U.S.	Release coatings, engineering elastomers, healthcare products, specialty fluids, emulsions and resins
ADAMA Agricultural Solutions Ltd.	October 2011	Brazil, China, Colombia, Greece, India, Israel, Italy, Mexico, Poland, South Korea, Spain and the U.S.	Fungicides, herbicides, insecticides, growth regulators and seed dressing non-crop products
Elkem AS	April 2011	Brazil, Canada, China, Iceland, Malaysia, Norway and South Africa	Solar grade silicon, metal silicon, special alloys for the foundry industry, carbon and microsilica
REC Solar Holdings AS	May 2015	Norway and Singapore	Solar panel, solar cell and solar components

Name	Time of acquisition	Places of operation	Main businesses
Pirelli & C. S.p.A.	November 2015	Italy, Germany, the U.K., the U.S., Mexico, Venezuela, Brazil, Argentina, Egypt, Turkey, Indonesia, China, Romania and Russia	Tyres of car, motorcycle, truck, bus and agricultural use
KraussMaffei Group GmbH	April 2016	Germany, Switzerland, Italy, Slovakia, China and the U.S.	Plastic and rubber production machines and rubber processing solutions
Syngenta AG	June 2017	The Switzerland, the U.K., Russia, the U.S., Canada, Brazil and Argentina	Herbicides, insecticides, fungicides, seedcare, seeds and traits for plants

We acquired the Australian plastics manufacturer Qenos in 2006. Utilising Australia's rich natural gas reserves, Qenos is the leading supplier of world-class polyethylene and polymers in Australia and regarded as the cornerstone of Australia's plastics and rubber industry. We benefitted from Qenos' upstream oil and gas resources in Australia. In 2006, we also acquired Adisseo France S.A.S., a global nutritional additives manufacturer followed by the acquisition of the organic silicone and sulphide business of the French chemical company Rhodia in 2007. By acquiring Adisseo, we obtained a well-known feed additive brand, a world-class technology development system in the field of animal nutrition with 794 patents, and a mature world-class sales network with significant market shares in methionine, vitamins A, E, and enzymes. Rhodia Silicones (now known as Bluestar Silicones International) is a well-known specialty chemicals company and one of the foremost fully integrated silicone manufacturers with over 50 years of silicone expertise. At the time of the acquisition, Rhodia had an annual production capacity of 220 thousand tonnes of organosilicon ranking the fifth in the world with a market share of 6% worldwide.

In 2011, we acquired Norwegian metallurgy company Elkem as well as a 60% equity interest in Israeli Makhteshim Agan Industries (now known as ADAMA Agricultural Solutions Ltd. ("**ADAMA**")). With over one hundred years of operation history, Elkem is one of the world's leading producers of solar grade silicon, silicon materials, special alloys for the foundry industry, carbon, and microsilica, with an extensive network of sales offices and agents. ADAMA was a leading pesticide production and distribution company at the time of the acquisition with over seventy years of history. With the acquisition of the controlling equity interest in ADAMA, we became one of the largest pesticide producers and distributors in China and in the world. We further acquired another 40% equity interest in ADAMA in 2016. All of these international investments and efforts resulted in an increased market share and business volume in overseas markets. ADAMA supplies efficient solutions to farmers, including crop protection products, novel agricultural technologies and complementary non-crop businesses. As at 31 December 2016, ADAMA is the largest manufacturer of non-patented pesticide in the world in terms of sales volume, operating five research and development centers and 12 production facilities with a capability to produce over 120 active pharmaceutical ingredients (the "APIs") and over 800 reagents. It has over 450 invention patents, 6,200 trademarks and approximately 5,000 product registrations. As at 31 December 2016, ADAMA has approximately 5,200 employees with offices in 50 markets around the world, serving farmers in over 120 countries on six continents. It has seven global product development centers and 19 production sites engaged in synthesis and formulation activities.

In 2015, we acquired REC Solar Holding Company ("**REC**"), a leading provider of solar power solutions in the world. REC provides fully-integrated solar solution services of solar panels, solar cells, and solar components. With nearly 20 years of expertise, it has delivered sustainable, high-performance products, services and investment opportunities to the solar and electronics industries. REC was founded in 1996, with its operational headquarters located in Singapore. It has approximately 2,000 employees worldwide, and a 1.3 GW solar panel production capacity of US$755 million. REC had an annual sales revenue of US$730.0 million and an earnings before interest, taxes, depreciation and amortisation (EBITDA) of US$22.0 million in 2016. In the same year, we completed the acquisition of Pirelli, a leading global tyre-maker with a focus on high-end segments. As at 31 December 2016, Pirelli had operations in 14 countries with 20 plants, producing car, motorcycle, truck, bus and agricultural tyres with products sold in more than 160 countries. Pirelli owns a portfolio of approximately 5,000 patents concerning innovations of product, process and materials as well as copyright, software and a brand recognised worldwide.

In April 2016, we completed the acquisition of KraussMaffei, a global leading manufacturer of plastic and rubber production and processing machinery with key technologies (injection moulding, extrusion and reaction process technology). It provides sophisticated plastic processing solutions to its clients and is ranked first or second place among the various global manufactures and providers in its field. KraussMaffei operates 13 production plants worldwide, employing 4,540 people (684 research staff). It also has one of the largest market services and sales networks, with 134 sales and service centres worldwide, housing more than 1,100 employees in their sales and services teams. For the period from 1 May 2016 (after our acquisition of KraussMaffei on 29 April 2016) to 31 December 2016, KraussMaffei's sales totalled to approximately Euro869.1 million, and Euro62.3 million before interest, taxes, depreciation and amortisation (EBITDA), with an EBITDA margin of approximately 7.2%.

As at the date of the Offering Circular, we have acquired approximately 97.9% of the publicly held shares of Syngenta, a global leading manufacturer of agrochemical products and seeds. It engages in research and development, production, commercial and supporting activities in the agrochemistry industry. According to the Form 20-F published on 16 February 2017 by Syngenta (the "**Syngenta Form 20-F**") and other public filings of Syngenta, it has operation in more than 90 countries around the world. Syngenta conducts research and development on crop protection discovery and innovation, advanced seed breeding and addressing of insect, fungus, weed and environmental stress on crops. In addition, Syngenta undertakes production of seed, active ingredients, intermediates, formulation, fill and packaging, as well as commercial activities, including product management, crop-based offers and marketing, sales and distribution. Syngenta also engages in supporting activities, such as stewardship, product registration, health, safety, environment, quality and security, technology and engineering and multi-stakeholder dialogue. According to the Syngenta Form 20-F, for the year ended 31 December 2016, Syngenta recorded a revenue of US$12,790 million, gross profit of US$6,283 million and net income of US$1,181 million, respectively; as at 31 December 2016, Syngenta had total assets of US$19,068 million.

RAW MATERIALS AND SUPPLIERS

We use a variety of raw materials purchased from a broad supplier base. Our major externally-sourced raw materials include imported fuel oil and blend oil, coal and natural gas. Multiple suppliers are generally available for each of these materials. Raw material cost is the largest cost component for the production. The total raw material costs for the year ended 31 December 2016 were RMB193.7 billion (US$27.9 billion).

Oil Processing and Fundamental Chemical Products

Petroleum chemical engineering and refining products is an important foundation for our production process, providing intermediary and raw materials for chemical engineering new materials and basic chemical products. Our petroleum product chain is relatively long, with imported fuel oil or blended oil being the major raw material. Major raw material suppliers include China Petroleum Chemical Industry Import and Export Company, Shandong Huaxing Import and Export Co., Ltd., CNOOC (Beijing) Trading Co., Ltd., and Qingdao Shide Trade Co., Ltd.

New Chemical Materials and Specialty Chemicals

The primary raw materials that we use in the production of new chemical materials and specialty chemicals include coal, ethylene, propylene, butadiene, phenol, acetone, butanone, maleic anhydride, 1-,4-butanediol, tetrahydrofuran, propenoic acid, nonylphenol, bisphenol A, and TDI. Our primary raw material suppliers include Shenhua Group, Bluestar Silicone Material Co., Ltd. and Bluestar International Chemical Co., Ltd.

Agrochemicals

Raw materials for agrochemicals primarily include coal and natural gas. Our major raw material suppliers include Yichang Kaitai Trading Co., Ltd., Chongqing Ziguang Chemical Co. Ltd., Guang'an Chengxin Chemical Co., Ltd., and Shenhua Trading Group Limited.

SALES, MARKETING AND CUSTOMERS

Our sales network consists of internal sales and marketing personnel partnering with distributors, wholesalers, and retailers in all major markets throughout the world. Through this extensive network, our products are sold in approximately 140 countries to a diverse base of established customers and distributors in a wide range of industries. Due to the varieties of products that we manufacture and markets in which such products are sold, our customer base is highly fragmented. Our marketing strategies vary by geographic region. In general, we generate business through the efforts of our sales force, customer service personnel and regional distributors, with an increasing use of e-commerce platforms.

SAFETY AND ENVIRONMENTAL MATTERS

We are subject to various PRC national environmental laws and regulations and also to environmental regulations promulgated by the local governments in the jurisdictions where we have operations. The PRC has adopted extensive environmental laws and regulations that affect the operation of the chemical industry. There are national and local standards applicable to emissions control, discharges to surface and subsurface water and disposal, and the generation, handling, storage, transportation, treatment and disposal of solid waste materials. Environmental regulations require us to register or file an environmental impact report with the relevant environmental bureau for approval before we undertake any construction

of a new production facility or any major expansion or renovation of an existing production facility. New, expanded or renovated facilities are not permitted to operate unless the relevant environmental bureau has confirmed to its satisfaction that environmental equipment installed in the facility satisfies environmental requirements.

To ensure high standards of health, safety, and environmental protection throughout our Group, we have established an environmental, health and safety management system that is aligned to acknowledged international standards and is subject to regular evaluation and updates. We have not encountered any safety and environmental related matters that had any significant impact on our operations.

With regard to our overseas operations including operations in the US upon the acquisition of Syngenta, we place great importance on compliance with applicable foreign laws and regulations. Such compliance directly affects the success of our overseas operations and, therefore, if necessary, we engage local counsel to provide us with advice on such issues. With regard to our overseas operations, we have obtained all the relevant approvals from local government authorities in connection with environmental protection issues. Syngenta may have ongoing environmental liabilities. See the Syngenta Form 20-F for more details. For the avoidance of doubt, the Syngenta Form 20-F is not incorporated by reference into this Offering Circular. None of the Issuer, the Guarantor, the Joint Lead Managers or any of their respective affiliates, directors or advisers has independently verified the information contained in the Syngenta Form 20-F. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Issuer, the Guarantor, the Joint Lead Managers or any of their respective affiliates, directors or advisers, as to the accuracy, completeness or sufficiency of the information contained in the Syngenta Form 20-F.

RESEARCH AND DEVELOPMENT

We consider scientific innovation as the driving force for sustainable development. Currently, a wide range of proprietary technologies, such as those utilised in the manufacture of organosilicon, organic fluorine, acetic acid, carbon black, hydrogen peroxide, PC, POM and giant rubber internal mixers, are widely used in both domestic and overseas markets. We have eight national level engineering technical research centres, including in the fields of liquid separation membranes, silicone and C-1 chemistry. In addition, we have one national scientific results promotion centre, two national key laboratories, ten state-authorised enterprise technical centres, 25 provincial engineering technology centres and five overseas research and development facilities. To support chemical innovation, we have founded the ChemChina Science and Technology Awards and the ChemChina Science and Technology Fund to support organisations and individuals contributing to the chemical science.

In 2016, we engaged in 852 research and development projects, among which 111 were national research and development projects. For the year ended 31 December 2016, our expense on research and development was approximately RMB3,456 million (US$497.8 million).

INTELLECTUAL PROPERTIES

Our intellectual property rights are critical to our business. As at 31 December 2016, we had 1,006 registered trademarks and 10,810 patents and all of our registrable intellectual property rights that are core to our business had been duly registered. We have not received claims that we have materially infringed any third-party intellectual property rights.

EMPLOYEES

As at 31 December 2016, we had over 100,000 employees. Of our employees, over 17.1% had bachelor degrees and over 2.5% had postgraduate or doctorate degrees. Currently, we have over 55,000 employees based overseas.

We believe that our employees are critical to our performance and success. Our human resources policy promotes motivation and innovation, which we believe help boost the efficiency of the company and our competitive edge. Remuneration of our employees comprises fixed basic salary, bonus (determined with reference to the relevant company's results and the relevant employee's performance) and allowances. We also provide our employees with welfare benefits in accordance with applicable laws and regulations, including but not limited to provident fund contributions, medical insurance schemes and insurance. We have further established a platform to facilitate dialogue and interaction between employee representatives and senior management. As social responsibility is one of our important values, community service events are organised from time to time to promote such value and to maintain harmonious working environment for the employees.

We adhere to, and comply with, the relevant labour laws of the PRC and other jurisdictions in which we operate in all material respects. We have not experienced any major strike or work stoppage, and there is currently no unresolved major labour dispute that could have a material adverse effect on our operations and performance.

INSURANCE

Our operations involve a number of inherent risks, such as mechanical failure, fatality, personal injury, property loss and damage, business interruption, hostilities and labour strikes. We are covered by insurance policies by reputable insurance companies in the relevant jurisdictions and with commercially reasonable deductibles and limits on coverage. We believe that the insurance coverage in place is in line with industry and market standards and is adequate and sufficient for the conduct of our businesses.

LEGAL PROCEEDINGS

As at the date of this Offering Circular, we have not been involved in any legal or administrative proceedings or arbitration that could have a material adverse effect on our financial condition or results of operations, nor are we aware of any potential legal or administrative proceedings or arbitration involving us that would have a material adverse effect on our financial condition or results of operations. However, according to the Syngenta Form 20-F, Syngenta is involved in (i) legal proceedings regarding Syngenta's commercialization of certain corn seeds in North America without obtaining import approval from China for such products, (ii) legal proceedings regarding Syngenta's negligence in allowing its insecticides to harm bees and as a result beekeepers and (iii) a legal proceeding relating to personal injury. The Syngenta Form 20-F can be found at https://www.sec.gov/Archives/edgar/data/1123661/000095010317001494/dp72904_20f.htm. For the avoidance of doubt, the Syngenta Form 20-F is not incorporated by reference into this Offering Circular. None of the Issuer, the Guarantor, the Joint Lead Managers or any of their respective affiliates, directors or advisers has independently verified the information contained in the Syngenta Form 20-F. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Issuer, the Guarantor, the Joint Lead Managers or any of their respective affiliates, directors or advisers, as to the accuracy, completeness or sufficiency of the information contained in the Syngenta Form 20-F. Furthermore, we may from time to time be involved in certain legal proceedings arising out of our ordinary course of businesses. We believe that none of these legal proceedings, including the legal proceedings mentioned above involving Syngenta, individually or in the aggregate, will have any material adverse effect on our financial position or results of operations.

SENIOR MANAGEMENT OF THE COMPANY

MEMBERS OF THE GENERAL MANAGERS' MEETING

Our business and operations are managed by our senior management through the General Managers' Meeting. The following table sets forth certain information with respect to the members of our General Managers' Meeting as at the date of this Offering Circular:

Name	Age	Position
Mr. REN Jianxin	59	Chairman
Mr. YANG Xingqiang	50	General Manager
Mr. FAN Xiaosen	56	Deputy General Manager
Mr. REN Jianming	53	Deputy General Manager
Mr. LU Xiaobao	51	Deputy General Manager
Mr. BAI Xinping	48	Deputy General Manager
Mr. HU Xuteng	44	Deputy General Manager

Mr. REN Jianxin (任建新), aged 59, has been serving as the Chairman of the Company since December 2014. Mr. Ren served successively as the Manager of the Chemical Cleaning Corporation of the Research Institute of Chemical Machinery under the former Ministry of Chemical Industry (化工部化工機械研究院化學清洗總公司) from 1984 to 1989, the General Manager and Party Secretary of China Bluestar Chemical Cleaning (Group) Corporation (藍星化學清洗(集團)公司) from 1989 to 1992, the Deputy General Manager of China National Chemical Equipment Corporation (中國化工裝備總公司) from 1993 to 1995, the General Manager and Party Secretary of China Bluestar Chemical Cleaning Corporation from 1992 to 2001, and the Vice President of China Haohua Chemical Group Co., Ltd. (中國昊華化工(集團)總公司) from 1995 to 1998. From 2001 to 2004, he served as the General Manager and Party Secretary of China National Bluestar (Group) Co, Ltd. (中國藍星(集團)股份有限公司). In 2004, Mr. Ren began serving as the deputy party secretary for the Company and in 2010, Mr. Ren began his current service as party secretary of the Company.

Mr. Ren graduated from Lanzhou University with a Master's degree in economics, and he is a professor-grade senior engineer. He was a member of the 12th National People's Congress and a member of the 17th and 18th Party Congresses. Mr. Ren has been recognised as one of China's "National Outstanding Young Entrepreneurs", "National Youth Science and Technology Industrialists", "Top 10 Outstanding Youth", "Top 10 Newsmakers", "Top 10 Merger and Acquisition Figures", "Most Famous Entrepreneurs" and "CCTV Annual Economic Figures". He was also recognised by receiving the May 1 Labour Award and in 2011 and was awarded the rank of commander in the National Order of the Legion of Honour by the French ambassador to China.

Mr. YANG Xingqiang (楊興強), aged 50, has been serving as the General Manager of the Company since 2014. Mr. Yang served successively as a technician, project manager, director, and deputy general engineer of China Bluestar Chemical Cleaning Corporation from 1989 to 1996, the manager of Bluestar Cleaning Co., Ltd. (藍星清洗劑股份有限公司) from 1996 to 1997, the Northwest Branch Manager of China Bluestar Chemical Cleaning Corporation during 1998, the Assistant General Manager of China National Bluestar (Group) Co., Ltd. from 1999 to 2001, and concurrently as the Manager of Bluestar Cleaning Engineering Co., Ltd. (藍星清洗工程有限公司). In August 2001, Mr. Yang was appointed as the Deputy General Manager of China National Bluestar (Group) Co., Ltd.. He subsequently served as the General Manager of China National Bluestar (Group) Co, Ltd. from September 2004 until December 2008. He served as a Deputy General Manager of the Company from December 2008 to December 2014. Mr. Yang holds a Bachelor's degree in chemistry from Sichuan University.

Mr. FAN Xiaosen (范小森), aged 56, is currently a Deputy General Manager and a member of the Party Committee of the Company. He served as cadre of the Infrastructure Department of the Planning Division of the former Ministry of Chemical Industry, cadre, assistant worker and engineer of the Investment Department of the Planning Division of the former Ministry of Chemical Industry, Deputy Director and Director of the Investment Department of the Planning Division of the former Ministry of Chemical Industry, and Deputy General Manager and General Manager of China Huachen Economic and Technological Development Centre. He served as a Deputy General Manager and a member of the Party Committee of China Haohua Chemical Group Co., Ltd. from 2001 to 2004. Mr. Fan holds a Bachelor's degree in inorganic chemical technology.

Mr. REN Jianming (任建明), aged 53, has been serving as a Deputy General Manager of the Company since February 2009. Mr. Ren worked in the International Liaison Department of the Central Committee of the CPC (中共中央對外聯絡部) from July 1987 to December 1988 and worked in the Central International Liaison Department of the Communist Youth League of China (共青團中央國際聯絡部) from 1989 to 2000. He has been serving the Company and its affiliates since 2000, and has served as the head of the human resources department of the Company. Mr. Ren holds a Bachelor's degree in Russian language studies from Nankai University and a Master's degree in administration management from Beijing Normal University.

Mr. LU Xiaobao (陸曉寶), aged 51, has been serving as a Deputy General Manager of the Company since December 2014. Mr. Lu has been serving the Company and its affiliates since 1989 and previously served as the General Manager of China National Bluestar (Group) Co., Ltd. Prior to joining the Group, he served as assistant engineer at the Special Material Institute of the Chemical Machinery Institute under the former Ministry of Chemical Industry from 1988 to 1989. Mr. Lu holds a Bachelor's degree in applied chemistry from Beijing University of Chemical Technology and a Master's degree in business administration.

Mr. BAI Xinping (白忻平), aged 48, has been serving as a Deputy General Manager of the Company since May 2016. He is also currently serving as a general manager and deputy secretary of the party committee of China National Chemical Rubber Co., Ltd. He served successively as deputy chief engineer and chief engineer of China National Bluestar (Group) Co., Ltd. from July 1991 to October 1999, vice president of Zhonglan Chenguang Research Institute of Chemical Industry under the former Ministry of Chemical Industry from October 1999 to March 2001, deputy factory manager of Xinghuo Chemical Factory from May 2000 to March 2001, factory manager and secretary of the party committee of Wuxi Petrochemical Factory from March 2001 to February 2006, deputy general manager, general manager and deputy secretary of the party committee of China National Bluestar (Group) Co., Ltd. from February 2006 to December 2009, and director of the Production and Operation Office, head of the Safety and Environmental Protection Department and chief security officer of the Company from March 2010 to June 2015. Mr. Bai holds a Bachelor's degree in applied chemistry from Lanzhou University and a Master's degree in chemical engineering from Dalian University of Technology.

Mr. HU Xuteng (胡徐騰), aged 44, has been serving as a Deputy General Manager of the Company since May 2016. He served successively as engineer, deputy director of Chemical and Sales Branch, director, general manager and member of the party committee of the general office of Chemical and Sales Branch, deputy director of the Refining and Chemical Technology Research Center, vice president, chief security officer and a member of the party committee of the Refining and Chemical Technology Research Institute, and general manager and deputy secretary of the party committee of Guangxi sales branch of China National Petrochemical Co., Ltd. from January 1997 to May 2006. Mr. Hu holds a Bachelor's degree in chemical engineering and applied mathematics from Tsinghua University and a doctoral degree in chemical engineering from Tsinghua University.

CURRENT ACCOUNT ITEMS

Under the applicable PRC foreign exchange control regulations, current account items refer to any transaction for international receipts and payments involving goods, services, earnings and other frequent transfers.

Since July 2009, the PRC has commenced a pilot scheme pursuant to which Renminbi may be used for settlement of imports and exports of goods between approved pilot enterprises in five designated cities in the PRC including Shanghai, Guangzhou, Dongguan, Shenzhen and Zhuhai and enterprises in designated offshore jurisdictions including Hong Kong and Macau. On 17 June 2010, PBOC, Ministry of Finance ("**MOF**"), MOFCOM, the General Administration of Customs, SAT and the China Banking Regulatory Commission (CBRC) jointly promulgated the Circular on Issues concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades (Yin Fa (2010) No. 186) (關於擴大跨境貿易人民幣結算試點有關問題的通知) (the "**Circular**"), pursuant to which (i) Renminbi settlement of imports and exports of goods and of services and other current account items became permissible, (ii) the list of designated pilot districts were expanded to cover 20 provinces and cities, and (iii) the restriction on designated offshore districts has been uplifted. Accordingly, any enterprises in the designated pilot districts and offshore enterprises are entitled to use Renminbi to settle imports and exports of goods and services and other current account items between them. Renminbi remittance for exports of goods from the PRC may only been effected by approved pilot enterprises in designated pilot districts in the PRC. In July 2011, PBOC, MOF, MOFCOM, the General Administration of Customs, SAT and CBRC jointly promulgated the Circular on Expanding the Regions of Cross-border Trade Renminbi Settlement (關於擴大跨境貿易人民幣結算地區的通知) to further expand Renminbi cross-border trade settlement nationwide.

On 5 July 2013, the PBOC promulgated the *Circular on Policies related to Simplifying and Improving Cross-border Renminbi Business Procedures* (關於簡化跨境人民幣業務流程和完善有關政策的通知) (the "**2013 PBOC Circular**"), which, in particular, simplifies the procedures for cross border Renminbi trade settlement under current account items. For example, PRC banks may conduct settlement for PRC enterprises (excluding those on the Supervision List) upon the PRC enterprises presenting the payment instruction. PRC banks may also allow PRC enterprises to make/receive payments under current account items prior to the relevant PRC bank's verification of underlying transactions (noting that verification of underlying transactions is usually a precondition for cross border remittance).

The Circulars and the 2013 PBOC Circular may be subject to further interpretation and application by the relevant PRC authorities. Local authorities may adopt different practices in applying the Circulars and the 2013 PBOC Circular and impose conditions for settlement of current account items.

CAPITAL ACCOUNT ITEMS

Under the applicable PRC foreign exchange control regulations, capital account items include cross-border transfers of capital, direct investments, securities investments, derivative products and loans. Capital account payments are generally subject to approval or registration of the relevant PRC authorities.

Settlements for capital account items are generally required to be made in foreign currencies. For instance, foreign investors (including any Hong Kong investors) are required to make any capital contribution to foreign invested enterprises in a foreign currency in accordance with the terms set out in the relevant joint venture contracts and/or articles of association as approved by the relevant authorities. Foreign invested enterprises or relevant PRC parties are also generally required to make capital item payments including proceeds from liquidation, transfer of shares, reduction of capital, interest and principal repayment to foreign investors in a foreign currency. That said, the relevant PRC authorities may grant approval or registration for a foreign entity to make a capital contribution or a shareholder's loan to a foreign invested enterprise with Renminbi lawfully obtained by it outside the PRC and for the foreign invested enterprise to service interest and principal repayment to its foreign investor outside the PRC in Renminbi on a trial basis. The foreign invested enterprise may be required to complete a registration and verification process with the relevant PRC authorities before such Renminbi remittances.

On 7 April 2011, SAFE promulgated the Circular on Issues Concerning the Capital Account Items in connection with Cross-Border Renminbi (國家外匯管理局綜合司關於規範跨境人民幣資本項目業務操作有關問題的通知) (the "**SAFE Circular**"), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use cross-border Renminbi (including offshore Renminbi and onshore Renminbi held in the capital accounts of non-PRC residents) to make a contribution to an onshore enterprise or make payment for the transfer of equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the relevant MOFCOM's prior written consent to the relevant local branches of SAFE of such onshore enterprise and register for a foreign invested enterprise registration or alteration registration. Further, the SAFE Circular clarifies that the foreign debts borrowed, and the external guarantee provided by onshore entities (including financial institutions) in Renminbi shall, in principle, be regulated under the current PRC foreign debt and external guarantee regime.

On 13 October 2011, PBOC promulgated the Measures for Administration of RMB Settlement Business in Relation to Foreign Direct Investment (外商直接投資人民幣結算業務管理辦法) (the "**PBOC Measures**"), pursuant to which, PBOC special approval for Renminbi FDI and shareholder loans which was required by the PBOC Notice concerning Clarification of Certain Issues on Cross-border Renminbi Settlement (中國人民銀行關於明確跨境人民幣業務相關問題的通知) (the "**PBOC Notice**") promulgated on 3 June 2011 is no longer necessary. The PBOC Renminbi FDI Measures provide that, among others, foreign invested enterprises are required to conduct registrations with the local branch of PBOC within ten working days after obtaining the business licences for the purpose of Renminbi settlement. Under the measures, a foreign investor is allowed to open a Renminbi preliminary expense account (人民幣前期費用專用存款賬戶) to reimburse some expenses before the establishment of a foreign invested enterprise and the balance in such an account can be transferred to the Renminbi capital account (人民幣資本金專用存款賬戶) of such foreign invested enterprise when it is established. Commercial banks can remit a foreign investor's Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries out of the PRC after reviewing certain requisite documents. If a foreign investor intends to use its Renminbi proceeds from distribution (dividends or otherwise) by its PRC subsidiaries, the foreign investor may open a Renminbi re-investment account (人民幣再投資專用賬戶) to pool the Renminbi proceeds, and the PRC parties selling stock in domestic enterprises to foreign investors can open Renminbi accounts and receive the purchase price in Renminbi paid by foreign investors. The PBOC Renminbi FDI Measures also state that the foreign debt quota of a foreign invested enterprise constitutes its Renminbi debt and foreign currency debt from its offshore shareholders, offshore affiliates and offshore financial institutions, and a foreign invested enterprise may open a Renminbi account (人民幣一般存款賬戶) to receive its Renminbi proceeds borrowed offshore by submitting the Renminbi loan contract to the commercial bank and make repayments of principal of and interest on such debt in Renminbi by submitting certain documents as required to the commercial bank.

On 14 June 2012, the PBOC promulgated the Notice concerning Clarification of Renminbi Settlement in relation to Foreign Direct Investment (關於明確外商直接投資人民幣結算業務操作細則的通知) (the "**PBOC Notice 2012**"), which provides more detailed requirements with respect to all accounts concerning capital injection, payment of purchase price in the merger and acquisition of PRC domestic enterprises, remittance of dividends and distribution, as well as Renminbi denominated cross-border loans. Foreign investors, foreign enterprises and domestic shareholders must check and clarify all the existing Renminbi accounts and provide supplementary documents to open an account or modify the information within three months after the promulgation of the PBOC Notice 2012. For those who have more than one preliminary expense account (前期費用專用存款賬戶), capital account (資本金專用存款賬戶), merger and acquisition account (併購專用存款賬戶) or equity transfer account (股權轉讓專用存款賬戶), they are required to choose one of them and close all of the other accounts. The funds in the accounts for Renminbi capital and Renminbi denominated cross-border loan (資本金專用存款賬戶及人民幣境外借款一般存款賬戶) shall not be used for investment in securities, financial derivatives, entrusted loans, financial products or properties of non-self use. In addition, the foreign-invested noninvestment enterprises shall not use the funds in the Renminbi capital account and Renminbi denominated cross-border loan account (資本金專用存款賬戶及人民幣境外借款一般存款賬戶) for reinvestment in the PRC.

On 11 May 2013, SAFE promulgated the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China (外國投資者境內直接投資外匯管理規定) (the "**SAFE Provisions**"), which became effective on 13 May 2013. According to the SAFE Provisions, a Foreign invested Enterprise that needs to remit funds abroad due to capital reduction, liquidation, advance recovery of investment, profit distribution, etc. may purchase foreign exchange and make external payment with the relevant bank after going through corresponding registration.

On 3 December 2013, MOFCOM promulgated the Circular on Issues in relation to Cross-border Renminbi Foreign Direct Investment (商務部關於跨境人民幣直接投資有關問題的公告) (the "**MOFCOM Circular**"), which became effective on 1 January 2014, to further facilitate FDI by simplifying and streamlining the applicable regulatory framework. Pursuant to the MOFCOM Circular, the appropriate office of MOFCOM and/or its local counterparts will grant written approval for each FDI and specify "Renminbi Foreign Direct Investment" and the amount of capital contribution in the approval. Unlike previous MOFCOM regulations on FDI, the MOFCOM Circular removes the approval requirement for foreign investors who intend to change the currency of its existing capital contribution from a foreign currency to Renminbi. In addition, the MOFCOM Circular also clearly prohibits the FDI funds from being used for any investment in securities and financial derivatives (except for investment in the PRC listed companies as strategic investors) or for entrustment loans in the PRC.

On 13 February 2015, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》, which became effective on 1 June 2015). This notice further simplifies certain administrative formalities for foreign investment. Among others, verification and approval of foreign exchange registration under domestic direct investment at SAFE is abolished and a parallel foreign exchange registration procedure is delegated to local banks; after such registrations at banks are completed, the foreign-invested entities could open relevant account, exchange funds and remit profit and dividends.

On 9 June 2016, SAFE promulgated the Notice on Reforming and Standardising the Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Notice**"), which became effective on the same date. According to the SAFE Notice, domestic enterprises (including domestic-invested enterprises and foreign-invested enterprises, excluding financial institutions) may all settle their foreign debts at their discretion. In addition, domestic institutions may, at their discretion, settle up to 100% of foreign exchange receipts under capital accounts to which the application of voluntary settlement has been specified by relevant policies (including capitals in foreign currencies, external debts, funds repatriated from overseas listing,

etc.); the foregoing percentage of permitted settlement may be subject to SAFE adjustment according to balance of payments situations. The RMB funds obtained by a domestic institution from the voluntary settlement of its foreign exchange earnings under capital account shall be managed under the "account for foreign exchange settlement pending payment" (結匯待支付賬戶). The Renminbi funds in such account may be used for current account expenditure within the scope of its business as well as for capital account expenditure permitted by laws and regulations, but may not be used for the following purposes: (1) beyond its business scope or expenditure permitted by State laws and regulations; (2) for securities investment or investment and wealth management products other than principal-protected products issued by banks, unless otherwise permitted; (3) for disbursing loans to non-affiliated enterprises, except under circumstances expressly permitted by its business scope; and (4) for constructing or purchasing real estate not for self-use (unless it is a real estate enterprise). The Renminbi funds in the Account for Foreign Exchange Settlement Pending Payment may not be used for purchasing foreign exchange to be transferred back into the foreign exchange account under capital accounts.

NDRC REGISTRATION FOR FOREIGN DEBTS

On 14 September 2015, the NDRC issued the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the "**NDRC Circular**"), which came into effect on the same date. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. The NDRC Circular itself is silent on the legal consequences of non-compliance with the pre-issue registration requirement. Similarly, there is no clarity on the legal consequences of non-compliance with the post-issuance filing requirement under the NDRC Circular. The Issuer has caused the issuance of the Bonds to be registered with NDRC on 23 June 2017, and has undertaken to notify the NDRC of the particulars of the issue of the Bonds within 10 PRC Business Days (as defined in the "Terms and Conditions of the Bonds") after the Issue Date (as defined in the "Terms and Conditions of the Bonds").

CROSS-BORDER SECURITY LAWS

On 12 May 2014, the SAFE promulgated the Notice concerning the Foreign Exchange Administration Rules on Cross-Border Security and the relating implementation guidelines (國家外匯管理局關於發佈《跨境擔保外匯管理規定》的通知) (collectively the "**New Regulations**"). The New Regulations, which come into force on 1 June 2014, replace twelve other regulations regarding cross-border security and introduce a number of significant changes, including: (i) abolishing prior SAFE approval and quota requirements for cross-border security; (ii) requiring SAFE registration for two specific types of cross-border security only; (iii) removing eligibility requirements for providers of cross-border security; (iv) the validity of any cross-border security agreement is no longer subject to SAFE approval, registration, filing, and any other SAFE administrative requirements; (v) removing SAFE verification requirement for performance of cross-border security. A cross-border guarantee is a form of security under the New Regulations. The New Regulations classify cross-border security into three types:

- Nei Bao Wai Dai (內保外貸) ("**NBWD**"): security/guarantee provided by an onshore security provider for a debt owing by an offshore debtor to an offshore creditor.

- Wai Bao Nei Dai (外保內貸) ("**WBND**"): security/guarantee provided by an offshore security provider for a debt owing by an onshore debtor to an onshore creditor.

- Other Types of Cross-border Security (其他形式跨境擔保): any cross-border security/guarantee other than NBWD and WBND.

In respect of NBWD, in the case where the onshore security provider is a non-financial institution, it shall conduct a registration of the relevant security/guarantee with SAFE within 15 working days after its execution (or 15 working days after the date of any change to the security). The funds borrowed offshore shall not be directly or indirectly repatriated to or used onshore by means of loans, equity investments or securities investments without SAFE approval. Upon occurrence of default, the onshore security provider can pay to the offshore creditor directly (by effecting remittance through an onshore bank) where the NBWD has been registered with SAFE. In addition, if any onshore security provider under a NBWD provides any security or guarantee for an offshore bond issuance, the offshore issuer's equity shares must be fully or partially held directly or indirectly by an onshore entity. Moreover, the proceeds from any such offshore bond issuance must be applied towards the offshore project(s), where an onshore entity holds equity interest, and in respect of which the related approval, registration, record, or confirmation have been obtained from or made with the competent authorities subject to PRC Laws.

On 26 January 2017, the SAFE issued the Circular on Further Advancing the Reform of Foreign Exchange Administration and Improving Examination in Respect of Authenticity and Compliance (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (the "**2017 SAFE Circular**"), which came into effect on the same date. According to the 2017 SAFE Circular, the funds borrowed offshore under a NBWD could be repatriated to or used onshore by means of loans, equity investments, etc.

The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deeds. The Guarantor's obligations in respect of the Bonds and the Trust Deeds are contained in the Deeds of Guarantee. The Deeds of Guarantee will be executed by the Guarantor on or before the Issue Date. Under the New Regulations, the Deeds of Guarantee do not require any pre-approval by SAFE and is binding and effective upon execution.

The Guarantor is required to submit each of the Deeds of Guarantee to the local SAFE for registration within 15 working days after their execution. The SAFE registration is merely a post signing registration requirement, which is not a condition to the effectiveness of the Guarantee of the Bonds.

Under the New Regulations, the local SAFE will go through a review of the Guarantor's application for registration. Upon completion of the review, the local SAFE will issue a registration notice or record to the Guarantor to confirm the completion of the registration.

Under the New Regulations:

- non-registration does not render the Guarantee of the Bonds ineffective or invalid under PRC law although SAFE may impose penalties on the Guarantor if submission for registration is not carried out within the stipulated time frame of 15 working days; and

- there may be logistical hurdles at the time of remittance (if any cross-border payment is to be made by the Guarantor under the Guarantee of the Bonds) as domestic banks require evidence of SAFE registration in order to effect such remittance, although this does not affect the validity of the Guarantee of the Bonds.

The Terms and Conditions of the Bonds provide that the Guarantor will register, or cause to be registered, the Deeds of Guarantee with SAFE in accordance with, and within the time period prescribed by, the New Regulations and use its best endeavours to complete the registration and obtain a registration record from SAFE on or before the date following 120 Registration Business Days after the Issue Date (the "**Bonds Registration Deadline**"). If the Guarantor fails to complete the SAFE registration and deliver the registration records to the Trustee before the Bonds Registration Deadline, the Bonds will be redeemable by the Issuer at their principal amount together with accrued and unpaid interest (see Condition 6(e) of the "Terms and Conditions of the Bonds").

TAXATION

The following summary of certain Hong Kong, PRC and European Union tax consequences of the purchase, ownership and disposition of the Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Neither these statements nor any other statements in this Offering Circular are to be regarded as advice on the tax position of any particular holder of the Bonds or persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of the Hong Kong, PRC and European Union and their country of citizenship, residence or domicile.

Hong Kong

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any gains arising from the sale of the Bonds.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**Inland Revenue Ordinance**") as it is currently applied, interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(a) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a company carrying on a trade, profession or business in Hong Kong; or

(c) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person other than a company (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Bonds will be subject to profits tax.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

PRC

The following summary describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for the PRC tax purposes. These beneficial owners are referred to as non-PRC holders of the Bonds in this "PRC Taxation" section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the Enterprise Income Tax Law of the PRC (the "**EIT Law**") effective on 1 January 2008 and its implementation regulations, enterprise that are established under laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) but whose "de facto management bodies" are within the territory of the PRC are treated as PRC tax resident enterprises for the purpose of the EIT Law and must pay enterprise income tax at the rate of 25% in respect of their worldwide income. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the territory of the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to enterprise income tax at the rate of 25% for its income sourced from both within and outside PRC.

As confirmed by the Issuer, as at the date of this Offering Circular, the Issuer has not been notified or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law. On that basis, holders of the Bonds should not be subject to withholding tax, income tax or any other taxes or duties (including stamp duty) imposed by any governmental authority in the PRC in respect of payments of interest by the Issuer or any gain received on the sale of the Bonds.

However, there is no assurance that the Issuer will not be treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without establishment within the PRC or whose income has no actual connection to its establishment inside the PRC must pay enterprise income tax on PRC source income and such income tax must be withheld by the PRC payer at source. Pursuant to the Individual Income Tax Law of the PRC (the "**IIT Law**") effective on 1 September 2011 and relevant implementations, any individual who has no domicile and does not stay within the territory of China or who has no domicile but has stayed within the territory of China for less than one year must pay individual income tax for any income obtained from sources within the territory of China.

Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-PRC holder of the Bonds and gain from the disposition of the Bonds may be subject to PRC tax if such income or gain is treated as PRC source. The tax rate is generally 10% for non-PRC enterprise holders of the Bonds and 20% in the case of non-PRC individual holders of the Bonds, subject to the provisions of any applicable tax treaty. If the Issuer is treated as a PRC resident enterprise, it may also be required to withhold value-added tax on payments of interest at the rate of 6% plus local levies.

In addition, as the Guarantor is a PRC enterprise, if any payments are made by the Guarantor under the Guarantee of the Bonds, the Guarantor must withhold PRC income tax on payments of interest with respect to the Bonds to non-PRC enterprise holders of the Bonds generally at the rate of 10% (and at a rate of 20% in the case of payments to non-PRC individual holders of the Bonds), and may be required to withhold value-added tax on payments of interest at the rate of 6% plus local levies, subject to the provisions of any applicable tax treaty.

Subject to certain exceptions, the Issuer and the Guarantor have agreed to pay additional amounts to non-PRC resident holders of the Bonds so that holders of the Bonds would receive the full amount of the scheduled payment, as further set out in the Terms and Conditions.

No PRC stamp duty will be imposed on non-resident holders of the Bonds either upon issuance of the Bonds or upon a subsequent transfer of Bonds.

European Union

The Proposed Financial Transactions Tax (the "FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances. The issuance and subscription of Bonds should, however, be exempt.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with BNP Paribas, BOCI Asia Limited, China CITIC Bank International Limited, Credit Suisse (Hong Kong) Limited, The Hongkong and Shanghai Banking Corporation Limited, Morgan Stanley & Co. International plc, Crédit Agricole Corporate and Investment Bank, Natixis, Coöperatieve Rabobank U.A., Hong Kong Branch, Shanghai Pudong Development Bank Co., Ltd. Hong Kong Branch, UniCredit Bank AG, China Industrial Securities International Brokerage Limited and Industrial Bank Co., Ltd. Hong Kong Branch as the Joint Lead Managers dated 12 July 2017 (the "**Subscription Agreement**"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to each Joint Lead Manager, and each Joint Lead Manager has agreed, severally but not jointly, to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds indicated in the following table:

Managers	**Principal amount of the 2020 Bonds to be subscribed**	**Principal amount of the 2022 Bonds to be subscribed**	**Principal amount of the 2027 Bonds to be subscribed**
	(U.S. Dollar)	**(U.S. Dollar)**	**(U.S. Dollar)**
BNP Paribas	60,000,000	180,000,000	120,000,000
BOCI Asia Limited	60,000,000	180,000,000	120,000,000
China CITIC Bank International Limited	60,000,000	180,000,000	120,000,000
Credit Suisse (Hong Kong) Limited	60,000,000	180,000,000	120,000,000
The Hongkong and Shanghai Banking Corporation Limited	60,000,000	180,000,000	120,000,000
Morgan Stanley & Co. International plc	60,000,000	180,000,000	120,000,000
Crédit Agricole Corporate and Investment Bank	20,000,000	60,000,000	40,000,000
Natixis	20,000,000	60,000,000	40,000,000
Coöperatieve Rabobank U.A., Hong Kong Branch	20,000,000	60,000,000	40,000,000
Shanghai Pudong Development Bank Co., Ltd. Hong Kong Branch	20,000,000	60,000,000	40,000,000
UniCredit Bank AG	20,000,000	60,000,000	40,000,000
China Industrial Securities International Brokerage Limited	20,000,000	60,000,000	40,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	20,000,000	60,000,000	40,000,000
Total	500,000,000	1,500,000,000	1,000,000,000

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Joint Lead Managers and their respective affiliates against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Issuer and the Guarantor have agreed that, for a period of 30 days from the date on which the Bonds are issued, neither the Issuer, the Guarantor nor any person acting on its or their behalf will, without the prior written consent of the Joint Lead Managers, issue, sell, offer, agree to sell, grant any option for the sale of, or otherwise dispose of, any other debt securities of the Issuer, the Guarantor or any of their respective subsidiaries or securities of the Issuer, the Guarantor or any of their respective subsidiaries outside of the PRC that are convertible into, or exchangeable for, the Bonds or such other debt securities.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services and/or Transactions**"). The Joint Lead Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services and/or Transactions with the Issuer and the Guarantor for which they have received, or will receive, fees and expenses. Certain of the Joint Lead Managers are currently lenders under a loan facility of the Issuer, certain amount under which may be repaid with the proceeds of the Offering. The Joint Lead Managers may offer and sell the Bonds to or through any of their respective affiliates and any such affiliate may offer and sell the Bonds purchased by it to or through the Joint Lead Managers. The Joint Lead Managers or any of their respective affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes and not with a view to distribution.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor, may place orders, receive allocations and purchase Bonds for their own account (without a view to distributing such Bonds). Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the Offering. Accordingly, references herein to the Bonds being "offered" should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer or the Guarantor for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds and an active trading market for the Bonds may not develop. See "Risk Factors – Risks Relating to the Bonds and the Guarantee of the Bonds – A trading market for the Bonds may not develop, and there are restrictions on resales of the Bonds". The Issuer, the Guarantor and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Bonds. The Joint Lead Managers or certain of their respective affiliates that have a lending relationship with the Issuer and/or the Guarantor routinely hedge their credit exposure to the Issuer and/or the Guarantor consistent with their customary risk management policies. Typically, such Joint Lead Managers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's and/or the Guarantor's securities, including potentially the Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby.

In connection with the issue of the Bonds, The Hong Kong and Shanghai Banking Corporation Limited (the "**Stabilising Manager**") or any person acting on behalf of the Stabilising Manager may, to the extent permitted by applicable laws and directives, over-allot the Bonds or effect transactions with a view to supporting the price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager or any person acting on behalf of the Stabilising Manager shall act as principal and not as agent of the Issuer or the Guarantor. However, there is no assurance that the Stabilising Manager or any person acting on behalf of the Stabilising Manager will undertake stabilisation action. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of

the Joint Lead Managers. Each of the Issuer and the Guarantor authorises the Stabilising Manager to make adequate public disclosure of information, and to act as the central point responsible for handling any request from a competent authority, in each case as required by Article 6(5) of Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016 with regard to regulatory technical standards for the conditions applicable to buy-back programmes and stabilisation measures.

General

None of the Issuer, the Guarantor or any Joint Lead Manager makes any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or the Issuer or the Guarantor that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular (in preliminary, proof or final form) or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager will severally and not jointly comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes this Offering Circular (in preliminary, proof or final form) or any such other material, in all cases at its own expense. It will also ensure that no obligations are imposed on the Issuer, the Guarantor or any other Joint Lead Managers in any such jurisdiction as a result of any of the foregoing actions. Each Joint Lead Manager will obtain, and none of the Issuer, the Guarantor and the other Joint Lead Managers will have responsibility for obtaining, any consent, approval or permission required by such Joint Lead Manager for its acquisition, offer, sale or delivery of Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. No Joint Lead Manager is authorised to make any representation or use any information in connection with the issue, subscription and sale of the Bonds other than as contained in, or which is consistent with, this Offering Circular (in final form) or any amendment or supplement to it.

United States

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Each Joint Lead Manager has represented and warranted that it has not offered or sold, and has agreed that it will not offer or sell, any of the Bonds constituting part of its allotment except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, neither it, its affiliates, nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Bonds. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Joint Lead Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Offering Circular to the public in that Relevant Member State other than:

(1) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(2) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Joint Lead Managers nominated by the Issuer for any such offer; or

(3) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds shall require the Issuer, the Guarantor or any Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

(1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(2) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Italy

Until the offer of the Bonds has been registered pursuant to Italian securities legislation, no Bonds may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Bonds be distributed in the Republic of Italy, except:

(a) to "qualified investors", as defined pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended ("**Decree No. 58**") and Article 34-ter, paragraph 1, letter b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**"); or

(b) in other circumstances which are exempted from the rules on offerings of securities to the public pursuant to Article 100 of Decree No. 58 and Article 34-ter, paragraph 1, of Regulation No. 11971.

Any offer, sale or delivery of the Bonds or distribution of copies of the Base Prospectus or any other document relating to the Bonds in the Republic of Italy under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Legislative Decree No. 385 of 1 September 1993, as amended (the "**Consolidated Banking Act**"), Decree No. 58 and CONSOB Regulation No. 16190 of 29 October 2007, as amended;

(ii) in compliance with Article 129 of the Consolidated Banking Act, as amended, and the implementing guidelines of the Bank of Italy which have been issued on the 25th of August 2015 and have come into force from the 1st of October 2016, as amended from time to time, pursuant to which the Bank of Italy requests periodic information on the issue or the offer of securities in the Republic of Italy to be provided by uploading such information on the Infostat platform of the Bank of Italy; and

(iii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authorities.

Please note that in accordance with Article 100-bis of Decree No. 58, concerning the circulation of financial products, where no exemption from the rules on offerings of securities to the public applies under (a) and (b) above, the subsequent distribution of the Bonds on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under Decree No. 58 and Regulation No. 11971. Furthermore, Article 100-bis of Decree No. 58 affects the transferability of the Bonds in the Republic of Italy to the extent that any placing of the Bonds is made solely with qualified investors and the Bonds are then systematically resold to non-qualified investors on the secondary market at any time in the 12 months following such placing. Where this occurs, if a prospectus has not been published, purchasers of the Bonds who are acting outside of the course of their business or profession may be entitled to have such purchase declared null and void and to claim damages from any authorised intermediary at whose premises the Bonds were purchased, unless an exemption provided for by Decree No. 58 applies.

Spain

Neither this Offering Memorandum nor any separate prospectus (folleto informativo) has been or will be registered with the Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores) and therefore the Bonds may not be offered or sold or distributed in Spain except in circumstances which do not qualify as a public offer of the Bonds in Spain in accordance with article 35 of the consolidated text of the Spanish Securities Market Act (texto refundido de la Ley del Mercado de Valores aprobado mediante el Real Decreto Legislativo 4/2015 de 23 de octubre) as amended and restated, or if an exemption from registration is available in accordance with article 41 of the Royal Decree 1310/2005 (Real Decreto 1310/2005, de 4 de noviembre, por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos), as amended, and their respective implementing regulations.

France

This Offering Memorandum has not been prepared and is not being distributed in the context of a public offering of securities in France (offre au public de titres financiers) within the meaning of Article L. 411-1 of the French Monetary and Financial Code (Code monétaire et financier) and, therefore, this Offering Memorandum or any other offering materials relating to the Bonds have not been and will not be filed with the French Autorité des marchés financiers (the "**AMF**") for prior approval or submitted for clearance to the AMF and, more generally no prospectus (including any amendment, supplement or replacement thereto) has been prepared in connection with the offering of the Bonds that has been approved by the AMF or by the competent authority of another Member State of the European Economic Area and notified to the AMF and to the Issuer.

The Dealers: (i) have not offered or sold and will not offer or sell, directly or indirectly, any Bonds to the public in France; (ii) have not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Offering Memorandum or any other offering materials relating to the Bonds; and (iii) confirm that such offers, sales and distributions have been and will only be made in France to persons licensed to provide the investment service of portfolio management for the account of third parties (personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers), or qualified investors (investisseurs qualifiés) acting for their own account, all as defined in, and in accordance with, Articles L. 411-2 and D. 411-1 of the French Monetary and Financial Code (Code monétaire et financier) and applicable regulations thereunder. The direct or indirect distribution to the public in France of any Bonds so acquired may be made only in accordance with the provisions of Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Monetary and Financial Code (Code monétaire et financier) and applicable regulations thereunder.

Denmark

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not offered or sold and will not offer, sell or deliver any Bonds directly or indirectly in Denmark by way of a public offering, unless in compliance with the Danish Consolidated Act No. 1229 of 7 September 2016 on Trading in Bond, as amended, and any Executive Orders issued thereunder and in compliance with Executive Order 623 of 24 April 2015 to the Danish Financial Business Act.

The Netherlands

The Bonds are not and may not be offered in the Netherlands other than to persons or entities which are qualified investors (gekwalificeerde beleggers) within the meaning of Section 1:1 of the Dutch Financial Supervision Act (Wet op het financieel toezicht) (which implements the definition of "qualified investors" in the Prospectus Directive (Directive 2003/71/EC)).

The People's Republic of China

Each Joint Lead Manager has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

Hong Kong

Each Joint Lead Manager has represented and agreed that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of Hong Kong) and any rules made under that Ordinance.

Singapore

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased in reliance on an exemption under Sections 274 or 275 of the SFA, the Bonds shall not be sold within the period of six months from the date of the initial acquisition of the Bonds, except to any of the following persons:

(a) an institutional investor (as defined in Section 4A of the SFA);

(b) a relevant person (as defined in Section 275(2) of the SFA); or

(c) any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore (the "**SFR**").

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA, except:

(1) to an institutional investor under Section 274 of the SFA or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(2) where no consideration is or will be given for the transfer;

(3) where the transfer is by operation of law;

(4) as specified in Section 276(7) of the SFA; or

(5) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the Financial Instruments and Exchange Act and other relevant laws, regulations and ministered guidelines of Japan.

RATINGS

The Bonds are expected to be assigned a rating of "BBB" by S&P and "A-" by Fitch. The Guarantor is rated "BBB" with stable outlook by S&P and "A-" with stable outlook by Fitch. The sovereign rating of the PRC is AA with negative outlook by S&P and A+ with stable outlook by Fitch. The credit ratings accorded the Bonds are not a recommendation to purchase, hold or sell the Bonds inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgement, circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Bonds will be passed upon for us by Jingtian & Gongcheng as to matters of PRC law, and by Latham & Watkins as to matters of English law and Hong Kong law. Certain legal matters will be passed upon for the Joint Lead Managers by Davis Polk & Wardwell as to matters of English law and by Commerce & Finance Law Offices as to matters of PRC law.

INDEPENDENT AUDITORS

The consolidated statements of financial position of China National Chemical Corporation and its subsidiaries as at 31 December 2014, 2015 and 2016, and the consolidated statements of comprehensive income of China National Chemical Corporation and its subsidiaries for each of the years ended 31 December 2014, 2015 and 2016 included in this Offering Circular have been audited by Ruihua Certified Public Accountants (a member of Beijing Institute of Certified Public Accountants and a member of NAFMII), the independent auditor, as stated in its reports incorporated by reference herein and in our annual reports for the years ended 31 December 2014, 2015 and 2016.

GENERAL INFORMATION

(1) **General Information of the Guarantor**: The Guarantor was incorporated in the PRC on 1 May 2004 with registered number 100000000038808 under the laws of the PRC. The registered office of the Guarantor is at No. 62 Beisihuanxilu, Haidian District, Beijing, the PRC 100080. The business address of the Guarantor's directors is No. 62 Beisihuanxilu, Haidian District, Beijing, the PRC 100080. There are no potential conflicts of interest between any duties of the Guarantor's members of the General Managers' Meeting owed to the Guarantor and their private interests and/or other duties.

(2) **Clearing Systems and Settlement**: The Bonds have been accepted for clearance through Euroclear and Clearstream. The ISIN and the Common Code for the 2020 Bonds are XS1644428614 and 164442861, respectively, the ISIN and the Common Code for the 2022 Bonds are XS1644429695 and 164442969, respectively, and the ISIN and the Common Code for the 2027 Bonds are XS1644429935 and 164442993, respectively.

(3) **Authorisations**: The Issuer and the Guarantor have obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds and the provision of the Guarantee of the Bonds (as the case may be). The issue of the Bonds was authorised by resolutions of the Board of Directors of the Issuer passed on 3 July 2017. The Guarantee of the Bonds was authorised by resolutions of the General Managers' Meeting of the Guarantor (as supplemented).

(4) **No Material Adverse Change**: Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Guarantor or material adverse change in the prospects of the Guarantor since 31 December 2016, and there has been no significant change in the financial or trading position of the Issuer or material adverse change in the prospects of the Issuer since the date of its incorporation.

(5) **Litigation**: Except as disclosed in this Offering Circular, none of the Issuer or the Group has been engaged in or, so we are aware, has pending or threatened, any governmental, legal or arbitration proceedings which may have, or have had, a significant effect on the Issuer's financial position or profitability since the date of its incorporation, or on the Group's financial position or profitability since 31 December 2016.

(6) **Available Documents**: Copies of the Guarantor's Articles of Association, the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2015 and 2016, the Trust Deeds, the Agency Agreements, the Deeds of Guarantee will be available for inspection from the Issue Date at the specified office of the Issuer at 62 Beisihuanxilu, Haidian District, Beijing 100080, the PRC, and upon prior written request at the specified office of the Principal Paying Agent (subject to the Principal Paying Agent having been provided with the same by the Issuer or the Guarantor) during normal business hours, so long as any Security is outstanding.

(7) **Audited Financial Statements**: The original Chinese version of the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2015 and 2016 have been audited by Ruihua Certified Public Accountants, who is a member of Beijing Institute of Certified Public Accountants and a member of NAFMII, in accordance with PRC GAAP. Such original Chinese version is incorporated by reference in this Offering Circular. The English translation of such audited consolidated financial statements is included elsewhere in this Offering Circular.

(8) **Reliance by the Trustee**: The Trustee may rely without liability to the holders of the Bonds on any certificate signed by the authorised signatory of the Issuer and on, among other things, a certificate or report prepared by an internationally recognised firm of accountants pursuant to the Trust Deeds, whether or not addressed to the Trustee and whether or not the internationally recognised firm of accountants' liability in respect thereof is limited by a monetary cap or otherwise limited or excluded, and shall be obliged to do so where the Terms and Conditions of the Bonds, the Trust Deeds of the Bonds so provides. If the Trustee relies on any such certificate or report, such certificate or report shall be conclusive and binding on the holders of the Bonds, the Issuer and the Guarantor.

(9) **Listing of Bonds**: Approval in-principle has been received from the SGX-ST for the listing and quotation of the 2020 Bonds, the 2022 Bonds and the 2027 Bonds on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Circular. Approval-in-principle for the listing and quotation of the Bonds on the SGX-ST is not to be taken as an indication of the merits of the Issuer, its subsidiaries, its associated companies (if any) or the Bonds. The Bonds will be traded on the SGX-ST in a minimum board lot size of US$200,000 for so long as such Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

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1 Investors should note that the consolidated financial statements of the Group attached to this Offering Circular were an English translation only. The original Chinese version of all such consolidated financial statements has been incorporated by reference. See "Presentation of Financial Information."

China National Chemical Corporation

Consolidated Financial Statements and Independent Auditors' Report

Ruihua Audit [2017] NO.02160118

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瑞华会计师事务所
RUIHUA CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

RuiHua Audit [2017] NO.02160118

To: China National Chemical Corporation

We have audited the accompanying financial statements of China National Chemical Corporation (hereinafter as the "Group"), which comprise the consolidated Balance Sheet as at December 31, 2016, the consolidated Income statement, consolidated cash flow statement and consolidated statement of changes in owners' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

I. Management's responsibility for the financial statements

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

II. Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

III. Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of China National Chemical Corporation and its subsidiaries as at 31 December, 2016, and of its consolidated financial performance and its consolidated cash flows for the year ended in accordance with Accounting Standards for Business Enterprises.

RuiHua Certified Public Accountants

Beijing, China

19 April 2017

Consolidated Statement of Financial Position

As at 31 December 2016

Prepared by：CHINA NATIONAL CHEMICAL CORPORATION **Currency: RMB YUAN**

Items	Notes	31 Dec 2016	31 Dec 2015
Current Assets：			
Cash and Cash equivalents	VIII.1	48,507,376,036.86	38,902,900,401.08
Finanical assets at fair value through profit or loss	VIII.2	841,096,311.07	942,552,977.13
Derivatives finanical assets	VIII.3	423,892,433.73	481,998,829.25
Notes receivable	VIII.4	4,155,013,327.50	3,138,300,946.57
Accounts receivable	VIII.5	28,584,552,890.01	28,844,037,099.14
Advances to suppliers	VIII.6	6,462,987,522.86	8,878,870,721.25
Interests receivable	VIII.7	533,782,674.17	527,468,051.64
Dividends receivable	VIII.8	173,804,186.80	22,228,573.60
Other receivables	VIII.9	22,709,352,748.38	24,918,924,212.02
Inventories	VIII.10	41,313,751,782.06	46,473,953,085.12
Including：Row material	VIII.10	12,904,108,068.82	12,677,241,736.90
Stock on hand(Finished goods)	VIII.10	19,789,646,986.71	22,834,792,763.52
Designated to held-for-sale assets	VIII.11	114,789,109.69	311,612,397.78
Non-current assets due wihtin 1 year	VIII.12	3,573,217.12	490,411,118.83
Other current assets	VIII.13	10,806,613,348.03	9,821,770,045.88
Total current assets		164,630,585,588.28	163,755,028,459.29
Non-current assets:			
Finanical assets available for sale	VIII.14	2,853,980,611.09	3,854,256,348.02
Held-to-maturity securities	VIII.15		50,000,000.00
Long-term receivables	VIII.16	4,443,491,953.05	12,821,458,911.97
Long-term equity investment	VIII.17	11,440,073,898.80	2,509,692,068.50
Investment property	VIII.18	541,943,065.20	460,995,586.55
Fixed asstes at original cost	VIII.19	146,102,545,011.35	171,181,703,945.16
Less：Accumulated Depreciation	VIII.19	49,382,412,013.50	69,339,361,127.72
Net fixed assets	VIII.19	96,720,132,997.85	101,842,342,817.44
Less:Provision for impairment of fixed assets	VIII.19	3,856,430,265.55	3,360,510,198.16
Net book value of fixed assets	VIII.19	92,863,702,732.30	98,481,832,619.28
Construction in progress	VIII.20	8,269,496,548.01	16,150,452,774.41
Engineering material	VIII.21	191,974,201.57	319,897,480.84
Disposal of fixed assets	VIII.22	8,599,663.67	123,821,134.57
Intangible assets	VIII.23	58,395,565,102.37	31,969,540,279.17
Development expenditure	VIII.24	329,039,540.48	343,296,471.89
Goodwill	VIII.25	27,212,881,338.19	35,173,480,576.44
Long-term deferred expenses	VIII.26	457,334,045.71	506,808,704.24
Deffered tax assets	VIII.27	2,772,206,585.82	2,640,602,868.98
Other non-current assets	VIII.28	3,231,003,724.64	3,516,626,415.04
Total non-current assets		213,011,293,010.90	208,922,762,239.90
Total assets		377,641,878,599.18	372,677,790,699.19

Consolidated Statement of Financial Position(Cont.)

As at 31 December 2016

Prepared by：CHINA NATIONAL CHEMICAL CORPORATION **Currency: RMB YUAN**

Items	Notes	31 Dec 2015	31 Dec 2014
Current liabilities：			
Short-term loans	VIII.29	49,785,792,795.18	95,953,586,355.09
Finanical liabilities at fair value through profit or loss	VIII.30	747,718,419.00	771,283,833.60
Derivatives finanical liabilities	VIII.31	647,947,293.81	853,495,308.14
Notes payable	VIII.32	5,277,799,897.25	13,575,612,803.23
Accounts payable	VIII.33	34,223,101,092.09	28,561,534,454.36
Advances from customers	VIII.34	6,289,155,938.17	4,389,786,967.69
Employee Remueration payale	VIII.35	4,990,802,577.95	4,498,967,693.11
Including：Salary payable	VIII.35	2,740,696,376.86	2,346,246,501.59
Welfare payable	VIII.35	331,112,684.84	219,903,454.96
Including：Bonus and welfare funds for staff and workers			
Taxes and surcharges payable	VIII.36	3,638,004,226.45	3,508,949,365.89
Including：Surcharges payable		3,508,366,144.15	3,381,749,496.37
Interests payable	VIII.37	1,129,191,834.08	1,119,492,145.48
Dividends payable	VIII.38	77,012,949.34	62,671,908.85
Other payables	VIII.39	8,459,550,452.41	18,042,322,338.14
Non-current liabilities due within 1 year	VIII.40	17,351,017,221.66	27,576,342,715.07
Other current liabilities	VIII.41	6,673,491,924.34	6,834,081,541.87
Total current liabilities		139,290,586,621.73	205,748,127,430.52
Non-current liabilities：			
Long-term loans	VIII.42	91,339,876,409.50	49,819,968,452.01
Bond payabe	VIII.43	47,425,612,121.05	30,594,290,337.92
Long-term payables	VIII.44	2,530,155,568.02	4,190,789,973.93
Long-term Employee Remuneration payable	VIII.45	5,277,256,320.46	3,982,722,753.00
Special fund payable	VIII.46	360,476,641.39	871,497,736.38
Projected Liabilities	VIII.47	2,634,211,057.61	1,872,630,768.91
Deferred income	VIII.48	2,176,163,020.94	2,149,129,092.32
Deffered tax liabilities	VIII.27	13,548,147,609.50	2,657,229,726.65
Other non-current liabilities	VIII.49	1,215,447,088.78	1,180,609,048.66
Including:Special reserve material			
Total non-current liabilities		166,507,345,837.25	97,318,867,889.78
Total liabilities		305,797,932,458.98	303,066,995,320.30
Owners'Equity(Or Shareholder's Equity)：			
Paid-in Capital (Capital stock)	VIII.50	11,580,025,968.24	11,080,025,968.24
State-owned capital	VIII.50	11,580,025,968.24	11,080,025,968.24
Including:State-owned legal person capital	VIII.50	11,580,025,968.24	11,080,025,968.24
Collective capital			
Private capital			
Including： Individual capital			
Foreign capital			
Less:Cpaital return			
Net capital	VIII.50	11,580,025,968.24	11,080,025,968.24
Other equity instruments	VIII.51	10,500,000,000.00	8,000,000,000.00
Including：Preference share			
Perpetual Bond	VIII.51	10,500,000,000.00	8,000,000,000.00
Capital reserves	VIII.52	19,011,730,832.88	23,910,875,777.00
Less:Treasury stock			
Other Comprehensive Income	VIII.63	-3,897,640,669.43	-5,051,955,300.30
Including: Difference from foreign currency financial statements Translation	VIII.63	-3,933,208,263.43	-4,963,014,298.60
Special reserves	VIII.53	76,472,166.89	111,776,451.19
Suplus reserves			
Including:Statutory surplus reserve			
Discretionary surplus reserve			
General risk reserve			
Retained earnings	VIII.54	-13,209,402,192.70	-12,874,839,464.67
Total owner's equity attributable to parent company		24,061,186,105.88	25,175,883,431.46
Non-controlling interests		47,782,760,034.32	44,434,911,947.43
Total owner's equity		71,843,946,140.20	69,610,795,378.89
Total liabilities and owner's equity		377,641,878,599.18	372,677,790,699.19

Corporate Representative： **Chief Accountant：** **Accounting Supervisor：**

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

Prepared by：CHINA NATIONAL CHEMICAL CORPORATION **Currency: RMB YUAN**

Items	Notes	Year 2016	Year 2015
Ⅰ、Total operating income		300,127,176,400.62	260,304,359,162.92
Including：Operating income	VIII.55	300,127,176,400.62	260,304,359,162.92
Interest Income			
Ⅱ、Total operating costs		303,363,761,832.60	260,873,133,258.24
Including：Operating cost	VIII.55	249,495,632,455.17	222,253,206,703.56
Operating tax and surcharges		2,014,239,307.54	1,590,714,512.49
Sale expenses	VIII.56	16,160,636,244.39	10,169,252,282.21
General and administrative expenses	VIII.56	18,419,834,991.42	12,433,322,436.42
Including: Research and development expenses	VIII.56	3,456,292,073.31	2,213,376,104.55
Finanical expenses	VIII.56	13,334,300,265.43	11,018,710,909.47
Including：Interest expense	VIII.56	11,886,190,560.28	10,254,195,812.81
Interest income	VIII.56	2,849,626,418.85	2,187,972,646.60
Foreign exchange loss（"-"for Gain）	VIII.56	786,117,999.81	1,560,292,769.45
Impairment loss on assets	VIII.57	3,939,118,568.65	3,407,926,414.09
Add：Gain from changes of fair value（"-"for Loss）	VIII.58	110,573,344.00	523,847,878.61
Investment income（"-"for Loss）	VIII.59	5,929,094,067.81	1,465,555,810.16
Including: Investment income of associate and Joint venture	VIII.59	3,473,353.85	-196,639,520.08
Foreign exchange Gain（"-"for Loss）			
Ⅲ、Operating profit ("-"for Loss)		2,803,081,979.83	1,420,629,593.45
Add：Non-operating income	VIII.60	3,442,443,505.94	2,281,680,301.79
Including:Gain from disposing non-current assets	VIII.60	822,976,374.67	1,083,124,649.91
Gain from non-monetary swap			
Government Grants	VIII.60	969,593,858.92	847,154,254.38
Gain from debt restructuring	VIII.60	41,726,897.16	6,941,881.06
Less：Non-operating expenses	VIII.61	1,091,559,417.79	700,944,845.27
Including: Loss from disposing non-current assets	VIII.61	331,743,369.19	263,559,505.63
Loss from non-monetary transactions			
Loss from debt debt restructuring	VIII.61	206,615,215.59	3,716,133.20
Ⅳ、Total pofit ("-" for Loss)		5,153,966,067.98	3,001,365,049.97
Less：Income taxes	VIII.62	2,611,472,314.76	3,064,543,877.68
Ⅴ、Net profit ("-" for Loss)		2,542,493,753.22	-63,178,827.71
Net profit attributable to owners of parent company		119,084,771.97	-974,735,411.86
Gains/Losses attributable to minority shareholders		2,423,408,981.25	911,556,584.15
Ⅵ、 Other comprehensive income after tax net value	VIII.63	1,283,121,503.14	-1,892,629,674.15
Other comprehensive income that can not be reclassified to P/L	VIII.63	-385,310,735.18	-23,003,964.68
Incl: 1、Movement of remeasurement net liabilities and net assets of defined benefit plan	VIII.63	-385,310,735.18	-23,225,305.07
2、Share of the other comprehensive income in investee that cannot be reclassified into P/L with using equity method	VIII.63		221,340.39
Other comprehensive income will be reclassified into P/L subsequently	VIII.63	1,668,432,238.32	-1,869,625,709.47
Inc：1、Share of the other comprehensive income in investee that will be reclassified into P/L subsequently with using equity method	VIII.63	23,466,537.63	-46,387,072.67
2、Gain/loss from changes in fair value of financial assets available for sale	VIII.63	-53,076,674.02	127,532,175.44
3、Gain/loss from held-to-maturity reclassified into financial assets available for sale			
4、Effective portion of P/L of cash flow hedging	VIII.63	532,356,625.79	-580,490,385.45
5、Difference of translation of foreign financial statement	VIII.63	1,165,685,748.92	-1,370,280,426.79
Ⅶ、Total comprehensive income		3,825,615,256.36	-1,955,808,501.86
Comprehensive income attributable to owners of parent company		1,297,497,930.45	-1,960,782,769.15
Comprehensive income attrrinbutabel to minority sharesheolds		2,528,117,325.91	4,974,267.29
Ⅷ、Earnings per share：			
Basic EPS			
Diluted EPS			

Corporate Representative： **Chief Accountant：** **Accounting Supervisor：**

Consolidated Statement of Cash Flow

For the year ended 31 December 2016

Prepared by: CHINA NATIONAL CHEMICAL CORPORATION **Currency: RMB YUAN**

Items	Notes	Year 2016	Year 2015
I、Cash flows from operating activities:			
Cash flows from sales of goods or rendering of services		310,352,067,389.13	269,214,140,509.83
Refund of taxes		852,382,774.93	763,342,785.10
Cash received relating to other operating activities		13,927,322,064.00	14,657,599,463.88
Subtotal of cash inflows from operating activities		325,131,772,228.06	284,635,082,758.81
Cash paid for goods and services		237,962,574,832.72	229,293,690,089.99
Cash paid to and for the employees		23,544,668,966.74	15,168,976,379.64
Cash paid for all types of taxes		10,050,050,820.73	8,002,423,812.15
Cash paid relating to other operating activities		25,059,983,048.46	9,849,475,563.46
Subtotal of cash outflows from operating activities		296,617,277,668.65	262,314,565,845.24
Net cash flows from operating activities	VIII.68	28,514,494,559.41	22,320,516,913.57
II、Cash flows from investing activities:			
Cash received from disposal of investments		2,070,453,305.35	1,733,946,965.89
Cash received from investment income		1,760,685,979.04	655,911,374.26
Net cash receiced from disposal of fixed assets,intangible assets and other long-term assets		1,214,443,459.12	781,660,645.82
Net cash receiced from disposal of subsidiaries and other operating units		2,312,695,746.16	1,381,305,385.41
Cash received relating to other investing activities		5,121,140,024.89	587,347,832.02
Subtotal of cash inflows from investing activities		12,479,418,514.56	5,140,172,203.40
Cash paid for acquisition of fixed assets,intangible assets and other long-term assets		10,156,648,496.33	9,584,848,302.42
Cash paid for acquisition of investments		7,613,554,138.19	4,892,048,867.44
Net cash paid for acquisition of subsidiaries and other operating units		5,579,403,194.75	47,962,518,143.38
Cash paid relating to other investing activities		6,116,966,123.25	4,019,222,217.00
Subtotal of cash outflows from investing activities		29,466,571,952.52	66,458,637,530.24
Net cash flows from investing activities		-16,987,153,437.96	-61,318,465,326.84
III、Cash flows from financing activities			
Cash received from absorbing investments		12,825,137,632.78	21,313,520,704.35
Including:Cash received from subsidiary company absorbing minority investment		3,743,984,460.53	15,533,520,704.35
Cash received from borrowings		110,260,426,973.96	183,767,031,209.25
Cash received from issuing bonds		16,834,340,000.00	
Cash received relating to other financing activities		7,516,399,623.36	16,023,189,409.51
Subtotal of cash inflows from investing activities		147,436,304,230.10	221,103,741,323.11
Cash paid for settlement of debts		122,580,813,791.04	130,672,777,070.61
Cash paid for distribution of dividends, or profit and repayment of interest		14,953,722,511.88	10,214,523,120.50
Including：dividends or profit paid by subsidiaries to minority shareholders		55,039,573.68	485,775,477.58
Cash paid relating to other financing activities		5,627,322,189.58	24,307,171,232.03
Subtotal of cash outflows from financing activities		143,161,858,492.50	165,194,471,423.14
Net cash flows from financing activities		4,274,445,737.60	55,909,269,899.97
IV、Effect of changes in foreign exchange rate on cash and cash equivalents		101,883,028.46	-251,314,281.10
V、Net increase in cash and cash equivalents	VIII.68	15,903,669,887.51	16,660,007,205.60
Add:Cash and cash equivalents brought forward	VIII.68	29,040,940,001.46	12,380,932,795.86
VI、Cash and cash equivalents carried forward	VIII.68	44,944,609,888.97	29,040,940,001.46

Corporate Representative： **Chief Accountant：** **Accounting Supervisor：**

Consolidated Statement Of Changes In Owner's Equity

For the year ended 31 December 2016

Prepared by: CHINA NATIONAL CHEMICAL CORPORATION | Currency: RMB YUAN

Items	Year 2016													Year 2015										
	Owner's equity attributable to shareholders of Parent company											Non-controlling interests	Total owner's equity	Owner's equity attributable to shareholders of Parent company									Non-controlling interests	Total owner's equity
	Paid-in Capital (Share capital)	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk reserve	Retained earnings	Others	Subtotal			Paid-in Capital (Share capital)	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk reserve	Retained earnings	Others	Subtotal		
I.Balance brought forward	**11,080,025,968.24**	**8,000,000,000.00**	**23,910,875,777.00**		**-5,051,955,300.30**	**111,776,451.19**			**-12,874,839,464.67**		**25,175,883,431.46**	**44,434,911,947.43**	**69,610,795,378.89**	**11,010,025,968.24**	**3,000,000,000.00**	**20,780,897,628.89**		**-4,051,498,891.27**	**165,886,319.29**			**-7,873,736,507.99**		**23,031,574,517.16**	**27,391,316,567.51**	**50,422,891,084.67**
Add: change in accounting policy																						-16,130,960.54		-16,130,960.54	-9,239,959.80	-25,370,920.34
Corrections of prior period errors																										
Others																207,501,423.85						-4,010,236,584.28		-3,802,735,160.43	-987,336,664.59	-4,790,071,825.02
II. Balance at the beginning of current year	**11,080,025,968.24**	**8,000,000,000.00**	**23,910,875,777.00**		**-5,051,955,300.30**	**111,776,451.19**			**-12,874,839,464.67**		**25,175,883,431.46**	**44,434,911,947.43**	**69,610,795,378.89**	**11,010,025,968.24**	**3,000,000,000.00**	**20,988,399,052.74**		**-4,051,498,891.27**	**165,886,319.29**			**-11,900,104,052.81**		**19,212,708,396.19**	**26,394,739,943.12**	**45,607,448,339.31**
III. Increase/Decrease through the period ("-" for Decrease)	**500,000,000.00**	**2,500,000,000.00**	**-4,899,144,944.12**		**1,154,314,630.87**	**-35,304,284.30**			**-334,562,728.03**		**-1,114,697,325.58**	**3,347,848,086.89**	**2,233,150,761.31**	**70,000,000.00**	**5,000,000,000.00**	**2,922,476,724.26**		**-1,000,456,409.03**	**-54,109,868.10**			**-974,735,411.86**		**5,963,175,035.27**	**18,040,172,004.31**	**24,003,347,039.58**
（1）Total comprehensive income					1,178,413,158.48				119,084,771.97		1,297,497,930.45	2,528,117,325.91	3,825,615,256.36					-986,047,357.29				-974,735,411.86		-1,960,782,769.15	4,974,267.29	-1,955,808,501.86
（2）Capital contribution or withdrawn by shareholders	500,000,000.00	2,500,000,000.00	-4,899,144,944.12		-24,098,527.61	-29,347,229.09					-1,952,590,700.82	1,666,902,960.01	-285,687,740.81	70,000,000.00	5,000,000,000.00	2,922,476,724.26		-14,409,051.74						7,978,067,672.52	18,659,007,473.47	26,637,075,145.99
1、Common stock capital contributed by shareholders	500,000,000.00										500,000,000.00	4,328,209,376.55	4,828,209,376.55	70,000,000.00										70,000,000.00	-3,883,126,251.49	-3,813,126,251.49
2、Capital paid by Other equity instruments holders		2,500,000,000.00									2,500,000,000.00		2,500,000,000.00		5,000,000,000.00									5,000,000,000.00		5,000,000,000.00
3、Share-based payment recorded in Owners' equity																									22,412,938.24	22,412,938.24
4、Others			-4,899,144,944.12		-24,098,527.61	-29,347,229.09					-4,952,590,700.82	-2,661,306,416.54	-7,613,897,117.36			2,922,476,724.26		-14,409,051.74						2,908,067,672.52	22,519,720,786.72	25,427,788,459.24
Special reserves withdraw and use						-5,957,055.21					-5,957,055.21	-43,516.06	-6,000,571.27						-54,109,868.10					-54,109,868.10	-89,582,628.96	-143,692,497.06
1、Amount withdraw for the period						265,238,172.44					265,238,172.44	32,590,293.64	297,828,466.08						298,907,021.21					298,907,021.21	152,700,958.10	451,607,979.31
2、Amount used for the period						-271,195,227.65					-271,195,227.65	-32,633,809.70	-303,829,037.35						-353,016,889.31					-353,016,889.31	-242,283,587.06	-595,300,476.37
Profit distribution									-453,647,500.00		-453,647,500.00	-847,128,682.97	-1,300,776,182.97												-534,227,107.49	-534,227,107.49
1、Withdraw surplus reserves																										
Inc：Statutory surplus reserves																										
General reserves																										
Reserve fund																										
Enterprise development reserves																										
Profit transfer to investment																										
2、Withdraw general risk reserves																										
3、Distribution to Owners(or Shareholders)									-453,647,500.00		-453,647,500.00	-440,615,903.39	-894,263,403.39												-528,181,741.73	-528,181,741.73
4、Others												-406,512,779.58	-406,512,779.58												-6,045,365.76	-6,045,365.76
Internal transfer in owners' equity																										
1、Capital reserve transfer to share capital																										
2、Surplus reserve transfer to share capital																										
3、Surplus reserve offset with loss																										
4、Transfer of movement from remeasurement of designated beneficial plan of net assets or net liabilities																										
5、Others																										
IV. Balance at the end of current ye	**11,580,025,968.24**	**10,500,000,000.00**	**19,011,730,832.88**		**-3,897,640,669.43**	**76,472,166.89**			**-13,209,402,192.70**		**24,061,186,105.88**	**47,782,760,034.32**	**71,843,946,140.20**	**11,080,025,968.24**	**8,000,000,000.00**	**23,910,875,777.00**		**-5,051,955,300.30**	**111,776,451.19**			**-12,874,839,464.67**		**25,175,883,431.46**	**44,434,911,947.43**	**69,610,795,378.89**

Corporate representative: | Chief Accountant: | Accounting Supervisor:

I GENERAL INFORMATION

The State Council approved the proposal of setting up the China National Chemical Corporation (hereinafter as the "Group", letter No 115 [2003] of the State Council). At 22 April, 2004, The China National Chemical Corporation (the "Company"), a large-scale state-owned company, was set up by reorganizing and restructuring China National Blue Star (Group) Co, Ltd. and the China Haohua Chemical (Group) Corporation. The Company registered in Beijing Administration for Industry & Commerce with RMB 11,010,025,968.24 as its registered capital. The registered address is No.62 Beisihuan West Road, Haidian District, Beijing and its legal representative is Ren Jianxin. The Unified social credit code is 91110000710932515R. Business term since April 22, 2004 to long term.

The Company owned 16 subsidiaries, including China National BlueStar (Group) Co., Ltd. (BlueStar Co.), China Haohua Chemical (Group) Co. Ltd. (HaoHua Co.), Haohua Chemical Corporation (Haohua Corp.), China National Chemical Equipment Corporation (Equip. Corp.), China National Chemical Agrochemical Corporation (CNCA), China National Tire& Rubber Corporation (Tire& Rubber Corp.), ChemChina Petrochemical Co., Ltd. (Petrochemical Co.), ZhongChe QiXiu (Group) Corporation (ZhongChe QiXiu), ZhongLan Petrochemical Corporation (ZhongLan Petrochemical), ChemChina Finance Corporation (Finance Corp.), China Nation Chemical Information Center (CNCIC), ChemChina Asset Company (Asset Co.), China Chemical Museum(Chem. Museum), ChemChina Academy of Sciences (Academy of Sc.), Bluestar Information Equipment (Group) Corporation (Bluestar Info.), Qingdao Yello Sea Rubber Corportion (Yello Sea Rubber).

The company hold 7 listed companies, including BlueStar Adisseo Co, Ltd. (Adisseo), Aeolus Tyre Co., Ltd. (Aeolus Tyre), Shenyang Chemical Co., Ltd. (Shenyang Chem.), Hubei Sanoda Co., Ltd. (Sanoda), Cangzhou Dahua Group Co., Ltd. (Cangzhou Dahua), Qingdao TianHuaYuan Chemical engineering Co., Ltd. (TianHuaYuan) and Sichuan TianYi Science & Technology Co., Ltd. (TianYi Co.).

The main operation fields of the company and its subsidiaries are as follows:

1. Chemical new materials and special chemical products. It owned dozens of production and development bases of high-tech and high value-add products such as organic silicone, fluoride rubbers, methionine, smelting solar energy polycrystalline silicon and so on;

2. Basic chemistry. The Company produces raw chemical material like chlor-alkali, caustic soda, PVC, EPVC etc.;

3. Petroleum processing and refining. The major products are motor gasoline, automotive diesel fuel, liquefied gas, sulphur for industrial use, petroleum coke, propylene, acrylic acid, butyl acrylate, laurylene, naphtha, benzene, methylbenzene and so on.

4. Agricultural chemicals. The company produces series of products in herbicide, pesticide, bactericide, plant growth regulator and other segmentations which include more than 120 different types of technical and 800 different types of preparations. The Company owned nearly five thousands of registered products and six thousands labels.

5. Tire and rubber. The Company holds several manufacturing enterprise for tire and rubber products, latex

products. The major products are high-tech and high value-add products like tires, polusulfide rubber, special rubber products, new processing carbon black ect.

6. Chemical equipment. The Company provides production technical facilities including ionic exchange membrane electrolytic cell, rubber machinery, large-scale drying equipment, axle gear and so on.

In addition, it also contain the business fields in research and development, service and design, motor equipped, accessories production, maintenance, etc.

Financial statements for current year have been approved by the Ninth meeting of board of directors of The Company on April 19, 2017.

Ⅱ BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The basis the Company has prepared the financial statements on is the going concern assumption in accordance with *Chinese Accounting Standards for Business Enterprises* and the related supplementary regulations with the going concern assumption, based on the following significant accounting policies and estimates.

Ⅲ ANNOUNCEMENT COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements provided by the Company comply with the requirements of *Accounting Standards for Business Enterprises*, which truly and completely reflected its financial position, annual operation outcome and cash flows, for the year ended 31 December 2016.

Ⅳ SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

1. Accounting Period

The fiscal year of the Company runs from 1 January to 31 December of each calendar year.

2. Reporting Currency

The reporting currency of the Company is Renminbi (RMB).

3. Basis of Accounting and Principle of Measurement

According to the requirements of Accounting Standards for Business Enterprises, the accrual basis is adopted for throughout these financial statements. Assets are measured at their historical cost except some of the financial assets and investment real estate. The value of non-current assets held for sale is the lower of the fair vale less estimated cost to sell, or its book value. If impairment loss occurred, the preparation for the impairment of assets should be accounted refers to relative requirements.

4. Business Combinations

Corporation merger refer to the transaction or other event that combine two or more entities into a single reporting entity.

It could be divided into business combinations under common control and business combinations under non-common control.

4. 1 Business combinations under common control

It means that companies are under common control by one or more enterprises before and after merger activity. This control is not temporary. The acquirer is the company which obtained the right of control at the

date of merger. The targets are other companies participate in merger. The date of merger is the date when the acquirer actually obtains control of the acquiree.

Assets and liabilities acquired are measured as targets' book value at the date of merger. The difference between the book value of net assets and the paid book value of merger consideration (or the book value of share issued) should be adjusted in capital reserve. If the capital reserve could not cover the amount, the retained profit would be adjusted.

The costs occurred in merger activities paid by acquirer should be recorded into the profits and losses at the time it happened.

4. 2 Business combinations under non-common control

It means that companies are not under common control by one or more enterprises before and after merger activity. The acquirer is the company which obtained the right of control at the date of merger. The targets are other companies participate in merger. The date of merger is the date when the acquirer actually obtains control of the acquiree.

The costs occurred in merger contain the assets paid, liabilities afforded and the fair value of equity securities issued for acquiring targets control right at the date of merger. The agency fee paid for auditing, legal services, measurement and consulting and the other managerial costs should be recorded in the profits and losses at the time it happened. The transaction costs of equity or debt securities which is issued for merger consideration by acquirer should be recorded in the initial recognized amounts of equity or debt securities. The relevant contingent consideration should be recognized into consolidation costs according to its fair value at the date of consolidation. If it is necessary to adjust contingent consideration for the new or further evidence of the existed condition at the date of merger, it should adjust the goodwill of consolidation correspondingly. Acquirer's consolidation costs and recognizable net assets should be recorded as the fair value at the date of merger. If consolidation costs larger than fair value of targets' recognizable net assets at the date of merger, the difference should be recognized as goodwill. Otherwise, consolidation costs and the fair value of targets' recognizable assets, liabilities, and contingent liabilities should be reviewed firstly. If the consolidation costs are still smaller than the fair value of targets' net recognizable assets after reviewing, the difference should be recorded into profits and losses in current year.

Targets' deductible temporary difference obtained by acquirer, which are not recognized at the time of combination due to it doesn't meet the recognition condition of deferred tax assets, could be accounted as deferred tax assets if there are new or further information to prove that the condition have already exist at the time of combination that the expected economic benefits of targets' deductible temporary difference at the time of combination could realize. Meanwhile, goodwill should be de deducted and if it could not cover the deduction, the difference could be recognized in profits and losses in current period.

The business combination under non-common control with multiple transactions should be judged whether multiple transactions are a package deal or not which could refer to the No.33 clause - Consolidation of Financial Statement in Accounting Standards for Business Enterprises and other relative documents. If multiple transactions could be regard as package deal, the accounting treatment should refer to previous description in this section and Section 4.9 Long-term investment. Otherwise, it should be accounted by distinguish individual financial statements or consolidated financial statements.

5. Definition of Cash and Cash Equivalents

5.1 Cash refers to cash on hand and deposit ready for payment at any moment;

5.2 Cash equivalents are short-term (the period from purchase date to due date only within three months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Accounting Treatment and Converting Methods of Foreign Currency Transactions

6.1 Translation of foreign currency transactions

At the time of initial recognition of a foreign currency transaction, the amount in the foreign currency is translated into Renminbi (RMB) at the spot exchange rate of the transaction date; However, the company in foreign currency exchange business or transactions involving foreign exchange, the amount in the foreign currency is translated into Renminbi (RMB) at the actual exchange rate used.

6.2 Treatments for the foreign currency monetary items and foreign currency non-monetary items on the balance sheet date

The foreign currency monetary items are translated at the spot exchange rate on the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date, except borrowing costs that the exchange difference arising from foreign currency borrowings for the purchase and construction or production of qualified assets are capitalized, is recorded as profit or loss in the current period.

The non-monetary items denominated in foreign currency measured at the historical cost are translated at the spot exchange rate on the transaction date, of which the amount of functional currency is not changed.

The non-monetary items denominated in foreign currency measured at the fair value are translated at the spot exchange rate on the fair value determination date, the difference between the amount in the converted functional currency and the amount in the original functional currency, is treated as changes in fair value (including changes in exchange rate), and recorded into the profit or loss of the current period.

6.3 Translation of foreign currency financial statements

The Company complies with the following regulations when translating the financial statements in foreign currency to the financial statements in Renminbi (RMB).

The asset and liability items in the balance sheets shall be translated at a spot exchange rate on the balance sheet date. The owner's equity items, except "undistributed profits", shall be translated at the spot exchange rate at the time when they are incurred.

The income and expense items in the income statements shall be translated at the spot exchange rate of the transaction date.

The translation differences of foreign currency financial statements are generated from compliance with the aforesaid items should be presented separately under the owner's equity item in the balance sheets.

The cash flow statement denominated in foreign currency is translated by applying the spot exchange rate on the date of cash flows generated. The impacts of the exchange rate movements on cash are recorded as reconciling items and it is presented separately in the cash flow statement.

7. Accounts Receivable

7.1 Criteria for recognition of bad debts

The Company carries out an inspection, on the balance sheet day, on the carrying amount of accounts receivable; where there is any objective evidence described below proving that such accounts receivable has been impaired, an impairment provision is made.

a. A serious financial difficulty occurs to the debtor;

b. The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal, etc.;

c. The debtor will probably become bankrupt or carry out other financial reorganizations;

d. Other objective evidences showing the impairment of the accounts receivable.

7.2 The method used in establishment of provision

Allowance method is adopted to account for the bad debts.

7.3 Proportion used in establishment of provision

Ageing	Percentage of provision
Within 1 year	0-5%
1-2 years	0.5-10%
2-3 years	0.5-30%
Over 3 years	10-100%

8. Inventories

8.1 Classification of inventory

The inventories of the Company comprises of raw materials, work in process, finished goods, inventories, etc.

8.2 Measurement of inventories

The inventories are initially measured at cost. The cost of inventory consists of purchase costs, processing costs and other costs. In determining the cost of inventories transferred out or issued for use the weighted average method, the actual costs are determined by the weighted average method.

8.3 Amortization method for low value and short-lived consumable items and packing materials and supplies

The low value and short-lived consumable items and packaging materials and suppliers are amortized by applying immediate write-off method when using these items.

8.4 Stocktaking system

The stocktaking system is perpetual inventory system

8.5 Recognition and measurement for inventory impairment provision

On balance sheet date, the inventories are measured at lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value because of deterioration, continuous market price falling without the hope of increase in the fore sable future, entire or partly obsolete, and technique update, a provision should be made and recorded in the current profit or loss base on the perpetual stocktaking. The Company makes impairment loss of inventories on individual basis.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated expenses and related taxes necessary to make the sale. The net realizable value of goods inventories is the estimated sale price of inventories deducts the estimated sale expense and relevant taxes; the net realizable value of materials inventories is the estimated sale price of finish goods deducting the cost of completion, the estimated sale expense and relevant taxes. The net realizable value of inventories held for the execution of sales contracts or labor contracts is calculated on the ground of the contract price. If the Company holds more inventories than the quantities subscribed in the sales contract, the net realizable value of the excessive part of the inventories is calculated on the ground of the general sales price.

9. Long-term Investment

Long-term investment mainly comprises long-term equity investments held by the Company with control, jointly control, or significantly influence the invested company or equity investments held by the Company without jointly control or significant influence and no quotation price in the active market and fair value.

9.1 Initial measurement of long-term investment

For the company consolidation under the common control, the combined party's share of book value of equity recorded as long-term equity investments in the initial investment cost at the date of merger. For the consolidation under non-common control, combined cost included the fair value of which obtaining control of the acquirer paid assets at the purchase date, occurred or assumed liabilities and equity securities issued. The initial invest cost of the long-term equity investment is recognized as merger cost.

9.2 Subsequent measurement of long-term investment and recognition method for investment income

The long-term investments of the Company under cost method includes: a long-term equity investment controlled by the Company; a long-term equity investment without joint control or significant influences on the invested entity and no quotation price in the active market and its fair value cannot be reliably measured.

The long-term equity investment under cost method is initially measured at investment. If there are additional investments or disinvestments, the cost of the long-term equity investment is adjusted. The dividends or profits declared by the investee are recognized as the current investment income. The investment income recognized by the Company is limited to the amount received from the accumulative net profits that arise after investment. Where the amount of profits or cash dividends obtained by the Company exceeds the aforesaid amount, it is regarded as return of initial investment cost.

a. The long-term investment of the Company under the equity method includes the long-term equity investment with joint control or significant influence over the investee. If the initial cost of a long-term equity investment is more than the Company's attributable share of the fair value of the investee's identifiable net assets, the initial cost of the long-term equity investment is not adjusted. If the initial cost of a long-term equity investment is less than the Company's attributable share of the fair value of the investee's identifiable net assets for the investment, the difference is included in the current profit or loss and the cost of the long-term equity investment is adjusted simultaneously.

   After the Company acquires a long-term equity investment, in accordance with its attributable share of the net profits or losses of the investee, the Company recognizes the investment profits or losses and adjusts the book value of the long-term equity investment. The Company calculates the proportion of the profits or cash dividends declared by the investee, and reduces the book value of the long-term equity investment correspondingly.

   The attributable share of net losses incurred by the investee enterprise is recognised to the extent that the carrying amount of the long term investment and other actual investment in the investee enterprise is reduced to zero, unless the Company has the obligation to undertake extra losses. If the investee enterprise realizes net profits in subsequent periods, the investment share is recognised after offset the share of unrecognized losses from the Company’s attributable share of profits.

   The attributable share of the net profit or loss from investee enterprise is measured base on the fair value of all identifiable assets of the investee enterprise at the date of investment, after considering the adjustment of net profits of the investee enterprise.

Where any change is made to the owner's equity other than the net profit or loss of the invested entity, the book value of the long-term equity investment is adjusted and recorded in the owner's equity. When disposing a long-term equity investment, the amount recorded in the owner’s equity shall be transferred to the current profit or loss proportionally.

9.3 Impairment of investment property

The impairment basis and method of the long-term equity investment refers to impairment of assets.

10. Accounting for Investment Property

Investment property is property held to earn rentals or for capital appreciation or both. The investment properties of the Company include l land use right eased out; land use right held for future transfer after appreciation; and buildings the leased out.

10.1 Initial measurement of investment property

a. The cost of a purchased investment property comprises its purchase price, relevant taxes, and any directly attributable expenditure.

b. The cost of a self-constructed investment property comprises the necessary expenses before bringing the investment property to the condition for use.

c. The cost of an investment property obtained by other means shall be recognized in accordance with the relevant accounting standards.

d. The subsequent expenditure related with an investment property should be included in the cost of the investment property, if they meet the recognition conditions; otherwise they should be expensed when they are incurred.

10.2 Subsequent measurement of investment property

The Company applies the cost model for subsequent measurement of investment property on the balance sheet date. The depreciated of building for leasing is in accordance with Fixed Assets. The amortized of land-use right is in accordance with Intangible Assets.

10.3 Investment property transfer

Where the Company has well-established evidence to indicate there is a change in use, the Company transfer the investment property to other assets or transfer other assets to investment property, the book value of the property prior to the conversion is the deemed value after conversion.

10.4 Impairment of investment property

The impairment basis and method of the investment property adopting the cost model for subsequent measurement refers to impairment of assets.

11. Fixed Assets

11.1 Recognition

Fixed assets are tangible assets that have useful life more than one year, and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes. No fixed asset may be recognized unless it meets all the following conditions:

a) The economic benefits related with the fixed asset are probably to flow to the enterprise; and

b) The cost of the fixed asset can be measured reliably.

11.2 Initial measurement

The initial measurement of a fixed asset shall be at cost.

a. The cost of a purchased fixed asset comprises the purchase price, the relevant taxes, and any costs directly attributable to bringing the asset to its intended uses, such as transportation, loading and

unloading fees, professional service fees and other expenses.

If the payment for a fixed asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the fixed asset is ascertained based on the present value of the purchase price. The difference between the actual payment and the present value of the purchase price is included in the current profit or loss within the credit period, unless it is capitalized in accordance with the "*Accounting Standards No. 17–Borrowing Costs"*.

b. The cost of a self-constructed fixed asset is formed by the necessary expenses incurred for bringing the asset to the expected conditions for use.

c. The cost of a fixed asset contributed by the investor is ascertained in accordance with the value as stipulated in the investment contract or agreement, other than those value stipulated in the contract or agreement not fair value.

d. The costs of fixed assets acquired through the exchange of non-monetary assets, debt restructure, business combination, and financial leasing is respectively decided in accordance with the *"Accounting Standards No. 7 – Exchange of Non-monetary Assets", "Accounting Standards for Enterprises No. 12 – Debt Restructuring", "Accounting Standards for Enterprises No. 20 – Business Combination" and "Accounting Standards for Enterprises No. 21 – Leases"*.

11.3 Depreciation

a. Depreciation is provided monthly using the straight-line method. The estimated residual value rate, useful life and annual depreciation rate of each category of fixed assets are as follows:

Category of fixed assets	Residual value rate (%)	Useful life (year)	Depreciation rate (%)
Building and	3-5	25-50	1.90-3.88
Equipment	3-5	5-20	4.75-19.40
Vehicles	3-5	5-10	9.50-19.40
Electronics, Office,	3-5	5-10	9.50-19.40

Depreciation method for impaired fixed asst: for an impaired fixed asset, depreciation should be calculated based on the balance of original cost less the residual value and impairment over residual useful life.

b. Review the useful life, estimated residual value, and the depreciation method of the fixed assets: the Company will review the useful life, estimated residual value and deprecation method of the fixed assets at the end of year and adjusted if desired.

11.4 Treatment for the subsequent expenses

The subsequent expenses related to a fixed asset are the expenses occurred during the use of fixed assets that mainly comprises the repair expenses, renewal and renovation expenses, and decoration expenses, etc. Relevant accounting treatments are: subsequent expenses of a fixed asset that related to renewal and renovation, if meet the recognition conditions, are included in the cost of fixed assets; and deduct the book value of substituted parts if any; Whereas if the expenses that related to repairs of fixed assets not meet the recognition conditions, are recognized in the current profit or loss as incurred.

12. Construction in Progress

12.1 The construction in progress of the Company is accounted respectively by different construction categories with full actual cost.

12.2 The time of transferring the construction in progress into fixed assets

When construction in progress has been ready to use, it is transferred into assets at actual cost. The cost of a fixed asset reached its usable condition without completion and settlement report should be its estimated value and adjusted when the actual cost decided.

13. Borrowing Cost

13.1 Recognition principle for borrowing cost capitalization

The borrowing costs will not be capitalized unless they meet all the following requirements:

a. The asset disbursements have already incurred;

b. The borrowing costs has already incurred; and

c. Activities that are necessary to prepare the asset for its intended or sale are in progress.

13.2 Period of capitalization

The capitalization period refers to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the suspension period of capitalization of the borrowing costs.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended. The borrowing costs incurred during such period is recognized as expenses, and is recorded into the profit or loss of the current period, till the acquisition and construction or production of the asset restarts. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs will continue.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased. The borrowing costs incurred after the qualified asset under acquisition and construction or production is ready for the intended use or sale is recognized as expenses at the incurred amount when they are incurred, and is recorded into the profit or loss of the current period.

13.3 Measuring methods for borrowing cost capitalization

During the period of capitalization, the capitalized amount of interests (including the amortization of discounts or premiums) for each accounting period should the following regulations:

a. To the extent that funds are borrowed specifically for the purpose of acquisition and construction or production a qualifying asset, the amount of borrowing costs eligible for capitalization on that borrowing during the period less interest income from the bank deposit before the usage of the funds or any investment income on the temporary investment of those borrowings.

b. To the extent funds are borrowed generally and used for the purpose of acquisition and construction or production a qualify asset, the amount of borrowing costs eligible for capitalization shall be determined by applying general capitalization rate multiplied by the excess weighted average amount of cumulative expenditure over the specific asset expenditure. The general capitalization rate is calculated based on the weighted average general interest rate.

Where there is any discount or premium of borrowing, the amount of discounts or premiums amortized

during each accounting period is determined by the actual interest rate method, and adjust each period interest. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

For the ancillary expense incurred to a specifically borrowed loan before a qualifying asset under acquisition, construction or production is ready for the intended use or sale can be capitalized at actual amount when they are incurred, and is recorded as part of the cost of the asset eligible for capitalization; those incurred after a qualifying asset under acquisition and construction or production is ready for the intended use or sale is recognized as expenses at actual amount when they are incurred, and is recorded in the profit or loss of the current period.

14. Intangible Assets

14.1 Recognition

Intangible asset is the identifiable nonmonetary assets without physical substance possessed or controlled by the Company. Intangible assets are recognized when all the following conditions are met:

a. Meet the intangible asset definition;

b. The economic benefits related to intangible assets are probably to flow ito the Company; and

c. The cost of intangible assets can be measured reliably.

14.2 Initial measurement

The intangible assets shall be initially measured at cost. The cost should be decided in accordance with the following requirements:

a. The cost of purchased intangible assets comprises the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for the intended uses. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which is of financing intention, the cost of intangible assets shall be determined on the basis of the current value of the purchase price. The difference between the actual payment and the current value of the purchase price shall be recorded into profit or loss for the credit period, unless it shall be capitalized under the "*Accounting Standards for Enterprises No. 17 - Borrowing Cost*".

b. The cost of intangible assets contributed by investors is determined according to the value stipulated in the investment contract or agreement, except for those of unfair value in the contract or agreement.

c. The costs of self-developed intangible assets shall be accounted the total incurred expenditures that are from meet the requirement of intangible assets to run. It is no longer to adjust the expenditures during the past

d. The costs of intangible assets acquired through exchange of nonmonetary assets, debt restructuring, government subsides, and business combination are respectively determined in accordance with "*Accounting Standards for Enterprises No.7 - Exchange of non-monetary assets*", "*Accounting Standards for Enterprises No.12 - Debt Restructurings*", "*Accounting Standards for Enterprises No.16 - Government Grants*" and '*Accounting Standards for Enterprises No.20 - Business Combinations*".

14.3 Subsequent measurement

The Company will assess the useful life of intangible assets at the date of acquisition. If the useful life of the intangible assets is definite, the Company will estimate the useful life or the output and any other similar

measurement unit, which constitutes its useful life.

The amortization amount of an intangible asset with a finite useful life should be allocated on a systematically basis over the useful life. The Company applies the straight-line method for the amortization.

The amortization amount of intangible assets equals to its cost minus the expected residual value, and a future deduction of the accumulative amount of impairment provision for an impaired intangible asset. The amortization amount of intangible assets is recorded into profit or loss for the current period.

There is no amortization for Intangible assets with indefinite use life but an impairment test at the end of the period.

15. Long-term Prepaid Expenses

The long-term prepaid expenses of the Company are expenses for current and future periods that have been disbursed but will be amortized over one year (not include 1 year). Except the pre-operation expense charged in lump sum in profit or loss in the first month of operation, other long-term prepayments are recorded as actual costs and amortized on a straight-line basis over the expected beneficial periods.

16. Impairment of Assets

Except for inventory, deferred income tax assets, unguaranteed residual value of financial lesser, financial assets, long-term equity investment is not quoted in an active market by cost method and whose fair value cannot be reliably measured, it is yet not proven oil natural gas mining rights outside the impairment of assets, which impairment of Assets are according to the following methods:

The Company, on the day of balance sheet, makes a judgment on whether there is any indication for possible assets impairment. The Company will estimate the recoverable amount for impairment and make a test for impairment.. Annual impairment tests should be performed for goodwill acquired in a business combination and intangible assets with an indefinite useful life, irrespective of whether there is any indication that they may by impaired.

The recoverable amount determined by the higher between an asset's fair value and costs of disposal of assets is expected to net present value of future cash flows. The Company estimates the recoverable amount for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company will determine the recoverable amount of the asset group to which the asset belongs. The recognition of an asset group is based on whether the main cash inflow generated by the asset group is independent of those generated by other assets or other group assets.

The company reduces the amount of the book value to the recoverable amount that the amount of reduction will be written in the period of profits or losses and recognized corresponding provision for impairment of assets when the recoverable amount of asset or asset groups is lesser than the book value.
As for impairment of goodwill, the book value is formed by combination that is allocated to the related asset group from purchasing day and that to related asset group if it is difficult to allocate. Related asset group or a combination of asset groups, are able to synergies from the merger to benefit the asset group or combination of asset groups, and not greater than the reportable segments identified in the Company. The underlying assets of the group containing goodwill or asset groups for impairment testing, goodwill associated with assets such as groups or there is indication of impairment of asset groups, the first group does not include the assets of goodwill or asset groups impairment testing, calculate the recoverable amount and recognized the impairment loss. Then testing impairment for asset groups and portfolios of asset groups that contains the goodwill, comparing their carrying amount and recoverable amount, such as the recoverable amount is less than book value, impairment loss is allocated to first reduce the amount of the asset group or asset group

combination of book value of goodwill, then the asset group or combination of asset groups other than goodwill, in addition to the share of book value of assets and pro rata on the book value of other assets.

17. Estimated Liability

17.1 Estimated liabilities recognition

The obligation pertinent to contingencies such as guarantee for outsiders, pending litigations or arbitrations, products quality assurance, staff redundancy plan, onerous contracts, restructuring obligation, and disposal of fixed assets obligation are recognized as an estimated liabilities when meet all the following conditions:

a. That obligation is a present obligation of the Company;

b. It is probable that an outflow of economic benefits from the Company will be required to settle the obligation; and

c. A reliable estimate can be made of the amount of the obligation.

17.2 Estimated liabilities measurement

Estimated liabilities initially recognized should be the best estimate of the expenditure required to settle the present obligation and consider the matter with or related to risks, uncertainties, and the time value of money and so on. Time value of money impacted greatly, the relevant future cash outflows discounted to determine the best estimates. Each balance sheet date is expected to review the book value of liabilities. There is strong evidence indicating that the book does not reflect the current best estimate, according to the current best estimate of the adjusted book value.

18. Revenues

18.1 Revenue recognition for sale of goods

Revenue from the sale of goods shall be recognized when all the following conditions have been satisfied:

a. The significant risks and rewards of ownership of the goods have been transferred to the buyer by the Company;

b. The Company retains neither continuous managerial involvement to the degree usually associated with the ownership nor effective control over the sold goods;

c. The amount of revenue can be measured reliably;

d. It is probable that the economic benefits associated with the transaction will flow to the Company; and

e. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

18.2 Revenue recognition for rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the balance sheet date. The Company measures the completion percentage of service rendered by reference to the proportion that service performed today to total services to be performed.

If the Company cannot reliable estimate the service performed the date of the balance sheet, the Company applies the following treatment respectively:

a. If the service expenses incurred are recoverable, the revenue from rendering of services shall be

recognized o the extent of the expenses incurred and the cost of sale transferred at the same amount; or

b. If the service expenses incurred are not recoverable, the expenses incurred shall be recognized in the profit or loss and no revenue from rendering of services shall be recognized.

19. Construction Contracts

If the outcome of a construction contract can be estimated reliably, the Company uses working completion percentage method for contract revenue and contract costs recognition on the date of the balance sheet. Working completion percentage method is for recognition the revenue and cost by reference to the working progress. The Company uses the proportion of accumulative actual contract costs incurred against the expected total contract costs to determine the working completion percentage.

The outcome of a fixed price contract can be estimated reliably when all the following conditions are satisfied:

a. Total contract revenue can be measured reliably;

b. It is probable that the economic benefits associated with the contract will flow to the Company;

c. The actual contract costs incurred can be clearly identified and can be measured reliably; and

d. Both the contract costs to complete the contract and the stage of contract completion can be measured reliably.

The outcome of a cost plus contract can be measured reliably when all the following conditions are satisfied:

a. It is probable that the economic benefits associated with the contract will flow to the Company; and

b. The actual contract costs incurred can be clearly identified and can be measured reliably.

If the outcome of a construction contract can not be estimated reliably, it shall be treated in accordance with the circumstances as follows, respectively:

a. If the contract costs can be recovered, the contract revenue shall be recognized to the extent of contract costs incurred that it is probable will be recoverable. The contact costs shall be recognized as an expense in the period in which they incurred.

b. If the contract costs cannot be recovered, the contact costs shall be recognized as an expense in the period immediately and no contract revenues are recognized.

20. Government Grants

20.1 Recognition of government grants

Government grants shall not be recognized until all the following conditions satisfied:

a. The Company will comply with the conditions attaching to them; and

b. The grants will be received.

20.2 Measurement of government grants

a. Monetary asset received from government grants is measured at received amount or to be received amount. Non-monetary asset received from government grants is measured at fair value or at nominal value (RMB1) if fair value is not available.

b. Government grants related with assets shall be recognized as deferred income, which is recognized as income over the useful life of the asset. But the government grants measured at nominal amounts shall be directly included in the current profit or loss. The government related with incomes shall be treated respectively in accordance with the circumstances as follows: the grants used for compensating the related future expenses or losses of the Company shall be recognized as deferred income and shall include in the current profit or loss during the period when the relevant expenses are recognized; or the grants used for compensating the related expenses or losses incurred to the Company shall be directly included in the current profit or loss.

c. If it is necessary to repay the recognized government grants, the Company shall be treated respectively in accordance with the circumstances as follows: if deferred income available, repayment shall first reduce deferred income and any amount exceed the deferred income shall by recognized immediately as an expense; if there is no deferred income available, repayment shall by recognized immediately as an expense.

21. Leases

21.1 Classification of leases

A lease should be classified as a financing lease or an operating lease at inception of the lease.

21.2 Recognition of financial lease and operating lease

Where a lease satisfies one or more of the following criteria, it shall be recognized as a finance lease:

a. The lease transfers ownership of the asset to the lessee by the end of the lease term;;

b. The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;

c. The lease term is for the major part of the economic life of the asset, even if title is not transferred (normally equal or above 75%);

d. At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset for leaser (normally equal or above 90%); and at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset for lessee (normally equal or above 90%).

e. The lease assets are of a specialized nature such that only the lessee can use them without major modifications being made

21.3 Accounting treatments for financing lease

a. Accounting treatments for Lessees

At commencement of the lease term, the leased asset should be recorded at the lower of the fair value of the asset and the present value of the minimum lease payments. The present value of minimum lease payment is recorded as long term payable. The difference between the recorded amount of the leased asset and the long term payable is recorded as unrecognized finance charges.

The depreciation policy for assets held under finance leases should be consistent with that for owned assets. If there is reasonable certainty that the lessee will obtain ownership at the end of the lease, the asset should be depreciated over the useful life of the leased asset. If there is no reasonable certainty that the lessee will

obtain ownership at the end of the lease, the asset should be depreciated over the shorter of the lease term or the useful life of the leased asset.

b. Accounting treatments for lesser

At commencement of the lease term, finance leases should be recorded the sum of the minimum lease payment receivables and initial direct cost as financial lease receivables and also record unguaranteed residual value. The difference between sum of minimum lease payment receivables, initial direct cost and unguaranteed residual value and the present value of sum of these three is recorded as unrecognized finance charges. Unearned finance income shall be recognized in each period during the lease term using the effective interest rate. Contingent rent shall be recorded in the profit or loss when actual incurred.

21.4 Accounting treatments for operating leases

Lease payment under an operating lease shall be recognized as an expense on a straight-line basis over the lease term for lesser and lessee in the current period. The initial direct cost shall be recognized as an expense in the current period. Contingent rent shall be recorded in the profit or loss when actual incurred.

V CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES AND EXPLANATION

1. Changes in Accounting Policies

Bluestar Elkem International Co., Ltd. (Elkem) which is one of subsidiaries in Bluestar Co. changed the accounting treatment in 2016 for the foreign exchange derivative instrument resulted from the fact that settlement of balances in long-term electricity contract is non-reporting currency. Elkem regards the long-term electricity contract as executor contract and accounted as electricity purchase when using electricity by following the waiver provision on the non-financial contract which sign and implement at maturity on the basis of expected usage requirements according to No.22 Reorganization and Measurement of Financial instrument in Accounting Standards for Business Enterprises. Norway financial regulator published regulatory guidelines and required this foreign exchange derivative instrument must be separated from its principal contract in June 2016. Elkem changed the accounting treatment on this foreign exchange derivative instrument and retroactively adjust on the relative data in 2015 fiscal year by following the regulatory guidelines.

2. Changes in Accounting Estimates

The Company has no change in accounting estimates in this year.

3. Correction of Significant Previous Errors

The Company has no correction of significant previous errors in this year.

4. Other Events

Three subsidiaries in the Company, Bluestar Keiretsu, Shanghai Bluestar Cleaning Corporation and Shenyang Petrochemical Factory, prepared to liquidate in 2013. However, these three companies have not finished their liquidation at the end of 2016 and the Company have the control right of those companies. Thus, the financial performance of those three subsidiaries should be taken into account in consolidation.

Adjustments of changes in accounting policies and other events are shown as follows:

Items	Changes in accounting policies	Others	Total
Paid-in Capital			
Capital Reserve		207,501,423.85	207,501,423.85
Special Reserve			
Earning Reserve			
Retained Earnings	-76,451,707.55	-1,141,551,804.47	-1,218,003,512.02
Other Comprehensive Income	5,207,358.68		5,207,358.68
Non-controlling Interests	-40,809,406.07		-40,809,406.07
Others			
Total	-112,053,754.94	-934,050,380.62	-1,046,104,135.56

VI TAXATION

1. Major Taxes and Tax Rates

Type	Tax rate
VAT	Output tax should be calculated based on taxable income according to the tax rates at 17%, 13%, 11%, 6% and 5% and then it should minus deductible input tax in the current period to calculate the VAT payable; The VAT on the export products of the Company and its subsidiaries should carry on the policy of 'exemption, deduction and refund'. Overseas subsidiaries should follow the VAT rate according to the location of the companies.
Consumption Tax	The Company should calculate consumption tax base on Gasoline, diesel oil, wax oil, and slurry it used according to the national regulation.
Operating Tax	The Company should calculate its operating tax which is 5% or 3% of taxable income (before May 1st 2016), details are in the following notes.
City Maintenance and Construction Tax	City maintenance and construction tax should be paid which is 7%, 5% or 1% of turnover tax.
Income Tax	The Company should pay 20% or 15% of taxable income for its income tax. Overseas subsidiaries should pay income tax and the rate depends on the legal provision in their location.
Education Surcharge	The Company should pay 3% of actual turnover tax for education surcharge.
Local Education Surcharge	The Company should pay 2% of actual turnover tax for local education surcharge.
Land Use Tax	The company should pay RMB 3, 18 or 24 per square meter for land use tax according to location of lands.
Other Tax	Other tax should be paid according to relative national regulation.

Notes:

During the accounting period, the Company change its operating tax to VAT from May 1st 2016 according to the provision of *No.36 [2016] Finance and Taxation* and *No.23 [2016] Announcement of State Bureau of Taxation*.

① Two of the subsidiaries of the Company, CNCA and CNCIC, used to pay 5% of rent income as operating tax. The tax rate on rent income of real estate changed to 11% from May 1st 2016 while the rent tax rate is 5% for the real estate which was acquired before April 30th 2016.

② Finance Corp. used to pay 5% of the income of loan interests, commission charge and exchange gain or loss as operating tax. After May 1st 2016, it should pay 6% of loan service, direct charging financial service, insurance service and transfer of financial products for VAT.

2. The Tax Rate Apply to Overseas Subsidiaries

Company Name	Tax Rate
Makhteshim Agan of North America Inc, Control Solutions Inc., Alligare Inc.	38.8% (the common income tax rate for American companies)
Adisseo France Corporation, Bluestar Organosilicon France Corporation, ADAMA France S.A.S	34.43%, 38.00%, 33.33% (income tax rate for French companies)
ADAMA Brasil S/A	34% (the common income tax rate for Brazilian companies)
ADAMA India Private Ltd.	34% (the common income tax rate for Indian companies)
ADAMA Andina B.V .Sucursal Colombia	34.00% (the common income tax rate for Colombian companies)
Drakker Holding Ltd.	33.99% (the common income tax rate for Belgian companies)
ADAMA Deutschland GmbH	32.50% (the common income tax rate for German companies)
ADAMA Italia S.R.L	31.40% (the common income tax rate for Italian companies)
Kanoson Holding Ltd., ADAMA Australia Pty Ltd.	30.00% (the common income tax rate for Australian companies)
Bluestar Organosilicon International Corporation, Bluestar Elkem International Co., Ltd., Bluestar Elkem Solar Co., Ltd.S.à.r.l.	29.22% (the common income tax rate for Luxembourg companies)
Elkem AS, REC Solar Holdings AS	25.00% (the common income tax rate for Norwegian companies)
ADAMA Agricultural Solution Ltd.	25.00% (the common income tax rate for Israeli companies)
ChemChina (U.K.) Ltd.	20.00% (the common income tax rate for British companies)
RECSolarPte. Ltd.	17.00% (the common income tax rate for Singaporean companies)
Bluestar Adisseo nutrition Group Ltd., Bluestar Organosilicon Investment Ltd.(BSIHK) , Bluestar Organosilicon Hong Kong Commercial Company, ChemChina (H.K.) Investment Ltd., ChemChina International Holding (H.K.) Ltd., Bluestar Elkem Investment Ltd., ChemChina Petrochemical (H.K.) Ltd.	16.50% (the common income tax rate for Hong Kong's companies)
ChemChina (Singapore) Ltd.	5.00% (the common income tax rate for Singaporean companies)

Ⅶ BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

1. Subsidiaries Profile

No.	Company Name	Hierarchy	Type	Location	Business Field	Paid-in Capital (RMB '0000)	Share Proportion (%)	Voting Right (%)	Investment (RMB '0000)	Acquired Method
1	BlueStar Co.	2	Domestic, Non-financial	Beijing	Chemicals	1,536,558.92	63.58	63.58	915,013.14	Other
2	HaoHua Co.	2	Domestic, Non-financial	Beijing	Chemicals	422,121.93	69.20	69.20	480,808.66	Other
3	Haohua Corp.	2	Domestic, Non-financial	Beijing	Chemicals	235,408.12	100.00	100.00	271,367.09	Investment
4	Equip. Corp.	2	Domestic, Non-financial	Beijing	Chemical Machineries	100,000.00	100.00	100.00	45,343.85	Investment

No.	Company Name	Hierarchy	Type	Location	Business Field	Paid-in Capital (RMB '0000)	Share Proportion (%)	Voting Right (%)	Investment (RMB '0000)	Acquired Method
5	CNCA	2	Domestic, Non-financial	Beijing	Agricultural Chemicals	333,821.96	100.00	100.00	338,102.57	Investment
6	Tire& Rubber Corp.	2	Domestic, Non-financial	Beijing	Tire Manufacturing	160,000.00	100.00	100.00	346,300.10	Investment
7	Petrochemical Co.	2	Domestic, Non-financial	Beijing	Oil Manufacturing	684,300.00	72.73	72.73	852,187.40	Investment
8	ZhongChe QiXiu	2	Domestic, Non-financial	Beijing	Vehicle Repair	82,422.05	100.00	100.00	27,805.14	Investment
9	ZhongLan Petrochemical	2	Domestic, Non-financial	Beijing	Chemicals	51,100.87	100.00	100.00	43,215.62	Investment
10	Finance Corp.	2	Domestic, Financial	Beijing	Finance	84,122.50	85.74	100.00	43,580.86	Investment
11	CNCIC	2	Domestic, Non-financial	Beijing	Information Service	15,000.00	100.00	100.00	5,685.60	Investment
12	Asset Co.	2	Domestic, Non-financial	Beijing	Chemicals	5,000.00	100.00	100.00	5,005.00	Investment
13	Chem. Museum	2	Public institution	Beijing	Museum	1,694.00	100.00	100.00	101,694.00	Investment
14	Academy of Sc.	2	Domestic, Non-financial	Beijing	Technical Services	30,000.00	100.00	100.00		Investment
15	Bluestar Info.	2	Domestic, Non-financial	Beijing	Chemical Equipments	13,794.47	100.00	100.00	8,567.65	Investment
16	Yellow Sea Rubber	2	Domestic, Non-financial	Qingdao Shandong	Rubber Products	33,282.57	100.00	100.00		Investment
17	Adisseo	3	Domestic, Non-financial	Beijing	Chemicals	268,190.13	89.09	89.09	1,848,542.90	Investment
18	Aeolus Tyre	3	Domestic, Non-financial	Henan Jiaozuo	Tire Manufacturing	56,241.32	42.58	42.58	137,611.53	Investment
19	TianYi Co.	3	Domestic, Non-financial	Chengdu Sichuan	Chemicals	29,719.33	23.82	23.82	78,288.66	Investment
20	Shenyang Chem.	4	Domestic, Non-financial	Shenyang Liaoning	Chemicals	81,951.44	47.23	47.23	133,690.04	Investment
21	TianHua Yuan	4	Domestic, Non-financial	Qingdao Shandong	Chemicals	41,063.60	52.29	52.29	43,548.76	Investment
22	Cangzhou Dahua	4	Domestic, Non-financial	Cangzhou Hebei	Chemicals	29,418.82	48.01	48.01	31,788.87	Investment
23	Sanoda	5	Domestic, Non-financial	Jingzhou Hubei	Agricultural Chemicals	59,392.32	30.75	30.75	23,665.51	Investment

2. Controlled Investees Which the Company Doesn't Hold More Than Half Voting Right

No.	Company Name	Share Proportion (%)	Voting Right (%)	Paid-in Capital (RMB '0000)	Investment (RMB '0000)	Hierarchy	Reason to contain into consolidation scope
1	Aeolus Tyre	42.58	42.58	56,241.32	137,611.53	3	Actual control right
2	TianYi Co.	23.82	23.82	29,719.33	78,288.66	3	Actual control right
3	Shenyang Chem.	47.23	47.23	81,951.44	133,690.04	4	Actual control right

No.	Company Name	Share Proportion (%)	Voting Right (%)	Paid-in Capital (RMB '0000)	Investment (RMB '0000)	Hierarchy	Reason to contain into consolidation scope
4	Cangzhou Dahua	48.01	48.01	29,418.82	31,788.87	4	Actual control right
5	Sanoda	30.75	30.75	59,392.32	23,665.51	5	Actual control right

3. Significant Non-wholly-owned Subsidiaries Profile

The Company regards the non-wholly-owned secondary subsidiaries and listed subsidiaries as significant non-wholly-owned subsidiaries.

3.1 Non-controlling Interest

No.	Company Name	Proportion of Minority Shareholding (%)	Profit Attributable to Minority Shareholders in Current Year	Dividends paid to Minority Shareholders in Current Year	Closing Balance of Accumulated Non-controlling Interests
1	BlueStar Co.	36.42	482,447,699.16		7,802,214,061.19
2	HaoHua Co.	30.80	43,708,151.11		1,024,169,077.98
3	Petrochemical Co.	27.27	364,995,436.25		4,442,276,205.18
4	Adisseo	10.91	-154,978,801.84	173,236,997.60	3,405,028,008.67
5	Aeolus Tyre	57.42	46,167,610.70	215,291,781.38	1,407,544,566.07
6	TianYi Co.	76.18	19,690,079.08	14,017,257.77	568,211,771.69
7	Shenyang Chem.	52.77	161,116,031.05		2,751,963,662.33
8	TianHuaYuan	47.71	4,510,452.91		575,806,314.32
9	Cangzhou Dahua	51.99	217,491,736.87		428,747,300.03
10	Sanoda	69.25	-54,742,691.10	10,282,425.78	1,288,209,642.19

3.2 Major Financial Information

Unit: RMB 10 Thousands

Item	Current Year				
	BlueStar Co.	HaoHua Co.	Petrochemical Co.	Adisseo	Aeolus Tyre
Current Assets	5,216,840.45	775,145.04	3,321,281.35	1,029,491.51	326,588.81
Non-current Assets	4,940,017.51	589,505.89	2,658,246.81	964,890.63	446,185.26
Total Assets	10,156,857.97	1,364,650.94	5,979,528.16	1,994,382.14	772,774.07
Current Liabilities	3,528,657.47	731,234.75	2,836,410.84	243,890.60	446,814.03
Non-current Liabilities	4,028,247.99	188,177.20	962,155.15	161,789.71	80,828.63
Total Liabilities	7,556,905.46	919,411.95	3,798,565.99	405,680.31	527,642.65
Operating Revenue	4,776,633.75	508,852.10	13,985,534.06	1,068,826.31	732,515.61
Net Profits	91,257.86	17,840.63	161,895.95	231,618.12	8,455.14
Total Comprehensive Income	193,946.01	18,428.93	192,615.32	258,722.15	8,040.34
Cash Flows From Operating Activities	640,090.34	45,179.84	499,134.87	305,392.36	76,965.75

(Continue)

Item	Current Year				
	TianYi Co.	Shenyang Chem.	TianHuaYuan	Cangzhou Dahua	Sanoda
Current Assets	69,602.90	392,440.64	118,777.33	93,723.68	109,158.40
Non-current Assets	29,289.27	667,348.65	41,476.27	280,925.99	189,329.98
Total Assets	98,892.17	1,059,789.29	160,253.60	374,649.67	298,488.38

Item	Current Year				
	TianYi Co.	Shenyang Chem.	TianHuaYuan	Cangzhou Dahua	Sanoda
Current Liabilities	24,231.67	463,765.26	37,870.21	169,286.67	58,889.85
Non-current Liabilities	72.44	174,811.79	1,694.58	40,949.35	39,092.73
Total Liabilities	24,304.12	638,577.05	39,564.79	210,236.03	97,982.58
Operating Revenue	39,154.48	884,676.55	48,230.99	294,390.27	185,473.27
Net Profits	2,584.68	33,912.58	945.39	41,833.38	-7,449.00
Total Comprehensive Income	2,584.68	33,912.58	945.39	41,833.38	-7,449.00
Cash Flows From Operating Activities	3,797.31	72,152.37	-2,443.05	66,619.54	26,836.50

(Continue)

Item	Previous Year				
	BlueStar Co.	HaoHua Co.	Petrochemical Co.	Adisseo	Aeolus Tyre
Current Assets	4,419,706.41	888,540.44	3,506,846.23	832,144.08	518,513.33
Non-current Assets	4,629,897.12	582,650.28	2,338,431.07	959,164.02	513,293.34
Total Assets	9,049,603.53	1,471,190.72	5,845,277.30	1,791,308.11	1,031,806.66
Current Liabilities	3,798,483.52	797,301.16	3,595,278.39	218,141.93	590,398.50
Non-current Liabilities	2,852,752.75	147,265.32	433,991.54	154,974.97	203,402.94
Total Liabilities	6,651,236.27	944,566.48	4,029,269.94	373,116.91	793,801.45
Operating Revenue	4,816,464.60	762,025.85	13,472,935.99	1,517,333.17	817,536.33
Net Profits	201,173.77	-18,236.21	176,814.17	200,279.56	14,934.09
Total Comprehensive Income	31,232.82	-19,480.66	182,046.38	177,719.78	13,205.86
Cash Flows From Operating Activities	801,862.82	53,990.17	324,430.70	355,580.23	153,221.14

(Continue)

Item	Previous Year				
	TianYi Co.	Shenyang Chem.	TianHuaYuan	Cangzhou Dahua	Sanoda
Current Assets	68,675.59	271,836.24	96,907.86	78,781.00	95,375.20
Non-current Assets	30,643.94	691,226.21	43,191.50	318,862.81	202,351.62
Total Assets	99,319.53	963,062.46	140,099.36	397,643.81	297,726.82
Current Liabilities	24,097.52	382,510.97	65,782.00	162,123.69	50,907.56
Non-current Liabilities	131.50	193,251.83	2,497.00	113,250.73	37,081.01
Total Liabilities	24,229.02	575,762.79	68,279.00	275,374.42	87,988.57
Operating Revenue	47,360.96	966,390.05	69,034.92	179,445.43	216,993.66
Net Profits	4,322.08	18,603.40	3,628.28	-73,107.91	14,195.56
Total Comprehensive Income	4,322.08	18,603.40	3,628.28	-73,107.91	14,195.56
Cash Flows From Operating Activities	312.38	56,092.28	-3,103.07	-13,349.27	27,609.01

4. New Consolidated and Unconsolidated Subjects in the Current Year

4.1 New Consolidated Subjects in the Current year

No.	Business name	Ending net asset	Net income for the year	Domination property
1	ChemChina Petrochemical (H.K.) Ltd.	3,843,678,744.00	526,126,821.09	Common Subsidiary
2	China National Century(H.K.) Ltd.	-170,149,847.22	-162,899,528.48	Common Subsidiary
3	China National Chemical Equipment (H.K.) Ltd.	1,832,870,554.32	-42,529,536.33	Common Subsidiary

4.2 New Unconsolidated Subjects in the Current year

① New Unconsolidated Subjects Profile

Name of Subsidiary	Registed Location	Business Field	Share Proportion (%)	Voting Right (%)	Reason of Unconsolidated
Chian ChemcialNew Chemical Ltd. and its 63 subsidiaries (New Chemical)	Beijing	Chemicals	26.00	26.00	Losing control
Siping Tianke Gas Ltd.	Siping Jilin	Chemicals	62.00	62.00	Liquidation, removal, bankruptcy
Xianyang Saifu Anticorrosive Equipment Ltd.	Xianyang Shaanxi	Rubber Products	51.00	51.00	Exchange in Market
Zhongda Chemical Development Ltd.	Shanghai	Services	66.67	66.67	Negotiating transfer
Bluestar Adisseo (Tianjin) Ltd.	Tianjin	Oil Manufacturing	100.00	100.00	Liquidation, removal, bankruptcy
Anhui Chemical Designing Institute	Hefei Anhui	Designing Service	100.00	100.00	Exchange in Market
Cangzhou Dahua New Star Industry and Trade Ltd.	Cangzhou Hebei	Packaging Materials Processing	24.71	24.71	Liquidation, removal, bankruptcy
Targetgene Biotechnologies Ltd.	Israel	Pesticide manufacturing	50.10	45.00	Losing control
Zhonglan Changhua Engineering Technology Ltd.	Changsha Hunan	Chemicals	100.00	100.00	Liquidation, removal, bankruptcy
Lianyungang Jinhua Real Estate Development Ltd.	Lianyungang	Chemicals	100.00	100.00	Liquidation, removal, bankruptcy
Shenyang Mold Factory	Shenyang Liaoning	Chemical Equipments	100.00	100.00	Liquidation, removal, bankruptcy

② The Financial Performance of New Unconsolidated Subjects at the Disposal Date and the Last Reporting Date

Name	Disposal Date	Financial Performance at Disposal Date			Financial Performance at Last Reporting Date		
		Total Assets	Total Liabilities	Total Equity	Total Assets	Total Liabilities	Total Equity
New Material	2016.12.31	51,789,536,414.85	37,416,030,154.37	14,373,506,260.48	15,226,321,277.39	13,389,926,506.59	1,836,394,770.80
Siping Tianke Gas Ltd.	2016.12.31	41,678,452.98		41,678,452.98	44,511,120.11	-434,414.19	44,945,534.30

Name	Disposal Date	Financial Performance at Disposal Date			Financial Performance at Last Reporting Date		
		Total Assets	Total Liabilities	Total Equity	Total Assets	Total Liabilities	Total Equity
Xianyang Saifu Anticorrosive Equipment Ltd.	2016.10.31	33,565,051.14	12,027,601.48	21,537,449.66	29,133,058.87	10,185,694.92	18,947,358.95
Zhongda Chemical Development Ltd.	2016.12.31	16,578,892.80	100,341,846.77	-83,762,953.97	26,025,991.16	96,225,503.81	-70,199,512.65
Bluestar Adisseo (Tianjin) Ltd.	2016.10.31				162,514,971.30	155,000,000.00	7,514,971.30
Anhui Chemical Designing Institute	2016.10.31	64,926,259.73	15,448,907.93	49,477,351.80	62,026,879.95	12,778,519.67	49,248,360.28
Cangzhou Dahua New Star Industry and Trade Ltd.	2016.12.21	719.20		719.20	8,074,149.48	7,681,081.82	393,067.66
Targetgene Biotechnologies Ltd.		17,709,141.62	664,496.02	17,044,645.60	1,493,528.00	525,981.60	-967,546.40
Zhonglan Changhua Engineering Technology Ltd.	2016.12.01	49,974,611.97	-1,236.14	49,975,848.11	42,816,114.55	-1,236.14	42,817,350.69
Lianyungang Jinhua Real Estate Development Ltd.	2016.12.01	976,300.67		976,300.67	2,594,999.23	3,236,015.91	-641,016.68
Shenyang Mold Factory	2016.12.01	31,073,416.17	1,130,730.98	29,942,685.19	31,073,416.17	1,130,730.98	29,942,685.19

③ The Operating Performance of New Unconsolidated Subjects From Year Beginning to Disposal Date

Name	Disposal Date	Beginning to Disposal Date		
		Revenues	Costs	Net Profits
New Material	2016.12.31	8,102,755,000.85	8,293,643,898.08	-284,480,600.32
Siping Tianke Gas Ltd.	2016.12.31		3,292,880.98	-3,327,407.82
Xianyang Saifu Anticorrosive Equipment Ltd.	2016.10.31	19,092,351.00	16,521,345.97	2,571,005.03
Zhongda Chemical Development Ltd.	2016.12.31	1,570,687.32	15,109,083.61	-13,563,441.32
Bluestar Adisseo (Tianjin) Ltd.	2016.10.31	156,268,868.52	173,873,192.35	-17,615,640.61

Name	Disposal Date	Beginning to Disposal Date		
		Revenues	Costs	Net Profits
Anhui Chemical Designing Institute	2016.10.31	34,199,017.99	33,923,856.70	228,991.52
Cangzhou Dahua New Star Industry and Trade Ltd.	2016.12.21	4,473.50	-5,157,568.80	6,846,852.70
Targetgene Biotechnologies Ltd.	20			
Zhonglan Changhua Engineering Technology Ltd.	2016.12.01		0.24	-0.24
Lianyungang Jinhua Real Estate Development Ltd.	2016.12.01	3,381,709.03	3,860,654.31	1,017,317.35
Shenyang Mold Factory	2016.12.01			

5. The Profile of Business Combination Under Non-common Control in the Current Period

Name	Purchases (Sales) Date	Recognition Basis of Purchases (Sales) Date	Share Proportion	Face Value of Net Assets	Fair Value of Identifiable Net Assets	
					Amount	Confirmation Method
KraussMaffei Group GmbH	2016-4-29	Date of acquiring control	100%	1,996,615,468.60	2,160,053,963.10	Purchase consideration amortization report
Elkem Solar AS	2016-10-22	Date of acquiring control	78%	764,120,847.96	990,157,524.96	Assets Assessment

(Continue)

Name	Trading Consideration	Goodwill		Acquiree's Revenues From Purchase Date to the year end	Acquiree's Net Profits From Purchase Date to the year end
		Amount	Confirmation Method		
KraussMaffei Group GmbH	5,403,805,527.90	3,243,751,564.80	Positive difference between consideration and the consideration of identifiable net assets	6,380,514,409.53	4,419,508.16
Elkem Solar AS	1,016,788,880.67	244,466,011.20		109,038,338.04	-34,634,268.08

VIII NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

The following notes except noted specially, the unit is RMB. "Beginning" means January 1, 2016, "Ending" means December 31. "Last year" means the year in 2015, "Current year" means the year in 2016.

1. Monetary Funds

Items	Ending Balance	Beginning Balance
Cash	61,763,500.32	1,009,900,708.77
Bank Deposit	44,075,244,741.04	27,874,076,614.50
Other monetary funds	4,370,367,795.50	10,018,923,077.81
Total	48,507,376,036.86	38,902,900,401.08
Total amount deposited abroad	32,846,683,272.44	19,388,874,618.87

Note: Other monetary funds including bank acceptance deposit, fixed term deposit or notice deposit for guarantee, reserve fund, pledge loan, L/C deposit, performance bond, etc.

Mortgage, pledge, frozen and other monetary funds for use limited above are referred to notes *VIII. 72 "Assets with restricted ownership"*.

2. Financial Assets at Fair Value Through Profit or Loss

Items	Ending FV	Beginning FV
1. Trading financial assets	841,096,311.07	942,552,977.13
(1) Held-for-trading bonds investment	388,751,345.96	585,105,275.20
(2) Held-for-trading equity investments	20,794,195.11	35,410,597.13
(3) Others	431,550,770.00	322,037,104.80
2. Initial measurement designated financial assets at fair value through profit or loss		
(1) Held-for-trading bonds investment		
(2) Held-for-trading equity investments		
(3) Others		
Total	841,096,311.07	942,552,977.13

3. Derivative Financial Assets

Items	Ending Balance	Beginning Balance
Foreign currency derivatives- transaction	97,936,671.88	382,673,325.65
Foreign currency derivatives- included in net financial position	27,166,711.63	48,527,691.35
Cash flow hedge of invalid	84,113,251.84	23,703,603.79
Fair value hedge instruments	73,234,289.28	1,326,802.40
Other derivatives	141,441,509.10	25,767,406.06
Total	423,892,433.73	481,998,829.25

4. Notes Receivable

(1) Notes receivable classification

Categories	Ending Balance	Beginning Balance
Bank acceptance	3,468,942,495.50	2,875,527,642.46
Trade acceptance	686,070,832.00	262,773,304.11
Total	4,155,013,327.50	3,138,300,946.57

(2) Notes receivable has pledged at the end of year

Items	Amount has pledged at the end of year
Bank acceptance	167,875,793.01
Total	167,875,793.01

Note: Mortgage, pledge and other monetary funds for use limited above are referred to notes *VIII. 72 "Assets with restricted ownership"*.

5. Accounts Receivable

Categories	Ending Balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with significant single amount subject to individual impairment	7,337,346,028.70	22.24	2,110,453,232.51	28.76
Accounts receivable subject to group impairment	24,997,039,123.11	75.76	1,728,664,353.75	6.92
Accounts receivable with insignificant single amount subject to individual impairment	661,330,352.15	2.00	572,045,027.69	86.50
Total	32,995,715,503.96	100.00	4,411,162,613.95	

(Continued)

Categories	Beginning Balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with significant single amount subject to individual impairment	6,068,866,933.05	18.46	618,468,675.46	10.19
Accounts receivable subject to group impairment	26,648,442,405.64	81.09	3,270,471,947.32	12.27
Accounts receivable with insignificant single amount subject to individual impairment	146,855,954.43	0.45	131,187,571.20	89.33
Total	32,864,165,293.12	100.00	4,020,128,193.98	

(1) Accounts receivable with significant single amount subject to individual impairment

Debtors	Book balance	Bad debt provision	Aging	Percentage (%)	Provision reason
VENEZUELA	1,627,866,686.17	1,627,866,686.17	>3years	100.00	Refer to note
Shandong HaoHang Chemical Co., Ltd.	415,465,810.31	43,200,505.45	2-3 years	10.40	Refer to note
ATD	162,228,046.85	8,111,400.61	<1 year	5.00	Refer to note
DONGYING SUCHI TYRE CO., LTD.	104,691,791.08	6,380,274.02	<1 year	6.09	Refer to note
The old tire factory historical issues	49,988,390.16	49,988,390.16	>3years	100.00	Refer to note
REIFEN RITTER	34,029,028.89	28,584,384.27	1-2 years	84.00	Refer to note
Zhonghaochangrong Tire (Beijing) Co., Ltd.	33,847,613.92	33,847,613.92	>3years	100.00	Refer to note
Others	4,909,228,661.32	312,473,977.91	>3years	6.37	Refer to note
Total	7,337,346,028.70	2,110,453,232.51			

Note: Combined with aging and the company's business condition, for all or part of accounts receivable plan the provision for bad debt.

(2) Accounts receivable subject to group impairment

① Accounts receivable subject to bad debt provision by the method of aging accounting receivable

Aging	Ending Balance			Beginning Balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
< 1 year	19,501,579,756.51	86.20	296,979,299.96	13,087,818,318.16	53.89	954,600,823.25
1-2 years	1,054,152,287.32	4.66	85,710,743.74	9,450,985,608.61	38.92	908,666,650.06
2-3years	685,375,340.30	3.03	150,191,169.43	615,252,003.14	2.53	307,626,001.57
> 3years	1,381,419,862.42	6.11	1,161,750,218.62	1,131,165,538.29	4.66	1,071,130,010.84
Total	22,622,527,246.55	100.00	1,694,631,431.75	24,285,221,468.20	100.00	3,242,023,485.72

② Accounts receivable subject to bad debt provision by the method of balance percentage or other group

Group name	Ending Balance			Beginning Balance		
	Book balance	Provision Percentage (%)	Bad debt provision	Book balance	Provision Percentage (%)	Bad debt provision
Accounts receivable have been sued	23,946,524.00	100.00	23,946,524.00	11,694,973.60	100.00	11,694,973.60
More than 240 days overdue	16,905,469.00	50.02	8,456,203.00	16,071,660.00	50.02	8,039,076.80
60 -240 days overdue	8,171,786.00	19.95	1,630,195.00	34,195,297.60	25.48	8,714,411.20
Non-overdue	651,772,772.00			508,883,951.20		
The method of other group	1,673,715,325.56			1,792,375,055.04		
Total	2,374,511,876.56		34,032,922.00	2,363,220,937.44		28,448,461.60

(3) Accounts receivable with insignificant single amount subject to individual impairment

Debtors	Book balance	Bad debt provision	Aging	Percentage (%)	Provision reason
GOLDEN SUCCESS CORPORATION LIMITED	27,056,567.85	12,519,535.70	1-2 years	46.27	Refer to note
Shenyang Resin Factory	26,002,854.23	19,975,645.33	>3 years	76.82	Refer to note
BOM JESUS AGROP LTDA	25,562,845.00	6,305,733.00	>3 years	24.67	Refer to note
VENEZUELA	45,174,415.22	45,174,415.22	<1 year	100.00	Refer to note
CAMP AGRO INS AGR LTDA	22,184,526.00	6,590,150.00	>3 years	29.71	Refer to note

Debtors	Book balance	Bad debt provision	Aging	Percentage (%)	Provision reason
Panzhihua Yousai Chemical Science and Technology Co., Ltd.	21,300,000.00	21,300,000.00	2-3 years	100.00	Refer to note
ICE AVTO	19,771,896.03	19,771,896.03	1-2 years	100.00	Refer to note
HERPLAN LTDA	16,600,241.00	15,740,053.00	>3 years	94.82	Refer to note
Changshu Nylon Products Co., Ltd.	13,123,070.42	13,123,070.42	>3 years	100.00	Refer to note
China National Heavy Duty Truck Group Jinan Truck Co., Ltd.	11,685,546.66	11,685,546.66	<1 year	100.00	Refer to note
COSTA SEMT MAQ LTDA	11,570,916.00	10,571,988.00	>3 years	91.37	Refer to note
LICENSING PROJECT	11,150,176.80	11,150,176.80	>3 years	100.00	Refer to note
China Faw Group Import & Export Co., Ltd.	20,511,690.08	20,511,690.08	2-3 years	100.00	Refer to note
CNCE	9,864,180.00	9,864,180.00	<1 year	100.00	Refer to note
Jiamusi Heilong pesticide Co., Ltd.	9,776,193.02	9,776,193.02	>3 years	100.00	Refer to note
TESKO I LLC	9,767,203.85	9,767,203.85	1-2 years	100.00	Refer to note
WIN WIN (HK) CORPORATION LIMITED	9,421,826.54	3,444,232.59	1-2 years	36.56	Refer to note
CFG SRL	9,270,867.84	4,635,433.92	>3 years	50.00	Refer to note
PRODUZIR AGROP LTDA	8,803,053.00	8,803,053.00	>3 years	100.00	Refer to note
PTD CAVI	8,154,812.59	4,077,406.30	>3 years	50.00	Refer to note
Shenhua Materials Group Co., Ltd.	7,926,800.00	7,926,800.00	>3 years	100.00	Refer to note
COOP AGROP NOROESTE MINEIRO LTDA	7,804,125.00	7,804,125.00	>3 years	100.00	Refer to note
PTD SIRTI	7,764,848.68	3,882,424.34	>3 years	50.00	Refer to note
CS AGRONEG COM IMP EXP EIRELI	7,602,952.00	5,688,340.00	>3 years	74.82	Refer to note
BIOCIDAS	7,047,992.00	7,047,992.00	>3 years	100.00	Refer to note
AUTO SOFT SERVICE ROTI SRL	7,035,946.27	7,035,946.27	1-2 years	100.00	Refer to note
Jingzhou Huaxiang Chemical Co., Ltd.	6,917,191.55	6,917,191.55	2-3 years , >3 years	100.00	Refer to note

Debtors	Book balance	Bad debt provision	Aging	Percentage (%)	Provision reason
Tianjin Binhua Commercial and Trade Co., Ltd.	6,900,000.00	6,900,000.00	2-3 years	100.00	Refer to note
Chengdu Ruizhi Measure and control technology development Co., Ltd.	6,800,000.00	6,800,000.00	2-3 years	100.00	Refer to note
DIMAVE AGR COML INS AGR LTDA	6,687,268.00	6,021,316.00	>3 years	90.04	Refer to note
Sichuan Dujiangyan Acheng Enterprise Co., Ltd.	6,597,160.00	6,597,160.00	>3 years	100.00	Refer to note
COOP REGL CAF S SEBASTIAO PARAISO L	6,118,434.00	6,118,434.00	>3 years	100.00	Refer to note
Mulian Commercial and Trade (Beijing) Co., Ltd.	6,000,000.00	6,000,000.00	2-3 years	100.00	Refer to note
Huai Mining Modern Logistics Co., Ltd. Erdos Branch	5,636,790.00	3,382,074.00	2-3 years	60.00	Refer to note
TYRES 2000	5,492,571.14	5,492,571.14	1-2years	100.00	Refer to note
Chongqing Shiba Chmical Co., Ltd.	5,200,000.00	5,200,000.00	2-3 years	100.00	Refer to note
Siping Modern Iron and Steel Enterprise	5,099,189.53	811,944.46	1-2years, 2-3 years	15.92	Refer to note
AMERICAN PACIFIC INDUSTRIES INC	5,005,265.51	5,005,265.51	>3 years	100.00	Refer to note
FREGAT LLC	4,772,068.18	4,772,068.18	1-2years	100.00	Refer to note
Kangping Paper-making Factory	4,713,615.28	4,713,615.28	>3 years	100.00	Refer to note
Chengshan Xiangyuan Tire Sales (Beijing) Co., Ltd.	4,408,867.37	4,408,867.37	>3 years	100.00	Refer to note
COMPANY Mir Shin	4,238,512.19	4,238,512.19	1-2years	100.00	Refer to note
REGION-SHINA	4,158,075.68	4,158,075.68	1-2years	100.00	Refer to note
Xinkai Chemical Factory	4,001,161.03	4,001,161.03	>3 years	100.00	Refer to note
TECHEXPO LLC	3,401,712.37	3,401,712.37	1-2 years	100.00	Refer to note
Huai Mining Modern Logistics Co,.Ltd.	3,380,968.40	2,028,581.04	2-3 years	60.00	Refer to note
MASTERPLAS	3,299,286.77	3,299,286.77	<1 year	100.00	Refer to note
China Haohua Xuanhua Group Co., Ltd.	3,284,101.90	3,284,101.90	>3 years	100.00	Refer to note

Debtors	Book balance	Bad debt provision	Aging	Percentage (%)	Provision reason
Adisseo Overseas Subsidiaries Debtor	3,139,495.29	3,069,275.29	1-2years	97.76	Refer to note
Chengdu Jinsen Corparation	3,123,085.50	3,123,085.50	>3 years	100.00	Refer to note
Sichuan Jinluren leather Co., Ltd.	2,947,218.09	2,947,218.09	>3 years	100.00	Refer to note
NONG YST	2,932,733.14	2,932,733.14	<1 year	100.00	Refer to note
Shanghai Load Tire Factory	2,862,300.01	2,862,300.01	>3 years	100.00	Refer to note
Shenyang Electrical Equipment for Industrial and Mining Accessories Sales Center	2,550,015.00	2,550,015.00	>3 years	100.00	Refer to note
Michelin warrior(Shanghai)Tires	2,548,000.00	2,548,000.00	>3 years	100.00	Refer to note
FMM PERNAMBUCO COMPONENTES, BR	2,431,706.74	2,431,706.74	<1 year	100.00	Refer to note
Yingkou Paper-making Factory	2,312,954.35	2,312,954.35	>3 years	100.00	Refer to note
Lezhihonghe Materials Sales Department	2,229,190.00	2,229,190.00	>3 years	100.00	Refer to note
Liaoning Kuandian Paper-making Factory	2,227,746.89	2,227,746.89	>3 years	100.00	Refer to note
WAHAHA	2,141,291.52	2,141,291.52	<1 year	100.00	Refer to note
Ziyang Ronghua Commercialand Trade Corparation	2,128,792.85	2,128,792.85	>3 years	100.00	Refer to note
Shenyang Chemical Import & Export Co., Ltd	2,113,507.84	2,113,507.84	>3 years	100.00	Refer to note
China Huachen Development Centre of Economic and Technological	2,001,791.04	2,001,791.04	>3 years	100.00	Refer to note
Others	129,592,738.91	126,700,250.43	>3 years	97.77	Refer to note
Total	661,330,352.15	572,045,027.69			

Note: Combined with aging and the company's business condition, for all or part of accounts receivable plan the provision for bad debt.

(4) Accounts receivable with actual verification

Debtors	Natural of accounts receivable	Verification Amount	Verification reason	The perform of verification process	Whether caused by related party transactions Yes/No
SINAGRO PROD AGROP SA	Payment for goods	4,882,090.50	Uncollectible	Management approval	No
Adisseo Overseas Subsidiaries	Payment for goods	3,571,620.00	Uncollectible	Management approval	No
Benxi Steel Plate Co., Ltd.	Payment for goods	2,709,631.06	Uncollectible	Management approval	No
AGRO LANDIS	Payment for goods	1,195,614.00	Uncollectible	Management approval	No
Petro China Fushun branch	Payment for goods	891,648.88	Uncollectible	Management approval	No
Others	Payment for goods	45,960,073.90	Uncollectible	Management approval	No
Total	—	59,210,678.34	—	—	—

(5) The amount of accounts receivable generated in the top five by the end of year

Debtors	Book balance	Percentage (%)	Bad debt provision
CNOOC TRADING (SINGAPORE) PTE. LTD.	717,991,161.59	2.18	
MERCURIA ENERGY TRADING PTE LTD	703,930,404.57	2.13	
HUAYUE ENERGY (HONGKONG) COMPANY Ltd	512,504,640.31	1.55	
MERCURIA ENERGY TRADING SA	397,027,958.24	1.20	
SDIC (Xinjiang) Lop Nurpotassium Co., Ltd.	181,153,463.40	0.55	
Total	2,512,607,628.11	7.61	

6. Prepayments

(1) Prepayments classified by aging

Aging	Ending Balance			Beginning Balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
<1year (include 1 year)	5,566,244,884.46	81.81	510,202.99	6,387,821,469.40	69.76	143,569.74
1-2 years (include 2 years)	225,815,447.02	3.32	6,535,349.27	1,368,946,517.16	14.95	86,031,720.47
2-3 years (include 3 years)	518,518,451.99	7.62	166,450,342.69	760,170,351.21	8.30	40,316,838.39

Aging	Ending Balance			Beginning Balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
>3 years	493,482,186.23	7.25	167,577,551.89	639,782,677.13	6.99	151,358,165.05
Total	6,804,060,969.70	100.00	341,073,446.84	9,156,721,014.90	100.00	277,850,293.65

(2) Large prepayments with aging over 1 year

Creditors	Debtors	Ending balance	Aging	Unsettlement reason
ZhongLan Petrochemical Corporation	Bluestar Fiber Co., Ltd.	182,423,447.67	2-3 years	Not completed
Jiangsu HaoHua East China Eps Industry Co., Ltd.	Shanghai Haohua Polystyrene Co., Ltd.	69,599,273.71	>3 years	Not completed
Fujian Huaxiang Automatic Control Technology Co., Ltd.	Fujian Sanming Sanyang Paper-making mechanical equipment Co., Ltd.	49,956,577.27	>3 years	Not completed
Qingdao Yellow Sea Rubber Corportion	Second Engineering Bureau of China Construction	39,819,600.00	>3 years	Not completed
Qingdao Yellow Sea Rubber Corporation	China National Chemical Construction Corporation	36,835,444.20	>3 years	Not completed
Daqing ZhongLan Petrochemical Co., Ltd	Daqing Ranghulu District Bureau of Finance	25,305,650.00	>3 years	Not completed
Jiangsu Huaihe Chemical Co., Ltd	Chengdu Gaokeda Science and Technology Co., Ltd.	20,033,872.34	1-2 years	Not completed
Zhonglan Lianhai Design and Research Institute	Shanghai Bohan Resource Science and Technology Development Co,.Ltd.	18,594,697.23	1-2 years	Not completed
China National Bluestar Harbin Petrochemical Co., Ltd.	Harbin Yanjiang Industial Co., Ltd.	11,446,242.00	1-2 years	Not completed
Guilin Rubber Machinery Co., Ltd.	Guilin Rubber Machine Cast Steel Co., Ltd.	9,478,604.11	>1 years	Not completed
Total		463,493,408.53		

(3) The amount of prepayments generated in the top five by the end of year

Debtors	Book balance	Percentage (%)	Bad debt provision
China United Petroleum Co., Ltd.	539,900,575.72	7.93	
Bluestar Fiber Co., Ltd.	182,423,447.67	2.68	
China Petroleum and Chemical Co., Ltd.	78,323,564.67	1.15	
Bluestar Fiber(Lanzhou) Co., Ltd.	78,260,805.37	1.15	

Debtors	Book balance	Percentage (%)	Bad debt provision
Shanghai Haohua Polystyrene Co., Ltd.	69,599,273.71	1.02	
Total	948,507,667.14	13.93	

7. Interest Receivable

Items	Ending Balance	Beginning Balance
Fixed deposit	133,809.43	2,382,563.20
Entrusted loans	524,821,460.46	434,151,002.71
Others	8,827,404.28	90,934,485.73
Total	533,782,674.17	527,468,051.64

8. Dividends Receivable

Items	Ending Balance	Beginning Balance	Reason of uncollection	Impairment Yes/No
Aging within 1 year	9,619,203.00	10,954,573.60		
Incl: (1) Dongying Shenghong Real Estate Development Company Limited	8,100,000.00	9,000,000.00	Not Declare	No
(2) Other Equity Investment	1,519,203.00	1,954,573.60	Not Declare	No
Aging above 1 year	164,184,983.80	11,274,000.00		
Incl: (1) Dezhou Shihua Chemical Co., Ltd.	72,857,881.64		Not Declare	No
(2) Haohua Aerospace Chemical Co,.Ltd.	48,940,444.98		Not Declare	No
(3) Haohua Junhua Group Co., Ltd.	32,255,657.18		Not Declare	No
(4) Shanxi Tianji coal chemical group company	7,344,000.00	7,344,000.00	Not Declare	No
(5) Lihua Real Estate Development Co., Ltd.	2,280,000.00		Not Declare	No
(6) Zhonghao Alkali Industry Co., Ltd.	357,000.00		Not Declare	No
(7) Beijing Zhonghao Lihua Real Estate Development Co,. Ltd.	150,000.00	2,430,000.00	Not Declare	No
(8) Jiaozuo Tongcai Venture Investment Co., Ltd.		1,500,000.00	Not Declare	No
Total	173,804,186.80	22,228,573.60		

9. Other Receivable

Categories	Ending Balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other accounts receivable with significant single amount subject to individual impairment	2,046,828,151.37	7.91	1,973,906,222.62	96.44
Other receivable subject to bad debt by group	23,575,343,146.51	91.08	955,205,815.49	4.05
Other accounts receivable with insignificant single amount subject to individual impairment	263,367,339.41	1.02	247,073,850.80	93.81
Total	25,885,538,637.29	100.00	3,176,185,888.91	

(Continued)

Categories	Beginning Balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other accounts receivable with significant single amount subject to individual impairment	3,352,342,207.33	11.80	2,230,618,764.02	66.54
Other accounts receivable subject to bad debt provision by group	24,776,952,780.36	87.24	1,019,748,436.62	4.12
Other accounts receivable with insignificant single amount subject to individual impairment	272,012,072.15	0.96	232,015,647.18	85.30
Total	28,401,307,059.84	100.00	3,482,382,847.82	

(1) Other accounts receivable with significant single amount subject to individual impairment

Debtors	Book balance	Bad debt provision	Aging	Percentage	Provision reason
Spark Chemical Factory	283,437,587.45	283,437,587.45	>3 years	100.00	Refer to note
Jiamusi Heilong Pesticide Co., Ltd.	217,478,665.24	217,478,665.24	<1 year	100.00	Refer to note
Qingdao steel wire rope factory	152,402,496.18	152,402,496.18	>3 years	100.00	Refer to note
Bluestar group Shifang southwest Machinery Factory	142,591,641.89	142,591,641.89	>3 years	100.00	Refer to note
Yibin Tianke Coal Chemical Co Ltd	121,335,865.20	121,335,865.20	>3 years	100.00	Refer to note

Debtors	Book balance	Bad debt provision	Aging	Percentage	Provision reason
The old tire factory legacy creditor claims	93,425,483.18	93,425,483.18	>3 years	100.00	Refer to note
Shenzhen Fubang New Century Investment Co., Ltd.	83,162,982.07	83,162,982.07	>3 years	100.00	Refer to note
Fubang New Century Investment Co., Ltd.	65,411,316.88	65,411,316.88	>3 years	100.00	Refer to note
Qingdao rubber (Group) Labor Service Company	65,093,695.19	65,093,695.19	<1 year	100.00	Refer to note
Zhonglanlongji (Beijing) Real Estate Development Co,. Ltd.	60,342,989.54	43,363,978.39	>3 years	71.86	Refer to note
Beijing Chinese-owned syndicated Group	57,640,000.00	57,640,000.00	>3 years	100.00	Refer to note
Changzhou Huachen Chemical Light Industrial Materials Co., Ltd.	40,000,000.00	40,000,000.00	>3 years	100.00	Refer to note
Harbin Huayu Co. Ltd.	37,431,000.00	37,431,000.00	>3 years	100.00	Refer to note
Ji'nan Baiyun Organic Chemical Co. Ltd.	34,529,629.65	34,529,629.65	>3 years	100.00	Refer to note
China Resource (Beijing) Real Estate Development Co,. Ltd.	32,791,600.00	32,791,600.00	>3 years	100.00	Refer to note
Others	559,753,198.90	503,810,281.30	>3 years	96.58	Refer to note
Total	2,046,828,151.37	1,973,906,222.62			

Note: Combined with aging and the company's business condition, for all or part of accounts receivable plan the provision for bad debt.

(2) Other accounts receivable subject to bad debt provision by group

① Other receivable subject to bad debt provision by aging

Aging	Ending Balance			Beginning Balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
<1year(include 1 year)	2,085,730,073.19	38.94	120,330,267.47	7,153,342,962.15	74.08	9,328,121.18
1-2 year (Include 2 year)	2,398,122,032.60	44.78	101,466,217.43	1,139,651,626.98	11.80	98,353,148.69

Aging	Ending Balance			Beginning Balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
2-3 years Include 3 year)	111,646,356.39	2.08	33,226,996.17	257,809,295.77	2.67	52,062,503.17
>3 years	760,318,063.41	14.20	700,182,334.42	1,105,515,291.35	11.45	860,004,663.58
Total	5,355,816,525.59	100.00	955,205,815.49	9,656,319,176.25	100.00	1,019,748,436.62

② Other receivable subject to bad debt provision by balance percentage or other method

Debtors	Ending Balance			Beginning Balance		
	Book balance	Percentage	Bad debt provision	Book balance	Percentage	Bad debt provision
Other group	18,219,526,620.92			15,120,633,604.11		
Total	18,219,526,620.92			15,120,633,604.11		

(3) Other accounts receivable with insignificant single amount subject to individual impairment

Debtors	Book balance	Bad debt provision	Aging	Percentage (%)	Provision reason
Yi'an Investment Co., Ltd.	23,827,035.00	23,827,035.00	>3 years	100.00	Refer to note
Hunan Xiangdong Chemical and Mechanical Co., Ltd.	22,828,765.51	22,828,765.51	>1 years	100.00	Refer to note
Guangxi Baise Dahua Architecture Decoration company	19,916,648.75	18,298,368.10	>3 years	91.87	Refer to note
PIRELLI PNEUS LTDA BRASILE	15,839,849.10	15,839,849.10	<1 year	100.00	Refer to note
ZhongHao Financial Company	15,769,072.26	15,769,072.26	>3 years	100.00	Refer to note
Yibin Tianke Coal Chemical Co Ltd	15,000,000.00	15,000,000.00	>3 years	100.00	Refer to note
China National Huachen Economic and technology development center	14,217,648.47	14,217,648.47	>3 years	100.00	Refer to note
Others	135,968,320.32	121,293,112.36	>1years	84.59	Refer to note
Total	263,367,339.41	247,073,850.80			

(4) Other accounts receivable with actual verification

Debtors	Natural of accounts receivable	Verification Amount	Verification reason	The perform of verification process	Whether caused by related party transactions Yes/No
Qingdao Yellow Sea Rubber Corporation Import and Export Co., Ltd.	Sales Business	447,266,709.63	Bankruptcy	Management approval	No
Qingdao Yellow Sea Mold processing and maintenance company	Sales Business	27,683,694.01	Uncollectible	Management approval	No
Qingdao Yellow Sea Equipment Maintenance and Installation Company	Sales Business	2,763,829.08	Uncollectible	Management approval	No
Others	Intercourse Funds	4,246,143.51	Uncollectible	Management approval	No
Total		481,960,376.23			

(5) The amount of accounts receivable generated in the top five by the end of year

Debtors	Accounts properties	Book balance	Aging	Percentage (%)	Bad debt provision
Bluestar Fiber Investment Co., Ltd.	Intercourse Funds	3,009,356,087.29	<1 year	11.63	
Bluestar (Tianjin) Chemical Co., Ltd.	Intercourse Funds	1,366,893,140.00	>1 years	5.28	
Shandong Dacheng Agrochemical Co., Ltd.	Intercourse Funds	1,334,598,534.77	>1 years	5.16	
New Material Company	Intercourse Funds	2,245,114,046.84	<1 year	8.67	
Bluestar Petrochemical Co., Ltd. Tianjin Petroleum Chemical Factory	Intercourse Funds	770,075,333.82	>1 years	2.97	
Total		8,726,037,142.72		33.71	

10. Inventory

Items	Ending Balance		
	Book Value	Write-down provision	Carrying amount
Raw materials	13,166,784,589.25	262,676,520.43	12,904,108,068.82
Semi-finished products & WIP	7,857,965,290.98	163,347,698.71	7,694,617,592.27
Stock on hand (Finished goods)	20,900,172,884.94	1,110,525,898.23	19,789,646,986.71

Items	Ending Balance		
	Book Value	Write-down provision	Carrying amount
Circulating materials (Package, consumables with low value)	712,610,336.00	61,290,446.87	651,319,889.13
Engineering construction (completed without settlement)			
Others	281,537,307.13	7,478,062.00	274,059,245.13
Total	42,919,070,408.30	1,605,318,626.24	41,313,751,782.06

(Continued)

Items	Beginning Balance		
	Book Value	Write-down provision	Carrying amount
Raw materials	13,007,692,195.64	330,450,458.74	12,677,241,736.90
Semi-finished products &WIP	10,357,825,796.69	428,985,648.53	9,928,840,148.16
Stock on hand (Finished goods)	24,719,380,741.03	1,884,587,977.51	22,834,792,763.52
Circulating materials (Package, consumables with low value)	742,255,515.61	60,894,974.56	681,360,541.05
Engineering construction (completed without settlement)	40,878,137.34		40,878,137.34
Others	316,172,330.95	5,332,572.80	310,839,758.15
Total	49,184,204,717.26	2,710,251,632.14	46,473,953,085.12

11. Designated Available-for-sale financial assets

Items	Book value by ending balance	Fair value	Expected disposal costs	The expected time for disposal
Fixed assets	81,005,925.81	81,005,925.81		2017-12-31
Intangible assets	33,783,183.88	33,783,183.88		2017-12-31
Total	114,789,109.69	114,789,109.69		

12. Non-current Assets Due Within 1 Year

Items	Ending Balance	Beginning Balance
Long-term receivables due within 1 year		490,000,000.00
Long-term deferred expense due within 1 year	119,658.12	99,167.63
Others	3,453,559.00	311,951.20
Total	3,573,217.12	490,411,118.83

Note: Others including loans are returned by staffs, etc.

13. Other Current Assets

Items	Ending Balance	Beginning Balance
Prepaid tax surcharges	5,120,081,918.35	4,409,560,793.62
Financial Products	2,600,000,000.00	
Entrust loans	2,256,380,000.00	4,414,494,403.04
Monetary Fund Investment	232,691,989.48	160,000,000.00

Items	Ending Balance	Beginning Balance
Hedging financial derivatives hedging effective part Effective part of hedging	205,203,397.00	189,593,639.20
Tax refund receivable	5,042,224.31	385,271,781.60
Others	387,213,818.89	262,849,428.42
Total	10,806,613,348.03	9,821,770,045.88

Note: (1) In current period, China Haohua Chemical (Group) Co. Ltd. purchase financial products100 millions RMB, China National Chemical Agrochemical Corporation purchase financial products 2.5 Billion RMB.

(2) Others include enterprise property insurance, carbon emission rights, etc.

14. Available-for-sale Financial Assets

Items	Ending Balance		
	Book balance	Provision	Book value
Available-for-sale debt instrument			
Available-for-sale equity instrument	3,915,211,670.45	1,061,231,059.36	2,853,980,611.09
Incl: measurement at fair value	3,102,034,970.46	865,797,497.66	2,236,237,472.80
measurement at cost	813,176,699.99	195,433,561.70	617,743,138.29
Total	3,915,211,670.45	1,061,231,059.36	2,853,980,611.09

(Continued)

Items	Beginning Balance		
	Book balance	Provision	Book value
Available-for-sale debt instrument			
Available-for-sale equity instrument	4,838,208,833.53	983,952,485.51	3,854,256,348.02
Incl: measurement at fair value	2,929,597,016.05	761,463,959.20	2,168,133,056.85
measurement at cost	1,908,611,817.48	222,488,526.31	1,686,123,291.17
Total	4,838,208,833.53	983,952,485.51	3,854,256,348.02

(1) Available-for-sale financial assets measurement at fair value by the end of year

Items	Available-for-sale equity instrument	Available-for-sale debt instrument	Others	Total
Cost of equity instrument/ Amortized cost of debt instrument	2,728,052,244.39			2,728,052,244.39
Fair value	2,236,237,472.80			2,236,237,472.80
The amount of change in fair value of other comprehensive income	373,982,726.07			373,982,726.07
The Amount of Provision	865,797,497.66			865,797,497.66

15. Held-to-maturity Investment

Items	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Bond investment	213,000.00	213,000.00		50,213,000.00	213,000.00	50,000,000.00
Total	213,000.00	213,000.00		50,213,000.00	213,000.00	50,000,000.00

16. Long-term Receivables

Items	Ending Balance		
	Book balance	Bad debt provision	Book value
Finance lease			
Instalment for sale of goods	275,127,066.80		275,127,066.80
Instalment for rendering services			
Entrusted loans and others	4,168,364,886.25		4,168,364,886.25
Total	4,443,491,953.05		4,443,491,953.05

(Continued)

Items	Beginning Balance		
	Book balance	Bad debt provision	Book value
Finance lease			
Instalment for sale of goods	130,449,930.40		130,449,930.40
Instalment for rendering services			
Entrusted loans and others	13,204,579,235.97	23,570,254.40	13,181,008,981.57
Subtotal	13,335,029,166.37	23,570,254.40	13,311,458,911.97
Less: Due within 1 year (note VIII 12)	490,000,000.00		490,000,000.00
Total	12,845,029,166.37	23,570,254.40	12,821,458,911.97

17. Long-term Equity Investment

(1) Long-term equity investment classification

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
Investment in Joint venture	937,735,568.22	318,777,067.33	741,589,719.79	514,922,915.76
Investment in Associate company	1,902,566,462.64	10,861,331,588.02	1,472,561,715.43	11,291,336,335.23
Subtotal	2,840,302,030.86	11,180,108,655.35	2,214,151,435.22	11,806,259,250.99
Less：Long-term equity investment Impairment provision	330,609,962.36	154,073,961.80	118,498,571.97	366,185,352.19
Total	2,509,692,068.50	11,026,034,693.55	2,095,652,863.25	11,440,073,898.80

(2) The Details of Long-term equity investment

Investee	Share Proport-ion (%)	Investment Cost	Beginning Balance	Current year movement		
				Additional investment	Reduced Investment	Profit or Loss On Investment Under Equity Method
Total		14,300,407,374.94	2,840,302,030.86	10,273,230,229.32	686,673,886.04	3,473,353.85
1、Joint venture		1,775,404,376.62	937,735,568.22	74,525,607.53	489,982,974.62	-191,951,687.30
LAN-STAR Dongli Membrane Technology Co., Ltd. Beijing	49.90	181,224,507.32	141,469,812.32			11,912,882.37
PT Evoluzione Tyres (Indonesia)	60.00	161,153,747.10	163,812,646.86			-62,578,093.60
Chenguang Chemours fluoride materials (Shanghai) Co., Ltd.	50.00	52,100,000.00	71,767,498.34			-11,484,480.99
Alfa Agricultural Supplies S.A	49.00	33,568,834.00	47,130,548.80			8,661,559.20
North Sea Container Line AS	50.00	500,000.00	47,799,606.91			10,328,162.28
Igazú Alloys S.A.	50.00	4,000.00	3,104.28	47,704,444.74	11,508,768.82	-9,959,272.20
PuYang Bluestar New Material Co., Ltd	50.00	26,573,724.00		26,573,724.00		
Bluestar Xuhuacheng (Beijing) Energy Saving Solution Co., Ltd.	52.50	6,271,980.00	6,309,391.72			81,437.03
LanXi (Beijing) Fluid Control Equipment Co., Ltd.	51.00	10,500,000.00	6,435,680.93			-1,141,617.92
Others		1,303,507,584.20	453,007,278.06	247,438.79	478,474,205.80	-137,772,263.47

Investee	Share Proport-ion (%)	Investment Cost	Beginning Balance	Current year movement		
				Additional investment	Reduced Investment	Profit or Loss On Investment Under Equity Method
2、Associate company		12,525,002,998.32	1,902,566,462.64	10,198,704,621.79	196,690,911.42	195,425,041.15
Mercuria Energy (Group) Co., Ltd	12.00	3,786,645,679.05		3,786,645,679.05		88,851,228.00
The New Materials Co.,Ltd.	26.00	3,446,395,262.85		3,446,395,262.85		
AnTong Holding Co.,Ltd	16.50	2,456,855,896.59		2,456,855,896.59		43,275,709.26
GuangXi HeChi Chemical Co., Ltd	12.75	456,067,225.54		456,067,225.54		-12,640,851.86
PreliosS.p.A.	20.63	656,051,613.30	347,097,184.00			-61,535,614.80
FeniceS.r.l.	68.88	559,317,725.10	346,259,950.40			-161,018,926.20
Beijing Deyang Zhongche Automobile Parts Co. Ltd.	40.00	56,141,321.32	141,249,571.61			19,108,063.35
Ningbo Zhiyuan Huijin equity investment	5.80	107,148,000.00	78,406,871.29			
Eurostazioni S.p.A.	32.71	380,050,604.10	429,246,740.38			338,629,416.40
Others		620,329,670.47	560,306,144.96	52,740,557.76	196,690,911.42	-59,243,983.00

(Continued)

Investee	Other Comprehensive Income Adjustment	Current year movement				Ending Balance	Ending Impairment Provision
		Other Equity Movement	Announces the Distribution of Cash Dividends or Profits	Impairment Provision	Others		
Total	1,274,132.80	-12,050,610.43	766,735,150.40	154,073,961.80	153,439,151.03	11,806,259,250.99	366,185,352.19
1、Joint venture	-5,293,175.60	4,495,262.78	19,578,254.59		204,972,569.34	514,922,915.76	
LAN-STAR Dongli Membrane Technology Co., Ltd. Beijing						153,382,694.69	

Investee	Other Comprehensive Income Adjustment	Current year movement				Ending Balance	Ending Impairment Provision
		Other Equity Movement	Announces the Distribution of Cash Dividends or Profits	Impairment Provision	Others		
PT Evoluzione Tyres (Indonesia)					5,180,311.76	106,414,865.02	
Chenguang Chemours fluoride materials (Shanghai) Co., Ltd.						60,283,017.35	
Alfa Agricultural Supplies S.A	1,074,520.00		5,386,905.30		2,663,562.30	54,143,285.00	
North Sea Container Line AS			11,872,360.66		4,251,956.03	50,507,364.56	
Igazú Alloys S.A.					7,972,388.91	34,211,896.91	
PuYang Bluestar New Material Co., Ltd						26,573,724.00	
Bluestar Xuhuacheng (Beijing) Energy Saving Solution Co., Ltd.						6,390,828.75	
LanXi (Beijing) Fluid Control Equipment Co., Ltd.						5,294,063.01	
Others	-6,367,695.60	4,495,262.78	2,318,988.63		184,904,350.34	17,721,176.47	
2、Associate company	6,567,308.40	-16,545,873.21	747,156,895.81	154,073,961.80	-51,533,418.31	11,291,336,335.23	366,185,352.19
Mercuria Energy (Group) Co., Ltd	3,965,832.00					3,879,462,739.05	
The New Materials Co., Ltd.						3,446,395,262.85	

Investee	Other Comprehensive Income Adjustment	Current year movement				Ending Balance	Ending Impairment Provision
		Other Equity Movement	Announces the Distribution of Cash Dividends or Profits	Impairment Provision	Others		
AnTong Holding Co., Ltd						2,500,131,605.85	
GuangXi HeChi Chemical Co., Ltd						443,426,373.68	
Prelios S.P.A.		2,921,877.20		149,089,151.20	10,627,718.40	299,111,164.80	199,534,094.40
Fenice S.R.L.		8,339,830.40			11,046,079.40	204,626,934.00	138,515,007.60
Beijing Deyang Zhongche Automobile Parts Co. Ltd.		-18,000,000.00				142,357,634.96	
Ningbo Zhiyuan Huijin equity investment						78,406,871.29	
Eurostazioni S.P.A.			736,731,514.20		14,677,670.68	45,822,313.26	
Others	2,601,476.40	-9,807,580.81	10,425,381.61	4,984,810.60	-87,884,886.79	251,595,435.49	28,136,250.19

(3) The Main Financial Information of The Major Joint Ventures

Items	Current Year	
	Mercuria Energy (Group) Co., Ltd	The New Materials Co., Ltd.
Current Assets	103,146,253,000.00	28,219,317,779.56
Non-Current Assets	16,426,816,000.00	23,570,218,635.29
Total Assets	119,573,069,000.00	51,789,536,414.85
Current Liabilities	82,390,749,000.00	31,674,796,613.35
Non-current Liabilities	10,259,823,000.00	5,741,233,541.02
Total Liabilities	92,650,572,000.00	37,416,030,154.37
Net Assets	26,922,497,000.00	14,373,506,260.48
Net Assets Shares Calculated at Proportion of Shares	3,230,699,640.00	3,737,111,627.72
Share of net assets attributable to the parent company	2,625,515,760.00	3,737,111,627.72
Adjusting Events	1,253,946,979.05	-74,546,181.69
The Book Value of The Equity	3,879,462,739.05	3,662,565,446.03

Items	Current Year	
	Mercuria Energy (Group) Co., Ltd	The New Materials Co., Ltd.
Investment of Joint Venture		
The Public Fair Value of The Equity Investment		
Operating Income	363,311,501,000.00	8,102,755,000.85
Net Profit	2,094,974,000.00	-284,480,600.32
Other Comprehensive Income	-55,496,000.00	
Total Comprehensive Income	2,039,478,000.00	-284,480,600.32
Dividends Received Form Joint Venture In This Current Year		

(Continued)

Items	Last Year	
	Mercuria Energy (Group) Co., Ltd	The New Materials Co., Ltd.
Current Assets	101,307,948,000.00	6,717,846,257.71
Non-Current Assets	16,530,871,000.00	8,508,475,019.68
Total Assets	117,838,819,000.00	15,226,321,277.39
Current Liabilites	77,507,101,000.00	11,607,304,020.47
Non-current Liabilities	13,874,000,000.00	1,782,622,486.12
Total Liabilities	91,381,101,000.00	13,389,926,506.59
Net Assets	26,457,718,000.00	1,836,394,770.80
Net Assets Shares Calculated at Proportion of Shares		
Adjusting Events		
The Book Value of The Equity Investment of Joint Venture		
The Public Fair Value of The Equity Investment		
Operating Income	388,659,299,000.00	6,533,565,812.66
Net Profit	1,907,675,000.00	-414,814,716.60
Other Comprehensive Income	-270,543,000.00	
Total Comprehensive Income	1,637,132,000.00	-414,814,716.60
Dividends Received Form Joint Venture In This Current Year		

(4) The Information of Unimportant Joint Ventures

Items	Current Year	Last Year
Associate company:	—	—
Book value of total investment	514,922,915.76	937,735,568.22
The Total Share Proportion of following items		
Net Profit	-191,951,687.30	-196,639,520.08
Other Comprehensive Income	-5,293,175.60	-48,832,862.00
Total Comprehensive Income	-197,244,862.90	-245,472,382.08
Joint Venture：	—	—
Book value of total investment	3,965,478,333.33	1,902,566,462.64
The Total Share Proportion of following items		
Net Profit	106,573,813.15	27,239,458.01
Other Comprehensive Income	-1,364,355.60	-44,660,638.00
Total Comprehensive Income	105,209,457.55	-17,421,179.99

18. Invested Property

(1) Subsequently Measurement of The Investment Real Estate According to Costing Modal

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
1. Total Original Book Value	695,996,662.48	2,578,325.43	33,089,580.21	665,485,407.70
Incl: Building, Plants	551,528,740.53	243,549.62	33,089,580.21	518,682,709.94
Land use right	144,467,921.95	2,334,775.81		146,802,697.76
2. Total Accumulated depreciation (Amortization)	235,001,075.93	21,874,493.14	9,093,855.41	247,781,713.66
Incl: Building、Plants	204,550,813.94	17,026,636.11	9,093,855.41	212,483,594.64
Land use right	30,450,261.99	4,847,857.03		35,298,119.02
3. Net book value	460,995,586.55			417,703,694.04
Incl: Building、Plants	346,977,926.59			306,199,115.30
Land use right	114,017,659.96			111,504,578.74
4. Accumulated Impairment provision				
Incl: Building、Plants				
Land use right				
5. Total Carrying amount	460,995,586.55			417,703,694.04
Incl: Building、Plants	346,977,926.59			306,199,115.30
Land use right	114,017,659.96			111,504,578.74

(2) Subsequently Measurement of The Investment Real Estate According to Fair Value

Items	Beginning Fair Value	Current Year Increase			Current Year Decrease		Ending Fair Value
		Disposition	Transfers to Self-use real estate or inventory	Change in Profit and losses of Fair Value	Disposition	Transfers to Self-use real estate	
1. Total Cost			124,239,371.16				124,239,371.16
Incl: Building, Plants			19,862,517.68				19,862,517.68
Land use right			104,376,853.48				104,376,853.48
2. Total Fair Value Changes							
Incl: Building, Plants							
Land use right							
3. Total Fair Value			124,239,371.16				124,239,371.16
Incl: Building, Plants			19,862,517.68				19,862,517.68
Land use right			104,376,853.48				104,376,853.48

(3) Uncompleted investment real estate property certificate

Items	Book Value	Reason
Building, Plants	3,431,409.50	In process

19. Fixed Assets

(1) Fixed assets classification

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
1. Total Original Book Value	171,181,703,945.16	25,006,648,738.61	50,085,807,672.42	146,102,545,011.35
Incl: Land assets	1,066,103,716.92	206,541,106.98	86,962,741.45	1,185,682,082.45
Building, Plants	42,855,309,902.75	7,102,323,076.17	12,779,903,583.10	37,177,729,395.82

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
Machineries	119,858,696,049.43	16,332,945,218.72	34,662,469,662.96	101,529,171,605.19
Vehicles	2,697,998,145.88	133,908,496.29	1,038,948,730.00	1,792,957,912.17
Electronic equipment	981,716,596.07	508,582,997.93	279,419,110.91	1,210,880,483.09
Office equipment	2,019,252,228.00	175,366,055.30	83,764,311.08	2,110,853,972.22
Hotel furniture	6,189,464.60		3,680,862.67	2,508,601.93
Others	1,696,437,841.51	546,981,787.22	1,150,658,670.25	1,092,760,958.48
2. Total accumulated depreciation	69,339,361,127.72	9,765,324,587.16	29,722,273,701.38	49,382,412,013.50
Incl: Land assets				
Building, Plants	10,825,216,414.26	1,476,718,001.41	4,325,930,305.43	7,976,004,110.24
Machineries	54,857,903,000.14	7,548,592,045.12	23,975,684,240.41	38,430,810,804.85
Vehicles	840,871,561.30	104,146,863.19	231,074,318.79	713,944,105.70
Electronic equipment	578,267,964.48	276,780,586.85	150,947,133.49	704,101,417.84
Office equipment	1,192,993,183.98	191,307,188.07	57,047,976.77	1,327,252,395.28
Hotel furniture	4,073,880.62	569,599.41	3,666,371.04	977,108.99
Others	1,040,035,122.94	167,210,303.11	977,923,355.45	229,322,070.60
3. Total Net book value	101,842,342,817.44			96,720,132,997.85
Incl: Land assets	1,066,103,716.92			1,185,682,082.45
Building, Plants	32,030,093,488.49			29,201,725,285.58
Machineries	65,000,793,049.29			63,098,360,800.34
Vehicles	1,857,126,584.58			1,079,013,806.47
Electronic equipment	403,448,631.59			506,779,065.25
Office equipment	826,259,044.02			783,601,576.94
Hotel furniture	2,115,583.98			1,531,492.94
Others	656,402,718.57			863,438,887.88
4. Total impairment provision	3,360,510,198.16	941,966,038.49	446,045,971.10	3,856,430,265.55

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
Incl: Land assets				
Building, Plants	824,692,051.75	135,915,166.16	80,827,501.93	879,779,715.98
Machineries	2,492,578,755.13	787,405,934.99	341,409,485.45	2,938,575,204.67
Vehicles	16,712,267.43	17,856,998.16	4,869,325.27	29,699,940.32
Electronic equipment	1,195,324.19	140,202.42	1,063,752.56	271,774.05
Office equipment	18,335,994.75	618,944.21	12,268,025.20	6,686,913.76
Hotel furniture				
Others	6,995,804.91	28,792.55	5,607,880.69	1,416,716.77
5. Total Book Value	98,481,832,619.28			92,863,702,732.30
Incl: Land assets	1,066,103,716.92			1,185,682,082.45
Building, Plants	31,205,401,436.74			28,321,945,569.60
Machineries	62,508,214,294.16			60,159,785,595.67
Vehicles	1,840,414,317.15			1,049,313,866.15
Electronic equipment	402,253,307.40			506,507,291.20
Office equipment	807,923,049.27			776,914,663.18
Hotel furniture	2,115,583.98			1,531,492.94
Others	649,406,913.66			862,022,171.11

(2) Uncompleted Certificate of Fixed Assets

Items	Book value	Reasons
Building, Plants	1,202,922,321.99	In process

20. Construction in Progress

(1) Construction in progress

Items	Ending Balance		
	Book balance	Impairment provision	Book value
The Relocation of 20Million Square Meters Conveyor Belt	488,155,369.61		488,155,369.61
SAS Technological Transformation Project & ADISSEO PSR&ASISSEO PSR	453,360,412.65		453,360,412.65

Items	Ending Balance		
	Book balance	Impairment provision	Book value
The Desalination Base	261,129,112.60		261,129,112.60
Silao 2 Increase Capacity (Pirelli Mexico)	231,584,359.85		231,584,359.85
JiangSu Preparation Plant	187,736,031.00		187,736,031.00
Silao 1 Increase Capacity (Pirelli Mexico)	170,586,942.11		170,586,942.11
Slatina 37 kpcs/day (Pirelli Rumania)	164,479,546.98		164,479,546.98
The Beitucheng West Road, No.9 Office Building	163,885,406.85		163,885,406.85
5000 ton/year Special High Quality PTEF Suspension Resin and Auxiliary Project	142,578,601.45		142,578,601.45
0.8 Million ton/year Continuous Catalytic Reforming Unit	113,081,314.41		113,081,314.41
Others	6,557,439,813.86	664,520,363.36	5,892,919,450.50
Total	8,934,016,911.37	664,520,363.36	8,269,496,548.01

(Continued)

Items	Beginning Balance		
	Book balance	Impairment provision	Book value
The Relocation of 20Million Square Meters Conveyor Belt	534,877,239.14		534,877,239.14
SAS Ttechnological Transformation Project & ADISSEO PSR&ASISSEO PSR	394,385,638.40		394,385,638.40
The Desalination Base	154,463,225.10		154,463,225.10
Silao 2 Increase Capacity (Pirelli Mexico)			
JiangSu Preparation Plant	49,507,206.40		49,507,206.40
Silao 1 Increase Capacity (Pirelli Mexico)	180,798,453.17		180,798,453.17
Slatina 37 kpcs/day (Pirelli Rumania)	35,184,459.90		35,184,459.90
The Beitucheng West Road, No.9 Office Building	160,774,000.55		160,774,000.55

Items	Beginning Balance		
	Book balance	Impairment provision	Book value
5000 ton/year Special High Quality PTEF Suspension Resin and Auxiliary Project	102,714,921.25		102,714,921.25
0.8 Million ton/year Continuous Catalytic Reforming Unit	6,709,232.08		6,709,232.08
Others	15,503,104,744.69	972,066,346.27	14,531,038,398.42
Total	17,122,519,120.68	972,066,346.27	16,150,452,774.41

Notes: Details of mortgaged and pledged construction progress with restricted ownership refer to *VIII. 72 "Assets with restricted ownership"*.

(2) Current year movement of significant construction in progress

Items	Budget	Beginning balance	Current year increase	Transfer to Fixed assets	Current year others decrease
The Relocation of 20Million Square Meters Conveyor Belt	529,810,000.00	534,877,239.14	79,327,638.86	82,311,423.03	43,738,085.36
SAS Ttechnological Transformation Project & ADISSEO PSR&ASISSEO PSR	522,105,900.00	394,385,638.40	601,456,132.25	542,481,358.00	
The Desalination Base	433,090,000.00	154,463,225.10	106,665,887.50		
Silao 2 Increase Capacity (Pirelli Mexico)	1,272,041,578.38		232,680,984.76		1,096,624.91
JiangSu Preparation Plant	377,074,509.00	49,507,206.40	138,228,824.60		
Silao 1 Increase Capacity (Pirelli Mexico)	2,197,467,536.30	180,798,453.17	222,551,751.54	197,295,494.01	35,467,768.59
Slatina 37 kpcs/day (Pirelli Rumania)	1,407,700,113.22	35,184,459.90	131,288,063.04	18,748,150.73	-16,755,174.77
The Beitucheng West Road, No.9 Office Building	123,620,139.73	160,774,000.55	3,111,406.30		
5000 ton/year Special High Quality PTEF Suspension Resin and Auxiliary Project	331,490,000.00	102,714,921.25	39,863,680.20		
0.8 Million ton/year Continuous Catalytic Reforming Unit	727,780,000.00	6,709,232.08	106,372,082.33		
Total	7,922,179,776.63	1,619,414,375.99	1,661,546,451.38	840,836,425.77	63,547,304.09

(Continued)

Items	The end of year of balance	Expenditure over budget (%)	Job schedule	Accumulated capitalized interest Amount	Incl：Current year capitalized interest Amount	Current year interest capitalized(%)	Funding
The Relocation of 20Million Square Meters Conveyor Belt	488,155,369.61	92.14	95.00	24,421,647.81	1,408,750.00	5.45	Loan
SAS Technological Transformation Project & ADISSEO PSR&ASISSEO PSR	453,360,412.65	87.00	87.00				Loan
The Desalination Base	261,129,112.60	60.00	60.00	25,078,640.91	10,340,902.56	4.82	Loan
Silao 2 Increase Capacity (Pirelli Mexico)	231,584,359.85	17.28	17.28				Loan
JiangSu Preparation Plant	187,736,031.00	42.27	42.00				Loan
Silao 1 Increase Capacity (Pirelli Mexico)	170,586,942.11	95.73	95.73				Loan
Slatina 37 kpcs/day (Pirelli Rumania)	164,479,546.98	66.00	66.00				Loan
The Beitucheng West Road, No.9 Office Building	163,885,406.85	133.00	97.00				Loan & self-funded
5000 ton/year Special High Quality PTEF Suspension Resin and Auxiliary Project	142,578,601.45	43.01	85.00	16,810,534.70	6,091,219.44	4.40	Loan
0.8 Million ton/year Continuous Catalytic Reforming Unit	113,081,314.41	15.54	15.54	90,522.09	90,522.09	4.60	Loan
Total	2,376,577,097.51			66,401,345.51	17,931,394.09		

(3) The preparation for impairment loss of Construction in progress in current year

Items	Current year	Reason of provision
The antioxidant project	53,323,598.76	Shutdown
0.3Million sets Load Meridian project	3,603,421.87	Shutdown
3I project	2,620,000.00	Shutdown
0.45 Million tons ammonia synthesis & 0.8 Million tons urea	1,597,352.00	Shutdown
Others	38,260,885.35	Long period Shutdown impairment
Total	99,405,257.98	

21. Engineering Materials

Items	Ending Balance	Beginning Balance
Engineering materials	32,747,427.23	101,871,371.93
Engineering equipment	145,576,286.61	193,267,238.78

Items	Ending Balance	Beginning Balance
Others	13,650,487.73	24,758,870.13
Total	191,974,201.57	319,897,480.84

22. Fixed Assets Clearing

Items	Ending carrying amount	Beginning carrying amount	Reason of clearing
Building, Plants	1,539,899.76	71,366,750.39	Scrap for approval
Machineries	6,955,511.69	52,130,993.98	Scrap for approval
Vehicles	93,939.14	301,294.98	Scrap for approval
Office equipment	10,313.08	22,095.22	Scrap for approval
Total	8,599,663.67	123,821,134.57	

23. Intangible Assets

(1) Intangible assets categories

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
1. Original Book value	44,905,023,644.37	38,554,722,042.10	8,893,432,238.20	74,600,288,927.43
Incl: Software	1,259,037,654.20	330,326,684.93	1,822,703.70	1,587,541,635.43
Land use right	14,967,043,939.64	1,447,158,743.94	8,416,334,730.68	7,997,867,952.90
Patents	4,768,379,834.19	807,741,724.89	31,798,882.14	5,544,322,676.94
Non-patent technology	319,115,858.40	10,641,935,988.90	60,078,390.09	10,900,973,457.21
Trademark	2,869,462,768.83	18,304,812,878.11		21,208,251,126.10
Copyright				
Concessions	99,602,001.60		99,602,001.60	
Mining rights	133,998,525.66	12,706,010.15	12,498,600.00	134,205,935.81
The quota of crude	6,962,083,082.65			6,962,083,082.65
Others	13,526,299,979.20	7,010,040,011.18	271,296,929.99	20,265,043,060.39
2. Total accumulated amortization	12,138,923,518.52	3,732,268,618.39	474,349,195.93	15,396,842,940.98
Incl: Software	711,658,616.34	229,325,654.70	3,918,651.24	937,065,619.80
Land use right	1,247,725,684.71	178,835,668.72	336,602,494.15	1,089,958,859.28
Patents	1,933,802,812.74	331,404,724.81	10,574,069.21	2,254,633,468.34
Non-patent technology	195,372,592.82	688,876,152.12	14,371,389.14	869,877,355.80
Trademark	692,206,117.58	134,337,081.96	6,495,549.81	820,047,649.73
Copyright				
Concessions	57,368,171.01		57,368,171.01	
Mining rights	29,036,036.52	11,388,291.04	2,897,415.97	37,526,911.59

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
The quota of crude				
Others	7,271,753,486.80	2,158,101,045.04	42,121,455.40	9,387,733,076.44
3. Impairment provision	796,559,846.68	21,716,594.00	10,395,556.60	807,880,884.08
Incl: Software				
Land use right	134,566,867.07			134,566,867.07
Patents	335,158,954.07			335,158,954.07
Non-patent technology	1,136,246.65			1,136,246.65
Trademark	151,508,101.25			151,508,101.25
Copyright				
Concessions				
Mining rights				
The quota of crude				
Others	174,189,677.64	21,716,594.00	10,395,556.60	185,510,715.04
4. Total book value	31,969,540,279.17			58,395,565,102.37
Incl: Software	547,379,037.86			650,476,015.63
Land use right	13,584,751,387.86			6,773,342,226.55
Patents	2,499,418,067.38			2,954,530,254.53
Non-patent technology	122,607,018.93			10,029,959,854.76
Trademark	2,025,748,550.00			20,236,695,375.12
Copyright				
Concessions	42,233,830.59			
Mining rights	104,962,489.14			96,679,024.22
The quota of crude	6,962,083,082.65			6,962,083,082.65
Others	6,080,356,814.76			10,691,799,268.91

Notes: (1) The Company confirmed crude oil quota as uncertain service life of intangible assets based on the following consideration: In 2012, according to the office of The National Development and Reform Commission (NDRC) issued "*About the reply of the issues related to supply of crude oil of China's chemical industry group co., Ltd.*" (*The Development and Reform Office, No. [2012] 2770*), NDRC approve 10 Million tons/year crude index to Company for the term of three years.

The reason why NDRC approve 10 Million tons/year crude index to Company is for solving the problem of the supply of chemical raw materials during production development. (Company confers this index to Petrochemical Co.) In addition, NDRC required Company completed the Heavy oil catalytic cracking

deployment and construction project seriously. Company should conduct a large refining integration transforming existing petrochemical enterprise and construct chemical raw materials base. (Later mentioned "Upgrade demonstration project") After "Upgrade demonstration project" building to operating, required Company completed the obsoleting, shut down and adjustment of heavy oil catalytic cracking. After building, this crude index will use for operation of "Upgrade demonstration project".

According to above replying, before "Upgrade demonstration project" constructed, this crude index used by Company for "Upgrade demonstration project" operation. Combining real business situations and relevant policy requirements, Company thinks that after 3years, still have this crude import right. Thus, Company regarded this as an intangible asset with uncertain service life.

According to relevant regulation, intangible asset with uncertain service life is no need to be amortized within the holding period. If still uncertain after reviewing at the end of years, it should be impairment at each period. It should in accordance with The Accounting Standards for Enterprises No. 8 - Asset Impairment Provision, calculating preparation for impairment loss. Company calculating preparation for impairment loss at each period and not happened impairment loss.

(2) Details of mortgaged and pledged intangible assets with restricted ownership refer to *VIII. 72 "Assets with restricted ownership"*.

Intangible assets categories

Items	Book value	Reasons
Land use right	112,661,422.36	In process
Total	112,661,422.36	

24. Development Expenditure

Items	Beginning Balance	Current year increase	
		Internal development expenditures	Others
Adisseo –Solid methionine project	84,560,593.60	2,425,857.60	
BSI France process improvement	78,144,522.86	8,643,327.34	2,212,840.39
IMM research and development project		81,845,642.17	
BSI France new product development	52,157,355.60	1,243,021.28	1,867,604.03
Elkem Solar AS development costs		36,063,324.43	583,990.38
RPM research and development project		14,815,397.96	
BSI USA Corp. operations support	4,487,673.86	1,727,258.30	348,059.57
EXT research and development project		4,575,493.93	
02 special project	1,319,917.07	3,095,761.23	

Items	Beginning Balance	Current year increase	
		Internal development expenditures	Others
2 rooms ethylene glycol/ ethyl alcohol project	1,381,737.02	21,574,971.92	
BSI USA Corp. VINCENTE US		1,198,577.74	4,896.03
BSI Brazil Ltda. process productivity	253,106.62	631,045.73	32,231.26
High-performance catalyst BM626 research and development project	2,862,574.29	2,259,200.70	
High-performance fibrous composite Research and development project	466,965.09		
Research and development expenses		90,838,667.68	
Scientific research project		6,058,864.28	
Liquid methionine project	61,055,837.52		
Bluestar Elkem Lux. Technology	51,997,440.00		3,723,506.01
Enterprise competitiveness project		2,224,127.40	821,819.29
Intelligence information project		2,827,903.51	2,799,892.14
ERP(Enterprise Resource Planning) ERP project		4,544,619.28	5,019,665.15
E-commerce Platform		2,183,631.06	17,032,958.96
Others	4,608,748.36	1,070,881.91	369,789.87
Total	343,296,471.89	289,847,575.45	34,817,253.08

(Continued)

Items	Current year decrease			Ending Balance
	Recognized as intangible assets	Recognized in P/L	Others	
Adisseo –Solid methionine project		6,056,334.20		80,930,117.00
BSI France process improvement		13,212,042.39		75,788,648.20
IMM research and development project	19,793,382.44	2,692,757.87		59,359,501.86
BSI France new product development		13,434,577.90		41,833,403.01
Elkem Solar AS development costs		1,071,059.48		35,576,255.33
RPM research and development project				14,815,397.96
BSI USA Corp. operations support		684,585.10		5,878,406.63
EXT research and development project		874,519.35		3,700,974.58

Items	Current year decrease			Ending Balance
	Recognized as intangible assets	Recognized in P/L	Others	
02 special project		2,989,164.65		1,426,513.65
2 rooms ethylene glycol/ ethyl alcohol project		21,574,971.92		1,381,737.02
BSI USA Corp. VINCENTE US		125,534.24		1,077,939.53
BSI Brazil Ltda. process productivity		57,029.63		859,353.98
High-performance catalyst BM626 research and development project	4,410,605.55			711,169.44
High-performance fibrous composite Research and development project				466,965.09
Research and development expenses		90,838,667.68		
Scientific research project		6,058,864.28		
Liquid methionine project			61,055,837.52	
Bluestar Elkem Lux. Technology	55,720,946.01			
Enterprise competitiveness project		3,045,946.69		
Intelligence information project		5,627,795.65		
ERP(Enterprise Resource Planning) ERP project		9,564,284.43		
E-commerce Platform		19,216,590.02		
Others		816,262.94		5,233,157.20
Total	79,924,934.00	197,940,988.42	61,055,837.52	329,039,540.48

25. Goodwill

(1) Book value of goodwill

Investee name or events result in Goodwill	Beginning Balance	Current year increase	Current year decrease	Ending Balance
Pirelli & C	22,881,711,973.29		5,701,504,507.84	17,180,207,465.45
Krauss Maffei Group GmbH		3,243,751,564.80		3,243,751,564.80
Acquisition Adama	3,035,338,820.37	207,260,877.32		3,242,599,697.69
Adama mergers and acquisitions business	1,183,283,272.80	120,945,645.20	4,526,472.00	1,299,702,446.00
Drakkar Group S.A.	662,951,235.80	20,169,797.00		683,121,032.80
Elkem AS	526,722,988.20	47,138,355.70		573,861,343.90

Investee name or events result in Goodwill	Beginning Balance	Current year increase	Current year decrease	Ending Balance
Elkem Solar Holding AS	224,850,382.68	244,466,011.20		469,316,393.88
Bluestar silicone investment Co. Ltd.	295,327,821.68	26,378,996.51	3,053,716.79	318,653,101.40
Innov'ia S.A.	127,602,609.56	3,415,621.00		131,018,230.56
With a non-controlled purchase of HuaXing premium	89,847,807.89			89,847,807.89
NEH Inc	72,515,793.06	4,751,357.70		77,267,150.76
Fesil Rana AS		50,023,559.75	210,469.11	49,813,090.64
Ferroveld JV (JO)	30,984,944.35	6,480,946.96		37,465,891.31
Others	6,314,840,547.11	49,561,720.65	6,247,553,731.68	116,848,536.08
Total	35,414,993,252.44	4,017,863,506.83	11,956,848,897.42	27,476,007,861.85

(2) Impairment provision of goodwill

Investee name or events result in Goodwill	Beginning Balance	Current year increase	Current year decrease	Ending Balance
Bluestar silicone Investment Co. Ltd.	241,512,676.00	21,613,847.66		263,126,523.66
Total	241,512,676.00	21,613,847.66		263,126,523.66

Note: Impairment provision of goodwill in current year is the difference of foreign currency translation of Bluestar Co., Ltd.

26. Long-term Deferred Expenses

Items	Beginning Balance	Current year increase	Current year amortization	Others Decrease	Ending Balance	Others decrease reason
Chemical raw materials	130,291,802.05	144,037,975.08	74,993,451.85	38,883,209.21	160,453,116.07	Refer to note
Mould	119,333,007.57	29,757,030.91	34,249,791.10	46,515,210.38	68,325,037.00	Refer to note
Prepaid expenses	37,874,177.60	25,361,726.56			63,235,904.16	
rental expense	83,369,730.09	12,670,939.02	24,650,357.21	24,019,408.74	47,370,903.16	Refer to note
renovation costs	18,192,453.34	18,394,219.10	4,139,847.71	13,123,980.46	19,322,844.27	Refer to note
Prepaid other trade expenses	17,411,620.80	1,599,423.34			19,011,044.14	
Expenditures incurred in major repair	20,904,553.31	5,154,242.71	5,326,324.56	3,782,134.21	16,950,337.25	Refer to note

Items	Beginning Balance	Current year increase	Current year amortization	Others Decrease	Ending Balance	Others decrease reason
and improvement engineering						
Deferred financing costs		16,802,678.41	2,474,043.61		14,328,634.80	
High voltage power supply facilities fee	11,737,410.25		1,067,037.29		10,670,372.96	
Others	67,793,116.86	23,115,199.20	52,808,196.97	314,609.07	37,785,510.02	Refer to note
Subtotal	506,907,871.87	276,893,434.33	199,709,050.30	126,638,552.07	457,453,703.83	
Less: Due within 1 year (note VIII 12)	99,167.63	119,658.12	99,167.63		119,658.12	
Total	506,808,704.24	276,773,776.21	199,609,882.67	126,638,552.07	457,334,045.71	

Note: Others decrease reason of Chemical raw materials, Mould, Rental expense, Renovation costs are the changes of Consolidation area.

27. Deferred Tax Assets and Deferred Tax Liabilities

(1) Deferred tax assets and deferred tax liabilities not showed net amount after the offset

① Recognized Deferred tax assets detail

Items	Ending Balance		Beginning Balance	
	Deferred tax assets/liabilities	Deductible / taxable temporary differences	Deferred tax assets/liabilities	Deductible / taxable temporary differences
1. Deferred tax assets	5,082,991,113.63	22,341,011,078.43	3,948,728,556.19	15,129,974,336.98
Temporary differences of accrued expenses	1,252,490,487.26	5,876,173,706.31	590,474,393.48	3,050,718,207.74
Deductible loss	1,139,969,138.63	4,485,908,900.07	995,842,719.78	2,975,728,366.22
Employee remuneration payables	792,416,363.88	2,561,356,284.08	356,073,342.21	1,135,672,836.73
Impairment of assets	723,166,519.71	2,990,493,173.64	504,800,714.76	2,258,479,142.32
Inventory	403,060,511.00	1,385,242,593.00	379,076,887.20	1,333,590,632.00
Trading in financial instrument, Valuation of derivative financial instruments	138,099,438.64	537,253,037.30	296,902,784.23	1,177,091,076.11
Elimination of internal unrealized loss	135,726,100.26	490,387,007.04	131,136,828.65	488,983,831.63
Derivative instruments	134,985,498.72	518,384,388.08	296,902,784.23	1,177,091,076.11

Items	Ending Balance		Beginning Balance	
	Deferred tax assets/liabilities	Deductible / taxable temporary differences	Deferred tax assets/liabilities	Deductible / taxable temporary differences
Fixed assets and intangible assets	69,879,436.42	251,602,919.40	95,301,012.55	303,066,245.15
Identifiable proportion of assets value	10,737,587.04	44,041,635.68	65,360,000.00	172,000,000.00
Others	282,460,032.07	3,200,167,433.83	236,857,089.10	1,057,552,922.97
2. Deferred income tax liabilities	15,858,932,137.31	55,412,749,236.79	3,965,355,413.86	15,084,659,730.76
Appreciation of assets appraisal	12,019,588,829.44	40,091,077,471.67	2,209,508,513.56	6,288,140,429.07
Trading in financial instrument, Valuation of derivative financial instruments	1,865,951,676.16	5,819,356,039.75	262,553,560.05	982,176,289.13
The fair valuation changes of Available-for-sale financial assets calculated into other comprehensive income	661,837,777.19	2,425,167,816.17	109,081,805.70	446,040,677.36
Fixed assets and intangible assets	484,944,859.00	3,351,479,747.00	456,539,041.60	2,738,474,498.40
Trial run expenses of construction in progress	190,100,438.00	1,136,219,692.88	240,655,253.77	1,435,796,294.44
The differences related to employee welfare	169,377,497.38	539,418,781.47	176,407,747.91	595,784,753.11
Temporary taxes differences of disposal cost	90,334,781.27	361,339,125.08	94,749,119.63	378,996,478.52
State appropriation of construction project	10,333,220.14	68,888,134.27	10,333,220.14	68,888,134.27
Others	366,463,058.73	1,619,802,428.50	405,527,151.50	2,150,362,176.46

② The details of unrecognized Deferred tax assets

Items	Ending Balance	Beginning Balance
Deductible temporary differences	8,712,293,501.59	677,447,194.19
Deductible loss	22,266,105,181.92	18,166,328,283.06
Total	30,978,398,683.51	18,843,775,477.25

③ Unrecognized Deferred tax assets and Deductible loss that will expire at the next period

Year	Ending Balance	Beginning Balance	Remark
Year 2016	151,172,957.86	614,442,738.94	
Year 2017	1,898,029,568.23	1,997,801,080.80	
Year 2018	3,409,988,210.03	3,351,961,110.65	

Year	Ending Balance	Beginning Balance	Remark
Year 2019	2,673,072,977.61	2,740,447,974.06	
Year 2020	5,324,280,866.24	2,277,530,255.86	
Year 2021	2,666,202,136.12	80,557,990.31	
After 2021	6,143,358,465.83	7,103,587,132.44	No maturity date
Total	22,266,105,181.92	18,166,328,283.06	

(2) Deferred tax assets and deferred tax liabilities showed net amount after the offset

① Deferred tax assets and deferred tax liabilities after the offset and Deductible / taxable temporary differences

Items	Deferred tax assets/liabilities after the offset at the end of the year	Deductible / taxable temporary differences after the offset at the end of the year	Deferred tax assets/liabilities after the offset at the beginning of the year	Deductible / taxable temporary differences after the offset at the beginning of the year
1、Deferred tax assets	2,772,206,585.82	17,198,360,646.44	2,640,602,868.98	12,391,499,838.58
2、Deferred tax liabilities	13,548,147,609.50	50,270,098,804.80	2,657,229,726.65	12,346,185,232.36

② The details of deferred tax assets and deferred tax liabilities after the offset

Items	The offset mount in current year	The offset mount in last year
The offset of deferred tax assets and deferred tax liabilities for same taxable subject	2,310,784,527.81	1,308,125,687.21

28. Others Non-current Assets

Items	Ending Balance	Beginning Balance
Guarantee and deposit receivable	1,127,388,321.09	862,024,388.63
Circulation right for equity separation	444,765,156.68	554,569,052.77
Derivative financial assets	268,455,893.77	29,898,314.54
Prepayment Engineering equipment	201,137,428.23	260,424,323.26
Unrealized gains and losses from After sale leaseback	148,282,671.76	174,448,613.60
Indbra TP Industrial de Pneus Brasil Ltda	147,836,913.44	
Entrust loans	142,000,000.00	100,000,000.00
Other non-cash accounts receivable	132,834,598.02	135,930,528.80
Relocation payment	106,878,257.81	1,025,279,748.74
Accrued and deferred of trade	100,599,379.40	
Prepaid income taxes	86,686,318.85	43,770,288.80
Receivable of tax returns	72,882,385.36	62,501,616.80
Land Compensation	62,762,088.78	83,875,601.78

Items	Ending Balance	Beginning Balance
Pension assets	12,794,206.80	
Others	179,153,663.65	184,215,888.52
Subtotal	3,234,457,283.64	3,516,938,366.24
Less: due within 1 year (Note: VIII 12)	3,453,559.00	311,951.20
Total	3,231,003,724.64	3,516,626,415.04

29. Short-term Loan

Items	Ending Balance	Beginning Balance
Pledge loans	2,112,332,901.01	719,278,346.65
Mortgage Loans	593,355,800.00	472,813,800.00
Guaranteed loans	36,264,776,843.54	50,509,332,873.12
Credit loans	10,815,327,250.63	44,252,161,335.32
Total	49,785,792,795.18	95,953,586,355.09

30. Financial liabilities at fair value through profit or loss

Items	Ending FV	Beginning FV
Trading financial liabilities	747,718,419.00	771,283,833.60
Incl: Issued trading liabilities		
Initial measurement designated financial liabilities at fair value through profit or loss		
Others		
Total	747,718,419.00	771,283,833.60

31. Derivative Financial Liabilities

Items	Ending Balance	Beginning Balance
Cashflow Hedging instrument	257,346,479.28	484,693,907.34
Foreign currency derivatives- transaction	117,648,343.15	261,273,644.80
Foreign currency derivatives- included in net financial position	261,163,014.03	107,485,184.80
Other derivatives	11,789,457.35	42,571.20
Total	647,947,293.81	853,495,308.14

32. Notes Payable

Categories	Ending Balance	Beginning Balance
Trade acceptance	605,226,712.70	3,298,830,047.76
Bank acceptance	4,672,573,184.55	10,276,782,755.47
Total	5,277,799,897.25	13,575,612,803.23

33. Accounts Payable

(1) Accounts payables aging

Aging	Ending Balance	Beginning Balance
<1year(Include 1 year)	32,073,139,713.91	24,794,367,302.30
1-2 year (Include 2 years)	963,646,254.27	1,592,756,592.94
2-3 years (Include 3 years)	285,291,967.29	928,176,286.85
>3 years	901,023,156.62	1,246,234,272.27
Total	34,223,101,092.09	28,561,534,454.36

(2) Accounts payables with large amount with aging over 1 year

Creditors	Ending Balance	Reason of yet repayment
Shandong Shengtong cord Co., Ltd.	109,630,735.72	Not yet settled
Nuclear Industry Yantai Tongxing Industrial Co., Ltd.	106,052,449.34	Financial strain
Jiangsu Jianxing Jiangong Group Co., Ltd.	36,934,697.31	Not yet settled
Shenhua Distribution Goose Energy Sales Co., Ltd.	30,098,013.64	Not yet settled
Dongge investment Co., Ltd.	30,000,000.00	Not urge
Qingdao Mesnac Electromechanical Engineering Co., Ltd.	22,214,265.69	Not yet settled
Chongqing Yuping Construction Engineering Co., Ltd. Xinjiang Branch	21,998,357.98	Financial strain
Zhongguancun Building Finance Debt	19,602,425.00	Financial strain
Beijing Boda Yongsheng Technology Development Center	19,065,600.00	Not yet settled
BAYE of China Construction Group Co., Ltd.	15,919,209.70	Financial strain
FGHFT CO.LIMITED	15,799,333.18	Not yet settled
China Nuclear Industry 23 Construction Co., Ltd.	14,980,684.53	Financial strain
Hunan Nuclear Industry Construction Co., Ltd.	14,296,652.56	Financial strain
Detergent Shares Of Beijing Branch	12,558,678.81	Financial strain
Greatoo Intelligent Equipment Inc.	12,241,473.98	Not yet settled
The Eleventh Metallurgical Construction Group Co., Ltd.	11,884,880.24	Financial strain
The Region Office of Changyi People's Government	11,005,395.27	Not urge
Beijing BAMTRI Dairui Technology Development Co., Ltd.	9,635,150.00	Not yet settled
Hunan Blue Environmental Engineering Co., Ltd.	9,539,492.00	Financial strain
Total	523,457,494.95	

34. Advances From Customers

(1) Advances from customers by aging

Aging	Ending Balance	Beginning Balance
<1year (Include 1 year)	5,014,429,955.15	3,148,625,716.72
Over 1 year	1,274,725,983.02	1,241,161,250.97
Total	6,289,155,938.17	4,389,786,967.69

(2) Prepayments with large amount with aging over 1 year

Creditors	Owing Amount	Reason of yet settled
Poly Technology Co., Ltd.	55,148,020.00	Contract under fulfilment
Jing Ren Tong	18,500,000.00	Contract under fulfilment
China Coal Energy Heilongjiang Coal Chemical Industry Co., Ltd.	16,832,760.69	Contract under fulfilment
Shandong Zhongyi Rubber Co., Ltd.	10,000,000.00	Not settlement
Chinese Precision Machinery Import And Export Co., Ltd.	9,500,000.00	Contract under fulfilment
Xinjiang Jinxiang Sairui Coal Chemical Technology Co., Ltd.	7,844,898.00	Not settlement
The General Armaments Department Financial Settlement Center	7,530,000.00	R&D project is not finished
Sichuan Jinxiang Sairui chemical Co., Ltd.	5,624,300.00	Not settlement
AVIC Automation Co., Ltd.	5,190,360.00	Not settlement
Anhui Darui Rubber Co., Ltd.	5,082,000.00	Not settlement
Shandong Full Tour Tyre Co., Ltd.	4,943,500.00	Not settlement
Sinopec Group.Ningxia Branch	3,827,342.32	Not settlement
Hebei Province Chemical Iindustry Corporation	3,206,267.30	Not settlement
Egypt Pirelli Alexander Factories	3,114,795.80	Not settlement
Liaoning Kaidi Chemical Co., Ltd.	3,000,000.00	Contract under fulfilment
Total	159,344,244.11	

35. Employee Remuneration Payables

(1) Employee remuneration payables

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
1. Short-term remuneration	3,405,403,228.76	20,427,749,745.55	19,951,925,681.44	3,881,227,292.87
2. Post-employment benefits- defined contribution plans	870,631,760.15	2,564,845,481.91	2,643,832,800.45	791,644,441.61
3. Termination benefits	127,202,908.05	351,733,205.87	341,678,659.12	137,257,454.80
4. Other benefits due within 1 year	86,651,527.29	276,185,960.00	195,621,369.00	167,216,118.29
5. Others	9,078,268.86	7,633,189.48	3,254,187.96	13,457,270.38
Total	4,498,967,693.11	23,628,147,582.81	23,136,312,697.97	4,990,802,577.95

(2) Short-term remuneration

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
1. Wages, bonuses, allowances and subsidies	2,346,246,501.59	18,218,279,304.57	17,823,829,429.30	2,740,696,376.86
2. Employee benefits	219,903,454.96	370,658,242.35	259,449,012.47	331,112,684.84
3. Social Insurance fees	208,176,965.16	1,217,024,354.17	1,236,121,678.31	189,079,641.02
Incl: (1). Basic medical Insurance fees	181,993,326.87	1,063,710,307.54	1,080,100,188.86	165,603,445.55
(2). work-related injury Insurance fees	12,565,040.10	88,366,035.43	87,135,314.46	13,795,761.07
(3). work-related injury Insurance fees	8,337,414.46	56,305,380.94	56,007,042.48	8,635,752.92
Others	5,281,183.73	8,642,630.26	12,879,132.51	1,044,681.48
4. Housing fund	168,248,958.67	347,560,440.19	371,545,418.87	144,263,979.99
5. Trade union funds and employee education expenses	162,165,303.62	87,338,128.90	107,445,318.69	142,058,113.83
6. Short-term compensated absences	252,478,177.43	35,500,664.70	10,868,310.22	277,110,531.91
7. Short-term profit-sharing plan				
8. Other short-term remuneration	48,183,867.33	151,388,610.67	142,666,513.58	56,905,964.42
Total	3,405,403,228.76	20,427,749,745.55	19,951,925,681.44	3,881,227,292.87

(3) Defined contribution plans

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
(1)、basic pensions Insurance fees	822,110,250.07	2,387,860,389.32	2,460,291,626.89	749,679,012.50
(2)、Unemployed Insurance fees	45,995,083.04	108,568,863.88	115,419,997.98	39,143,948.94
(3)、Enterprise annuity payment	2,526,427.04	68,416,228.71	68,121,175.58	2,821,480.17
Total	870,631,760.15	2,564,845,481.91	2,643,832,800.45	791,644,441.61

36. Taxes and Surcharges Payable

Items	Beginning Balance	Current year payables	Current year paid	Ending Balance
Value-added tax	668,748,870.00	4,714,899,861.93	4,393,171,082.60	990,477,649.33
Operation tax	141,975,192.20	839,339,288.55	833,367,675.61	147,946,805.14

Items	Beginning Balance	Current year payables	Current year paid	Ending Balance
Business tax	131,667,379.45	38,936,492.27	81,024,456.95	89,579,414.77
Royalty tax	38,425,313.52	132,036,495.44	158,291,487.13	12,170,321.83
Corporate income tax	1,676,203,634.76	2,412,281,859.76	2,614,318,145.68	1,474,167,348.84
Tax for maintaining and building cities	60,275,223.76	161,737,837.27	168,018,492.11	53,994,568.92
House duty	106,512,537.40	312,544,629.47	302,005,718.64	117,051,448.23
Land use right	136,117,580.83	171,843,781.50	194,525,618.83	113,435,743.50
Individual income tax	166,395,017.31	593,208,317.91	401,424,943.63	358,178,391.59
Education supplementary tax	40,567,465.74	126,213,269.89	127,346,903.03	39,433,832.60
Other taxes	342,061,150.92	789,409,436.23	889,901,885.45	241,568,701.70
Total	3,508,949,365.89	10,292,451,270.22	10,163,396,409.66	3,638,004,226.45

37. Interest Payable

Items	Ending Balance	Beginning Balance
Interest of Long-term loans	90,256,928.39	84,023,487.70
Corporate bond interest	827,197,444.76	933,352,117.24
Short-term loan Interest payable	121,131,337.70	25,439,458.22
Divided into preferred shares of financial liabilities/sustainable debt interest	90,606,123.23	76,677,082.32
Other interest	1,129,191,834.08	1,119,492,145.48

38. Dividends Payable

Items	Ending Balance	Beginning Balance	The reason of non-payment over 1year
Ordinary stock dividend	76,950,774.82	62,671,908.85	
Others	62,174.52		
Total	77,012,949.34	62,671,908.85	

39. Other Payables

(1) Other payables according to the payment properties

Items	Ending Balance	Beginning Balance
Accounts current	2,621,643,778.63	11,835,235,273.85
Accrued expenses	796,986,069.56	792,406,826.87
Fiscal appropriation	704,426,974.00	135,068,274.00
Insurance, deposit	621,581,788.46	975,302,885.57
Withhold and remit tax	264,737,374.52	96,463,725.70
Employee resettlement money	220,000,000.00	221,364,356.01

Items	Ending Balance	Beginning Balance
Temporary receive and pay for another	201,662,300.56	359,734,934.40
Payment for equipment	399,449,677.60	237,954,676.77
Leaseback of finance lease	98,952,271.50	98,491,712.72
Others	2,530,110,217.58	3,290,299,672.25
Total	8,459,550,452.41	18,042,322,338.14

(2) Other payables with large amount over 1 year

Creditors	Owing Amount	Reason of yet repayment
Gansu Longrun Investment Management Co., Ltd.	1,127,303,775.44	Not settlement
Jinan Chemical New Material Co., Ltd.	282,208,000.00	Not settlement
Lanzhou Bluestar Fiber Co., Ltd.	254,921,320.54	Fund shortage
Fuzhou Bluestar Chemical Co., Ltd.	150,000,000.00	Not settlement
Beijing Chemical Machinery Co., Ltd.	122,061,944.56	Fund shortage
Beijing DeMaoWAI Investment Management Co., Ltd.	120,080,000.00	Fund shortage
Bluestar Petrochemical Co., Ltd.	110,364,231.12	Fund shortage
Beijing Zhongrui Hengsheng assets management Co., Ltd.	100,000,000.00	Not settlement
Nie Ren Qing	79,523,379.00	Not settlement
Ruicheng Forster Chemical Co., Ltd.	63,870,291.49	Fund shortage
Beijing Huahai Printing Factory	61,659,600.06	Not settlement
Purchase of existing homes of Employee payables	58,325,382.07	Not settlement
Shandong King Group Co. Ltd.	35,969,390.08	Not settlement
Nanjing Army Command College	30,600,000.00	Not settlement
Shanxi Pingyuan chemical company	30,000,000.00	Not urge
Beijing Hongtu Changli Investment Fund Management Center	29,982,109.83	Not settlement
Shenyang Liaoning China automobile axle Co. Ltd.	27,110,111.51	Fund shortage
Hubei Datian chemical Co., Ltd.	25,360,884.00	Temporary storage & not payment
Total	2,709,340,419.70	

40. Non-current Liabilities Due Within 1 Year

Items	Ending Balance	Beginning Balance
Long-term loans due within 1 year (note 5.40)	12,025,077,189.45	12,035,317,030.91
Bond payables due within 1 year (note 5.41)	4,000,000,000.00	12,198,400,472.12

Items	Ending Balance	Beginning Balance
Long-term payables due within 1 year	652,496,194.81	2,118,892,187.69
Other Long-term liabilities due within 1 year	673,443,837.40	1,223,733,024.35
Total	17,351,017,221.66	27,576,342,715.07

41. Other Current Liabilities

Items	Ending Balance	Beginning Balance
Short-term bonds payable	5,700,000,000.00	6,100,000,000.00
A minority shareholder equity acquisition payable	258,424,061.00	210,587,448.00
Product margin	183,175,535.57	
Effective part of Hedging derivative of financial instruments	135,102,505.49	135,582,176.80
Labor law suits	37,293,312.00	44,572,070.40
Insurance compensation	15,357,125.35	15,467,536.00
Risk reserve funds	13,303,860.00	13,272,658.40
Government grants associated with the research and development	12,986,887.12	
Others	317,848,637.81	314,599,652.27
Total	6,673,491,924.34	6,834,081,541.87

Including, changes in short-term bonds payable

Bond name	Par value	Issuance date	Bond period	Issuance Amount	Beginning Balance
Total				16,800,000,000.00	6,100,000,000.00
China National Chemical Corp 2015 second period super short-term commercial paper	100.00	2015-6-11	270 days	2,500,000,000.00	2,500,000,000.00
China National Chemical Corp 2015 fourth period super short-term commercial paper	100.00	2015-10-13	270 days	1,000,000,000.00	1,000,000,000.00
China National Chemical Corp 2016 first period super short-term commercial paper	100.00	2016-4-7	270 days	2,500,000,000.00	
China National Chemical Corp 2016 second period super short-term commercial paper	100.00	2016-7-22	270 days	1,500,000,000.00	

Bond name	Par value	Issuance date	Bond period	Issuance Amount	Beginning Balance
China National Chemical Corp 2016 third period super short-term commercial paper	100.00	2016-10-27	270 days	2,000,000,000.00	
China National Chemical Corp 2016 fourth period super short-term commercial paper	100.00	2016-11-24	30 days	2,500,000,000.00	
China National Chemical Agrochemical Corp 2016 first period short-term commercial paper	100.00	2016-9-5	1 year	1,500,000,000.00	
short-term financing issuance (CP001)	100.00	2016-9-18	1 year	200,000,000.00	
privately raised company bonds issuance (PPN001)	100.00	2016-2-26	1 year	500,000,000.00	
Bond in January 2015	100.00	2015-1-30	1 year	500,000,000.00	500,000,000.00
Bond in March 2015	100.00	2015-3-11	1 year	500,000,000.00	500,000,000.00
Bond in October 2015	100.00	2015-10-20	1 year	1,600,000,000.00	1,600,000,000.00

(Continued)

Bond name	Issued current year	Accrued interest at par	Amortization of premium price and conversion into money	Repay current year	Ending Balance
Total	10,700,000,000.00	223,909,348.04		11,100,000,000.00	5,700,000,000.00
China National Chemical Corp 2015 second period super short-term commercial paper		15,707,882.18		2,500,000,000.00	
China National Chemical Corp 2015 fourth period super short-term commercial paper		16,094,262.30		1,000,000,000.00	
China National Chemical Corp 2016 first period super short-term commercial paper	2,500,000,000.00	46,520,547.95		2,500,000,000.00	
China National Chemical Corp 2016	1,500,000,000.00	21,600,000.00			1,500,000,000.00

Bond name	Issued current year	Accrued interest at par	Amortization of premium price and conversion into money	Repay current year	Ending Balance
second period super short-term commercial paper					
China National Chemical Corp 2016 third period super short-term commercial paper	2,000,000,000.00	15,200,000.00			2,000,000,000.00
China National Chemical Corp 2016 fourth period super short-term commercial paper	2,500,000,000.00	6,986,301.37		2,500,000,000.00	
China National Chemical Agrochemical Corp 2016 first period short-term commercial paper	1,500,000,000.00	21,047,993.13			1,500,000,000.00
short-term financing issuance (CP001)	200,000,000.00	2,475,000.00			200,000,000.00
privately raised company bonds issuance (PPN001)	500,000,000.00	19,083,333.33			500,000,000.00
Bond in January 2015		2,325,555.56		500,000,000.00	
Bond in March 2015		5,606,250.00		500,000,000.00	
Bond in October 2015		51,262,222.22		1,600,000,000.00	

42. Long-term Loans

Borrowings Categories	Ending Balance	Beginning Balance	Year-end interval of interest rates
Pledge loans	9,937,093,342.27	10,145,874,793.22	
Mortgage Loans	49,581,360,465.93	12,868,910,077.93	
Guaranteed loans	19,442,693,847.80	21,054,668,201.89	
Credit loans	24,403,805,942.95	17,785,832,409.88	
Subtotal	103,364,953,598.95	61,855,285,482.92	
Less: Due within 1 year (Note VIII 40)	12,025,077,189.45	12,035,317,030.91	
Total	91,339,876,409.50	49,819,968,452.01	

43. Bond Payable

(1) Bond payable

Bond name	Ending Balance	Beginning Balance
Mid-term notes	19,038,722,284.07	26,013,105,366.52
B-Series bond payable	7,417,408,061.00	6,859,709,168.00
Non-public directional bond payable	24,969,481,775.98	9,919,876,275.52
Subtotal	51,425,612,121.05	42,792,690,810.04
Less: Due within 1 year (Note VIII 40)	4,000,000,000.00	12,198,400,472.12
Total	47,425,612,121.05	30,594,290,337.92

(2) Bond payable movement

Bond name	Par value (yuan)	Issuance date	Bond term	Issuance	Beginning Balance	Issuance this year
Euro Guaranteed Bonds	100.00	2016-12-7	5 years	5,096,188,697.72		5,087,912,514.09
Bluestar Finance Holdings Limited	100.00	2016-6-11	5 years	4,146,133,908.00		4,308,254,532.16
Euro Medium Term Note	100.00	2014-11-18	5 years	4,257,120,000.00	4,214,704,894.40	
Bluestar Finance Holdings Limited	100.00	2016-6-11	3 years	3,464,060,320.00		3,603,079,725.87
Bluestar Finance Holdings Limited	100.00	2015-6-11	5 years	3,226,948,306.57	3,226,948,306.57	
Debentures Series B	100.00	2006-12-4	15 years	9,569,633,271.00	3,117,096,833.60	
Bluestar Finance Holdings Limited	100.00	2015-6-11	3 years	3,223,495,471.88	3,223,495,471.88	
China National Chemical Corp 2015 first period super short-term commercial paper	100.00	2015-11-4	5 years	3,000,000,000.00	3,000,000,000.00	
Private placement note	100.00	2016-2-24	3 years	3,000,000,000.00		3,000,000,000.00
China National Blue Star (Group) Co.,	100.00	2016-6-11	3 years	2,400,000,000.00		2,393,520,000.00

Bond name	Par value (yuan)	Issuance date	Bond term	Issuance	Beginning Balance	Issuance this year
Ltd. non-public directional seasoned equity offering						
China National Blue Star (Group) Co., Ltd. non-public directional seasoned equity offering	100.00	2016-6-11	3 years	2,100,000,000.00		2,094,330,000.00
China National Blue Star (Group) Co., Ltd. privately raised company bonds	100.00	2016-6-11	3 years	2,000,000,000.00		1,988,000,000.00
China National Chemical Corp 2014 second period medium-term Notes	100.00	2014-10-20	5 years	1,400,000,000.00	1,400,000,000.00	
Debentures Series B	100.00	2013-1-7	7-23 years	1,120,338,949.00	1,136,711,173.60	
China National Chemical Corp 2014 first period super short-term commercial paper	100.00	2014-5-15	5 years	1,200,000,000.00	1,200,000,000.00	
Debentures Series B	100.00	2015-2-1	5-21 years	1,047,439,246.00	1,093,119,636.80	
China National Blue Star (Group) Co., Ltd. non-public directional seasoned equity offering	100.00	2015-11-19	3 years	1,000,000,000.00	1,000,000,000.00	
Debentures	100.00	2012-1-16	8-24	842,579,530.00	891,142,702.40	

Bond name	Par value (yuan)	Issuance date	Bond term	Issuance	Beginning Balance	Issuance this year
Series B			years			
Debentures Series B	100.00	2015-2-2	5-21 years	556,941,538.00	621,638,821.60	
China National Chemical Corp corporate bonds in 2007	100.00	2007-4-18	10 years	1,500,000,000.00	1,500,000,000.00	
China National Chemical Corp 2012 first period super short-term commercial paper	100.00	2012-8-29	5 years	2,500,000,000.00	2,500,000,000.00	
Private placement note	100.00	2013-11-13	5 years	1,000,000,000.00	1,000,000,000.00	
Private placement note	100.00	2015-8-31	3 years	495,500,000.00	495,956,866.67	
US Private Placement	100.00	2012-12-5	5 years	814,603,903.56	973,475,630.40	
Total				52,435,092,176.73	30,594,290,337.92	22,475,096,772.12

(Continued)

Bond name	Accrued interest at par	Amortization of premium price and conversion into money	Repay current year	Other Adjust-Interim	Ending Balance
Euro Guaranteed Bonds	8,276,183.63				5,096,188,697.72
Bluestar Finance Holdings Limited	38,548,650.00	-9,002,959.18			4,355,806,141.34
Euro Medium Term Note		-138,809,638.13	10,980,946.18		4,342,533,586.35
Bluestar Finance Holdings Limited	28,682,031.25				3,631,761,757.12
Bluestar Finance Holdings Limited	160,619,375.00				3,387,567,681.57
Debentures Series B		-252,287,310.40			3,369,384,144.00
Bluestar Finance Holdings Limited	128,495,500.00	233,875,628.93			3,118,115,342.95
China National Chemical Corp 2015 first period					3,000,000,000.00

Bond name	Accrued interest at par	Amortization of premium price and conversion into money	Repay current year	Other Adjust-Interim	Ending Balance
super short-term commercial paper					
Private placement note					3,000,000,000.00
China National Blue Star (Group) Co., Ltd. non-public directional seasoned equity offering		-822,237.44			2,394,342,237.44
China National Blue Star (Group) Co., Ltd. non-public directional seasoned equity offering		-183,314.10			2,094,513,314.10
China National Blue Star (Group) Co., Ltd. privately raised company bonds		-3,222,276.58			1,991,222,276.58
China National Chemical Corp 2014 second period medium-term Notes					1,400,000,000.00
Debentures Series B		-95,473,451.40			1,232,184,625.00
China National Chemical Corp 2014 first period super short-term commercial paper					1,200,000,000.00
Debentures Series B		-86,218,922.20			1,179,338,559.00
China National Blue Star (Group) Co., Ltd. non-public directional seasoned equity	5,774,715.97	9,621,691.09			996,153,024.88

Bond name	Accrued interest at par	Amortization of premium price and conversion into money	Repay current year	Other Adjust-Interim	Ending Balance
offering					
Debentures Series B		-79,933,242.60			971,075,945.00
Debentures Series B		-43,785,966.40			665,424,788.00
China National Chemical Corp corporate bonds in 2007				1,500,000,000.00	
China National Chemical Corp 2012 first period super short-term commercial paper				2,500,000,000.00	
Private placement note				1,000,000,000.00	
Private placement note				495,956,866.67	
US Private Placement				973,475,630.40	
Total	370,396,455.85	-466,241,998.41	10,980,946.18	6,469,432,497.07	47,425,612,121.05

Note: the main reason of other reduce for bonds payable is that New Material Company is lost control and not included in the consolidation scope, the matured within a year reduced.

44. Long-term Payables

Items	Ending Balance	Beginning Balance
Finance lease payable	2,696,917,215.96	4,760,993,476.47
Long-term payables related to Projected liabilities	275,380,858.94	747,234,146.60
Three type personnel fees	32,964,818.90	3,378,506.71
One hundred and fifty thousand sets of project start-up capital by financial support.	20,000,000.00	20,000,000.00
Property liquidation and estimate	4,360,345.00	4,360,345.00
Others	153,028,524.03	773,715,686.84
Subtotal	3,182,651,762.83	6,309,682,161.62
Less: Due within 1 year (note VIII 12)	652,496,194.81	2,118,892,187.69
Total	2,530,155,568.02	4,190,789,973.93

45. Long-term Employee Remuneration Payable

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
1. After the termination of the welfare - defined benefit plan net debt	2,613,971,158.08	1,214,134,185.11	162,376,103.78	3,665,729,239.41
2. Termination benefit	570,532,022.91	50,548,198.12	60,169,241.55	560,910,979.48
3. Other long-term benefit	798,219,572.01	515,075,844.35	262,679,314.79	1,050,616,101.57
Total	3,982,722,753.00	1,779,758,227.58	485,224,660.12	5,277,256,320.46

46. Special Fund Payables

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
Total	871,497,736.38	338,276,528.47	849,297,623.46	360,476,641.39
Include: (1) Superior special appropriation	84,669,866.53	150,215,300.00	81,869,251.98	153,015,914.55
(2) Security funds	50,000,000.00	40,000,000.00		90,000,000.00
(3) Compensation funds	146,840,556.77	19,269,634.62	91,009,306.74	75,100,884.65
(4) national bond funds	51,990,000.00		47,740,000.00	4,250,000.00
(5) Project research funds	4,299,257.91		1,622,673.43	2,676,584.48

47. Projected Liabilities

Items	Ending Balance	Beginning Balance
Fair value of anti-monopoly survey	695,477,751.98	491,342,600.00
Product quality guarantee	333,355,222.73	374,542,350.88
Disposal costs	273,221,624.91	251,117,990.23
Executory loss contract	197,936,184.29	
Pending action	92,903,639.72	234,929,842.07
Providing external guarantee	41,086,248.21	49,496,009.87
Others	1,273,415,810.36	698,683,097.69
Subtotal	2,907,396,482.20	2,100,111,890.74
Less: Due within 1 year (Note VIII 12)	273,185,424.59	227,481,121.83
Total	2,634,211,057.61	1,872,630,768.91

48. Deferred Income

Items/categories	Beginning Balance	Current year increase	Current year decrease			Ending Balance	Reason
			Reckon into profit and loss	Return	Other reduce		
Government Grants	2,303,596,308.48	577,792,904.43	301,067,462.02	10,983,444.29	222,840,893.84	2,346,497,412.76	Note
Less: Due within 1 year（Note VIII 40）	154,467,216.16	15,867,175.66				170,334,391.82	
Total	2,149,129,092.32	561,925,728.77	301,067,462.02	10,983,444.29	222,840,893.84	2,176,163,020.94	

Note: (1) Returns are Bluestar Co. not meet the criteria of public subsidy, return part of amount count to RMB 10,983,444.29.

(2) Other reasons of reduce are due within 1 year or reduce in Consolidated range.

49. Other Non-current Liabilities

Items/Categories	Ending Balance	Beginning Balance
Derivative financial liabilities	471,761,111.62	710,503,842.16
Pension and social securities	266,454,649.74	157,477,964.00
Deposit	206,307,498.00	
Priority construction funds of CADB	200,000,000.00	
Special funds	122,940,000.00	115,958,430.00
Overseas Long-term taxes payables	67,532,711.74	43,500,671.20
Confer minority shareholder put option	46,380,782.00	45,714,944.00
Others	63,994,356.67	949,237,883.66
Subtotal	1,445,371,109.77	2,022,393,735.02
Less: Due within 1 year (Note 5.40)	229,924,020.99	841,784,686.36
Total	1,215,447,088.78	1,180,609,048.66

50. Paid-in Capital

Investors	Beginning Balance		Current year increase	Current year decrease	Ending Balance	
	Amount	Percentage (%)			Amount	Percentage (%)
Total	11,080,025,968.24	100.00	500,000,000.00		11,580,025,968.24	100.00
State-owned Assets Supervision and Administration Committee	11,080,025,968.24	100.00	500,000,000.00		11,580,025,968.24	100.00

51. Other Equity Instruments

Outstanding financial instruments	Beginning		Current year increase	
	Amount	Book Value	Amount	Book Value
Perpetual Capital Securities	80,000,000.00	8,000,000,000.00	25,000,000.00	2,500,000,000.00
Total	80,000,000.00	8,000,000,000.00	25,000,000.00	2,500,000,000.00

(Continued)

Outstanding financial instruments	Current year decrease		Ending	
	Amount	Book Value	Amount	Book Value
Perpetual Capital Securities			105,000,000.00	10,500,000,000.00
Total			105,000,000.00	10,500,000,000.00

Note: The Company issued RMB 2.5 billion the 2016 first phase of the medium-term notes on November 2, 2016, code 101659064, face value RMB 100 per note, floating interests, no payment due

date.

52. Capital Reserve

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
Capital premium	2,577,462,772.47			2,577,462,772.47
Others Capital reserve	21,333,413,004.53	401,804,405.66	5,300,949,349.78	16,434,268,060.41
Total	23,910,875,777.00	401,804,405.66	5,300,949,349.78	19,011,730,832.88
State-owned exclusive capital reserves				

53. Special Reserves

Items	31 Dec 2015	Current year increase	Current year decrease	31 Dec 2016	Remark
safety production cost	111,776,451.19	265,238,172.44	300,542,456.74	76,472,166.89	
Total	111,776,451.19	265,238,172.44	300,542,456.74	76,472,166.89	

54. Undistributed profit

Items	Year 2016	Year 2015
Last year closing balance	-12,874,839,464.67	-7,873,736,507.99
Add: Changes in accounting policies（Note: V 1）		-16,130,960.54
Correction of accounting error		
Others（Note: V 1）		-4,010,236,584.28
Beginning balance	-12,874,839,464.67	-11,900,104,052.81
Current year increase	119,084,771.97	-974,735,411.86
Incl: Current year net profit	119,084,771.97	-974,735,411.86
Current year decrease	453,647,500.00	
Incl: Current year withdraw surplus reserve		
Withdraw general risk provision		
Cash dividends distributed		
Incl: Transfer to paid-in capital		
Other decrease	453,647,500.00	
Closing balance	-13,209,402,192.70	-12,874,839,464.67

Note: current year decrease is allocating perpetual capital securities' interest.

55. Operating income, Operating cost

Operating income and cost details

Items	Year 2016		Year 2015	
	Revenue	Cost	Revenue	Cost
Subtotal of operating income from main business subtotal	286,474,828,869.58	236,167,925,503.41	249,344,929,694.05	212,363,443,939.04
Petroleum processing and petrochemical products	132,425,205,428.78	125,351,322,686.19	127,399,693,974.83	120,308,969,410.95
New chemical materials and specialty chemicals	51,763,690,799.91	33,761,561,343.12	51,863,673,108.67	39,271,283,935.62
Agricultural chemicals	25,650,707,455.32	18,243,054,479.42	27,134,927,660.86	20,007,385,473.28
Tire rubber products	53,362,566,646.13	40,300,871,419.50	24,464,247,380.57	17,054,888,358.52
Basic chemical products	9,841,804,701.31	8,352,528,493.99	8,547,962,516.32	7,665,852,036.54
Chemical machinery and equipment manufacturing	8,764,454,329.53	6,678,367,562.56	2,507,488,050.36	1,901,143,640.94
Scientific R & D, service and design	2,432,148,361.11	1,731,682,945.80	1,738,219,885.08	1,073,298,038.04
Automobile equipped, Accessories manufacturing and Repairing	696,808,829.07	590,732,618.66	605,926,694.01	502,773,749.78
Others	1,537,442,318.42	1,157,803,954.17	5,082,790,423.35	4,577,849,295.37
Other business subtotal	13,652,347,531.04	13,327,706,951.76	10,959,429,468.87	9,889,762,764.52
Selling materials	12,722,189,233.52	12,649,139,005.68	10,084,303,405.16	9,476,404,384.58
Assets rent out	36,756,075.53	27,994,377.18	108,293,129.62	45,977,618.68
Transfer power	137,080,662.92	123,084,066.90	61,103,516.40	42,016,423.53
Others	756,321,559.07	527,489,502.00	705,729,417.69	325,364,337.73
Total	300,127,176,400.62	249,495,632,455.17	260,304,359,162.92	222,253,206,703.56

56. Sales expense, Management expenses, Financial expenses

(1) Sales expense

Items	Year 2016	Year 2015
Transport fees	5,420,994,655.45	3,732,791,601.51

Items	Year 2016	Year 2015
Employee remuneration	4,191,946,586.87	2,369,219,434.43
Advertisement fees	2,427,232,526.00	907,942,605.49
Warehousing fees	912,879,433.51	573,436,396.57
Depreciation	807,754,407.33	698,638,041.88
Sales service fee	535,997,686.55	184,182,338.63
Business fees	225,643,934.45	112,518,288.40
Consignment fee	175,229,514.89	153,351,086.47
Export fee	134,296,378.34	31,841,697.81
Travel fee	126,608,722.25	107,634,965.63
Insurance fees	113,419,691.41	102,362,835.51
Others	1,088,632,707.34	1,195,332,989.88
Total	16,160,636,244.39	10,169,252,282.21

(2) Management expenses

Items	Year 2016	Year 2015
Employee remuneration	6,016,912,395.63	4,090,057,211.61
Research & Development expenses	3,456,292,073.31	2,213,376,104.55
Depreciation	1,509,497,338.53	989,166,693.84
Consultant fee	1,297,912,916.70	831,001,499.69
Repair fees	1,005,480,189.49	580,741,779.01
Intangible assets amortization	712,773,588.93	519,114,884.86
Intermediary organs	649,090,220.29	514,553,078.17
Insurance fees	355,099,787.12	163,292,286.02
Environmental expenditure	337,763,707.72	126,770,318.30
Travel fee	336,260,441.79	218,321,869.54
Loss on work stoppages	325,456,919.09	158,498,615.76
lease rental	246,111,964.64	199,213,691.23
Tax	224,574,806.65	562,695,497.39
Administrative expenses	162,747,862.33	122,008,988.91
Business entertainment	137,431,035.49	87,128,759.14
Utilities Expense	129,376,574.71	74,349,603.01
Others	1,517,053,169.00	983,031,555.39
Total	18,419,834,991.42	12,433,322,436.42

(3) Financial expenses

Items	Year 2016	Year 2015
Interest expenses	11,886,190,560.28	10,254,195,812.81

Items	Year 2016	Year 2015
Less：Interest income	2,849,626,418.85	2,187,972,646.60
Net interest expenses	9,036,564,141.43	8,066,223,166.21
Foreign exchange loss	786,117,999.81	1,560,292,769.45
Less：Foreign exchange gain		
Foreign exchange net loss	786,117,999.81	1,560,292,769.45
Financial institutions charge		
Others	3,511,618,124.19	1,392,194,973.81
Total	13,334,300,265.43	11,018,710,909.47

57. Impairment Loss

Items	Year 2016	Year 2015
Bad debt loss	1,349,506,510.78	2,531,853,122.41
Inventories write-down loss	1,582,266,878.73	1,095,339,056.66
Available-for-sale financial assets impairment loss	160,442,653.28	97,990,466.38
Held-to-maturity investment impairment loss		
Long-term equity investment impairment loss	154,073,961.80	156,892,025.13
Invested property impairment loss		
Fixed assets impairment loss	554,702,485.98	198,677,976.57
Engineering materials impairment loss	14,095,419.00	41,001,800.00
Construction in progress impairment loss	99,405,257.98	517,437,258.41
Intangible assets impairment loss	13,497,852.70	424,353,708.49
Goodwill impairment loss		
Others impairment loss	11,127,548.40	-1,655,618,999.96
Total	3,939,118,568.65	3,407,926,414.09

58. Earnings from Changes of Fair Value

Derived from	Year 2016	Year 2015
Financial assets at fair value through P/L	145,049,502.82	646,688,721.55
Incl: Gain from fair value changes of derivative financial instruments	148,646,641.66	642,195,938.80
Financial liabilities at fair value through P/L	-31,347,674.17	-122,840,842.94
Incl: Gain from changes of fair value of derivative financial instruments	-31,347,674.17	-122,840,842.94
Others	-3,128,484.65	
Total	110,573,344.00	523,847,878.61

59. Investment Income

Investment income derive from	Year 2016	Year 2015
Long-term equity investment income with	3,473,353.85	-196,639,520.08

Investment income derive from	Year 2016	Year 2015
equity method		
Investment income from disposal of long-term equity investment	924,427,877.53	1,692,992,352.89
Investment income during period of holding Available-for-sale financial asset	-602,273,095.28	-158,395,493.00
Investment income from disposal of financial assets at fair value through profit/loss	-269,656,745.80	448,767.13
Investment income during period of holding Held-to-maturity investment	1,819,334.91	33,153,154.17
Investment income from disposal of Held-to-maturity investment		6,603,861.74
Investment income from available-for-sale financial assets	71,088,628.72	1,284,697.43
Investment income from disposal available-for-sale financial assets	54,345,327.04	57,758,043.46
After losing control, the gains of re-measuring the remaining stake at fair value	5,727,359,660.69	
Others	18,509,726.15	28,349,946.42
Total	5,929,094,067.81	1,465,555,810.16

60. Non-operation Revenue

(1) Non-operation Revenue categories

Items	Year 2016	Year 2015	Included in the non-recurring gains and losses of the year
Gain from disposal of non-current assets	822,976,374.67	1,083,124,649.91	822,976,374.67
Incl: Gain from disposal of fixed assets	763,076,842.08	426,722,249.81	763,076,842.08
Gain from disposal of intangible assets	59,899,532.59	650,244,863.62	59,899,532.59
Gain from disposal of non-monetary assets			
Government Grants（refer to table below）	969,593,858.92	847,154,254.38	933,548,438.36
Gain from debt restructuring	41,726,897.16	6,941,881.06	41,726,897.16
Tax returns	611,605,068.18	1,688,600.71	611,605,068.18
The initial investment cost of Long-term equity investment less than the fair value of the identifiable net assets of the corporation	475,874,908.48		475,874,908.48
Revenue from compensation for breach of contract	130,331,730.53	3,027,998.15	130,331,730.53
Unpayable accounts payable	75,349,350.77	47,287,937.29	75,349,350.77

Items	Year 2016	Year 2015	Included in the non-recurring gains and losses of the year
Confiscated gains	15,399,822.42	5,246,169.32	15,399,822.42
Count gain	561,885.10	3,600,844.17	561,885.10
Donate receipt	3,003,841.28	55,689.00	3,003,841.28
Others	296,019,768.43	283,552,277.80	296,019,768.43
Total	3,442,443,505.94	2,281,680,301.79	3,389,001,901.68

(2) Government Grants Details

Items	Year 2016	Year 2015	Asset correlation/ Income correlation
Research grant	189,264,064.61	177,499,346.49	Income correlation
Energy conservation and environmental protection benefits	82,088,116.30	81,358,449.39	Asset/Income correlation
Business cost allocation	77,156,500.24	109,052,448.12	Income correlation
Counterpart funding	59,869,699.83	9,578,874.25	Income correlation
Land compensation	44,699,408.90	34,020,120.33	Asset correlation
Industrial development funding for amortization	39,035,324.23	10,584,598.00	Asset correlation
The Romanian government grants	22,798,004.38		Asset correlation
Land-transferring fees refund of feedstock route project	20,645,097.68		Income correlation
Support and development funds of small and medium-sized enterprise	20,230,695.20		Asset correlation
The government units compensation of synthetic materials plant in Chengdu	19,810,895.00	11,003,120.00	Income correlation
Bounty	19,700,000.00		Income correlation
Tax returns	17,282,794.32	28,046,964.32	Income correlation
Government discount	17,027,850.67	6,706,776.64	Income correlation
The project of Suqiao 1 million steel heavy truck tire	16,937,512.88	20,580,000.00	Asset correlation
Bond lending fund for amortization	16,901,700.00		Asset correlation
Steady post subsidies	16,801,908.88		Income correlation
Periodization of investment support	15,688,914.88		Asset correlation
Retiree benefits	15,681,287.81		Income correlation
Benefits from 200 thousand tons integrated project	15,342,460.00		Asset correlation
Patent grants	15,323,867.85		Income correlation
Tax relief	14,274,684.00	19,679,211.00	Income correlation
The government grants of Pirelli & C. S.p.A. from Germany	14,193,306.99		Income correlation
Optimization of process energy	13,832,262.11		Asset correlation

Items	Year 2016	Year 2015	Asset correlation/ Income correlation
system			
The Mexican government subsidies	10,080,000.00		Asset correlation
Policy comprehensive allowance	10,032,544.34		Asset correlation
Lanzhou rail transit compensation		17,285,973.00	Income correlation
Others	164,894,957.82	321,758,372.84	
Total	969,593,858.92	847,154,254.38	

61. Non-operation Expenditure

Items	Year 2016	Year 2015	Included in the non-recurring gains and losses of the year
Non-current assets disposal loss	331,743,369.19	263,559,505.63	331,743,369.19
Incl: Disposal loss of fixed assets	270,832,099.22	242,168,639.73	270,832,099.22
Disposal loss of intangible assets	60,911,269.97	15,925,029.68	60,911,269.97
Loss from debt restructuring	206,615,215.59	3,716,133.20	206,615,215.59
Asset abnormal losses	163,334,210.53		163,334,210.53
Donate to outside	75,690,458.58	29,525,061.76	75,690,458.58
Penalty cost	70,169,678.51	34,179,555.59	70,169,678.51
Retirees spending	131,615,715.68	48,697,984.68	131,615,715.68
Compensation for breach of contract	16,785,822.05	94,271,402.90	16,785,822.05
Others	95,604,947.66	226,995,201.51	95,604,947.66
Total	1,091,559,417.79	700,944,845.27	1,091,559,417.79

Note: Others include asset retirement, loss of damage and bonus payments.

62. Income Tax

(1) Income tax

Items	Year 2016	Year 2015
Current tax income	3,563,181,552.12	2,856,914,694.69
Deferred tax adjustment	-951,709,237.36	207,629,182.99
Total	2,611,472,314.76	3,064,543,877.68

(2) Adjustment process of accounting profit and income tax expenses

Items	Year 2016
Income before tax	5,153,966,067.98
Income tax expenses according to the statutory/applicable tax rate calculation	1,288,491,517.00
Influence of different tax rates applied to subsidiary	158,713,095.17
The effect of adjusting income tax in prior time	-225,443,344.75
The influence of the nontaxable income	-19,346,305.54

Items	Year 2016
Influence of the non-deduction costs, expenses and losses	180,873,488.44
Influence of using the preliminary unconfirmed deferred income tax assets' deductible losses	857,122,692.34
The unconfirmed deferred income tax assets attributable to the deductible temporary difference or deductible losses this year	713,795,270.88
Change of tax rate adjustment lead to the beginning balance of deferred income tax assets/liabilities	-204,502,020.89
Tax rate adjustment to the opening balance of deferred income tax assets/liabilities	-138,232,077.89
Income tax	2,611,472,314.76

63. Other Comprehensive Income

(1) Other comprehensive income items and relevant tax effect and whether transferred to P/L

Items	Year 2016		
	Pre-tax Amount	Income tax	After-tax value
1. Other comprehensive income that cannot be reclassified to P/L	-440,516,745.40	-55,206,010.22	-385,310,735.18
(1) Movement of re-measurement net liabilities and net assets of defined benefit plan	-440,516,745.40	-55,206,010.22	-385,310,735.18
(2) Share of the other comprehensive income in investee that cannot be reclassified into P/L with using equity method			
2. Other comprehensive income will be reclassified into P/L subsequently	1,849,806,970.10	181,374,731.78	1,668,432,238.32
(1) Share of the other comprehensive income in investee that will be reclassified into P/L subsequently with using equity method	23,466,537.63		23,466,537.63
Less: Transfer to current period P/L from Prior period other comprehensive income			
Subtotal	23,466,537.63	-	23,466,537.63
(2) Available-for-sale financial assets gain/loss of changes in fair value	-63,571,032.19	-10,494,358.17	-53,076,674.02
Less: Transfer to current period P/L from Prior period other comprehensive income			
Subtotal	-63,571,032.19	-10,494,358.17	-53,076,674.02
(3) Gain or loss from Held-to-maturity investment reclassified into Available-for-sale financial assets			
Less: Transfer to current period P/L from Prior period other comprehensive income			
Subtotal			
(4) Effective portion of gain/loss of cash flow hedging	818,792,140.84	192,629,959.65	626,162,181.19
Adjusted amount for initial recognition amount that items converted to hedged items			
Less: Transfer to current period P/L from Prior period other comprehensive income	94,566,425.10	760,869.70	93,805,555.40
Subtotal	724,225,715.74	191,869,089.95	532,356,625.79
(5) Difference of translation of foreign currency	1,165,685,748.92		1,165,685,748.92

Items	Year 2016		
	Pre-tax Amount	Income tax	After-tax value
financial statements			
Less: Transfer to current period P/L from Prior period other comprehensive income			
Subtotal	1,165,685,748.92		1,165,685,748.92
3. Total Other comprehensive income	1,409,290,224.70	126,168,721.56	1,283,121,503.14
Incl: Other comprehensive income attributable to the parent company			1,178,413,158.48
Other comprehensive income attributable to the minority shareholders			104,708,344.66

(Continued)

Items	Year 2015		
	Pre-tax Amount	Income tax	After-tax value
1. Other comprehensive income that cannot be reclassified to P/L	-42,760,560.47	-19,756,595.79	-23,003,964.68
(1) Movement of re-measurement net liabilities and net assets of defined benefit plan	-43,046,515.23	-19,821,210.16	-23,225,305.07
(2) Share of the other comprehensive income in investee that cannot be reclassified into P/L with using equity method	285,954.76	64,614.37	221,340.39
2. Other comprehensive income will be reclassified into P/L subsequently	-2,427,624,940.69	-557,999,231.22	-1,869,625,709.47
(1) Share of the other comprehensive income in investee that will be reclassified into P/L subsequently with using equity method	-66,956,145.35	-20,569,072.68	-46,387,072.67
Less: Transfer to current period P/L from Prior period other comprehensive income			
Subtotal	-66,956,145.35	-20,569,072.68	-46,387,072.67
(2) Available-for-sale financial assets gain/loss of changes in fair value	219,453,606.32	52,476,966.46	166,976,639.86
Less: Transfer to current period P/L from Prior period other comprehensive income	46,405,252.28	6,960,787.86	39,444,464.42
Subtotal	173,048,354.04	45,516,178.60	127,532,175.44
(3) Gain or loss from Held-to-maturity investment reclassified into Available-for-sale financial assets			
Less: Transfer to current period P/L from Prior period other comprehensive income			
Subtotal			
(4) Effective portion of gain/loss of cash flow hedging	-1,046,459,586.78	-321,484,084.76	-724,975,502.02
Adjusted amount for initial recognition amount that items converted to hedged items	660,083.20		660,083.20
Less: Transfer to current period P/L from Prior period other comprehensive income	-143,825,033.37		-143,825,033.37
Subtotal	-901,974,470.21	-321,484,084.76	-580,490,385.45
(5) Difference of translation of foreign currency financial statements	-1,631,742,679.17	-261,462,252.38	-1,370,280,426.79

Items	Year 2015		
	Pre-tax Amount	Income tax	After-tax value
Less: Transfer to current period P/L from Prior period other comprehensive income			
Subtotal	-1,631,742,679.17	-261,462,252.38	-1,370,280,426.79
3. Total Other comprehensive income	-2,470,385,501.16	-577,755,827.01	-1,892,629,674.15
Incl: Other comprehensive income attributable to the parent company			-986,047,357.29
Other comprehensive income attributable to the minority shareholders			-906,582,316.86

(2) Reconciliation of other comprehensive income items

Items	Movement of re-measurement net liabilities and net assets of defined benefit plan	Share of the other comprehensive income in investee that cannot be reclassified into P/L with using equity method	Share of the other comprehensive income in investee that will be reclassified into P/L subsequently with using equity method	Available-for-sale financial assets FV changes P/L
Prior year beginning balance	-33,762,334.89	-66,101.35	-2,133,951.13	212,529,823.37
Prior year increase/decrease （“-”for decrease）	305,622,054.01	140,729.35	-20,820,189.22	111,747,185.57
Current year beginning balance	271,859,719.12	74,628.00	-22,954,140.35	324,277,008.94
Current year increase/decrease（“-”for decrease）	-205,146,817.12		11,974,342.36	-18,157,568.10
Current year ending balance	66,712,902.00	74,628.00	-10,979,797.99	306,119,440.84

(Continued)

Items	Gain/loss from Held-to-maturity investment reclassified into Available-for-sale financial assets	Effective portion of Cash flow hedging gain/loss	Difference of translation of foreign currency financial statement	Others	Total Other comprehensive income
Prior year beginning balance		-299,041,442.77	-3,929,024,884.50		-4,051,498,891.27
Prior year increase/decrease （“-”for decrease）		-363,156,774.64	-1,033,989,414.10		-1,000,456,409.03
Current year beginning balance		-662,198,217.41	-4,963,014,298.60		-5,051,955,300.30
Current year increase/decrease （“-”for decrease）		335,838,638.56	1,029,806,035.17		1,154,314,630.87
Current year ending balance		-326,359,578.85	-3,933,208,263.43		-3,897,640,669.43

64. Borrowing Costs

Assets eligible for capitalization	Capitalization rate this year (%) （Only refers to the general borrowing capitalization）	the amount of the borrowing costs to be capitalized in the current year
The relocation project in Shen Hua	4.59%	14,592,957.15
Zheng he construction in progress	4.60%	11,110,389.96
Desalination technology projects	4.82%	10,340,902.56
50000t/a Special high quality of PTFE suspension resin and conveyance projects	4.40%	6,091,219.44
The revamped ammonia plant projects	0.80%	2,500,319.14
Fluorine products processing application center	4.40%	2,269,965.69
Electronic level nitrogen tri fluoride project annual output of 1000 tons of	5.00%	1,696,447.84
The relocation of 2000 square meters conveyor belt	5.45%	1,408,750.00
2000t/a dispersion resin technological upgrading projects	4.40%	1,297,978.24
90 KT expanding for 150KT Bisphenol A project	4.75%	1,170,613.75
Others		12,157,563.89
Total		64,637,107.66

65. Foreign Currency Translation

Exchange balance included in the current profits and losses of is RMB 786,117,999.81.

66. Leases

(1) Operating lease (Lessor)

Operating lease-Categories	Ending book value	Beginning book value
Intangible assets	62,700,362.21	62,700,362.21
House and building	43,252,613.36	42,925,430.62
Machineries	1,821,039,153.27	
Total	1,926,992,128.84	105,625,792.83

(2) Finance lease (Lessee)

① Financing lease of the rented fixed assets

Categories	Ending Balance			Beginning Balance		
	Original cost	Accumulated depreciation	Impairment provision	Original cost	Accumulated depreciation	Impairment provision
House and building	14,064,632.81	9,893,063.78		97,317,122.44	22,322,458.89	
Machineries	1,691,474,437.81	656,843,700.60	8,099,066.95	3,657,026,444.53	1,477,203,444.70	8,099,066.95
vehicles	15,479,002.78	14,928,318.49				
Others	745,293.60	146,136.00				
Total	1,721,763,367.00	681,811,218.87	8,099,066.95	3,754,343,566.97	1,499,525,903.59	8,099,066.95

② Minimum payments for subsequent year

Remaining lease period	Minimum payments
<1 years (Include 1 year)	1,835,374,609.49
1 – 2 years (Include 2 years)	1,287,746,425.84
2 – 3 years (Include 3 years)	1,007,699,152.48
>3 years	1,402,861,671.69
Total	5,533,681,859.50

(3) Operating lease (Lessee)

③ Major operating leases and operating leases the remaining lease term

Remaining lease period	Leases payments
<1 years (Include1year)	832,183,455.05
1 – 2 years (Include2year)	693,512,835.02
2 – 3 years (Include3year)	565,490,189.22
>3 years	2,239,967,206.41
Total	4,331,153,685.70

67. Segments

Items	Petroleum processing and petrochemical products		New chemical materials and specialty chemicals	
	Current year	Prior year	Current year	Prior year
Operating Revenue	140,168,650,251.44	127,992,983,291.80	52,036,938,623.31	53,467,709,523.20
Incl: Segment revenue from external customer	140,098,871,763.79	127,399,693,974.83	52,036,938,623.31	51,863,673,108.67
Revenue between segments	69,778,487.65	593,289,316.97		1,604,036,414.53
② Investment income in associate and joint venture	93,931,475.25	1,925,654.50	-93,484,824.85	165,441,570.24
③ Impairment loss	1,187,582,463.31	548,607,587.02	542,715,737.11	1,403,984,072.09
Depreciation & Amortization	1,251,618,340.08	1,185,299,584.89	3,977,038,834.22	4,466,250,540.48
⑤ Total profit	1,919,969,352.37	1,998,026,904.40	1,820,305,419.62	2,108,067,211.63
⑥ Income tax	301,009,879.85	298,055,154.25	1,225,324,107.57	1,902,677,635.24
⑦ Net profit	1,618,959,472.52	1,699,971,750.15	594,981,312.05	205,389,576.39
⑧ Total assets	59,635,281,562.64	68,559,842,855.06	123,297,568,542.37	138,103,957,993.30
⑨ Total liabilities	37,825,659,908.84	79,558,470,071.01	84,169,130,904.19	82,469,192,704.00
⑩ Other significant non-cash Items				
Others non-cash Item other than depreciation & amortization				
Addition in				

Items	Petroleum processing and petrochemical products		New chemical materials and specialty chemicals	
	Current year	Prior year	Current year	Prior year
Associate company & Joint venture Long-term equity investment				

(Continued)

Items	Chlor alkali and basic chemical products		Tire rubber products	
	Current year	Prior year	Current year	Prior year
Operating Revenue	9,109,900,872.93	9,513,379,008.30	53,785,382,073.50	25,061,176,954.38
Incl: Segment Revenue from external customer	9,109,900,872.93	8,547,962,516.32	53,567,355,732.59	24,464,247,380.57
Revenue between segments		965,416,491.98	218,026,340.91	596,929,573.81
Investment income in Associate & Joint venture	-3,745,178.94	-2,258,181.62	44,372,559.92	-160,169.14
③ Impairment loss	114,718,170.56	266,213,491.33	577,818,929.76	339,063,233.02
Depreciation and amortization	518,903,597.06	536,317,342.48	3,949,269,252.95	835,724,643.69
⑤ Total profit	445,733,076.73	-1,020,406,066.85	1,104,016,342.94	74,426,630.69
⑥ Income tax	59,124,494.75	68,820,185.57	919,329,213.56	326,601,028.55
⑦ Net profit	386,608,581.98	-1,089,226,252.42	184,687,129.38	-252,174,397.86
⑧ Total assets	14,776,049,531.18	20,134,838,013.32	124,334,722,150.36	109,754,708,958.45
⑨ Total liabilities	9,052,660,074.57	16,819,377,268.85	108,663,121,610.61	94,863,879,906.07
⑩ Others significant non-cash Items				
Other non-cash items other depreciation & amortization				
Additions in Associate company & Joint venture Long-term equity investment				

(Continued)

Items	Agricultural chemicals		Chemical machinery and equipment manufacturing	
	Current year	Prior year	Current year	Prior year
Operating Revenue	25,523,951,770.14	27,422,556,528.94	8,560,926,328.69	2,562,406,367.56
Incl: Segment Revenue from external customers	25,523,951,770.14	27,134,927,660.86	8,479,336,403.49	2,507,488,050.36
Revenue between segments		287,628,868.08	81,589,925.20	54,918,317.20
Investment income in	-110,975,242.61		31,425,928.27	

Items	Agricultural chemicals		Chemical machinery and equipment manufacturing	
	Current year	Prior year	Current year	Prior year
Associates & Joint venture				
③ Impairment loss	306,561,414.15	248,083,781.16	171,222,044.47	56,381,226.72
Depreciation & amortization	1,722,507,138.53	1,743,834,124.96	434,874,898.07	317,962,104.16
⑤ Total profit	1,660,074,602.17	30,944,496.03	51,173,997.59	6,428,678.36
⑥ Income tax	109,160,678.98	412,559,978.53	-10,922,710.50	22,170,589.43
⑦ Net profit	1,550,913,923.19	-381,615,482.50	62,096,708.09	-15,741,911.07
⑧ Total assets	19,910,194,925.76	59,548,080,043.97	24,822,412,563.22	5,780,014,724.38
⑨ Total liabilities	20,715,582,549.31	52,987,359,840.24	20,897,620,287.97	4,329,825,548.10
⑩ Other significant non-cash Items				
Other Non-cash Items other depreciation & Amortization				
Additions in Associate company& Joint venture Long-term equity investment				

(Continued)

Items	Research, development and design services		Ready, auto parts manufacturing and repair	
	Current year	Prior year	Current year	Prior year
Operating Revenue	1,964,236,933.10	1,767,468,404.95	334,143,038.72	605,926,694.01
Incl: Segment Revenue from external customers	1,916,446,835.73	1,738,219,885.08	334,143,038.72	605,926,694.01
Revenue between segments	47,790,097.37	29,248,519.87		
Investment income in associate and joint venture	-105,414.60			
③ Impairment loss	25,967,777.61	1,765,570.81	283,158.49	233,460.36
Depreciation & amortization	65,574,246.08	92,080,096.04	14,401,377.79	28,503,959.47
⑤ Total profit	17,730,618.27	22,481,407.47	6,687,766.75	8,016,036.07
⑥ Income tax	30,900,332.28	4,805,416.48	356,941.14	2,791,338.49
⑦ Net profit	-13,169,714.01	17,675,990.99	6,330,825.61	5,224,697.58
⑧ Total assets	829,606,812.75	830,659,458.25	248,441,070.75	882,845,104.62
⑨ Total liabilities	780,564,718.88	746,300,720.02	115,545,519.52	570,663,172.45
⑩ Others significant non-cash Items				
Other non-cash Item other than				

Items	Research, development and design services		Ready, auto parts manufacturing and repair	
	Current year	Prior year	Current year	Prior year
Depreciation & Amortization				
Long-term equity investment in associates and joint venture				

(Continued)

Items	Others		Elimination	
	Current year	Prior year	Current year	Prior year
Operating Revenue	9,474,695,403.88	16,397,064,365.38	-831,648,895.09	-4,486,311,975.60
Incl: Segment Revenue from external customers	9,060,231,359.92	16,042,219,892.22		
Revenue between segments	414,464,043.96	354,844,473.16	-831,648,895.09	-4,486,311,975.60
Investment income in Associates & Joint venture	41,948,636.81	47,604,133.57	105,414.60	-409,192,527.63
③ Impairment loss	1,272,142,413.66	698,911,131.81	-43,723,357.29	-155,317,140.23
Depreciation & Amortization	294,622,726.27	171,538,869.25		
⑤ Total profit	-1,292,523,798.03	-646,806,970.39	-579,201,310.43	420,186,722.56
⑥ Income tax	-18,139,323.09	40,523,061.56	-4,671,299.78	-14,460,510.42
⑦ Net profit	-1,274,384,474.94	-687,330,031.95	-574,530,010.65	434,647,232.98
⑧ Total assets	124,943,541,020.33	63,881,277,697.47	-115,155,939,580.18	-94,798,434,149.63
⑨ Total liabilities	88,756,269,917.41	25,488,800,841.80	-65,178,223,032.32	-54,766,874,752.24
⑩ Others significant non-cash Items				
Addition in other non-cash items other depreciation & amortization				
Long-term equity investment in Associate company & Joint venture				

(Continued)

Items	Total	
	Current year	Prior year
Operating Revenue	300,127,176,400.62	260,304,359,162.92
Incl: Segment Revenue from external customers	300,127,176,400.62	260,304,359,162.92
Segment Revenue between segments		
② Investment income in Associates & Joint venture	3,473,353.85	-196,639,520.08

Items	Total	
	Current year	Prior year
③ Impairment loss	4,155,288,751.83	3,407,926,414.09
④ Depreciation& amortization	12,228,810,411.05	9,377,511,265.42
⑤ Total profit	5,153,966,067.98	3,001,365,049.97
⑥ Income tax	2,611,472,314.76	3,064,543,877.68
⑦ Net profit	2,542,493,753.22	-63,178,827.71
⑧ Total assets	377,641,878,599.18	372,677,790,699.19
⑨ Total liabilities	305,797,932,458.98	303,066,995,320.30
⑩ Others significant non-cash Items		
Other non-cash Items other depreciation& amortization		
Additions in Long-term equity investment for associate and joint venture		

68. Supplement to Consolidated Cash Flow Statement

(1) Reconciliation of net profit to cash flow from operating activities by indirect method

Items	Current year Amount	Last year Amount
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	2,542,493,753.22	-63,178,827.71
Add: Assets Impairment provision	3,939,118,568.65	3,407,926,414.09
Fixed assets depreciation, depletion of oil and gas assets, productive biological assets depreciation	8,808,724,222.41	8,116,390,394.58
Intangible assets amortization	3,220,476,305.97	1,050,663,419.09
Long-term deferred expenses Amortization	199,609,882.67	210,457,451.75
Loss from disposal of fixed assets、intangible and Other long-term assets("-" for income)	-530,482,213.51	-860,480,836.44
Fixed assets scrap loss（"-"for income）	39,249,208.03	40,915,692.16
FV change loss（"-"for income）	-110,573,344.00	-523,847,878.61
Financial expenses（"-"income）	11,400,406,254.28	10,254,195,812.81
Investment loss（"-"for income）	-5,929,094,067.81	-1,465,555,810.16
Deferred tax assets decrease（"-"for increase）	-381,281,270.29	-692,155,229.97
Deferred tax liabilities increase（"-"for decrease）	-570,427,967.07	899,784,412.96
Inventories decrease（"-"for increase）	8,702,263,731.35	-3,697,045,575.00
Operating income items decrease（"-"for increase）	-8,068,978,117.71	-4,599,220,673.18
Operating income items increase（"-"for decrease）	6,354,638,374.53	10,554,458,388.12
Others	-1,101,648,761.31	-312,790,240.92
Net cash flow from operating activities	28,514,494,559.41	22,320,516,913.57
2. Investment and financing activities that do not involve cash payments:		
Debt transfer to assets		1,771,822,579.70
Due within1 year and can converted to corporate bond		

Items	Current year Amount	Last year Amount
Fixed assets by financing lease		
3. Cash and cash equivalents movement:		
Cash at 31 Dec 2016	44,944,609,888.97	29,040,940,001.46
Less: cash at the beginning of the period	29,040,940,001.46	12,380,932,795.86
Add: cash equivalents at 31 Dec 2016		
Less: cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	15,903,669,887.51	16,660,007,205.60

(2) Net cash of current year acquisition and disposal of subsidiaries

Items	Amount
1、Cash and cash equivalents paid for acquisition of subsidiaries this year	6,557,083,832.37
Less: Cash and cash equivalents held by subsidiaries in acquisition date	1,031,616,113.62
Cash and cash equivalents paid for acquisition of subsidiaries in prior time	53,935,476.00
Net cash from subsidiaries and other business sector payments	5,579,403,194.75
2、Cash and cash equivalents received from disposal of subsidiaries this year:	2,354,389,897.43
Less: Cash and cash equivalents held by subsidiaries in the date of losing control	41,694,151.27
Cash and cash equivalents received from disposal of subsidiaries in prior time	
Net cash from Disposal of subsidiaries and other business sector	2,312,695,746.16

(3) Cash and cash equivalents composition:

Items	Ending Balance	Beginning Balance
1. Cash	48,507,376,036.86	38,902,900,401.08
Incl: Petty cash	61,763,500.32	1,009,900,708.77
Bank deposit can be readily made payments	44,075,244,741.04	27,874,076,614.50
Other monetary assets	4,370,367,795.50	10,018,923,077.81
Minus: The ownership of the restricted deposit	3,562,766,147.89	9,861,960,399.62
The initial term of fixed deposit more than three months		
2. Cash equivalents		
Incl: Bond investment due within 3 months		
3. Cash and cash equivalents at the end of the period	44,944,609,888.97	29,040,940,001.46
Incl: Cash and cash equivalents use restricted in parent company or subsidiaries of group		

69. Foreign Currency Monetary Item

Items	31 Dec 2016	Exchange rate	31 Dec 2015
Monetary funds			
Inc: USD	1,113,086,601.42	6.9370	7,721,481,754.02
EUR	2,134,892,432.72	7.3068	15,599,232,027.40
HKD	1,209,891.07	0.8945	1,082,251.53

Items	31 Dec 2016	Exchange rate	31 Dec 2015
AUD	115,923,056.71	5.0157	581,448,542.95
JPY	3,529,992,042.82	0.0596	210,372,706.66
GBP	23,319,926.65	8.5094	198,438,583.88
SGD	336,702.36	4.7995	1,616,002.98
AED	889,504.67	0.5300	1,649,234.89
NOK	46,839,006.45	1.2417	57,424,411.40
CHF	19,935,511.91	6.7989	135,539,551.95
PLN	393,288,041.03	0.6040	246,462,390.74
ZAR	67,552,688.23	1.9680	59,326,872.43
INR	209,353,097.60	0.1023	21,416,821.88
BRL	179,016,774.75	2.1357	383,583,800.56
ILS	109,779,858.70	1.7970	197,274,406.08
CAD	69,249.69	5.1406	355,984.98
SGD	4,163,511.96	4.8308	20,113,093.57
ARS	34,922,512.34	0.4362	15,233,199.88
EGP	1,311,515,348.01	0.3624	475,293,162.12
ROL	15,649,242.97	1.6090	25,179,631.94
Ft	22,178,200.47	0.0235	522,125.03
ZAR	67,552,688.23	1.9680	59,326,872.43
TRL	297,572,980.38	1.9702	586,269,835.46
SUR	2,478,083,148.27	0.1151	285,145,231.43
MXN	653,621,734.18	0.3349	218,866,104.40
COP	1,922,581,773.25	0.0023	4,421,938.08
BRL	1,079,342.06	2.1464	2,316,699.81
BRL	179,016,774.75	2.1357	383,583,800.56
TWD	29,560,639.26	0.2144	6,337,801.06
SAR	718,944.38	1.8497	1,329,851.61
CZK	5,138,925.86	0.2704	1,389,565.55
TND	39,299.62	2.9810	117,152.15
MAD	951,474.86	0.6850	651,760.28
Others	738,886,848.56		738,886,848.56
Account receivable			
Inc: USD	1,736,774,907.18	6.9370	12,048,007,531.08

Items	31 Dec 2016	Exchange rate	31 Dec 2015
EUR	456,586,923.03	7.3068	3,336,189,329.19
AUD	109,289,119.12	5.0157	548,161,434.77
NOK	44,312,163.96	1.2417	53,725,148.59
GBP	12,250,510.52	8.5094	104,244,494.22
JPY	1,190,804,105.70	0.0596	70,971,924.70
MXN	369,675,415.83	0.3349	123,804,296.76
PLN	39,399,413.26	1.6569	65,280,887.83
RON	10,831,804.03	1.6090	17,428,372.68
ZAR	109,481,116.76	0.5083	55,649,251.65
SEK	80,948,127.03	0.7624	61,714,852.05
CHF	4,880,926.04	6.7989	33,184,928.07
DKK	11,453.41	0.9832	11,260.99
COP	21,003,328,534.78	0.0023	48,307,655.63
CZK	34,957,679.59	0.2704	9,452,556.56
SUR	4,684,874,577.85	0.1151	539,229,063.91
TRL	201,583,495.64	1.9702	397,159,803.11
BRL	229,916,083.34	2.1464	493,491,881.28
HUF	66,657,902.13	0.0235	1,566,460.70
CAD	45,295.27	5.1406	232,844.84
Others	345,416,941.35		345,416,941.35
Long-term loan			
Inc: USD	2,763,430,680.65	6.9370	18,660,756,705.66
EUR	6,616,241,282.86	7.3068	48,343,551,805.60
BRL	540,602,860.67	2.1464	1,160,349,980.14
RON	122,505,304.27	1.6090	197,111,034.54
TRL	125,726,856.37	1.9702	247,703,482.03

70. Assets with Restricted Ownership

Items	Ending Carrying amount	Restricted reason
Monetary funds	3,562,766,147.89	Deposits /reserves
Notes receivable	167,875,793.01	Pledge loans
Accounts receivable	62,000,000.00	Pledge loans
Fixed assets	3,958,357,118.09	Mortgage loans
Intangible assets	166,212,095.16	Mortgage loans /Secured Loan
Other non-current assets	126,216,686.41	Deposit of litigation

The restricted monetary fund details as below

Items	Ending Balance	Beginning Balance
The bank acceptance deposit	1,749,796,226.13	6,390,900,890.37
Performance Bond	955,531,069.53	585,421,497.73
Fixed deposit and notice deposits to secure loans	449,114,041.37	1,487,658,540.97
Pledge loan	380,000,000.00	139,165,000.00
Housing maintenance fund	11,506,195.98	12,790,639.32
Others	16,818,614.88	1,246,023,831.23
Total	3,562,766,147.89	9,861,960,399.62

Ⅸ CONTINGENCY

1. Pending Litigation

1. Sanoda provided RMB 7557.5 thousand yuan loan guarantee for Hubei Datian Chemical Corporation (Datian Corp.). Datian Corp. entered into bankruptcy process in the current period and Sanoda should undertake the obligation to repay loans. Thu.s, it formed the anticipation liability of RMB 7,557.5 thousands yuan and the closing balance is 4,896.2 thousand yuan at the end of this fiscal year. Moreover, Sanoda also provided RMB 18.65 million yuan loan guarantee for Sanoda Qichun Ltd. while Sanoda Qichun Ltd. was not able to repay the debts. Thus Sanoda should take the responsibility to refund it and cause an anticipation liability of RMB 7,557.5 thousands yuan in Sanoda.

2. ChemChina Storage and Transportation Ltd., which is a subsidiary of the Company, sold its petroleum products to Hefei Golden Triangle Gas Station Ltd. and this company sold the petroleum products to consumers. The quality problem of petroleum causes an estimated compensation of RMB 13.4 million yuan which form a contigent liability with same amount.

3. Cangzhou Dahua Co. Ltd. is one of the subsidiaries of the Company. Before it mergered Cangzhou Dahua Huanghua Chlor-alkali Ltd. (Dahua Chlor-alkali), Dahua Chlor-alkali provided RMB 77.9963 million yuan external guarantees. After the negotiation between Cangzhou SASAC and the asset management company which undertake this guarantee, they agreed to use RMB 14 million to release guarantees of Dahua Chlor-alkali. The city bureau of finance has already paid the amount advanced. Thus, it forms an anticipation liability of RMB 14 million yuan in the financial statement of Dahua Chlor-alkali.

2. External Guarantee

The Company has guarantees of 5,378,451,245.80 yuan for related parties and 14,649,347,304.28 yuan for external companies. Details are shown as following charts.

(1) Guarantees for related parties:

Guarantee company	Guaranteed Company	Amount
The Company	New Material Company and Subsidiary	4,579,801,245.80
Petrochemical Co.	New Material Company and Subsidiary	745,000,000.00
Guangxi Hechi Chemicial Industry Group Company	Guangxi Hechi Chemical Industry Corporation	20,000,000.00
Jingzhou Sanoda Holding Ltd.	Sanoda Qichuan Ltd.	18,650,000.00
State-operated Xijing Automobile	Xi'an Junfengyuan Vehicle Sales &	15,000,000.00

Guarantee company	Guaranteed Company	Amount
Factory	Service Ltd.	
Total		5,378,451,245.80

(2) Guarantees for external companies:

Guarantee company	Guaranteed Company	Amount
The Company	Bluestar Petrochemical Ltd. and its subsidiaries	10,315,647,430.14
Petrochemical Co.	Bluestar Petrochemical Ltd. and its subsidiaries	4,145,150,000.00
ADAMA Agricultural Solutions Ltd	Negev Aroma	124,623,205.00
Shandong Huaxing Petrochemical Group Company	Shandong Dawang Gtoup Ltd.	55,000,000.00
Jingzhou Sanoda Holding Ltd.	Datian Corp.	6,086,669.14
Yello Sea Rubber	Qingdao Rubber Light Tire Factory	1,500,000.00
Yello Sea Rubber	Qingdao Ruber Group Inner Tube Branch	1,340,000.00
Total		14,649,347,304.28

3. Other Contingency

The equity acquisition payments of ADAMA for acquiring two subsidiaries in Mexico and Chileagro should depend on the future operating profits of the two subsidiaries. The amount is RMB 149,603,342.00 yuan which should be recognized as anticipation liabilities.

X SUBSEQUENT EVENT

1. The Company are preparing the momentous asset restructuring of its subsidiary corporation - Fengshen Corp.. Fengshen Corp. has been trading halts form January 26, 2017.
   This transaction try to acquisition other subordinate unlisted industrial tire assets and try to purchasing assets for Fengshen Corp. and raising matching funds depending on the situation.
2. The Company are preparing acquisition of 100% outside capital stock of Swiss company Syngenta. Up to approve date of financial statement, this transaction still on the stage of tender offer. The transaction will accomplish at the end of May in this year.
3. Hubei Sanonda Co., Ltd try to issuing to buy ADAMA 100% shares which holding by its parent company – CNCIC (called “This transaction”). ADAMA are making the crop protection business and have strong complementarity with Sanonda.
   On March 22, 2017, Sanonda’s acquisition already acquire “ *The reply of related assets reorganization and supporting financing of Hubei Sanonda Co.*” *(SASAC [2017]No.169)* issued by the State-owned Assets Supervision and Administration Commission of State Council (SASAC) and SASAC approve this acquisition.
   On March 27, 2017, the acquisition approve deliberation of the first extraordinary general meeting.
   After this transaction is approved by CSRC, Sanonda Co. will own 100% shares when ADAMA transfer its ownership.

XI RELATIONSHIP AND TRANSACTIONS BETWEEN RELATED PARTY

1. Subsidiaries Profile

Please refer to Section VII. Business Combination and Consolidated Financial Statements for details.

2. Joint Ventures and Associated Companies Profile

Please refer to Section VIII.17 Long-term Equity Investment for details.

3. Other related parties

Name	Relationship
Beijing Huahai Printing Plant	Investee
Jiaozuo Jurong rubber and plastic Co., Ltd.	Investee
Shandong Dacheng International Trade Co., Ltd.	Investee
Xiamen 7318 industry &trade Co., Ltd.	Investee
Beijing Yinguwan Trade Co., Ltd.	Investee
Zibo Heli Chemical Co., Ltd.	Investee
Jingzhou Huaxiang Chemical Co., Ltd.	Investee
HaoHua Refine Chemical Corporation	Investee
China Haohua Xuanhua Group Co., Ltd.	Investee
Hubei Datian Chemical Co., Ltd.	Investee
Shanxi Yuanping Chemical Group Co., Ltd.	Investee
Blue star group, southwest of shifang mechanism factory	Investee
Southern HaoHua (Guilin) Rubber Co., Ltd.	Investee
Qingdao Yi jia YangHong Fuel Oil Co., Ltd.	Investee
Beijing Anbang Business Petrochemical Co., Ltd.	Investee
Luoyang ZhongHao Company	Investee
Cangzhou Dahua Lianxing Transportation Co., Ltd.	Investee
Shenyang Mold Factory	Investee
Anhui Guanghua Instrument cable Co., Ltd.	Investee
Chemchina International (Holding) Co., Ltd.	Investee
Siping Haohua Chemical Co., Ltd.	Investee
Beijing Hongtu Changli Investment fund management center (limited partnership)	Investee
Chemchina Asset Management (International) Co., Ltd.	Investee
Nanjing Changjiang Engineering Supervision Co., Ltd.	Investee
Bluestar Dongli Technology (Beijing) Co., Ltd.	Investee
Zhongche Chengdu Chain Co., Ltd.	Investee
Zhonglian Zhaoye Investment Co., Ltd.	Investee
Jinan Petrochemical Group Co., Ltd.	Investee
New Material Company	Investee

Name	Relationship
Hainan Chemical Industry Company	Investee
Beijing Blue Property Management Co., Ltd.	Investee
ZhongChe QiXiu (Group) Corporation (Dalian 7418)	Investee
Zibo Dongda Chemical Co., Ltd.	Investee
Harbin Bluestar Trading Co., Ltd.	Investee
Beijing Bluestar Technology Co., Ltd.	Investee
Nanjing Technology Co., Ltd. (6902)	Investee
Shandong King Group Co., Ltd.	Investee

4. Related Party Transactions

4.1 Pricing policy

The Company transactions with related party are according to fair market value.

4.2 Related Party Transactions

(1) Selling goods

Name	Year 2016		Year 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Blue Star (tianjin) Chemical Co., Ltd.	1,509,433.97			
Shandong Dacheng International Trade Co., Ltd.	924,145.30		5,522,377.78	
Gansu Hongrun Insurance Brokers Co., Ltd.	395,133.33			
New Material Company	171,733.71			
Lanzhou Blue Star Daily chemical Co., Ltd.			9,314,471.47	
Jiaozuo Jurong Rubber And Plastic Co., Ltd.			5,668,990.47	
Yiyang Zhonghai Shipping Co., Ltd.			696,313.91	
Total	3,000,446.31		21,202,153.63	

(2) Purchasing goods

Name	Year 2016		Year 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Cangzhou Dahua Lianxing Transportation Co., Ltd.	13,585,581.52	0.01		
Chemchina International (Holding) Co., Ltd.	1,671,384.62	0.00		
Shandong Dacheng International Trade Co., Ltd.	924,145.30	0.00		

Name	Year 2016		Year 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Bluestar Dongli Technology (Beijing) Co., Ltd.	409,230.77	0.00		
Jiaozuo Jurong rubber and plastic Co., Ltd.			10,776,032.62	0.01
Lanzhou Blue Star Daily chemical Co., Ltd.			8,900,000.01	0.00
Total	16,590,342.21	0.01	19,676,032.63	0.01

(3) Balance of accounts payable

Items	Ending Balance		Beginning Balance		The terms and conditions	Gain or provide guarantee
	Amount	Percentage (%)	Amount	Percentage (%)		
Accounts receivable:						
Siping Haohua Chemical Co., Ltd.	168,600.00				None	No
Jiaozuo Jurong rubber and plastic Co., Ltd.			28,053,038.44	0.09	None	No
Zibo Heli Chemical Co., Ltd.			24,224,394.61	0.07	None	No
Jingzhou Huaxiang Chemical Co., Ltd.			6,917,191.55	0.02	None	No
HaoHua Refine Chemical Corporation			235,935.63		None	No
Total	168,600.00		59,430,560.23	0.18		
Prepayments:						
Chemchina International (Holding) Co., Ltd.	298,554.00				None	No
China Haohua Xuanhua Group Co., Ltd.			4,422,000.00	0.05	None	No
Total	298,554.00		4,422,000.00	0.05		
Other receivable:						

Items	Ending Balance		Beginning Balance		The terms and conditions	Gain or provide guarantee
	Amount	Percentage (%)	Amount	Percentage (%)		
New Material Company & Subsidiary	3,579,712,581.61	15.77	1,236,516,314.86	4.35	None	No
Beijing Anbang Business Petrochemical Co., Ltd.	223,999,267.88	0.99	7,000,000.00	0.02	None	No
Zhonglian Zhaoye Investment Co., Ltd.	38,000,000.00	0.17	400,000.00		None	No
Malan Noodle Fast-food Chain Co., Ltd.	12,190,530.74	0.05			None	No
Southern HaoHua (Guilin) Rubber Co., Ltd.	7,502,000.00	0.03	7,502,000.00	0.03	None	No
Cangzhou Dahua Lianxing Transportation Co., Ltd.	4,672,000.00	0.02			None	No
China Haohua Xuanhua Group Co., Ltd.			166,124,243.77	0.58	None	No
Hubei Datian Chemical Co., Ltd.			68,323,677.54	0.24	None	No
Shanxi Yuanping Chemical Group Co., Ltd.			28,077,884.00	0.1	None	No
Blue star group, southwest of shifang mechanism factory			15,100,238.59	0.05	None	No
Qingdao Yi jia YangHong Fuel Oil Co., Ltd.			7,382,527.20	.03	None	No

Items	Ending Balance		Beginning Balance		The terms and conditions	Gain or provide guarantee
	Amount	Percentage (%)	Amount	Percentage (%)		
Luoyang ZhongHao Company			4,000,000.00	0.01	None	No
Xiamen 7318 industry &trade Co., Ltd.			2,251,129.70	0.01	None	No
Zhongche Chengdu Chain Co., Ltd.			2,151,840.14	0.01	None	No
Jinan Petrochemical Group Co., Ltd.			400,000.00		None	No
Hainan Chemical Industry Company			381,600.00		None	No
HaoHua Refine Chemical Corporation			221,133.33		None	No
ZhongChe QiXiu (Group) Corporation (Lanzhou 7437)			200,000.00		None	No
Total	3,866,076,380.23	17.03	1,546,032,589.13	5.44		
Accounts payable：						
Blue Star Chemical Supply And Marketing Company	3,358,939.01	0.01			None	No
Shenyang Mold Factory	3,189,460.60	0.01			None	No
Blue Star Cleaning co., LTD	2,336,909.00	0.01			None	No
Cangzhou Dahua Lianxing Transportation co., LTD	656,289.72	0			None	No
Nanjing Changjiang Engineering Supervision co., LTD	280,000.00	0			None	No

Items	Ending Balance		Beginning Balance		The terms and conditions	Gain or provide guarantee
	Amount	Percentage (%)	Amount	Percentage (%)		
Jiaozuo Jurong rubber and plastic co., LTD			120,431.08		None	No
Total	9,821,598.33	0.03	120,431.08			
Advances from customers:						
Bluestar Trading co., LTD			52,750,905.04	1.2	None	No
Total			52,750,905.04	1.2		
Other payables:						
Beijing Hongtu Changli Investment fund management center (limited partnership)	75,018,972.92	0.89			None	No
Shandong King Group co., LTD	24,325,640.00	0.29	204,479.12		None	No
Cangzhou Dahua Lianxing Transportation co., LTD	2,868,418.80	0.03			None	No
Hainan Chemical Industry Company	2,000,000.00	0.02	5,700,000.00	0.03	None	No
New Material Company	1,291,078.03	0.02			None	No
Malan Noodle Fast-food Chain co., LTD	200,000.00				None	No
Chengdu Jingche Real Estate co., LTD			10,000,000.00	0.06	None	No
Beijing Huahai Printing Plant			8,603,054.24	0.05	None	No

Items	Ending Balance		Beginning Balance		The terms and conditions	Gain or provide guarantee
	Amount	Percentage (%)	Amount	Percentage (%)		
China Haohua Xuanhua Group Co., Ltd.			5,340,000.00	0.03	None	No
Nanjing Technology co., LTD(6902)			5,160,488.42	0.03	None	No
Xiamen 7318 Industry & Trade co., LTD			4,417,635.11	0.02	None	No
Beijing Zhonglan Property Managemen t co., LTD			2,211,604.05	0.01	None	No
Beijing Bluestar Technology co., LTD			590,000.00		None	No
Total	105,704,109.75	1.25	42,227,260.94	0.23		

XII MAIN PROJECT NOTES OF THE COMPANY'S FINANCIAL STATEMENT

1. Other receivable

Categories	Ending Balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with significant single amount subject to individual impairment				
Accounts receivable subject to group impairment	7,158,445,962.76	100.00		
Accounts receivable with insignificant single amount subject to individual impairment				
Total	7,158,445,962.76	100.00		

(Continued)

Categories	Beginning Balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with significant single amount subject to individual impairment				
Accounts receivable subject to group impairment	9,084,187,536.03	100.00		
Accounts receivable with insignificant single amount subject to individual impairment				
Total	9,084,187,536.03	100.00		

1. Accounts receivable subject to group impairment

Accounts receivable subject to bad debt provision by the method of other group

Group name	Ending Balance			Beginning Balance		
	Book balance	Provision Percentage (%)	Bad debt provision	Book balance	Provision Percentage (%)	Bad debt provision
The method of other group	7,158,445,962.76			9,084,187,536.03		
Total	7,158,445,962.76			9,084,187,536.03		

2. The amount of accounts receivable generated in the top five by the end of year

Debtors	Natural of accounts receivable	Book balance	Aging	Percentage (%)	Bad debt provision
China Haohua Chemical (Group) Co. Ltd.	Account current	2,939,780,306.94	0-2years	41.07	
ZhongChe QiXiu (Group) Corporation	Account current	2,063,395,151.94	2-3years	28.82	
China National Chemical Agrochemical Corporation	Account current	584,357,415.25	0-2years	8.16	
ChemChina Asset Company	Account current	301,200,000.00	0-3years	4.21	
Bluestar Fiber investment Co., Ltd.	Account current	277,480,000.00	2-3years	3.88	
Total		6,166,212,874.13		86.14	

2. Long-term equity investment

(1) Long-term equity investment classification

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
Contribute to subsidiaries	34,330,706,490.40	1,510,953,089.00	950,000,000.00	34,891,659,579.40
Investment in Joint venture				
Investment in Associate company				
Investment in Others				
Subtotal	34,330,706,490.40	1,510,953,089.00	950,000,000.00	34,891,659,579.40
Less: Long-term equity investment Impairment provision				
Total	34,330,706,490.40	1,510,953,089.00	950,000,000.00	34,891,659,579.40

(2) Long-term equity investment detail

Investee	Percentage (%)	Investment Cost	Beginning Balance	Current year movement		
				Additional investment	Reduced Investment	profit or loss on investment under equity method
Total		34,891,659,579.40	34,330,706,490.40	1,510,953,089.00	950,000,000.00	
subsidiaries		34,891,659,579.40	34,330,706,490.40	1,510,953,089.00	950,000,000.00	
HaoHua Co.	69.20	4,808,086,595.48	4,808,086,595.48			
BlueStar Co	63.58	9,150,131,444.08	9,150,131,444.08			
ZhongChe QiXiu	100.00	278,051,358.84	278,051,358.84			
Equip. Corp.	100.00	453,438,490.21	453,438,490.21			
Petrochemical Co.	72.73	8,521,874,043.71	8,521,874,043.71			
Tire& Rubber Corp.	100.00	3,463,000,970.21	2,963,000,970.21	500,000,000.00		
CNCA	100.00	3,381,025,738.00	3,381,025,738.00			
CNCIC	100.00	56,855,986.15	56,855,986.15			
Finance Corp.	49.41	435,808,569.72	435,808,569.72			
Asset Co.	100.00	50,050,000.00	990,050,000.00		940,000,000.00	
Academy of Sc.	100.00		10,000,000.00		10,000,000.00	
Haohua Corp.	100.00	2,713,670,873.91	2,712,157,784.91	1,513,089.00		
ZhongLan Petrochemical	100.00	432,156,212.46	432,156,212.46			
Chem. Museum	100.00	1,016,940,000.00	7,500,000.00	1,009,440,000.00		
Bluestar Info.	100.00	85,676,482.68	85,676,482.68			
Shenyang Chem.	1.20	44,892,813.95	44,892,813.95			

(Continued)

Investee	Current year movement					Ending Balance	Ending Impairment provision
	Other comprehensive income adjustment	Other equity movement	Announces the distribution of cash dividends or profits	Impairment provision	Others		
Total						34,891,659,579.40	
subsidiaries						34,891,659,579.40	
HaoHua Co.						4,808,086,595.48	
BlueStar Co						9,150,131,444.08	
ZhongChe QiXiu						278,051,358.84	
Equip. Corp.						453,438,490.21	
Petrochemical Co.						8,521,874,043.71	
Tire& Rubber						3,463,000,970.21	

Investee	Current year movement					Ending Balance	Ending Impairment provision
	Other comprehensive income adjustment	Other equity movement	Announces the distribution of cash dividends or profits	Impairment provision	Others		
Corp.							
CNCA						3,381,025,738.00	
CNCIC						56,855,986.15	
Finance Corp.						435,808,569.72	
Asset Co.						50,050,000.00	
Academy of Sc.							
Haohua Corp.						2,713,670,873.91	
ZhongLan Petrochemical						432,156,212.46	
Chem. Museum						1,016,940,000.00	
Bluestar Info.						85,676,482.68	
Shenyang Chem.						44,892,813.95	

3. Operating income, Operating cost

Items	Year 2016		Year 2015	
	Revenue	Cost	Revenue	Cost
Other business subtotal	96,664,474.88	3,860,414.16	127,201,550.45	
Assets rent out	33,151,455.68	3,860,414.16	34,307,611.01	
Others	63,513,019.20		92,893,939.44	
Total	96,664,474.88	3,860,414.16	127,201,550.45	

4. Investment income

Investment income derive from	Year 2016	Year 2015
Investment income from disposal of long-term equity investment	632,663,031.24	87,815,625.00
Total	632,663,031.24	87,815,625.00

5. Supplement to Consolidated Cash Flow Statement

(1) Reconciliation of net profit to cash flow from operating activities by indirect method

Items	Current year Amount	Prior year Amount
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	-2,830,717,785.62	-746,572,943.23
Add: Assets Impairment provision		
Fixed assets depreciation, depletion of oil and gas assets, productive biological assets depreciation	25,305,218.40	23,580,512.84
Intangible assets amortization	10,394,624.07	10,360,129.99
Long-term deferred expenses amortization		

Items	Current year Amount	Prior year Amount
Loss from disposal of fixed assets、intangible and Other long-term assets(“-” for income)		215,294.06
Fixed assets scrap loss（“-” for income）	79,306.06	
FV change loss（“-” for income）		
Financial expenses（“-” income）	767,221,223.01	766,559,952.94
Investment loss（“-” for income）	-632,663,031.24	-87,815,625.00
Deferred tax assets decrease（“-” for increase）		
Deferred tax liabilities increase（“-” for decrease）		
Inventories decrease（“-” for increase）		
Operating income items decrease（“-” for increase）	1,985,741,573.27	-4,216,837,427.86
Operating income items increase（“-” for decrease）	7,860,239,234.37	-168,005,696.12
Others		
Net cashflow from operating activities	7,185,600,362.32	-4,418,515,802.38
2. Investment and financing activities that do not involve cash payments.：		
Debt transfer to assets		-1,176,765,017.86
Due within1 year and can converted to corporate bond		
Fixed assets by financing lease		
3. Cash and cash equivalents movement：		
Cash at 31 Dec 2016	957,918,440.67	637,298,319.30
Less: cash at the beginning of the period	637,298,319.30	295,058,690.49
Add: Cash equivalents at 31 Dec 2016		
Less: cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	320,620,121.37	342,239,628.81

(2) Cash and cash equivalents composition

Items	Ending Balance	Beginning Balance
1. Cash	957,918,440.67	637,298,319.30
Incl: Petty cash	34,684.99	24,737.42
Bank deposit can be readily made payments	957,299,982.76	636,672,343.15
Cash can be readily made payments	583,772.92	601,238.73
Deposit in the central bank can be readily made payments		
2. Cash equivalents		
Incl: Bond investment due within 3 months		
3. Cash and cash equivalents at the end of the period	957,918,440.67	637,298,319.30
Incl: Cash and cash equivalents use restricted in parent company or subsidiaries of group		

XIII OTTHER CONTENTS DISCLOSED IN ACCORDANCE WITH THE RELEVANT FINANCAL ACCOUNTING SYSTEM

None.

China National Chemical Corporation

Consolidated Financial Statements and Independent Auditors' Report

Ruihua Audit [2016] NO.02160142

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瑞华会计师事务所
RUIHUA CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

RuiHua Audit [2016] NO.02160142

To: China National Chemical Corporation

We have audited the accompanying financial statements of China National Chemical Corporation (hereinafter as the "Group"), which comprise the consolidated Balance Sheet as at December 31, 2015, the consolidated Income statement, consolidated cash flow statement and consolidated statement of changes in owners' equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

I. Management's responsibility for the financial statements

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

II. Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the

overall presentation of the financial statements.

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

III. Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of China National Chemical Corporation and its subsidiaries as at 31 December, 2015, and of its consolidated financial performance and its consolidated cash flows for the year ended in accordance with Accounting Standards for Business Enterprises.

RuiHua Certified Public Accountants

Beijing, China

18 April 2016

Consolidated Statement of Financial Position

As at 31 December 2015

Prepared by：CHINA NATIONAL CHEMICAL CORPORATION **Currency: RMB YUAN**

Items	Notes	31 Dec 2015	31 Dec 2014
Current Assets：		—	—
Cash and Cash equivalents		38,862,024,517.28	21,009,148,987.56
Finanical assets at fair value through profit or loss		942,552,977.13	23,229,829.24
Derivatives finanical assets		481,998,829.25	808,201,217.24
Notes receivable		3,138,250,946.57	3,846,195,379.62
Accounts receivable		28,830,543,935.42	22,648,616,370.28
Advances to suppliers		8,875,647,677.17	9,925,475,064.35
Interests receivable		527,448,188.72	410,470,540.92
Dividends receivable		22,228,573.60	14,678,740.00
Other receivables		24,916,960,114.98	24,879,432,724.80
Inventories		46,460,425,178.57	42,735,516,604.63
Including：Row material		12,677,214,920.91	12,222,421,474.39
Stock on hand(Finished goods)		22,824,901,464.57	17,076,066,377.95
Designated to held-for-sale assets		311,612,397.78	166,266,511.13
Non-current assets due wihtin 1 year		490,411,118.83	415,257,664.68
Other current assets		9,821,653,275.84	2,781,424,105.17
Total current assets		163,681,757,731.14	129,663,913,739.62
Non-current assets:			
Finanical assets available for sale		3,746,487,424.04	1,545,986,269.02
Held-to-maturity securities		50,000,000.00	
Long-term receivables		12,821,458,911.97	10,184,175,568.62
Long-term equity investment		2,564,396,602.42	1,535,866,643.44
Investment property		459,873,194.11	525,384,372.33
Fixed asstes at original cost		171,061,732,876.54	115,882,221,330.04
Less：Accumulated Depreciation		69,307,915,203.85	45,579,522,278.79
Net fixed assets		101,753,817,672.69	70,302,699,051.25
Less:Provision for impairment of fixed assets		3,306,480,836.36	3,123,476,417.14
Net book value of fixed assets		98,447,336,836.33	67,179,222,634.11
Construction in progress		16,149,808,424.65	21,139,116,669.59
Engineering material		319,897,480.84	336,912,116.58
Disposal of fixed assets		123,821,134.57	178,134,452.90
Intangible assets		31,969,540,279.17	25,894,821,793.69
Development expenditure		343,296,471.89	145,502,481.02
Goodwill		35,173,480,576.44	5,745,850,554.66
Long-term deferred expenses		505,671,216.05	491,046,629.27
Deffered tax assets		2,640,602,868.98	1,948,447,639.01
Other non-current assets		3,516,626,415.04	1,615,010,034.11
Total non-current assets		208,832,297,836.50	138,465,477,858.35
Total assets		372,514,055,567.64	268,129,391,597.97

Consolidated Statement of Financial Position(Cont.)

As at 31 December 2015

Prepared by: CHINA NATIONAL CHEMICAL CORPORATION **Currency: RMB YUAN**

Items	Notes	31 Dec 2015	31 Dec 2014
Current liabilities:		—	—
Short-term loans		95,952,106,355.09	64,225,661,197.65
Finanical liabilities at fair value through profit or loss		771,283,833.60	
Derivatives finanical liabilities		853,495,308.14	2,104,240,378.37
Notes payable		13,545,612,803.23	14,586,582,943.37
Accounts payable		28,415,589,100.52	28,642,685,276.02
Advances from customers		4,385,513,753.15	4,823,725,609.03
Employee Remueration payale		4,497,822,164.80	2,928,545,680.82
Including：Salary payable		2,346,245,421.59	1,557,025,253.72
Welfare payable		295,110,211.17	267,627,345.77
Including：Bonus and welfare funds for staff and workers			
Taxes and surcharges payable		3,488,023,751.86	1,663,177,011.28
Including：Surcharges payable		2,367,722,902.86	1,610,099,414.97
Interests payable		1,119,492,145.48	813,455,224.00
Dividends payable		62,671,908.85	14,220,278.94
Other payables		17,186,465,476.53	11,356,433,523.38
Non-current liabilities due within 1 year		27,576,342,715.07	13,593,648,543.41
Other current liabilities		6,834,081,541.87	3,846,995,771.14
Total current liabilities		204,688,500,858.19	148,599,371,437.41
Non-current liabilities:			
Long-term loans		49,809,671,906.53	36,830,508,544.97
Bond payabe		30,594,290,337.92	22,088,891,396.05
Long-term payables		4,162,927,579.57	4,687,465,391.55
Long-term Employee Remuneration payable		3,982,722,753.00	1,408,509,896.80
Special fund payable		871,497,736.38	898,741,997.92
Projected Liabilities		1,872,630,768.91	567,938,298.93
Deferred income		2,149,129,092.32	1,871,757,232.69
Deffered tax liabilities		2,694,580,728.65	4,418,434,664.07
Other non-current liabilities		1,031,204,291.72	277,057,331.42
Including:Special reserve material			
Total non-current liabilities		97,168,655,195.00	73,049,304,754.40
Total liabilities		301,857,156,053.19	221,648,676,191.81
Owners'Equity(Or Shareholder's Equity):			
Paid-in Capital (Capital stock)		11,080,025,968.24	11,010,025,968.24
State-owned capital		11,080,025,968.24	11,010,025,968.24
Including:State-owned legal person capital		11,080,025,968.24	11,010,025,968.24
Collective capital			
Private capital			
Including： Individual capital			
Foreign capital			
Less:Cpaital return			
Net capital		11,080,025,968.24	11,010,025,968.24
Other equity instruments		8,000,000,000.00	3,000,000,000.00
Including：Preference share			
Perpetual Bond		8,000,000,000.00	3,000,000,000.00
Capital reserves		23,703,374,353.15	20,780,897,628.89
Less:Treasury stock			
Other Comprehensive Income		-5,057,162,658.98	-4,051,498,891.27
Including: Difference from foreign currency financial statements Translation		-4,968,221,657.28	-3,929,024,884.50
Special reserves		111,776,451.19	165,886,319.29
Suplus reserves			
Including:Statutory surplus reserve			
Discretionary surplus reserve			
General risk reserve			
Undistributed profits		-11,656,835,952.65	-10,828,575,521.91
Total owner's equity attributable to parent company		26,181,178,160.95	20,076,735,503.24
Minority interest		44,475,721,353.50	26,403,979,902.92
Total owner's equity		70,656,899,514.45	46,480,715,406.16
Total liabilities and owner's equity		372,514,055,567.64	268,129,391,597.97

Corporate Representative： **Chief Accountant：** **Accounting Supervisor：**

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2015

Prepared by：CHINA NATIONAL CHEMICAL CORPORATION **Currency: RMB YUAN**

Items	Notes	Year 2015	Year 2014
Ⅰ、Total operating income		260,252,521,335.80	257,631,356,340.56
Including：Operating income		260,252,521,335.80	257,631,356,340.56
Interest Income			
Ⅱ、Total operating costs		260,806,457,908.06	257,988,482,755.14
Including：Operating cost		222,213,665,662.02	226,994,566,363.80
Operating tax and surcharges		1,589,297,994.33	1,201,258,213.76
Sale expenses		10,166,854,555.09	8,176,913,783.17
General and administrative expenses		12,411,438,820.64	11,137,553,537.22
Including: Research and development expenses		2,295,652,102.34	1,884,867,376.04
Finanical expenses		11,018,862,554.95	7,797,556,949.59
Including：Interest expense		10,254,195,812.81	9,119,087,095.15
Interest income		2,187,797,325.70	1,371,552,866.95
Foreign exchange loss（"-"for Gain）		1,560,386,191.81	-586,468,641.47
Impairment loss on assets		3,406,338,321.03	2,680,633,907.60
Add：Gain from changes of fair value（"-"for Loss）		646,688,721.55	-547,234,477.99
Investment income（"-"for Loss）		1,537,938,358.63	1,781,067,245.39
Including: Investment income of associate and Joint venture		-196,639,520.08	-247,777,633.44
Foreign exchange Gain（"-"for Loss）			
Ⅲ、Operating profit ("-"for Loss)		1,630,690,507.92	876,706,352.82
Add：Non-operating income		2,280,559,601.42	1,811,174,031.55
Including:Gain from disposing non-current assets		1,083,116,264.69	428,950,044.24
Gain from non-monetary swap			
Government Grants		847,131,693.78	1,028,742,083.69
Gain from debt restructuring		6,941,881.06	9,179,777.81
Less：Non-operating expenses		700,880,904.18	675,581,326.46
Including: Loss from disposing non-current assets		263,559,505.63	169,299,228.96
Loss from non-monetary transactions			
Loss from debt debt restructuring		3,716,133.20	17,701,825.26
Ⅳ、Total pofit ("-" for Loss)		3,210,369,205.16	2,012,299,057.91
Less：Income taxes		3,092,520,783.42	1,787,483,497.49
Ⅴ、Net profit ("-" for Loss)		117,848,421.74	224,815,560.42
Net profit attributable to owners of parent company		-828,260,430.74	-1,145,613,954.98
Gains/Losses attributable to minority shareholders		946,108,852.48	1,370,429,515.40
Ⅵ、 Other comprehensive income after tax net value		-1,900,819,854.89	-2,384,992,462.69
Other comprehensive income that can not be reclassified to P/L		-23,003,964.68	-46,334,353.21
Incl: 1、Movement of remeasurement net liabilities and net assets of defined benefit plan		-23,225,305.07	-46,230,388.41
2、Share of the other comprehensive income in investee that cannot be reclassified into P/L with using equity method		221,340.39	-103,964.80
Other comprehensive income will be reclassified into P/L subsequently		-1,877,815,890.21	-2,338,658,109.48
Inc：1、Share of the other comprehensive income in investee that will be reclassified into P/L subsequently with using equity method		-46,387,072.67	-3,356,297.60
2、Gain/loss from changes in fair value of financial assets available for sale		127,532,175.44	-248,506,849.84
3、Gain/loss from held-to-maturity reclassified into financial assets available for sale			
4、Effective portion of P/L of cash flow hedging		-580,490,385.45	414,268,881.02
5、Difference of translation of foreign financial statement		-1,378,470,607.53	-2,501,063,843.06
Ⅶ、Total comprehensive income		-1,782,971,433.15	-2,160,176,902.27
Comprehensive income attributable to owners of parent company		-1,819,515,146.71	-1,885,928,120.14
Comprehensive income attrrinbutabel to minority sharesheolds		36,543,713.56	-274,248,782.13
Ⅷ、Earnings per share：			
Basic EPS			
Diluted EPS			

Corporate Representative： **Chief Accountant：** **Accounting Supervisor：**

Consolidated Statement of Cash Flow

For the year ended 31 December 2015

Prepared by: CHINA NATIONAL CHEMICAL CORPORATION **Currency: RMB YUAN**

Items	Notes	Year 2015	Year 2014
Ⅰ、Cash flows from operating activities:			
Cash flows from sales of goods or rendering of services		269,169,620,634.78	278,093,735,178.60
Refund of taxes		763,328,456.96	192,045,857.93
Cash received relating to other operating activities		14,623,312,232.83	14,790,224,875.25
Subtotal of cash inflows from operating activities		284,556,261,324.57	293,076,005,911.78
Cash paid for goods and services		229,264,636,083.01	250,070,552,604.83
Cash paid to and for the employees		15,154,238,607.76	13,381,249,388.13
Cash paid for all types of taxes		7,999,676,907.79	5,622,483,001.97
Cash paid relating to other operating activities		9,808,373,553.78	12,443,448,761.22
Subtotal of cash outflows from operating activities		262,226,925,152.34	281,517,733,756.15
Net cash flows from operating activities		22,329,336,172.23	11,558,272,155.63
Ⅱ、Cash flows from investing activities:			
Cash received from disposal of investments		1,733,946,965.89	1,868,689,870.89
Cash received from investment income		655,911,374.26	203,941,634.75
Net cash receiced from disposal of fixed assets,intangible assets and other long-term assets		781,660,645.82	501,838,055.29
Net cash receiced from disposal of subsidiaries and other operating units		1,381,305,385.41	
Cash received relating to other investing activities		563,278,901.89	1,909,297,474.54
Subtotal of cash inflows from investing activities		5,116,103,273.27	4,483,767,035.47
Cash paid for acquisition of fixed assets,intangible assets and other long-term assets		9,584,834,456.41	10,355,877,859.27
Cash paid for acquisition of investments		4,892,048,867.44	1,145,279,151.93
Net cash paid for acquisition of subsidiaries and other operating units		47,962,518,143.38	55,000,000.00
Cash paid relating to other investing activities		4,019,222,217.00	710,251,783.98
Subtotal of cash outflows from investing activities		66,458,623,684.23	12,266,408,795.18
Net cash flows from investing activities		-61,342,520,410.96	-7,782,641,759.71
Ⅲ、Cash flows from financing activities			
Cash received from absorbing investments		21,313,520,704.35	11,257,284,221.10
Including:Cash received from subsidiary company absorbing minority investment		15,533,520,704.35	7,885,824,914.37
Cash received from borrowings		183,767,031,209.25	92,265,580,255.53
Cash received from issuing bonds			
Cash received relating to other financing activities		16,023,189,409.51	14,067,992,360.85
Subtotal of cash inflows from investing activities		221,103,741,323.11	117,590,856,837.48
Cash paid for settlement of debts		130,672,777,070.61	98,996,950,106.83
Cash paid for distribution of dividends, or profit and repayment of interest		10,214,523,120.50	9,892,696,526.20
Including：dividends or profit paid by subsidiaries to minority shareholders		485,775,477.58	283,267,591.24
Cash paid relating to other financing activities		24,307,171,232.03	16,272,300,000.90
Subtotal of cash outflows from financing activities		165,194,471,423.14	125,161,946,633.93
Net cash flows from financing activities		55,909,269,899.97	-7,571,089,796.45
Ⅳ、Effect of changes in foreign exchange rate on cash and cash equivalents		-251,314,281.10	680,748,835.30
Ⅴ、Net increase in cash and cash equivalents		16,644,771,380.14	-3,896,371,211.05
Add:Cash and cash equivalents brought forward		12,355,891,957.51	16,252,263,168.56
Ⅵ、Cash and cash equivalents carried forward		29,000,663,337.65	12,355,891,957.51

Corporate Representative： **Chief Accountant：** **Accounting Supervisor：**

Consolidated Statement Of Changes In Owner's Equity

For the year ended 31 December 2015

Prepared by: CHINA NATIONAL CHEMICAL CORPORATION

Currency: RMB YUAN

Items	Year 2015													Year 2014											
	Owner's equity attributable to shareholders of Parent company											Minority interest	Total owner's equity	Owner's equity attributable to shareholders of Parent company										Minority interest	Total owner's equity
	Paid-in Capital (Share capital)	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk reserve	Undistributed profit	Others	Subtotal			Paid-in Capital (Share capital)	Other equity instruments	Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserve	General risk reserve	Undistributed profit	Others	Subtotal		
I.Balance brought forward	11,010,025,968.24	3,000,000,000.00	20,780,897,628.89		-4,051,498,891.27	165,886,319.29			-7,873,736,507.99		23,031,574,517.16	27,391,316,567.51	50,422,891,084.67	11,010,025,968.24		18,913,250,272.02		-3,311,184,726.11	204,281,160.92			-6,728,122,553.01		20,088,250,122.06	21,799,884,692.28	41,888,134,814.34
Add: change in accounting policy	—	—	—	—	—	—	—	—	—	—	—	—	—												
Corrections of prior period errors	—	—	—	—	—	—	—	—	—	—	—	—	—												
Others									-2,954,839,013.92		-2,954,839,013.92	-987,336,664.59	-3,942,175,678.51												
II. Balance at the beginning of current year	11,010,025,968.24	3,000,000,000.00	20,780,897,628.89		-4,051,498,891.27	165,886,319.29			-10,828,575,521.91		20,076,735,503.24	26,403,979,902.92	46,480,715,406.16	11,010,025,968.24		18,913,250,272.02		-3,311,184,726.11	204,281,160.92			-6,728,122,553.01		20,088,250,122.06	21,799,884,692.28	41,888,134,814.34
III. Increase/Decrease through the period ("-" for Decrease)	70,000,000.00	5,000,000,000.00	2,922,476,724.26		-1,005,663,767.71	-54,109,868.10			-828,260,430.74		6,104,442,657.71	18,071,741,450.58	24,176,184,108.29		3,000,000,000.00	1,867,647,356.87		-740,314,165.16	-38,394,841.63			-1,145,613,954.98		2,943,324,395.10	5,591,431,875.23	8,534,756,270.33
（1）Total comprehensive income	—	—	—	—	-991,254,715.97	—	—	—	-828,260,430.74	—	-1,819,515,146.71	36,543,713.86	-1,782,971,432.85	—	—	—	—	-740,314,165.16	—	—	—	-1,145,613,954.98	—	-1,885,928,120.14	-274,248,782.13	-2,160,176,902.27
（2）Capital contribution or withdrawn by shareholders	70,000,000.00	5,000,000,000.00	2,922,476,724.26		-14,409,051.74						7,978,067,672.52	18,659,007,473.47	26,637,075,145.99	38,750,000.00	3,000,000,000.00	1,867,647,356.87								4,867,647,356.87	6,300,369,058.15	11,168,016,415.02
1、Common stock capital contributed by shareholders	70,000,000.00	—		—	—	—	—	—	—	—	70,000,000.00	46,181,510.12	116,181,510.12	38,750,000.00	—		—	—	—	—	—	—	—		8,131,476,616.62	8,131,476,616.62
2、Capital paid by Other equity instruments holders		5,000,000,000.00		—	—	—	—	—	—	—	5,000,000,000.00		5,000,000,000.00		3,000,000,000.00		—	—	—	—	—	—	—	3,000,000,000.00		3,000,000,000.00
3、Share-based payment recorded in Owners' equity		—		—	—	—	—	—	—	—		-528,181,741.73	22,412,938.24		—		—	—	—	—	—	—	—			
4、Others		—	2,922,476,724.26		-14,409,051.74						2,908,067,672.52	-6,045,365.76	21,498,480,697.63		—	1,867,647,356.87								1,867,647,356.87	-1,831,107,558.47	36,539,798.40
Special reserves withdrawn and use		—				-54,109,868.10					-54,109,868.10	-89,582,628.96	-143,692,497.06		—				-38,394,841.63					-38,394,841.63	-21,577,242.47	-59,972,084.10
1、Amount withdrawn for the period	—	—	—	—	—	298,907,021.21	—	—	—	—	298,907,021.21	152,700,958.10	451,607,979.31	—	—	—	—	—	259,176,971.19	—	—	—	—	259,176,971.19	127,390,019.78	386,566,990.97
2、Amount used for the period	—	—	—	—	—	-353,016,889.31	—	—	—	—	-353,016,889.31	-242,283,587.06	-595,300,476.37	—	—	—	—	—	-297,571,812.82	—	—	—	—	-297,571,812.82	-148,967,262.25	-446,539,075.07
Profit distribution												-534,227,107.49	-534,227,107.49												-413,111,158.32	-413,111,158.32
1、Withdraw surplus reserves	—	—	—	—	—	—		—		—		—		—	—	—	—	—	—		—		—		—	
Inc: Statutory surplus reserves	—	—	—	—	—	—		—		—		—		—	—	—	—	—	—		—		—		—	
General reserves	—	—	—	—	—	—		—		—		—		—	—	—	—	—	—		—		—		—	
Reserve fund	—	—	—	—	—	—		—		—		—		—	—	—	—	—	—		—		—		—	
Enterprise development reserves	—	—	—	—	—	—		—		—		—		—	—	—	—	—	—		—		—		—	
Profit transfer to investment	—	—	—	—	—	—		—		—		—		—	—	—	—	—	—		—		—		—	
2、Withdraw general risk reserves	—	—	—	—	—	—	—			—		—		—	—	—	—	—	—	—			—		—	
3、Distribution to Owners(or Shareholders)	—	—	—	—	—	—	—	—		—		-528,181,741.73	-528,181,741.73	—	—	—	—	—	—	—	—		—		-413,111,158.32	-413,111,158.32
4、Others												-6,045,365.76	-6,045,365.76													
Internal transfer in owners' equity																										
1、Capital reserve transfer to share capital				—	—	—	—	—	—	—		—					—	—	—	—	—	—	—		—	
2、Surplus reserve transfer to share capital		—	—	—	—	—		—	—	—		—			—	—	—	—	—		—	—	—		—	
3、Surplus reserve offset with loss	—	—	—	—	—	—		—		—		—		—	—	—	—	—	—		—		—		—	
4、Transfer of movement from remeasurement of designated beneficial plans of net assets or net liabilities	—	—	—	—		—	—	—		—		—		—	—	—	—		—	—	—		—		—	
5、Others																										
IV. Balance at the end of current ye	11,080,025,968.24	8,000,000,000.00	23,703,374,353.15		-5,057,162,658.98	111,776,451.19			-11,656,835,952.65		26,181,178,160.95	44,475,721,353.30	70,656,899,514.45	11,010,025,968.24	3,000,000,000.00	20,780,897,628.89		-4,051,498,891.27	165,886,319.29			-7,873,736,507.99		23,031,574,517.16	27,391,316,567.51	50,422,891,084.67

Corporate representative: Chief Accountant: Accounting Supervisor:

CHINA NATIONAL CHEMICAL CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

1. GENERAL INFORMATION

The State Council approved the proposal of setting up the China National Chemical Corporation (hereinafter as the "Group", letter No 115 [2003] of the State Council). At 22 April, 2004, The China National Chemical Corporation (ChemChina), a large-scale state-owned company, was set up by reorganizing and restructuring China National Blue Star (Group) Co, Ltd and the China Haohua Chemical (Group) Corporation.

The Company obtained *No. 1000001003880* that is corporation fictitious person commercial license, which is issued by State Administration for Industry & Commerce of China. The Company is located at No.62 Beisihuanxilu Haidian District, Beijing, with Ren Jianxin as its legal representative and RMB 11,080,025,968.24 as its registered capital. The Company hold nine Listed Companies, including Bluestar New Chemical Materials Co., Ltd, Aeolus Tyre Co., Ltd., Shenyang Chemical Industry Co., Ltd., Hubei Sanoda Co., Ltd., Guangxi Hechi Chemical Co., Ltd., Cangzhou Dahua Group Co., Ltd., Heilongjiang Heihua Co., Ltd., Qingdao Yellow sea Rubber Co., Ltd., Sichuan Tianyi Science & Technology Co., Ltd.

The main operations of the company and its subsidiaries are chemical materials, chemical products, chemical mining, plastics, tires, rubber products, film equipment, production and sales of chemical equipment,; mechanical products, electronic products, instruments, building materials, textiles, products of light industrial, forest products, forestry products production and sales; chemical equipment, chemical cleaning, preservation, petrochemical, water treatment technology research, development, design and construction; technology consulting, information services, equipment rental.

The business scopes and special fields of the Group include new material of chemical, organic chemical material: silicone, silicone rubber, silicone resin, silicone oil, PBT resin, special PVC, POM resin, PC resin, polyphenylene sulfide, special epoxy resin, polytetrafluor ethylene, fluorine rubber, polyurethane, ekonol, fumed silica, titanium dioxide, special paint, etc. Chemical raw material realm, bisphenol A, phenol, acetone, MEK, nonylphenol, bengan, anhydride, acrylic, butadiene, formaldehyde, acrylic acid and esters, propylene oxide and TDI, etc. Inorganic salt industry: barium carbonate, barium sulfate, barium nitrate, barium chloride and strontium carbonate ,etc. Medicine materials: glyoxylic, p-hydroxyphenylglycine, ethylamine; Products of Rubber processing field: Rubber processing, Carbon black and special tire, Polysulfide rubber, special rubber. Chemical engineer field: plasma membrane device, metal anode electric tank, etc. Chemical Cleaning field: blue star cleaning antifreeze. Link operation field: Army automation repair, manufacturer and vehicle modification, etc. In addition, it concerns military accessory products, petroleum refining, chemical mine geological, membrane technology and water treatment information industry, etc.

Financial statements for current year have been approved by the Management Administration of The Company on April 18, 2016.

2. BASIS FOR PREPARATION OF THE FINANCIAL STATEMENTS

The basis the Company has prepared the financial statements on is the going concern assumption in accordance with *Chinese Accounting Standards for Business Enterprises* and the related supplementary regulations with the going concern assumption, based on the following significant accounting policies and estimates.

3. ANNOUNCEMENT COMPLIANCE WITH ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The financial statements provided by the Company comply with the requirements of *Accounting Standards for Business Enterprises*, which truly and completely reflected its financial position, financial performance and cash flows.

4. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

4.1 Accounting period

The fiscal year of the Company runs from 1 January to 31 December of each calendar year.

4.2 Reporting currency

The reporting currency of the Company is Renminbi (RMB).

4.3 Basis of accounting and principle of measurement

The accrual basis is adopted for throughout these financial statements. Assets are measured at their historical cost.

4.4 Accounting treatment and converting methods of foreign currency transactions

(1) Translation of foreign currency transactions

At the time of initial recognition of a foreign currency transaction, the amount in the foreign currency is translated into Renminbi (RMB) at the spot exchange rate of the transaction date; However, the company in foreign currency exchange business or transactions involving foreign exchange, the amount in the foreign currency is translated into Renminbi (RMB) at the actual exchange rate used.

(2)Treatments for the foreign currency monetary items and foreign currency non-monetary items on the balance sheet date.

The foreign currency monetary items are translated at the spot exchange rate on the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date, except borrowing costs that the exchange difference arising from foreign currency borrowings for the purchase and construction or production of qualified assets are capitalized, is recorded as profit or loss in the current period.

The non-monetary items denominated in foreign currency measured at the historical cost are translated at the spot exchange rate on the transaction date, of which the amount of functional currency is not changed.

The non-monetary items denominated in foreign currency measured at the fair value are translated at the spot exchange rate on the fair value determination date, the difference between the amount in the converted functional currency and the amount in the original functional currency, is treated as changes in fair value (including changes in exchange rate), and recorded into the profit or loss of the current period.

(3) Translation of Foreign Currency Financial Statements

The Company complies with the following regulations when translating the financial statements in foreign currency to the financial statements in Renminbi (RMB).

The asset and liability items in the balance sheets shall be translated at a spot exchange rate on the balance sheet date. The owner's equity items, except "undistributed profits", shall be translated at the spot exchange rate at the time when they are incurred.

The income and expense items in the income statements shall be translated at the spot exchange rate of the transaction date.

The translation differences of foreign currency financial statements are generated from compliance with the aforesaid items should be presented separately under the owner's equity item in the balance sheets.

The cash flow statement denominated in foreign currency is translated by applying the spot exchange rate on the date of cash flows generated. The impacts of the exchange rate movements on cash are recorded as reconciling items and it is presented separately in the cash flow statement.

4.5 Definition of cash and cash equivalents

(1) Cash refers to cash on hand and deposit ready for payment at any moment;

(2) Cash equivalents are short-term (the period from purchase date to due date only within three months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4.6 Accounts receivable

(1) Criteria for recognition of bad debts:

The Company carries out an inspection, on the balance sheet day, on the carrying amount of accounts receivable; where there is any objective evidence described below proving that such accounts receivable has been impaired, an impairment provision is made.

a. A serious financial difficulty occurs to the debtor;

b. The debtor breaches any of the contractual stipulations, for example, fails to pay or delays the payment of interests or the principal, etc.;

c. The debtor will probably become bankrupt or carry out other financial reorganizations;

d. Other objective evidences showing the impairment of the accounts receivable.

(2) The method used in establishment of provision:

Allowance method is adopted to account for the bad debts.

(3) Proportion used in establishment of provision:

Ageing	Percentage of provision
Within 1 year	0-5%
1-2 years	0.5-10%
2-3 years	0.5-30%
Over 3 years	10-100%

4.7 Inventories

(1) Classification of inventory

The inventories of the Company comprises of raw materials, work in process, finished goods, inventories, etc.

(2) Measurement of inventories

The inventories are initially measured at cost. The cost of inventory consists of purchase costs, processing costs and other costs. In determining the cost of inventories transferred out or issued for use the weighted

average method, the actual costs are determined by the weighted average method.

(3) Amortization method for low value and short-lived consumable items and packing materials and supplies

The low value and short-lived consumable items and packaging materials and suppliers are amortized by applying immediate write-off method when using these items.

(4) The stocktaking system is perpetual inventory system

(5) Recognition and measurement for inventory impairment provision

On balance sheet date, the inventories are measured at lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value because of deterioration, continuous market price falling without the hope of increase in the fore sable future, entire or partly obsolete, and technique update, a provision should be made and recorded in the current profit or loss base on the perpetual stocktaking. The Company makes impairment loss of inventories on individual basis.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated expenses and related taxes necessary to make the sale. The net realizable value of goods inventories is the estimated sale price of inventories deducts the estimated sale expense and relevant taxes; the net realizable value of materials inventories is the estimated sale price of finish goods deducting the cost of completion, the estimated sale expense and relevant taxes. The net realizable value of inventories held for the execution of sales contracts or labor contracts is calculated on the ground of the contract price. If the Company holds more inventories than the quantities subscribed in the sales contract, the net realizable value of the excessive part of the inventories is calculated on the ground of the general sales price.

4.8 Long-term investment

Long-term investment mainly comprises long-term equity investments held by the Company with control, jointly control, or significantly influence the invested company or equity investments held by the Company without jointly control or significant influence and no quotation price in the active market and fair value.

(1) Initial measurement of long-term investment

For the company consolidation under the common control, the combined party's share of book value of equity recorded as long-term equity investments in the initial investment cost at the date of merger. For the consolidation under non-common control, combined cost included the fair value of which obtaining control of the acquirer paid assets at the purchase date, occurred or assumed liabilities and equity securities issued. The initial invest cost of the long-term equity investment is recognized as merger cost.

(2) Subsequent measurement of long-term investment and recognition method for investment income

a. The long-term investments of the Company under cost method includes: a long-term equity investment controlled by the Company; a long-term equity investment without joint control or significant influences on the invested entity and no quotation price in the active market and its fair value cannot be reliably measured.

   The long-term equity investment under cost method is initially measured at investment. If there are additional investments or disinvestments, the cost of the long-term equity investment is adjusted. The dividends or profits declared by the investee are recognized as the current investment income. The investment income recognized by the Company is limited to the amount received from the accumulative net profits that arise after investment. Where the amount of profits or cash dividends obtained by the Company exceeds the aforesaid amount, it is regarded as return of initial investment cost.

b. The long-term investment of the Company under the equity method includes the long-term equity investment with joint control or significant influence over the investee. If the initial cost of a long-term equity investment is more than the Company's attributable share of the fair value of the investee's identifiable net assets, the initial cost of the long-term equity investment is not adjusted. If the initial cost of a long-term equity investment is less than the Company's attributable share of the fair value of the investee's identifiable net assets for the investment, the difference is included in the current profit or loss and the cost of the long-term equity investment is adjusted simultaneously.

After the Company acquires a long-term equity investment, in accordance with its attributable share of the net profits or losses of the investee, the Company recognizes the investment profits or losses and adjusts the book value of the long-term equity investment. The Company calculates the proportion of the profits or cash dividends declared by the investee, and reduces the book value of the long-term equity investment correspondingly.

The attributable share of net losses incurred by the investee enterprise is recognised to the extent that the carrying amount of the long term investment and other actual investment in the investee enterprise is reduced to zero, unless the Company has the obligation to undertake extra losses. If the investee enterprise realises net profits in subsequent periods, the investment share is recognised after offset the share of unrecognised losses from the Company’s attributable share of profits.

The attributable share of the net profit or loss from investee enterprise is measured base on the fair value of all identifiable assets of the investee enterprise at the date of investment, after considering the adjustment of net profits of the investee enterprise.

Where any change is made to the owner's equity other than the net profit or loss of the invested entity, the book value of the long-term equity investment is adjusted and recorded in the owner's equity. When disposing a long-term equity investment, the amount recorded in the owner’s equity shall be transferred to the current profit or loss proportionally.

(3) Impairment of investment property

The impairment basis and method of the long-term equity investment refers to impairment of assets.

4.9 Accounting for investment property

Investment property is property held to earn rentals or for capital appreciation or both. The investment properties of the Company include l land use right eased out; land use right held for future transfer after appreciation; and buildings the leased out.

(1)Initial measurement of investment property

a. The cost of a purchased investment property comprises its purchase price, relevant taxes, and any directly attributable expenditure.

b. The cost of a self-constructed investment property comprises the necessary expenses before bringing the investment property to the condition for use.

c. The cost of an investment property obtained by other means shall be recognized in accordance with the relevant accounting standards.

d. The subsequent expenditure related with an investment property should be included in the cost of the investment property, if they meet the recognition conditions; otherwise they should be expensed when they are incurred.

(2)Subsequent measurement of investment property

The Company applies the cost model for subsequent measurement of investment property on the balance sheet date. The depreciated of building for leasing is in accordance with Fixed Assets. The amortized of land-use right is in accordance with Intangible Assets.

(3)Investment property transfer

Where the Company has well-established evidence to indicate there is a change in use, the Company transfer the investment property to other assets or transfer other assets to investment property, the book value of the property prior to the conversion is the deemed value after conversion.

(4)Impairment of investment property

The impairment basis and method of the investment property adopting the cost model for subsequent measurement refers to impairment of assets.

4.10 Fixed assets

(1)Recognition

Fixed assets are tangible assets that have useful life more than one year, and are held for use in the production or supply of goods or services, for rental to others or for administrative purposes. No fixed asset may be recognized unless it meets all the following conditions:

a) The economic benefits related with the fixed asset are probably to flow to the enterprise; and

b) The cost of the fixed asset can be measured reliably.

(2)Initial measurement

The initial measurement of a fixed asset shall be at cost.

a. The cost of a purchased fixed asset comprises the purchase price, the relevant taxes, and any costs directly attributable to bringing the asset to its intended uses, such as transportation, loading and unloading fees, professional service fees and other expenses.

   If the payment for a fixed asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the fixed asset is ascertained based on the present value of the purchase price. The difference between the actual payment and the present value of the purchase price is included in the current profit or loss within the credit period, unless it is capitalized in accordance with the "*Accounting Standards No. 17–Borrowing Costs"*.

b. The cost of a self-constructed fixed asset is formed by the necessary expenses incurred for bringing the asset to the expected conditions for use.

c. The cost of a fixed asset contributed by the investor is ascertained in accordance with the value as stipulated in the investment contract or agreement, other than those value stipulated in the contract or agreement not fair value.

d. The costs of fixed assets acquired through the exchange of non-monetary assets, debt restructure, business combination, and financial leasing is respectively decided in accordance with the "*Accounting Standards No. 7 – Exchange of Non-monetary Assets*", "*Accounting Standards for Enterprises No. 12 – Debt Restructuring*", "*Accounting Standards for Enterprises No. 20 – Business Combination*" and "*Accounting Standards for Enterprises No. 21 – Leases*".

(3)Depreciation

a. Depreciation is provided monthly using the straight-line method. The estimated residual value rate,

useful life and annual depreciation rate of each category of fixed assets are as follows:

Category of fixed assets	Residual value rate (%)	Useful life (year)	Depreciation rate (%)
Building and construction	3-5	25-50	1.90-3.88
Equipment	3-5	5-20	4.75-19.40
Vehicles	3-5	5-10	9.50-19.40
Electronics, Office, Others	3-5	5-10	9.50-19.40

Depreciation method for impaired fixed asst: for an impaired fixed asset, depreciation should be calculated based on the balance of original cost less the residual value and impairment over residual useful life.

b. Review the useful life, estimated residual value, and the depreciation method of the fixed assets: the Company will review the useful life, estimated residual value and deprecation method of the fixed assets at the end of year and adjusted if desired.

(4)Treatment for the subsequent expenses

The subsequent expenses related to a fixed asset are the expenses occurred during the use of fixed assets that mainly comprises the repair expenses, renewal and renovation expenses, and decoration expenses, etc. Relevant accounting treatments are: subsequent expenses of a fixed asset that related to renewal and renovation, if meet the recognition conditions, are included in the cost of fixed assets; and deduct the book value of substituted parts if any; Whereas if the expenses that related to repairs of fixed assets not meet the recognition conditions, are recognized in the current profit or loss as incurred.

4.11 Construction in progress

(1)The construction in progress of the Company is accounted respectively by different construction categories with full actual cost.

(2) The time of transferring the construction in progress into fixed assets

When construction in progress has been ready to use, it is transferred into assets at actual cost. The cost of a fixed asset reached its usable condition without completion and settlement report should be its estimated value and adjusted when the actual cost decided.

4.12 Intangible assets

(1)Recognition

Intangible asset is the identifiable nonmonetary assets without physical substance possessed or controlled by the Company. Intangible assets are recognized when all the following conditions are met:

a. Meet the intangible asset definition;

b. The economic benefits related to intangible assets are probably to flow ito the Company; and

c. The cost of intangible assets can be measured reliably.

(2)Initial measurement

The intangible assets shall be initially measured at cost. The cost should be decided in accordance with the following requirements:

a. The cost of purchased intangible assets comprises the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for the intended uses. Where the payment of

purchase price for intangible assets is delayed beyond the normal credit conditions, which is of financing intention, the cost of intangible assets shall be determined on the basis of the current value of the purchase price. The difference between the actual payment and the current value of the purchase price shall be recorded into profit or loss for the credit period, unless it shall be capitalized under the "*Accounting Standards for Enterprises No. 17 - Borrowing Cost*".

b. The cost of intangible assets contributed by investors is determined according to the value stipulated in the investment contract or agreement, except for those of unfair value in the contract or agreement.

c. The costs of self-developed intangible assets shall be accounted the total incurred expenditures that are from meet the requirement of intangible assets to run. It is no longer to adjust the expenditures during the past

d. The costs of intangible assets acquired through exchange of nonmonetary assets, debt restructuring, government subsides, and business combination are respectively determined in accordance with "*Accounting Standards for Enterprises No.7 - Exchange of non-monetary assets*", "*Accounting Standards for Enterprises No.12 - Debt Restructurings*", "*Accounting Standards for Enterprises No.16 - Government Grants*" and '*Accounting Standards for Enterprises No.20 - Business Combinations*".

(3)Subsequent measurement

The Company will assess the useful life of intangible assets at the date of acquisition. If the useful life of the intangible assets is definite, the Company will estimate the useful life or the output and any other similar measurement unit, which constitutes its useful life.

The amortization amount of an intangible asset with a finite useful life should be allocated on a systematically basis over the useful life. The Company applies the straight-line method for the amortization.

The amortization amount of intangible assets equals to its cost minus the expected residual value, and a future deduction of the accumulative amount of impairment provision for an impaired intangible asset. The amortization amount of intangible assets is recorded into profit or loss for the current period.

There is no amortization for Intangible assets with indefinite use life but an impairment test at the end of the period.

4.13 Long-term prepaid expenses

The long-term prepaid expenses of the Company are expenses for current and future periods that have been disbursed but will be amortised over one year (not include 1 year). Except the pre-operation expense charged in lump sum in profit or loss in the first month of operation, other long-term prepayments are recorded as actual costs and amortised on a straight-line basis over the expected beneficial periods.

4.14 Impairment of Assets

Except for inventory, deferred income tax assets, unguaranteed residual value of financial lesser, financial assets, long-term equity investment is not quoted in an active market by cost method and whose fair value cannot be reliably measured, it is yet not proven oil natural gas mining rights outside the impairment of assets, which impairment of Assets are according to the following methods:

The Company, on the day of balance sheet, makes a judgment on whether there is any indication for possible assets impairment. The Company will estimate the recoverable amount for impairment and make a test for impairment.. Annual impairment tests should be performed for goodwill acquired in a business combination and intangible assets with an indefinite useful life, irrespective of whether there is any indication that they

may by impaired.

The recoverable amount determined by the higher between an asset's fair value and costs of disposal of assets is expected to net present value of future cash flows. The Company estimates the recoverable amount for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Company will determine the recoverable amount of the asset group to which the asset belongs. The recognition of an asset group is based on whether the main cash inflow generated by the asset group is independent of those generated by other assets or other group assets.

The company reduces the amount of the book value to the recoverable amount that the amount of reduction will be written in the period of profits or losses and recognized corresponding provision for impairment of assets when the recoverable amount of asset or asset groups is lesser than the book value.
As for impairment of goodwill, the book value is formed by combination that is allocated to the related asset group from purchasing day and that to related asset group if it is difficult to allocate. Related asset group or a combination of asset groups, are able to synergies from the merger to benefit the asset group or combination of asset groups, and not greater than the reportable segments identified in the Company. The underlying assets of the group containing goodwill or asset groups for impairment testing, goodwill associated with assets such as groups or there is indication of impairment of asset groups, the first group does not include the assets of goodwill or asset groups impairment testing, calculate the recoverable amount and recognized the impairment loss. Then testing impairment for asset groups and portfolios of asset groups that contains the goodwill, comparing their carrying amount and recoverable amount, such as the recoverable amount is less than book value, impairment loss is allocated to first reduce the amount of the asset group or asset group combination of book value of goodwill, then the asset group or combination of asset groups other than goodwill, in addition to the share of book value of assets and pro rata on the book value of other assets.

4.15 Borrowing cost

(1)Recognition principle for borrowing cost capitalization

The borrowing costs will not be capitalized unless they meet all the following requirements:

a. The asset disbursements have already incurred;

b. The borrowing costs has already incurred; and

c. Activities that are necessary to prepare the asset for its intended or sale are in progress.

(2)Period of capitalization

The capitalization period refers to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the suspension period of capitalization of the borrowing costs.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended. The borrowing costs incurred during such period is recognized as expenses, and is recorded into the profit or loss of the current period, till the acquisition and construction or production of the asset restarts. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs will continue.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased. The borrowing costs incurred after the qualified asset under acquisition and construction or production is ready for the intended use or sale is recognized as expenses at the incurred amount when they are incurred, and is recorded into the profit or loss of the current

period.

(3)Measuring methods for borrowing cost capitalization

During the period of capitalization, the capitalized amount of interests (including the amortization of discounts or premiums) for each accounting period should the following regulations:

a. To the extent that funds are borrowed specifically for the purpose of acquisition and construction or production a qualifying asset, the amount of borrowing costs eligible for capitalization on that borrowing during the period less interest income from the bank deposit before the usage of the funds or any investment income on the temporary investment of those borrowings.

b. To the extent funds are borrowed generally and used for the purpose of acquisition and construction or production a qualify asset, the amount of borrowing costs eligible for capitalization shall be determined by applying general capitalization rate multiplied by the excess weighted average amount of cumulative expenditure over the specific asset expenditure. The general capitalization rate is calculated based on the weighted average general interest rate.

Where there is any discount or premium of borrowing, the amount of discounts or premiums amortized during each accounting period is determined by the actual interest rate method, and adjust each period interest. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

For the ancillary expense incurred to a specifically borrowed loan before a qualifying asset under acquisition, construction or production is ready for the intended use or sale can be capitalized at actual amount when they are incurred, and is recorded as part of the cost of the asset eligible for capitalization; those incurred after a qualifying asset under acquisition and construction or production is ready for the intended use or sale is recognized as expenses at actual amount when they are incurred, and is recorded in the profit or loss of the current period.

4.16 Estimated liability

(1)Estimated liabilities recognition

The obligation pertinent to contingencies such as guarantee for outsiders, pending litigations or arbitrations, products quality assurance, staff redundancy plan, onerous contracts, restructuring obligation, and disposal of fixed assets obligation are recognized as an estimated liabilities when meet all the following conditions:

a. That obligation is a present obligation of the Company;

b. It is probable that an outflow of economic benefits from the Company will be required to settle the obligation; and

c. A reliable estimate can be made of the amount of the obligation..

(2)Estimated liabilities measurement

Estimated liabilities initially recognized should be the best estimate of the expenditure required to settle the present obligation and consider the matter with or related to risks, uncertainties, and the time value of money and so on. Time value of money impacted greatly, the relevant future cash outflows discounted to determine the best estimates. Each balance sheet date is expected to review the book value of liabilities. There is strong evidence indicating that the book does not reflect the current best estimate, according to the current best estimate of the adjusted book value.

4.17 Revenues

(1)Revenue recognition for sale of goods

Revenue from the sale of goods shall be recognized when all the following conditions have been satisfied:

a. The significant risks and rewards of ownership of the goods have been transferred to the buyer by the Company;

b. The Company retains neither continuous managerial involvement to the degree usually associated with the ownership nor effective control over the sold goods;

c. The amount of revenue can be measured reliably;

d. It is probable that the economic benefits associated with the transaction will flow to the Company; and

e. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(2)Revenue recognition for rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the balance sheet date. The Company measures the completion percentage of service rendered by reference to the proportion that service performed today to total services to be performed.

If the Company cannot reliable estimate the service performed the date of the balance sheet, the Company applies the following treatment respectively:

a. If the service expenses incurred are recoverable, the revenue from rendering of services shall be recognised o the extent of the expenses incurred and the cost of sale transferred at the same amount; or

b. If the service expenses incurred are not recoverable, the expenses incurred shall be recognized in the profit or loss and no revenue from rendering of services shall be recognised.

4.18 Construction Contracts

If the outcome of a construction contract can be estimated reliably, the Company uses working completion percentage method for contract revenue and contract costs recognition on the date of the balance sheet. Working completion percentage method is for recognition the revenue and cost by reference to the working progress. The Company uses the proportion of accumulative actual contract costs incurred against the expected total contract costs to determine the working completion percentage.

The outcome of a fixed price contract can be estimated reliably when all the following conditions are satisfied:

a. Total contract revenue can be measured reliably;

b. It is probable that the economic benefits associated with the contract will flow to the Company;

c. The actual contract costs incurred can be clearly identified and can be measured reliably; and

d. Both the contract costs to complete the contract and the stage of contract completion can be measured reliably.

The outcome of a cost plus contract can be measured reliably when all the following conditions are satisfied:

a. It is probable that the economic benefits associated with the contract will flow to the Company; and

b. The actual contract costs incurred can be clearly identified and can be measured reliably.

If the outcome of a construction contract can not be estimated reliably, it shall be treated in accordance with the circumstances as follows, respectively:

a. If the contract costs can be recovered, the contract revenue shall be recognized to the extent of contract costs incurred that it is probable will be recoverable. The contact costs shall be recognized as an expense in the period in which they incurred.

b. If the contract costs cannot be recovered, the contact costs shall be recognized as an expense in the period immediately and no contract revenues are recognized.

4.19 Leases

(1) Classification of leases

A lease should be classified as a financing lease or an operating lease at inception of the lease.

(2) Recognition of financial lease and operating lease

Where a lease satisfies one or more of the following criteria, it shall be recognized as a finance lease:

a. The lease transfers ownership of the asset to the lessee by the end of the lease term;;

b. The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than fair value at the date the option becomes exercisable that, at the inception of the lease, it is reasonably certain that the option will be exercised;

c. The lease term is for the major part of the economic life of the asset, even if title is not transferred (normally equal or above 75%);

d. At the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset for leaser (normally equal or above 90%); and at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset for lessee (normally equal or above 90%).

e. The lease assets are of a specialised nature such that only the lessee can use them without major modifications being made

(3) Accounting treatments for financing lease

a. Accounting treatments for Lessees

At commencement of the lease term, the leased asset should be recorded at the lower of the fair value of the asset and the present value of the minimum lease payments. The present value of minimum lease payment is recorded as long term payable. The difference between the recorded amount of the leased asset and the long term payable is recorded as unrecognized finance charges.

The depreciation policy for assets held under finance leases should be consistent with that for owned assets. If there is reasonable certainty that the lessee will obtain ownership at the end of the lease, the asset should be depreciated over the useful life of the leased asset. If there is no reasonable certainty that the lessee will obtain ownership at the end of the lease, the asset should be depreciated over the shorter of the lease term or the useful life of the leased asset.

b. Accounting treatments for lesser

At commencement of the lease term, finance leases should be recorded the sum of the minimum lease payment receivables and initial direct cost as financial lease receivables and also record unguaranteed residual value. The difference between sum of minimum lease payment receivables, initial direct cost and unguaranteed residual value and the present value of sum of these three is recorded as unrecognized finance charges. Unearned finance income shall be recognized in each period during the lease term using the effective interest rate. Contingent rent shall be recorded in the profit or loss when actual incurred.

(4) Accounting treatments for operating leases

Lease payment under an operating lease shall be recognized as an expense on a straight-line basis over the lease term for lesser and lessee in the current period. The initial direct cost shall be recognized as an expense in the current period. Contingent rent shall be recorded in the profit or loss when actual incurred.

4.20 Government Grants

(1)Recognition of government grants

Government grants shall not be recognized until all the following conditions satisfied:

a. The Company will comply with the conditions attaching to them; and

b. The grants will be received.

(2)Measurement of government grants

a. Monetary asset received from government grants is measured at received amount or to be received amount. Non monetary asset received from government grants is measured at fair value or at nominal value (RMB1) if fair value is not available.

b. Government grants related with assets shall be recognized as deferred income, which is recognized as income over the useful life of the asset. But the government grants measured at nominal amounts shall be directly included in the current profit or loss. The government related with incomes shall be treated respectively in accordance with the circumstances as follows: the grants used for compensating the related future expenses or losses of the Company shall be recognized as deferred income and shall included in the current profit or loss during the period when the relevant expenses are recognized; or the grants used for compensating the related expenses or losses incurred to the Company shall be directly included in the current profit or loss.

c. If it is necessary to repay the recognized government grants, the Company shall be treated respectively in accordance with the circumstances as follows: if deferred income available, repayment shall first reduce deferred income and any amount exceed the deferred income shall by recognized immediately as an expense; if there is no deferred income available, repayment shall by recognized immediately as an expense.

4.21 Income tax

The Company uses the balance-sheet approach for income tax. Income taxes comprise of current income tax and deferred income tax. In addition to recognized in other comprehensive income or directly in equity transactions and matters related to current and deferred income tax recognized in other comprehensive income or equity, and merger deferred income tax adjustment of book value of goodwill the remaining current and deferred income tax expense or income in current profit or loss.

Recognition of Current income tax: The income tax payable is that the Company is in accordance with the relevant tax laws, combined with the current transactions and events to calculate and determine the amount to be paid by the tax authorities.

Recognition of Deferred income tax: Deferred tax assets and deferred income tax liabilities should be recognized due the end of the period relative to the original amount of the difference from the amounts recognized by the balance sheet liability method.

5、Notes to the Financial statement

5.1 Monetary funds

Items	Ending Balance	Beginning Balance
Cash	1,009,825,743.99	9,373,104.56
Bank Deposit	27,833,525,695.48	12,934,211,175.38
Other monetary funds	10,018,673,077.81	8,065,564,707.62
Total	38,862,024,517.28	21,009,148,987.56

5.2 Financial assets at fair value through profit or loss

Items	Ending FV	Beginning FV
1、Trading financial assets	942,552,977.13	22,860,461.24
（1）Held-for-trading bonds investment	585,105,275.20	
（2）Held-for-trading equity investments	35,410,597.13	22,860,461.24
（3）Others	322,037,104.80	
2、Initial measurement designated financial assets at fair value through profit or loss		369,368.00
（1）Held-for-trading bonds investment		
（2）Held-for-trading equity investments		369,368.00
（3）Others		
Total	942,552,977.13	23,229,829.24

5.3 Derivative financial assets

Items	Ending Balance	Beginning Balance
Foreign currency derivatives- transaction	382,673,325.65	
Foreign currency derivatives- included in net financial position	48,527,691.35	
Cash flow hedge of invalid	23,703,603.79	806,092,820.47
Fair value hedge instruments	1,326,802.40	29,822.00
Other derivatives	25,767,406.06	2,078,574.77
Total	481,998,829.25	808,201,217.24

5.4 Notes receivable

Categories	Ending Balance	Beginning Balance
Bank acceptance	2,875,477,642.46	3,670,473,813.27
Trade acceptance	262,773,304.11	175,721,566.35
Total	3,138,250,946.57	3,846,195,379.62

5.5 Accounts receivable

Categories	Ending Balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Accounts receivable with significant single amount subject to individual impairment	6,068,866,933.05	18.53	618,468,675.46	10.19
Accounts receivable subject to group impairment	26,546,462,701.32	81.03	3,180,451,228.05	11.98
Accounts receivable with insignificant single amount subject to individual impairment	145,008,002.07	0.44	130,873,797.51	90.25
Total	32,760,337,636.44	100.00	3,929,793,701.02	100.00

(Continued)

Categories	Beginning Balance			
	Book balance		Bad debt provision	
	Amount	Percentage	Amount	Percentage
Accounts receivable with significant single amount subject to individual impairment	7,631,960,654.47	31.03	480,575,793.91	6.30
Accounts receivable subject to group impairment	16,872,106,468.56	68.60	1,379,590,975.44	8.18
Accounts receivable with insignificant single amount subject to individual impairment	89,885,563.62	0.37	85,169,547.02	94.75
Total	24,593,952,686.65	100.00	1,945,336,316.37	

（1）Accounts receivable with significant single amount subject to individual impairment

Debtors	Book balance	Bad debt provision	Aging	Percentage (%)	Provison reason
Shandong Haobang Chemical Co., Ltd.	79,904,000.00	7,120,100.00	3-4 years	8.91	Have the risk of recovery
PowerInternational(Russia)	53,157,238.40	3,294,053.03	<1 years	6.20	Deferred payment
The old tire factory historical issues	49,988,390.16	49,988,390.16	>5 years	100.00	Estimated uncollectible
Tesko(Russia)	38,891,913.09	3,352,226.57	<1 years	8.62	Deferred payment
ReifenRitter(Germany)	36,727,277.69	30,977,643.20	<1 years	84.35	Deferred payment
China Chengda Engineering Co., Ltd.	35,532,500.00	1,776,625.00	<1 years	5.00	Have the risk of recovery
Tire (Beijing) Co., Ltd.	33,847,613.92	33,847,613.92	>5 years	100.00	Lawsuits
CovencauchoIndustrias(Brazil)	32,864,966.40	8,634,439.78	>1 years	26.27	Deferred payment
Yibing Haifeng Heyue Co., Ltd.	22,088,168.74	2,208,816.87	1-2 years	10.00	Have the risk of recovery
Jiangsu Yanhai Chemical Co.,Ltd.	20,014,800.00	672,380.00	<1 years	3.36	Have the risk of recovery
Wuzhou lianyi Chemical Co., Ltd.	18,759,999.67	1,875,999.97	1-2 years	10.00	Have the risk of recovery
Yili Nangang Chemical Co., Ltd.	17,496,400.00	874,820.00	<1 years	5.00	Have the risk of recovery
Shanxi Ruiheng Chemical Co., Ltd.	17,369,498.82	421,653.94	<1 years	2.43	Have the risk of recovery

Debtors	Book balance	Bad debt provision	Aging	Percentage (%)	Provison reason
Jiangxi Lanhengda Chemical Co., Ltd.	15,715,294.25	785,764.71	1-2 years	5.00	Have the risk of recovery
IceAvto(Russia)	15,371,764.99	15,371,764.99	<1 years	100.00	Deferred payment
DeldoAutobandenN.V.(Italy)	14,200,316.61	2,872,599.68	<1 years	20.23	Deferred payment
Others	5,566,936,790.31	454,393,783.64	1-5 years	69.20	Have the risk of recovery
Total	6,068,866,933.05	618,468,675.46			

（2）Accounts receivable subject to group impairment

① Accounts receivable subject to bad debt provision by the method of aging accounting receivable

Aging	Ending Balance			Beginning Balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage（%）		Amount	Percentage（%）	
< 1 year	13,091,189,631.34	81.17	578,918,068.20	13,213,575,428.12	85.17	80,119,935.55
1-2 years	9,466,682,901.21	9.96	916,668,290.12	721,926,043.79	4.65	68,560,416.66
2-3years	649,265,300.74	2.62	194,779,590.22	269,735,997.78	1.74	72,781,402.97
> 3years	1,546,950,112.99	6.25	1,490,085,279.51	1,309,443,570.17	8.44	1,158,129,220.26
Total	24,754,087,946.28	100.00	3,180,451,228.05	15,514,681,039.86	100.00	1,379,590,975.44

② Accounts receivable subject to bad debt provision by the method of other group

Group name	Ending Balance			Beginning Balance		
	Book balance	Provison Percentage（%）	Bad debt provision	Book balance	Provision Percentage（%）	Bad debt provision
The method of other group	1,792,374,755.04			1,357,425,428.70		
Total	1,792,374,755.04			1,357,425,428.70		

（3）Accounts receivable with insignificant single amount subject to individual impairment

Debtors	Book balance	Bad debt provision	Aging	Percentage（%）	Provision reason
China Huachen Development Centre of Economic and Technological	52,340,535.57	45,968,942.91	1-5 years	86.93	Estimated uncollectible
Guangxi Hongguan Trade Co. Ltd.	4,720,341.44	4,720,341.44	2-3 year	100.00	Estimated uncollectible
Kangping Paper-making Factory	4,713,615.28	4,713,615.28	>5 years	100.00	Estimated uncollectible
Chengshan Xiangyuan Tire Sales	4,408,867.37	4,408,867.37	2-5 year	100.00	Estimated uncollectible

Debtors	Book balance	Bad debt provision	Aging	Percentage (%)	Provision reason
(Beijing) Co., Ltd.					
Baotou Shunfa Automotive Parts Co. Ltd.	4,223,132.98	4,223,132.98	2-3 year	100.00	Estimated uncollectible
Xinkai Chemical Factory	4,001,161.03	4,001,161.03	>5 years	100.00	Estimated uncollectible
Taishan Shuangji Chemical Fuel Co., Ltd.	3,698,390.48	3,698,390.48	>5 years	100.00	Enforcement of uncollectible
China Haohua Xuanhua Group Co., Ltd.	3,284,101.90	3,284,101.90	>5 years	100.00	Estimated uncollectible
Sichuan Jinluren leather Co., Ltd.	2,947,218.09	2,947,218.09	>5 years	100.00	Estimated uncollectible
Yidu Xingfa Chemical Co., Ltd.	2,936,194.00	1,000,858.20	2-3 year	34.09	Partially uncollectible
China Huanqiu Contracting Engineering Company	2,792,457.00	1,037,737.10	2-3 year	37.16	Partially uncollectible
Shenyang Electrical Equipment for Industrial and Mining Accessories Sales Center	2,550,015.00	2,550,015.00	>5 years	100.00	Estimated uncollectible
Yingkou Paper-making Factory	2,312,954.35	2,312,954.35	>5 years	100.00	Estimated uncollectible
Liaoning Kuandian Paper-making Factory	2,227,746.89	2,227,746.89	>5 years	100.00	Estimated uncollectible
Guangxi Hechi LeminTrade Co., Ltd.	2,182,246.59	2,182,246.59	>5 years	100.00	Estimated uncollectible
Shenyang Chemical Import & Export Co., Ltd	2,113,507.84	2,113,507.84	>5 years	100.00	Estimated uncollectible
Sichuan Chemical Tianrui Mining co., LTD	2,082,000.00	724,600.00	1-2 years	34.80	Partially uncollectible
Qingdao Futongda Tire Sales Co., Ltd.	1,817,520.50	1,817,520.50	2-3 years	100.00	Estimated uncollectible
Others	39,655,995.76	36,940,839.56			

Debtors	Book balance	Bad debt provision	Aging	Percentage (%)	Provision reason
Total	145,008,002.07	130,873,797.51			

（4）Reversal of bad debt provision

Debtors	Reversal Amount	The Amount of Bad debt provision Before Reversal	Reversal reason
APS	5,519,560.00	5,519,560.00	Collect debts
Guangzhou Zhaoqing Junhong	2,663,581.00	2,663,581.00	Collect debts
Mengzi Taiyaotairui	2,167,054.66	2,167,054.66	Collect debts
Pneusnord	2,157,987.19	2,157,987.19	Bankruptcy
BIOSERCABIOCIDASYSERVIC	1,779,246.40	1,779,246.40	Collect debts
Dynamic International Oil Well Services	1,684,719.81	1,684,719.81	Collect debts
Panzhihua Yousai Chemical technology Co., Ltd.	1,065,000.00	1,065,000.00	Client provide repurchase agreements
Guangzhou South Rubber	620,855.23	620,855.23	Collect debts
Rhodia Mexico	613,552.94	613,552.94	Collect debts
International Ferrometals South Africa	502,259.08	502,259.08	Collect insurance indemnity
Yunnan Jianshui	459,257.35	459,257.35	Collect debts
Puyang Punai Refractories Ltd	419,529.23	419,529.23	Collect debts
Emjel Oilfield Services	384,878.88	384,878.88	Collect debts
Beijing Mulian Trade Co. Ltd.	318,224.42	318,224.42	Client provide repurchase agreements
Pneusgommaria	315,553.80	315,553.80	Bankruptcy
Shanxi Pingyang Heavy Industry Machinery Co. Ltd.	311,688.23	311,688.23	Collect debts
Others	6,630,230.88	6,630,230.88	Bankruptcy
Total	27,613,179.10	27,613,179.10	

（5）Accounts receivable with actual verification

Debtors	Natural of accounts receivable	Verification Amount	Verification reason	The perform of verification process	Whether caused by related party transactions Yes/No
Shihezi Huaxin Trade Co. Ltd.	Selling tires	20,549,291.71	Revoke	Management approval	No
Qingdao Second Rubber Factory and Light Tire Factory	Selling tires	8,203,347.28	Revoke	Management approval	Yes
PIONEIRAINS AGRLTDA	Payment for goods	5,602,823.58	Uncollectible	Management approval	No

Debtors	Natural of accounts receivable	Verification Amount	Verification reason	The perform of verification process	Whether caused by related party transactions Yes/No
DRFCOMLAG RLTDAEPP	Payment for goods	4,697,079.35	Uncollectible	Management approval	No
AGROINSUMO SCOMLAGREI REL	Payment for goods	4,360,287.48	Uncollectible	Management approval	No
Yunnan Traffic Tire company	Selling tires	3,751,520.00	Revoke	Management approval	No
Nanjing Lanchun Automobile Manufacturing Co. Ltd.	Selling tires	3,748,449.37	Lose a lawsuit	Management approval	No
Dandong Yalu River Paper-making Co. Ltd.	Payment for goods	3,615,963.14	Long-term suspend operation	Management approval	No
PRODUZIRAG ROPLTDA	Payment for goods	3,547,874.84	Uncollectible	Management approval	No
Yangzhou Tongyuan Wheel Assembly Co. Ltd.	Selling tires	3,122,536.43	Revoke	Management approval	No
Shanxi Tire and rubber products Co. Ltd.	Selling tires	3,010,076.63	Revoke	Management approval	No
Xinbing Hengli Paper-making Co. Ltd.	Payment for goods	2,986,842.54	Bankruptcy	Management approval	No
Liaoning Yingkou Liao River Paper-making Factory	Payment for goods	2,836,607.00	Bankruptcy	Management approval	No
JOSEPUPIN	Payment for goods	2,676,709.93	Uncollectible	Management approval	No
Chengdu Jiyuan Trade Co., Ltd.	Selling tires	2,551,650.42	Revoke	Management approval	No
Jiangyou Linhua Tire Co. Ltd.	Selling tires	2,346,127.14	Revoke	Management approval	No
SINAGROPRO DAGROPSA	Payment for goods	2,318,127.42	Uncollectible	Management approval	No
Pneusnord	Payment for goods	2,157,987.19	Bankruptcy	Management approval	No

Debtors	Natural of accounts receivable	Verification Amount	Verification reason	The perform of verification process	Whether caused by related party transactions Yes/No
Others	Payment for goods	49,299,151.05		Management approval	No
Total		131,382,452.50			

（6）The amount of accounts receivable generated in the top five by the end of year

Debtors	Book balance
Mercuria Energy Trading SA	1,292,143,382.45
Dongge Investment Co., Ltd.	1,113,189,842.79
Mercuria Energy Trading PTE Ltd.	934,481,573.22
Huayue Energy (Singapore) Pte.Ltd.	897,060,342.22
China Oil (HongKong) Corporation Lim.	852,461,995.60
Total	5,089,337,136.28

5.6 Prepayments

（1）Prepayments classified by aging

Aging	Ending Balance			Beginning Balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
<1year(include1year)	6,387,682,377.09	69.78	143,569.74	7,655,677,273.06	75.64	46,140,267.28
1-2 year (Include2year)	1,368,793,372.16	14.95	86,031,720.47	1,434,011,550.34	14.17	14,769,106.25
2-3 years (Include3year)	760,170,351.21	8.30	40,316,838.39	424,078,417.15	4.19	25,508,582.22
>3 years	636,851,870.36	6.96	151,358,165.05	607,494,039.82	6.00	109,368,260.27
Total	9,153,497,970.82	100.00	277,850,293.65	10,121,261,280.37	100.00	195,786,216.02

（2）Large prepayments with aging over 1year

Creditors	Debtors	31 Dec 2014	Aging	Unsettlement reason
The Blue International Chemical Co., Ltd.	Nanjing Duchen Investment Management Co., Ltd.	69,079,059.73	1-2 year	Signed the repurchase agreements
China National Chemical Corporation	Zhongrui Huaxing Asset Management Co., Ltd.	60,000,000.00	1-2 year	The relocation compensation deposit
Haohua Yuhang Chemicals Co.,Ltd.	Jiaozuo Hengqiao Trade Co., Ltd.	58,538,158.35	1-2 year	Contract under fulfilment
The Blue International Chemical Co., Ltd.	Dalian Jinchuan Cable Co., Ltd.	53,346,953.09	1-2 year	Signed the repurchase agreements
Fujian Huaxiang Automatic Control Technology Co.,Ltd.	Fujian Sanming Sanyang Papermaking Machinery Equipment Co.,Ltd.	49,956,577.27	1-2 year	The contract have not yet completed

Creditors	Debtors	31 Dec 2014	Aging	Unsettlement reason
Henan Junhua development Limited by Share Ltd	Zhengzhou Railway East Industrial Company	46,170,839.35	1-2 year	Not yet settled
Qingdao the Yellow Sea rubber Refco Group Ltd	Chinese Construction Second Engineering Bureau	39,819,600.00	>5 years	Not yet received the goods, not yet settled
Qingdao the Yellow Sea rubber Refco Group Ltd	China National Chemical Construction Corporation	36,835,444.20	>5 years	Not yet received the goods, not yet settled
Luoyang Junma Chemical Co., Ltd.	Yiyang Guangyu Material Marketing Department-Sunyouhe	34,518,124.66	1-2 year	Not yet settled
Henan Junhua development Limited by Share Ltd	Ningbo Zheng Yilan Energy Limited	30,939,197.38	1-2 year	Not yet settled
East China Haohua chemical company	Poly Mining Investment Company Limited	25,050,000.00	2-3 years	Contract under fulfilment
Luoyang Junma Chemical Co., Ltd.	Xian Shangu Power Co., Ltd.	22,733,000.00	>1 years	Not yet settled
Luoyang Junma Chemical Co., Ltd.	Kaifeng Huanghe Air Separation Group Co., Ltd.	22,360,000.00	>1 years	Not yet settled
Luoyang Junma Chemical Co., Ltd.	Yiyang Dongsheng Coal Mine	21,765,102.32	>1 years	Not yet settled
Luoyang Junma Chemical Co., Ltd.	Qinyang Sunshine Coal Co., Ltd.	21,021,307.44	>1 years	Not yet settled
Luoyang Junma Chemical Co., Ltd.	Nanjing Jutuo Chemical Technology Co., Ltd.	20,985,100.00	>1 years	Not yet settled
Henan Junhua development Limited by Share Ltd	Zhumadian Haojun Machinery Equipment Co.,Ltd.	533,246,008.98	>1 years	Not yet settled
Total		1,146,364,472.77		

5.7 Interest recievable

Items	Ending Balance	Beginning Balance
Entrusted loans	434,131,139.79	399,561,264.42
Fixed deposit interest	2,382,563.20	10,463,859.00
Others	90,934,485.73	445,417.50
Total	527,448,188.72	410,470,540.92

5.8 Dividends receivable

Items	Ending Balance	Beginning Balance	Reason of uncollection	Impairment Yes/No
Aging within 1 year	12,454,573.60	2,814,740.00		
Incl：（1）Jiaozuo Tongcai Venture Investment Co., Ltd.	1,500,000.00		Not yet Declare	No

Items	Ending Balance	Beginning Balance	Reason of uncollection	Impairment Yes/No
（2）Other Equity Investment	1,954,573.60	2,814,740.00	Declared Not Allocated	No
（3）Dongying Shenghong Real Estate Development Company Limited	9,000,000.00		Declared Not Allocated	No
Aging above 1 year	9,774,000.00	11,864,000.00		
Incl：（1）Shanxi Tianji coal chemical group company	7,344,000.00	7,344,000.00	Not yet Declare	No
（2）Beijing Zhonghao Lihua Real Estate Development Company Limited	2,430,000.00	2,430,000.00	Not yet Declare	No
（3）Six nine zero two Nanjing science and Technology Co Ltd		2,090,000.00	Not yet Declare	No
Total	22,228,573.60	14,678,740.00		

5.9 Other receivable

Categories	Ending Balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other accounts receivable with significant single amount subject to individual impairment	3,021,346,758.88	10.80	1,899,623,315.57	62.87
Other receivable subject to bad debt by group	24,742,966,464.24	88.43	986,112,347.70	3.99
Other accounts receivable with insignificant single amount subject to individual impairment	216,843,103.69	0.77	178,460,548.56	82.30
Total	27,981,156,326.81	100.00	3,064,196,211.83	

(Continued)

Categories	Beginning Balance			
	Book balance		Bad debt provision	
	Amount	Percentage (%)	Amount	Percentage (%)
Other accounts receivable with significant single amount subject to individual impairment	1,794,964,824.63	6.55	1,520,266,287.24	84.70
Other accounts receivable subject to bad debt provision by group	25,518,737,890.88	93.16	923,726,053.83	3.62
Other accounts receivable with insignificant single amount subject to individual impairment	79,425,813.62	0.29	69,703,463.26	87.76
Total	27,393,128,529.13	100.00	2,513,695,804.33	

（1）Other accounts receivable with significant single amount subject to individual impairment

Debtors	Book balance	Bad debt provision	Aging	Percentage	Provision reason
Qingdao rubber (Group) Import & Export Co. Ltd.	442,754,805.04	442,754,805.04	>3 years	100.00	Liquidation, Accrual total amount
Spark Chemical Factory	283,437,587.45	283,437,587.45	>5 years	100.00	Uncollectible

Debtors	Book balance	Bad debt provision	Aging	Percentage	Provision reason
China Haohua Xuanhua Group Co., Ltd.	167,073,710.88	6,911,449.14	1-5 years	4.14	Reform of Evaluation
Qingdao steel wire rope factory	152,402,496.18	152,402,496.18	>3 years	100.00	Uncollectible
LAN-STAR group Shifang southwest Machinery Factory	142,591,641.89	142,591,641.89	3-4 years	100.00	Uncollectible
Yibin Tianke Coal Chemical Co Ltd	121,335,865.20	121,335,865.20	3-4 years	100.00	Cancellation
LAN-STAR Company	102,513,750.14	102,513,750.14	>5 years	100.00	Uncollectible
Qingdao rubber (Group) Labor Service Company-HQ	58,519,078.99	58,519,078.99	>3 years	100.00	Uncollectible
LAN-STAR cleaning agent Co. Ltd.	46,443,632.74	46,443,632.74	>5 years	100.00	Uncollectible
Harbin Huayu Co. Ltd.	43,431,000.00	43,431,000.00	>5 years	100.00	Uncollectible
Changzhou Huachen Chemical Light Industrial Materials Co. Ltd.	40,000,000.00	40,000,000.00	>5 years	100.00	Uncollectible
Qingdao Yellow Sea Mould Processing Maintenance Company	35,711,837.38	35,711,837.38	>3 years	100.00	Uncollectible
Ji'nan Baiyun Organic Chemical Co. Ltd.	34,529,629.65	34,529,629.65	>5 years	100.00	Uncollectible
Pirelli Tyre S.p.A. Italia	27,232,768.26	27,232,768.26	<1 years	100.00	Uncollectible
Lianyungang Huajing Potash Co. Ltd.	27,045,123.45	27,045,123.45	>5 years	100.00	Uncollectible
Shenyang Shenhua Transport Co. Ltd.	25,795,354.32	25,795,354.32	>5 years	100.00	Uncollectible
Jinan Petrochemical Group Co. Ltd.	24,356,000.00	24,356,000.00	>5 years	100.00	Uncollectible
Yi An Investment Company Limited	23,827,035.00	23,827,035.00	>5 years	100.00	Litigation
Nantong Synthetic Materials Factory	23,043,522.45	23,043,522.45	3-4 years	100.00	Uncollectible
Ruicheng Forster Chemical Co., Ltd.	1,199,301,919.86	237,740,738.29	>5 years	19.82	Uncollectible
Total	3,021,346,758.88	1,899,623,315.57			

（2）Other accounts receivable subject to bad debt provision by group

① Other receivable subject to bad debt provision by aging

Aging	Ending Balance			Beginning Balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	

Aging	Ending Balance			Beginning Balance		
	Book balance		Bad debt provision	Book balance		Bad debt provision
	Amount	Percentage (%)		Amount	Percentage (%)	
<1year(include1year)	7,154,666,031.01	74.34	9,328,121.18	5,310,981,517.46	79.98	6,350,130.49
1-2 year (Include2)	1,139,651,626.98	11.84	98,353,148.69	257,809,295.77	3.88	19,152,271.81
2-3 years Include3)	257,809,295.77	2.68	52,062,503.17	100,786,733.78	1.52	26,899,956.40
>3 years	1,071,879,202.43	11.14	826,368,574.66	971,092,468.65	14.62	871,323,695.13
Total	9,624,006,156.19	100.00	986,112,347.70	6,640,670,015.66	100.00	923,726,053.83

② Other receivable subject to bad debt provision by other mehod

Debtors	Ending Balance			Beginning Balance		
	Book balance	Percentage	Bad debt provision	Book balance	Percentage	Bad debt provision
Other group	15,118,960,308.00			18,878,067,875.22		
Total	15,118,960,308.00			18,878,067,875.22		

（3）Other accounts receivable with insignificant single amount subject to individual impairment

Debtors	Book balance	Bad debt provision	Aging	Percentage (%)	Provision reason
The old tire factory legacy creditor claims	93,425,483.18	93,425,483.18	>5 years	100.00	Uncollectible
Qingdao rubber (Group) Import & Export Co. Ltd.	4,725,539.77	4,725,539.77	>5 years	100.00	Uncollectible
Xingcheng Sanatorium	4,369,273.26	4,369,273.26	>5 years	100.00	Uncollectible
Shenyang Qinghua Chemical Factory	3,947,252.12	3,947,252.12	>5 years	100.00	Uncollectible
Haohua Finance	3,730,344.05	3,730,344.05	>5 years	100.00	Uncollectible
YaoXuZheng Silk Factory	3,000,000.00	3,000,000.00	>5 years	100.00	Uncollectible
Hainan Gold Thread Industry Co. Ltd.	3,000,000.00	3,000,000.00	>5 years	100.00	Uncollectible
Changyi Branch of ICBC	2,733,355.32	2,733,355.32	3-4 years	100.00	Uncollectible
Hainan Jinsanyuan company	2,400,000.00	2,400,000.00	>5 years	100.00	Uncollectible
Oriental Dragon ocean Biological	2,312,338.45	2,312,338.45	>5 years	100.00	Uncollectible

Debtors	Book balance	Bad debt provision	Aging	Percentage (%)	Provision reason
Engineering Co. Ltd.					
Huijia Company	2,059,109.33	2,059,109.33	>5 years	100.00	Uncollectible
Nanning cenway company	1,982,445.00	1,982,445.00	>5 years	100.00	Uncollectible
EASTLANDPRODUCE.PTE.LTD	1,961,059.46	1,961,059.46	>5 years	100.00	Uncollectible
Business Department	1,876,058.61	949,329.07	>5 years	50.60	Uncollectible
Yibin Tianke Coal Chemical Co Ltd	1,870,320.00	1,870,320.00	>5 years	100.00	Uncollectible
Qingdao city housing provident fund management center in Licang Management Office	1,802,392.00	1,802,392.00	3-4 years	100.00	Uncollectible
Rexnord Transportation Equipment Co.,Ltd.	1,709,340.00	1,709,340.00	>5 years	100.00	Uncollectible
FULLAND TRADING CO.LTD	1,704,916.07	1,704,916.07	>3 years	100.00	Uncollectible
Shanghai Shuoyu Machinery Equipment Co.,Ltd.	78,233,877.07	40,778,051.48	>1 years	52.12	Partially uncollectible
Total	216,843,103.69	178,460,548.56			

（4）Reversal of bad debt provision

Debtors	Reversal Amount	The Amount of Bad debt provision Before Reversal	Reversal reason
Shandong Petrochemical Co.,Ltd.	200,000.00	200,000.00	Collect debts
Wangbo, Luoling, Yangxinfeng	158,436.01	158,436.01	Collect debts
Mianzhu Finance Bureau	88,714.16	88,714.16	Collect debts
Beijing Tianlong Water Technology Development Co. , Ltd.	70,100.00	70,100.00	Collect debts
Laizhou Sanshan Islands Government	50,000.00	180,000.00	Collect debts

Debtors	Reversal Amount	The Amount of Bad debt provision Before Reversal	Reversal reason
Shandong Guangtai Petroleum Machinery Co. , Ltd.	9,249.50	1,396,891.43	Collect debts
Zhuzhou Gas Development Co. , Ltd.	49.73	49.73	Collect debts
Total	576,549.40	2,094,191.33	

（5）Accounts receivable with actual verification

Debtors	Natural of accounts receivable	Verification Amount	Verification reason	Whether caused by related party transactions Yes/No
Qingdao Rubber Group and Light Tire Factory	Internal Sales Business	94,261,160.32	Debtor has logged off	Yes
Qingdao Rubber Group Inner Tube Factory	Internal Sales Business	2,420,808.80	Debtor has logged off	Yes
Beijing Lingzi Paint Chemical Company	loan	1,971,236.33	Debtor has logged off	Yes
303 Workshop Yanzhinong, Yuhingjie, Gongchanghua, Wangxiaoying	Personal Loan	1,063,432.74	Uncollectible	No
Beijing Tianlong Water Technology Development Co. , Ltd.	loan	700,087.03	Debtor has logged off	Yes
Mingxing Company	Intercourse Funds	107,000.00	Uncollectible	No
Mianzhu Electric of Labor Service, Electric Charge	Intercourse Funds	567,263.03	Uncollectible	No
Insurance, Minimum Relief Fund	Premium	111,607.80	Uncollectible	No
Mianzhu Electric Power Company	Intercourse Funds	80,000.00	Uncollectible	No
Daoqiao First Group	Intercourse Funds	57,285.89	Uncollectible	No
Mianzhu branch of CCB	Intercourse Funds	49,863.00	Uncollectible	No
Fengdongzi Coal Mine	Intercourse Funds	31,187.50	Uncollectible	No
Shenyang Tools Factory	Intercourse Funds	30,000.00	Uncollectible	No
Beijing Fuyuantong Culture Development Company	Intercourse Funds	25,000.00	Uncollectible	No
Railage	Railage	22,778.80	Uncollectible	No
Mianzhu Tongda Auto Parts Sales Department	Intercourse Funds	21,410.00	Uncollectible	No
Others	Intercourse Funds	118,192.09	Uncollectible	No

Debtors	Natural of accounts receivable	Verification Amount	Verification reason	Whether caused by related party transactions Yes/No
Total		101,638,313.33		

（6）The amount of accounts receivable generated in the top five by the end of year

Debtors	Accounts properties	Book balance
MercuriaEnergyTradingSA	Account current loans	1,292,143,382.45
Dongge Investment Co., Ltd.	Account current loans	1,113,189,842.79
MercuriaEnergyTradingPTELtd.	Repaid loan guarantee	934,481,573.22
HUAYUEENERGY(SINGAPORE)PTE.LTD.	Government subsidies	897,060,342.22
CHINAOIL(HONGKONG)CORPORATIONLIM	Account current	852,461,995.60
Total		5,089,337,136.28

5.10 Inventory

Items	Ending Balance		
	Book Value	Write-down provision	Carrying amount
Raw materials	13,005,646,291.51	328,431,370.60	12,677,214,920.91
Semi-finishied products&WIP	10,356,600,618.17	428,985,648.53	9,927,614,969.64
Stock on hand(Finished goods)	24,694,992,892.59	1,870,091,428.02	22,824,901,464.57
Circulating materials(Package,consumables with low value)	730,875,549.56	49,531,552.21	681,343,997.35
Engineering construction (completed without settlement)	40,878,137.34		40,878,137.34
Others	313,804,261.56	5,332,572.80	308,471,688.76
Total	49,142,797,750.73	2,682,372,572.16	46,460,425,178.57

(Continued)

Items	Beginning Balance		
	Book Value	Write-down provision	Carrying amount
Raw materials	12,507,737,383.73	285,315,909.34	12,222,421,474.39
Semi-finishied products&WIP	13,008,681,201.20	452,915,189.60	12,555,766,011.60
Stock on hand(Finished goods)	18,419,426,933.86	1,343,360,555.91	17,076,066,377.95
Circulating materials(Package,consumables with low value)	761,686,180.73	530,820.91	761,155,359.82
Engineering construction (completed without settlement)	95,330,000.00		95,330,000.00
Others	24,777,380.87		24,777,380.87
Total	44,817,639,080.39	2,082,122,475.76	42,735,516,604.63

5.11 Designated Available-for-sale financial assets

Items	Book value by ending balance	Fair value	Expected disposal costs	The expected time for disposal
Equity investment	83,412,100.00	83,412,100.00		2016-12-31
Fixed assets	228,200,297.78	228,200,297.78		2016-05-31
Total	311,612,397.78	311,612,397.78		

5.12 Non-current assets due within 1 year

Items	Ending Balance	Beginning Balance
Lont-term payables due within 1 year	490,000,000.00	410,000,000.00
Long-term deferred expense due within 1 year	99,167.63	5,214,831.68
Others	311,951.20	42,833.00
Total	490,411,118.83	415,257,664.68

5.13 Other current assets

Items	Ending Balance	Beginning Balance
Prepaid tax surcharges	4,409,444,023.58	1,579,159,179.59
Investment, Entrust loans, Advances	4,414,494,403.04	
Tax refund receivable	385,271,781.60	431,505,761.00
Hedging financial derivatives hedging effective partEffective part of hedging	189,593,639.20	302,872,143.00
Monetary Fund Investment	160,000,000.00	127,000,000.00
Others	262,849,428.42	340,887,021.58
Total	9,821,653,275.84	2,781,424,105.17

5.14 Available-for-sale financial assets

Items	Ending Balance		
	Book balance	Provision	Book value
Available-for-sale debt instrument			
Available-for-sale equity instrument	4,730,439,909.55	983,952,485.51	3,746,487,424.04
Incl: measurement at fair value	2,929,597,016.05	761,463,959.20	2,168,133,056.85
measurement at cost	1,800,842,893.50	222,488,526.31	1,578,354,367.19
Others			
Total	4,730,439,909.55	983,952,485.51	3,746,487,424.04

(Continued)

Items	Beginning Balance		
	Book balance	Provision	Book value
Available-for-sale debt instrument			
Available-for-sale equity instrument	1,705,821,218.95	187,093,132.96	1,518,728,085.99
Incl: measurement at fair value	735,866,105.56		735,866,105.56
measurement at cost	969,955,113.39	187,093,132.96	782,861,980.43
Others	27,258,183.03		27,258,183.03
Total	1,733,079,401.98	187,093,132.96	1,545,986,269.02

（1）Available-for-sale financial assets measurement at fair value by the end of year

Items	Available-for-sale equity instrument	Available-for-sale debt instrument	Others	Total
Cost of equity instrument/ Amortized cost of debt instrument	2,210,530,445.88			2,210,530,445.88
Fair value	2,168,133,056.85			2,168,133,056.85
The amount of change in fair value of other comprehensive income	719,066,570.17			719,066,570.17
The Amount of Provision	761,463,959.20			761,463,959.20

5.15 Held-to-maturity investment

（1）Held-to-maturity investment

Items	Ending Balance			Beginning Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Bond investment	50,213,000.00	213,000.00	50,000,000.00	213,000.00	213,000.00	
Total	50,213,000.00	213,000.00	50,000,000.00	213,000.00	213,000.00	

（2）Significant held-to-maturity investment by the end of year

Bond Items	Face value	Coupon rate	Real interest rates	Due dates
Winsdom series of CITIC financial- 15252 term	10,000,000.00	3.30%	1.65%	2016-02-26
Winsdom series of CITIC financial-15258 term	40,000,000.00	3.05%	1.53%	2016-03-02
Total	50,000,000.00			

5.16 Long-term receivables

Items	Ending Balance		
	Book balance	Bad debt provision	Book value
Finance lease			
Instalment for sale of goods	130,449,930.40		130,449,930.40
Instalment for rendering services			
Others	12,714,579,235.97	23,570,254.40	12,691,008,981.57
Total	12,845,029,166.37	23,570,254.40	12,821,458,911.97

(Continued)

Items	Beginning Balance		
	Book balance	Bad debt provision	Book value
Finance lease			

Items	Beginning Balance		
	Book balance	Bad debt provision	Book value
Instalment for sale of goods	76,438,548.00		76,438,548.00
Instalment for rendering services			
Others	10,113,149,405.02	5,412,384.40	10,107,737,020.62
Total	10,189,587,953.02	5,412,384.40	10,184,175,568.62

5.17 Long-term equity investment

（1）Long-term equity investment classification

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
Contribute to subsidiaries				
Investment in Joint venture	955,055,758.93	443,590,757.94	460,910,948.65	937,735,568.22
Investment inAssociate company	538,414,224.25	2,086,143,712.83	721,991,474.44	1,902,566,462.64
Investment in Others	76,272,694.08		21,568,160.16	54,704,533.92
Subtotal	1,569,742,677.26	2,529,734,470.77	1,204,470,583.25	2,895,006,564.78
Less：Long-term equity investmentImpairment provision	33,876,033.82	312,168,247.34	15,434,318.80	330,609,962.36
Total	1,535,866,643.44	2,217,566,223.43	1,189,036,264.45	2,564,396,602.42

（2）Long-term equity investment detail

Investee	Investment Cost	Beginning Balance	Current year movement			
			Additional investment	Reduced Investment	profit or loss on investment under equity method	Other comprehensive income adjustment
Total	4,093,011,353.36	1,493,469,983.18	1,669,970,918.29	7,660,426.60	-196,639,520.08	-48,832,862.00
1、Joint venture	1,738,280,751.99	955,055,758.93	208,954,767.37	4,727,561.51	-223,878,978.09	-4,172,224.00
ElkemSolarHoldingS.ár.l	1,194,000,000.00	740,780,089.80			-197,633,414.00	
PTEvoluzioneTyres(Indonesia)	159,265,954.40		181,533,949.54		-15,659,223.70	
LAN-STAR Dongli Membrane Technology Co., Ltd. Beijing	181,224,507.32	127,802,079.84			13,667,732.48	
Chenguang Chemours fluoride materials (Shanghai) Co., Ltd.	52,100,000.00				-10,351,066.37	
NorthSeaContainerLineAS	500,000.00	56,100,085.88			6,974,209.80	
AlfaAgriculturalSuppliesS.A	33,568,834.00				7,896,089.60	-4,172,224.00
NortlightLLP			14,934,811.43		16,762,352.88	
NegevAroma(NaotHovav)Ltd.(1)	20,003,011.00				-36,873,901.20	
Other insignificant joint venture	97,618,445.27	30,373,503.41	12,486,006.40	4,727,561.51	-8,661,757.58	
2、Associate company	2,354,730,601.37	538,414,224.25	1,461,016,150.92	2,932,865.09	27,239,458.01	-44,660,638.00
EurostazioniS.p.A.	375,598,602.40		429,589,249.72		3,976,056.80	

Investee	Investment Cost	Beginning Balance	Current year movement			
			Additional investment	Reduced Investment	profit or loss on investment under equity method	Other comprehensive income adjustment
PreliosS.p.A.	648,366,471.20		354,652,465.44		-5,075,072.50	1,183,016.90
FeniceS.r.l.	552,765,746.40		398,649,333.61			-47,481,678.30
GWMRenewable EnergyIIS.p.A.	223,207,896.80		190,983,254.85		-2,282,032.60	1,638,023.40
Beijing Deyang Zhongche Automobile Parts Co. Ltd.	56,141,321.32	132,497,635.63			19,492,602.75	
Ningbo Zhiyuan Huijin equity investment	107,148,000.00	89,869,609.30			-11,462,738.01	
LAN-STAR fiber (Beijing) Co., Ltd.	20,000,000.00		74,786,476.59			
ClaseedLtd.	36,714,000.00	36,285,670.00			-168,134.40	
Nanjing 6902 science and Technology Co Ltd	4,500,000.00	15,794,375.35			19,319,466.81	
Qingdao Yi Jia Yang Hung Fuel Oil Co. Ltd.	31,941,429.42	27,899,667.09			1,925,654.50	
EuropartnershipBV	8,374,166.00	24,168,844.37			5,897,620.27	
Shanxi Xinyu Chemical Co., Ltd.	22,542,480.00	21,004,493.35			-235,605.31	
Jiaozuo city finance equity investment limited liability company	15,000,000.00	18,423,270.20			510,661.08	
Zhangjiakou Xu Hao Technology Co. Ltd.	15,000,000.00	15,000,000.00			60,000.00	
Qinyang Jinyu Cements Limited	23,466,070.00	14,540,512.92			-2,621,518.93	
Wuchuan morning crane Dongsheng limited liability company	18,000,000.00	11,640,995.00				
Zibo Heli Chemical Co. Ltd.	4,590,000.00	10,695,442.77			28,281.54	
Other insignificant associate company	191,374,417.83	120,593,708.27	12,355,370.71	2,932,865.09	-2,125,783.99	

(Continued)

Investee	Current year movement				Ending Balance	Ending Impairment provision
	Other equity movement	Announces the distribution of cash dividends or profits	Impairment provision	Others		
Total	-1,504,063.16	86,505,147.54	155,844,666.70	18,003,148.77	2,840,302,030.86	326,113,712.90
1、Joint venture	-1,576,099.61	45,280,021.68		53,359,926.81	937,735,568.22	
ElkemSolarHoldingS.ár.l	-1,576,099.61			-78,155,579.09	463,414,997.10	
PTEvoluzioneTyres(Indonesia)				-2,062,078.98	163,812,646.86	

Investee	Current year movement				Ending Balance	Ending Impairment provision
	Other equity movement	Announces the distribution of cash dividends or profits	Impairment provision	Others		
LAN-STAR Dongli Membrane Technology Co., Ltd. Beijing					141,469,812.32	
Chenguang Chemours fluoride materials (Shanghai) Co., Ltd.				82,118,564.71	71,767,498.34	
NorthSeaContainerLineAS		19,501,356.16		4,229,402.38	47,802,341.90	
AlfaAgriculturalSuppliesS.A		136,998.40		43,543,681.60	47,130,548.80	
Nortlight LLP		23,823,324.72		4,922,682.48	12,796,522.07	
NegevAroma(NaotHovav) Ltd.(1)				-1,873,410.00	-38,747,311.20	
Other insignificant joint venture		1,818,342.40		636,663.71	28,288,512.03	
2、Associate company	72,036.45	41,225,125.86	155,844,666.70	-35,356,778.04	1,902,566,462.64	326,113,712.90
EurostazioniS.p.A.				-4,318,566.14	429,246,740.38	
PreliosS.p.A.			49,000,700.00	-3,663,225.84	347,097,184.00	49,666,400.00
FeniceS.r.l.			2,800,040.00	-4,907,704.91	346,259,950.40	134,503,706.40
GWMRenewable EnergyIIS.p.A.			98,596,408.50	-1,018,024.05	189,321,221.60	110,131,694.40
Beijing Deyang Zhongche Automobile Parts Co. Ltd.		32,000,000.00		21,259,333.23	141,249,571.61	
Ningbo Zhiyuan Huijin equity investment					78,406,871.29	
LAN-STAR fiber (Beijing) Co., Ltd.					74,786,476.59	
Claseed Ltd.				2,214,185.20	38,331,720.80	

Investee	Current year movement				Ending Balance	Ending Impairment provision
	Other equity movement	Announces the distribution of cash dividends or profits	Impairment provision	Others		
Nanjing 6902 science and Technology Co Ltd		839,153.94		1,414,385.65	35,689,073.87	
Qingdao Yi Jia Yang Hung Fuel Oil Co. Ltd.					29,825,321.59	
EuropartnershipBV		5,268,232.12		-997,297.44	23,800,935.08	
Shanxi Xinyu Chemical Co., Ltd.					20,768,888.04	
Jiaozuo city finance equity investment limited liability company		1,500,000.00			17,433,931.28	
Zhangjiakou Xu Hao Technology Co. Ltd.					15,060,000.00	
Qinyang Jinyu Cements Limited					11,918,993.99	
Wuchuan morning crane Dongsheng limited liability company			2,132,127.37		11,640,995.00	11,640,995.00
Zibo Heli Chemical Co. Ltd.					10,723,724.31	
Other insignificant associate company	72,036.45	1,617,739.80	3,315,390.83	-45,339,863.74	81,004,862.81	20,170,917.10

5.18 Invested property

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
1、Carrying amount at original cost	796,427,184.00	14,338,077.44	117,289,241.37	693,476,020.07
Incl：Building、Plants	636,069,557.37	14,338,077.44	101,399,536.69	549,008,098.12
Land use right	160,357,626.63		15,889,704.68	144,467,921.95
2、Total Accumulated	271,042,811.67	25,289,067.56	62,729,053.27	233,602,825.96

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
depreciation(Amortization)				
Incl：Building、Plants	242,851,525.09	20,621,175.63	60,320,136.75	203,152,563.97
Land use right	28,191,286.58	4,667,891.93	2,408,916.52	30,450,261.99
3、Net book value	525,384,372.33			459,873,194.11
Incl：Building、Plants	393,218,032.28			345,855,534.15
Land use right	132,166,340.05			114,017,659.96
4、Accumulated Impairment provison				
Incl：Building、Plants				
Land use right				
5、Total Carrying amount	525,384,372.33			459,873,194.11
Incl：Building、Plants	393,218,032.28			345,855,534.15
Land use right	132,166,340.05			114,017,659.96

Note：Inventories with restricted ownership or right to use by pledge, mortgagein Note 5.67

5.19 Fixed assets

（1）Fixed assets classification

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
1、Carrying amount at original cost	115,882,221,330.04	64,962,095,545.41	9,782,583,998.91	171,061,732,876.54
Incl：Land assets	1,170,237,120.63	35,854,719.35	139,988,123.06	1,066,103,716.92
Building、Plants	27,537,635,786.58	17,335,271,897.81	2,120,912,592.79	42,751,995,091.60
Machineries	81,780,756,775.18	44,024,106,180.23	5,960,109,577.45	119,844,753,377.96
Vehicles	1,336,849,263.98	1,646,388,614.14	286,839,453.87	2,696,398,424.25
Electronic equipment	1,712,028,302.34	63,507,228.69	793,819,137.56	981,716,393.47
Office equipment	2,000,914,124.00	299,240,107.95	281,704,475.94	2,018,449,756.01
Hotel furniture	6,189,464.60			6,189,464.60
Others	337,610,492.73	1,557,726,797.24	199,210,638.24	1,696,126,651.73
2、Total accumulated depreciation	45,579,522,278.79	28,875,368,031.53	5,146,975,106.47	69,307,915,203.85
Incl：Land assets				
Building、Plants	7,257,487,427.19	4,442,933,138.41	901,063,192.24	10,799,357,373.36
Machineries	35,338,897,875.94	22,710,923,499.24	3,195,727,922.62	54,854,093,452.56
Vehicles	899,540,741.23	187,626,910.52	247,300,442.93	839,867,208.82
Electronic equipment	814,771,161.64	152,090,782.78	388,593,979.94	578,267,964.48
Office equipment	1,222,799,059.69	144,612,387.71	175,191,246.33	1,192,220,201.07
Hotel furniture	4,073,880.62			4,073,880.62

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
Others	41,952,132.48	1,237,181,312.87	239,098,322.41	1,040,035,122.94
3、Net book valueTotal	70,302,699,051.25			101,753,817,672.69
Incl：Land assets	1,170,237,120.63			1,405,797,851.41
Building、Plants	20,280,148,359.39			31,952,637,718.24
Machineries	46,441,858,899.24			64,990,659,925.40
Vehicles	437,308,522.75			1,856,531,215.43
Electronic equipment	897,257,140.70			403,448,428.99
Office equipment	778,115,064.31			826,229,554.94
Hotel furniture	2,115,583.98			2,115,583.98
Others	295,658,360.25			656,091,528.79
4、Total impairment provision	3,123,476,417.14	245,580,584.19	62,576,164.97	3,306,480,836.36
Incl：Land assets				
Building、Plants	746,046,854.13	51,827,853.48	27,212,017.66	770,662,689.95
Machineries	2,356,717,796.09	167,348,863.22	31,487,904.18	2,492,578,755.13
Vehicles	8,259,027.72	8,614,366.29	161,126.58	16,712,267.43
Electronic equipment	1,274,464.55		79,140.36	1,195,324.19
Office equipment	5,566,913.81	14,956,386.16	2,187,305.22	18,335,994.75
Hotel furniture				
Others	5,611,360.84	2,833,115.04	1,448,670.97	6,995,804.91
5、Carrying amountTotal	67,179,222,634.11			98,447,336,836.33
Incl：Land assets	1,170,237,120.63			431,724,325.83
Building、Plants	19,534,101,505.26			31,181,975,028.29
Machineries	44,085,141,103.15			62,498,081,170.27
Vehicles	429,049,495.03			1,839,818,948.00
Electronic equipment	895,982,676.15			402,253,104.80
Office equipment	772,548,150.50			807,893,560.19
Hotel furniture	2,115,583.98			2,115,583.98
Others	290,046,999.41			649,095,723.88

（2）Temporarily idle fixed assets

Items	Carrying amount at original cost	Accumulated depreciation	Impairment provision	Book value
Building, Plants	120,703,407.19	79,778,841.57	25,397,846.03	15,526,719.59
Machineries	616,508,121.21	455,630,239.06	132,825,985.04	28,051,897.11

Items	Carrying amount at original cost	Accumulated depreciation	Impairment provision	Book value
Vehicles	649,237.67	268,955.47	77,510.78	302,771.42
Electronic equipment	70,990.95	44,427.10		26,563.85
Others	82,170.96	14,480.08		67,690.88
Total	738,013,927.98	535,736,943.28	158,301,341.85	43,975,642.85

Note: Fixed assets with restricted ownership or right to use by pledge, mortgagein Note 5.67

5.20 Construction in progress

（1）Construction in progress

Items	Ending Balance		
	Book balance	Impairment provision	Book value
Shenyang chemical reconstruction project	1,623,182,820.12		1,623,182,820.12
Public engineering projects	767,519,936.53		767,519,936.53
The bisphenol A (bpa) project with expanded from 90,000 tons to 150,000 tons	719,170,385.70		719,170,385.70
A project of 400 thousand tons of organic silicon monomer	648,365,719.05	380,000,000.00	268,365,719.05
20million square meters of conveyor belt	534,877,239.14		534,877,239.14
Changyi petrochemical technological transformation project of desulfuration and denox	492,377,455.81		492,377,455.81
Series of product engineering 200 thousand tons of organic silicon monomer project /12 tons / year silicone downstream	430,995,939.01	266,815,818.00	164,180,121.01
Feedstock route renovation project	421,221,428.03		421,221,428.03
Others	11,484,163,847.53	325,250,528.27	11,158,913,319.26
Total	17,121,874,770.92	972,066,346.27	16,149,808,424.65

（Continued）

Items	Beginning Balance		
	Book balance	Impairment provision	Book value

Items	Beginning Balance		
	Book balance	Impairment provision	Book value
Shenyang chemical reconstruction project	288,947,215.77		288,947,215.77
Public engineering projects	770,879,032.42		770,879,032.42
The bisphenol A (bpa) project with expanded from 90,000 tons to 150,000 tons	27,434,858.18		27,434,858.18
A project of 400 thousand tons of organic silicon monomer	984,767,367.15		984,767,367.15
20million square meters of conveyor belt	488,843,504.42		488,843,504.42
Changyi petrochemical technological transformation project of desulfuration and denox	2,797,853,100.21		2,797,853,100.21
Series of product engineering 200 thousand tons of organic silicon monomer project /12 tons / year silicone downstream	4,710,383,202.86		4,710,383,202.86
Feedstock route renovation project	282,312,130.08		282,312,130.08
Others	11,744,151,380.59	956,455,122.09	10,787,696,258.50
Total	22,095,571,791.68	956,455,122.09	21,139,116,669.59

（2）Current year movement of significant construction in progress

Items	Budget	31 Dec 2014	Current year increase	Transfer to Fixed assets	Others Decrease
Series of product engineering 200 thousand tons of organic silicon monomer project /12 tons / year silicone downstream	5,367,000,000.00	4,710,383,202.86	557,440,051.77	4,836,827,315.62	
Shenyang chemical reconstruction project	2,310,000,000.00	288,947,215.77	1,334,235,604.35		
Feedstock route renovation project	1,559,200,000.00	282,312,130.08	138,909,297.95		
Silao1increasecapacity(PirelliMexico)	1,436,583,631.48		189,229,984.34		8,431,532.48
Slatina3IncreaseCapacity(PirelliRomania)	1,309,624,203.71		94,616,385.31	25,386,405.32	1,590,083.74
Yanzhouincreasecapacitystep4(PirelliChina)	1,296,135,450.57		61,112,546.44	21,176,129.57	-132,467.39
The project of Producing 100,000 tons of high-performance unsaturated resin	944,080,000.00	2,628,234.36	105,813,839.44		
The project of 200 thousand tons of	587,520,000.00	153,599,868.80	106,225,501.64		

Items	Budget	31 Dec 2014	Current year increase	Transfer to Fixed assets	Others Decrease
ethanol acetic acid					
3 million sets of semisteel project	585,298,000.00	73,622,457.10	37,382,783.89		27,780,147.43
20million square meters of conveyor belt	529,810,000.00	488,843,504.42	46,033,734.72		
Total	15,925,251,285.76	6,000,336,613.39	2,670,999,729.85	4,883,389,850.51	37,669,296.26

（Continued）

Items	31 Dec 2015	Expenditure over budget (%)	Job schedule	Accumulated capitalized interest Amount	Incl：Current year capitalized interest Amount	Current year interest capitalized（%）	Funding
Series of product engineering 200 thousand tons of organic silicon monomer project /12 tons / year silicone downstream	430,995,939.01	8.03	8.03	74,369,930.96	10,283,437.13	5.92	self-raised funds&Borrowings&Government subsidy
Shenyang chemical reconstruction project	1,623,182,820.12	70.27	70.27	55,981,778.88	44,605,239.03	5.42	self-raised funds&Loan
Feedstock route renovation project	421,221,428.03	27.02	27.02	31,906,883.57	24,724,277.36	7.66	self-raised funds
Silao1increasecapacity(Pirelli Mexico)	180,798,451.86	12.59	12.59				Government fund
Slatina3IncreaseCapacity(PirelliRomania)	67,639,896.25	5.16	5.16				Government fund
Yanzhouincreasecapacitystep4(PirelliChina)	40,068,884.26	3.09	3.09				No government fund
The project of Producing 100,000 tons of high-performance unsaturated resin	108,442,073.80	11.49	11.49	3,064,221.69	3,064,221.69	1.24	self-raised funds&Borrowings
The project of 200 thousand tons of ethanol acetic acid	259,825,370.44	44.22	44.22	47,965,637.34	35,586,453.93	7.66	self-raised
3 million sets of semisteel project	83,225,093.56	14.22	14.22				Own funds
20million square meters of conveyor belt	534,877,239.14	100.96	95.00	23,012,897.81	5,909,418.63	6.24	self-raised funds&
Total	3,750,277,196.47			236,301,350.25	124,173,047.77		

（2）Construction in progress impairment provision

Items	31 Dec 2015	Reason of provison
Tianjing silicone project	380,000,000.00	Shutdown, impairment
Reconstruction project	79,338,271.24	Shutdown, impairment
PTA project	35,239,481.40	Shutdown, impairment
Thiourea, barium nitrate project	10,114,268.08	Shutdown, impairment
10LH01B	2,500,000.00	Shutdown, impairment
02CH02B (project)	114,771.98	Shutdown, impairment
06CH01B (phoxim transform)	16,197.63	Shutdown, impairment
Others	10,114,268.08	Shutdown, impairment
Total	517,437,258.41	

5.21 Engineering materials

Items	Ending Balance	Beginning Balance
Engineering materials	101,871,371.93	190,188,390.17
Engineering equipment	193,267,238.78	134,219,521.96
Tools and instruments	24,758,870.13	12,504,204.45
Total	319,897,480.84	336,912,116.58

5.22 Fixed assets clearing

Items	Ending carrying amount	Beginning carrying amount	Reason of clearing
Building、Plants	71,366,750.39	793,674.32	Scrap for approval
Machineries	52,130,993.98	177,182,272.59	Scrap for approval
Vehicles	301,294.98	137,019.23	Scrap for approval
Office equipment	22,095.22	2,720.40	Scrap for approval
Others equipment		18,766.36	Scrap for approval
Total	123,821,134.57	178,134,452.90	——

5.23 Intangible assets

（1）Intangible assets categories

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
1、Original price	37,383,794,452.30	8,718,161,763.55	1,168,343,380.32	44,933,612,835.53
Incl：Software	1,101,485,330.47	250,710,666.41	93,158,342.68	1,259,037,654.20
Land use right	9,082,992,845.03	6,406,576,485.37	493,936,199.60	14,995,633,130.80
Patents	5,108,220,882.01	65,039,452.70	385,631,500.52	4,787,628,834.19
Non-patent technology	235,948,738.53	88,037,932.00	25,239,812.13	298,746,858.40
Trademark	2,530,414,324.68	499,367,369.54	160,318,925.39	2,869,462,768.83
Concessions	7,714,587,359.60	142,393,191.91		7,856,980,551.51
Mining rights	122,968,935.81	21,088,189.85	10,058,600.00	133,998,525.66
The quota of	6,962,083,082.65			6,962,083,082.65

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
crude				
Others	4,525,092,953.52	1,244,948,475.77		5,770,041,429.29
2、Total accumulated amortization	10,708,093,248.32	1,787,484,065.17	328,064,603.81	12,167,512,709.68
Incl：Software	614,318,557.11	114,042,908.67	16,702,849.44	711,658,616.34
Land use right	1,111,333,493.02	260,988,647.21	96,007,264.38	1,276,314,875.85
Patents	1,900,359,601.89	234,575,462.70	189,369,555.53	1,945,565,509.06
Non-patent technology	127,221,243.31	63,408,653.21	7,185,821.16	183,444,075.36
Trademark	672,960,684.27	36,188,680.65	16,943,247.34	692,206,117.58
Concessions	4,523,016,452.74	697,753,177.45		5,220,769,630.19
Mining rights	22,881,253.14	8,010,649.34	1,855,865.96	29,036,036.52
The quota of crude				
Others	1,736,001,962.84	372,515,885.94		2,108,517,848.78
3、Impairment provision	780,879,410.29	424,353,708.49	408,673,272.10	796,559,846.68
Incl：Software				
Land use right	81,597,665.26	54,024,748.49	1,055,546.68	134,566,867.07
Patents	265,858,247.71	217,025,705.90	147,724,999.54	335,158,954.07
Non-patent technology		1,136,246.65	0.00	1,136,246.65
Trademark	155,122,089.13	81,875,000.00	85,488,987.88	151,508,101.25
Concessions	174,403,738.00		174,403,738.00	
Mining rights				
The quota of crude				
Others	103,897,670.19	70,292,007.45		174,189,677.64
4、Carrying amountTotal	25,894,821,793.69			31,969,540,279.17
Incl：Software	487,166,773.36			547,379,037.86
Land use right	7,890,061,686.75			13,584,751,387.88
Patents	2,942,003,032.41			2,506,904,371.06
Non-patent technology	108,727,495.22			114,166,536.39
Trademark	1,702,331,551.28			2,025,748,550.00
Concessions	3,017,167,168.86			2,636,210,921.32
Mining rights	100,087,682.67			104,962,489.14
The quota of crude	6,962,083,082.65			6,962,083,082.65
Others	2,685,193,320.49			3,487,333,902.87

5.24 Development expenditure

Items	Beginning Balance	Current year increase	
		Internal development expenditures	Others
Liquid methionine project	61,055,837.52		
Adisseo –Solid methionine project	57,042,795.60	33,087,650.40	
BluestarElkemLux.Technology	7,620,952.42	62,218,487.58	
Optimization of production technology development fee	3,830,000.00		
Coke oven gas Items (capitalized)	3,006,513.74		
ethylene glycol/alcohol	1,873,977.94	8,526,454.43	
Software used for the server and Software production management	1,862,820.59	1,119,658.18	
highly active catalyst for BM626 development project	1,120,387.74		
Development project of high performance fiber composite materials	767,496.96	2,150,786.33	
Test center N-acetylmorpholine	466,965.09	5,755,637.83	
BSIFranceprocessimprovement		101,689,761.81	
BSIFrancenewproductdevelopment		67,872,563.22	
BSIUSACorp.operationssupport		5,360,191.60	
Others	6,854,733.42	5,784,598.98	
合 计	145,502,481.02	293,565,790.36	

（Continued）

Items	Current year decrease			Ending Balance
	Recognized as intangible assets	Recognized in P/L	Others	
Liquid methionine project				61,055,837.52
Adisseo –Solid methionine project		3,526,301.10	2,043,551.30	84,560,593.60
BluestarElkemLux.Technology		10,296,716.05	7,545,283.95	51,997,440.00
Optimization of production technology development fee	3,830,000.00			
Coke oven gas Items (capitalized)	3,006,513.74			
ethylene glycol/alcohol	686,810.58	7,011,967.70		2,701,654.09
Software used for the server and Software production management	2,982,478.77			

Items	Current year decrease			Ending Balance
	Recognized as intangible assets	Recognized in P/L	Others	
highly active catalyst for BM626 development project			55,709.00	2,862,574.29
Development project of high performance fiber composite materials		5,755,637.83		466,965.09
Test center N-acetylmorpholine	1,120,387.74			
BSIFranceprocessimprovement		19,159,343.58	4,385,895.37	78,144,522.86
BSIFrancenewproductdevelopment		12,787,853.32	2,927,354.29	52,157,355.61
BSIUSACorp.operationssupport		620,645.09	251,872.65	4,487,673.86
Others		1,157,520.28	6,619,957.15	4,861,854.97
合　计	11,626,190.83	60,315,984.95	23,829,623.71	343,296,471.89

5.25 Goodwill

（1）Book value of goodwill

Investee name or events result in Goodwill	Beginning Balance	Current year increase	Current year decrease	Ending Balance
Acquisation of Adama	2,860,237,501.82	175,101,318.55		3,035,338,820.37
Adama Merge event	1,155,083,630.00	68,969,121.20	40,769,478.40	1,183,283,272.80
LAN-STAR Andysu Nutrition Group Co. Ltd.	830,709,309.22		40,155,463.85	790,553,845.37
LAN-STAR Group Investment Limited	730,031,471.80	237,470,208.31	89,460,175.55	878,041,504.56
LAN-STAR silicone Investment Co. Ltd.	310,751,548.65		15,423,726.97	295,327,821.68
Bought Huaxing premium under same control	89,847,807.89			89,847,807.89
Bought Zhenghe premium under same control	10,842,552.64			10,842,552.64
Zhumadian Zhongxin new wall material Co. Ltd.	5,966,267.37			5,966,267.37
Shenyang Baoju automotive transmission Co. Ltd.	3,994,464.82			3,994,464.82
Neiqiu County Dingfeng Mining Co. Ltd.	2,510,126.45			2,510,126.45
Pirelli&C		22,881,711,973.29		22,881,711,973.29
GoodwillSpeedincorporation		3,183,259,364.63	37,289,445.01	3,145,969,919.62
GoodwillTyres		2,421,422,935.62	28,365,114.83	2,393,057,820.79
BusinesscombintationEgypt		204,901,885.10	2,400,268.62	202,501,616.48
BusinesscombintationDakia (Sweden)		206,468,423.75	9,108,340.55	197,360,083.20

Investee name or events result in Goodwill	Beginning Balance	Current year increase	Current year decrease	Ending Balance
BusinesscombintationVoronezhandKirov		133,701,746.76	5,898,243.51	127,803,503.25
BusinesscombintationCampneus(Brasil)		107,325,268.94	4,734,646.98	102,590,621.96
BusinesscombintationWagner-Pneumobil		21,178,935.00	248,095.00	20,930,840.00
BusinesscombintationAboucchar(Brasil)		21,344,185.29	941,597.29	20,402,588.00
Other		27,277,334.97	319,533.07	26,957,801.90
Total	5,999,974,680.66	29,690,132,701.41	275,114,129.63	35,414,993,252.44

（2）Impairment provision of goodwill

Investee name or events result in Goodwill	Beginning Balance	Current year increase	Current year decrease	Ending Balance
LAN-STAR silicone Investment Co. Ltd.	254,124,126.00		12,611,450.0000	241,512,676.00
Total	254,124,126.00		12,611,450.0000	241,512,676.00

5.26 Long-term deferred expenses

Items	Beginning Balance	Current year increase	Current year amortization	Others Decrease	Ending Balance	Others decrease reason
Engineering improvement expenditure	5,828,718.07	1,622,902.04	729,962.68	830,120.59	5,891,536.84	Reconstructed project funds transfer non-operating expenses
Chemical raw materials	152,915,126.23	44,653,463.87	83,873,106.86		113,695,483.24	
Decoration	3,149,827.10	2,986,475.57	673,788.74		5,462,513.93	
Leasing fee	36,259,318.91	3,199,509.00	12,657,208.60	10,178,186.99	16,623,432.32	Adjust the previous annual amortization
Others	292,893,638.96	184,511,236.37	112,500,638.15	905,987.46	363,998,249.72	gratuitous transfer& Other
Total	491,046,629.27	236,973,586.85	210,434,705.03	11,914,295.04	505,671,216.05	

5.27 Deferred tax assets and deferred tax liabilities

（1）Recognized Deferred tax assets detail

Items	Ending Balance		Beginning Balance	
	Deferred tax assets/liabilities	Deductible / taxable temporary differences	Deferred tax assets/liabilities	Deductible / taxable temporary differences
1、Deferred tax assets	2,640,602,868.98	12,391,499,838.58	2,137,091,150.49	6,775,079,767.72

Items	Ending Balance		Beginning Balance	
	Deferred tax assets/liabilities	Deductible / taxable temporary differences	Deferred tax assets/liabilities	Deductible / taxable temporary differences
Assets Impairment provision	504,800,714.76	2,258,479,142.32	252,045,465.44	1,235,134,747.11
Organization costs	1,325,926.02	1,867,051.31		
Fixed assets and intangible assets	82,690,843.03	250,386,802.80		
Deductible loss	995,842,719.78	2,975,728,366.22	1,044,582,525.84	3,234,751,945.14
Employee remuneration payables	356,073,342.21	1,135,672,836.73	87,629,728.28	321,683,943.09
Pre-tax deduction of fixed assets	12,610,169.52	52,679,442.35	94,493,118.95	295,455,421.92
Temporary differences of accrued expenses	626,009,038.74	2,148,451,565.77		
Contribution value of identifiable assets	65,360,000.00	172,000,000.00		
Deferred income	6,317,868.66	42,119,124.41	6,639,688.96	44,264,593.04
Derivative instruments	296,902,784.23	1,177,091,076.11		
Estimated debts	3,350,000.00	13,400,000.00		
The accrual estimated temporary differences			405,973,785.27	1,338,628,983.24
Temporary differences of recognized revenue			22,459,729.00	72,836,019.80
Blue-star overseas Deferred tax assets and deferred tax liabilities elimination	-851,586,645.61		-630,554,398.46	-2,067,412,290.71
Others	540,906,107.64	2,163,624,430.56	853,821,507.21	2,299,736,405.09
2、Deferred income tax liabilities	2,694,580,728.65	12,495,589,240.36	4,418,434,664.07	15,564,479,097.95
Derivative Financial instruments recognized in other comprehensive income、changes in fair value of Available-for-sale financial assets	109,081,805.70	446,040,677.36	193,131,102.70	716,291,307.47
Derivative Financial assets, Available-for-sale financial assets and others	262,553,560.05	982,176,289.13		
Loss of asset impairment	176,407,747.91	595,784,753.11		
Invested property			2,246,696.53	14,977,976.87
Fixed assets and intangible assets	2,486,000,296.12	8,416,272,129.86	4,695,605,458.45	16,438,816,892.20
Elimination of internal unrealized loss	3,639,511.13	14,558,044.50		
Deferred income	2,557,324.89	17,048,832.56		
Special payables			6,750,000.00	45,000,000.00
Blue-star overseas deferred tax assets and deferred tax liabilities elimination	-851,586,645.61		-630,554,398.46	-2,067,412,290.71
Others	505,927,128.46	2,023,708,513.84	151,255,804.85	416,805,212.12

（2） Unrecognized Deferred tax assets detail

Items	Ending Balance	Beginning Balance
Deductible temporary differences	677,447,194.19	7,823,703,821.78
Deductible loss	13,898,121,122.14	10,480,247,378.58
Total	14,575,568,316.33	18,303,951,200.36

（3） Unrecognized Deferred tax assets and Deductible lossthat will expire at the next period

Year	Ending Balance	Beginning Balance
Year 2015		137,495,846.14
Year 2016	921,545,842.78	921,545,842.78
Year 2017	1,367,037,482.07	1,367,037,482.07
Year 2018	3,040,327,719.24	3,040,327,719.24
Year 2019	1,885,878,166.68	1,885,878,166.68
Year 2020	3,425,389,583.85	
No maturity date	3,257,942,327.52	3,127,962,321.67
Total	13,898,121,122.14	10,480,247,378.58

5.28 Others Non-current assets

Items	Ending Balance	Beginning Balance
Expect to pay for the relocation expenses	1,025,279,748.74	
Guarantee and deposit receivable	862,024,388.63	123,206,065.00
Circulation right for equity separation	554,569,052.77	554,569,052.77
Engineering equipment prepayment	260,424,323.26	500,292,509.21
Unrealized gains and losses from After sale leaseback	174,448,613.60	261,406,759.94
Other non-cash accounts receivable	135,930,528.80	
Loans	100,000,000.00	
Accounts receivable of jointly owned	97,686,713.60	
Prepaid land	83,875,601.78	43,039,911.78
Tax refund receivable	62,501,616.80	
Prepaid Income taxes	43,770,288.80	
Hedging instrument	29,898,314.54	58263302.2
The disposal of other enterprises	12,391,659.60	
Others	73,825,564.12	74,232,433.21
Total	3,516,626,415.04	1,615,010,034.11

5.29 Short-term loan

（1）Short-term loan categories

Items	Ending Balance	Beginning Balance
Pledge loans	719,278,346.65	1,813,325,576.70
Mortgage Loans	472,813,800.00	1,441,701,878.40

Items	Ending Balance	Beginning Balance
Guaranteed loans	50,507,852,873.12	50,114,950,261.22
Credit loans	44,252,161,335.32	10,855,683,481.33
Total	95,952,106,355.09	64,225,661,197.65

（2）Short-term loan overdue

Loaners	Ending Balance	Interest（%）	Overdue（days）	Overdue Interest（%）
China ICBC BankXuanhua branch	5,300,000.00	6.20	2,490.00	6.90
China ICBC Bank Guilin branch	2,980,000.00	10.10	5,899.00	10.10
Shenyang city Trust Investment Company	2,470,000.00	7.11	5,470.00	7.11
International Trust Investment Company	1,892,000.00	10.10	5,110.00	10.10
China Agricultural Bank-Yuanping branch	1,730,000.00	6.37	3,816.00	8.56
China Agricultural Bankoperating department	500,000.00	7.60	2,555.00	7.60
Auto assets management companies	500,000.00	8.64	5,105.00	8.64
China Agricultural Bank- Chengxi credit	485,000.00	7.60	2,920.00	7.60
The Guangxi Zhuang Autonomous Region Trust Investment Company	480,000.00	8.42	6,467.00	8.42
Zhongche Airbus Company	400,000.00		4,375.00	
Guilin Commercial bank	195,800.00	10.10	6,463.00	10.10
Military industry	22,000.00	1.20	5,470.00	1.20
Total	16,954,800.00			

5.30 Financial liabilities at fair value through profit or loss

Items	Ending FV	Beginning FV
Trading financial liabilities	771,283,833.60	
Incl: Issued trading liabilities		
Initial measurement designated financial liabilities at fair value through profit or loss		
Others	771,283,833.60	
Total	771,283,833.60	

5.31 Derivative financial liabilities

Items	Ending Balance	Beginning Balance
Deriative financial instrument at fair value through P/L		73,270,111.53
Cashflow Hedging instrument	484,693,907.34	1,997,964,325.84
Fair value of Hedging instrument		33,005,941.00
Foreign currency derivatives- transaction	261,273,644.80	
Foreign currency derivatives- included in net financial position	107,485,184.80	
Other derivatives	42,571.20	
Total	853,495,308.14	2,104,240,378.37

5.32 Notes payble

Categories	Ending Balance	Beginning Balance
Trade acceptance	3,298,830,047.76	610,793,420.70
Bank acceptance	10,246,782,755.47	13,975,789,522.67
Total	13,545,612,803.23	14,586,582,943.37

5.33 Accounts payable

（1）Accounts payables aging

Aging	Ending Balance	Beginning Balance
<1year(include1year)	24,783,711,268.45	25,839,594,094.89
1-2 year (inclue 2)	1,592,714,585.26	1,610,446,669.43
2-3 years (Inclue 3)	927,691,243.48	483,839,877.90
>3 years	1,111,472,003.33	708,804,633.80
Total	28,415,589,100.52	28,642,685,276.02

（2）Accounts payables with large amount with aging over 1 year

Creditors	Ending Balance	Reason of yet repayment
Chian Sanzhi group Co. Ltd.	67,507,947.61	Financial strain
Tianjing Hengyuanindustry and trade Co. Ltd.	65,306,008.35	Not yet settled
Hebei Kaiyi Petrochemical Co. Ltd.	57,154,089.22	Not yet settled
Jiangsu Jianxing Jiangong Group Co., Ltd.	50,353,415.28	Not yet settled
Shandong Shengtong cord Co. Ltd.	37,822,508.78	Not yet settled
Chinese National Petroleum Construction Company,seventh branch	36,844,679.07	Not yet settled
Dongge investment Co., Ltd.	30,000,000.00	Not yet settled
Shandong Shengkai petrochemical Co., Ltd.	27,250,000.00	Not yet settled
East Star material Co. Ltd.	20,357,399.69	Financial strain
Zhongguancun Building finance debt	19,602,425.00	Financial strain
Beijing Boda Yongsheng Technology Development Center	19,065,600.00	Not yet settled
China railway 20 bureau-The sixth engineering Co., Ltd.	18,070,633.80	Financial strain
Beijing BAMTRI Dairui Technology Development Co.,Ltd	17,501,275.00	Not yet settled
China railway 18 bureau installation engineering project Co., Ltd.	17,477,577.00	Financial strain
General Office of the People's Government in Changyi city	15,896,568.88	Not yet settled
FGHFT CO.LIMITED	15,799,333.18	Not yet settled
Qingdao mesnac Electromechanical Engineering Co. Ltd.	14,134,254.69	Not yet settled
Xuzhou Hong'an Construction and Installation Engineering Co., Ltd.	11,380,462.87	Not yet settled
Beijing Kangjisen Automation Equipment Technology Co., Ltd.	10,900,000.00	Not yet settled
Lingnan Guohua rubber products Co., Ltd.	259,202,090.25	Not yet settled
Total	811,626,268.67	

5.34 Advances from customers

（1）Advances from customerss by aging

Aging	Ending Balance	Beginning Balance
<1year(include1year)	3,146,005,007.20	3,614,477,344.94
Over 1 year	1,239,508,745.95	1,209,248,264.09
Total	4,385,513,753.15	4,823,725,609.03

（2）Prepayments with large amount with aging over 1 year

Creditors	Owing Amount	Reason of yet settled
Fushi international (Dalina) Double metal cable Co. Ltd.	29,000,000.00	Blue-star group as its agent for the import, 100% advance payment and currently not yet settled
Qingdao Vios Trading Co. Ltd.	27,000,000.00	Contract under fulfilment
Hebei Kaiyi chemical Co., Ltd.	20,338,247.00	Interest not yet settled
Jinrentong	19,980,000.00	Rent receive in advances
Heilongjiang Coal Chemical Industry Co. Ltd.	16,832,760.69	Contract under fulfilment
Nanjing Tianxu energy technology Co. Ltd.	13,246,780.00	Blue-star group as its agent for the import, 100% advance payment and currently not yet settled
Beijing Junan Xinxinginvestment center-Tianjing board of trade	11,050,000.00	Not yet settled
Tianjing CNOOC Zhongtai Huawei Hongye Co. Ltd.	9,999,980.00	Not yet settled
Chinese precision machinery import and Export Co. Ltd.	9,500,000.00	Contract under fulfilment
Anyang Haidu commerce and trade Co. Ltd.	8,950,000.00	Blue-star group as its agent for the import, 100% advance payment and currently not yet settled
Wuxi Feida Chemical Trade Co. Ltd.	8,630,108.00	Interest not yet settled
Henan Yudong Petroleum Company Limited	7,505,644.61	Not yet settled
CNCE- The 9 th construction corporation	6,836,833.50	Contract under fulfilment
Baoji chuangshida Industrial Co., Ltd.	5,782,229.17	Contract under fulfilment
China Aviation Industry Corporation	5,700,000.00	Not yet settled
Sichuan Jinxiang Sairui chemical Co., Ltd.	5,607,500.00	Contract under fulfilment
Beijing Jiade Shengyuan trade Co., Ltd.	5,385,000.00	Blue-star group as its agent for the import, 100% advance payment and currently not yet settled
AVIC TED (Beijing) Automation Technology Co Ltd	5,190,360.00	Not yet settled
Zhhongfang union group Xinyu Energy supplies Co., Ltd.	104,974,778.14	Contract under fulfilment
Total	321,510,221.11	

5.35 Employee remuneration payalbes

（1）Employee remuneration payalbes

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
1、Short-term remuneration	2,252,947,463.56	15,358,961,147.90	14,126,446,997.46	3,485,461,614.00
2、Post-employment benefits- defined contribution plans	629,235,834.81	1,810,511,295.51	1,653,560,807.68	786,186,322.64
3、Termination benefits	31,171,614.43	164,925,559.98	31,795,436.26	164,301,738.15
4、Other benefits due within 1 year	15,190,768.02	55,477,572.41	18,644,781.73	52,023,558.70
5、Others		14,666,448.07	4,817,516.76	9,848,931.31
Total	2,928,545,680.82	17,404,542,023.87	15,835,265,539.89	4,497,822,164.80

（2）Short-term remuneration

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
1、Wages, bonuses, allowances and subsidies	1,557,025,253.72	13,397,037,060.65	12,607,816,892.78	2,346,245,421.59
2、Employee benefits	267,627,345.77	361,669,297.44	334,186,432.04	295,110,211.17
3、Social Insurance fees	52,994,741.32	793,922,936.64	629,350,798.65	217,566,879.31
Incl：(1)、Basic medical Insurance fees	44,278,062.33	670,223,232.26	524,622,905.99	189,878,388.60
(2)、work-related injury Insurance fees	5,670,264.70	71,040,708.71	64,146,210.87	12,564,762.54
(3)、work-related injury Insurance fees	1,456,723.66	39,183,527.97	32,303,281.31	8,336,970.32
Others	1,589,690.63	13,475,467.70	8,278,400.48	6,786,757.85
4、Housing fund	164,217,613.45	312,588,291.46	308,556,946.24	168,248,958.67
5、Trade union funds and employee education expenses	145,257,156.98	105,485,524.15	88,684,128.89	162,058,552.24
6、Short-term compensated absences		286,131,489.13	36,849,869.13	249,281,620.00
7、Short-term profit-sharing plan				
8、Other short-term remuneration	65,825,352.32	102,126,548.43	121,001,929.73	46,949,971.02
Total	2,252,947,463.56	15,358,961,147.90	14,126,446,997.46	3,485,461,614.00

（3）Defined contribution plans

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
(1)、basic pensions Insurance fees	592,140,881.73	1,669,663,728.46	1,524,137,632.73	737,666,977.46
(2)、Unempoyee Insurance fees	35,148,591.88	73,306,838.81	62,462,512.55	45,992,918.14
(3)、Enterprise annuity payment	1,946,361.20	67,540,728.24	66,960,662.40	2,526,427.04
Total	592,140,881.73	1,669,663,728.46	1,524,137,632.73	737,666,977.46

5.36 Taxes and surcharges payable

Items	Beginning Balance	Current year payabes	Current year paid	Ending Balance
Value-added tax	-535,257,578.61	5,493,999,251.72	4,301,148,733.99	657,592,939.12
Operation tax	151,834,369.12	835,620,555.45	843,060,232.37	144,394,692.20
Business tax	82,784,521.70	253,918,129.53	207,673,646.10	129,029,005.13
Rolyalty tax	8,373,310.65	570,046,865.52	23,460,976.58	554,959,199.59
Corporate income tax	1,557,013,931.01	1,309,930,109.33	1,683,689,078.23	1,183,254,962.11
Tax for maintaining and building cities	66,591,017.29	333,105,021.45	298,080,045.33	101,615,993.41
House duty	47,373,123.88	121,779,354.88	111,261,440.91	57,891,037.85
Land use right	110,603,052.08	338,814,897.70	272,634,191.59	176,783,758.19
Individual income tax	75,770,140.55	439,629,794.43	392,837,353.60	122,562,581.38
Education supplementary tax	53,077,596.31	623,836,356.68	434,999,458.51	241,914,494.48
Other taxes	45,013,527.30	456,517,569.78	383,506,008.68	118,025,088.40
Total	1,663,177,011.28	10,777,197,906.47	8,952,351,165.89	3,488,023,751.86

5.37 Interest payable

Items	Ending Balance	Beginning Balance
Interest of Long-term loans	84,023,487.70	168,523,487.34
Corporate bond interest	933,352,117.24	507,178,329.38
Short-term loanInterest payable	25,439,458.22	136,977,281.49
Divided into preferred shares of financial liabilities/sustainable debt interest	30,058,089.14	
Other interest	46,618,993.18	776,125.79
Total	1,119,492,145.48	813,455,224.00

Significant overdue non-payment interest

Creditors	Overdue Amount	Overdue reason
Bank of China- Jiamusi business department	2,165,590.00	Financial strain
Tianzhu state-owned assets	725,400.00	Financial strain

Creditors	Overdue Amount	Overdue reason
management&development company		
合　计	2,890,990.00	

5.38 Dividends payable

Creditors	31 Dec 2015	31 Dec 2014
Ordinary stock dividend	62,671,908.85	14,220,278.94
Divided into preferred shares of equity instruments/sustainable debt dividends		
Others		
Total	62,671,908.85	14,220,278.94

5.39 Other payabes

（1）Other payables according to the payment properties

Iterm	Ending Balance	Beginning Balance
Accounts current	11,849,734,764.66	4,827,611,013.49
Insurance, deposit	975,302,885.57	1,242,508,160.97
Withholding, paid payment	359,734,934.40	379,528,756.75
Fund, subsidise	160,022,964.10	100,011,472.38
Sale and leaseback financing lease	98,491,712.72	
Social security, bonuses payables	59,307,794.03	94,350,960.06
Administrative expenses	52,056,775.10	71,354,788.98
Lending, relocation compensation	31,359,610.63	64,896,400.22
Personal loan	9,894,048.20	9,946,080.31
Other	3,590,559,987.12	4,566,225,890.22
Total	17,186,465,476.53	11,356,433,523.38

（2）Other payables with large amount over 1 year

Creditors	Owing Amount	Reason of yet repayment
Ruicheng Forster Chemical Co., Ltd.	866,664,036.94	Borrowings
Gansu Tianji investment management Co., Ltd.	312,000,000.00	Creditors
Dezhou Sun Lake construction investment Co., Ltd.	210,000,000.00	Borrowings
Beijing Chemical Machinery Co., Ltd.	122,061,944.56	Borrowings
Beijing City de Mao WAI INVESTMENT COMPANY LIMITED	120,080,000.00	Investment
Hechi City Finance Bureau	106,209,223.03	Borrowings
Nierenqing	79,523,379.00	Not settled
Beijing huahai printing factory	61,659,600.06	Borrowings
Shanxi Pingyuan chemical company	30,000,000.00	Fund shortage
Tumenban	29,371,251.71	Borrowings

Creditors	Owing Amount	Reason of yet repayment
Shenyang Liaoning China automobile axle Co. Ltd.	27,110,111.51	Fund shortage
Shandong King Group Co. Ltd.	24,325,640.00	Fund shortage
Relocation compensation	23,560,000.00	Fund shortage
Qingdao rubber products factory two	23,181,496.80	The purchase of a minority stake in a subsidiary
Taiyuan road relocation compensation	19,340,944.01	Borrowings
Qingdao private technology development Co. Ltd.	17,000,000.00	Fund shortage
King of GuangRao accounting center- Financial accounting department	16,127,574.00	Resettlement fee for employee
Daqing Xinhua asphalt Trade Co. Ltd.	216,350,646.67	Borrowings
Total	2,304,565,848.29	

5.40 Non-current liabilities due within 1 year

Items	Ending Balance	Beginning Balance
Long-term loans due within 1 year（note 5.40）	12,035,317,030.91	9,731,534,707.05
Bond payables due within 1 year（note 5.41）	12,198,400,472.12	2,624,272,625.78
Long-term payables due within 1 year	2,118,892,187.69	938,671,342.41
Other Long-term liabilities due within 1 year	1,223,733,024.35	299,169,868.17
Total	27,576,342,715.07	13,593,648,543.41

5.41 Other current liabilites

Items	Ending Balance	Beginning Balance
Short-term commercial paper	6,100,000,000.00	3,500,000,000.00
A minority shareholder equity acquisition payable	210,587,448.00	
Technicalclaimsandproductwarranties	135,582,176.80	
Effective part of Hedging derivative of financial instruments	44,572,070.40	204,276,696.00
Labourlawsuits	15,467,536.00	
Government subsidies related to research & development expenditure	13,272,658.40	17,863,306.70
Rental income	4,399,024.00	
Government subsidies	617,000.00	22,899,464.18
Land rehabilitation fees		20,300,000.00
Others	309,583,628.27	81,656,304.26
Total	6,834,081,541.87	3,846,995,771.14

5.42 Long-term loans

Borrowings Categories	Ending Balance	Beginning Balance
Pledge loans	10,145,874,793.22	6,768,835,500.00
Mortgage Loans	12,868,910,077.93	11,301,002,816.84
Guaranteed loans	21,054,668,201.89	22,814,889,336.87
Credit loans	17,775,535,864.40	5,677,315,598.31

Borrowings Categories	Ending Balance	Beginning Balance
Subtotal	61,844,988,937.44	46,562,043,252.02
Less：Due within 1 year（note 5.38）	12,035,317,030.91	9,731,534,707.05
Total	49,809,671,906.53	36,830,508,544.97

5.43 Bond payable

（1）Bond payable

Bond name	Ending Balance	Beginning Balance
Mid-term notes	8,100,000,000.00	10,100,000,000.00
Non-public directional bond payable	7,450,443,778.45	2,990,759,603.00
DebenturesSeriesB	6,859,709,168.00	4,898,969,304.00
EuroMediumTermNote	4,214,704,894.40	
China National Chemical Corp 2007 corporate bonds	1,500,000,000.00	1,500,000,000.00
Non-public directional debt financing instruments	1,495,956,866.67	1,974,889,871.05
US Private Placement	973,475,630.40	
Debentures Series D		624,272,618.00
Total	30,594,290,337.92	22,088,891,396.05

（2）Bond payable movement

(Excluding divided into financial liabilities, perpetual capital securities and other financial instruments)

Bond name	Par value	Issuance date	Bond term	Issuance Amount	Beginning Balance
China National Chemical Corp 2007 first period mid-term notes	1,500,000,000.00	2007-4-18	10 years	1,500,000,000.00	1,500,000,000.00
China National Chemical Corp 2011 first period mid-term notes	2,000,000,000.00	2011-4-12	5 years	2,000,000,000.00	2,000,000,000.00
China National Chemical Corp 2011 second period mid-term notes	3,000,000,000.00	2011-11-23	5 years	3,000,000,000.00	3,000,000,000.00
China National Chemical Corp 2012 first period mid-term notes	2,500,000,000.00	2012-8-29	5 years	2,500,000,000.00	2,500,000,000.00
China National Chemical Corp 2014 first period mid-term notes	1,200,000,000.00	2014-5-15	5 years	1,200,000,000.00	1,200,000,000.00
China National Chemical Corp 2014 second period mid-term notes	1,400,000,000.00	2014-10-20	5 years	1,400,000,000.00	1,400,000,000.00
China National Chemical Corp 2015 second period mid-term notes	3,000,000,000.00	2015-11-4	5 years	3,000,000,000.00	
EuroMediumTermNote	4,257,120,000.00	2014-11-18	5 years	4,257,120,000.00	
USPrivatePlacement	814,603,903.56	2012-12-5	12 years	814,603,903.56	
Blue-STAR non-public debt financing instruments-China Merchants bank 600million	600,000,000.00	2013-8-27	3 years	594,600,000.00	596,935,221.73
Blue-STAR non-public debt financing instruments-	380,000,000.00	2013-9-17	3 years	376,580,000.00	377,954,649.32

Bond name	Par value	Issuance date	Bond term	Issuance Amount	Beginning Balance
China Merchants bank 388million					
Blue-STAR non-public debt financing instruments- Hua Xia Bank 10 Billion	1,000,000,000.00	2013-11-13	5 years	1,000,000,000.00	1,000,000,000.00
Blue-STAR non-public debt financing instruments- Nan Jing Bank 5 Billion	500,000,000.00	2015-8-31	3 years	495,500,000.00	
Debentures Series B	2,673,640.00	2006-12-4	2020-2036	9,569,633,271.00	2,973,621,037.38
Debentures Series B	843,846.00	2012-1-16	2020-2036	2,720,689,797.75	843,804,897.23
Debentures Series B	995,516.00	2013-1-7	2020-2036	3,478,772,475.79	1,081,539,226.65
Debentures Series B	832,778.00	2015-2-2	2020-2036	1,053,505,241.60	
Debentures Series B	418,172.00	2015-2-2	2020-2036	595,806,041.60	
Debentures Series D	380,791.00	2006-12-4	2011-2016	716,385,750.00	61,537,891.47
Debentures Series D	786,747.00	2010-3-25	2011-2016	1,445,004,045.38	122,544,077.62
Debentures Series D	888,284.00	2012-1-16	2011-2016	2,023,528,640.66	171,914,272.00
Debentures Series D	842,810.00	2014-2-11	2011-2016	1,985,943,544.02	268,280,519.65
non-public debt financing instruments	1,500,000,000.00	2013-3-29	3 years	1,500,000,000.00	1,525,287,397.53
non-public debt financing instruments	1,500,000,000.00	2013-4-30	3 years	1,500,000,000.00	1,465,472,205.47
BluestarFinanceHoldingsLimited-Issued foreign corporate bonds	3,246,800,000.00	2015-6-11	3 years	3,223,495,471.88	
BluestarFinanceHoldingsLimited-Issued foreign corporate bonds	3,246,800,000.00	2015-6-11	5 years	3,226,948,306.57	
Blue-STAR non-public debt financing instruments	100,000,000.00	2015-11-19	3 years	1,000,000,000.00	
Total	31,753,986,487.56			56,178,116,489.81	22,088,891,396.05

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Bond name	Issued current year	Accrued interest at par	Amortization of premium price and conversion into money	Repay current year	Ending Balance
China National Chemical Corp 2007 first period mid-term notes		64,200,000.00		64,200,000.00	1,500,000,000.00
China National Chemical Corp 2011 first period mid-term notes		82,600,000.00		2,082,600,000.00	
China National Chemical Corp 2011 second period mid-term notes		156,300,000.00		3,156,300,000.00	
China National Chemical Corp 2012 first period		142,135,555.52		142,135,555.52	2,500,000,000.00

Bond name	Issued current year	Accrued interest at par	Amortization of premium price and conversion into money	Repay current year	Ending Balance
mid-term notes					
China National Chemical Corp 2014 first period mid-term notes		106,200,000.00		106,200,000.00	1,200,000,000.00
China National Chemical Corp 2014 second period mid-term notes		119,499,999.96		119,499,999.96	1,400,000,000.00
China National Chemical Corp 2015 second period mid-term notes	3,000,000,000.00	87,440,000.00		87,440,000.00	3,000,000,000.00
EuroMediumTerm Note	4,260,977,775.73	3,592,404.63		49,865,285.96	4,214,704,894.40
USPrivatePlacement	955,850,036.52	28,436,322.62		10,810,728.74	973,475,630.40
Blue-STAR non-public debt financing instruments-China Merchants bank 600million		42,000,000.00	-1,874,738.79	640,809,960.52	
Blue-STAR non-public debt financing instruments-China Merchants bank 388million		26,524,000.00	-1,142,280.33	405,620,929.65	
Blue-STAR non-public debt financing instruments-Hua Xia Bank 10 Billion		77,500,000.00		77,500,000.00	1,000,000,000.00
Blue-STAR non-public debt financing instruments-Nan Jing Bank 5 Billion	495,500,000.00	9,554,166.65	-456,866.67	9,554,166.65	495,956,866.67
Debentures Series B		529,156,320.00	385,687,017.38		3,117,090,340.00
Debentures Series B		164,690,758.40	117,352,953.23		891,142,702.40
Debentures Series B		192,420,480.00	137,242,039.45		1,136,717,667.20
Debentures Series B	1,053,505,241.60	171,036,275.20	131,421,880.00		1,093,119,636.80
Debentures Series B	595,806,041.60	85,518,137.60	59,685,357.60		621,638,821.60
Debentures Series D		95,120,480.00	93,944,240.27	62,714,131.20	

Bond name	Issued current year	Accrued interest at par	Amortization of premium price and conversion into money	Repay current year	Ending Balance
Debentures Series D		191,050,496.00	187,630,772.02	125,963,801.60	
Debentures Series D		218,805,126.40	217,603,238.40	173,116,160.00	
Debentures Series D		197,445,838.18	205,367,125.83	260,359,232.00	
non-public debt financing instruments				1,525,287,397.53	
non-public debt financing instruments				1,465,472,205.47	
BluestarFinanceHoldingsLimited-Issued foreign corporate bonds	3,223,495,471.88				3,223,495,471.88
BluestarFinanceHoldingsLimited-Issued foreign corporate bonds	3,226,948,306.57				3,226,948,306.57
Blue-STAR non-public debt financing instruments	1,000,000,000.00				1,000,000,000.00
Total	17,812,082,873.90	2,791,226,361.16	1,532,460,738.39	10,565,449,554.80	30,594,290,337.92

5.44 Long-term payables

Items	Ending Balance	Beginning Balance
Total	4,162,927,579.57	4,687,465,391.55
Incl：（1）Finance lease payable	3,696,285,074.92	3,952,924,035.74
（2）Long-term payables related to Projected liabilities	44,146,344.20	43,860,992.00
（3）Three type personnel fees	3,378,506.71	33,984,346.30
（4）Relocation compensation	23,563,849.92	23,975,070.44
（5）Tax of heat&power	18,623,109.45	18,623,109.45

5.45 Long-term employee remuneration payable

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
1、After the termination of the welfare - defined benefit plan net debt	553,327,847.93	2,185,461,010.59	124,817,700.44	2,613,971,158.08
2、Termination benefit	189,341,165.68	445,662,320.08	64,471,462.85	570,532,022.91
3、Other long-term benefit	665,840,883.19	198,614,591.41	66,235,902.59	798,219,572.01
Total	1,408,509,896.80	2,829,737,922.08	255,525,065.88	3,982,722,753.00

5.46 Special fund payabes

Top Five as at 31 Dec 2015：

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
Total	898,741,997.92	209,172,870.11	236,417,131.65	871,497,736.38
Include：	301,398,080.51			301,398,080.51

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
(1)Relocation grant				
(2)Appropriation	364,712,426.11	31,147,996.17	162,682,608.38	233,177,813.90
(3)Bond funds	53,050,000.00		1,060,000.00	51,990,000.00
(4) Security funds		50,000,000.00		50,000,000.00
(5)Housing subsidy	33,630,887.78			33,630,887.78

5.47 Projected liabilities

Items	Ending Balance	Beginning Balance
Retirement expenses	251,117,990.23	39,839,520.80
Providing external guarantee	49,496,009.87	50,079,398.14
Pending claims	726,272,442.07	108,394,721.11
Product quality assurance	374,542,350.88	
Others	471,201,975.86	369,624,658.88
Total	1,872,630,768.91	567,938,298.93

5.48 Deferred income

Items/Categroies	Beginning Balance	Current year increase	Current year decrease		Ending Balance
			Reckon into profit and loss	Return	
Government Grants	1,871,757,232.69	681,695,392.74	404,323,533.11		2,149,129,092.32
Total	1,871,757,232.69	681,695,392.74	404,323,533.11		2,149,129,092.32

5.49 Other non-current liabilities

Items/Categories	Ending Balance	Beginning Balance
Cash flow hedge instrument	561,099,085.22	210,859,086.88
Pension and social securities	157,477,964.00	
Special funds	115,958,430.00	
acquisiton of minority shareholder equity payable	45,714,944.00	51,607,646.00
Taxes payables	43,500,671.20	
Others	107,453,197.30	14,590,598.54
Total	1,031,204,291.72	277,057,331.42

5.50 Paid-in Capital

Investors	Beginning Balance		Current year increase	Current year decrease	Ending Balance	
	Amount	Percentage (%)			Amount	Percentage (%)
Total	11,010,025,968.24	100.00	70,000,000.00		11,080,025,968.24	100.00
State-owned Assets Supervision and Administration Committee	11,010,025,968.24	100.00	70,000,000.00		11,080,025,968.24	100.00

5.51 Other equity instruments

Outstanding financial instruments	Beginning		Current year increase	
	Amount	Book Value	Amount	Book Value
Perpetual Capital Securities	30,000,000.00	3,000,000,000.00	50,000,000.00	5,000,000,000.00
Total	30,000,000.00	3,000,000,000.00	50,000,000.00	5,000,000,000.00

（Continued）

Outstanding financial instruments	Current year decrease		Ending	
	Amount	Book Value	Amount	Book Value
Perpetual Capital Securities			80,000,000.00	8,000,000,000.00
Total			80,000,000.00	8,000,000,000.00

5.52 Capital reserve

Items	Beginning Balance	Current year increase	Current year decrease	Ending Balance
Capital premium	2,577,462,772.47			2,577,462,772.47
OthersCapital reserve	18,203,434,856.42	2,975,754,396.36	53,277,672.10	21,125,911,580.68
Total	20,780,897,628.89	2,975,754,396.36	53,277,672.10	23,703,374,353.15
State-owned exclusive capital reserves	2,577,462,772.47	1,771,822,579.7		4,349,285,352.17

5.53 Special reserves

Items	31 Dec 2014	Current year increase	Current year decrease	31 Dec 2015	Remark
safety production cost	165,886,319.29	298,907,021.21	353,016,889.31	111,776,451.19	
Total	165,886,319.29	298,907,021.21	353,016,889.31	111,776,451.19	

5.54 Undistributed profit

Items	Year 2015	Year 2014
Openning balance	-10,828,575,521.91	-6,728,122,553.01
Current year increase	-828,260,430.74	-1,145,613,954.98
Incl： Current year net profit	-828,260,430.74	-1,145,613,954.98
Others adjustment factor		
Current year decrease		2,954,839,013.92
Incl： Current year withdraw surplus reserve		
Withdraw general risk provision		
Cash dividends distributed		
Transfer to paid-in capital		
Other decrease		2,954,839,013.92
Closing balance	-11,656,835,952.65	-10,828,575,521.91

5.55 Operating income、Operating cost

（1）Operating income and cost details

Items	Year 2015		Year 2014	
	Revenue	Cost	Revenue	Cost
Operating income from main business subtotal	249,298,394,313.77	212,325,212,719.09	240,081,920,454.77	210,402,557,444.05
Petroleum processing and petrochemical products	127,399,693,974.83	120,308,969,410.95	125,324,744,081.18	117,641,930,763.34
New chemical materials and specialty chemicals	51,863,673,108.67	39,271,283,935.62	53,116,376,011.45	44,182,196,438.14
Agricultural chemicals	27,134,927,660.86	20,007,385,473.28	31,706,234,056.39	23,615,873,255.81
Tire rubber products	24,464,247,380.57	17,054,888,358.52	11,583,703,239.56	9,260,671,058.59
Chlor alkali and basic chemical products	8,547,962,516.32	7,665,852,036.54	10,106,395,641.96	9,258,868,099.55
Chemical machinery and equipment manufacturing	2,507,488,050.36	1,901,143,640.94	2,934,323,541.97	2,294,311,445.14
Research, development and design services	1,738,219,885.08	1,073,298,038.04	2,125,318,917.16	1,511,110,666.85
Ready, auto parts manufacturing and repair	605,926,694.01	502,773,749.78	729,419,186.02	618,620,218.64
Others	5,036,255,043.07	4,539,618,075.42	2,455,405,779.08	2,018,975,497.99
Other business subtotal	10,954,127,022.03	9,888,452,942.93	17,549,435,885.79	16,592,008,919.75
Selling materials	10,084,303,405.16	9,476,404,384.58	14,988,449,204.50	14,479,108,388.26
Assets rent out	108,293,129.62	45,977,618.68	119,105,172.40	35,089,532.02
Transfer power	56,675,152.69	41,272,711.06	16,823,820.68	11,897,906.55
Technology transfer and technical services	6,117,290.09		1,185,031,637.32	981,558,149.13
processing of materials			4,309,799.36	1,544,258.77
Service charge			117,472.83	130,457.24
Others	698,738,044.47	324,798,228.61	1,235,598,778.70	1,082,680,227.78
Total	260,252,521,335.80	222,213,665,662.02	257,631,356,340.56	226,994,566,363.80

（2）Construction contract

Incl：Top ten largest amount of construction contract in this year

Items	Amount	Total cost	Schedule of the contracted project (%)	Cumulative confirmed contract revenue	Cumulative confirmed contract cost
1、fixed price contract	1,046,461,715.00	877,632,263.90		463,775,322.78	374,867,676.25
Hebei Tangshan Harbor development of methanol	176,218,221.00	153,208,921.00	96.85	149,750,530.49	130,883,202.92

Items	Amount	Total cost	Schedule of the contracted project (%)	Cumulative confirmed contract revenue	Cumulative confirmed contract cost
Hebei Zhongxiang Energy Co. Ltd. Consulting Service Contracts	43,600,000.00	25,263,300.00	76.00	32,132,075.53	19,310,749.66
CNOOC gas (Taizhou)petrochemical Co. Ltd.	46,969,600.00	31,660,437.94	49.59	21,349,370.59	15,700,411.17
Baicheng Zhongtai coal coking 20 tons/year coke oven gas to methanol	449,650,000.00	427,424,003.15	6.70	27,429,667.15	26,351,896.21
SINOPEC-Tianjin branch company	20,313,320.00	2,698,695.05	100.00	17,361,811.95	2,698,695.05
Pucheng Clean energy chemical Co. Ltd.	47,726,774.00	27,906,513.00	100.00	43,892,454.94	27,906,513.00
Shandong Shangneng industrial Co. Ltd.	16,583,800.00	14,747,400.00	87.00	15,657,095.61	14,612,486.60
CNOOC-Ningbo Daxie petrochemical Co. Ltd.	79,600,000.00	64,772,222.22	47.50	33,342,527.76	30,766,805.55
Qinghai salt lake Magnesium Co. Ltd.	149,000,000.00	117,741,367.52	83.31	112,703,846.16	98,090,333.28
Ningbo Fuji petrochemical Co. Ltd.	16,800,000.00	12,209,404.02	70.00	10,155,942.60	8,546,582.81

（Continued）

Items	Aggregate gross profits	The settlement price	The current confirmed contract revenue	The current confirmed contract cost
1、fixed price contract	88,907,646.53	510,843,841.13	173,342,009.97	130,398,113.01
Hebei Tangshan Harbor development of methanol	18,867,327.57	170,674,788.55	33,665,772.18	30,797,865.58
Hebei Zhongxiang Energy Co. Ltd. Consulting Service Contracts	12,821,325.87	33,340,000.00	24,245,283.05	13,567,858.45
CNOOC gas (Taizhou)petrochemical Co. Ltd.	5,648,959.42	23,285,596.06	21,349,370.59	15,700,411.17
Baicheng Zhongtai coal coking 20 tons/year coke oven gas to methanol	1,077,770.94	29,798,816.31	17,797,752.94	17,012,523.47

Items	Aggregate gross profits	The settlement price	The current confirmed contract revenue	The current confirmed contract cost
SINOPEC-Tianjin branch company	14,663,116.90	20,313,320.00	17,361,811.95	2,698,695.05
Pucheng Clean energy chemical Co. Ltd.	15,985,941.94	38,849,076.21	15,482,075.50	9,195,196.78
Shandong Shangneng industrial Co. Ltd.	1,044,609.01	18,090,500.00	13,996,718.25	13,878,938.94
CNOOC-Ningbo Daxie petrochemical Co. Ltd.	2,575,722.21	37,817,540.00	10,596,667.99	9,411,403.88
Qinghai salt lake Magnesium Co. Ltd.	14,613,512.88	126,914,204.00	10,126,512.36	10,809,577.28
Ningbo Fuji petrochemical Co. Ltd.	1,609,359.79	11,760,000.00	8,720,045.16	7,325,642.41

5.56 Sales expense、Management expenses 、Finanical expenses

（1）Sales expense

Items	Year 2015	Year 2014
Transport fees	3,908,407,069.57	3,252,213,513.64
Employee remuneration	2,390,034,492.51	1,645,195,733.52
Advertisement fees	919,446,242.29	491,072,346.36
Depreciation	698,618,347.54	72,653,157.46
Warehousing fees	425,128,463.56	248,543,148.78
Sales service fee	155,519,512.27	93,599,826.12
Consignment fee	153,357,310.69	58,386,731.86
Business fees	125,550,360.80	113,808,772.82
Insurance fees	111,906,476.01	95,586,435.49
Load&Haul	64,188,819.22	45,317,347.86
Others	1,214,697,460.63	2,060,536,769.26
Total	10,166,854,555.09	8,176,913,783.17

（2）Management expenses

Items	Year 2015	Year 2014
Employee remuneration	4,086,237,705.37	3,605,756,770.73
Research&Development expenses	2,295,652,102.34	1,884,867,376.04
Consultant fee	890,932,091.38	408,001,830.09
Tax surcharges	767,460,810.28	378,693,063.73
Depreciation	688,409,327.70	582,618,790.31
Intangible assets amortization	514,912,208.18	830,402,959.46
Intermediary organs	454,190,406.54	81,944,987.97
Repair fees	440,263,850.58	470,533,391.49
Travel fee	204,909,206.26	174,295,315.62
lease rental	192,645,108.12	164,273,948.84
Property Insurance fees	165,994,853.81	160,389,245.01

Items	Year 2015	Year 2014
Administrative expenses	112,687,175.31	87,794,940.35
Environmental expenditure	112,425,109.80	34,177,556.12
Utilities Expense	93,070,234.47	86,517,920.57
Vehicle charge for use	90,911,059.96	64,386,143.20
Business entertainment	88,281,589.28	80,522,021.40
Others	1,212,455,981.26	2,042,377,276.29
Total	12,411,438,820.64	11,137,553,537.22

（3）Finanical expenses

Items	Year 2015	Year 2014
Interest expenses	10,254,195,812.81	9,119,087,095.15
Less：Interest income	2,187,797,325.70	1,371,552,866.95
Foreign exchange loss	3,338,200,154.20	330,923,831.23
Less：Foreign exchange gain	1,777,907,384.75	917,392,472.70
Financial institutions charge	390,510,247.02	351,809,889.05
Fundraising cost	55,534,044.96	192,437,927.49
Others	946,127,006.41	92,243,546.32
Total	11,018,862,554.95	7,797,556,949.59

5.57 Impairment loss

Items	Year 2015	Year 2014
Bad debt loss	2,530,265,029.35	491,498,889.46
Inventories write-down loss	1,095,339,056.66	2,121,068,547.52
Available-for-sale financial assetsImpairment loss	97,990,466.38	4,506,677.86
Held-to-maturity investmentImpairment loss		
Long-term equity investmentImpairment loss	156,892,025.13	2,691,274.08
Invested propertyImpairment loss		
Fixed assetsImpairment loss	198,677,976.57	30,571,162.19
Engineering materials Impairment loss	41,001,800.00	4,531,330.70
Construction in progressImpairment loss	517,437,258.41	17,744,087.12
Productive biological Impairment loss		
Oil & GasImpairment loss		
Intangible assets Impairment loss	424,353,708.49	
Goodwill Impairment loss		
OthersImpairment loss	-1,655,618,999.96	8,021,938.67
Total	3,406,338,321.03	2,680,633,907.60

5.58 Earnings from changes of fair value

Derived from	Year 2015	Year 2014
Financial assets at fair value through P/L	646,688,721.55	-550,888,847.25
Incl：Gain from fair value changes of derivative financial instruments	642,195,938.80	-555,660,205.49
Finanical liabilities at fair value through P/L		

Derived from	Year 2015	Year 2014
Incl： Gain from changes of fair value of derivative financial instruments		
Investment property at fair value		
Others		3,654,369.26
Total	646,688,721.55	-547,234,477.99

5.59 Investment income

Investment income derive from	Year 2015	Year 2014
Long-term equity investment income by cost method		
Long-term equity investment incomewith equity method	-196,639,520.08	-247,777,633.44
Investment income from disposal of long-term equity investment	1,765,388,852.49	1,688,443,037.48
Investment income from period of holding financial assets at fair value through P/L	-158,395,493.00	-166,260,496.18
Investment income during period of holding Held-to-maturity investment	448,767.13	30,555,342.46
Investment income during period of hodling Available-for-sale financial asset	33,153,154.17	67,841,595.98
Investment income from disposal of financial assets at fair value through profit/loss	6,603,861.74	1,943,565.02
Investment income from disposal of Held-to-maturity investment	1,284,697.43	
Investment income from disposal Available-for-sale financial assets	57,758,043.46	401,904,098.40
After losing control, the gains of remeasuring the remaining stake at fair value		
Others	28,335,995.29	4,417,735.67
Total	1,537,938,358.63	1,781,067,245.39

5.60 Non-operation Revenue

（1）Non-operationRevenue categories

Items	Year 2015	Year 2014	Included in the non-recurring gains and losses of the year
Gain from disposal of non-current assets	1,083,116,264.69	428,950,044.24	1,083,116,264.69
Incl：Gain from disposal of fixed assets	426,713,864.59	113,239,182.51	432,669,970.14
Gain from disposal of intangible assets	650,244,863.62	27,394,937.68	650,244,863.62
Gain from disposal of non-monetary assets			
Government Grants（refer to table below）	847,131,693.78	1,028,742,083.69	847,131,693.78
Gain from debt restructuring	6,941,881.06	9,179,777.81	6,941,881.06
Donate receipt	55,689.00	603,378.31	55,689.00
Revenue from compensation for breach of contract	3,027,998.15	117,761,466.12	3,027,998.15
Count gain	3,600,844.17	125,504.08	3,600,844.17
Others	336,685,230.57	225,811,777.30	336,685,230.57

Items	Year 2015	Year 2014	Included in the non-recurring gains and losses of the year
Total	2,280,559,601.42	1,811,174,031.55	2,280,559,601.42

（2）Government Grants Details：

Items	Year 2015	Year 2014	Asset correlation/ Income correlation
Business cost allocation	109,052,448.12	5,897,709.09	Income correlation
Policy comprehensive allowance	23,975,070.44		City planning
Funding for scientific research institutions	34,020,120.33	28,367,066.65	Asset correlation
Lanzhou rail transit compensation	17,285,973.00		Income correlation
Off-season storage allowance	15,160,000.00		Income correlation
Construction project	11,817,413.83	14,999,479.22	Income correlation
Support and development funds of small and medium-sized enterprise	11,003,120.00		Income correlation
Land-transferring fees refund	10,584,598.00		Income correlation
Financial discount	20,580,000.00		Income correlation
Special project funds	9,578,874.25	5,125,117.00	Income correlation
Value-added tax refund	6,706,776.64	11,598,377.27	Income correlation
Others	577,367,299.17	912,754,334.46	
Total	847,131,693.78	1,028,742,083.69	

5.61 Non-operation expenditure

Items	Year 2015	Year 2014	Included in the non-recurring gains and losses of the year
Non-current assets disposal loss	263,559,505.63	169,299,228.96	263,559,505.63
Incl：Disposal loss of fixed assets	242,168,639.73	169,149,842.63	242,168,639.73
Disposal loss of intangible assets	15,925,029.68	149,386.33	15,925,029.68
Loss from debt restructuring	3,716,133.20	17,701,825.26	3,716,133.20
Donate to outside	29,525,061.76	655,937.00	29,525,061.76
Penalty cost	34,179,555.59	284,935,257.92	34,179,555.59
Others	369,900,648.00	202,989,077.32	369,900,648.00
Total	700,880,904.18	675,581,326.46	700,880,904.18

5.62 Other comprehensive income

（1）Other comprehensive income items and relevant tax effect and whether transferred to P/L

Items	Year 2015		
	Pre-tax Amount	Income tax	After-tax value
1、Other comprehensive income that can not be reclassified to P/L	-42,760,560.47	-19,756,595.79	-23,003,964.68

Items	Year 2015		
	Pre-tax Amount	Income tax	After-tax value
(1)、Movement of remeasurement net liabilities and net assets of defined benefit plan	-43,046,515.23	-19,821,210.16	-23,225,305.07
(2)、Share of the other comprehensive income in investee that cannot be reclassified into P/L with using equity method	285,954.76	64,614.37	221,340.39
2、Other comprehensive income will be reclassified into P/L subsequently	-2,435,815,121.43	-557,999,231.22	-1,877,815,890.21
(1)、Share of the other comprehensive income in investee that	-66,956,145.35	-20,569,072.68	-46,387,072.67
will be reclassified into P/L subsequently with using equity method			
Less：Transfer to current period P/L from Prior period other comprehensive income	-66,956,145.35	-20,569,072.68	-46,387,072.67
Subtotal	219,453,606.32	52,476,966.46	166,976,639.86
(2)、Available-for-sale financial assets gain/loss of changes in fair value	46,405,252.28	6,960,787.86	39,444,464.42
Less：Transfer to current period P/L from Prior period other comprehensive income	173,048,354.04	45,516,178.60	127,532,175.44
Subtotal			
(3)、Gain or loss from Held-to-maturity investment reclassified into Available-for-sale financial assets			
Less：Transfer to current period P/L from Prior period other comprehensive income			
Subtotal	-1,046,459,586.78	-321,484,084.76	-724,975,502.02
(4)、Effective portion of gain/loss of cashflow hedging	660,083.20		660,083.20
Adjusted amount for initial recognition amount that items converted to hedged items	-143,825,033.37		-143,825,033.37
Less：Transfer to current period P/L from Prior period other comprehensive income	-901,974,470.21	-321,484,084.76	-580,490,385.45
Subtotal	-1,639,932,859.91	-261,462,252.38	-1,378,470,607.53
(5)、Difference of translation of foreign currency financial statements			
Less：Transfer to current period P/L from Prior period other comprehensive income	-1,639,932,859.91	-261,462,252.38	-1,378,470,607.53

Items	Year 2015		
	Pre-tax Amount	Income tax	After-tax value
Subtotal	-2,478,575,681.90	-577,755,827.01	-1,900,819,854.89

(Continued)

Items	Year 2014		
	Pre-tax Amount	Income tax	After-tax value
1、Other comprehensive income that can not be reclassified to P/L	-69,993,689.62	-23,659,336.41	-46,334,353.21
(1)、Movement of remeasurement net liabilities and net assets of defined benefit plan	-69,889,724.82	-23,659,336.41	-46,230,388.41
(2)、Share of the other comprehensive income in investee that cannot be reclassified into P/L with using equity method	-103,964.80		-103,964.80
2、Other comprehensive income will be reclassified into P/L subsequently	-2,412,808,070.24	-74,149,960.76	-2,338,658,109.48
(1)、Share of the other comprehensive income in investee that	-3,356,297.60		-3,356,297.60
will be reclassified into P/L subsequently with using equity method			
Less：Transfer to current period P/L from Prior period other comprehensive income	-3,356,297.60		-3,356,297.60
Subtotal	90,772,552.68	-5,817,507.70	96,590,060.38
(2)、Available-for-sale financial assets gain/loss of changes in fair value	436,309,439.81	91,212,529.59	345,096,910.22
Less：Transfer to current period P/L from Prior period other comprehensive income	-345,536,887.13	-97,030,037.29	-248,506,849.84
Subtotal			
(3)、Gain or loss from Held-to-maturity investment reclassified into Available-for-sale financial assets			
Less：Transfer to current period P/L from Prior period other comprehensive income			
Subtotal	671,321,278.43	97,292,174.87	574,029,103.56
(4)、Effective portion of gain/loss of cashflow hedging			
Adjusted amount for initial recognition amount that items converted to hedged items	234,172,320.88	74,412,098.34	159,760,222.54
Less：Transfer to current	437,148,957.55	22,880,076.53	414,268,881.02

Items	Year 2014		
	Pre-tax Amount	Income tax	After-tax value
period P/L from Prior period other comprehensive income			
Subtotal	-2,501,063,843.06		-2,501,063,843.06
(5)、Difference of translation of foreign currency financial statements			
Less：Transfer to current period P/L from Prior period other comprehensive income	-2,501,063,843.06		-2,501,063,843.06
Subtotal	-2,482,801,759.86	-97,809,297.17	-2,384,992,462.69

（2）Reconciliation of other comprehensive income items

Items	Movement of remeasurement net liabilities and net assets of defined benefit plan	Share of the other comprehensive income in investee that cannot be reclassified into P/L with using equity method	Share of the other comprehensive income in investee that will be reclassified into P/L subsequently with using equity method	Available-for-sale financial assets FV changes P/L
1、Prior year beginning balance	-5,252,889.44			296,068,935.02
2、Prior yearincease/decrease（”-”for decrease）	-28,509,445.45	-66,101.35	-2,133,951.13	-83,539,111.65
3、Current year31 Dec 2013	-33,762,334.89	-66,101.35	-2,133,951.13	212,529,823.37
4、Current year increase/decrease（”-”for decrease）	305,622,054.01	140,729.35	-20,820,189.22	111,747,185.57
5、Current year31 Dec 2014	271,859,719.12	74,628.00	-22,954,140.35	324,277,008.94

(Continued)

Items	Gain/loss from Held-to-maturity investment reclassified into Available-for-sale financial assets	Effective portion of Casflow hedging gain/loss	Difference of translation of foreign currency financial statement	Others	Total Other comprehensive income
1. Prior year beginning balance		-630,418,123.77	-2,971,582,647.92		-3,311,184,726.11
2. Prior year increase/decrease（”-”for decrease）		331,376,681.00	-957,442,236.58		-740,314,165.16
3. Current year beginning balance		-299,041,442.77	-3,929,024,884.50		-4,051,498,891.27
4. Current year increase/decrease（”-”for decrease）		-363,156,774.64	-1,039,196,772.78		-1,005,663,767.71

Items	Gain/loss from Held-to-maturity investment reclassified into Available-for-sale financial assets	Effective portion of Casflow hedging gain/loss	Difference of translation of foreign currency financial statement	Others	Total Other comprehensive income
5. Current year ending balance		-662,198,217.41	-4,968,221,657.28		-5,057,162,658.98

5.63 Debt restructuring

（1）Debt restructuring when the company as debtor

Debt restructuring method	Gain from debt restructuringAmount	Share increase Amount	Contingent payable Amount
Settling debts Recover the creditor's right using cash lower than book value of creditors' right	5,752,427.11		
Settling debts with non-cash assets	63,797.63		
Debt converted to assets			
Revised other debts terms	1,125,656.32		
Mixed restructuring			
Total	6,941,881.06		

（2）Debt restructuring when the company as creditor

Debt restructuring	Debt restructuring loss Amount	Additions in Long-term equity investment	The proportion of equity for the debtor	Contingent payable Amount
Settling debts Recover the creditor's right using cash lower than book value of creditors' right	3,313,404.29			
Recover the creditor right with non-cash assets				
Creditor rights converted to equity				
Revised other debts terms	401,330.82			
Mixed restructuring	1,398.09			
Total	3,716,133.20			

5.64 Foreign currency translation

Exchange balance included in the current profits and losses of is -1,378,470,607.53.

5.65 Leases

（1）Operating lease（Lessor）

Operating lease-Categories	Ending book value	Beginning book value
Intangible assets	62,700,362.21	62,700,362.21
House and building	42,925,430.62	43,252,613.36
Machineries		1,821,039,153.27
Vehicles		
Total	105,625,792.83	1,926,992,128.84

（2）Finance lease（Lessee）

Minimum payments for subsequent year

Remaining lease period	Minimum payments
<1 years（Include1year）	1,835,374,609.49
1 – 2 years(Include2year）	1,287,746,425.84
2 – 3 years(Include3year）	1,007,699,152.48
>3 years	1,402,861,671.69
Total	5,533,681,859.50

（3）Operating lease（Lessee）

Remaining lease period	Leases payments
<1 years（Include1year）	832,183,455.05
1 – 2 years(Include2year）	693,512,835.02
2 – 3 years(Include3year）	565,490,189.22
>3 years	2,239,967,206.41
Total	4,331,153,685.70

5.67 Income tax

（1）Income tax

Items	Year 2015	Year 2014
Current tax income	2,915,414,021.70	2,134,651,004.34
Deferred tax adjustment	177,106,761.72	-382,898,040.25
Others		35,730,533.40
Total	3,092,520,783.42	1,787,483,497.49

（2）Adjustment process of accounting profit and income tax expenses

Items	Year 2015
Income before tax	3,210,369,205.16
Income tax expenses according to the statutory/applicable tax rate calculation	2,115,430,067.65
Influence of different tax rates applied to subsidiary	236,534,002.36
The effect of adjusting income tax in prior time	-46,354,920.42
The influence of the nontaxable income	-147,422,709.80
Influence of the non-deduction costs, expenses and losses	492,930,482.51
IInfluence of using the preliminary unconfirmed deferred income tax assets' deductible losses	-248,971,055.05
The unconfirmed deferred income tax assets attributable to the deductible temporary difference or deductible losses this year	474,553,127.63
Change of tax rate adjustment lead to the beginning balance of deferred income tax assets/liabilities	215,821,788.54
Income tax	3,092,520,783.42

5.68 Segments

Items	Petroleum processing and petrochemical products		New chemical materials and specialty chemicals	
	Current year	Prior year	Current year	Prior year

Items	Petroleum processing and petrochemical products		New chemical materials and specialty chemicals	
	Current year	Prior year	Current year	Prior year
Operating Revenue	127,992,983,291.80	125,890,489,553.38	53,467,709,523.20	54,521,522,494.45
Incl:Segment revenue from external customer	127,399,693,974.83	125,324,744,081.18	51,863,673,108.67	53,116,376,011.45
Revenue between segments	593,289,316.97	565,745,472.20	1,604,036,414.53	1,405,146,483.00
②Investment income in associate and joint venture	1,925,654.50	-1,225,029.44	165,441,570.24	-271,610,184.10
③Impairment loss	548,607,587.02	1,553,935,931.70	1,403,984,072.09	375,820,162.69
Depreciation&amortiation	1,185,299,584.89	1,124,136,910.71	4,466,250,540.48	4,672,573,809.89
⑤Total profit	1,998,026,904.40	2,333,788,033.55	2,108,067,211.63	579,813,255.53
⑥Income tax	298,055,154.25	296,119,499.26	1,902,677,635.24	777,204,936.53
⑦Net profit	1,699,971,750.15	2,037,668,534.29	205,389,576.39	-197,391,681.00
⑧Total assets	68,559,842,855.06	56,792,384,869.59	138,103,957,993.30	107,410,274,956.31
⑨Total liabilities	79,558,470,071.01	42,136,468,869.48	82,469,192,704.00	85,233,243,927.61
⑩Other significant non-cash Items	3,462,783.42	140,655,226.14	943,674,835.44	1,242,699,974.06
Others non-cash Item other than depreciation & amortization	1,537,128.92	3,423,366.65	6,268,874.22	102,247,919.94
Addition in Associate company & Joint ventureLong-term equity investment	1,925,654.50	5,000,000.00	937,405,961.22	1,140,452,054.12

(Continued)

Items	Chlor alkali and basic chemical products		Tire rubber products	
	Current year	Prior year	Current year	Prior year
① Operating Revenue	9,513,379,008.30	10,360,358,085.82	25,061,176,954.38	11,687,190,777.29
Incl： Segment Revenue from external customer	8,547,962,516.32	10,106,395,641.96	24,464,247,380.57	11,583,703,239.56
Revenue between segments	965,416,491.98	253,962,443.86	596,929,573.81	103,487,537.73
② Investment income in Associate&Joint venture	-2,258,181.62	10,778,000.99	-160,169.14	
③Impairment loss	266,213,491.33	24,543,847.73	339,063,233.02	142,146,626.68
③ Depreciation and amortization	536,317,342.48	343,885,447.03	835,724,643.69	572,237,661.02
⑤Total profit	-1,020,406,066.85	150,475,011.01	74,426,630.69	-40,127,565.19
⑥Income tax	68,820,185.57	50,021,898.22	326,601,028.55	93,055,359.76
⑦Net profit	-1,089,226,252.42	100,453,112.79	-252,174,397.86	-133,182,924.95
⑧Total assets	20,134,838,013.32	14,372,869,651.21	109,754,708,958.45	19,415,777,059.83

Items	Chlor alkali and basic chemical products		Tire rubber products	
	Current year	Prior year	Current year	Prior year
⑨Total liabilities	16,819,377,268.85	11,526,503,146.56	94,863,879,906.07	18,115,861,301.19
⑩Otherssignificant non-cash Items	28,545,018.38	63,398,472.30	211,358,613.58	77,032,642.54
Other non-cash items other depreciation & amortization	32,403,200.00	55,773,276.85		76,915,466.61
Additions in Associate company&Joint ventureLong-term equity investment	-3,858,181.62	7,625,195.45	211,358,613.58	117,175.93

(Continued)

Items	Agricultural chemicals		Chemical machinery and equipment manufacturing	
	Current year	Prior year	Current year	Prior year
① Operating Revenue	27,422,556,528.94	31,989,770,430.93	2,562,406,367.56	2,936,876,271.26
Incl: Segment Revenue from external customers	27,134,927,660.86	31,706,234,056.39	2,507,488,050.36	2,934,323,541.97
Revenue between segments	287,628,868.08	283,536,374.54	54,918,317.20	2,552,729.29
② Investment income in associates&Joint venture		5,824,581.20		6,763,998.33
③Impairment loss	248,083,781.16	496,133,716.67	56,381,226.72	19,915,938.09
③ Depreciation & amortization	1,743,834,124.96	2,066,228,676.27	317,962,104.16	146,652,552.15
⑤Total profit	30,944,496.03	73,987,455.15	6,428,678.37	63,144,379.68
⑥Income tax	412,559,978.53	465,373,484.51	22,170,589.43	27,439,151.64
⑦Net profit	-381,615,482.50	-391,386,029.36	-15,741,911.07	35,705,228.04
⑧Total assets	59,548,080,043.97	67,383,657,893.76	5,780,014,724.38	7,407,263,116.75
⑨Total liabilities	52,987,359,840.24	57,207,230,304.46	4,329,825,548.10	6,230,695,583.44
⑩Other significant non-cash Items	411,350,613.58	148,811,430.84		28,750,692.34
Other Non-cash Items other depreciation & amorization		89,450,595.04		21,720,965.37
Additions in Associate company& Joint ventureLong-term equity investment	411,350,613.58	59,360,835.80		7,029,726.97

(Continued)

Items	Research, development and design services		Ready, auto parts manufacturing and repair	
	Current year	Prior year	Current year	Prior year
① Operating Revenue	1,767,468,404.95	2,154,837,538.55	605,926,694.01	729,419,186.02
Incl： Segment Revenue from external customers	1,738,219,885.08	2,125,318,917.16	605,926,694.01	729,419,186.02
Revenue between segments	29,248,519.87	29,518,621.39		

Items	Research, development and design services		Ready, auto parts manufacturing and repair	
	Current year	Prior year	Current year	Prior year
② Investment income in associate and joint venture				1,690,999.58
③Impairment loss	1,765,570.81	56,893,087.46	233,460.36	8,597,302.62
④ Depreciation & amortization	92,080,096.04	42,289,637.91	28,503,959.47	31,816,341.02
⑤Total profit	22,481,407.46	50,638,333.45	8,016,036.07	4,450,896.24
⑥Income tax	4,805,416.48	17,069,093.27	2,791,338.49	5,307,661.88
⑦Net profit	17,675,990.99	33,569,240.18	5,224,697.58	-856,765.64
⑧Total assets	830,659,458.25	7,270,214,128.75	882,845,104.62	2,118,528,717.96
⑨Total liabilities	746,300,720.02	5,366,530,385.12	570,663,172.45	1,777,324,041.41
⑩Otherssignificant non-cash Items		-12,901,777.40		5,354,670.97
Other non-cash Item other than depreciation&amortiation		-13,106,835.28		3,663,150.69
Long-term equity investment in associates and joint venture		205,057.88		1,691,520.28

(Continued)

Items	Others		Elimination	
	Current year	Prior year	Current year	Prior year
① Operating Revenue	16,345,226,538.27	20,461,343,048.93	-4,486,311,975.60	-3,100,451,046.07
Incl： Segment Revenue from external custmers	15,990,382,065.10	20,004,841,664.87		
Revenue between segments	354,844,473.17	456,501,384.06	-4,486,311,975.60	-3,100,451,046.07
② Investment income in associates & joint venture	47,604,133.57		-409,192,527.63	
③Impairment loss	697,323,038.74	49,048,225.06	-155,317,140.23	-46,400,931.10
③ Depreciation&amortization	170,222,427.45	60,285,916.92		
⑤Total profit	-437,802,815.20	-125,790,380.09	420,186,722.56	-1,078,080,361.42
⑥Income tax	68,499,967.30	67,950,066.76	-14,460,510.42	-12,057,654.34
⑦Net profit	-506,302,782.50	-193,740,446.85	434,647,232.98	-1,066,022,707.08
⑧Total assets	63,717,542,565.94	60,379,088,208.56	-94,798,434,149.63	-70,478,491,326.24
⑨Total liabilities	24,278,961,574.68	31,420,039,362.36	-54,766,874,752.24	-37,365,220,729.82
⑩Otherssignificant non-cash Items	1,898,030,498.51	-8,248,354.62	-211,350,613.58	-44,436,358.22
Addition in other non-cash items other deprecation & amortization	1,898,030,498.51	291,677.41		-44,436,358.22
Long-term equity investment inAssociate company&Joint		-8,540,032.03	-211,350,613.58	

Items	Others		Elimination	
	Current year	Prior year	Current year	Prior year
venture				

(Continued)

Items	Total	
	Current year	Prior year
① Operating Revenue	260,252,521,335.80	257,631,356,340.56
Incl： Segment Revenue from external customers	260,252,521,335.80	257,631,356,340.56
Segment Revenue between segments		
②Investment income in associates&joint venture	-196,639,520.08	-247,777,633.44
③Impairment loss	3,406,338,321.02	2,680,633,907.60
④Depreciation& amortization	9,376,194,823.62	9,060,106,952.92
⑤Total profit	3,210,369,205.16	2,012,299,057.91
⑥Income tax	3,092,520,783.42	1,787,483,497.49
⑦Net profit	117,848,421.74	224,815,560.42
⑧Total assets	372,514,055,567.64	272,071,567,276.48
⑨Total liabilities	301,857,156,053.19	221,648,676,191.81
⑩Otherssignificant non-cash Items	2,873,713,135.75	1,641,116,618.95
Other non-cash Items other depreciation& amortization	1,526,881,088.07	315,165,199.28
Additions in Long-term equity investment for associate and joint venture	1,346,832,047.68	1,325,951,419.67

5.69 Supplement to Consolidated Cash Flow Statement

（1）Reconciliation of net profit to cash flow from operating activities by indirect method

Items	Current yearAmount	Prior yearAmount
1、Reconciliation of net profit to cash flow from operating activities：		
Net profit	117,848,421.74	224,815,560.42
Add：Assets Impairment provision	3,406,338,321.03	2,680,633,907.60
Fixed assets depreciation, depletion of oil and gas assets, productive biological assets depreciation	8,115,096,699.50	7,318,321,455.15
Intangible assets amortization	1,050,663,419.09	1,558,570,651.68
Long-term deferred expenses amortiztion	210,434,705.03	183,214,846.09
Loss from disposal of fixed assets、intangible and Other long-term assets(“-“ for income)	-865,736,856.51	-259,803,618.74
Fixed assets scrap loss（ “—”for income）	40,915,692.16	192,948.20
FV change loss（ “—”for income）	-646,688,721.55	547,234,477.99
Finanical expenses（ “—”income）	10,254,195,812.81	9,169,109,816.54
Investment loss（”-”for income）	-1,537,938,358.63	-1,781,067,245.39
Deferred tax assets decrease（”-”for increase）	-692,155,229.97	-139,793,723.72
Deferred tax liabilities increase（”-”for decrease）	47,968,644.28	-243,104,316.53

Items	Current yearAmount	Prior yearAmount
Inventories decrease（”-”for increase）	-3,724,908,573.94	-1,659,885,283.42
Operating income items decrease（”-”for increase）	-4,243,831,183.54	-5,294,001,808.00
Operating income items increase（”-”for decrease）	10,797,133,380.73	-795,234,484.40
Others		49,068,972.16
Net cashflow from operating activities	22,329,336,172.23	11,558,272,155.63
2、Investment and financing activities that do not involve cash payments.：		
Debt transfer to assets	1,771,822,579.70	
Due within1 year and can converted to coporate bond		
Fixed assets by financing lease		20,641,748.88
3、Cash and cash equivalents movement：		
Cash at 31 Dec 2014	29,000,663,337.65	12,355,891,957.51
Less: cash at the beginning of the period	12,355,891,957.51	16,252,263,168.56
Add:Cash equivalents at 31 Dec 2014		
Less: cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	16,644,771,380.14	-3,896,371,211.05

（2）Net cash of current year acquisition and disposal of subsidiaries:

Items	Amount
1、Cash and cash equivalents paid for acquisition of subsidiaries this year	52,000,450,624.43
Less：Cash and cash equivalents held by subsidiaries in acquisition date	4,037,932,481.05
Cash and cash equivalents paid for acquisition of subsidiaries in prior time	
Net cash from subsidiaries and other business sector payents	47,962,518,143.38
2、Cash and cash equivalents received from disposal of subsidiaries this year:	1,504,322,678.50
Less：Cash and cash equivalents held by subsidiaries in th date of losing control	123,017,293.09
Cash and cash equivalents received from disposal of subsidiaries in prior time	
Net cash from Disposal of subsidiaries and other business sector	1,381,305,385.41

（3）Cash and cash equivalents composition:

Items	Ending Balance	Beginning Balance
1、Cash	29,000,663,337.65	12,355,891,957.51
Incl：Petty cash	1,009,825,743.99	9,373,104.56
Bank deposit can be readily made payments	27,690,655,634.80	11,023,001,013.02
Cash can be readily made payments	300,181,958.86	1,323,517,839.93
Deposit in the central bank can be readily made payments		
2、Cash equivalents		
Incl： Bond investment due within 3 months		
3、Cash and cash equivalents at the end of the period	29,000,663,337.65	12,355,891,957.51

Items	Ending Balance	Beginning Balance
Incl： Cash and cash equivalents use restricted in parent company or subsidiaries of group		

5.70 Foreign currency monetary item

Items	31 Dec 2015	Exchange rate	31 Dec 2014
Monetary funds			
Inc： EUR	1,163,146,610.77	7.0952	8,252,757,832.72
USD	518,882,676.45	6.4936	3,369,416,547.79
EGP	1,566,302,660.24	0.8296	1,299,404,686.94
BRL	746,460,597.72	1.6861	1,258,607,213.82
PESO	1,467,269,448.32	0.4999	733,487,997.22
TRY	181,374,323.92	2.2217	402,959,335.45
GBP	31,132,896.19	9.6154	299,355,250.03
AUD	63,032,365.41	4.7276	297,991,810.71
RUB	2,334,568,344.95	0.0891	208,010,039.54
NOK	304,964,250.20	0.7375	224,911,134.52
MXN	423,903,541.17	0.3743	158,667,095.46
NIS	85,070,528.59	1.6658	141,710,486.53
PLN	77,918,530.03	1.6728	130,342,117.03
CHF	14,985,877.31	6.5531	98,203,952.60
ZAR	50,186,295.84	0.4209	21,123,411.92
SGD	340,439.00	4.8095	1,637,341.37
AED	3,825.00	1.7671	6,759.16
HKD	99.99	0.8373	83.72
Others	759,257,828.55		759,257,828.55
Accounts receivable			
Inc： RUB	4,990,718,361.20	0.0891	444,673,005.98
JPY	1,550,689,170.00	0.0539	83,582,146.26
BRL	1,532,846,897.36	1.6861	2,584,533,153.64
EUR	1,365,233,935.87	7.0952	9,686,607,821.75
USD	634,142,866.00	6.4936	4,117,870,114.63
PESO	564,974,858.24	0.4999	282,430,931.63
MXN	358,861,692.80	0.3743	134,321,931.62
TRY	124,113,878.40	2.2217	275,743,803.64
AUD	111,286,362.55	4.7276	526,117,407.59
NOK	69,457,907.93	0.7375	51,225,207.10
GBP	21,830,608.80	9.6154	209,910,035.86
NIS	4,723,540.12	1.6658	7,868,473.13
Others	1,872,393,474.96		1,872,393,474.96
Long-term loans			
Inc： USD	3,942,594,937.60	6.4936	25,601,634,486.80

Items	31 Dec 2015	Exchange rate	31 Dec 2014
EUR	938,916,409.23	7.0952	6,661,799,706.76
BRL	325,467,115.18	1.6861	548,770,102.91
RON	226,225,000.00	1.5652	354,087,370.00
Others	5,928,656.82		5,928,656.82

5.71 Assets with restricted ownership

Items	Ending Carrying amount	Resticted reason
Monetary funds	9,861,361,179.63	Deposit
Notes receivable	140,639,738.32	Pledge
Accounts receivable	829,038,927.55	Pledge
Fixed assets	2,901,581,819.89	Guaranteed mortgage
Intangible assets	426,650,217.72	Mortgage loans
Construction in progress	108,442,073.80	Mortgage loans
Others	148,908,189.77	Pledge loans, Mortgage loans

6、Approval of Financial statements

Financial statements for current year have been approved by the Management Administration of The Company on April 18, 2016.

In order to have a better understanding of the consolidated financial position of the Company and its subsidiaries as at 31 December 2015 and of its consolidated financial performance and its consolidated cash flows for the year ended.This report should be read in conjunction with the Chinese report of Ruihua Audit.

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