

IMPORTANT NOTICE

NOT FOR DISTRIBUTION IN THE UNITED STATES

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The materials relating to the offering of securities to which this Offering Circular relates do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and the underwriters or any affiliate of the underwriters is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer (as defined in this Offering Circular) in such jurisdiction.

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You are responsible for protecting against viruses and other destructive items. Your use of this electronic mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

CNAC (HK) Finbridge Company Limited

(incorporated with limited liability in Hong Kong)

U.S.\$200,000,000 3.375 per cent. Guaranteed Bonds due 2024
(to be consolidated and form a single series with the US\$900,000,000 3.375 per cent.
Guaranteed Bonds due 2024)

unconditionally and irrevocably guaranteed by



China National Chemical Corporation Limited

(a company incorporated with limited liability in the People's Republic of China)

Issue Price: 102.911%, plus accrued interest from (and including)
19 December 2019 to (but excluding) the Issue Date

The U.S.\$200,000,000 3.375 per cent. Guaranteed Bonds due 2024 (the “**Additional Bonds**”) will be issued by CNAC (HK) Finbridge Company Limited (the “**Issuer**”) and unconditionally and irrevocably guaranteed by China National Chemical Corporation Limited (the “**Guarantor**” or the “**Company**”) and such guarantee, the “**Guarantee of the Bonds**”). The Additional Bonds will be constituted by a trust deed dated 19 June 2019 (the “**Original Trust Deed**”), as supplemented by a supplemental trust deed to be dated 9 March 2020 (together with the Original Trust Deed, the “**Trust Deed**”), made between the Issuer, the Guarantor and The Hongkong and Shanghai Banking Corporation Limited (the “**Trustee**”). The Additional Bonds offered hereby shall constitute a further issuance of, and form a single series with, the Issuer's US\$900,000,000 3.375 per cent. Guaranteed Bonds due 2024 (the “**Existing Bonds**”, and together with the Additional Bonds, the “**Bonds**”), which were issued on 19 June 2019 on the Fungible Date (as defined in the Terms and Conditions of the Bonds), subject to satisfaction of certain conditions as described in the Terms and Conditions of the Bonds. The terms and conditions for the Additional Bonds are the same as those for the Existing Bonds in all respects except for the issue date and the issue price, the date of the first payment of interest on them, the timing for reporting to NDRC, certain temporary securities law transfer restrictions and any limitations associated with the registration of the applicable Guarantee of the Bonds with SAFE (as defined below) and any related rights. The total principal amount of the Additional Bonds to be issued is US\$200,000,000. Upon the issue of the Additional Bonds, the aggregate principal amount of the outstanding Bonds will be US\$1,100,000,000. The Bonds 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 Bonds bear interest from and including 19 June 2019 at the rate of 3.375 per cent. of their outstanding principal amount per annum. Interest on the Bonds is payable semi-annually in arrears on each Interest Payment Date (as defined in the Terms and Conditions of the Bonds) on 19 June and 19 December in each year commencing the first interest payment date on 19 December 2019. 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 Bonds will mature on 19 June 2024 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 Additional 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 Additional 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 Additional 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 Guarantor has caused the issuance of the Bonds to be registered with NDRC and obtained a certificate from NDRC on 10 April 2019 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 an amended and restated deed of guarantee with the Trustee to be effective on 9 March 2020 in connection with the Bonds (the “**Deed 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 Deed 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 Deed 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 Existing Bonds have been and the Additional Bonds are expected to be assigned a rating of “Baa2” by Moody's Investors Service, Inc. (“**Moody's**”) and “A-” by Fitch Ratings Ltd. (“**Fitch**”) upon issuance. Additionally, the Guarantor has been assigned a corporate credit rating of “Baa2” with stable outlook by Moody's, “BBB” with stable outlook by McGraw Hill Companies, Inc. (“**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 Moody's 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”.

The Existing Bonds are listed on the Singapore Exchange Securities Trading Limited, or the SGX-ST. Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the Additional 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 of the Issuer and the Guarantor accepts full responsibility for the information contained in this Listing Particulars. To the best knowledge of each of the Issuer and the Guarantor, having taken all reasonable care to ensure that such is the case, the information contained in this Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

Upon issue and until consolidation with the Existing Bonds, the Additional Bonds will be evidenced by a temporary global certificate (the “**Temporary Global Certificate**”) and identified by a temporary ISIN and a temporary Common Code. The Temporary Global Certificate will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A. On the Fungible Date (as defined in the Terms and Conditions of the Bonds), subject to satisfaction of certain conditions as described in the Terms and Conditions of the Bonds, the Additional Bonds will be issued in registered form and initially represented by interests in one or more global certificates (the “**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.

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

China CITIC Bank International

Offering Circular dated 3 March 2020

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 China CITIC Bank International Limited (the “**Sole Lead Manager**”), 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 Sole Lead Manager 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 Sole Lead Manager, 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 Sole Lead Manager, 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 Sole Lead Manager, 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 Sole Lead Manager, 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 Sole Lead Manager, 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 Sole Lead Manager, 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 Sole Lead Manager, the Trustee, the Agents or on any person affiliated with the Sole Lead Manager, the Trustee or the Agents or any director or adviser to the Sole Lead Manager, 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 Sole Lead Manager, 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 Sole Lead Manager, 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 Sole Lead Manager, 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 Sole Lead Manager, the Trustee or the Agents.

Section 309B Notification in respect of the Bonds – The Bonds are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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.

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Bonds (a “**distributor**”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS

The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”) or in the United Kingdom (the “**UK**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) a customer within the meaning of Directive 2002/92/EC (as amended or superseded, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

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 at 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 Sole Lead Manager, 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 2016, 2017 and 2018 (the “**Group Financial Information**”), together with the independent auditors’ reports thereon issued by Ruihua Certified Public Accountants, as contained in the 2017 and 2018 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 Sole Lead Manager, 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 (“**IFRSs**”).

Certain items in the Group’s audited consolidated financial statements as at and for the year ended 31 December 2017 have been restated to reflect (i) the change in accounting policies of a subsidiary of the Group; (ii) the updated scope of consolidation given the completion of various acquisitions; and (iii) the adjustment in relation to severance package. 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 2018 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 Limited itself, or to China National Chemical Corporation Limited and its consolidated subsidiaries, as the context requires;
- the “Issuer” refers to CNAC (HK) Finbridge Company Limited, our indirectly wholly-owned subsidiary;
- “ADAMA” refers to ADAMA Agricultural Solutions Ltd., one of our subsidiaries;
- “Bluestar” refers to China National Bluestar (Group) Co., Ltd., one of our subsidiaries;
- “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;
- “CCPC” refers to ChemChina Petrochemical Co., Ltd., one of our subsidiaries;
- “CNAC” refers to China National Agrochemical Co., Ltd., one of our subsidiaries;
- “CNRC” refers to China National Tire & Rubber Co., Ltd., one of our subsidiaries;
- “KraussMaffei” refers to Krauss Maffei Group GmbH, one of our subsidiaries;
- “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;
- “Pirelli” refers to Pirelli & C. S.p.A., one of our subsidiaries;
- “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;
- “Qenos” refers to Qenos (Australia) Pty Ltd., one of our subsidiaries;
- “SAFE” refers to the State Administration of Foreign Exchange 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;
- “SAMR” refers to the State Administration for Market Regulation of the People’s Republic of China or its competent local counterpart;
- “Syngenta” refers to Syngenta AG, one of our subsidiaries;

- “Syngenta Group” refers to Syngenta Group Co., Ltd., one of our wholly-owned subsidiaries;
- “SAT” refers to the State Administration of Taxation of the People’s Republic of China;
- “Sinochem Group” refers to Sinochem Group Co., Ltd.;
- “CNY”, “RMB” or “Renminbi” refers to the legal currency of China;
- “EC Treaty”, the “Treaty on European Union” and the “Treaty on the Functioning of the European Union”;
- “Euro” or “C” refers to Euro, the legal currency of the member states of the European Union that adopt the single currency in accordance with the EC Treaty; 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 RMB6.8755 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 31 December 2018. 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 Euro, 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. 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 interest rates and foreign currency exchange rates;
- obtaining governmental permits and approvals;
- impacts of natural disasters, epidemics and safety accidents;
- macroeconomic policies implemented by the PRC government; 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.

CONTENTS

Clause	Page
SUMMARY.....	1
SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP	4
CORPORATE STRUCTURE.....	9
THE OFFERING	10
RISK FACTORS.....	15
TERMS AND CONDITIONS OF THE BONDS.....	42
SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM	64
USE OF PROCEEDS	65
CAPITALISATION AND INDEBTEDNESS.....	66
DESCRIPTION OF THE ISSUER.....	67
DESCRIPTION OF THE GROUP.....	68
SENIOR MANAGEMENT OF THE COMPANY.....	94
PRC LAWS AND REGULATIONS	97
TAXATION.....	100
SUBSCRIPTION AND SALE	103
RATINGS	110
LEGAL MATTERS.....	111
INDEPENDENT AUDITORS.....	112
GENERAL INFORMATION	113
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS	F-1

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, including the Group Financial information and the independent auditors' reports thereon incorporated by reference herein.

OVERVIEW

Our Group was established in 2004 by the SASAC through the merger of Bluestar and Haohua Chemical following the restructuring of several state-owned enterprises under the former Ministry of Chemical Industry. As the only central state-owned enterprise focusing on the chemical industry, we rank 167th on the 2018 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 RMB445.8 billion (US\$64.8 billion) in revenues in 2018 and RMB798.8 billion (US\$116.2 billion) in assets as at 31 December 2018. As at 31 December 2018, our Group comprised approximately 92 operating entities, including 12 entities overseas, and had controlling interests in seven listed companies on the Shenzhen stock exchange and/or the Shanghai stock exchange, with approximately 86,000 employees that were based overseas. As at 31 December 2018, we had production sites, research and development centres and a distribution network in China and more than 150 overseas countries and regions, 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. Our key subsidiary engaged in oil processing and fundamental chemical products is CCPC.

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 automobile, aerospace, electronic products, materials and military application, for example, feed additives, solar panels, mechanical components, artificial body parts, medicine, fibre optic cable, and mortar and concrete. We conduct our new chemical materials and specialty chemicals business primarily through our subsidiary, Bluestar.

Agrochemicals: We are a leading provider of integrated solutions to farmers across the full chain from planting to selling, with the crop protection business ranking first and the seed business ranking third through our subsidiaries, Syngenta and ADAMA, which are globally prominent players. The crop protection business offers a comprehensive range of products, including herbicide, insecticide, fungicide, seed treatment, plant growth regulators, dietary supplements, food additives, aromatic products and environment protection services, and has the capacity of producing more than 200 active ingredients. The seed business mainly covers the research, development and breeding of conventional hybrid seed with over 500 new products introduced each year. CNAC has a global footprint of nearly 130 production and supply sites as well as over 140 research bases in 120 countries and regions, and its products are sold to over 130 countries and regions worldwide. We follow the fundamental principles of development and growth driven by technology leadership, environment safety and sustainability, and are committed to the welfare of growers around the world, as well as contributing to world food safety and security.

Tyre and Rubber Products: We are well-reputed for our production expertise and application knowledge in the tyre and 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 tyre and rubber products marketed under a number of well-recognised brand names and trademarks. We conduct our tyre and rubber products business primarily through our subsidiary CNRC.

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 electrolyzers, large drying equipment and axle gears. Our key subsidiaries engaged in chemical equipment manufacturing are Guilin Rubber Machinery, Sanming Double-Wheel Chemical Engineering Machinery Co. Ltd. and KraussMaffei.

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” industrial development plan under our strategy of “New Science, New Future” which is expected to make our business portfolio more competitive, advanced, and focused. The “3+1” plan 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 enhanced government support
- A market leader in the chemical industry
- Diversified product portfolio and global presence
- Significant contribution from businesses of high profitability 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 business 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” industrial development plan under our strategy of “New Science, New Future” 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 DEVELOPMENT

Proposed Consolidation of Agricultural Assets by the Company and Sinochem Group

On 5 January 2020, we announced the renaming of our wholly owned subsidiary, China Chemical (Shanghai) Agricultural Technology Corporation Ltd., to Syngenta Group Co., Ltd., for the purpose of consolidating our agricultural assets. Subsequently, we proposed to inject 100% of Syngenta’s shares and 74.02% of ADAMA’s shares held by us into Syngenta Group. Meanwhile, Syngenta Group intends to acquire major agricultural assets from Sinochem Group. This move aims to further deepen the reform of state-owned enterprises and optimize resource allocation.

Performance of the Group for the Nine Months Ended 30 September 2019

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, we recorded an increase in net profit for the nine months ended 30 September 2019 compared to the same period in 2018 and an increase in total assets as at 30 September 2019 compared to 31 December 2018. 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. None of the Sole Lead Manager, the Trustee, the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers makes any representation or warranty, express or implied, regarding the sufficiency of the unaudited and unreviewed financial statements for an assessment of, and potential investors must exercise caution when using such data to evaluate, our financial condition and results of operations. Such information should not be taken as an indication of the expected financial condition, results of operations and results of the Issuer, the Guarantor or the Group for these periods or the full financial year ending 31 December 2019. 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 nine months ended 30 September 2019 contained in this Offering Circular has not been audited or reviewed”.

Bonds Offering in June 2019

On 19 June 2019, the Issuer issued U.S.\$300,000,000 3.125 per cent. Guaranteed Bonds due 2022, U.S.\$900,000,000 3.375 per cent. Guaranteed Bonds due 2024, U.S.\$900,000,000 3.875 per cent. Guaranteed Bonds due 2029 and U.S.\$200,000,000 4.75 per cent. Guaranteed Bonds due 2049, each series unconditionally and irrevocably guaranteed by us.

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 2016, 2017 and 2018, which has been derived from the Group's audited consolidated financial statements for the years ended 31 December 2017 and 2018, 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 ("IFRSs"). 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 2017 have been restated to reflect (i) the change in accounting policies of a subsidiary of the Group; (ii) the updated scope of consolidation given the completion of various acquisitions; and (iii) the adjustment in relation to severance package. 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 2018 included in this Offering Circular.

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE GROUP

	For the Year Ended 31 December			
	2016	2017	2018	2018
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
Total operating income.	300,127,176	392,164,583	445,813,565	64,840,894
Total operating costs	(303,363,762)	(393,538,865)	(451,972,963)	(65,736,741)
Operating cost	(249,495,633)	(317,079,338)	(342,306,942)	(49,786,480)
Operating taxes and surcharges	(2,014,239)	(3,288,890)	(11,471,111)	(1,668,404)
Sale expenses	(16,160,636)	(27,966,900)	(33,214,200)	(4,830,805)
General and administrative expenses	(14,963,543)	(20,432,933)	(23,662,645)	(3,441,589)
Research and development expenses	(3,456,292)	(9,540,809)	(13,213,686)	(1,921,851)
Financial expenses – net	(13,334,300)	(11,677,461)	(22,227,369)	(3,232,837)
Interest expense	(11,886,191)	(14,367,538)	(19,083,731)	(2,775,614)
Interest income	2,849,626	2,583,548	2,872,966	417,856
Foreign exchange (loss)/gain	(786,118)	2,188,568	(3,469,168)	(504,570)
Asset impairment loss	(3,939,119)	(3,552,534)	(5,472,396)	(795,927)
Credit impairment losses	–	–	(404,614)	(58,849)
Other income	–	1,015,766	1,205,082	175,272
(Losses)/gains arising from changes in fair value	110,573	(1,105,725)	46,331	6,739
Investment income/(loss)	5,929,094	(3,233)	2,875,145	418,172
Net exposure hedging gain	–	–	645,798	93,927
Asset disposal gain	–	644,286	2,603,024	378,594
Operating Profit/loss.	2,803,082	(823,187)	1,215,982	176,857
Non-operating income	3,442,444	2,069,487	1,402,200	203,942
Government grants	969,594	504,389	706,725	102,789
Debt reorganisation gains	41,727	7,203	63,168	9,187
Non-operating expenses	(1,091,559)	(1,000,307)	(1,190,344)	(173,128)
Losses from disposal of non-current assets	(331,743)	–	–	–
Debt reorganisation losses	(206,615)	(2,469)	(5,676)	(826)
Total (loss)/profit	5,153,966	245,994	1,427,837	207,670
Income tax expenses	(2,611,472)	440,750	(2,838,483)	(412,840)
Net (loss)/profit	2,542,494	686,744	(1,410,646)	(205,170)
Attributable to:				
Owners of our Company	119,085	(6,901,027)	(14,602,536)	(2,123,851)
Non-controlling interests	2,423,409	7,587,771	13,191,890	1,918,681

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE GROUP

	For the Year Ended 31 December			
	2016	2017	2018	2018
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
Net (loss)/profit	2,542,493.8	686,743.8	(1,410,646.0)	(205,170)
Other comprehensive income after tax net value	1,283,122	(9,868,145)	3,095,531	450,226
Total comprehensive (loss)/profit	3,825,615	(9,181,402)	1,684,885	245,056
Attributable to equity holders of the Company	1,297,498	(5,200,766)	2,719,179	395,488
Attributable to equity holders of the				
Minority Interests	2,528,117	(3,980,635)	(1,034,294)	(150,432)

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE GROUP

	As at 31 December			
	2016	2017	2018	2018
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
Current assets				
Cash and cash equivalents	48,507,376	87,449,465	71,356,447	10,378,365
Financial assets held for trading	—	—	267,163	38,857
Financial assets at fair value through profit or loss	841,096	410,866	136,698	19,882
Derivative financial assets	423,892	1,244,106	2,448,731	356,153
Note receivables and account receivables	32,739,566	58,699,783	59,932,994	8,716,892
Advance to suppliers	6,462,988	5,833,747	6,870,790	999,315
Other receivables	23,416,940	32,322,768	28,343,357	4,122,370
Inventories	41,313,752	77,620,045	81,372,884	11,835,195
Including: Raw material	12,904,108	15,181,688	18,275,574	2,658,072
Finished products	19,789,647	44,935,845	42,354,093	6,160,147
Assets classified held-for-sale	114,789	403,297	1,124,538	163,557
Non-current assets due within one year	3,573	35,546	56,414	8,205
Other current assets	10,806,613	9,865,128	10,912,191	1,587,112
Total current assets	164,630,586	273,884,751	262,822,208	38,225,905
Non-current assets				
Available-for-sale financial assets	2,853,981	4,232,884	1,578,244	229,546
Held-to-maturity investment	—	—	—	—
Long-term receivables	4,443,492	8,657,498	4,657,672	677,430
Long-term equity investments	11,440,074	10,306,494	10,274,021	1,494,294
Other equity instrument investment	—	—	1,475,514	214,605
Other non-current financial assets	—	—	947,122	137,753
Investment properties	541,943	588,578	655,453	95,332
Net book value of fixed assets	92,863,703	120,938,649	122,160,411	17,767,495
Construction in progress	8,461,471	15,519,885	12,604,127	1,833,194
Intangible assets	58,395,565	178,565,159	184,306,234	26,806,230
Development expenditure	329,040	1,014,196	1,025,211	149,111
Goodwill	27,212,881	166,367,077	179,173,134	26,059,652
Long-term deferred expenses	457,334	428,376	403,369	58,668
Deferred tax assets	2,772,207	10,200,115	9,959,844	1,448,599
Other non-current assets	3,231,004	5,857,639	6,806,339	989,941
Total non-current assets	213,011,293	522,676,551	536,026,693	77,961,849
TOTAL ASSETS	377,641,879	796,561,302	798,848,901	116,187,754
Current liabilities				
Short-term loans	49,785,793	154,603,723	63,681,793	9,262,133
Financial liabilities at fair value through profit or loss	747,718	—	—	—
Derivative financial liabilities	647,947	2,947,918	3,810,189	554,169
Note payables and account payables	39,500,901	61,672,330	62,647,639	9,111,721
Advance from customers	6,289,156	7,824,195	7,597,731	1,105,044
Contract liabilities	—	—	1,424,852	207,236
Employee benefits payables	4,990,803	9,203,865	8,882,754	1,291,943
Taxes and surcharges payables	3,638,004	8,048,362	12,133,062	1,764,681
Other payables	9,665,755	23,815,986	16,219,321	2,359,002
Liabilities held for sale	—	—	14,461	2,103
Non-current liabilities due within one year	17,351,017	18,518,313	43,478,692	6,323,713
Other current liabilities	6,673,492	18,176,396	11,095,374	1,613,755
Total current liabilities	139,290,587	304,811,089	230,985,869	33,595,501

	As at 31 December			
	2016	2017	2018	2018
	(Audited)	(Audited)	(Audited)	(Unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
Non-current liabilities				
Long-term borrowings	91,339,876	97,734,316	120,820,205	17,572,570
Securities payables	47,425,612	114,360,066	196,229,702	28,540,426
Long-term payables	2,530,156	4,406,324	1,321,249	192,168
Long-term employee benefits payable	5,277,256	8,456,289	8,221,168	1,195,719
Special fund payables	360,477	—	—	—
Projected liabilities	2,634,211	11,662,657	5,053,815	735,047
Deferred income	2,176,163	2,806,769	2,804,199	407,854
Deferred tax liabilities	13,548,148	38,486,261	38,495,360	5,598,918
Other non-current liabilities	1,215,447	2,642,788	1,950,033	283,621
Total non-current liabilities	166,507,346	280,555,469	374,895,731	54,526,323
Total liabilities	305,797,932	585,366,558	605,881,600	88,121,824
Owners' equity				
Paid-in capital	11,580,026	11,580,026	11,592,026	1,685,990
Other equity instruments	10,500,000	12,900,000	12,900,000	1,876,227
Including: Perpetual Bond	10,500,000	12,900,000	12,900,000	1,876,227
Capital reserves	19,011,731	23,619,188	21,159,357	3,077,501
Other comprehensive income	(3,897,641)	(9,052,811)	(5,759,083)	(837,624)
Including: Difference from foreign currency financial statements translation	(3,933,208)	(9,263,895)	(6,694,890)	(973,731)
Special reserves	76,472	76,046	94,287	13,713
Undistributed profits	(13,209,402)	(22,295,108)	(37,545,752)	(5,460,803)
Total equity attributable to equity holders of the Company	24,061,186	16,827,341	2,440,834	355,005
Minority interests	47,782,760	194,367,403	190,526,467	27,710,925
Total owners' equity	71,843,946	211,194,744	192,967,301	28,065,930
TOTAL LIABILITIES AND OWNERS' EQUITY . .	377,641,879	796,561,302	798,848,901	116,187,754

Other Financial Data

	For the Year Ended 31 December			
	2016	2017	2018	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
EBITDA ⁽¹⁾	26,649,211	39,259,155	50,508,333	7,346,132
EBITDA margin ⁽²⁾	8.9%	10.0%	11.3%	11.3%
Total debt ⁽³⁾	209,854,158	383,450,312	417,512,189	60,724,629
Net debt ⁽⁴⁾	161,346,782	296,000,847	346,155,742	50,346,265
Total debt/EBITDA	7.9	9.8	8.3	8.3
Net debt/EBITDA	6.1	7.5	6.9	6.9

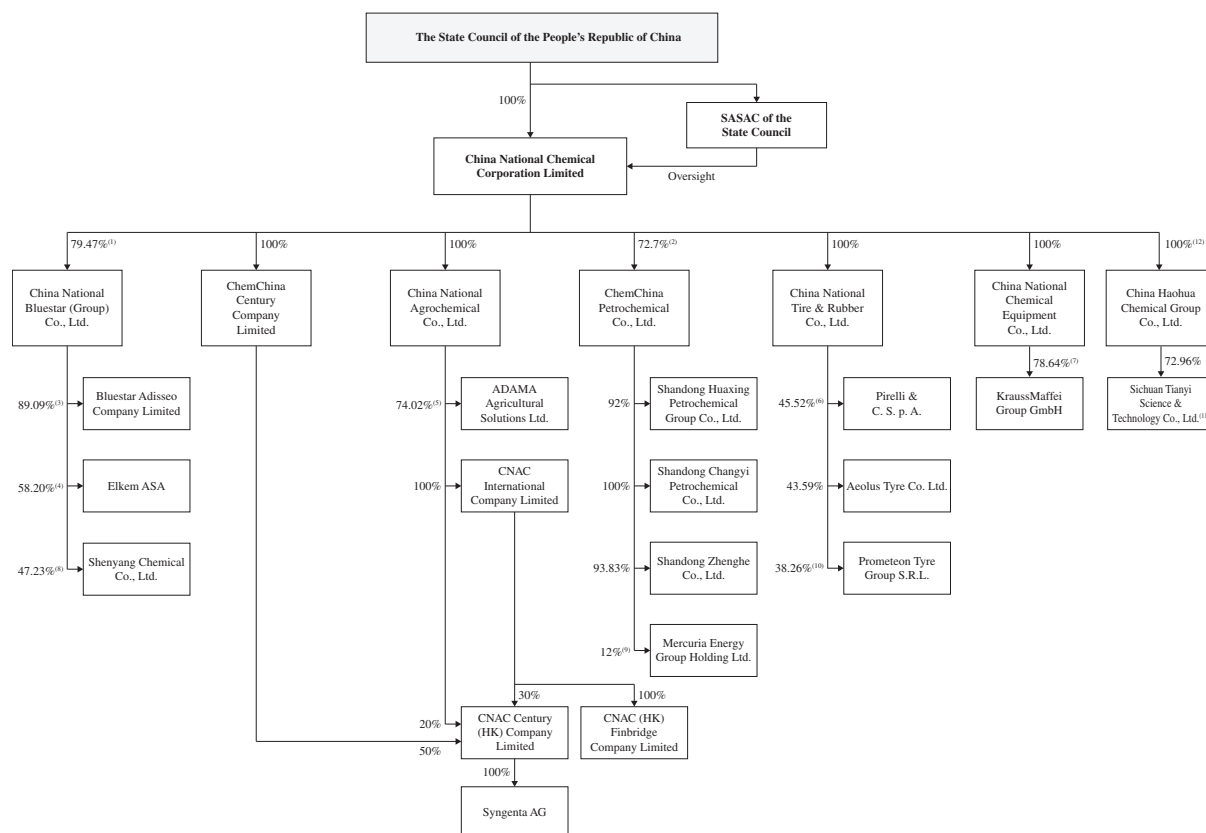
- (1) The calculation of EBITDA is based on the sum of total operating income for the year, less operating cost, operating taxes and surcharges, sales expenses, general and administrative expenses, research and development expenses, and add other income, depreciation, amortization of intangible assets, amortization of long term deferred expenses and amortization of Syngenta fair value gain. 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			
	2016	2017	2018	2018
	(Unaudited)			
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
Total operating income.	300,127,176	392,164,583	445,813,565	64,840,894
Operating cost	(249,495,632)	(317,079,338)	(342,306,942)	(49,786,480)
Operating taxes and surcharges.	(2,014,239)	(3,288,890)	(11,471,111)	(1,668,404)
Sales expenses	(16,160,636)	(27,966,900)	(33,214,201)	(4,830,805)
General and administrative expenses	(14,963,543)	(20,432,933)	(23,662,645)	(3,441,589)
Research and development expenses.	(3,456,292)	(9,540,809)	(13,213,686)	(1,921,851)
Other income	383,567	1,015,766	1,205,082	175,272
Depreciation	8,808,724	12,102,053	12,598,060	1,832,312
Amortization of intangible assets	3,220,476	7,029,910	8,792,259	1,278,781
Amortization of long term deferred expenses.	199,610	187,573	180,701	26,282
Amortization of Syngenta fair value gain.	—	5,068,140	5,787,250	841,721
EBITDA.	26,649,211	39,259,155	50,508,333	7,346,132

- (2) EBITDA margin is calculated by dividing EBITDA by total operating income.
- (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) We hold 79.47% of the shares of China National Bluestar (Group) Co., Ltd., including the indirectly held 15.89% shares of China National Bluestar (Group) Co., Ltd. All the shares directly held by ChemChina in China National Bluestar (Group) Co., Ltd. are subject to an encumbrance in favour of the Export-Import Bank of China.
- (2) 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. ChemChina Petrochemical Co., Ltd. repurchased the outstanding 27.3% shares held by the minority shareholders and relevant registration related to the capital decrease with the local branch of the State Administration for Market Regulation has not been completed as of the date of this Offering Circular.
- (3) We hold 89.09% of the shares of Bluestar Adisseo Company Limited (600299. SH).
- (4) Elkem ASA completed its initial public offering on the Oslo Stock Exchange of Norway in 2018. After the initial public offering, we held 58.20% of Elkem ASA's shares through our wholly owned subsidiary Bluestar Elkem International Co., Ltd.
- (5) We hold shares in ADAMA Agricultural Solutions Ltd. through ADAMA Ltd. (000553.SZ), in which we hold 74.02% of the shares.
- (6) We and our concert party, Silk Road Fund, hold 45.52% of Pirelli & C. S.p.A's publicly held shares.
- (7) 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. We injected our shares in KraussMaffei into our majority owned subsidiary, Qingdao Tianhua Institute of Chemistry Engineering, which is listed on the Shanghai Stock Exchange in December 2018.
- (8) We hold 47.23% of the shares of Shenyang Chemical Co., Ltd. (000698. SH) through Shenyang Chemical Group Co., Ltd., China National Bluestar (Group) Co., Ltd. and China National Chemical Corporation Ltd.
- (9) We hold 12% of the shares of Mercuria Energy Group Holding Ltd. indirectly.
- (10) We and our concert party hold 38.26% of the shares of Prometeon Tyre Group S.R.L.
- (11) Sichuan Tianyi Science & Technology Co., Ltd. completed the asset restructuring in May 2019 and is proposing to be renamed as Haohua Chemical Science & Technology Corp., Ltd. following the approval of relevant authorities.
- (12) We hold 100% of the shares of China Haohua Chemical Group Co., Ltd., including 9.87% of the shares held through ChemChina Academy of Sciences, a wholly-owned company of ChemChina.

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 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 Limited (中國化工集團有限公司).
Guarantee	The Guarantor 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. The Guarantor undertakes that it will register or cause to be registered the Deed 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	U.S.\$200,000,000 3.375 per cent. Guaranteed Bonds due 2024. The Additional Bonds offered hereby shall constitute a further issuance of, and form a single series with, the Existing Bonds on the Fungible Date, subject to satisfaction of certain conditions as described herein.
Issue Price	102.911%, plus accrued interest from (and including) 19 December 2019 to (but excluding) the Issue Date.
Form and Denomination	The Additional 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 Bonds bear interest from and including 19 June 2019 at the rate of 3.375 per cent. of their outstanding principal amount per annum. Interest on the Bonds is payable semi-annually in arrears on each Interest Payment Date on 19 June and 19 December in each year commencing the first interest payment date on 19 December 2019.
Issue Date of the Additional Bonds	9 March 2020.

Maturity Date 19 June 2024.

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 Guarantor has caused the issuance of the Bonds to be registered with NDRC and obtained a certificate from NDRC on 10 April 2019 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 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 Bonds will be redeemed at their principal amount on 19 June 2024.
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 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 the "Terms and Conditions of the 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	Upon 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 depository 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.

The Additional Bonds have been accepted for clearance by Euroclear and Clearstream under the temporary ISIN Code and Common Code. The Additional Bonds will be consolidated and form a single series with the Existing Bonds on the Fungible Date (as defined in the Terms and Conditions of the Bonds), subject to satisfaction of certain conditions as described in the Terms and Conditions of the Bonds, and the whole series of Bonds will be cleared by Euroclear and Clearstream under the permanent ISIN Code and Common Code while the temporary codes will be cancelled.

Temporary ISIN/Common Code . . XS2129562794/212956279

Permanent ISIN/Common Code . . XS2011969651/201196965

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 The Existing Bonds are listed on the SGX-ST. Approval in-principal has been obtained from the SGX-ST for the listing and quotation of the Additional 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. The Bonds will be traded on the SGX-ST in a minimum board lot size of US\$200,000 (or its equivalent in foreign currencies) 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 Bond Certificate is exchanged for individual definitive certificates. In addition, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the individual definitive certificates, including details of the paying agent in Singapore.

Rating	The Existing Bonds have been and the Additional Bonds are expected to be assigned a rating of “Baa2” by Moody’s and “A-” by Fitch upon issuance. Additionally, the Guarantor has been assigned a corporate credit rating of “Baa2” with stable outlook by Moody’s, “BBB” with stable outlook by S&P and “A-” with stable outlook by Fitch. The sovereign rating of the PRC is “A1” with stable outlook by Moody’s, “A+” with stable 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 Deed 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. For example, we may not be able to realise synergies we expect from the acquisition of Pirelli, and Pirelli may not contribute to our revenue or earnings to the extent anticipated. 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 2016, 2017 and 2018, we had total debt of approximately RMB209.9 billion, RMB383.5 billion and RMB417.5 billion (US\$60.7 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 RMB30.9 billion as at 31 December 2017, primarily due to the expansion of our business scales and increase in our demand for working capital and short-term bridged financing. Although we recorded net current assets (calculated as current assets minus current liabilities) of RMB25.3 billion and RMB31.8 billion (US\$4.6 billion) as at 31 December 2016 and 2018, there is no assurance that our net current assets position will not revert back to a net current liabilities position. If this were to happen, we would be exposed 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 revenue 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 2018 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 RMB1,410.6 million (US\$205.2 million) for the year ended 31 December 2018 due to increased income taxation expenses, and we recognised a net profit of RMB2,542.5 million and RMB686.7 million for the years ended 31 December 2016 and 2017. 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 description of the results of operation of the Group as at and for the nine months ended 30 September 2019 contained in this Offering Circular is derived from the consolidated financial information of the Group that has not been audited or reviewed.

The description of the results of operation of the Group as at and for the nine months ended 30 September 2019 contained in this Offering Circular is derived from the unaudited and unreviewed financial information that we published in compliance with the regulations regarding domestic bond issuances promulgated by 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. 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 2019.

The manufacturing processes for our products are complex and dangerous and we may experience accidents, including ones resulting in fatalities, in our manufacturing process.

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 undertaken 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”.

In 2017, Our subsidiary, Shandong Changyi Petrochemical Co., Ltd., received fine penalties from the State Administration of Work Safety in relation to its production and sale of non-compliant diesel.

On 28 November 2018, a flammable gas leak at a plant owned by Hebei Shenghua Chemical Industry Company, one of our associate companies, resulted in 24 fatalities and further injured 21 people in Zhangjiakou, Hebei province. The accident was the result of the leak of vinyl chloride, a colorless and highly inflammable gas, which met a flame and set off a chain of explosions that severely damaged buildings and vehicles.

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 requires 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 2016, 2017 and 2018, our oil processing and fundamental chemical products businesses contributed approximately 44.1%, 42.1% and 40.4% to our consolidated operating income and approximately 14.0%, 8.3% and 14.9% 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 2016, 2017 and 2018 we received government grants of RMB969.6 million, RMB504.4 million and RMB706.7 million (US\$102.8 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-focused 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 2018, approximately 79% 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;
- deterioration of political relations among countries; and
- regulations and requirements related to community welfare and social responsibilities.

Changes in U.S. and international trade policies, particularly with regard to China, may adversely impact our business and operating results.

The U.S. government has recently made statements and taken certain actions that may lead to changes to U.S. and international trade policies, including recently-imposed tariffs affecting a variety of products manufactured in China. It is unknown whether and to what extent new tariffs (or other new laws or regulations) will be adopted, or the effect that any such actions would have on us or our industry. There is also a concern that the imposition of additional tariffs by the United States could result in the adoption of tariffs by other countries as well. Any unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our products and services, impact the competitive position of our products or prevent us from being able to sell products in certain countries. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated or, in particular, if the U.S. government takes retaliatory trade actions due to the recent U.S.-China trade tension, such changes could have an adverse effect on our business, financial condition, results of operations.

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 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 Oil Company (“**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 have been purchasing crude oil from Rosneft, which accounts for no more than one percent of our total annual supply. 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. For example, our subsidiary, KraussMaffei, was hit by a serious cyber-attack in November 2018. The plant in Munich was particularly affected by the attack, resulting in the shutdown of various servers, disruption of production and a consequent decrease of KraussMaffei's operating income in 2018. Any future 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 Syngenta AG may not be realised, which could adversely impact our business and operating results, and the adverse outcomes in certain legal proceedings could result in a material adverse effect on Syngenta.

As at the date of this Offering Circular, we have acquired 100% of Syngenta's publicly held shares and Syngenta has been approved for the de-listing from the SIX Swiss Exchange of its shares. 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.

Syngenta is involved in several on-going legal proceedings. The outcome of each of these lawsuits, including any appeal in respect of the decision noted above, are subject to considerable uncertainty and further claims may be made. Adverse outcomes in some or all of these matters could result in material monetary outflows for Syngenta and could have a material adverse effect on the results of operation, cash flow and financial position of Syngenta, including as a result of the recognition of provisions, which would in turn, have a material adverse effect on the results of our operation, cash flow and financial position.

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

We may make investments, acquisitions, joint ventures or engage in other development opportunities. Those identified and completed 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 2018, we owned over 22,000 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.

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 and CSRC local branches have imposed administrative penalties on Ruihua and some of its employees five times since November 2016, all resulted from Ruihua's negligence in performing its audit services for PRC companies. These administrative penalties include warnings, monetary penalties on Ruihua and/or monetary penalties on specific accounting personnel involved in the relevant audit work at Ruihua. For example, Ruihua and three of its employees and management (including two partners) received fine penalties from CSRC in December 2018, in relation to annual audit services provided by Ruihua to an A-share listed company. In the administrative penalty notice issued by CSRC on 29 December 2018, Ruihua violated Article 223 of the Law of the People's Republic of China on Securities for failing to fulfill its accountability in a diligent and dutiful manner so that the document it formulated or produces has false record, resulting in confiscation of the relevant income of RMB1.3 million, fine of RMB3.9 million against Ruihua, warning and fine of RMB100,000 against each of its three employees. In addition to the administrative penalties above, MOF and CSRC jointly prevented Ruihua from taking on new projects with respect of securities offering businesses in the PRC from January 2017 and required Ruihua to complete internal rectification and submit a report on such rectification by March 2017. MOF and CSRC restored Ruihua's qualification to provide services in relation to securities offering businesses after conducting on-site examination of Ruihua and concluding that the internal rectification was satisfactorily completed in April 2017. Subsequently, Ruihua further received administrative warning notices from the Tianjing branch of each of the CSRC and the National Equities Exchange and Quotations, both resulted from Ruihua's negligence in performing its audit services for PRC companies. In June 2018, CSRC refused to receive any audit materials issued by Ruihua. After the investigation by CSRC, CSRC has started to accept materials submitted by Ruihua since August 2018.

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 the 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 in relation to the investigation. The NAFMII investigation was completed and Ruihua has assumed new A-share listed company clients since July 2017. 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 2016, 2017 and 2018, (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.

In addition, Ruihua received an investigation notice from CSRC in January 2019 for potential failure of fulfilling its accountability in a diligent and dutiful manner when providing audit services for Hu'nan Qianshan Pharmaceutical Machinery Co., Ltd., and received an investigation notice from CSRC in July 2019 for potential violation of relevant securities laws. Both investigations have not been completed.

We cannot assure you that these investigations or potential future investigations, penalties and potential future penalties against Ruihua and its employees 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 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 X to our audited consolidated financial statements for the year ended 31 December 2017 and 2018 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 2016, 2017 and 2018.

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 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. Primarily due to the increase in income tax expenses and the adjustment made to deferred tax assets and deferred tax liabilities, we incurred net loss of RMB1,410.6 million (US\$205.2 million) in 2018. 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. Furthermore, Syngenta may have ongoing environmental liabilities.

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.

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 industry consolidation such as on a nation-wide basis or 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.

A substantial amount of our businesses is conducted in China and governed by PRC laws and regulations. Many of our 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 is 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 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 and premium 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 and premium 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 income 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 and premium 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.

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.

Any PRC tax liability on interest or gain described above may be reduced under applicable tax treaties. However, it is unclear whether in practice nonresident investors might be entitled to receive the benefit of income tax treaties entered into between PRC and their countries.

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 the novel coronavirus disease (COVID-19) and other 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.

The outbreak of the COVID-19 in late 2019, coupled with the measures implemented by relevant government authorities to contain it, such as extended holidays, travel restrictions, border controls and other measures to discourage or prohibit the movement of people, could have a materially adverse effect on the level of economic activity in and the economic conditions of the PRC. At present, it is difficult to ascertain how long the outbreak of the COVID-19 may last and the full impact that the disease may have on the Group's business operations. If the COVID-19 outbreak continues for a prolonged period, the economic condition of the PRC would be further worsened and the PRC economy may experience a significant slowdown in its growth rate or even a decline. The occurrence of any epidemic is beyond our control and there is no assurance that the situation of the COVID-19 will not continue or worsen or that the outbreak of other epidemics, such as severe acute respiratory syndrome, avian flu or the human swine flu, will not happen again. Any epidemic occurring in areas in which we operate, or even in areas in which we do not operate, may materially and adversely affect our business, financial condition, results of operations and prospects.

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 Sole Lead Manager or any of our or its 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 intergroup loans to non-PRC subsidiaries. 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 IFRSs. 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 Deed 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 Deed, however, do not contain restrictions on the payment of dividends or making of other restricted payments. In addition, the Trust Deed 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 Additional Bonds are expected to be assigned a rating of "Baa2" by Moody's and "A-" by Fitch upon issuance. Additionally, the Guarantor has been assigned a corporate credit rating of "Baa2" with stable outlook by Moody's, "BBB" with stable outlook by S&P and "A-" with stable outlook by Fitch. The sovereign rating of the PRC is "A1" with stable outlook by Moody's, "A+" with stable 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 “Baa2” with stable outlook by Moody’s, “BBB” with stable outlook by S&P and “A-” with stable outlook by Fitch. The sovereign rating of the PRC is “A1” with stable outlook by Moody’s, “A+” with stable 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 Fitch, S&P and Moody’s 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 SGX-ST, 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 Additional Bonds to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST 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 Deed 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 Deed. The Company is required to submit the Deed 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 Deed 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 Deed 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 Deed of Guarantee or the Trust Deed. 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 Deed, there could be a default under the terms of these agreements or the Trust Deed, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in the Trust Deed, 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 Deed, 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 Deed. 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.

Approval in-principal has been obtained from the SGX-ST for the listing and quotation of the Additional 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 SGX-ST. 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 Sole Lead Manager intends to make, or to continue to make, a market in the Bonds, but the Sole Lead Manager is not 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 Deed.

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 Deed, 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 Deed (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 IFRSs.

Our financial statements are prepared and presented in accordance with PRC GAAP, which differ in certain significant respects from IFRSs. 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 IFRSs 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 BONDS

*The following, subject to modification and except for the paragraphs in italics, is the text of the Terms and Conditions of the 2024 USD Bonds. For the purposes of this “Terms and Conditions of the Bonds”, the term “**Additional Bonds**” refers to the US\$200,000,000 3.375% guaranteed bonds due 2024 issued by the Issuer (as defined below) pursuant to this Offering Circular. Upon issue and until consolidation with the Existing Bonds (as defined below), the Additional Bonds will be evidenced by a temporary global certificate (the “**Temporary Global Certificate**”) substantially in the form scheduled to the Supplemental Trust Deed (as defined below) and identified by a temporary ISIN and a temporary Common Code. The Temporary Global Certificate will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank SA/NV and Clearstream Banking S.A., and will be exchangeable for an individual Bond certificate only in the circumstances set out herein. The Additional Bonds issued pursuant to this Offering Circular are further issuances of, and on the Fungible Date (as defined below), subject to satisfaction of certain conditions as described herein, will be fully consolidated and form a single series with, and will rank pari passu with, the US\$900,000,000 3.375% guaranteed bonds due 2024 issued on 19 June 2019 (the “**Existing Bonds**”).*

The issue of the U.S.\$900,000,000 3.375 per cent. Guaranteed Bonds due 2024 (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 4 June 2019.

*For the avoidance of doubt, references to “**Bonds**” shall mean the Additional Bonds and the Existing Bonds, which expression, unless expressly indicated otherwise, includes any further bonds issued pursuant to Condition 13 (Further Issues) and forming a single series therewith.*

The Bonds will be constituted by a Trust Deed (the “**Trust Deed**”) to be dated on or about 19 June 2019 between the Issuer, China National Chemical Corporation Limited (中國化工集團有限公司) (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.

*In connection with the issuance of the Additional Bonds, the Issuer, the Guarantor and the Trustee will enter into a supplemental trust deed dated 9 March 2020 (the “**Supplemental Trust Deed**”). For the avoidance of doubt, references to the “**Trust Deed**” shall mean the trust deed dated 19 June 2019 among the Issuer, the Guarantor and the Trustee as supplemented by the Supplemental Trust Deed, and as may be further amended or supplemented from time to time.*

The Bonds will have the benefit of a deed of guarantee (the “**Deed of Guarantee**”) to be dated on or about 19 June 2019 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 June 2019 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.

*For the avoidance of doubt, references to the “**Deed of Guarantee**” shall mean the amended and restated deed of guarantee in respect of the Existing Bonds and the Additional Bonds entered into by the Guarantor in favor of the Trustee to be dated 9 March 2020, which will restate and replace in its entirety the deed of guarantee dated 19 June 2019 by the Guarantor in favor of the Trustee in respect of the Existing Bonds, and, unless expressly indicated otherwise, include any further deeds of guarantee that may be made by the Guarantor in favor of the Trustee pursuant to Condition 13 (Further Issues). In connection with the issuance of the Additional Bonds, the Issuer, the Guarantor, the Trustee and the Agents will enter into a*

*supplemental agency agreement dated 9 March 2020 (the “**Supplemental Agency Agreement**”). For the avoidance of doubt, in this section, references to the “Agency Agreement” shall mean the agency agreement dated 19 June 2019 among the Issuer, the Guarantor, the Trustee and the Agents as supplemented by the Supplemental Agency Agreement, and as may be further amended or supplemented from time to time.*

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.

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 one or more global certificates (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 depository for Euroclear and Clearstream, 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 the Rating Agencies that maintains a rating on the Bonds. 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) Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors (**“S&P”**); (ii) Moody’s Investors Service, Inc., a subsidiary of Moody’s Corporation, and its successors (**“Moody’s”**); (iii) Fitch Inc., a subsidiary of Fimalac, S.A., and its successors (**“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 the Issue Date at the rate of 3.375 per cent. per annum, payable semi-annually in arrear in equal instalments on 19 June and 19 December in each year (each an “**Interest Payment Date**”) commencing on 19 December 2019. The amount of interest payable on each Interest Payment Date shall be U.S.\$16.875 per Calculation Amount (as defined below). 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.

*For the avoidance of doubt, the “**Issue Date**” shall mean 9 March 2020 with respect to the Additional 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 June 2024 (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 June 2019, 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 30 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.

(h) Calculations

Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption, including without limitation the Make Whole Price, and shall not be liable to the Bondholders or any other person for not doing so.

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 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 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.

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 individual definitive certificates. In addition, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the individual definitive certificates, including details of the paying agent in Singapore.

(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).

(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 June 2019 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 any Agent shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Company, any Bondholder or any third party to pay such tax, duty, charges, withholding or other payment in any jurisdiction or to provide any notice or information to the Trustee or any Agent that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

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 judgement(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 the Rating Agencies that maintain a rating on the Bonds 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) the Rating Agencies that maintain a rating on the Bonds 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 entirety 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.

20 CONSOLIDATION WITH THE EXISTING BONDS

On the Fungible Date, provided that the Release Condition in respect of the Additional Bonds is satisfied on or prior to the Registration Deadline in respect of the Additional Bonds, the Additional Bonds will be consolidated and form a single series with the Existing Bonds. For the purposes of these Conditions, “**Fungible Date**” shall mean the day falling five business days after the day on which the Release Condition in respect of the Additional Bonds is satisfied (or, if such day is not a Clearing System Business Day, the first following day which is a Clearing System Business Day), or such later date as may be agreed between the Issuer, the Company, the Principal Paying Agent and the Trustee.

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 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\$207,322,000. The Group intends to use the net proceeds, after deducting commissions to be charged by the Sole Lead Manager 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.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalisation and indebtedness of the Group as at 31 December 2018 on an actual basis and as adjusted to give effect to the issuance of the Bonds.

The following table should be read in conjunction with “Recent Developments”, “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 2018			
	Actual		As Adjusted	
	RMB (audited)	US\$ ⁽¹⁾ (unaudited) (in thousands)	RMB (unaudited)	US\$ ⁽¹⁾ (unaudited)
Short-term debt				
Short-term borrowings	63,681,793	9,262,133	63,681,793	9,262,133
Notes payables	2,920,395	424,754	2,920,394	424,754
Long-term borrowings due within one year	15,886,558	2,310,604	15,886,558	2,310,604
Bond payables due within one year	17,973,537	2,614,143	17,973,537	2,614,143
Total short-term debt	100,462,283	14,611,634	100,462,282	14,611,634
Long-term debt				
Long-term borrowings	120,820,205	17,572,570	120,820,205	17,572,570
Bonds payables	196,229,702	28,540,426	196,229,702	28,540,426
Bonds to be issued	—	—	1,415,129	205,822
Total long-term debt	317,049,907	46,112,996	318,465,036	46,318,818
Equity				
Paid-in capital	11,592,026	1,685,990	11,592,026	1,685,990
Other equity instruments	12,900,000	1,876,227	12,900,000	1,876,227
Capital reserves	21,159,357	3,077,501	21,159,357	3,077,501
Other comprehensive income	(5,759,083)	(837,624)	(5,759,083)	(837,624)
Special reserves	94,287	13,713	(6,694,890)	(973,731)
Undistributed profits	(37,545,752)	(5,460,803)	(37,545,752)	(5,460,803)
Minority interests	190,526,467	27,710,925	190,526,467	27,710,925
Total equity	192,967,301	28,065,930	192,967,301	28,065,930
Total capitalization⁽²⁾	510,017,208	74,178,926	511,432,337	74,384,748

Notes:

- (1) Translation of US dollar amounts to Renminbi amounts were made of US\$1.00 to RMB6.8755. 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.

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 2018.

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 CNAC. The Guarantor holds 100.0% equity interest in CNAC. Thus, the Guarantor indirectly holds 100.0% equity interest in the Issuer.

BUSINESS ACTIVITIES

The Issuer was established for the purpose of the investment and financing of the Guarantor's overseas projects and transactions. In 2018, the Issuer incurred indebtedness in the total amount of US\$5.45 billion and Euro1.2 billion under multiple tranches of bonds to refinance the Issuer's then existing indebtedness and for general corporate purposes. The Issuer has not engaged, since the date of its incorporation, in any other material activities other than the proposed issue of the Bonds and the on-lending of the proceeds thereof to the Guarantor or its subsidiaries, and the authorisation of documents and agreements referred to in this Offering Circular to which it is or will be a party. In the future, the Issuer may, either itself or through its direct and indirect subsidiaries and associated companies, issue further bonds or engage in business activities related to the businesses of the Guarantor and may incur substantial liabilities and indebtedness.

As at the date of this Offering Circular, the Issuer does not have any employees and has no subsidiaries.

The Issuer has full power and authority to carry out any activities which are not prohibited by the laws of Hong Kong.

DIRECTORS

The directors of the Issuer are Hongbo Chen and Jie Shi. 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. The business address of the directors of the Issuer is 62 Beisihuanxilu, Haidian District, Beijing 100080, the PRC.

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. The Issuer has prepared its audited financial statements as at 31 December 2018 in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance.

DESCRIPTION OF THE GROUP

OVERVIEW

Our Group was established in 2004 by the SASAC through the merger of Bluestar and Haohua Chemical following the restructuring of several state-owned enterprises under the former Ministry of Chemical Industry. As the only central state-owned enterprise focusing on the chemical industry, we rank 167th on the 2018 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 RMB445.8 billion (US\$64.8 billion) in revenues in 2018 and RMB798.8 billion (US\$116.2 billion) in assets as at 31 December 2018. As at 31 December 2018, our Group comprised approximately 92 operating entities, including 12 entities overseas, and had controlling interests in seven listed companies¹ on the Shenzhen stock exchange and/or the Shanghai stock exchange, with approximately 86,000 employees that were based overseas. As at 31 December 2018, we had production sites, research and development centres and a distribution network in China and more than 150 overseas countries and regions, 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. Our key subsidiary engaged in oil processing and fundamental chemical products is CCPC.

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 automobile, aerospace, electronic products, materials and military application, for example, feed additives, solar panels, mechanical components, artificial body parts, medicine, fibre optic cable, and mortar and concrete. We conduct our new chemical materials and specialty chemicals business primarily through our subsidiary, Bluestar.

Agrochemicals: We are a leading provider of integrated solutions to farmers across the full chain from planting to selling, with the crop protection business ranking first and the seed business ranking third through our subsidiaries, Syngenta and ADAMA, which are globally prominent players. The crop protection business offers a comprehensive range of products, including herbicide, insecticide, fungicide, seed treatment, plant growth regulators, dietary supplements, food additives, aromatic products and environment protection services, and has the capacity of producing more than 200 active ingredients. The seed business mainly covers the research, development and breeding of conventional hybrid seed with over 500 new products introduced each year. CNAC has a global footprint of nearly 130 production and supply sites as well as over 140 research bases in 120 countries and regions, and its products are sold to over 130 countries and regions worldwide. We follow the fundamental principles of development and growth driven by technology leadership, environment safety and sustainability, and are committed to the welfare of growers around the world, as well as contributing to world food safety and security.

¹ We have sold our shares in Cangzhou Dahua Group to GPRO Investment Holding Group, representing 50.98% of the outstanding shares of Cangzhou Dahua Group (600230. SH). The transaction is expected to complete soon. After the completion of the transaction, we will hold controlling shares in six listed companies on the Shenzhen stock exchange and/or the Shanghai stock exchange.

Tyre and Rubber Products: We are well-reputed for our production expertise and application knowledge in the tyre and 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 tyre and rubber products marketed under a number of well-recognised brand names and trademarks. We conduct our tyre and rubber products business primarily through our subsidiary CNRC.

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 electrolyzers, large drying equipment and axle gears. Our key subsidiaries engaged in chemical equipment manufacturing are Guilin Rubber Machinery, Sanming Double-Wheel Chemical Engineering Machinery Co. Ltd. and KraussMaffei.

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” industrial development plan under our strategy of “New Science, New Future” which is expected to make our business portfolio more competitive, advanced, and focused. The “3+1” plan 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 DEVELOPMENT

Proposed Consolidation of Agricultural Assets by the Company and Sinochem Group

On 5 January 2020, we announced the renaming of our wholly owned subsidiary, China Chemical (Shanghai) Agricultural Technology Corporation Ltd., to Syngenta Group Co., Ltd., for the purpose of consolidating our agricultural assets. Subsequently, we propose to inject 100% of Syngenta’s shares and 74.02% of ADAMA’s shares held by us into Syngenta Group. Meanwhile, Syngenta Group intends to acquire major agricultural assets from Sinochem Group. This move aims to further deepen the reform of state-owned enterprises and optimize resource allocation.

Performance of the Group for the Nine Months Ended 30 September 2019

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, we recorded an increase in net profit for the nine months ended 30 September 2019 compared to the same period in 2018 and an increase in total assets as at 30 September 2019 compared to 31 December 2018. 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. None of the Sole Lead Manager, the Trustee, the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers or advisers makes any representation or warranty, express or implied, regarding the sufficiency of the unaudited and unreviewed financial statements for an assessment of, and potential investors must exercise caution when using such

data to evaluate, our financial condition and results of operations. Such information should not be taken as an indication of the expected financial condition, results of operations and results of the Issuer, the Guarantor or the Group for these periods or the full financial year ending 31 December 2019. 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 nine months ended 30 September 2019 contained in this Offering Circular has not been audited or reviewed”.

Bonds Offering in June 2019

On 19 June 2019, the Issuer issued U.S.\$300,000,000 3.125 per cent. Guaranteed Bonds due 2022, U.S.\$900,000,000 3.375 per cent. Guaranteed Bonds due 2024, U.S.\$900,000,000 3.875 per cent. Guaranteed Bonds due 2029 and U.S.\$200,000,000 4.75 per cent. Guaranteed Bonds due 2049, each series unconditionally and irrevocably guaranteed by us.

KEY STRENGTHS

We believe our key strengths are as follows:

A Pillar Central State-Owned Enterprise in China’s Chemical Industry with Enhanced 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. We are the largest crop protection company and the third largest seed company in the world, with over 339 research and development centers and institutes globally, 147 of which are located overseas, and have operation, production, research in more than 150 countries and regions. We cooperate closely with the Ministry of Agriculture (“MOA”), providing MOA with monitored data, industry development planning on a regular basis and expertise advice, participating in the government’s major projects and planning and performing various assurance testing. China’s current five-year plan prioritizes the development of biotechnology, and we are strategically positioned to benefit from strong state support and to advance China’s ambition in becoming a global leader in various biotech fields as well as modernizing its agricultural industry. By acquiring Syngenta, we strengthened our market position in crop protection, seeds, controls and flowers markets, and in particular, we became a global pioneer in seeds business as Syngenta is in possession of one of the most extensive seed portfolio in the world. Our acquisition of Syngenta has helped deepen China’s modernization of its agricultural industry, established partnerships with key existing stakeholders in the industry and brought Chinese crop growers the benefits of advanced biotechnology. We also obtained highly efficient, non-toxic and non-residual agricultural chemical technologies and advanced field information management solutions by acquiring ADAMA. Together with ADAMA, we have established a formulation center in Huai’an, Jiangsu Province, which is one of the largest modernized formulation production facilities in China.

According to Bluestar’s internal industry report, as at 30 June 2018, we are the second largest methionine producer globally, accounting for more than 27% of the global market share, with its vitamin A and vitamin E businesses ranking the third and the fifth in the world in terms of market share, respectively. As one of the few companies 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 over 140,000 tonnes. We are also one of the top three suppliers of animal nutrition additives worldwide in terms of production volume in 2018. We are also the world's third largest integrated silicones producer accounting for approximately 20% of the global market share. In addition, we are the largest producer of paste PVC in Asia and the fourth largest producer in the world in terms of production capacity with an annual production capacity of 140,000 tonnes in 2018. 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 entitled to an annual quota of 17.7 million tonnes for import and trade in crude oil. Our subsidiary CCPC has a processing capacity of 21.2 million tonnes per year in 2018. 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 a leading player 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, ranking first as a desalination solution provider in China. 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. In 2018, we developed and/or modified 54 national standards, 17 industry standards and 104 corporate standards. We are also responsible for key national industry information services. Our subsidiary, China National Chemical Information Center ("CNCIC"), operates the largest information collection, research and service institute in China's chemical industry, serving approximately 20,000 state-owned and private companies in China. 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, Mr. Ning Gaoning, was a member of the 13th Standing Committee of the Chinese People's Political Consultative Conference and a member of the expert committee of the 13th Five-Year Plan for the National Economic and Social Development of the People's Republic of China. Mr. Ning has been serving as the Secretary to the Party Committee and Chairman of Sinochem Group since December 2015. As a highly acclaimed entrepreneur recognized for his vision and leadership, he is also co-chair of APEC Business Advisory Council ("ABAC"), Chairman of APEC China Business Council and an Executive Director of the International Chamber of Commerce ("ICC"). Mr. Ning has received numerous accolades in China and overseas, including "CCTV Annual Economic

Figures” by China Central Television (“CCTV”), “Annual Most Influential Corporate Leader Award” by China Entrepreneur Magazine, “Most Influential Business Leader in China” by Fortune Magazine, “Best Business Leader in Asia” by CNBC and “Best Corporate Director in Asia” by Corporate Governance Asia Magazine.

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, former member of Politburo Standing Committee and Chairman of NPC Standing Committee Wu Bangguo, former member of the Politburo Standing Committee He Guoqiang, Vice Chairwoman of NPC and the former Minister of Ministry of Chemical Industry Gu Xiulian, and former 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 RMB8.7 billion from 2010 to 2018. Many of these credit facilities were provided by China’s top banks and policy banks. 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. The Ministry of Commerce of PRC provided financial support of RMB450 million for our acquisition of Elkem ASA. The first tranche of the US\$100 million investment framework agreement signed by China Reform Holdings Corporation was used to acquire the preferred shares of Elkem ASA and Adisseo. Also, for our acquisition of ADAMA, we received a loan facility of US\$1.68 billion from The Export-Import Bank of China as well as capital funding of RMB800 million from SASAC. Furthermore, our acquisition of Pirelli 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. For our acquisition of Adisseo, we received a US\$400 million loan facility from China Development Bank and capital funding of RMB400 million from China Reform Holdings Corporation. For our acquisition of Syngenta, China Reform Holdings Corporation and Bank of China provided funds through subscription of perpetual bonds issued by us with aggregate amounts of approximately US\$7 billion and US\$10 billion, respectively.

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 2018 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 Bluestar’s internal research report of industry data, we were the world’s second largest methionine supplier with a global market share of over 27% and our vitamin A and vitamin E businesses ranked third and fifth worldwide in terms of market share, respectively, as of 30 June 2018. In addition, we were the third largest organic silicone producer globally and the largest organic silicone producer in China in terms of production volume. We were also the largest fluoro rubber and white carbon black supplier in terms of production volume in China and the largest PBT resin producer in Asia in terms of production volume as set out in the research report.

Agrochemicals: We are the largest crop protection company and the third largest seed company in the world in terms of market share. For our agrochemicals business segment, we have approximately 120 research and development sites and 104 production and supply sites globally, with our products being sold to more than 90 countries and regions. With our products and technology, we have increased the average productivity of the world's major crops by 20% without using more land, water or energy, improved the fertility of 10 million hectares of farmland that were previously on the brink of degradation and improved biodiversity on 5 million hectares of farmland. In addition, we have trained 20 million farm workers on agricultural production safety worldwide, particularly in developing countries. We have also enabled 20 million small farm owners, allowing them to increase productivity by 50%. We rank first in the world as a non-patented agricultural chemicals producer and rank 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 one of the world's top five tyre manufacturers. We, through our subsidiary, CNRC, engage in the research, development and production of Passenger Car Radial (“PCR”) tyres, Truck, Bus and Radial (“TBR”) tyres, Off-the-road (“OTR”) tyres, motorcycle tyres, AGRO tyres, and other tyre products. We are also a leading producer of rubber conveyor belts in China. Our tyre and rubber products are sold to over 160 countries and regions. For the year ended 31 December 2018, CNRC and its produced over 100 million tyres and approximately 20 million square metres of conveyor belts.

Oil Processing and Refining Products: We are entitled to an annual quota of 17.7 million tonnes for import and trade in crude oil in China in 2018. We have a crude oil processing capacity of 21 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 third in the world in terms of production and sales. We have a preeminent share of approximately 40% of the export 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: oil processing and fundamental chemical products, new chemical materials and specialty chemicals, agrochemicals, tyre and rubber products and chemical equipment accounting for approximately 40.4%, 13.8%, 26.3%, 12.4% and 2.8%, respectively, of operating revenue for the year ended 31 December 2018. 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 2018, we further integrated and allocated our domestic and overseas resources to optimise our global strategic layout. 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. As at 31 December 2018, our Group comprised 92 operating entities, 12 of which were overseas entities, and had controlling interests in seven companies listed on the Shenzhen Stock Exchange or the Shanghai Stock Exchange, with approximately 86,000 employees that were based outside China. 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 Profitability and Encouraging Growth Outlook

We have business segments with high gross profit margin that contribute substantial amounts of our gross profit. As at 31 December 2018, our new chemical materials and specialty chemicals, agrochemicals and tyre and rubber products enjoy a gross margin around 24%, 40% and 36%, and they account for approximately 78% 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 and is projected to have the one of the fastest growing specialty chemical markets in the world, with a CAGR of 6.0% for the years from 2017 to 2022, while the global CAGR was 3.3%, and the real GDP growth in China was 6.2% for the same period. The demand for pesticide and other agrochemical products in China is expected to grow from US\$55.1 billion in 2018 to US\$84.7 billion in 2023, with a CAGR of 9.0%, while the global CAGR is expected to be 6.3%. In addition, the global seed market was estimated at around US\$40 billion in 2018, with 3% forecast annual growth for the next five years. Over half of the seed market centers around corn and soybean, and majority of the sales are made in the markets of Brazil, China and North America. Growth over the next few years is expected to be driven by Brazil, China and India. China has been and is believed to remain one of the fastest growing seed markets in the world. 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 expense in research and development from approximately RMB3,456 million in 2016 to approximately 13,213.7 million in 2018.

We are a leading enterprise in innovation and the national key innovation and scientific research platform of the chemical industry. As at 31 December 2018, we have 24 research and development centres, accounting for 70 per cent, of national research and development capacity in relation to chemical industry. We operate six national level engineering research centres, three state-authorised enterprise technical centres, 13 provincial level engineering technology centres and two national key laboratories. We have developed a broad portfolio of intellectual properties. As at 31 December 2018, we had over 22,748 patents registered across the world, including 19,834 inventions, 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, 2016, 2017 and 2018, we were granted 743, 1,011, 1,310, 2,328, 2,232 patents, respectively, including 967, 1,514, 1,893 invention patents in 2016, 2017 and 2018, respectively. For the years ended 31 December 2016, 2017 and 2018, we engaged in 852, 1,512 and 947 research and development projects, including 111, 98 and 113 national research and development 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 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, we acquired Syngenta in May 2017, a company incorporated under the laws of Switzerland, for a consideration of US\$43 billion, which is the largest overseas acquisition by a Chinese company. Upon the completion of the acquisition, Syngenta applied for de-listing from the SIX Swiss Exchange of its shares and filed with the SEC to voluntarily delist its American Depositary Shares from the New York Stock Exchange. The acquisition was a milestone to improve China's agricultural productivity, with tremendous contributions to China's poverty-relief strategy. It is also projected to improve the overall food quality and security, as well as to assuage environmental costs from agricultural activities in China, eventually returning rural China to the previously serene and beautiful itself. In addition, the acquisition is believed to strengthen our position as a world agrochemical leader and further improve our brand recognition on the global stage. It has also brought us extensive new international market network and significantly expanded our product matrix, trove of patents and portfolio of other innovative technologies.

Since the completion of the acquisition, the tremendous synergies created therefrom has been in plain sight. It is expected that Syngenta's share of the seeds market in China will increase from 1% in 2018 to 15% in 2023, and its share of the China crop protection market will increase from 6% to 15% to 20% in 2023. Since the acquisition, Syngenta and our existing businesses have remained independent brands to minimize direct internal competition and maintain sales continuity, but we have been integrating our know-how and technology troves as well as research capacities. Syngenta has since the acquisition established a joint venture in China with Yuan Longping High-tech Agriculture Co., Ltd., which is the largest seeds company in China, to develop and sell new corn varieties, both with and without biotech alterations. Our revenue contribution from agrochemical segment increased from 8.5% in 2016 to 26.3% in 2018 as a result of the acquisition. For Syngenta, the acquisition has enabled it to unlock significant growth potentials in emerging Asian markets. Syngenta has since the acquisition enjoyed the opportunity to explore the vast Chinese market, which accounts for a majority of the world's fruit and vegetable supplies.

Another example of our successful integration of international businesses is the acquisition of Pirelli, 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. Also, after the integration, Pirelli successfully concluded its global offering in 2017 and has been listed again on the Milan Stock Exchange since 4 October 2017.

Strong Business Performance and Diversified Financing Channels

We have delivered strong business performance and increased our profitability in recent years. For the years ended 31 December 2016, 2017 and 2018, our revenue was approximately RMB300.1 billion, RMB392.2 billion and RMB445.8 billion (US\$64.8 billion), respectively. For the same periods, our gross profit was approximately RMB50.6 billion, RMB75.1 billion and RMB103.5 billion (US\$15.1 billion), respectively, and our gross profit margin was approximately 16.9%, 19.1% and 23.2%, 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, ABN AMRO, First Abu Dhabi Bank and China Industrial Bank. 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 demonstrated the rapid increase of the recognition of our brand in the global capital markets. This was our first offshore corporate bond offering, which further diversified our offshore and long-term financing channels. Subsequently, on 2 June 2017, CNRC Capitale Limited, an indirect wholly-owned subsidiary of the Company, issued US\$600 million guaranteed perpetual capital securities. On 19 July 2017, the Issuer issued US\$3,000 million guaranteed bonds. On 19 December 2017, CNAC International Company Limited, a wholly-owned subsidiary of the Company, entered into a US Dollar term loan facility and borrowed US\$525 million thereunder. In December 2017, the Issuer further issued US\$2,100 million bonds guaranteed by the Company. On 14 March 2018, the Issuer tapped the international bond market again and issued US\$1 billion bonds due 2021, US\$1.3 billion bonds due 2023, US\$0.8 billion bonds due 2025, US\$1.75 billion bonds due 2028, US\$0.1 billion bonds due 2048 and Euro1.2 billion due 2022, all guaranteed by the Company.

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” Industrial Development Plan under our Strategy of “New Science, New Future” and Leverage Our Advanced Manufacturing Platform and Expertise

We plan to continue to implement our “3+1” industrial development plan under our strategy of “New Science, New Future”, 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” plan. 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 Syngenta, Adisseo France S.A.S., Qenos (Australia) Pty Ltd., Rhodia Group, Israeli Makhteshim Agan Industries (currently known as ADAMA Agricultural Solutions Ltd.), Elkem ASA, REC Solar Holdings AS, Pirelli and KraussMaffei. In particular, the acquisition of Syngenta has given us access to world-class advanced technology in relation to the crop protection, seeds, controls and flower products. 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” plan, 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.

Year	Events
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 ASA (Norway). ChemChina was listed among the Fortune Global 500 for the first time. 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). Acquisition of Pirelli & C. S.p.A. (Italy).
2016	Acquisition of KraussMaffei Group GmbH (Germany).
2017	Acquisition of Syngenta AG (Switzerland). ChemChina was restructured into a company with limited liability upon the approval from SASAC, and its name was changed from China National Chemical Corporation (中國化工集團公司) into China National Chemical Corporation Limited (中國化工集團有限公司). CNAC injected ADAMA into Hubei Sanonda Co. Ltd. (000553.SZ) for a value of RMB18.5 billion. Pirelli successfully concluded its global offering in 2017 and has been listed again on the Milan Stock Exchange since 4 October 2017.
2018	Bluestar acquired Nutriad Holding B.V. through Bluestar Adisseo Co., Ltd. Elkem ASA (Norway) successfully concluded its initial public offering and has been listed on Oslo Stock Exchange since 22 March 2018. Syngenta acquired the global seeds business of Nidera; Syngenta acquired Abbott & Cobb to expand its seeds business; acquired Farmshots and Strider to improve its digital capability; and acquired Floranova to develop flower business. KraussMaffei completed its listing on the Shanghai Stock Exchange. The listing occurred through the transfer of our stake in KraussMaffei to our majority owned subsidiary, Qingdao Tianhua Institute of Chemistry Engineering, which is listed on the Shanghai Stock Exchange. Our subsidiary, Sichuan Tianyi Science & Technology Co. Ltd. (600378. SH), completed the asset structuring by acquiring 11 target companies from our subsidiary, China Haohua Chemical Group Co., Ltd.
2019	ADAMA becomes a wholly owned subsidiary of Hubei Sanonda Co. Ltd. by means of restructuring and Hubei Sanonda Co. Ltd. was renamed to ADAMA Ltd..

AWARDS

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

We ranked 167th among the Fortune Global 500 Companies in 2018.

We ranked fifth among the 2018 China Petrol and Chemical Top 500 Companies.

We were granted the “Second-Class Award in National Technology Invention” in 2018.

We had four patents that won China Patent Award of Excellence in 2018 and 36 patents in total that had won China Patent Award of Excellence.

We won the award of “2018 Best Investment Grade Bond” by Finance Asia, the award of “2018 Best Investment Grade Corporate Bond” by Global Capital Asia and the award of “2018 Best Syndicated Loan” by the Asset in 2018.

We ranked first on China’s Top 500 Chemical Companies list for 2016.

We ranked 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: new chemical materials and specialty chemicals, oil processing and fundamental chemical products, tyre and rubber products, agrochemicals, and chemical equipment.

The tables below show the respective contribution to our operating income and gross profit by principal operating segments for the years ended 31 December 2016, 2017 and 2018:

Operating Income

Product Segment	Operating Income			
	For the Year Ended 31 December			
	2016	2017	2018	2018
	RMB	RMB	RMB	US\$
	<i>(in millions)</i>			
Oil processing and fundamental chemical products . . .	132,425	164,985	180,252	26,217
New chemical materials and specialty chemicals	51,764	55,350	61,617	8,962
Agrochemicals	25,651	76,517	117,134	17,036
Tyre and rubber products	53,363	58,147	55,230	8,033
Chemical equipment	8,764	11,806	12,568	1,828
Others	28,160	25,360	19,013	2,765
Total	300,127	392,165	445,814	64,841

Gross Profit

Product Segment	Gross Profit			
	For the Year Ended 31 December			
	2016	2017	2018	2018
	RMB	RMB	RMB	US\$
	<i>(in millions)</i>			
Oil processing and fundamental chemical products . . .	7,074	6,221	15,423	2,243
New chemical materials and specialty chemicals	18,002	11,161	14,495	2,108
Agrochemicals	7,408	29,727	46,354	6,742
Tyre and rubber products	13,062	19,511	20,135	2,929
Chemical equipment	2,086	2,862	3,164	460
Others	2,999	5,603	3,936	572
Total	50,631	75,085	103,507	15,054

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, 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 2016, 2017 and 2018, the oil processing and fundamental chemical products segment had operating income of approximately RMB132.4 billion, RMB165.0 billion and RMB180.3 billion (US\$26.2 billion), respectively, representing 44.1%, 42.1% and 40.4% of our total operating income. Gross profit for the same periods was approximately RMB7.1 billion, RMB6.2 billion and RMB15.4 billion (US\$2.2 billion), respectively, representing 14.0%, 8.3% and 14.9% 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:

Product (1,000 tonnes)	For the year ended 31 December		
	2016	2017	2018
Crude oil processing volume	18,919	18,795	16,939
Gasoline sales volume	2,658	2,886	3,556
Diesel sales volume	3,234	2,345	2,345

In 2018, we purchased 150,000 tonnes fuel oil at the average cost of RMB4,869 per tonne, and imported 15.8 million tonnes crude oil at the average cost of RMB4,233 per tonne.

Our key subsidiaries engaged in oil processing and fundamental chemical products are CCPC.

CCPC

CCPC has 95 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 18 million tonnes per year. It also possesses special rail lines, a 50,000-ton crude oil terminal and a 100,000-ton crude oil terminal, a 5,000-ton chemical products terminal and more than 100 kilometres of long-distance transport pipes for crude oil and oil products.

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 2016, 2017 and 2018, our new chemical and specialty chemicals segment had operating income of approximately RMB51.8 billion, RMB54.9 billion and RMB61.6 billion (US\$9.0 billion), respectively, representing 17.2%, 14.0% and 13.8% of our total operating income. Gross profit for the same periods was approximately RMB18.0 billion, RMB11.3 billion and RMB14.5 billion (US\$2.1 billion), respectively, representing 35.6%, 15.1% and 14.0% of our total gross profit.

The following table sets forth the production capacity, production volumes, sales volumes, of our main products in the new chemical materials and specialty chemicals segment for the year ended 31 December 2018:

Product (1,000 tonnes)	Production Capacity	Production Volumes	Sales Volumes	Capacity Utilization Rate	Current Period Inventory	Unit Price
	<i>(1,000 tonnes)</i>	<i>(1,000 tonnes)</i>	<i>(1,000 tonnes)</i>	<i>(%)</i>	<i>(%)</i>	<i>(RMB/ton)</i>
Organic silicone						
(domestic)	388	340	340	88%	100%	30,784
Methionine	500	393	393	79%	100%	16,136
Bisphenol A	150	165	103	110%	62%	11,809
Chloroprene rubber . . .	35	28	28	79%	100%	29,030
Polyethylene	1,250	1,211	1,216	97%	100%	8,147
TDI	150	176	176	117%	100%	15,104
Paste resin	200	203	199	101%	98%	6,143

We conduct our new chemical materials and specialty chemicals business primarily through our subsidiary, Bluestar.

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 2018, we held 79.47% 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 ASA, 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.

In February 2018, Bluestar acquired Nutriad Holding B.V. (“**Nutriad**”) for US\$193 million through Bluestar Adisseo Co., Ltd.. Headquartered in Belgium, Nutriad has over 50 years’ experience in the advanced feed additives industry.

In 2006, we acquired Qenos through our subsidiary, Bluestar. 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 high-density polyethylene (“**HDPE**”), low-density polyethylene (“**LDPE**”) and linear low-density polyethylene (“**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.

Agrochemicals

We have an extensive and diversified portfolio of off-patent products and 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. Our subsidiary, ADAMA, possesses more than 270 active pharmaceutical ingredients (“**APIs**”) and over 900 end user products worldwide. We have presence in over 100 countries covering major regions (Europe, North and South America, Middle East, South Africa, APAC and China).

In China, we are engaged in agrochemicals production, most of which are located in agricultural provinces such as Jiangsu, Anhui, Henan and Hubei provinces with relatively steady demand for chemical fertilisers and pesticides. Our overseas agrochemical operations are located mainly in Europe, North and South America, Middle East, South Africa, APAC and China. 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 2016, 2017 and 2018, the agrochemical segment had operating income of approximately RMB25.7 billion, RMB76.5 billion and RMB117.1 billion (US\$17.0 billion), respectively, representing 8.5%, 19.5% and 26.3% of our total operating income. Gross profit for the same periods was approximately RMB7.4 billion, RMB29.7 billion and RMB46.4 billion (US\$6.7 billion), respectively, representing 28.8%, 38.8% and 39.6% of our total gross profit.

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

Product (tonnes)	For the year ended 31 December		
	2016	2017	2018
Pesticide	28,900	36,900	2,100
Herbicide	11,500	8,900	800
Urea	728,300	558,100	671,600

Our agrochemicals manufacturing business is primarily conducted through our ADAMA and Syngenta, held by CNAC.

CNAC

CNAC was established in 2005 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.

CNAC now owns seven enterprises, including Israel ADAMA Agricultural Solution Co. Ltd, Cangzhou Dahua Group Co. Ltd, Jingzhou Sanonda Holding Co. Ltd, Jiangsu Anpon Electrochemical Co. Ltd., Jiangsu Huaihe Chemicals Co. Ltd., Anhui Petroleum & Chemical Group Co. Ltd., Anhui Province Chemical Industry Design Institute, Jiamusi Heilong Agricultural and Industrial Chemical Co. Ltd. and holds shares in two listed companies, Cangzhou Dahua Group Co., Ltd. (600230.SH), ADAMA Ltd. (previously named as Hubei Sanonda Co. Ltd., 000553.SZ). CNAC's businesses cover herbicides, insecticides, bactericides, plant growth regulators and dietary supplements, food additives, aromatic products, environmental protection services and more. It is capable of producing over 270 varieties of APIs and 900 varieties of preparations and has nearly 6,000 product registrations and over 6,000 trademarks in 120 countries.

ADAMA

With a history going back 70 years, ADAMA is one of the world's leading crop protection companies. It strives to streamline and simplify agricultural production, offering farmers effective crop production products and services. It serves farmers in more than 100 countries across the globe, providing them with solutions, including herbicides, insecticides, fungicides, plant growth regulators and seed treatments, and improving the quality and quantity of the crop yields by providing protection from weeds, insects and disease. The company's comprehensive and differentiated product portfolio consists of more than 270 active ingredients and more than 900 end-use products. ADAMA plays a key role in the effort to increase global food production to feed a growing world population.

Syngenta

Syngenta was founded in November 2000 through the merger of the agricultural divisions of Novartis and AstraZeneca. As at the date of this Offering Circular, we had completed acquisition of Syngenta and it was approved to be de-listed from the SIX Swiss Exchange and the New York Stock Exchange of its American Depositary Shares. The acquisition is expected to generate tremendous synergies, as Syngenta's product portfolios are highly complementary with our existing products, with ADAMA focusing on non-patented agrochemicals and Syngenta focusing on patented solutions and seeds. In addition, the acquisition unlocks

further growth momentum of Syngenta by providing it with existing sales and distribution channels in the previously almost inaccessible emerging markets, most notably China, which accounted for a majority of the world's supply of fruits and vegetables in 2018.

Syngenta is a world leading agribusiness operating in the crop protection, seeds, controls and flowers markets. Crop protection chemicals include herbicides, insecticides, fungicides and seed treatments to control weeds, insects and diseases in crops, and are essential inputs enabling growers around the world to improve agricultural productivity and food quality. In seeds, Syngenta operates in the high value commercial sectors of field crops (including corn, oilseeds, and cereals) and vegetables. The controls business provides turf and landscape and professional pest management products, and the flowers business provides flower seeds, cuttings and young plants to professional growers and consumers. As at 31 December 2018, Syngenta operated 104 production and supply sites, seven research and development centres and approximately 180 research and development facilities in more than 90 countries with 27,732 employees, including approximately 5,000 research personnel worldwide. For the year ended 2018, Syngenta recorded sale of approximately US\$13.5 billion, among which the sales from crop protection products exceeded US\$10.4 billion and the sales from seeds exceeded US\$3.0 billion. With regard to geographic coverage, Syngenta's largest market in 2018 was Europe, Africa and the Middle East, which represented approximately 31% of its consolidated sales followed by Latin America at 27%, North America at 27% and Asia Pacific at 15%.

Syngenta is a leading provider of agrochemical products and continues to make a substantial contribution to innovation. As at 31 December 2018, Syngenta has been granted 583 patents and 652 varieties protection rights, and is capable of obtaining approval for two new active ingredients on average each year. Its broad spectrum ADEPIDYN® fungicide is now registered for use on more than 80 crops in the United States and – under the brand name MIRAVIS™ – for use on canola, grapes and potatoes in Australia and New Zealand. Its new generation fungicide AMPEXIO® WG Pepite® was launched in 11 European countries. In weed control, its first post-emergent broad-spectrum herbicide, TALINOR™, was launched in the United States and Australia and controls more than 45 weeds. In France, CALARIS® herbicide is now providing fast and effective broadleaf weed control in corn. MINECTO® continued its strong performance in the United States, controlling insects in vegetables and specialty crops, and was introduced to growers in Spain and Columbia.

Syngenta has been a leading player for accelerating agriculture modernization and strengthening environmental protection. It launches more than 500 field crops and more than 150 vegetables on average every year, resulting in more than 17% of its revenue generated from the sales of new products in 2018. It has increased pesticide efficiency by 39% and ethanol production rate by 10%.

We believe Syngenta has huge potential growth in China. After the acquisition, Syngenta have access to our infrastructure and sales network as well as our e-commerce platform in China. Its globally leading genome-editing and biotech site is located in Beijing, China. Its leading technology in hybrid seeds and broad product portfolio, with the support from the Chinese government on genetically modified organisms technology, allows Syngenta to drive strong growth in its businesses in China and continue to increase its market share in China. For us, the acquisition of Syngenta is believed to advance Chinese government's sustainability and agricultural modernization agendas. Examples include partnership with the Dingxi Agricultural Bureau and local government to improve the productivity of farming potatoes and other vegetables in Northwestern China. Syngenta has since the acquisition made a significant contribution in training more than 5.7 million smallholders in China in 2017, introducing sunflowers, vegetables and herbs as commercially-valuable cover crops to China, launched two programs for poverty alleviation purpose and helped some farms achieve yield uplifts of around 20% for potato and 14% for cabbage.

We maintain Syngenta and CNAC 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% 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.

Tyre and Rubber Products

We are well-known for our production expertise and application knowledge in the tyre and 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 tyre and 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 tyre and 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 2016, 2017 and 2018, the tyre and rubber products segment had operating income of approximately RMB53.4 billion, RMB57.7 billion and RMB55.2 billion (US\$8.0 billion), respectively, representing 17.8%, 14.7% and 12.4% of our total operating income. Gross profit for the same periods was approximately RMB13.1 billion, RMB19.4 billion and RMB20.1 billion (US\$2.9 billion), respectively, representing 25.8%, 25.8% and 19.5% of our total gross profit.

We conduct our tyre and rubber products business primarily through our subsidiary CNRC. Its key subsidiaries include Aeolus Tyre Co. Ltd. ("**Aeolus**"), Pirelli and Qingdao Rubber Six Conveyor Belt Company Limited ("**Qingdao Rubber Six Conveyor Belt**").

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, and other tyre products. CNRC is also a leading producer of rubber conveyor belts in China. For the year ended 31 December 2018, CNRC and its subsidiaries had annual production capacity of over 100 million tyres, and approximately 20 million square metres of conveyor belts. CNRC and its subsidiaries sell their products to over 160 countries and regions across the world. For the year ended 31 December 2018, the total external sales of the key subsidiaries of CNRC, namely Aeolus, Pirelli, Prometeon and Qingdao Rubber Six Conveyor Belt, exceeded RMB55 billion.

Aeolus

Aeolus is listed on the Shanghai Stock Exchange (Stock Code: 600469). As at 31 December 2018, we held approximately 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 one of the largest OTR tyre manufacturer in terms of production capacity in China. It has more than 1,000 types of products sold to more than 140 countries and regions, and is primarily involved in engineering machinery tyres, all-steel radial heavy load tyres, heavy load bias tyres. Aeolus is the premier

strategic supplier of Dongfeng Trucks, the world's top medium-and heavy-duty truck manufacturer. For the year ended 31 December 2018, Aeolus sold approximately 5.59 million tyres and recorded sales of approximately RMB6.2 billion. Aeolus has two plants in China, and holds 10% equity interest in Prometeon Tyre Group.

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. Pirelli successfully concluded its global offering in 2017 and has been listed again on the Milan Stock Exchange since 4 October 2017. As at 31 December 2018, Pirelli has operations 19 plants in 12 countries, producing car and motorcycle tyres which are sold in more than 160 countries. As at 31 December 2018, Pirelli had global production capacity of 88 million consumer tyres and annual capacity of approximately 77 million PCR tyres and 11 million moto tyres. For the year ended 31 December 2018, Pirelli's consumer tyre products accounted for 100% of Pirelli's total revenue under its tyre business. For the year ended 31 December 2018, Pirelli derived 43%, 19%, 17%, 13%, 4% and 3%, respectively, of its revenue under its tyre business from Europe, North American Free Trade Agreement countries ("NAFTA"), Asia Pacific ("APAC"), South America, Middle East/Africa/India and Russia/CIS, respectively.

Pirelli owns a portfolio of approximately 6,500 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. 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 2023. It also maintains close partnerships with a number of carmakers, including Alfa Romeo, Audi, Mercedes, BMW, Jaguar, Land Rover and Volvo, and luxury carmakers, including Ferrari, Maserati, Lamborghini, Porsche, Bentley, Aston Martin, Pagani Automobili and McLaren. Particularly, Pirelli is the exclusive tyre supplier for Lamborghini, McLaren and Pagani Automobili.

Prometeon Tyre

Prometeon Tyre Group S.r.l., formerly named as Pirelli Industrial S.r.l., was incorporated on 16 November 2015, primarily focusing on high-end segments of industrial tyre manufacturing. In March 2017, Prometeon changed into its current name and was deconsolidated from Pirelli. As at 31 December 2018, Prometeon operated 4 plants in 3 countries, producing industrial tyres which were sold to over 160 countries around the world. As at 31 December 2018, Prometeon had global production capacity of 8.0 million tyres and annual capacity of approximately 4.1 million TBR tyres, 0.5 AGRO/OTR tyres, 0.9 TBB tyres and 2.5 million PCR tyres. For the year ended 31 December 2018, Prometeon's industrial tyre products accounted for 90% of Prometeon's total revenue under its tyre business. For the year ended 31 December 2018, Prometeon derived 45%, 30%, 20%, 3% and 2%, respectively, of its revenue under its tyre business from South America, Middle East/Africa, Europe, NAFTA and APAC, respectively.

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 2018, it recorded sales of approximately RMB266 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 electrolyzers, large drying equipment and axle gears. Our vulcanising machines are used for the production of tyres and non-tyre rubber products. Our ionic membrane electrolyzers 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 2016, 2017 and 2018, the chemical equipment segment had operating income of approximately RMB8.8 billion, RMB11.6 billion and RMB12.6 billion (US\$1.8 billion), respectively, representing 2.9%, 3.0% and 2.8% of our total operating income. Gross profit for the same periods was approximately RMB2.1 billion, RMB2.8 billion and RMB3.2 billion (US\$465.4 million), respectively, representing 4.1%, 3.8% and 3.1% 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:

Our key subsidiaries engaged in chemical equipment manufacturing are Guilin Rubber Machinery, Sanming Double-Wheel Chemical Engineering Machinery Co. Ltd. and KraussMaffei.

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

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 5,319 people (199 research staff). It also has one of the largest market services and sales networks, with more than 100 sales and service centres worldwide. For the year ended 31 December 2018, KraussMaffei's sales totalled to approximately Euro1,339 million, and Euro133 million before interest, taxes, depreciation and amortisation (EBITDA), with an EBITDA margin of approximately 9.9%.

KraussMaffei completed its listing on the Shanghai Stock Exchange in December 2018. The listing occurred through the transfer of our state in KraussMaffei to our majority owned subsidiary, Qingdao Tianhua Institute of Chemistry Engineering, which is listed on the Shanghai Stock Exchange.

INTERNATIONAL OPERATIONS

We have an industry-leading global footprint with extensive market presence. As at the date of this Offering Circular, our major overseas subsidiaries are as below:

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 ASA.	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
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.	May 2017	The Switzerland, the U.K., Russia, the U.S., Canada, Brazil and Argentina	Herbicides, insecticides, fungicides, seedcare, seeds and traits for plants
Nidera.	February 2018	Brazil, Argentina, Uruguay and Paraguay	Seeds

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 benefited 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 ASA as well as a 60% equity interest in Israeli Makhteshim Agan Industries (now known as ADAMA Agricultural Solutions Ltd.). With over one hundred years of operation history, Elkem ASA 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 2018, ADAMA is one of the leading crop protection companies, operating seven research and development centers and 21 production facilities with a capability to produce over 270 APIs and over 900 end user products. It has approximately 6,000 product registrations. ADAMA's sales increased from approximately RMB22.1 billion in 2016 to approximately RMB25.6 billion in 2018, while ADAMA's EBITDA increased from approximately RMB561 million in 2016 to approximately RMB653 million in 2018. As at 31 December 2018, ADAMA has more than 7,000 employees with offices in 50 markets around the world, serving farmers in over 120 countries on six continents.

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. 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 2018, Pirelli has operations 19 plants in 12 countries, producing car and motorcycle tyres which are sold in more than 160 countries. Pirelli owns a portfolio of approximately 6,500 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 5,319 people (199 research staff). It also has one of the largest market services and sales networks, with more than 100 sales and service centres worldwide. For the year ended 31 December 2018, KraussMaffei's sales totalled to approximately Euro1,339 million, and Euro133 million before interest, taxes, depreciation and amortisation (EBITDA), with an EBITDA margin of approximately 9.9%. As at the date of this Offering Circular, we have acquired 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. Syngenta has operations 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.

On 6 November 2017, Syngenta and COFCO International Ltd announced that Syngenta has entered into a binding agreement to acquire the global seeds business of Nidera (“**Nidera Seeds**”) from COFCO International Ltd. The acquisition was completed in February 2018. Nidera Seeds is an important player in the South American seeds market, diversified across crops, with a pool of proprietary germplasm and a relevant presence in key South American countries including Brazil, Argentina, Uruguay and Paraguay.

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 2018 were RMB81.4 billion (US\$11.8 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 Mercuria Energy Trading S.A., Unipet Asia Company Limited, Tenery Trading S.A., Sinochem Oil Co., Ltd. and Petrochina International (Hong Kong) Corporation Limited.

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. The major raw material suppliers of Syngenta mainly include Saltigo GMBH, Youth Chemical Co., Ltd. and Infosys 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. Syngenta may have ongoing environmental liabilities.

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 six national level engineering technical research centres, including in the fields of liquid separation membranes, silicone and C-1 chemistry. In addition, we have two national key laboratories, three state-authorised enterprise technical centres and 13 provincial engineering technology centres. To support chemical innovation, we have founded the ChemChina Science and Technology Awards and the ChemChina Science and Technology Fund to support organisations individuals contributing to the chemical science.

In 2018, we engaged in 947 research and development projects, among which 113 were national research and development projects. For the year ended 31 December 2018, our expense on research and development was approximately RMB13.2 billion (US\$1.9 billion).

INTELLECTUAL PROPERTIES

Our intellectual property rights are critical to our business. As at 31 December 2018, we had 22,748 patents. We have not received claims that we have materially infringed any third-party intellectual property rights.

EMPLOYEES

As at 31 December 2018, we had 150,583 employees, of which approximately 86,000 employees were 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, Syngenta was involved in several legal proceedings that may have a material effect on its financial condition or results of operations. The outcome of these lawsuits are subject to considerable uncertainty and further claims may be made. For more details, see also “Risk Factors – The anticipated benefits of the acquisition of Syngenta AG may not be realised, which could adversely impact our business and operating results, and the adverse outcomes in certain legal proceedings could result in a material adverse effect on Syngenta”.

Furthermore, we may from time to time be involved in certain legal proceedings arising out of our ordinary course of businesses. For instance, Shandong Changyi Petrochemical Co., Ltd., a wholly-owned subsidiary of Petrochemical Co., Ltd., is involved in a public interest litigation relating to its violation of environmental laws of the PRC. The outcome of the lawsuit is subject to considerable uncertainty and further claims may be made, which could adversely impact our business and operating results.

SENIOR MANAGEMENT OF THE COMPANY

Our business and operations are managed by our senior management through our Board of Directors and senior management. Our Board of Directors supervises the Strategy and Investment Committee, Nomination Committee, Audit and Risk Management Committee and Remuneration Committee. The following table sets forth certain information with respect to our Directors as at the date of this Offering Circular:

BOARD OF DIRECTORS

Name	Age	Position
Mr. NING Gaoning	61	Chairman
Mr. YANG Xingqiang	52	Director
Mr. XIAO Jinquan	61	Independent Director
Mr. ZHANG Peng	58	Independent Director
Mr. PAN Deyuan	69	Independent Director
Mr. JIA Zhongde	53	Employee Director

Mr. NING Gaoning (寧高寧), aged 61, has been serving as the Chairman of the Company since July 2018. Mr. Ning has also served as Chairman of the Sinochem Group Co., Ltd. since 2015. Prior to that, Mr. Ning was Chairman of COFCO Corporation (COFCO) from 2004 to 2015 and Vice Chairman and President of China Resources (Holdings) Co., Ltd. from 1998 to 2004. He also worked at China Resources in top management positions for 18 years. In addition to his functions in the Company, Mr. Ning holds board memberships of many listed companies and non-listed companies, including chairman of Far East Horizon Ltd., chairman of China Jinmao Holdings Group Ltd., chairman of Sinochem Hong Kong (Group) Co., Ltd. and chairman of Syngenta AG. In addition, Mr. Ning is a member of the 13th standing committee of the Chinese People's Political Consultative Conference and a member of the expert committee of the 13th Five-Year Plan for the National Economic and Social Development of the People's Republic of China.

Mr. Ning ranks among China's most influential business leaders and is the co-chair of APEC Business Advisory Council ("ABAC"), the chairman of APEC China Business Council, and the executive director of the International Chamber of Commerce ("ICC"). Mr. Ning has been awarded as "CCTV Annual Economic Figures" by CCTV, and received "Annual Most Influential Corporate Leader Award" by China Entrepreneur Magazine, "Most Influential Business Leader in China" by Fortune Magazine, "Best Business Leader in Asia" by CNBC and "Best Corporate Director in Asia" by Corporate Governance Asia Magazine. Mr. Ning earned an MBA degree from the Business School of the University of Pittsburgh in the United States and a Bachelor's Degree in Economics from Shangdong University in China. He is a certified Senior International Business Engineer.

Mr. YANG Xingqiang (楊興強), aged 52, has been serving as the President 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. XIAO Jinquan (肖金泉), aged 61, has been serving as the Independent Director of the Company since 2014. Mr. Xiao is a senior partner at Beijing Dacheng Law Offices. Mr. Xiao holds a Master's degree.

Mr. ZHANG Peng (張鵬), aged 58, has been serving as the Independent Director of the Company since 2014. Mr. Zhang previously served as the deputy general manager and general manager of ChemChina Light Industry Company (中國化工輕工總公司), head of National Economy and Trading Materials Serving Centre (國家經貿委物資機關服務中心) and head of Material Agency Service Centre of State Council SASAC (國務院國資委物資機關服務中心). Mr. Zhang holds a Master's degree.

Mr. PAN Deyuan (潘德源), aged 69, has been serving as the Independent Director of the Company since 2015. Mr. Pan previously served as the financial manager and deputy general manager of CR Longdi Property Company (香港華潤隆地公司), the director, chief accounting manager and deputy general manager of China National Foreign Trade Transportation (Group) Corporation (中國對外運輸(集團)總公司) and the general manager of China National Native Produce & Animal Products Import & Export Corporation (中國土產畜產進出口總公司). Mr. Pan also serves as the independent director of China Railway Material Company Limited (中國鐵路物資股份有限公司). Mr. Pan holds a Bachelor's degree.

Mr. JIA Zhongde (賈仲德), aged 53, has been serving as the Employee Director of the Company since 2017. Mr. Jia previously served as the senior staff member, director of the secretary department of China Bluestar Detergent Corporation (中國藍星化學清洗總公司), director of the general office of China National Chemical Corporation.

SENIOR MANAGEMENT

The following table sets forth certain information with respect to our senior management as at the date of this Offering Circular:

Name	Age	Position
Mr. NING Gaoning	61	Chairman
Mr. YANG Xingqiang	52	President
Mr. FAN Xiaosen	58	Vice President
Mr. REN Jianming	55	Vice President
Mr. LU Xiaobao	53	Vice President
Mr. HU Xuteng	46	Vice President
Mr. BAI Xinping	50	Vice President
Mr. HUANG Pu	52	Secretary of the Commission for Discipline Inspection

Mr. NING Gaoning (寧高寧), see his bio in “– Board of Directors”.

Mr. Yang Xingqiang (楊興強), see his bio in “– Board of Directors”.

Mr. FAN Xiaosen (范小森), aged 58, is currently a Vice President 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 55, has been serving as a Vice President 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 53, has been serving as a Vice President 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. HU Xuteng (胡徐騰), aged 46, has been serving as a Vice President of the Company since May 2016. He served successively as engineer, deputy director of Chemicals and Sales Branch, director, general manager and member of the party committee of the general office of Chemicals 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.

Mr. BAI Xinping (白忻平), aged 50, has been serving as a Vice President 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. HUANG Pu (黃埔), aged 52, has been serving as Secretary of the Commission for Discipline Inspection of the Company since November 2011. He served as the chief accountant of Hubei 288 Factory, deputy head of the finance department and the head of the inspection committee of China South Industries Group Corporation. Mr. Huang holds a Master's degree and is a senior accountant.

PRC LAWS AND REGULATIONS

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.

On October 23, 2019, the State Administration of Foreign Exchange issued the Notice on Further Promoting and Facilitating the Cross-border Trade and Investment (關於進一步促進跨境貿易投資便利化的通知) (“Circular 28”), which became effective on the same date. Circular 28 optimizes foreign exchange management policies and measures. In terms of cross-border trade, the measures include but not limited to (i) expand the pilot area for facilitation of foreign exchange receipts and payments for trade, so that enterprises with good business reputation could enjoy greater convenience; (ii) to simplify procedures for receipts and payments of trade funds for small and micro cross-border e-commerce enterprises; (iii) to optimize the report methods of foreign exchange business with respect to goods trade; and (iv) to simplify the procedures for export receipts accounting and allow enterprises to choose whether to open an account for verification, etc.

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.

On 10 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 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.

Circular 28 further optimizes foreign exchange management policies and measures in terms of cross-border investment and financing. The measures include: (i) allowing non-investment foreign-invested enterprises to carry out domestic equity investments with capital funds in accordance with the PRC laws; (ii) expanding pilot area for payment facilitation of foreign exchange receipts under capital accounts, so that more enterprises could use foreign receipts under capital accounts and RMB equivalents from foreign exchange settlement to make onshore payment; (iii) facilitating the settlement of proceeds from equity transfer of domestic enterprises by domestic investors to foreign investors, and to allow foreign investors to use deposit funds as capital contribution and settlement for use after the successful bidding; (iv) delegating the deregistration procedure for corporate foreign debts to banks and cancelling individual registration of corporate foreign debts on a trial basis; (v) abolishing the restrictions on the number of capital accounts; and (vi) initiating trials on cross-border transfers of non-performing debts and trade financing of banks.

On 23 October 2019, SAFE promulgated the Circular on Streamlining Foreign Exchange Accounts (國家外匯管理局關於精簡外匯賬戶的通知) (“**Circular 29**”), which shall become effective on 2 March 2020. Circular 29 simplifies the categories of capital accounts, and introduces new guidelines for banks to handle foreign exchange business related to 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 6 February 2018, 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 Type 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 Deed. The Guarantor’s obligations in respect of the Bonds and the Trust Deed are contained in the Deeds of Guarantee. The Deed of Guarantee will be executed by the Guarantor on or before the Issue Date. Under the New Regulations, the Deed of Guarantee does not require any pre-approval by SAFE and is binding and effective upon execution.

The Guarantor is required to submit the Deed 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 Deed 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 and premium 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. If the Issuer is treated as a PRC resident enterprise, it may also be required to withhold value-added tax on payments of interest and premium 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 or redemption premium 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.

Any PRC tax liability on interest or gain described above may be reduced under applicable tax treaties. However, it is unclear whether in practice nonresident investors might be entitled to receive the benefit of income tax treaties entered into between PRC and their countries.

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 China CITIC Bank International Limited as the Sole Lead Manager effective on 3 March 2020 (the “**Subscription Agreement**”), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to sell to the Sole Lead Manager, and the Sole Lead Manager has agreed 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 Notes
China CITIC Bank International Limited	US\$200,000,000
Total	US\$200,000,000

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Sole Lead Manager and its affiliates against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Sole Lead Manager are subject to certain conditions precedent and entitles the Sole Lead Manager 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 15 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 Sole Lead Manager, 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 Sole Lead Manager and its 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 Sole Lead Manager and its 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. The Sole Lead Manager may offer and sell the Bonds to or through any of its affiliates and any such affiliate may offer and sell the Bonds purchased by it to or through the Sole Lead Manager.

In connection with the offering of the Bonds, the Sole Lead Manager and/or its 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 Sole Lead Manager and/or its 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 Sole Lead Manager 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 Sole Lead Manager and its 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.

GENERAL

None of the Issuer, the Guarantor or the Sole Lead Manager makes any representation that any action will be taken in any jurisdiction by the Sole Lead Manager 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. The Sole Lead Manager will 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 or the Guarantor in any such jurisdiction as a result of any of the foregoing actions. The Sole Lead Manager will obtain, and neither the Issuer nor the Guarantor will have responsibility for obtaining, any consent, approval or permission required by the Sole 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. The Sole Lead Manager is not 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. The Sole 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

Prospectus Regulation Public Offer Selling Restrictions

In relation to each Member State of the European Economic Area and the United Kingdom (each, a “**Relevant State**”), the Sole Lead Manager has represented, warranted and agreed that 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 State, except that it may make an offer to the public in that Relevant State of any Shares at any time under the following exemptions under the Prospectus Regulation:

1. to any legal entity which is a qualified investor as defined under the Prospectus Regulation;

2. to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the Sole Lead Manager for any such offer; or
3. in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of the Bonds shall require the Issuer, the Guarantor or the Sole Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “**offer to the public**” in relation to the Bonds in any Relevant 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 for the Bonds, and the expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129.

Prohibition of Sales to EEA and UK Retail Investors

The Sole Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds to any retail investor in the European Economic Area (“**EEA**”) or in the United Kingdom. For the purposes of this provision, (a) the expression “retail investor” means a person who is one (or more) of the following: (i) retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and (b) the expression “**offer**” includes 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 for the Bonds.

UNITED KINGDOM

The Sole 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**”)) 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 this Offering Circular 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 this Offering Circular 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 Circular 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 Circular has not been prepared and are 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 Circular 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 Sole Lead Manager: (i) has not offered or sold and will not offer or sell, directly or indirectly, any Bonds to the public in France; (ii) has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Offering Circular or any other offering materials relating to the Bonds; and (iii) confirms 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

The Sole Lead Manager has represented and agreed 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 Securities, 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 (gekwalficeerde 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 Regulation (Regulation (EU) 2017/1129).

THE PEOPLE’S REPUBLIC OF CHINA

The Sole 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

The Sole 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 (the “SFO”) and any rules made under the SFO; 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 (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; 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 the SFO.

SINGAPORE

The Sole Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Sole 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 any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (in the case of an accredited investor) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, 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 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 or securities-based derivatives contracts (each term as defined in Section 2(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 or to a relevant 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 37A of the Securities and Futures (Offer of Investments) (Securities and Securities-based Derivatives contracts) Regulations 2018.

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, the Sole 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, ministerial guidelines and other relevant laws, regulations and ministered guidelines of Japan.

SWITZERLAND

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Bonds. Accordingly, each Manager represents and agrees that it will not publicly offer, sell or advertise the Bonds, directly or indirectly, in, into or from Switzerland and will not list the Bonds on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Bonds constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act, and each Manager agrees that it will not publicly distribute or otherwise make publicly available in Switzerland either this Offering Circular or any other offering or marketing material relating to the Bonds.

RATINGS

The Bonds are expected to be assigned a rating of “Baa2” by Moody’s and “A-” by Fitch upon issuance. Additionally, the Guarantor has been assigned a corporate credit rating of “Baa2” with stable outlook by Moody’s, “BBB” with stable outlook by S&P and “A-” with stable outlook by Fitch. The sovereign rating of the PRC is “A1” with stable outlook by Moody’s, “A+” with stable 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 LLP as to matters of English law and Hong Kong law. Certain legal matters will be passed upon for the Sole Lead Manager 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 Limited and its subsidiaries as at 31 December 2016, 2017 and 2018, and the consolidated statements of comprehensive income of China National Chemical Corporation Limited and its subsidiaries for each of the years ended 31 December 2016, 2017 and 2018 incorporated by reference 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 2017 and 2018.

GENERAL INFORMATION

- (1) **General Information of the Guarantor:** The Guarantor was incorporated in the PRC on 22 April 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:** Upon issuance and until the consolidation to form a single series with the Existing Bonds, the Additional Bonds will be represented by beneficial interests in the Temporary Global Certificate in registered form with a temporary ISIN (XS2129562794) and a temporary Common Code (212956279), which will be registered in the name of a nominee of, and shall be deposited on or about the issue date of the Additional Bonds with, a common depositary for Euroclear and Clearstream. On the Fungible Date (as defined in the Terms and Conditions of the Bonds), subject to satisfaction of certain conditions as described in the Terms and Conditions of the Bonds, the Temporary Global Certificate will be cancelled and the New Global Certificate with a permanent ISIN (XS2011969651) and a permanent Common Code (201196965), which represents the aggregate principal amount of the Bonds and contains the same ISIN and Common Code as the Existing Global Certificate, will replace the Temporary Global Certificate and the Existing Global Certificate and be deposited with the common depositary for Euroclear and Clearstream.
- (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 28 February 2020. The Guarantee of the Bonds was authorised by resolutions of the General Managers' Meeting of the Guarantor (as supplemented) passed on 28 February 2020.
- (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 Group or material adverse change in the prospects of the Group since 31 December 2018, 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 far as 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 2017.
- (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 2017 and 2018, the Issuer's Articles of Association, the Trust Deed, the Agency Agreement and the Deed of Guarantee will be available for inspection in electronic form 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 Bonds 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 2017 and 2018 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 Deed, 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 or the Trust Deed so provide. 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:** The Existing Bonds are listed on the Singapore Exchange Securities Trading Limited, or the SGX-ST. Approval in-principal has been obtained from the SGX-ST for the listing and quotation of the Additional 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 (or its equivalent in foreign currencies) for so long as such Bonds are listed on the SGX-ST and the rules of the SGX-ST so require.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
English Translation of the Guarantor’s Audited Consolidated Financial Statements as at and for the year ended 31 December 2018	
Independent Auditors’ Report	F-3
Consolidated Statement of Financial Position	F-6
Consolidated Statement of Comprehensive Income	F-8
Consolidated Statement of Cash Flow	F-9
Consolidated Statement of Changes in Shareholders’ Equity	F-10
Consolidated Statement of Financial Position	F-12
Consolidated Statement of Comprehensive Income	F-14
Statement of Cash Flows.	F-15
Statement of Changes in Shareholders’ Equity	F-16
Notes to the Financial Statements	F-18
 English Translation of the Guarantor’s Audited Consolidated Financial Statements as at and for the year ended 31 December 2017	
Independent Auditors’ Report	F-148
Consolidated Statement of Financial Position	F-151
Consolidated Statement of Comprehensive Income	F-153
Consolidated Statement of Cash Flow	F-154
Consolidated Statement of Changes in Shareholders’ Equity	F-155
Statement of Financial Position	F-157
Statement of Comprehensive Income	F-159
Statement of Cash Flows.	F-160
Statement of Changes in Shareholders’ Equity	F-161
Notes to the Financial Statements	F-163

China National Chemical Corporation Ltd.
Consolidated Financial Statements and
Independent Auditors' Report

Ruihua Audit [2019] NO.01580358

Contents

	Page
I. Independent Auditors' Report	1
II. Audited Financial Statements	
1. Consolidated Statement of Financial Position	4
2. Consolidated Statement of Income statement	6
3. Consolidated Statement of Cash Flow	7
4. Consolidated Statement of Changes in Owner's Equity	8
5. Statement of Financial Position	10
6. Statement of Income statement	12
7. Statement of Cash Flow	13
8. Statement of Changes in Owner's Equity	14
9. Notes to the Consolidated Financial Statements	16

Independent Auditors' Report

Ruihua Audit [2019] NO. 01580358

To: China National Chemical Corporation Ltd.

I. Audit Opinion

We have audited the accompanying financial statements of China National Chemical Corporation Ltd. (hereafter, the Company), which include the Consolidated and Separate Statements of Financial Position as of 31 December 2018, the Consolidated and Separate Statements of Comprehensive Income, the Consolidated and Separate Statements of Cash Flows and the Consolidated and Separate Statements of Changes in Owners' Equity for the year then ended and the notes to the financial statements.

In our opinion, the financial statements have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises of China and presented fairly, in all material respects, the consolidated and separate financial position of the Company as of 31 December 2018, and the Company's consolidated and separate results of operations and consolidated and separate cash flows for the year then ended.

II. Basis of Forming the Audit Opinion

We conducted our audit in accordance with the China Standards on Auditing ("CSAS"). The section "Auditors' Responsibility for the Financial Statements" in the audit report further describes our responsibilities in accordance with these standards. According to the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), we are independent of the Company and fulfilled other ethical responsibilities of CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management of the Company (hereafter, the management) is responsible for preparing and presenting the financial statements in accordance with Accounting

Standards for Business Enterprises of China and for the purpose of fair presentation and designing, implementing and maintaining necessary internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

During the preparation of the financial statements, the management is responsible for assessing the Company's going-concern capability; disclosing, where applicable, matters in relation to the going-concern status; and applying the going-concern assumption for preparation of the financial statements, unless the management plans to liquidate the Company, terminates operation of the Company or has no other practical alternative choice.

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

IV. Auditors' Responsibility for the Financial Statements

Our objective is to obtain reasonable assurance to whether the financial statements are free from material misstatement, whether due to frauds or errors, and issue an audit report with audit opinion. Reasonable assurance is a high-level assurance, but there is no guarantee that a material misstatement will always be found in the audit performed in accordance with CSAs. Misstatements may be caused by fraud or error and are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users based on the financial statements.

During the performance of our audit in accordance with the auditing standards, we use professional judgment and maintain professional skepticism. We also perform the following procedures:

- A. Identify and assess the risks of material misstatement of the financial statements due to fraud and error, design and implement audit procedures to address these risks, and obtain sufficient and appropriate audit evidence as a basis for forming the audit opinion. As fraud may involve collusion, forgery, willful omission, misrepresentation or override of internal control, the risk of not discovering a material misstatement due to fraud is higher than the risk of failing to detect a material misstatement resulting from a mistake.
- B. Understand the internal controls related to auditing in order to design appropriate audit procedures.
- C. Evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and relevant disclosures made by management.
- D. Conclude on the appropriateness of management's application of the going concern

assumption. Meanwhile, based on the audit evidence obtained, conclude whether there is material uncertainty about the Company's ability to continue as a going-concern. If we conclude that there is material uncertainty, the auditing standards require us to draw attention of the users of the financial statements to the relevant disclosures in the financial statements. If the disclosure is inadequate, we shall express a qualified opinion. Our conclusion is based on information available as of the date of the audit report. However, future events or circumstances may cause the Company not being able to continue as a going-concern.

E. Evaluate the overall presentation, structure and content of financial statements (including disclosures), and evaluate whether the financial statements present fairly the relevant transactions and events.

F. Obtain sufficient and appropriate audit evidence regarding to ChemChina financial information of the entities or business activities in order to express opinion on the financial statements. We are responsible for the guidance, supervision and execution of the group audit. We take full responsibility for the audit opinion.

We communicate with those charged with governance on the scope and time schedule of the audit, and significant audit findings, etc., including deficiency of internal control that we identified during the audit which warrants attention.

Ruihua Certified Public Accountants



Beijing, China

Certified Public Accountants

Handwritten signature of the first CPA and a red rectangular stamp with the text "中国注册会计师" (Chinese Certified Public Accountant), "曾庆海" (Zeng Qinghai), and the number "440100040055".

Certified Public Accountants

Handwritten signature of the second CPA and a red rectangular stamp with the text "中国注册会计师" (Chinese Certified Public Accountant), "谢晓宇" (Xie Xiaoyu), and the number "110000512041".

22 April 2019

Consolidated Statement of Financial Position

as of December 31, 2018

Prepared by: China National Chemical Corporation Ltd.

Currency: CNY

Item	Note	31 December 2018	1 January 2018	31 December 2017
Current assets				
Cash and Cash equivalents	8.1	71,356,447,203.23	87,449,464,836.41	87,449,464,836.41
Settlement reserve				
Lending Funds				
Financial assets held for trading	8.2	267,163,187.35	1,436,042,521.69	
Financial assets at fair value through profit and loss	8.3	136,698,464.51	137,576,523.31	410,865,682.90
Derivative financial assets	8.4	2,448,730,630.71	1,244,106,003.49	1,244,106,003.49
Notes receivable and Accounts receivable	8.5	59,932,994,489.98	58,735,363,027.39	58,699,783,121.79
Advances to suppliers	8.6	6,870,789,849.00	5,833,747,014.58	5,833,747,014.58
Premiums receivable				
Reinsurance accounts receivable				
Reinsurance reserves receivable				
Other receivables	8.7	28,343,356,706.68	32,343,853,993.95	32,322,768,405.91
Buying back the sale of financial assets				
Inventories	8.8	81,372,884,494.98	77,620,044,502.66	77,620,044,502.66
Raw materials	8.8	18,275,574,101.46	15,181,688,161.28	15,181,688,161.28
Finished goods	8.8	42,354,093,235.88	44,955,552,527.40	44,935,844,839.08
Assets held for sale	8.9	1,124,537,998.07	403,297,000.00	403,297,000.00
Non-current assets due within one year	8.10	56,414,154.25	35,546,000.00	35,546,000.00
Other current assets	8.11	10,912,191,125.59	9,839,205,414.81	9,865,128,322.50
Total current assets		262,822,208,304.35	275,078,246,838.29	273,884,750,890.24
Non-current assets				
Loans and payments				
Available-for-sale financial assets	8.12	1,578,244,216.22	1,809,062,090.28	4,232,884,204.86
Held-to-maturity investments	8.13			
Long-term receivables	8.14	4,657,672,173.95	7,951,804,819.30	8,657,498,419.30
Long-term equity investments	8.15	10,274,020,571.36	10,306,493,680.21	10,306,493,680.21
Other investments in equity instruments	8.16	1,475,513,501.45	1,332,614,752.48	
Other non-current financial assets	8.17	947,121,800.00	1,195,758,600.00	
Investment properties	8.18	655,453,159.72	588,578,149.26	588,578,149.26
Fixed assets-net value	8.19	122,160,411,021.63	120,938,649,184.19	120,938,649,184.19
Construction in progress	8.20	12,604,126,581.32	15,519,885,135.44	15,519,885,135.44
Biological assets held for production				
Oil and gas assets				
Intangible assets	8.21	184,306,233,911.29	178,565,159,020.94	178,565,159,020.94
Development expenditure	8.22	1,025,210,739.31	1,014,196,319.45	1,014,196,319.45
Goodwill	8.23	179,173,133,535.75	166,367,077,112.62	166,367,077,112.62
Long-term deferred expenses	8.24	403,368,967.65	428,376,303.21	428,376,303.21
Deferred tax assets	8.25	9,959,843,662.34	10,177,851,638.50	10,200,114,567.21
Other non-current assets	8.26	6,806,339,054.26	5,353,691,940.53	5,857,639,362.26
Physical assets reserve specifically				
Total non-current assets		536,026,692,696.25	521,549,198,746.41	522,676,551,458.95
Total asset		798,848,901,000.60	796,627,445,584.70	796,561,302,349.19

Continued from previous page)

Consolidated Statement of Financial Position (Continued)

as of December 31, 2018

Prepared by: China National Chemical Corporation Ltd.

Currency: CNY

Item	Note	31 December 2018	1 January 2018	31 December 2017
Current liabilities				
Short-term borrowings	8.27	63,681,792,788.49	154,603,722,896.36	154,603,722,896.36
Borrowings from central bank				
Deposits from customers and interbank				
Loans from other banks and other financial institutions				
Financial liabilities held for trading				
Financial liabilities at fair value through profit and loss				
Derivative financial liabilities	8.28	3,810,188,945.53	2,947,918,198.29	2,947,918,198.29
Notes payable and Accounts payable	8.29	62,647,639,415.07	61,358,688,033.74	61,672,329,633.74
Advances from customers	8.30	7,597,731,113.72	7,403,644,570.72	7,824,195,279.93
Contractual liabilities	8.31	1,424,852,463.00	1,347,363,152.78	
Funds from sales of financial assets with repurchase agreement				
Handling charges and commissions payable				
Employment benefits payable	8.32	8,882,754,471.21	9,203,865,240.97	9,203,865,240.97
Accrued payroll	8.32	4,958,670,667.30	3,899,138,106.66	3,899,138,106.66
Welfare benefits payable	8.32	43,442,442.53	8,746,263.00	8,746,263.00
Staff and worker's bonus and selfare	8.32			
Taxes and fees payable	8.33	12,133,061,948.81	8,054,970,167.69	8,048,361,619.59
Taxes payable	8.33	11,830,882,225.35	7,779,880,458.04	7,778,844,858.38
Other payables	8.34	16,219,320,678.45	23,312,623,980.88	23,815,985,980.88
Reinsurance accounts payable				
Provision for insurance contracts				
Funds received as agent of stock exchange				
Funds received as stock underwrite				
Liabilities held for sale	8.35	14,460,830.08		
Non-current liabilities due within one year	8.36	43,478,691,711.10	18,445,766,284.27	18,518,313,435.07
Other current liabilities	8.37	11,095,374,419.37	18,143,235,721.69	18,176,396,299.31
Total current liabilities		230,985,868,784.83	304,821,798,247.39	304,811,088,584.14
Non-current liabilities				
Long-term borrowings	8.38	120,820,204,834.54	97,989,149,488.68	97,734,315,688.68
Debentures payable	8.39	196,229,702,156.85	114,360,065,658.69	114,360,065,658.69
Including: Preferred shares				
Perpetual bonds				
Long-term payables	8.40	1,321,248,909.35	4,151,489,801.37	4,406,323,601.37
Long-term employee benefits payable	8.41	8,221,168,043.60	8,456,288,603.31	8,456,288,603.31
Provisions	8.42	5,053,814,653.44	11,662,656,905.02	11,662,656,905.02
Deferred income	8.43	2,804,199,452.14	2,806,769,434.23	2,806,769,434.23
Deferred tax liabilities	8.25	38,495,360,273.32	38,470,844,030.78	38,486,261,375.58
Other non-current liabilities	8.44	1,950,032,579.78	2,638,687,111.56	2,642,788,226.71
Authorized reserve fund				
Total non-current liabilities		374,895,730,903.02	280,535,951,033.64	280,555,469,493.59
Total liabilities		605,881,599,687.85	585,357,749,281.03	585,366,558,077.73
Shareholders' Equity				
Share capital	8.45	11,592,025,968.24	11,580,025,968.24	11,580,025,968.24
National capital	8.45	11,592,025,968.24	11,580,025,968.24	11,580,025,968.24
State-owned legal person's capital				
Collective capital				
Private capital				
Personal capital				
Foreign capital				
Less: Returned investment				
Net book value of share capital	8.45	11,592,025,968.24	11,580,025,968.24	11,580,025,968.24
Other equity instruments	8.46	12,900,000,000.00	12,900,000,000.00	12,900,000,000.00
Including: Preferred shares				
Perpetual bonds	8.46	12,900,000,000.00	12,900,000,000.00	12,900,000,000.00
Capital reserves	8.47	21,159,356,891.55	23,619,188,204.76	23,619,188,204.76
Less: Treasury shares				
Other comprehensive income	8.62	-5,759,083,324.70	-9,042,923,351.59	-9,052,811,058.03
Exchange differences on translating foreign operations	8.62	-6,694,889,838.87	-9,263,895,031.37	-9,263,895,031.37
Specialized reserve	8.48	94,286,591.37	76,046,433.14	76,046,433.14
Surplus reserves				
Including: Statutory surplus reserve				
Discretionary surplus reserve				
Reserved funds				
Enterprise expansion funds				
Profits capitalised on return of investments				
General risk reserve				
Retained earnings	8.49	-37,545,752,203.04	-22,238,301,003.13	-22,295,108,426.13
Equity attributable to shareholders of the Parent		2,440,833,923.42	16,894,036,251.42	16,827,341,121.98
Minority interests		190,526,467,389.33	194,375,660,052.25	194,367,403,149.48
Total shareholders' equity		192,967,301,312.75	211,269,696,303.67	211,194,744,271.46
Total liabilities and shareholders' equity		798,848,901,000.60	796,627,445,584.70	796,561,302,349.19

Legal Representative

Person in Charge of Accounting Work

Person in Charge of Financial Department

宁国平

施洁

高伟

Consolidated Statement of Comprehensive Income

for the Year ended December 31, 2018

Prepared by: China National Chemical Corporation Ltd.

Currency: CNY

Item	Note	2018	2017
Total revenue	8.50	445,813,565,495.94	392,164,583,455.35
Including: Revenue from operation	8.50	445,813,565,495.94	392,164,583,455.35
Interest income			
Insurance premiums earned			
Handling charges and commissions income			
Total operating costs	8.50	451,972,963,227.61	393,538,865,354.89
Including: Cost for operation	8.50	342,306,942,431.72	317,079,338,186.42
Interest expenses			
Handling charges and commissions expenses			
Refund of insurance premiums			
Net payments for insurance claims			
Net provision for insurance contracts			
Commissions on insurance policies			
Cession charges			
Taxes and surcharges		11,471,110,805.42	3,288,890,270.69
Selling expenses	8.51	33,214,200,575.48	27,966,900,062.56
Administrative expenses	8.51	23,662,644,538.90	20,432,932,369.19
Party building work funds	8.51	7,564,729.60	2,561,522.90
Research and development expenses	8.51	13,213,685,807.42	9,540,808,999.66
Financial costs	8.51	22,227,369,013.16	11,677,460,748.44
Interest expense	8.51	19,083,730,613.53	14,367,537,851.57
Interest income	8.51	2,872,965,752.33	2,583,547,829.37
Net exchange gains	8.51		2,188,568,200.21
Net exchange losses	8.51	3,469,168,279.86	
Loss on asset impairment	8.52	5,472,396,374.41	3,552,534,217.93
Credit loss	8.53	404,613,681.10	
Others			
Add: Other Income	8.54	1,205,081,998.75	1,015,766,161.86
Investment income (loss presented with "-" prefix)	8.55	2,875,145,169.87	-3,232,590.99
Including: Investment income from associates and joint ventures	8.55	237,527,072.97	210,443,905.54
Gain on foreign exchange transactions (loss presented by "-" prefix)			
Gains from net exposure hedge ("-" for loss)	8.56	645,797,907.75	
Gain from changes in fair value (loss presented with "-" prefix)	8.57	46,331,035.55	-1,105,724,606.93
Gains from asset disposals ("-" for loss)	8.58	2,603,023,666.12	644,286,417.39
Profit from operation (loss presented with "-" prefix)		1,215,982,046.37	-823,186,518.21
Add: Non-operating income	8.59	1,402,199,819.41	2,069,486,743.99
Including: Government grants	8.59	706,725,302.40	504,388,814.96
Gains from debt restructuring	8.59	63,168,473.32	7,202,800.76
Less: Non-operating expenses	8.60	1,190,344,434.82	1,000,306,569.92
Including: Loss from debt restructuring	8.60	5,675,505.83	2,469,139.27
Profit before taxation (loss presented with "-" prefix)		1,427,837,430.96	245,993,655.86
Less: Income tax expenses	8.61	2,838,483,437.44	-440,750,156.84
Net profit (loss presented with "-" prefix)		-1,410,646,006.48	686,743,812.70
A. Net profit/loss classified by ownership			
Net profit attributable to parent company		-14,602,535,996.35	-6,901,027,044.15
*Profit/loss attributable to minority share-holders		13,191,889,989.87	7,587,770,856.85
B. Net profit/loss classified by continuity of operations			
Net profit from continuing operations		-845,691,446.05	850,793,726.78
Net profit from discontinued operations		-564,954,560.43	-164,049,914.08
Other comprehensive income after tax	8.62	3,095,531,341.30	-9,868,145,362.37
Other comprehensive income after tax attributable to parent company		3,284,133,433.39	-5,036,716,512.31
A. Comprehensive income that will not be reclassified into profit or loss		186,424,494.14	699,984,719.32
1. Remeasurement of net assets or net liabilities of defined benefit plans		131,676,602.24	646,485,119.32
2. Other comprehensive income recognised under equity method		-1,208.97	53,489,600.00
3. Changes in fair value of other investments in equity instruments		54,749,100.87	
4. Changes in fair value of entity's credit risk			
5. Others			
B. Other comprehensive income that may be reclassified into profit or loss		3,097,708,939.25	-5,736,701,231.63
1. Other comprehensive income recognised under equity method		-26,324,963.08	16,870,499.68
2. Changes in fair value of other debt investments			
3. Gains or losses arising from changes in fair value of available-for-sale financial assets		-99,833,686.87	88,496,053.31
4. Amount included in other comprehensive income arising from reclassification of financial assets			
5. Gain or loss arising from reclassification of held-to-maturity investments as available-for-sale financial assets			
6. Provision for impairment of other debt investments			
7. Effective portion of gains or losses arising from cash flow hedging instruments		583,113,150.24	-514,965,892.97
8. Translation differences arising on translation of foreign currency financial statements		2,569,005,192.50	-5,327,101,891.65
9. Others		71,749,246.46	
Other comprehensive income after tax attributable to minority share-holders		-188,602,092.09	-4,831,428,850.06
Total comprehensive income		1,684,885,334.82	-9,181,401,549.67
Total comprehensive income attributable to shareholders of the Parent		2,719,178,872.96	-5,200,766,426.39
Total comprehensive income attributable to minority interests		-1,034,293,538.14	-3,980,635,123.28
Earning per share			
A. Basic earning per share			
B. Diluted earning per share			

Legal Representative

Person in Charge of Accounting Work

Person in Charge of Financial Department

Consolidated Statement of Cash Flows

for the Year ended December 31, 2018

Prepared by: China National Chemical Corporation Ltd.

Currency: CNY

Item	Note	2018	2017
Cash flows from operating activities			
Cash received for sales of goods and rendering of services		459,930,156,332.37	426,501,466,785.18
Net increase in deposits and placements from financial institutions			
Net increase in borrowing from central bank			
Net increase in funds borrowed from other financial institutions			
Cash received from premiums of original insurance contracts			
Net amount of reinsurance business			
Net increase in insured's deposits and investments			
Net increase in disposal of financial assets at fair value through profit and loss			
Cash received from interests, fees and commissions			
Net increase of placement from banks and other financial institutions			
Net increase in repurchasing			
Tax refund received		1,746,948,409.24	1,958,924,986.36
Other cash receipts relating to operating activities		15,528,494,878.24	3,962,861,749.81
Cash inflows from operating activities		477,205,599,619.85	432,423,253,521.35
Cash payments for purchase of goods and services		331,545,956,997.53	299,108,826,861.58
Net increase in loans and advances			
Net increase in deposits with central banks and other financial institutions			
Cash paid for claim settlements on original insurance contracts			
Cash paid for interest, fees and commissions			
Cash paid for policy dividends			
Cash paid to or on behalf of employees		44,848,528,908.54	39,776,290,287.61
Taxes and fees paid		20,243,171,404.99	13,974,968,061.18
Other cash payments relating to operating activities		51,485,748,969.50	36,039,505,376.93
Cash outflows for operating activities		448,123,406,280.56	388,899,590,587.30
Net cash flows from operating activities	8.66	29,082,193,339.29	43,523,662,934.05
Cash flows from investing activities			
Cash received from investment withdrawal		2,715,302,980.33	6,357,415,661.53
Cash investment income received		2,041,085,442.78	2,035,621,881.31
Net cash received from disposal of fixed assets, intangible assets or other non-current assets		6,939,577,672.94	1,381,609,466.30
Net cash received from disposal of subsidiaries or other invested entities		619,764,140.98	1,574,016,440.55
Other cash receipts relating to investing activities		4,902,824,479.34	9,463,535,836.81
Cash inflows from investing activities		17,218,554,716.37	20,812,199,286.50
Cash paid for purchase or construction of fixed assets, intangibles assets or other non-current assets		18,736,901,818.64	16,631,894,402.88
Cash paid for investment		11,127,193,409.25	9,658,993,604.37
Net increase in pledged loan			
Net cash paid for acquisition of subsidiaries and other invested entities		10,542,116,176.82	276,311,135,823.25
Other cash payments relating to investing activities		5,984,221,214.34	25,832,152,567.24
Cash outflows for investing activities		46,390,432,619.05	328,434,176,397.74
Net cash flows from investing activities		-29,171,877,902.68	-307,621,977,111.24
Cash flows from financing activities			
Cash received from investors		6,054,703,908.26	153,685,996,206.96
Including: Cash received from minority shareholders of subsidiaries		5,799,459,801.13	147,254,889,777.23
Cash received from loans raised		237,190,689,304.93	360,910,857,680.90
Cash received from debt instruments issued			
Other cash receipts relating to financing activities		7,938,645,709.02	12,276,878,462.90
Cash inflows from financing activities		251,184,038,922.21	526,873,732,350.76
Cash paid for debt repayment		219,168,398,195.69	209,017,972,970.78
Cash paid for dividends, profit distribution and interests		25,321,319,001.48	18,712,480,659.95
Including: Cash dividends and profit distribution paid to minority shareholders of subsidiaries		6,222,926,895.06	34,409,159.64
Other cash payments relating to financing activities		22,242,967,643.98	6,844,122,929.69
Cash outflows from financing activities		266,732,684,841.15	234,574,576,560.42
Net cash flows from financing activities		-15,548,645,918.94	292,299,155,790.34
Impact of change on foreign exchange rates on cash and cash equivalents		-682,267,681.96	-1,196,530,103.23
Net increase of cash and cash equivalents	8.66	-16,320,598,164.29	27,004,311,509.92
Add: cash and cash equivalents brought forward	8.66	71,873,684,365.75	44,869,372,855.83
Cash and cash equivalents carried forward	8.66	55,553,086,201.46	71,873,684,365.75

Legal Representative

Person in Charge of Accounting Work

Person in Charge of Financial Department

李海峰

7 张浩

高伟



Consolidated Statement of Changes in Shareholders' Equity
for the Year ended December 31, 2018

Currency: CNY

2018																
Equity attributable to shareholders of the Parent																
Item	Share capital	Other equity instruments				Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserves	General risk reserve	Undistributed profits	Others	Subtotal	Minority interest	Total shareholders' equity
		Preferred shares	Perpetual bonds	Others												
Balance brought forward	11,590,025,968.24		12,900,000,000.00		23,619,188,204.76		-9,052,811,058.03	76,046,433.14				-22,295,106,436.13		16,827,341,121.98	194,397,403,149.48	211,194,744,271.46
Add: Changes of accounting policies							9,887,706.44					56,807,423.00		66,695,129.44	8,256,902.77	74,952,032.21
Correction of prior period errors																
Others																
Balance as at 1 January	11,590,025,968.24		12,900,000,000.00		23,619,188,204.76		-9,042,923,351.59	76,046,433.14				-22,238,301,003.13		16,894,036,251.42	194,376,660,052.25	211,269,696,303.57
Changes for the period (decrease presented by "-")	12,000,000.00				-2,459,831,313.21		3,283,840,026.89	18,240,158.23				-15,307,451,199.91		-14,453,201,238.00	-3,849,192,662.92	-16,302,394,990.32
1. Total comprehensive income							3,284,133,433.39					-14,602,535,996.35		-11,318,402,562.96	13,003,287,887.78	1,684,685,334.52
2.Owner's contributions and withdrawals of capital												21,834,796.44		-2,436,102,194.73	-3,632,801,196.07	-6,068,703,390.80
a.Common stock contributed by owners																
b.Capital contributed by other equity instruments holders																
c.Share-based payment recorded in owner's equity																
d.Others																
3. Accrual and utilization of specific reserve					3,415,548.07									3,415,548.07		3,415,548.07
a.Accrual of specific reserve																
b.Utilization of specific reserve					-2,451,246,861.28							21,834,796.44		-2,439,517,742.80	-2,253,026,623.30	-4,682,544,366.10
4.Profits distribution																
a.Appropriation of surplus reserve																
Including: Statutory surplus reserve																
Discretionary surplus reserve																
General reserve fund																
Enterprise expansion																
Return of investment																
b.Accrual of general risk reserve																
c.Distribution to owner/shareholder																
d.Others																
5.Transfer within owner's equity	12,000,000.00				-12,000,000.00		-283,406.50									
a.Paid-in capital increased by capital reserve transfer	12,000,000.00				-12,000,000.00											
b.Paid-in capital increased by surplus reserve transfer																
c.Loss covered by surplus reserve																
d.Transfer of changes as a result of remeasurement of defined benefit plan liability																
e.Others																
Ending balance of current year	11,592,025,968.24		12,900,000,000.00		21,159,356,891.55		-6,759,083,324.70	94,286,591.37				-37,645,752,203.94		2,449,833,921.42	190,526,467,389.33	192,967,301,312.75

Person in Charge of Financial Department

Person in Charge of Accounting Work

Legal Representative

(Signature)

(Signature)

(Signature)

Consolidated Statement of Changes in Shareholders' Equity(Continued)

for the Year ended December 31, 2018

Item	2017														Total shareholders' equity
	Equity attributable to shareholders of the Parent														
	Share capital	Preferred shares	Other equity instruments		Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserves	General risk reserve	Undistributed profits	Others	Subtotal	Minority interest	
Balance brought forward	11,580,025,968.24		10,500,000,000.00		19,011,730,832.88		-3,897,640,669.43	76,472,166.89			-13,209,402,182.70		24,951,186,105.88	47,782,760,034.32	71,843,946,140.20
Add: Changes of accounting policies															
Correction of prior period error															
Others															
Balance as at 1 January 2018	11,580,025,968.24		10,500,000,000.00		19,011,730,832.88		-3,897,640,669.43	76,472,166.89			-13,209,402,182.70		24,951,186,105.88	47,782,760,034.32	71,843,946,140.20
Changes for the period (decrease presented by "-")			2,400,000,000.00		4,977,127,324.29		-5,195,170,388.60	-425,733.75			-7,518,878,294.15		-5,297,347,092.21	146,703,166,722.78	141,405,819,030.57
1. Total comprehensive income							-5,038,716,512.31				-6,901,027,044.15		-11,937,743,556.46	2,756,342,006.78	141,405,819,030.57
2.Owner's contributions and withdrawals of capital			2,400,000,000.00		4,977,127,324.29		-118,453,878.29	-4,662,876.98					7,254,010,571.02	148,027,088,399.99	155,281,098,971.01
a. Common stock contributed by owners															
b. Capital contributed by other equity instruments holders															
c.Share-based payment recorded in owner's equity			2,400,000,000.00		538,172,103.11								2,400,000,000.00	127,739,939,812.36	130,139,939,812.36
d. Others															
3. Accrual and utilization of specific reserve					4,438,955,221.18		-118,453,878.29	-4,662,876.98					4,315,838,467.91	1,937,363,166.39	6,253,201,634.30
a.Accrual of specific reserve								4,237,143.23					4,237,143.23	-8,925,474.93	-4,688,331.70
b.Utilization of specific reserve								177,199,630.37					177,199,630.37	44,001,804.41	221,201,434.78
4.Profits distribution								-172,962,487.14					-172,962,487.14	-52,827,279.34	-225,869,766.48
a.Appropriation of surplus reserve															
Including: statutory surplus reserve															
Discretionary surplus reserve															
General reserve fund															
Enterprise expansion fund															
Return of investment															
b.Accrual of general risk reserve															
c.Distribution to owner/shareholder															
d.Others															
5.Transfer within owner's equity															
a.Paid-in capital increased by capital reserve transfer															
b.Paid-in capital increased by surplus reserve transfer															
c.Loss covered by surplus reserve															
d.Transfer of changes as a result of remeasurement of defined benefits plan liability															
e.Others															
Ending balance of current year	11,580,025,968.24		12,900,000,000.00		23,619,188,204.76		-9,052,811,068.03	76,046,433.14			-22,295,108,436.13		16,837,244,121.98	184,387,403,149.48	211,194,744,271.46

Person in Charge of Accounting Work

Person in Charge of Financial Department

Legal Representative

张浩

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Consolidated Statement of Financial Position

as of December 31, 2018

Prepared by: China National Chemical Corporation

Currency: CNY

Item	Note	31 December 2018	1 January 2018	31 December 2017
Current assets				
Cash and Cash equivalents		479,210,603.94	1,059,981,630.22	1,059,981,630.22
Deposit Reservation for Balance				
Lending Funds				
Financial assets held for trading				
Financial assets at fair value through profit and loss				
Derivative financial assets				
Notes receivable and Accounts receivable				
Advances to suppliers				
Premiums receivable				
Reinsurance accounts receivable				
Reinsurance reserves receivable				
Other receivables	13.1	6,824,111,026.94	5,753,157,162.02	5,753,157,162.02
Buying back the sale of financial assets				
Inventories				
Raw materials				
Finished goods				
Assets held for sale				
Non-current assets due within one year				
Other current assets				
Total current assets		284,087,569.28	1,233,359,031.38	1,233,359,031.38
Non-current assets		7,587,409,200.16	8,046,497,823.62	8,046,497,823.62
Loans and payments				
Available-for-sale financial assets		26,377,594,861.70	31,274,248,750.00	31,274,248,750.00
Held-to-maturity investments				
Long-term receivables				
Long-term equity investments	13.2	40,787,638,188.64	40,762,527,601.64	40,762,527,601.64
Other investments in equity instruments				
Other non-current financial assets				
Investment properties				
Fixed assets-net value		426,283,067.53	343,261,131.77	343,261,131.77
Construction in progress		252,936,839.67	213,369,129.63	213,369,129.63
Biological assets held for production				
Oil and gas assets				
Intangible assets		54,936,027.80	61,954,200.91	61,954,200.91
Development expenditure				
Goodwill				
Long-term deferred expenses				
Deferred tax assets				
Other non-current assets		6,239,851,000.00		
Physical assets reserve specifically				
Total non-current assets		74,139,239,985.34	72,655,360,813.95	72,655,360,813.95
Total asset		81,726,649,185.50	80,701,858,637.57	80,701,858,637.57

Continued from previous page)

Consolidated Statement of Financial Position (Continued)

as of December 31, 2018

Prepared by: China National Chemical Corporation Ltd.

Currency: CNY

Item	Note	31 December 2018	1 January 2018	31 December 2017
Current liabilities				
Short-term borrowings		5,000,000,000.00	4,960,000,000.00	4,960,000,000.00
Borrowings from central bank				
Deposits from customers and interbank				
Loans from other banks and other financial institutions				
Financial liabilities at fair value through profit and loss				
Derivative financial liabilities				
Notes payable and Accounts payable				
Advances from customers				
Contractual liabilities				
Funds from sales of financial assets with repurchase agreement				
Handling charges and commissions payable				
Employment benefits payable		3,940,608.00	3,746,540.30	3,746,540.30
Accrued payroll		2,527,196.79	2,048,754.25	2,048,754.25
Welfare benefits payable				
Staff and worker's bonus and selfare				
Taxes and fees payable		1,556,618.59	866,662.93	866,662.93
Taxes payable		1,556,618.59	866,662.93	866,662.93
Other payables		13,251,206,486.32	14,706,868,011.13	14,706,868,011.13
Reinsurance accounts payable				
Provision for insurance contracts				
Funds received as agent of stock exchange				
Funds received as stock underwrite				
Liabilities held for sale				
Non-current liabilities due within one year		2,600,000,000.00		
Other current liabilities		4,500,000,000.00	8,500,000,000.00	8,500,000,000.00
Total current liabilities		25,356,703,712.91	28,171,481,214.36	28,171,481,214.36
Non-current liabilities				
Long-term borrowings		5,083,045,600.00	3,022,286,600.00	3,022,286,600.00
Debt instruments payable				
Debentures payable		14,000,000,000.00	9,600,000,000.00	9,600,000,000.00
Including: Preferred shares				
Perpetual bonds				
Long-term payables				
Long-term employee benefits payable				
Designated payables				
Provisions				
Deferred income		46,850,000.00	46,850,000.00	46,850,000.00
Deferred tax liabilities				
Other non-current liabilities				
Authorized reserve fund				
Total non-current liabilities		19,129,895,600.00	12,669,136,600.00	12,669,136,600.00
Total liabilities		44,486,599,312.91	40,840,617,814.36	40,840,617,814.36
Equity				
Share capital		11,592,025,968.24	11,580,025,968.24	11,580,025,968.24
National capital		11,592,025,968.24	11,580,025,968.24	11,580,025,968.24
State-owned legal person's capital				
Collective capital				
Private capital				
Personal capital				
Foreign capital				
Less: Returned investment				
Net book value of share capital		11,592,025,968.24	11,580,025,968.24	11,580,025,968.24
Other equity instruments		12,900,000,000.00	12,900,000,000.00	12,900,000,000.00
Including: Preferred shares				
Perpetual bonds		12,900,000,000.00	12,900,000,000.00	12,900,000,000.00
Capital reserves		22,660,588,428.74	22,672,588,428.74	22,672,588,428.74
Less: Treasury shares				
Other comprehensive income				
Exchange differences on translating foreign operations				
Specialized reserve				
Surplus reserves				
Statutory accumulation reserve				
Discretionary accumulation				
Reserved funds				
Enterprise expansion funds				
Profits capitalised on return of investments				
General risk reserve				
Retained earnings		-9,912,564,524.39	-7,291,373,573.77	-7,291,373,573.77
Equity attributable to shareholders of the Parent		37,240,049,872.59	39,861,240,823.21	39,861,240,823.21
Minority interests				
Total shareholders' equity		37,240,049,872.59	39,861,240,823.21	39,861,240,823.21
Total liabilities and shareholders' equity		81,726,649,185.50	80,701,858,637.57	80,701,858,637.57

Legal Representative

Person in Charge of Accounting Work

Person in Charge of Financial Department

Consolidated Statement of Comprehensive Income

for the Year ended December 31, 2018

Prepared by: China National Chemical Corporation Ltd.

Currency: CNY

Item	Note	2018	2017
Total revenue	13.3	114,435,627.74	155,421,147.54
Including: Revenue from operation	13.3	114,435,627.74	155,421,147.54
Interest income			
Insurance premiums earned			
Handling charges and commissions income			
Total operating costs	13.3	2,005,042,887.62	752,962,448.81
Including: Cost for operation	13.3	3,921,976.25	3,983,163.57
Interest expenses			
Handling charges and commissions expenses			
Refund of insurance premiums			
Net payments for insurance claims			
Net provision for insurance contracts			
Commissions on insurance policies			
Cession charges			
Taxes and surcharges		8,583,284.49	6,464,023.79
Selling expenses			
Administrative expenses		215,876,732.04	122,701,406.28
Party building work funds		342,052.32	
Research and development expenses			
Financial costs		1,776,660,894.84	619,813,855.17
Interest expense		1,883,731,004.29	1,048,168,446.12
Interest income		298,701,233.43	97,521,864.85
Net exchange gains			372,355,357.60
Net exchange losses		140,164,127.00	
Loss on asset impairment			
Credit loss			
Others			
Add: Other Income		89,775.66	
Investment income (loss presented with "-" prefix)	13.4		646,457.58
Including: Investment income from associates and joint ventures			
Gain on foreign exchange transactions (loss presented by "-" prefix)			
Gains from net exposure hedge ("-" for loss)			
Gain from changes in fair value (loss presented with "-" prefix)			
Gains from asset disposals ("-" for loss)			
Profit from operation (loss presented with "-" prefix)		-1,890,517,484.22	-596,894,843.69
Add: Non-operating income			8,334.95
Including: Government grants			
Gains from debt restructuring			
Less: Non-operating expenses		3,923,466.40	8,619,360.73
Including: Loss from debt restructuring			
Profit before taxation (loss presented with "-" prefix)		-1,894,440,950.62	-605,505,869.47
Less: Income tax expenses			
Net profit (loss presented with "-" prefix)		-1,894,440,950.62	-605,505,869.47
A. Net profit/loss classified by ownership			
Net profit attributable to parent company		-1,894,440,950.62	-605,505,869.47
*Profit/loss attributable to minority share-holders			
B. Net profit/loss classified by continuity of operations			
Net profit from continuing operations		-1,894,440,950.62	-605,505,869.47
Net profit from discontinued operations			
Other comprehensive income after tax			
Other comprehensive income after tax attributable to parent company			
A. Comprehensive income that will not to be reclassified into profit or loss			
1. Remeasurement of net assets or net liabilities of defined benefit plans			
2. Other comprehensive income recognised under equity method			
3. Changes in fair value of other investments in equity instruments			
4. Changes in fair value of entity's credit risk			
5. Others			
B. Other comprehensive income that may be reclassified into profit or loss			
1. Other comprehensive income recognised under equity method			
2. Changes in fair value of other debt investments			
3. Gains or losses arising from changes in fair value of available-for-sale financial assets			
4. Amount included in other comprehensive income arising from reclassification of financial assets			
5. Gain or loss arising from reclassification of held-to-maturity investments as available-for-sale financial assets			
6. Provision for impairment of other debt investments			
7. Effective portion of gains or losses arising from cash flow hedging instruments			
8. Translation differences arising on translation of foreign currency financial statements			
9. Others			
Other comprehensive income after tax attributable to minority share-holders			
Total comprehensive income		-1,894,440,950.62	-605,505,869.47
Total comprehensive income attributable to shareholders of the Parent		-1,894,440,950.62	-605,505,869.47
Total comprehensive income attributable to minority interests			
Earning per share			
A. Basic earning per share			
B. Diluted earning per share			

Legal Representative

Person in Charge of Accounting Work

Person in Charge of Financial Department

李德军

施皓

高伟



Statement of Cash Flows

for the Year ended December 31, 2018

Prepared by: China National Chemical Corporation Ltd.

Currency: CNY

Item	Note	2018	2017
Cash flows from operating activities			
Cash received for sales of goods and rendering of services		124,079,378.87	88,545,909.42
Net increase in deposits and placements from financial institutions			
Net increase in borrowing from central bank			
Net increase in funds borrowed from other financial institutions			
Cash received from premiums of original insurance contracts			
Net amount of reinsurance business			
Net increase in insured's deposits and investments			
Net increase in disposal of financial assets at fair value through profit and loss			
Cash received from interests, fees and commissions			
Net increase of placement from banks and other financial institutions			
Net increase in repurchasing			
Tax refund received			
Other cash receipts relating to operating activities		8,929,729,632.11	17,961,337,956.88
Cash inflows from operating activities		9,053,809,010.98	18,047,883,866.30
Cash payments for purchase of goods and services			
Net increase in loans and advances			
Net increase in deposits with central banks and other financial institutions			
Cash paid for claim settlements on original insurance contracts			
Cash paid for interest, fees and commissions			
Cash paid for policy dividends			
Cash paid to or on behalf of employees		61,748,129.48	62,542,963.86
Taxes and fees paid		9,458,931.31	7,702,788.31
Other cash payments relating to operating activities		11,126,983,000.30	15,178,833,476.63
Cash outflows for operating activities		11,198,190,061.09	15,249,079,228.80
Net cash flows from operating activities	13.5	-2,144,381,050.11	2,798,804,637.50
Cash flows from investing activities			
Cash received from investment withdrawal		2,368,698,450.00	176,096,800.00
Cash investment income received			646,457.58
Net cash received from disposal of fixed assets, intangible assets or other non-current assets			148,500.00
Net cash received from disposal of subsidiaries or other invested entities			
Other cash receipts relating to investing activities		1,804,000,000.00	
Cash inflows from investing activities		4,172,698,450.00	176,891,757.58
Cash paid for purchase or construction of fixed assets, intangibles assets or other non-current assets		48,439,148.28	104,426,338.41
Cash paid for investment		2,497,146,261.70	17,238,196,750.00
Net increase in pledged loan			
Net cash paid for acquisition of subsidiaries and other invested entities			
Other cash payments relating to investing activities		1,919,220,000.00	
Cash outflows for investing activities		4,464,805,409.98	17,342,623,088.41
Net cash flows from investing activities		-292,106,959.98	-17,165,731,330.83
Cash flows from financing activities			
Cash received from investors			5,400,000,000.00
Including: Cash received from minority shareholders of subsidiaries			
Cash received from loans raised		30,979,134,800.00	27,618,683,900.00
Cash received from debt instruments issued			
Other cash receipts relating to financing activities			5,697,687,321.75
Cash inflows from financing activities		30,979,134,800.00	38,716,371,221.75
Cash paid for debt repayment		26,085,440,000.00	20,464,405,555.56
Cash paid for dividends, profit distribution and interests		2,131,566,686.57	1,660,707,945.83
Including: Cash dividends and profit distribution paid to minority shareholders of subsidiaries			
Other cash payments relating to financing activities		906,547,544.38	2,122,207,926.64
Cash outflows for financing activities		29,123,554,230.95	24,247,321,428.03
Net cash flows from financing activities		1,855,580,569.05	14,469,049,793.72
Impact of change of foreign exchange rates on cash and cash equivalents		136,414.76	-59,910.84
Net increase of cash and cash equivalents	13.5	-580,771,026.28	102,063,189.55
Add: cash and cash equivalents brought forward	13.5	1,059,981,630.22	957,918,440.67
Cash and cash equivalents carried forward	13.5	479,210,603.94	1,059,981,630.22

Legal Representative

Person in Charge of Accounting Work

Person in Charge of Financial Department

李福平

施陆

高伟

Statement of Changes in Shareholders' Equity
for the Year ended December 31, 2018

Prepared by: China National Chemical Corporation Ltd.

2018													Currency: CNY
Item	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserves	Undistributed profits	Retained earnings	Total shareholders' equity	
		Preferred shares	Perpetual bonds	Others									
Balance brought forward	11,580,025,968.24		12,900,000,000.00		22,672,588,428.74						-7,291,373,573.77	39,861,240,823.21	
1. Add: Changes of accounting policies													
2. Correction of prior period errors													
Others													
Balance as at 1 January	11,580,025,968.24		12,900,000,000.00		22,672,588,428.74						-7,291,373,573.77	39,861,240,823.21	
Changes for the period (decrease presented by "-")	12,000,000.00				-12,000,000.00						-2,621,190,950.62	-2,621,190,950.62	
1. Total comprehensive income											-1,894,440,950.62	-1,894,440,950.62	
2.Owner's contributions and withdrawals of capital													
a. Common stock contributed by owners													
b.Capital contributed by other equity instruments holders													
c.Share-based payment recorded in owner's equity													
d. Others													
3. Accrual and utilization of specific reserve													
a.Accrual of specific reserve													
b.Utilization of specific reserve													
4.Profits distribution											-726,750,000.00	-726,750,000.00	
a.Appropriation of surplus reserve													
including: statutory surplus reserve													
Discretionary surplus reserve													
General reserve fund													
Enterprise expansion fund													
Return of investment													
b.Accrual of general risk reserve													
c.Distribution to owner/shareholder													
d.Others											-726,750,000.00	-726,750,000.00	
5.Transfer within owner's equity	12,000,000.00				-12,000,000.00								
a.Paid-in capital increased by capital reserve transfer	12,000,000.00				-12,000,000.00								
b.Paid-in capital increased by surplus reserve transfer													
c.Loss covered by surplus reserve													
d.Transfer of changes as a result of remeasurement of defined benefit plan liability													
e.Others													
Ending balance of current year	11,592,025,968.24		12,900,000,000.00		22,660,588,428.74						-9,912,564,524.39	37,240,049,872.59	

Legal Representative

Person in Charge of Accounting Work

Person in Charge of Financial Department

李山

张浩

高伟

Statement of Changes in Shareholders' Equity (Continued)

for the Year ended 31 December 2018

Prepared by: China National Chemical Corporation Ltd.

Currency: CNY

Item	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserves	Undistributed profits	Retained earnings	Total shareholders' equity
		Preferred shares	Perpetual bonds	Others								
Balance brought forward	11,580,025,968.24		10,500,000,000.00		16,812,390,454.50						-6,068,016,454.30	32,824,399,968.44
Add: Changes of accounting policies												
10. Correction of prior period errors					5,322,025,871.13							
Others												
Balance as at 1 January	11,580,025,968.24		10,500,000,000.00		22,134,416,325.63						-6,068,016,454.30	38,146,425,839.57
Changes for the period (decrease presented by "-" prefix)			2,400,000,000.00		538,172,103.11						-1,223,357,119.47	1,714,814,983.64
1. Total comprehensive income												
2. Owner's contributions and withdrawals of capital			2,400,000,000.00		538,172,103.11						-605,505,869.47	-605,505,869.47
a. Common stock contributed by owners												
b. Capital contributed by other equity instruments holders					538,172,103.11							538,172,103.11
c. Share-based payment recorded in owner's equity			2,400,000,000.00									2,400,000,000.00
d. Others												
3. Accrual and utilization of specific reserve												
a. Accrual of specific reserve												
b. Utilization of specific reserve												
4. Profits distribution												
a. Appropriation of surplus reserve												
Including: statutory surplus reserve												
Discretionary surplus reserve												
General reserve fund												
Enterprise expansion fund												
Return of investment												
b. Accrual of general risk reserve												
c. Distribution to owner/shareholder												
d. Others												
5. Transfer within owner's equity												
a. Paid-in capital increased by capital reserve transfer												
b. Paid-in capital increased by surplus reserve transfer												
c. Loss covered by surplus reserve												
d. Transfer of changes as a result of remeasurement of defined benefit plan liability												
e. Others												
Ending balance of current year	11,580,025,968.24		12,900,000,000.00		22,672,588,428.74						-7,291,373,573.77	39,861,240,823.21

Legal Representative

Person in Charge of Accounting Work

Person in Charge of Financial Department

CHINA NATIONAL CHEMICAL CORPORATION LTD.

Notes to the Financial Statements

For the Year Ended December 31, 2018

(All amounts are expressed, unless otherwise stated, in Renminbi (CNY))

Note 1: Company Profile

Upon the approval of the State-owned Assets Supervision and Administration Commission of the State Council (hereinafter as the "SASAC") (letter No. 115 [2003] of the State Council), China National Chemical Corporation Ltd. (hereinafter as the "Company") was set up on 22 April 2004. The Company was registered with Beijing Administration for Industry & Commerce with a registered capital of RMB 11,100,000,000.00. The Company's registered address is No.62 Beisihuan West Road, Haidian District, Beijing, legal representative is Ning gaoning, Unified Social Credit Code is 91110000710932515R and business term since November 29, 2017 to long term.

The Company owns 19 subsidiaries, namely China National BlueStar (Group) Co., Ltd. (BlueStar.), China HaoHua Chemical (Group) Co. Ltd. (HaoHua Co.), HaoHua Chemical Corporation (HaoHua Corp.), China National Chemical Equipment Corporation (Equip. Corp.), China National Agrochemical Company Limited (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), Interstar Co. Ltd. (Interstar Group), ChemChina HK Company Limited (ChemChina HK), China chemical century Co. Ltd (ChemChina Century). The Company controls 9 listed companies, including 7 domestic respectively: Adama Co., Ltd. (hereinafter referred to as "Adama"), Bluestar Adisseo Co., Ltd. (hereinafter referred to as the " Adisseo "), Qingdao TianHuaYuan chemical engineering Co., Ltd. (hereinafter referred to as " TianHuaYuan"), Shenyang Chemical Industry Co., Ltd (hereinafter referred to as the "Shenyang Chemical"), Aeolus tyre Co., Ltd. (hereinafter referred to as the " Aeolus Tyre "), Cangzhou Dahua chemiac Co., Ltd. (hereinafter referred to as the "Cangzhou Dahua"), Sichuan Tianyi science and technology Co., Ltd. (hereinafter referred to as the " Tianke Co."). The two foreign listed companies are respectively Pirelli & c. S.P.A. (hereinafter referred to as "Pirelli") and Bluestar Elkem international limited (hereinafter referred to as " Elkem").

The business scope of the Company is mainly engaged in: chemical raw materials, chemical products, chemical mines, chemical fertilizers, pesticides (except chemical dangerous goods), plastics, tires, rubber products, film equipment, chemical equipment production and sales; Machinery products, electronic products, instrumentation, building materials, textiles, light industrial products, forest products, forest products production and marketing; Research, development, design and construction of chemical equipment, chemical cleaning, anticorrosion, petrochemical and water treatment technologies; Technical consultation, information service and equipment leasing (the above products do not contain hazardous chemicals); Office space for rent.

This report is subject to the Chinese report.

Note 2: Basis for preparation of the financial statements

The financial statements of Company have been prepared on basis of going concern in conformity with the Chinese Accounting Standards for Business Enterprises and the Accounting Systems for Business Enterprises issued by the Ministry of Finance of People's Republic of China (Ministry of Finance issued order No.33, the Ministry of Finance revised order No.76) on 15 February 2006, the revised Accounting Standards (order 42 of the Ministry of Finance), the Guides on Enterprises Accounting Standards Application, Explanations on Enterprises Accounting Standards and other provisions related to individual financial statements – General Provisions on Financial Reports issued by the China Securities Regulatory Commission (CSRC).

Note 3: Statement of Compliance with Enterprise Accounting Standards

The financial statements of the Company have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, and presented truly and completely for its financial position, annual operation outcomes and cash flows for the year ended 31 December 2018.

Note 4: Important Accounting Principles and Accounting Estimates

The ministry of finance issued on March 31, 2017, respectively by the accounting standards for enterprises no. 22 - recognition and measurement in financial instruments (2017 revision) "(finance and accounting) [2017] no. 7, the accounting standards for enterprises no. 23 - transfer of financial assets (revised in 2017)" (finance and accounting [2017] no. 8), the accounting standards for enterprises no. 24 - hedging accounting (2017 revision) "(finance and accounting [2017] 9). On May 2, 2017, it issued accounting standards for enterprises no. 37 - presentation of financial instruments (2017 revision) (accounting [2017] no. 14) (the above standards are collectively referred to as "new financial instruments standards"). On July 5, 2017, the accounting standards for enterprises no. 14 - revenue (2017 revision) (finance and accounting [2017] no. 22) (hereinafter referred to as "new revenue standards") was issued.

The Company's subsidiaries Andorra, Syngenta and Pirelli will implement the new financial instrument standards and new revenue standards from January 1, 2018. When preparing consolidated financial statements, the Company shall directly consolidate the financial statements prepared by the above companies in accordance with the new financial instrument standards and the new revenue standards. In the description of accounting policies and accounting estimates, the Company distinguishes between "companies that have implemented the new financial instrument standards" and "companies that have not yet implemented the new financial instrument standards"; "Companies that have implemented the new revenue guidelines" and "companies that have not yet implemented the new revenue guidelines" are described respectively.

4.1 Accounting period

The Company's accounting periods include an annual and a medium-term period. The medium-term accounting period is a period shorter than the reporting period of a complete accounting year. The accounting year of the Group is from 1 January to 31 December.

4.2 Monetary Unit

Renminbi (CNY) is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate, therefore, the Company and its domestic subsidiaries use CNY as their functional currency. Overseas subsidiaries of the Company select their functional currencies in accordance with the primary economic environment in which they operate. The financial statements of the Company's subsidiaries with functional currencies other from CNY have been translated based on the accounting policy set out in Note 4.6.3 Conversion of Foreign Currency Reports.

4.3 Accounting basis and valuation principle

According to the relevant provisions of accounting standards for enterprises, the Company's accounting is based on accrual basis. Except for certain financial instruments and investment properties, the financial statements are

based on historical costs. The value of the non-current assets held for sale at the fair value less the estimated expenses and the original book value at the time of the holding for sale, whichever is lower. In case of any impairment of assets, the corresponding provision for impairment shall be made in accordance with relevant provisions.

4.4 Business combination

Corporation merger refers to the transaction or other events that combine two or more entities into a single reporting entity. Accounting treatments for business combinations involves entities under common control and not under common control.

4.4.1 Business combinations under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The acquirer is the Company which obtained the right of control at the date of merger. The acquirees are other participating companies in the merger. The combination date is the date on which one combining entity obtains control of other combining entities.

Assets and liabilities acquired are measured at the acquiree's carrying amount at the date of merger. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination are recognized in profit or loss when incurred.

4.4.2 Business combinations not under common control

A business combination not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. The acquirer is the Company which obtained the right of control at the date of merger. The acquirees are other companies participating in the 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 are 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.

Acquirees' deductible temporary difference obtained by acquirer, which are not recognized at the time of combination due to failure in meeting the criteria for deferred tax assets recognition, could be accounted for as deferred tax assets if there are new or further information to prove that the criteria are met at the time of combination and that the expected economic benefits of the acquirees' deductible temporary difference at the time of combination could be realized. Meanwhile, goodwill should be deducted and if it could not cover the deduction, the difference could be recognized in profits and losses in current period.

For business combination not under common control involving multiple transactions, judgments should be made on whether multiple transactions form a bundled transaction or not according to the stipulations set out in No.33

Consolidation of Financial Statement, the Accounting Standards for Business Enterprises and other relative documents. If multiple transactions could be regarded as bundled transaction, the accounting treatment should refer to previous description in this section and section 4.14 Long-term equity investments. Otherwise, it should be accounted by distinguish individual financial statements or consolidated financial statements.

4.5 Preparation of the consolidated financial statements

4.5.1 The scope of consolidation

The scope of consolidation for the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. The scope of consolidation includes the Company and all of its subsidiaries. Subsidiary is an enterprise or entity under the control of the Company.

In event of change in relevant facts and circumstances that could lead to changes in the elements involved in the above definition of the scope of consolidation, reassessment would be made by the Company.

4.5.2 Preparation of the consolidated financial statements

The subsidiary of the Company is included in the consolidated financial statements from the date when the control over the net assets and business decisions of the subsidiary is effectively obtained, and excluded from the date when the control ceases.

For a subsidiary disposed of by the Company, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate. For a subsidiary disposed during the period, no adjustment is made to the opening balance of the consolidated financial statements.

For a subsidiary acquired through a business combination not under common control, the operating results and cash flows from the acquisition (the date when the control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriated; no adjustment is made to the opening balance and comparative figures in the consolidated financial statements.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements. The results of operations and cash flow are included in the consolidated balance sheet and the consolidated income statement, respectively, based on their carrying amounts, from the date that common control was established, and the opening balances and the comparative figures of the consolidated financial statements are restated.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Where a subsidiary was acquired during the reporting period through a business combination not under common control, the financial statements was reconciliated on the basis of the fair value of identifiable net assets at the date of acquisition. Intra-Group balances and transactions, and any unrealized profit or loss arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

Non-controlling interest and the portion in the net profit or loss not attributable to the Company are presented separately in the consolidated balance sheet within shareholders' equity and net profit. Net profit or loss attributable to non-controlling shareholders in the subsidiaries is presented separately as non-controlling interest in the consolidated income statement below the net profit line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the non-controlling interests.

When the Company loses control over a subsidiary due to the disposal of a portion of an equity investment or other reasons, the remaining equity investment is remeasured at its fair value at the date when control is lost. The difference between 1) the total amount of consideration received from the transaction that resulted in the

loss of control and the fair value of the remaining equity investment and 2) the carrying amounts of the interest in the former subsidiary's net assets immediately before the loss of the control is recognized as investment income for the current period when control is lost. Other comprehensive income related to the former subsidiary's equity investment, using the foundation and the acquiree directly related to the disposal of the same assets or liabilities are accounted when the control is lost (ie, in addition to the former subsidiary which is remeasured at the net defined benefit plan or changes in net assets and liabilities resulting from, the rest are transferred to the current investment income). The retained interest is subsequently measured according to the rules stipulated in the - "Chinese Accounting Standards for Business Enterprises No.2 - Long-term equity investment" or "Chinese Accounting Standards for Business Enterprises No.22 - Determination and measurement of financial instruments". See Note 4.14 Long-term equity investments and Note 4.9 Financial instruments for details.

The Company get through multiple transactions step deal with disposal of the subsidiary's equity investment until the loss of control, need to distinguish between equity until the disposal of a subsidiary's loss of control over whether the transaction is a package deal. Terms of the transaction disposition of equity investment in a subsidiary, subject to the following conditions and the economic impact of one or more of cases, usually indicate that several transactions should be accounted for as a package deal: a. These transactions are considered simultaneously, or in the case of mutual influence made; b. These transactions as a whole in order to achieve a complete business result; c. A transaction depends on at least other transaction; d. One transaction is not economical, but when considering together with other transactions is economical. If transaction not belong to the package deal, each of them separately, as the case of a transaction in accordance with "without losing control over the disposal of a subsidiary part of a long-term equity investments"(see Note 4.14.2.4) and "due to the disposal of certain equity investments or other reasons lost control of a subsidiary of the original" (see previous paragraph) principles applicable accounting treatment. Until the disposal of the equity investment loss of control of a subsidiary of the transactions belonging to the package deal, the transaction will be used as a disposal of a subsidiary and the loss of control of the transaction. The difference between each disposal price and the net asset share of the subsidiary corresponding to the disposal investment before the loss of control should be recognized as other comprehensive income in consolidated financial statements and be transferred into the loss of control of the current profit and loss.

4.6 Classification of joint venture arrangements and accounting of joint ventures

Joint venture arrangement refers to an arrangement controlled by two or more participants. According to the rights and obligations enjoyed in the joint venture arrangement, the Company divides the joint venture arrangement into joint operation and joint venture. Joint operation means the joint venture arrangement in which the Company enjoys the relevant assets of the arrangement and assumes the relevant liabilities of the arrangement. An equity joint venture refers to an equity joint venture arrangement in which the Company has rights only to the net assets of the said arrangement.

The Company's investment in the joint venture shall be accounted for by the equity method and shall be treated in accordance with the accounting policy stated in notes 4.14 (2) (ii) "long-term equity investment calculated by the equity method".

The Company, as a party to the joint venture, shall confirm the assets held separately by the Company, the liabilities borne separately, and the assets held jointly and the liabilities borne jointly according to the share of the Company; To recognize the income generated from the sale of the share of the joint venture output enjoyed by the Company; Confirm the income generated from the sale of the output of the joint operation according to the share of the Company; Confirm expenses incurred separately by the Company and expenses incurred jointly by the Company according to its share.

When the Company invests or sells assets to the joint venture (the assets do not constitute business, the same below) or purchases assets from the joint venture, before the sale of such assets to a third party, the Company only confirms the part of the profits and losses arising from the transaction belonging to other participants in the joint venture. In the event that such assets suffer impairment losses in accordance with the accounting standards

for business enterprises no. 8 - impairment of assets and other provisions, the Company shall fully recognize such losses in the case of the Company's investment or sale of assets to the joint venture; In the case that the Company purchases assets from joint operation, the Company shall recognize the loss according to its share.

4.7 Cash equivalent

Cash and cash equivalents of the Company include cash on hand, ready usable deposits and investments having short holding term (normally will be due within three months from the day of purchase), with strong liquidity and easy to be exchanged into certain amount of cash that can be measured reliably and have low risks of change.

4.8 Foreign exchange

4.8.1 Translation in foreign exchange transactions

The foreign currency transactions are recorded, on initial recognition in the functional currency, by applying [the spot exchange rate on the date of the transaction / an exchange rate that approximates the actual spot exchange rate on the date of transaction]. The exchange of foreign currency and transactions related to the foreign exchange are translated at the spot exchange rate.

4.8.2 Translation of monetary foreign currency and non-monetary foreign currency

At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the exchange differences thus resulted are taken to profit or loss, except for ①those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs, ②hedging accounting, the exchange difference related to hedging instruments for the purpose of net overseas operating investment is recorded in the comprehensive income till the date of disposal and recognized in profit or loss of the period; exchange difference from changes of other account balance of foreign currency monetary items, ③ available-for-trade is recorded into profit or loss except for amortized cost.

Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date when the fair values are determined. The exchange difference thus resulted are recognized in profit or loss for the current period or as capital reserve.

4.8.3 The translation of financial statement in foreign currency

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

The Group translates the financial statements of its foreign operations into CNY by following rules. Assets and liabilities in the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; all equity items except for undistributed profit are translated at the spot exchange rates at the dates on which such items occur; income and expenses in income statement are translated at the spot exchange rates at the date of transaction; the opening balance of undistributed profit is the closing balance of undistributed profit of the last period after translation; the closing balance of undistributed profit is calculated and presented in the basis of each translated income statements and profit distribution item; the difference arising between the assets and liabilities and shareholders' equity shall be booked as translation difference of foreign currency statements, and shall be presented as a separate component of equity in the balance sheet. On a loss of control over Group's overseas operation due to disposal, the Company transfers the accumulated or proportionate share of the accumulated exchange difference arising on translation of financial statements of this overseas operation attributable to the owners' equity of the Company and presented under shareholders' equity, to profit or loss in the period in which the disposal occurs.

Foreign currency cash flows and cash flow of overseas subsidiaries are translated at the spot exchange rates on

the date of cash flows. The effect of exchange rate changes on cash is separately presented as an adjustment item in the cash flow statement.

The opening and actual amount of last year are presented in the financial statement after translation.

At the disposal of all of the Company's ownership interest in a foreign operation, or due to the disposal of part of the equity investment or other reasons, the loss of control over a foreign operation, the project owner's equity in the balance sheet listed under the relevant overseas operations attributable to statements of the parent Company's shareholders' equity of foreign currency translation differences, all transferred to the disposal of the income statement.

At the disposal of part of the equity investment or other causes lower hold percentage overseas business interests, but does not lose control over a foreign operation, and disposal of the foreign operation section related to foreign currency translation differences attributable to minority interests, is not transferred to the income statement. At the disposal of a foreign operation as part of the equity joint venture or joint ventures, foreign currency financial statements of the foreign operation and the associated translation difference in proportion to dispose of the foreign operation into the disposal of the income statement.

4.9 Financial instruments

The relevant accounting policies for companies that have not yet implemented the new financial instruments standards are as follows:

A financial asset or financial liability is recognized when the Company becomes a party to a financial instrument contract. Financial assets and financial liabilities are measured at fair value on initial recognition. For financial assets and financial liabilities measured at fair value through profit or loss, the related transaction expense is directly recognised in profit or loss. For other types of financial assets and financial liabilities, the related transaction expense is included in the initial recognition amount.

4.9.1.1. Method for determining the fair value of financial assets and financial liabilities

Fair value refers to the price that a market participant must pay to sell or transfer a liability in an orderly transaction that occurs on the measurement date. Where there is an active market for financial instruments, the Company uses quoted prices in an active market to determine its fair value. Quotations in an active market refer to prices that are readily available from exchanges, brokers, industry associations, pricing services, etc., and represent the prices of market transactions that actually occur in an arm's length transaction. If there is no active market for financial instruments, the Company uses valuation techniques to determine its fair value. Valuation techniques include reference to prices used in recent market transactions by parties familiar with the situation and voluntary transactions, current fair values of other financial instruments that are substantially identical, discounted cash flow methods, and option pricing models.

4.9.1.2. Classification, recognition and measurement of financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. On initial recognition, the Company's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to maturity investments, loans and receivables and available-for-trade financial assets. A financial asset is recognized initially at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are immediately charged to the profit and loss of the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognized.

1) Financial assets at fair value through profit or loss:

Including financial assets held-for-trade and financial assets designated at fair value through profit or loss.

Financial asset held-for-trade is the financial asset that meets one of the following conditions:

A. the financial asset is acquired for the purpose of selling it in a short term;

B. the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits;

C. the financial asset is a derivative, except for a derivative that is designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured. For such kind of financial assets, fair values are adopted for subsequent measurement.

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

2) Investment held-to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Such kind of financial assets are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss for the current period.

Effective interest rate is the rate that exactly discounted estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company shall estimate future cash flow considering all contractual terms of the financial asset or financial liability without considering future credit losses, and also consider all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed determinable payment that are not quoted in an active market. Financial assets classified as loans and receivables by the Company include note receivables, account receivables, interest receivable dividends receivable and other receivables.

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

4) Financial assets available-for-trade

Financial assets available-for-trade include non-derivative financial assets that are designated on initial recognition as available for trade, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or investment held-to-maturity.

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

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

4.9.1.3. Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of every financial asset except for the financial assets that measured by the fair value. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment.

1) Impairment on held-to maturity investment, loans and receivables

The financial assets measured by cost or amortized cost write down their carrying value by the estimated present value of future cash flow. The difference is recorded as impairment loss. If there is objective evidence to indicate the recovery of value of financial assets after impairment, and it is related with subsequent event after recognition of loss, the impairment loss recorded originally can be reversed. The carrying value of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of

impairment loss on the reserving date.

2) Impairment loss on available-for-trade financial assets

Where the fair value of the equity instrument investment drops significantly or not contemporarily according to the integrated relevant factors, an available-for-trade financial asset is impaired.

When an available-for-trade financial asset is impaired, the cumulative loss arising from declining in fair value that had been recognized in capital reserve shall be removed and recognized in profit or loss. The amount of the cumulative loss that is removed shall be difference between the acquisition cost with deduction of recoverable amount less amortized cost, current fair value and any impairment loss on that financial asset previously recognized in profit or loss.

If, after an impairment loss has been recognized, there is objective evidence that the value of the financial asset is recovered, and it is objectively related to an event occurring after the impairment loss was recognized, the initial impairment loss can be reversed and the reserved impairment loss on available-for-trade equity instrument is recorded in the profit or loss, the reserved impairment loss on available-for-trade debt instrument is recorded in the current profit or loss.

The equity instrument where there is no quoted price in an active market, and whose fair value cannot be reliably measured, or impairment loss on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument shall not be reversed.

4.9.1.4. Recognition and measurement of financial assets transfer

The Group derecognises a financial asset when one of the following conditions is met:

- 1) the rights to receive cash flows from the asset have expired;
- 2) the enterprise has transferred its rights to receive cash flows from the asset to a third party under a pass-through arrangement; or
- 3) the enterprise has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the enterprise has neither retained all the risks and rewards from the financial asset nor control over the asset, the asset is recognised according to the extent it exists as financial asset, and correspondent liability is recognised. The extent of existence refers the level of risk by the financial asset changes the enterprise is facing.

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

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

4.9.1.5. Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities at fair value through profit or loss, relevant transaction costs are immediately recognised in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

1) Financial liabilities measured by the fair value and the changes recorded in profit or loss

The classification by which financial liabilities held-for-trade and financial liabilities designed at the initial recognition to be measured by the fair value follows the same criteria as the classification by which financial assets held-for-trade and financial assets designed at the initial recognition to be measured by the fair value and their changes are recorded in the current profit or loss.

For the financial liabilities measured by the fair value and changes recorded in the profit or loss, fair values are adopted for subsequent measurement. All the gains or losses on the change of fair value and the expenses on dividends or interests related to these financial liabilities are recognised in profit or loss for the current period.

2) Other financial liabilities

Derivative financial liabilities that linked with equity instruments, which do not have a quoted price in an active market and their fair value cannot be measured reliably, is subsequently measured by cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition or amortization is recognised in profit or loss for the current period.

3) Financial Guarantee Contract

Financial guarantee contracts that are not classified as financial liabilities measured by fair value with the changes in fair value recognised in profit or loss are initially recognised at fair value. After the initial recognition, financial guarantee contracts shall be measured at the higher of the amount recognised in accordance with the Accounting Standards for Enterprises No. 13 - Contingencies Subsequent measurement and the initial recognition amount deducted by the accumulative amortisation amount determined in accordance with the Accounting Standards for Business Enterprises No. 14 - Revenue.

4.9.1.6. Derecognition of financial liabilities

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

When the Company derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

4.9.1.7. Derivatives and embedded derivatives

Derivative financial instruments include derivatives which are initially measured at fair value at the date when the derivative contracts are entered into and are substantially re-measured at fair value. The resulting gain and loss is recognised in profit or loss.

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

4.9.1.8. Offsetting financial assets and financial liabilities

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

4.9.1.9. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The consideration received from issuing equity instruments, net of transaction costs, are added to shareholders' equity. All types of distribution (excluding stock dividends) made by the Company to holders of equity instruments are deducted from shareholders' equity. The Group does not recognise any changes in the fair value of equity instruments.

The relevant accounting policies of "companies that have implemented the new financial instruments standards" are as follows:

A financial asset or financial liability is recognized when the Company becomes a party to a financial instrument contract.

4.9.2.1. Classification, recognition and measurement of financial assets

According to the business model of financial assets management and the contract cash flow characteristics of financial assets, the Company divides financial assets into: financial assets measured by amortized cost; Financial assets measured at fair value and their changes included in other comprehensive income; Financial assets measured at fair value and recorded in current profits and losses.

Financial assets are measured at fair value at the time of initial recognition. For financial assets measured at fair value and whose changes are included in the current profit and loss, relevant transaction costs are directly included in the current profit and loss; For other categories of financial assets, relevant transaction costs shall be included in the initial recognition amount. For receivables or notes receivable arising from the sale of products or provision of services, which do not contain or do not take into account material financing elements, the Company shall be entitled to receive the amount of consideration as the initial recognition amount.

1) Financial assets measured at amortized cost

Management of the Company's financial assets measured at the amortized cost business model to cash flow for a contract as the goal, and the contractual cash flow characteristics of financial assets is consistent with the basic lending facility, namely the cash flow at a specific date, is only on the principal and on the basis of the outstanding principal amount of the payment of interest. For such financial assets, the Company adopts the effective interest rate method and carries out subsequent measurement according to the amortized cost. The profits or losses generated by the amortization or impairment shall be recorded into the current profit and loss.

2) Financial assets measured at fair value and whose changes are included in other comprehensive income

The Company's business model for managing such financial assets is to take the contract cash flow as the target and to sell as the target, and the contract cash flow characteristics of such financial assets are consistent with the basic loan arrangement. The Company measures such financial assets according to the fair value and the changes are included in other comprehensive income, but the impairment loss or gain, exchange profit and loss and the interest income calculated according to the real interest rate method are included in the current profit and loss.

In addition, the Company designates some non-tradable equity instruments as financial assets measured at fair value and their changes included in other comprehensive income. The Company shall record the relevant dividend income of such financial assets into the current profit and loss, and record the change of fair value into other comprehensive income. When the recognition of the financial asset is terminated, the accumulated gains or losses previously included in other comprehensive income will be transferred from other comprehensive income to retained income and will not be included in current profit and loss.

3) Financial assets measured at fair value and recorded in current profits and losses

The Company classifies the above financial assets measured at amortized cost and financial assets measured at fair value and whose changes are included in other comprehensive income as financial assets measured at fair value and whose changes are included in current profit and loss. In addition, in the initial recognition, in order to eliminate or significantly reduce accounting mismatch, the Company designates some financial assets as financial assets measured at fair value and their changes are included in the current profit and loss. For such financial assets, the Company adopts the fair value for subsequent measurement, and the fair value changes are included in the current profit and loss.

4.9.2. Classification, recognition and measurement of financial liabilities

Financial liabilities at the time of initial recognition are classified as financial liabilities and other financial liabilities measured at fair value and their changes are included in the current profits and losses. For financial liabilities measured at fair value and whose changes are included in the current profit and loss, relevant transaction costs

are directly included in the current profit and loss, and related transaction costs of other financial liabilities are included in their initial recognized amount.

1) Financial liabilities measured at fair value and recorded in current profits and losses

Financial liabilities measured at fair value and their changes are included in the current profit and loss, including trading financial liabilities (including derivatives belonging to financial liabilities) and financial liabilities specified at the initial recognition as measured at fair value and their changes are included in the current profit and loss.

Traded financial liabilities (including derivative instruments belonging to financial liabilities) shall be subsequently measured according to their fair value. Except for those related to hedge accounting, changes in fair value shall be recorded into current profits and losses.

Is designated as at fair value and whose fluctuations are included in the current profits and losses of the financial liabilities and the liabilities caused by changes in the Company's own credit risk of the changes in fair value recorded in other comprehensive income, the liabilities, and terminated the recognition as included in other comprehensive income of their own credit risk changes caused by the changes in fair value of the total amount transferred to retained earnings. Other changes in fair value shall be recorded into current profits and losses. If the above treatment of the impact of the change in the credit risk of such financial liabilities will cause or expand the accounting mismatch in the profit and loss, the Company shall record all the gains or losses (including the amount affected by the change in the credit risk of the Company) of such financial liabilities into the current profit and loss.

2) Other financial liabilities

In addition to the transfer of a financial asset is not in conformity with the conditions to stop the recognition or formed by its continuous involvement in the transferred financial asset, financial liabilities and financial guarantee contract of other financial liabilities classified as financial liabilities measured at the amortized cost, measured at the amortized cost for subsequent measurement, recognition has been stopped or amortization of the profit or loss is included in the current profits and losses.

4.9.3. Financial assets impairment

The Company on the basis of the expected credit losses on financial assets measured at the amortized cost, measured at fair value and the changes are included in the debt instruments of other comprehensive income investment, lease receivables, contract provision for impairment of assets and the financial guarantee contract and confirm the impairment loss, credit reference this note 4, 22 "expected credit losses" in accounting.

4.9.4. Others

The recognition basis and measurement method of financial asset transfer, the termination recognition of financial liabilities, the offset of financial assets and financial liabilities, and the accounting policies of equity instruments of "companies that have implemented the new financial instrument standards" are consistent with the accounting policies of the aforementioned "companies that have not implemented the new financial instrument standards".

4.10 Hedging instrument

In order to avoid certain risks, the Company hedged certain financial instruments as hedging instruments. The Company shall adopt the hedging accounting method to deal with the hedging that meets the specified conditions. The hedging of the Company includes fair value hedging, cash flow hedging and the hedging of net investment in overseas operations. The Company shall treat the hedging of confirmed commitment of foreign exchange risk as cash flow hedging/fair value hedging.

At the beginning, the Company shall record the relationship between the hedging instrument and the hedged item, as well as the risk management objectives and the strategies of different hedging transactions. In addition, the Company will continuously evaluate the effectiveness of the hedge at the beginning and after the hedge to check whether the hedge is highly effective during the designated accounting period of the hedge relationship.

4.10.1 Fair value hedges

If a hedging instrument is designated as a fair value hedge and meets the conditions, the profit or loss resulting

from the change of fair value shall be included into the current profit and loss. The profit or loss of the hedged item due to the hedged risk is also included in the current profit and loss, and the book value of the hedged item is adjusted at the same time. When the Company withdraws the designation of the hedging relationship, the hedging instrument has expired or been sold, the contract is terminated or has been exercised, or the conditions for the use of hedge accounting are no longer met, the use of hedge accounting shall be terminated.

4.10.2 Cash-flow hedge

Designated as a cash flow hedging instrument and meets the conditions, the fair value change belongs to the effective hedging part and is recognized as other comprehensive income, and the invalid hedging part is included in the current profit and loss.

If the hedging of the expected transaction causes the Company to subsequently recognize a financial asset or financial liability, the amount originally included in other comprehensive income will be transferred out during the same period when the asset or debt affects the profit and loss of the enterprise and will be included in the current profit and loss; If the Company expects that all or part of the net loss originally included in other comprehensive income cannot be covered in the future accounting period, the part that cannot be covered will be transferred out and recorded into the current profit and loss.

If a hedging of forecast transaction makes the Company confirm a non-financial asset or non-financial liability, then transfer the profit or loss of other comprehensive income and included in the initial cost of a non-financial asset or non-financial liability in previously included in the amount of other comprehensive income/a non-financial asset or non-financial debt affect the enterprise profit and loss during the same turn out and included in the current profits and losses.

If it is expected that all or part of the net loss originally included in other comprehensive income cannot be made up in the future accounting period, the part that cannot be made up will be transferred out and recorded into the current profit and loss.

In addition to the above, the amount originally included in other comprehensive income shall be transferred out during the same period when the expected hedged transaction affects the profit and loss, and shall be included in the current profit and loss.

When the Company cancels the designation of the hedging relationship, the hedging instrument has expired or been sold, the contract is terminated, the hedge accounting conditions have been exercised or no longer meet, the Company shall terminate the use of the hedge accounting. When the hedge accounting terminates, the accumulated gains or losses that have been included in other comprehensive income will be included in the profits and losses when the expected transaction occurs and is included in the profits and losses, and the losses and gains will be included in the profits and losses after the transfer of other comprehensive income. If the transaction is not expected to occur, the accumulated gains or losses recorded in other comprehensive income will be immediately transferred out and recorded in the current profit and loss.

4.10.3 Net investment hedging of overseas operation

The hedging method of net investment in overseas operation is similar to that of cash flow hedging. Among the gains or losses of the hedging instrument, the part belonging to the effective hedging is recognized as other comprehensive gains, while the gains or losses of the ineffective hedging part are included in the current profit and loss.

Gains and losses that have been included in other comprehensive income shall be transferred out of other comprehensive incomes and included in current profits and losses in the disposal of overseas operations.

4.11 Receivables

The relevant accounting policies for companies that have not yet implemented the new financial instruments standards are as follows:

The receivables by the Company include account receivables, and other receivables.

4.11.1 Method for bad debts provision

1) Provisions of bad debts in account receivables that is individually significant.

Individual receivables equal to or higher than RMB 15 million are classified as receivables of individual significance.

For an account receivable that is individually significant, the asset is individually assessed for impairment, the impairment loss is recognized at the difference between the present value of future cash flow less the carrying amount, and provision is made accordingly.

2) Provisions of bad debts in account receivables that individually insignificant item with similar credit risk characteristics that have significant risk:

A. Evidence of credit risk characteristics

Whether the financial asset is individually significant or not individually significant, it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Such credit risk reflects the repayment of all due amount under the contract, and is related to the estimation of future cash flow expected to be derived from the assets.

Evidence of portfolios:

Items	Basis
General credit portfolio	No special high or low credit risk assessed.
Other credit portfolio	Low credit risk assessed.

B. Provision by credit risk characteristics

During the Company impairment test, the amount of bad debts provisions is determined by the assessed result from the experience of historical loss and current economic status and the existing loss in the estimated account receivables according to the set of account receivables and credit risk characteristic.

Provision for different portfolios:

Items	Provision
General credit portfolio	Age analysis method, percent of accounts receivable method.
Other credit portfolio	No allowance for bad debt, unless the related party is insolvent

a. Portfolio by age analysis:

Category	Percentage of accounts receivable	Percentage of other receivable
0 to 1 year (including 1 year)	0-5	0-5
1 to 2 years (including 2 years)	0.5-10	0.5-10
2 to 3 years (including 3 years)	0.5-30	0.5-30
Over 3 years	10-100	10-100

b. Bad debt provision shall be calculated and drawn by the balance percentage method

Ageing	Percentage of other receivable
Accounts receivable for which legal action has taken place	100
Overdue 180 days	40
Overdue 60-180 days	10
Overdue < 60 days	3
No overdue	0

3) Provisions of bad debts that is individually insignificant.

For the account receivables not individually significant, the Company assesses the account receivables

individually for impairment when are of following characteristics: if there is objective evidence indicating the impairment, the impairment loss is recognized at the difference between the present value of future cash flow less the carrying amount, and provision is made accordingly. For examples: receivables of individual insignificance bears differing credit risk characteristics to other receivables of individual insignificance account receivables with related parties; account receivables under litigations or arbitrations, or account receivables with obvious indication that debtor cannot fulfill the obligation of repayment.

4.11.2 The reversal of bad debts provision

If there is objective evidence of recovery in value of account receivables, and the recovery can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in profit or loss. However, the reversal shall not result in a carrying amount that exceeds what the amortized cost would have been had the impairment loss not been recognized at the date the impairment is reversed.

The relevant accounting policies of "companies that have implemented the new financial instruments standards" are as follows:

For "companies that have implemented the new financial instrument standards", the expected credit loss model is applicable to provision for bad debts. Refer to note 4.22 "expected credit loss" for accounting treatment.

4.12 Advances to suppliers

For "the Company has not yet implemented the new financial instrument standards", the Company for Advances to suppliers according to the individual recognition of bad debt provisions. On the date of the balance sheet, the Company inspects the recoverable status of related prepayments in an individual way, and determines the provision for bad debts based on the understanding of the debtor's operation and financial situation, the debtor's reputation and other conditions, and the possibility of the recovery of the payment.

For "companies that have implemented the new financial instrument standards", refer to note 4.22 "expected credit losses" for accounting treatment.

4.13 Inventories

4.13.1 Classification of inventory

Inventories include finished goods and merchandises held for sale, work-in-progress and materials and supplies to be consumed in the course of production of goods or rendering of services. Inventories are classified into materials in transit, raw materials, work-in-progress, finished goods, materials and goods of consignment and revolving materials etc.

4.13.2 Valuation method of inventories

Inventories are initially carried at the planned cost, to record the difference between planned cost and actual cost through the cost variances account, and carryover the cost variances of issued inventory on schedule, to adjust the planned cost to actual cost. Cost of issue is measured using the weighted average method.

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

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purpose of holding inventories and effect of post balance sheet events.

At the balance sheet date, inventories are measured at the lower of the cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. The provision for inventories decline in value is determined normally by the difference of the cost of individual item less its realizable value. For large quantity and low value items of inventories,

Provision for decline in value is made based on categories of inventories. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end users or purposes, and cannot be practicably evaluated separately from other items in that product line provision for

decline in value is determined on an aggregate basis.

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

4.13.4 The perpetual inventory system is maintained for stock system.

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

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

4.14 Long-term equity investments

Long-term equity investments referred to in this section refer to the Company invested entity has control, joint control or significant influence over the long-term equity investments. The Company invested does not have control, joint control or significant influence over the long-term equity investments as financial assets available for sale or at fair value and the changes included financial assets through profit or loss, which refer to the accounting policies in Note 4.9 “financial instruments”.

Joint control is the Company control over an arrangement in accordance with the relevant stipulations are common, related activities and the arrangement must be after sharing control participants agreed to the decision-making. Significant influence is the Company's financial and operating policies of the entity has the right to participate in decision-making, but cannot control or with other parties joint control over those policies.

4.14.1 Determination of Investment cost

The cost of a long-term equity investment acquired through business combination under common control is measured at the acquirer's share of the combination date book value of the acquiree's net equity in the ultimate controller's consolidated financial statements. The difference between the cost and book value of cash paid, non-monetary assets transferred and liabilities assumed is adjusted to capital reserves, and to retained earnings if capital reserves is insufficient. If the consideration is transferred by way of issuing equity instruments, the face value of the equity instruments issued is recognised in share capital and the difference between the cost of the face value of the equity instruments issued is adjusted to capital reserves, and to retained earnings if capital reserves is insufficient. Where a business combination under common control is achieved by multiple acquisition of the acquiree's shareholding, the multiple acquisitions shall be assessed to determine whether the multiple acquisitions shall be viewed as one single transaction. If the multiple acquisitions shall be viewed as one single transaction, the multiple acquisitions shall be accounted for as one single transaction accordingly. If the multiple acquisitions shall not be viewed as one single transaction, the difference between the cost of combination and the sum of the book value of the investment in the acquiree immediately before the combination and the book value of the consideration transferred to acquire additional shareholding is adjusted to capital reserves, and to retained earnings if capital reserves is insufficient. Cumulative other comprehensive income associated with the investment recognised as a result of the treatment of equity method or available-for-sale financial assets prior to the combination is not affected by the combination.

The cost of a long-term equity investment acquired through business combination not under common control is the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued. Where a business combination not under common control is achieved by multiple acquisition of the acquiree's shareholding, the multiple acquisitions shall be assessed to determine whether the multiple acquisitions shall be viewed as one single transaction. If the multiple acquisitions shall be viewed as one single transaction, the multiple acquisitions shall be accounted for as one single transaction accordingly. If the multiple acquisitions shall not be viewed as one single transaction, the cost of combination is measured at the sum of book value of the investment in the acquiree immediately before the combination and cost of acquisition of additional shareholding. If the investment prior to the combination is measured by fair value, cumulative other comprehensive income associated with the investment prior to the combination is not affected by the combination. If the investment prior

to the combination is measured as an available-for-sale financial asset, the difference between the fair value and the book value of the investment immediately before the combination and the associated cumulative other comprehensive income recognised prior to the combination are carried to profit or loss.

All expenses incurred directly associated with the acquisition by the acquirer, including expenditure of audit, legal services, valuation and consultancy and other administrative expenses, are recognised in profit or loss for the period during which the acquisition occurs.

Long-term equity investments acquired not through business combination are measured at cost on initial recognition. Depending on the way of acquisition, the cost of acquisition can be the total cash paid, the fair value of equity instrument issued, the contract price, the fair value or book value of the assets given away in the case of non-monetary asset exchange, or the fair value of the relevant long-term equity investments. The cost of acquisition of a long-term equity investment acquired not through business combination also includes all directly associated expenses, applicable taxes and fees, and other necessary expenses. The cost of a long-term equity investment, which enables the Company has significant influence or joint control over the acquiree which is achieved through additional investment, is measured as the fair value determined in accordance with CAS 22 - Financial Instruments: Recognition and Measurement plus the cost of additional investment.

4.14.2 Subsequent Measurement

To be invested joint control (except constitute common operator) or long-term equity investments significant influence are accounted for using the equity method. In addition, the Company's financial statements using the cost method of accounting for long-term equity can exercise control over the investee.

1) Cost method of accounting for long-term equity investments

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profits declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

2) Equity method of accounting for long-term equity investments

Where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the time of acquisition, no adjustment shall be made to the initial investment cost.

The carrying amount of a long-term equity investment measured using the equity method is adjusted by the Company's share of the investee's net profit and other comprehensive income, which is recognised as investment income and other comprehensive income respectively. The carrying amount of a long-term equity investment measured using the equity method is reduced by profit distribution or cash dividends announced by the investee. The carrying amount of a long-term equity investment measured using the equity method is also adjusted by the investee's equity movement other than net profit, other comprehensive income and profit distribution, which is adjusted to capital reserves. The net profit of the investee is adjusted by the fair value of the investee's identifiable assets as at acquisition. The financial statements and hence the net profit and other comprehensive income of an investee which does not adopt accounting policies or accounting period uniform with the Company is adjusted by the Company's accounting policies and accounting period. The Company's share of unrealised profit or loss arising from related party transactions between the Company and an associate or joint venture is deducted from investment income. Unrealised loss arising from related party transactions between the Company and an associate or joint venture which is associated with asset impairment is not adjusted. Where assets transferred to an associate or joint venture which form part of the Company's investment in the investee but which does not enable the Company obtain control over the investee, the cost of the additional investment acquired is measured at the fair value of assets transferred and the difference between the cost of the additional investment and the book value of the assets transferred is recognised in profit or loss. Where assets transferred to an associate or joint venture form an operation, the difference between the consideration received and the book value of the assets transferred is recognised in profit or loss. Where assets

transferred from an associate or joint venture form an operation, the transaction is accounted for in accordance with CAS 20 - Business Combination, any gain or loss is recognised in profit or loss.

The Company's share of an investee's net loss is limited by the sum of the book value of the long-term equity investment and other net long-term investments in the investees. The Company has obligation to share additional net loss of the investee, the estimated share of loss recognised as accrued liabilities and investment loss. Where the Company has unrecognised share of loss of the investee when the investee generates net profit, the Company's unrecognised share of loss is reduced by the Company's share of net profit and when the Company's unrecognised share or loss is eliminated in full, the Company's share of net profit, if any, is recognised as investment income.

For long-term equity investments in associates and joint ventures which had been held by the Company before its first time adoption of Accounting Standards for Business Enterprises, where the initial investment cost of a long-term equity investment exceeds the Company's interest in the investee's net assets at the time of acquisition, the excess is amortized and is recognised in profit or loss on a straight line basis over the original remaining life.

3) Acquisition of minority interest

The difference between newly increased equity investment due to acquisition of minority interests and portion of net asset cumulatively calculated from the acquisition date is adjusted as capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against returned earnings.

4) Disposal of long-term equity investment

The parent Company disposes long-term investment in a subsidiary without a change in control, the difference in the net asset between the amount of disposed long-term investment and the amount of the consideration paid or received is adjusted to the owner's equity. If the disposal of long-term investment in a subsidiary involves loss of control over the subsidiary, the related accounting policies in Note 4.5.2 applies. For disposal of long-term equity investments in any situation other than the fore-mentioned situation, the difference between the book value of the investment disposed and the consideration received is recognised in profit or loss.

The long-term equity investment is measured by the equity method both before and after part disposal of the investment, cumulative other comprehensive income relevant to the investment recognised prior to the acquisition is treated in the same manner that the investee disposes the relevant assets or liabilities proportionate to the disposal. The investee's equity movement other than net profit, other comprehensive income and profit distribution is recognised in profit or loss proportionate to the disposal.

The long-term equity investment is measured at cost both before and after part disposal of the investment, cumulative other comprehensive income relevant to the investment recognised, as a result of accounting by equity method or recognition and measurement principles applicable to financial instruments, prior to the Company's acquisition of control over the investee is treated in the same manner that the investee disposes the relevant assets or liabilities and recognised in profit or loss proportionate to the disposal. The investee's equity movement other than net profit, other comprehensive income and profit distribution, as a result of accounting by equity method, is recognised in profit or loss proportionate to the disposal.

The Company's control over an investee is lost due to partial disposal of investment in the investee and the Company continues to have significant influence over the investee after the partial disposal, the investment in measured by the equity method in the Company's separate financial statements; the Company's control over an investee is lost due to partial disposal of investment in the investee and the Company ceases to have significant influence over the investee after the partial disposal, the investment in measured in accordance with the recognition and measurement principles applicable to financial instruments in the Company's separate financial statements and the difference between the fair value and the book value of the remaining investment at the date of loss of control is recognised in profit or loss. Cumulative other comprehensive income relevant to the investment recognised, as a result of accounting by equity method or recognition and measurement principles applicable to financial instruments, prior to the Company's acquisition of control over the investee is treated in the

same manner that the investee disposes the relevant assets or liabilities on the date of loss of control. The investee's equity movement other than net profit, other comprehensive income and profit distribution, as a result of accounting by equity method, is recognised in profit or loss when control is lost. Where the remaining investment is measured by equity method, the fore-mentioned other comprehensive income and other equity movement are recognised in profit or loss proportionate to the disposal; Where the remaining investment is measured in accordance with the recognition and measurement principles applicable to financial instruments, the fore-mentioned other comprehensive income and other equity movement are recognised in profit or loss in full.

The Company's joint control or significant influence over an investee is lost due to partial disposal of investment in the investee, the remaining investment in the investee is measured in accordance with the recognition and measurement principles applicable to financial instruments, the difference between the fair value and the book value of the remaining investment at the date of loss of joint control or significant influence is recognised in profit or loss. Cumulative other comprehensive income relevant to the investment recognised, as a result of accounting by equity method, prior to the partial disposal is treated in the same manner that the investee disposes the relevant assets or liabilities on the date of loss of joint control or significant influence. The investee's equity movement other than net profit, other comprehensive income and profit distribution is recognised in profit or loss when joint control or significant influence is lost.

The Company's control over an investee is lost through multiple disposals and the multiple disposals shall be viewed as one single transaction, the multiple disposals is accounted for one single transaction which result in the Company's loss of control over the investee. Each difference between the consideration received and the book value of the investment disposed is recognised in other comprehensive income and reclassified in full to profit or loss at the time when control over the investee is lost.

4.15 Investment property

Investment property is held to earn rentals or for capital appreciation or for both. Investment property includes leased or ready to transfer after capital appreciation land use rights and leased buildings. In addition, the Company holds for future operating lease vacant buildings, if the board of directors (or similar body) to make a written resolution, made it clear that their intention for rent and shall not occur in the short term change, but also as an investment real estate presentation. Investment property is initially measured at cost. Subsequent expenditures related to an investment real estate are likely to flow about the economic benefits of the asset and its cost can be measured reliably, is included in the cost of investment real estate. Other subsequent expenditure is record in to the profit or loss when it incurred.

The Group uses the cost model for subsequent measurement of investment property, and in accordance with the depreciation or amortization of buildings or land use rights policy.

Investment property impairment test method and impairment accrual method described in Note 4.21 "Impairment of Non-current and non-financial assets".

Occupied real estate for investment property or investment property is transferred to owner-occupied real estate or stock conversion as the recorded value after the conversion, according to the book value before the conversion.

When an investment property is changed for personal use, since the change of date, the investment property is transferred to fixed assets or intangible assets. Owner-occupied property is changed to earn rentals or for capital appreciation, change the date, will be converted to fixed assets or intangible investment property. When the transition occurs, the conversion to the use of investment property cost model, the carrying value before conversion as the book value after conversion, convert to investment property measured at fair value model, the fair value of the conversion date as the conversion after the recorded value.

When the investment property is disposed of or permanently withdrawn from use and no future economic benefits are expected from the disposal, derecognition of the investment property. Investment property is sold, transferred, retired or damaged, the disposal income after deducting the book value and related taxes and profit or loss.

4.16 Fixed assets

4.16.1 The conditions of recognition

Fixed assets refers to the tangible assets that are held for the sake of producing commodities, rendering labor service, renting or business management and their useful life is in excess of one fiscal year. Fixed assets only in the economic benefits associated with it will flow to the Company and the cost can be measured reliably only are confirmed. Fixed assets are stated at cost and considering the expected costs of abandoning the initial measurement.

4.16.2 The method for depreciation

Depreciation methods and estimated useful life, expected net salvage value rate and the annual depreciation rate determination: in addition to the use of safety cost to purchase fixed assets (this note 4, 28 " Safety expenses and renovation fund "), the other from fixed asset to the expected conditions for use of the month, after deducting the expected net salvage value within the life using the straight-line method depreciation. The depreciation rate and the amount of depreciation shall be recomputed and determined on the basis of the original value of the fixed asset minus the accumulated depreciation and the accumulated impairment provision (that is, the book value of the fixed asset) and the remaining useful life of the fixed asset for which the impairment provision has been set. The service life, expected net salvage value, annual depreciation rate and depreciation methods of various types of fixed assets are as follows:

Category	Estimated residual value (%)	Expected useful life	Depreciation (%)	Depreciation method
Houses and building	25-50	3-5	1.90-3.88	Straight-line depreciation
Machineries	5-20	3-5	4.75-19.40	Straight-line depreciation
Transportation facility	5-10	3-5	9.50-19.40	Straight-line depreciation
Electronic equipment	5-10	3-5	9.50-19.40	Straight-line depreciation
Office equipment	5-10	3-5	9.50-19.40	Straight-line depreciation
Others	0-10	3-5	0-19.40	Straight-line depreciation

Expected net residual value of fixed assets is the balance of the Company currently obtained from the disposal of the asset less the estimated costs of disposal amount, assuming the asset is out of useful life and state the expected service life in the end.

4.16.3 Measurement and recognition of fixed assets impairment

Impairment and provisions of fixed assets are disclosed on Note 4.21 "Impairment of Non-current non-financial assets".

4.16.4 Fixed Assets under finance leases

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.

Fixed assets that are held under finance leases shall be depreciated by applying the same policy as that for the fixed assets owned by the Company. If it can be reasonably determined that the ownership of the leased assets can be obtained at the end of the lease period, the leased assets are depreciated over their useful lives; otherwise, the leased assets are depreciated over the shorter of the lease terms and the useful lives of the leased assets.

4.16.5 Others

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow to the Company and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meet the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the

component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditure shall be recognised in profit or loss in the period in which they are incurred.

The revenue from selling or transferring, or disposing a fixed asset is booked into profit and loss after deduction of carrying value and related tax.

The Company conducts a review of useful life, expected net realizable value and depreciation methods of the fixed asset at least on an annual base. Any change is regarded as change in accounting estimates.

4.17 Construction in progress

Construction in progress is measured at its actual cost. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is transferred to a fixed asset when it is ready for intended use.

Testing method for provision impairment of construction in progress and accrued method for provision impairment please refer to Note 4.21.

4.18 Borrowing costs

Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. The amounts of other borrowing costs incurred are recognised as an expense in the period in which they are incurred. Qualifying assets are asset (fixed assets, investment property and inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Where funds are borrowed for a specific-purpose, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

Where funds are borrowed for a general-purpose, the amount of interest to be capitalized on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings.

During the capitalization period, exchange differences related to a specific-purpose borrowing denominating in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognised in profit or loss in the period in which they are incurred.

Assets qualified for capitalization are the fixed assets, investment properties or inventories which need a long time of construction or production activities before ready for intended used or sale.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use or sale, when the interruption is for a continuous period of more than 3 months. Borrowing costs incurred during these periods recognised as an expense for the current period until the acquisition, construction or production is resumed.

4.19 Intangible assets

4.19.1 Intangible asset

The term "intangible asset" refers to the identifiable non-monetary assets without physical shape, possessed or controlled by enterprises.

The intangible assets are initially measured by its cost. Expenses related to intangible assets, if the economic benefits related to intangible assets are likely to flow into the enterprise and the cost of intangible assets can be measured reliably, shall be recorded as cost of intangible assets. The expenses other than this shall be booked in the profit or loss when they occur.

Land use rights that are purchased by the Company are accounted for as intangible assets. Buildings, such as plants that are developed and constructed by the Company, and relevant land use rights and buildings, are

accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if they cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets.

When an intangible asset with a definite useful life is available for use, its original cost less net residual value and any accumulate impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a definite useful life, the Company reviews the useful life and amortization method at the end of the period, and makes adjustment when necessary. An additional review is also carried out for useful life of the intangible assets with indefinite useful life. If there is evidence showing the foreseeable limit period of economic benefits generated to the enterprise by the intangible assets, then estimate its useful life and amortize according to the policy of intangible assets with definite useful life.

4.19.2 Research and development cost

Cost of research and development is distinguished into the research phase and the development phases.

Cost of the research phase is recognised in the profit or loss in the period in which it is incurred.

Unless the following conditions are satisfied, cost of the development phase is recognised in the profit or loss in the period in which it is incurred:

- 1) it is technically feasible to complete the intangible asset so as to use it or sell it;
- 2) it is clearly invented to complete the intangible asset in order to use it or sell it;
- 3) it is probable that the intangible asset is capable of generating future economic benefit, such as the market for the product produced by the intangible asset or the intangible asset itself, it is objectively evidential that the intangible asset is economically usable if it is going to be used internally;
- 4) there are sufficient technical, financial and other resources to complete the intangible asset and to use it or sell it;
- 5) the cost of the development of the intangible can be measured reliably.

If the cost cannot be distinguished into the search phase and the development phase, it is recognised in the profit or loss for the period in which it is incurred.

4.19.3 Impairment of intangible assets

Impairment and provisions of intangible assets are disclosed on Note 4.21.

4.20 Long-term deferred expenditure

An item long-term deferred expenses is an expense which has been incurred and which has a beneficial period (a period during which an expense is expected to bring economic benefits to an entity) which is longer than one year and which includes at least part of the reporting period during which the expense was incurred and subsequent reporting periods. An item of long-term deferred expenses is recognised at the actual amount of the expense incurred and allocated in each month of the beneficial period using the straight line method.

4.21 Impairment of Non-current and non-financial assets

Non-financial assets with non-current nature include fixed assets, construction in progress, intangible assets with definite useful lives, investment properties measured by cost methods and long-term equity investment on subsidiaries, jointly operations. The Company assesses whether there are any indicators of impairment for all non-financial assets at the balance sheet date, and impairment test is carried out and recoverable value is estimated if such an indicator exists. Goodwill and intangible assets with indefinite useful lives, as well as intangible assets not ready for use, are tested for impairment annually regardless of indicators of impairment.

Impairment of loss is calculated and provisions taken by the difference if the recoverable value of the assets is lower than the book value. The recoverable value is the higher of estimated present value of the future expected cash flows from the asset and net fair value of the asset less disposed cost. The fair value of asset is determined by the sales agreement price within an arm's length transaction. In case there is no sales agreement, but there is active market of assets, the fair value can be determined by the selling price. If there is neither sales agreement nor active market, the fair value of the asset can be estimated based on the best information obtained.

Disposal expenses include expenses related to the legislation, taxes, transportations and the direct expense for the asset to be ready for sale. When calculating the present value of expected future cash flows from an asset or asset Group, the management shall estimate the expected future cash flows from the asset or asset Group and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for asset impairment is calculated and determined on the individual basis. If the recoverable of individual asset is hard to estimate, the recoverable amount can be determined by the asset Group where subject asset belongs. Asset Group is the smallest set of assets that can have cash flow in independently.

The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future expected cash flows from the asset Groups or sets of asset Groups to which the goodwill is allocated. Estimating the present value requires the Company to make an estimate of the expected future cash flows from the asset Groups or sets of asset Groups and also choose a suitable discount rate in order to calculate the present value of those cash flows. Once the loss from above asset impairment is recognised, the recoverable part cannot be reserved in the subsequent periods.

4.22 Expected credit loss

4.22.1 The Company uses the available reasonable and valid forward-looking information to determine whether the credit risk of financial instruments has increased significantly since the initial confirmation by comparing the risk of default of financial instruments on the balance sheet date with the risk of default on the initial confirmation date. For the loan commitment and financial guarantee contract, when the Company applies the provisions on impairment of financial instruments, the date on which the Company becomes the party making an irrevocable commitment shall be taken as the initial confirmation date.

The Company will consider the following factors when evaluating whether the credit risk has significantly increased:

- a. Whether the external credit rating of financial instruments has changed significantly;
- b. Whether the external market indicators of the credit risk of the same financial instrument or similar financial instrument with the same expected duration have changed significantly;
- c. Whether the actual or expected internal credit rating of the debtor has been downgraded;
- d. Whether there are adverse changes in the business, financial or economic conditions that are expected to cause significant changes in the ability of the debtor to fulfill its debt paying obligations, such as the significant decline in the market share of the debtor, the sharp and continuous decline in the price of major products, the significant rise in the price of major raw materials, the serious shortage of working capital, and the decline in the quality of assets;
- e. Whether there is a significant change in the actual or expected operating result of the debtor, such as an obvious adverse change in operating indicators such as income and profit, and it is difficult to be improved in a short time;
- f. Whether the regulatory, economic or technological environment the debtor is in has undergone significant adverse changes, such as technological changes, whether the relevant policies proposed by the national or local government have significant adverse effects on the debtor;
- g. Whether there has been a significant change in the value of the collateral used as collateral for the debt or in the quality of the collateral or credit enhancement provided by a third party;
- h. Whether there is a significant change in the economic incentives that are expected to reduce the debtor's ability to repay the debt within the contractual term, such as a reduction in the financial support that the parent Company or other associated Company can provide, or a significant change in the quality of the credit enhancement
- i. Whether the debtor's expected performance and repayment behavior have changed significantly;
- j. Whether the Company's credit management methods for financial instruments have changed.

On the balance sheet date, if the Company judges that the financial instrument only has low credit risk, the Company assumes that the credit risk of the financial instrument has not increased significantly since the initial

recognition.

4.22.2 Financial assets whose credit impairment has occurred

When one or more events that the Company expects to have adverse effects on the future; cash flow of the financial asset occur, the financial asset becomes the financial asset with credit impairment. Evidence that credit impairment has occurred in financial assets includes the following observable information:

- a. Major financial difficulties occur to the issuer or debtor;
- b. A breach of contract by the debtor, such as default or late payment of interest or principal;
- c. The creditor gives the debtor concessions that would not be made under any other circumstances for economic or contractual reasons in connection with the debtor's financial difficulties;
- d. The debtor is likely to go bankrupt or undergo other financial restructuring;
- e. The financial difficulties of the issuer or debtor cause the active market of the financial asset to disappear;
- f. Purchase or source a financial asset at a substantial discount that reflects a credit loss.

4.22.3 Determination of expected credit losses

The Company determines the credit loss of the leasehold receivables on the basis of the single asset, and the credit loss of the relevant financial instruments on the basis of the impairment matrix on the basis of the external combination of the credit loss of the debtors with major financial difficulties on the basis of the single asset on the basis of the accounts receivable, contract assets and creditor's rights investment. Based on the characteristics of common risks, the Company divides financial instruments into different groups. Common credit risk characteristics adopted by the Company include: type of financial instrument, credit risk rating, type of collateral, initial confirmation date, remaining contract term, industry of debtor, geographical location of debtor, value of collateral relative to financial assets, etc.

The factors reflected by the Company's method for measuring the expected credit loss of financial instruments include: the unbiased probabilistic weighted average amount determined by evaluating a series of possible results; Time value of money; Reasonable and evidence-based information about past events, current conditions, and projections of future economic conditions that can be obtained on the balance sheet date without unnecessary additional cost or effort.

4.23 Employee Benefits

The employee benefits of the Company include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits:

Short-term employee benefits includes wages, bonuses, allowances and subsidies, welfare, health insurance, maternity insurance, work injury insurance, housing funds, labor union funds, employee education funds, non-monetary benefits and etc. The Company provides services accounting period in which an employee of the Company will be short-term employee benefits are recognised as liabilities actually incurred and loss account or the costs associated with the asset. The non-monetary benefits are measured at fair value.

Post-employment benefits mainly include basic old-age insurance, unemployment insurance and annuities. Post-employment benefits include defined contribution plans and defined benefit plans. Relevant contribution amount in the defined contribution plan shall be recognised as cost of related assets or profit or loss during the year. The defined benefit plan in the Company is old-age insurance. Projected unit credit cost method ("PUC") was used by independent actuaries engaged by the Company to determine the present value of the defined benefit obligations with unbiased and consistent actuarial assumptions regarding population variables and financial variables. Defined benefit obligation was presented with the present value and the related current service cost was accounted into current profit or loss.

When the Company terminates the labor relationship with employees prior to the employment contracts, or encourages employees to accept voluntary redundancy compensation proposals in this Company, a provision shall be recognised for the compensation arising from the termination of employment relationship with employees at the time when the Company cannot unilaterally withdraw layoff proposal termination benefits provided due to termination of employment, or the Company ensures the costs related to the payment for termination benefits

related to the restructuring, which one is early to confirm employee benefits liabilities, and recorded as profit or loss. However, if termination benefits cannot be fully paid after twelve months of the reporting date, the liability shall be processed in accordance with other long-term employee benefits.

Retirement plan adopts the same principles as the termination benefits. The salaries and insurance to be paid from the date when employees stop providing services to the date of normal retirement shall be recognised in profit or loss (termination benefits) when satisfying the requirements of a provision.

Other long-term employee benefits provided by the Company to employee that is in line with defined contribution plans shall adopt the accounting treatment in accordance with defined contribution plans, otherwise the accounting treatment of defined benefit plans.

4.24 Share-based payment

4.24.1 Class of share-based payments

A share-based payment is a transaction in which an equity instrument is granted or a liability is assumed on the basis of an equity instrument for the purpose of obtaining services from employees or other parties. Share-based payment is divided into share payment settled by equity and share payment settled by cash. As of December 31, 2018, the outstanding share-based payments of the Company are share-based payments settled by equity and share payments settled by cash.

1) Equity-settled share-based payment

The share payment in exchange for the settlement of the equity of the services provided by the employees shall be measured at the fair value of the equity instrument granted to the employees on the grant date. The amount of the fair value at the completion of the waiting period of service or the prescribed performance conditions to the vesting of cases, the waiting period for the number of vested equity instruments is based on best estimate, calculated on the straight-line method included in the relevant costs and expenses or exercised immediately after the grant, the grant date included in the relevant costs or expenses, capital reserves shall be increased accordingly.

In exchange for the rights of the other party to settle the share-based payment, if the other party service fair value can be measured reliably, according to the other party service in the day of the fair value measurement, if the other party service fair value cannot be reliably measured, but the fair value of the equity instruments can be reliably measured, in accordance with the fair value of the equity instruments in service date, included in the relevant costs or expenses, the owner's equity shall be increased accordingly.

2) cash-settled share-based payment

The share payment settled in cash shall be measured according to the fair value of the liabilities assumed by the Company based on shares or other equity instruments. If the feasible right is granted immediately, relevant costs or expenses shall be included in the grant date and the liabilities shall be increased accordingly; If the service within the waiting period must be completed or the feasible right can only be obtained after the specified performance conditions are met, on each balance sheet date of the waiting period, based on the best estimate of the feasible right, according to the fair value amount of the liabilities borne by the Company, the service obtained in the current period shall be recorded into the cost or expense, and the liabilities shall be increased accordingly. For each balance sheet date and settlement date before the settlement of relevant liabilities, the fair value of the liabilities shall be re-measured, and the changes shall be recorded into the current profits and losses.

4.24.2 Identify the basis for the best estimate of the instrument of vested interest

At each balance sheet date during the waiting period, the best estimate is made based on the latest available available employee changes and other subsequent information, and the number of equity instruments for the estimated available right is revised.

4.25 Bonds payable

Non-convertible corporate bonds issued by the Company shall be treated as liabilities according to the amount actually received (deducting relevant transaction costs); The difference between the amount actually received from the issuance of bonds and the total face value of the bonds shall be taken as the bond premium or discount,

amortized at the time of interest withdrawal at the coupon rate during the duration of the bonds, and shall be handled in accordance with the principle of borrowing costs.

The convertible bonds issued by the Company shall be split into the liability and equity components at the initial confirmation, and shall be handled separately. Firstly, the fair value of the liability component is confirmed and taken as its initial recognition amount; secondly, the initial recognition amount of the equity component is determined according to the total issuance price of the convertible corporate bonds (deducting relevant transaction costs) after deducting the initial recognition amount of the liability component.

4.26 Accrued liabilities

When it simultaneously meet the following conditions, obligations relating to contingencies recognized as accrued liabilities: 1) This obligation is the current obligation of the Company; 2) Compliance with this obligation is likely to lead to an outflow of economic benefits; 3) The amount of the obligation can be measured reliably.

On the balance sheet date, consider the risk, uncertainty, and time value of money associated with contingencies and measured in terms of the best estimate of the expenditure required to meet the relevant current obligations

If the expenditure required for the liquidation of the estimated liabilities is expected to be compensated by a third party in whole or in part and the amount of compensation can be received when it is basically determined, recognized separately as an asset, and the recognized amount of compensation shall not exceed the book value of the estimated liabilities.

4.27 Preferred shares, perpetual notes and other equity instruments

4.27.1 The distinction between perpetual debt and preferred stock, etc

Such financial instruments as perpetual bonds and preferred shares issued by the Company shall be regarded as equity instruments if they meet the following conditions:

1) The instrument does not include a contractual obligation to deliver cash or other financial assets to another party, or to exchange financial assets or financial liabilities with another party under potentially adverse conditions;

2) If the financial instrument is to be settled with or by the enterprise's own equity instrument in the future, if it is a non-derivative instrument, it does not include the contractual obligation to deliver a variable number of its equity instruments for settlement; In the case of derivatives, the Company can only settle the financial instrument by exchanging a fixed amount of cash or other financial assets with a fixed number of its own equity instruments.

Except for financial instruments that can be classified as equity instruments according to the above conditions, other financial instruments issued by the Company shall be classified as financial liabilities.

If the financial instrument issued by the Company is a composite financial instrument, it shall be recognized as a liability according to the fair value of the liability component, and the amount after deducting the fair value of the liability component from the actual amount received shall be recognized as "other equity instrument". Transaction costs incurred in issuing a complex financial instrument shall be apportioned between the liability component and the equity component in proportion to their respective shares in the total issue price.

4.27.2 The accounting treatment of perpetual debt, preferred stock, etc

The relevant interest, dividend (or dividends), gains or losses, and gains or losses arising from the redemption or refinancing of such financial instruments as perpetual bonds and preferred shares classified as financial liabilities shall be booked into the profits and losses of the current period except for the capitalized borrowing expenses (refer to note 4.15 "borrowing cost").

The issuance (including refinancing), repurchase, sale or cancellation of such instruments as perpetual bonds and preferred shares classified as equity instruments shall be treated by the Company as a change in equity and the relevant transaction fees shall be deducted from the equity. The distribution of equity instrument holders by the Company shall be treated as profit distribution.

The Company does not recognize changes in the fair value of equity instruments.

4.28 Safety expenses and renovation fund

The Company shall draw production safety expenses (hereinafter referred to as "safety expenses") and

maintenance fees in accordance with relevant regulations of the state. The Company withdraws the safety expenses and maintenance and simplification time, and records them into the special reserves in the production costs and owners' equity, and directly deducts the special reserves against the expenditures of a cost nature when they occur; The capital expenditure will be transferred to the fixed assets at the completion of the project, and the special reserve will be written down according to the cost of the fixed assets, and the accumulated depreciation will be confirmed in full amount. The related fixed assets will not be depreciated in the following period.

4.28.1 Safety expenses

The cost of safety production is mainly used for the expenditure of safety protection and the expenditure of fixed assets such as the update of safety protection equipment and facilities.

The actual operating income of the dangerous goods production enterprise and storage enterprise of the Company in the above years shall be the basis of calculation and withdrawal, and the excess regressive method shall be adopted according to the following standards: (2) 2% of the business income exceeding RMB 10 million to RMB 10 million ; (3) the part of business income exceeding RMB 10,000 to RMB 100,000 shall be deducted by 0.5%; (4) the portion of the business income exceeding RMB 100,000 shall be deducted by 0.2%.

4.28.2 Renovation fund

Maintenance cost is mainly used for development and extension, technical transformation, subsidence compensation, mine fixed assets renewal, transformation and sporadic purchase of fixed assets.

According to the relevant regulations of the state, the Company's subordinate coal mines extract maintenance costs according to the raw coal output.

4.29 Revenue

The relevant accounting policies of "companies that have not yet implemented the new revenue standards" are as follows:

4.29.1 Revenue from sales 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.

4.29.2 Revenue from rendering of service

Revenue arising from rendering of services is recognised on the balance date using the percentage of completion method when the outcome of the services rendered can be reliably estimated. The percentage of completion of the services rendered is calculated by dividing the cost to date by the budgeted total cost.

The outcome of the services rendered can be reliably estimated when revenue from the services render can be reliably measured, when the inflow of associated future economic benefits is probable, when the percentage of completion can be reliably measure, and when the cost incurred or to be incurred associated with the services can be reliably measured.

When the outcome of the services rendered cannot be reliably estimate, revenue is recognised as cost reimbursement received or to be received, if any, and cost incurred is recognised in profit or loss for the period in which the cost is incurred. No revenue is recognised if cost reimbursement is not probable.

When a contract between the group and another entity involves both sales of goods and rendering for services, the sales of goods and rendering of services are accounted for separately if they are distinguishable and separately measurable; the contract is accounted for as if it is a contract involves only sales of goods if the sales of goods and rendering of services are either indistinguishable or distinguishable but not separately measurable.

4.29.3 Revenue from construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract should be recognised as revenue and expenses according to the percentage of completion. at the balance sheet date.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied: 1) total contract revenue can be measured reliably; 2) it is probable that the economic benefits associated with the contract will flow to the enterprise; 3) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates; and, 4) both the contract costs to complete the contract and the stage of contract completion at the balance sheet date can be measured reliably.

When the outcome of a construction contract cannot be estimated reliably, but revenue should be recognised only to the extent of contract costs incurred that it is probable will be recoverable; and If the cost cannot be recovered, contract costs should be recognised as an expense in the period in which they are incurred and the contract revenue cannot be recognised. When the uncertainty that makes the outcome of the construction unable to be estimated reliably disappears, the revenue and cost are recognised according to the percentage of completion.

An expected loss on the construction contract should be recognised as an expense during the year when the total contract cost is expected to be higher than the total contract revenue.

The incurred cost and accumulated gross profit (loss) and the settled price of the construction contract are disclosed as a net amount in the balance sheet. The excess amount of the incurred cost and accumulated gross profit (loss) over the settled price of the construction contract is disclosed as inventory, while the excess amount of the settled price over the incurred cost and accumulated gross profit (loss) of the construction contract is disclosed as advance from customers.

4.29.4 Royalty Revenue

According to the contract or agreement, the revenue is recognized on an accrual basis.

4.29.5 Interest Income

The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the enterprise's cash is used by others and the actual interest rate.

The relevant accounting policies of "companies that have implemented the new revenue standards" are as follows:

If the contract between the Company and the customer simultaneously meets the following conditions, the revenue shall be confirmed when the customer obtains the control right of relevant commodities: the parties to the contract have approved the contract and promised to perform their respective obligations; The contract specifies the rights and obligations of each party relating to the goods or services transferred. The contract has clear payment terms related to the transferred goods; The contract has commercial substance, that is, the performance of the contract will change the risk, time distribution or amount of the Company's future cash flow; The Company may well recover the consideration it is entitled to for the transfer of goods to its customers.

On the beginning date of the contract, the Company shall identify each individual performance obligation existing in the contract and apportion the transaction price to each individual performance obligation according to the relative proportion of the individual selling price of the commodity promised in each performance obligation. In determining the transaction price, the influence of variable consideration, significant financing elements in the contract, non-cash consideration, payable customer consideration and other factors are considered.

For each single performance obligation in the contract, if one of the following conditions is met, the Company shall, in accordance with the progress of the performance of the contract, recognize as revenue the transaction price allocated to that single performance obligation within the relevant performance period. The customer can control the goods under construction during the Company's performance; The commodities produced in the

course of the Company's performance hereof shall have irreplaceable USES, and the Company shall have the right to collect payment for the part of the performance which has been accumulated to date throughout the contract period. The performance schedule shall be determined by the input method or output method according to the nature of the transferred commodities. If the performance schedule cannot be reasonably determined, if the Company's costs that have been incurred can be expected to be compensated, the revenue shall be confirmed according to the cost amount that has been incurred until the performance schedule can be reasonably determined.

If one of the above conditions is not met, then the Company will allocate the transaction price recognition income to the single performance obligation at the time when the customer obtains the control of the related commodities. In determining whether a customer has acquired control of a commodity, the Company shall take into account the following indications: The enterprise has transferred the legal ownership of the commodity to the customer, that is, the customer has the legal ownership of the commodity; The enterprise has transferred the goods in kind to the customer, that is, the customer has possessed the goods in kind; The enterprise has transferred the main risks and rewards in the ownership of the commodity to the customer, that is, the customer has acquired the main risks and rewards in the ownership of the commodity; The customer has accepted the goods; Other signs that the customer has taken control of the merchandise.

4.30 Construction contracts

Where the results of a construction contract can be reliably estimated, contract revenues and contract costs are recognized on the balance sheet date in accordance with the percentage completion method. The contract completion schedule shall be determined according to the proportion of the contract workload that has been completed to the estimated total contract workload.

The results of the construction contract can be reliable estimation refers to the simultaneous satisfaction: (1) the total contract revenue can be measured reliably; The economic benefits related to the contract are likely to flow into the enterprise; (3) the actual cost of the contract can clearly distinguish and reliable measurement; (4) the contract completion schedule and for the completion of the contract still need to occur cost can be determined reliably.

If the result of the construction contract cannot be estimated reliably, but the contract cost can be recovered, the contract income shall be recognized according to the actual contract cost that can be recovered, and the contract cost shall be recognized as the contract cost in the current period when it occurs; If it is impossible to recover the contract cost, it shall be immediately recognized as the contract cost when it occurs, and the contract income shall not be recognized. In the absence of uncertainties which make it impossible to estimate reliably the outcome of a construction contract, the income and expenses related to the construction contract shall be determined in accordance with the percentage of completion method.

Where the estimated total cost of the contract exceeds the total revenue of the contract, the estimated loss shall be recognized as the current expense.

4.31 Government Grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Company at no consideration, excluding the capital invested by the government as equity owner. Government grant can be classified as grant related to the assets and grants related to the income. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

A government grant related to an asset is recognized as deferred income or write down book value of relevant assets, and evenly amortized to profit or loss over the useful life of the related asset in a reasonable and systematic manner. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent period, the grant is recognized as deferred income, and

recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

Government subsidies including both assets-related parts and income-related parts should be treated separately. If it is difficult to separate, the government subsidies as a whole will be classified as income-related government grants.

The government grants related to the daily activities of the Company are included in other income or offset the related costs according to the essence of the economic business. The government grants unrelated to the daily activities are included in the non-operating income and expenses.

When government subsidy needs to be returned, if the related deferred income balance exists, the book value of related deferred income shall be offset and the excess part shall be included in the current profit or loss; if it is other cases, it shall be directly carried to the current profits and losses.

4.32 Deferred tax assets and deferred tax liabilities

4.32.1 Income tax for the current period

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects at the balance sheet date, to recover the assets or settle the liabilities.

At the balance sheet date, current income tax liabilities or assets for the current and prior period, are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws. The calculation for income tax expenses in the current period is based on the taxable income according to the related tax laws after adjustment to the accounting profit of the reporting period.

4.32.2 Deferred income tax assets and liabilities

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

For temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax liability related is recognised except where the Company is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

All deferred income tax liabilities arising from taxable temporary differences except the ones mentioned above are recognised.

For temporary deductible differences associated with the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset is recognised.

For taxable temporary deductible differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax asset related is recognised if it is impossible to reversal the temporary difference in the foreseeable future, or it is not probable to obtain taxable income which can be used for the deduction of the temporary difference in the future.

Except mentioned above, the Company recognises other deferred income tax assets that can deduct temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

For the deductible losses and tax credit that can be carried forward, deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates according to tax law, that are expected to apply in the period in which the asset is realised or the liability is settled.

At the balance sheet date, the Company reviews the carrying amount of deferred tax assets. If it is no longer probable that sufficient taxable profit will be available in future periods to allow the benefits of the deferred tax assets to be used, the Company reduces the carrying amount of deferred tax assets. The amount of such reduction is reversed when it becomes probable that sufficient taxable profit will be available.

4.32.3 Income tax expenses

Income tax expenses consist of current income tax and deferred income tax.

The expenses from income tax and deferred income tax, as well as the revenue, shall be recorded into profit or loss in current accounting period, except expense for income tax of the current period and deferred income tax that booked into other income or equity and adjusted carrying value of deferred income tax goodwill arose from business combination.

4.32.4 Income tax offset

When we have the legal right, and have intended to, to make settlement with net amount, or through the asset acquisition and liability fulfillment simultaneously, the Company shall present the net value from the offset between current income tax asset and current income tax liability in the financial statement.

When the Company has the legal right to make a settlement with the current income tax asset and current income tax liability, and the deferred income tax asset and deferred income tax liability are related to the same taxable subject under the same tax payer, or related to different taxable subject, but the intension of net value settlement in regard of the current income tax asset and current income tax liability, the Company shall present net value after the offset of deferred income tax asset and deferred income tax liability.

4.33 Leases

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

4.33.1 The Company as Lessee under operating Lease

Lease payments under an operating lease are recognised by a lessee on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period. The contingent rents shall be recorded in the profit or loss of the period in which they actually arise.

4.33.2 The Company as Lessor under operating Lease

Lease income from operating leases shall be recognised by the lessor in profit or loss on a straight-line basis over the lease term. Initial direct cost of significance in amount shall be capitalized when incurred. If another basis is more systematic and rational, that basis may be used. Contingent rents are credited to profit or loss in the period in which they actually arise.

4.33.3 Financial lease to which the Company is the lessee

At the commencement of a financial lease to which the Company is the Lessee, the lower of the lease-commencement-date fair value of the leased asset and the present value of the minimum lease payment is recognised as the cost of the leased asset; the minimum lease payment is recognised as a long-term payable; and the excess of the long-term payable over the amount recognised as the cost of the leased asset is recognised as unrecognised lease expenditure. Expenses incurred during the negotiation and signing of the lease contract for activities directly attributable to the lease are recognised as part of the cost of the leased asset. The residual amount after deducting the unrecognised lease expenditure from the long-term payable is divided into non-current liability and non-current liability due within one year depending on maturity and presented on (consolidated) financial statements separately.

The unrecognised lease expenditure is amortised over the lease term using the effective interest rate method

and the amortisation is recognised as lease expense in profit or loss for the relevant period. Contingency lease rental is recognised in profit or loss when it is incurred.

4.33.4 Financial lease to which the Company is the lessor

At the commencement of a financial lease to which the Company is the lessor, the sum of the minimum lease rental receivable and the initial expenses incurred for activities directly attributable to the lease is recognised as the initial amount of the respective financial lease rental receivable; unguaranteed residual value is recorded, if any; the excess of the present value of the sum of the minimum lease rental receivable, the initial expenses incurred for activities directly attributable to the lease and the unguaranteed residual value over the sum itself is recognised as unrecognised lease income. The residual amount after deducting the unrecognised lease income from the financial lease rental receivable is divided into non-current receivable and non-current receivable due within one year depending on maturity and presented on (consolidated) financial statements separately.

The unrecognised lease income is amortised over the lease term using the effective interest rate method and the amortisation is recognised as lease income in profit or loss for the relevant period. Contingency lease rental income is recognised in profit or loss when it is received or becomes receivable.

4.34 Held for sale

If the Company recovers its book value mainly through the sale (including the exchange of non-monetary assets with commercial substance, the same below) rather than the continuous use of a non-current asset or disposal group, it is divided into the holding for sale category. The specific criteria are to meet the following conditions simultaneously: a non-current asset or disposal group can be immediately sold in the current situation according to the practice of selling such assets or disposal group in similar transactions; The Company has made a resolution on the sale plan and obtained a firm commitment to purchase; The sale is expected to be completed within a year. The disposal group refers to a group of assets disposed of as a whole through sale or other means in a transaction, and the liabilities directly related to these assets transferred in the transaction. The disposal group shall include the goodwill apportioned to the disposal group if the asset group or combination of the disposal group apportion the goodwill acquired in the enterprise merger in accordance with the accounting standards for business enterprises no. 8 - asset impairment.

On the balance sheet date of the Company or initial measurement to measure classified as held for sale of non-current assets and disposal group, its book value is higher than the fair value minus the net amount after sale cost, book value will be down to the fair value minus the net amount after selling fees, the amount of write-down shall be recognized as asset impairment losses, included in the current profits and losses, provision for assets impairment provision holds for sale at the same time. For treatment group, confirmed by the asset impairment loss to offset the book value of the goodwill in the treatment group, and in proportion to offset the treatment groups within the applicable to the accounting standards for enterprises no. 42 - hold illiquid assets for sale, disposal and termination of business "(hereinafter referred to as the" guidelines "holds for sale) measurement of the book value of the non-current assets. Following the balance sheet date of the fair value minus the disposal group holds for sale after sale cost a net increase of write-down amount shall be reinstated, before and after the classified as held for sale category applicable rule holds for sale of non-current assets to confirm the asset impairment loss amount is converted back to, back to the amount recorded into the profits and losses, and according to the treatment group except goodwill rule holds for sale measurement provisions shall be applicable in all kinds of non-current assets book value proportion scale up its book value; The book value of the goodwill that has been reduced and the non-current assets that are subject to the measurement of the holding for sale criteria shall not be reversed until the impairment loss of the assets recognized prior to the classification of the holding for sale is recognized.

Non-current assets held for sale or non-current assets in the disposal group are not depreciated or amortized and interest and other expenses on liabilities in the disposal group held for sale continue to be recognised.

Non-current assets or to the disposition of the set is no longer meet the category division condition holds for sale, the Company will no longer to divided into categories or holds for sale from non-current assets held for sale in

the treatment groups, and according to the following both what is low measurement: 1) divided into categories holds for sale in front of the book value, according to the assumption that is not classified as held for sale category case shall confirm the depreciation, amortization and impairment of the adjusted amount; 2) Recoverable amount.

4.35 Fair value

Fair value is the price that market participants can receive or transfer a liability in an orderly transaction on the measurement date. Whether the fair value is observable or estimated using valuation techniques, the fair value measured and/or disclosed in the financial statements shall be determined on this basis.

4.35.1 Assets and liabilities measured at fair value

The Company at the end of this adopt the fair value of the assets including measured at fair value and the changes are recorded into the profits and losses of the current financial assets, available for sale financial assets and derivative financial assets, investment real estate, etc., using mainly includes the fair value of the liabilities measured at fair value and the changes are included in the current profits and losses of financial liabilities, derivative financial liabilities, etc.

4.35.2 Valuation technique

When measuring relevant assets or liabilities at fair value, the Company adopts valuation techniques that are applicable in the current situation and are supported by sufficient available data and other information. The valuation techniques used mainly include market method, income method and cost method. The Company USES one or more methods consistent with the valuation technology to measure the fair value, fully considers the rationality of the valuation results, and selects the amount that best represents the fair value under the current situation as the fair value.

The fair value measurement is divided into three levels based on the observability of the input value and the importance of the input value to the fair value measurement as a whole:

The first level input value is the unadjusted quote of the same asset or liability that can be obtained on the measurement date in the active market. Active market refers to the market in which the volume and frequency of transactions of relevant assets or liabilities are sufficient to provide continuous pricing information. The input value of the second level is the directly or indirectly observable input value of the relevant asset or liability except the input value of the first level. The second level of input values include: (1) Quotation of similar assets or liabilities in active markets. (2) Quotation of the same or similar assets or liabilities in inactive markets. (3) Other observable input values other than quotation, including observable interest rate, yield curve, implied volatility, credit spread, etc., during the normal quotation interval. (4) Market validation of the input value. The input value at the third level is unobservable. The Company only uses the input value at the third level when there is no market activity in the relevant assets or liabilities or when the market activity rarely leads to the inaccessibility or infeasibility of the relevant observable input value.

When measuring assets and liabilities at fair value, the Company uses the input value at the first level, the input value at the second level and the input value at the third level.

4.35.3 Accountant arrangement method

Other relevant accounting standards that require or allow the Company to measure or disclose relevant assets or liabilities at fair value and changes in fair value shall be included in current profit and loss or other comprehensive income and other accounting treatment issues. Please refer to other relevant contents in this note 4.

4.36 Asset securitization business

In applying the accounting policy for securitized financial assets, the Company has taken into account the extent to which the risks and rewards of assets transferred to other entities, as well as the extent to which the Company exercises control over the entity:

When the Company has transferred almost all the risks and rewards in the ownership of the financial asset, the Company shall terminate the recognition of the financial asset;

When the Company retains almost all risks and rewards in the ownership of the financial asset, the Company continues to recognize the financial asset;

If the Company does not transfer or retain nearly all the risks and rewards in the ownership of the financial asset, the Company shall consider whether there is any control over the financial asset. If the Company does not retain control, the Company terminates recognition of the financial asset and recognizes the rights and obligations generated or retained in the transfer as assets or liabilities. If the Company retains control, the financial assets are recognized according to the degree of continuous involvement in the financial assets.

Note 5: Significant changes in accounting policies and accounting estimates

5.1 Changes in accounting policies

5.1.1 Changes in accounting policies due to the implementation of the new Accounting Standards for Business Enterprises

Adama, Syngenta and Pirelli, the overseas subsidiaries of the Company, implemented the new financial instrument standards and new revenue standards from January 1, 2018. Please refer to the relevant part of "important accounting policies and accounting estimates" in this note 4 for the revised accounting policies.

(1) Accounting policy changes resulting from the implementation of new financial instrument standards

Retrospective application of the new financial instrument standards, but for classification and measurement (including impairment) involved in the previous comparative financial statement data and the new financial instrument standards are inconsistent, choose not to repeat.

a. Comparison table of recognition and measurement of financial assets before and after the implementation of new financial instrument standards:

Class of financial assets	31/12/2017 (Before change)		1/1/2018 (After change)	
	Measurement category	Carrying amount	Measurement category	Carrying amount
Accounts receivable	Loans and accounts receivable	5,056,850,000.00	Amortized cost	5,038,575,000.00
Other receivable	Loans and accounts receivable	1,037,836,000.00	Amortized cost	1,029,557,000.00
Financial assets at fair value through profit and loss	Financial assets at fair value through profit and loss	259,064,159.59	Financial assets held for trading	259,064,159.59
Available-for-sale financial assets	Available-for-sale financial assets	2,423,822,114.58	Financial assets held for trading	1,162,753,362.10
			Financial assets measured at fair value and changes are included in other comprehensive income	1,332,614,752.48

b. At first execution date, instrument classification and book value reconciliation

Item	31/12/2017 (Before change)	Reclassification	Remeasurement	1/1/2018 (After change)
Assets:				
Financial assets at fair value through profit and loss	282,064,159.59	-282,064,159.59		
Financial assets held for trading		1,444,817,521.69		1,444,817,521.69
Accounts receivable	12,928,833,781.72		-35,826,094.40	12,893,007,687.32
Other receivable	4,811,681,950.88		21,085,588.04	4,832,767,538.92

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Item	31/12/2017 (Before change)	Reclassification	Remeasurement	1/1/2018 (After change)
Other current assets	2,455,331,837.42		-25,922,907.69	2,429,408,929.73
Available-for-sale financial assets	2,459,213,632.50	-2,423,822,114.58		35,391,517.92
Long-term receivable	1,006,266,800.00	-705,693,600.00		300,573,200.00
Other investments in equity instruments		1,261,068,752.48	71,546,000.00	1,332,614,752.48
Other non-current financial assets		1,195,758,600.00		1,195,758,600.00
Deferred tax assets	1,908,282,655.83		1,574,071.29	1,909,856,727.12
Other non-current assets	4,533,329,285.82	-490,065,000.00	-13,882,421.73	4,029,381,864.09
Liabilities:				
Advances from customers	226,711,000.00	-226,711,000.00		
Contractual liabilities		746,578,000.00		746,578,000.00
Taxes and surcharges payable	1,516,917,144.29		6,608,548.10	1,523,525,692.39
Other payable	1,422,734,000.00	-503,362,000.00		919,372,000.00
Other current liabilities	482,583,000.00	-16,505,000.00		466,078,000.00
Long-term borrowings	6,534,200.00	254,833,800.00		261,368,000.00
Long-term payable	254,833,800.00	-254,833,800.00		
Deferred tax liabilities	10,102,787,440.96		-15,417,344.80	10,087,370,096.16
Equity:				
Other comprehensive income	-2,042,722,036.97		20,563,782.74	-2,022,158,254.23
Undistributed profit	1,225,155,402.08		17,565,049.66	1,242,720,451.74
Minority interests	36,205,919,237.24		-10,745,800.19	36,195,173,437.05

Note: the above table shows the amount affected by the implementation of the new financial instrument standards at the reporting level of Adama, Syngenta and Pirelli. At the merger level of the Company, the affected amount includes: increased other comprehensive income of RMB 9,887,706.44, increased undistributed profit of RMB 19,270,826.02, reduced minority shareholders' equity of RMB 1,775,500.25.

c. Adjustment sheet for impairment of financial assets on the first execution date

Measurement category	31/12/2017 (Before change)	Reclassification	Remeasurement	1/1/2018 (After change)
Accounts receivable impairment provision	386,425,000.00		18,281,000.00	404,706,000.00

5.1.2 Implementation of new revenue standards resulting in accounting policy changes

To implement the new revenue guidelines, Adama, syngenta and pirelli have reassessed the recognition, measurement, accounting and presentation of major contract revenues. According to the regulation of the new income principles, only on January 1, 2018 has not yet been done to adjust the cumulative effect of the contract, as well as the earliest than during the initial (i.e., on January 1, 2017) or before January 1, 2018 occurred before the contract changes to simplify the processing, namely change the final arrangement according to the contract, identification has been and is not subject to the performance of the obligations, determine the trading price and is

and is not subject to the performance of the obligations between the share price. Adjustment of cumulative impact amount for the first execution the retained earnings at the beginning of the current period (i.e., January 1, 2018) and the amounts of other related items in the financial statements for the first execution shall not be adjusted for the 2017 financial statements.

Project names and adjustment amount that affected by the new revenue standard:

Content of change	Item	1/1/2018 (After change)	31/12/2017 (Before change)
Significant financing component of revenue recognition	Accounts receivable	5,128,256,000.00	5,056,850,000.00
	Deferred tax assets	867,175,000.00	891,012,000.00
	Accounts payable	20,739,559,554.15	21,053,201,154.15
	Advances from customers	147,775,382.58	341,615,091.79
	Contractual liabilities	600,785,152.78	
	Current portion of non-current liabilities	616,474,723.05	689,021,873.85
	Other current liabilities	451,606,237.08	468,261,814.70
	Other non-current liabilities	389,690,141.35	393,791,256.50
	Undistributed profit	3,334,280,000.00	3,286,711,000.00

Note: the above table shows the amount affected by the implementation of the new revenue standards at the reporting level of Adama, Syngenta and Pirelli. At the merger level of the Company, the affected amount is: RMB 37,536,596.98 for increased undistributed profits and RMB 10,032,403.02 for increased minority shareholders' equity.

5.2 Change in accounting estimates

None.

5.3 Significant prior period errors correction

5.3.1 Merge scope of adjustment

a. The equity of Beijing chemical machinery Co., Ltd. (hereinafter referred to as "Beijing chemical machinery") held by ZhongLan Petrochemical was sold in previous years and was not included in the scope of merger. The transaction was not actually completed because the equity transfer payment was not paid as agreed in the contract. The equity transfer agreement shall not be executed after friendly negotiation between both parties. In this year, ZhongLan Petrochemical incorporated Beijing chemical machinery into the merger scope and restated the previous year.

b. Bluestar holds 45.33% of the equity of Bluestar fiber (Beijing) Co., Ltd. (hereinafter referred to as "Bluestar fiber"). Through the entrustment management agreement signed by ZhongLan Petrochemical and Bluestar, Bluestar can manage Bluestar fiber, control Bluestar fiber and obtain variable returns. In this year, Bluestar fiber was included in the merger scope and the previous year was restated.

c. The Company subordinates in the blue sea design and research institute Co., Ltd. (hereinafter referred to as "the sea court") the previous year will be 55% owned by Qinghai potash salt cloud Co., Ltd. (hereinafter referred to as "the Qinghai salt cloud") as a subsidiary into the consolidation scope according to the relevant provisions of the articles of association of Qinghai salt cloud management decision-making should be agreed by more than half of the sea school only two seats on the board (totally 5), did not have more than half of the voting rights, not control this year even the sea is no longer a cloud of Qinghai salt into the scope, and to repeat the previous year.

d. In 2013, due to the clean-up and rectification of Jinan petrochemical group Co., Ltd. (hereinafter referred to as "Jinan petrochemical"), the Company will no longer include it in the scope of merger. Because Jinan petrochemical has not been completed cleaning, this year HaoHua limited will be incorporated into the scope of the merger of Jinan petrochemical, and the previous year to restate.

The adjustment of the above merger scope has the effect of increasing the total assets at the beginning of the year by RMB 2,182,159,307.19, increasing the total liabilities at the beginning of the year by RMB 5,283,067,556.88, the owner's equity belonging to the parent company reduced by RMB 3,712,032,980.63 and increasing the minority shareholders' equity by RMB 611,124,730.94.

5.3.2 Adjustment of loaning instead of allocating

China Haohua chemical (group) corporation (hereinafter referred to as "China Haohua"), the predecessor of HaoHua Co., transfers the project fund of "loaning instead of allocating" to Haohua Corp. for accounting when carrying out the overall system reform. Due to the non-standard accounting of part of the "loaning instead of allocating" funds, the accounting treatment of this part of the "loaning instead of allocating" funds was corrected and adjusted in advance, with the total assets at the beginning of the year reduced by RMB 92,060,527.98, and the owner's equity attributable to the parent company at the beginning of the year reduced by RMB 92,060,527.98.

5.3.3 Adjustment of staff residence

China Haohua overall restructuring, the north rubber house project transferred to Haohua Corp., which project housing, parking, bottom business and other supporting facilities have been basically sold in 2014. This year, the residential sales business of this project were corrected and adjusted for errors in the early stage. The total assets at the beginning of the year were reduced by RMB 440,488,146.86, the total liabilities at the beginning of the year was reduced by RMB 467,295,947.14, and the owner's equity attributable to the parent company at the beginning of the year were increased by RMB 26,807,800.28.

5.3.4 Adjustment of dismiss welfare

Due to the agreement with employees to terminate the labor contract and the payment of the overall expenses for the retired employees, some of the subordinate enterprises of ZhongLan Petrochemical failed to fully plan and withdraw the dismiss welfare for the early error correction and adjustment. The total liabilities at the beginning of the year were increased by RMB 132,902,281.83. The owner's equity attributable to the parent company at the beginning of the year was reduced by RMB 132,902,281.83.

Note 6: Taxation

6.1 Major Taxes and Tax Rates

Types	Tax rate
VAT	Taxable income shall be calculated at the tax rate of 16%, 13%, 10%, 6%, 5% and 3%, and the VAT shall be calculated and paid based on the difference after deducting the input tax that is allowed to be deducted in the current period; The Company and its subsidiaries shall implement the policy of tax exemption and refund for the export products, and the overseas subsidiaries shall be subject to the VAT rate of the country or region where they are located.
Consumption Tax	Consumption tax on gasoline, diesel oil, wax oil, slurry, fuel oil and naphtha sold shall be calculated and paid according to state regulations;
City Maintenance and Construction Tax	City maintenance and construction tax should be paid based on 7%, 5% or 1% of the amount of VAT paid.
Income Tax	The Company should pay 25%, 20% or 15% of taxable income for its income tax. Overseas subsidiaries should pay income tax in accordance with the relevant regulations of their jurisdictions.
Education Surcharge	The Company should pay 3% of the amount of VAT paid for education surcharge.
Local Education Surcharge	The Company should pay 2% the amount of VAT paid for local education surcharge.
Land Use Tax	The Company should pay RMB 3, 18 or 24 per square meter for land use tax based on the area of land used.
Property Tax	For property for self-use, 1.2% of the residual value of the property and for property leased out, 12% of the rentals is calculated as the amount of property tax.
Other Tax	Other tax should be paid according to relative national regulation.

Notes:

1. The original tax rate of 17/11% shall apply to VAT taxable sales or import goods of the Company. According to the notice of the ministry of finance and the state administration of taxation on the adjustment of VAT rate (Caishui [2018] no. 32), the applicable tax rate will be adjusted to 16/10% from May 1, 2018.

2. The Tax Rate Apply to Overseas Subsidiaries

Company Name	Tax Rate
ADAMA Agricultural Solutions Ltd.	23.00% (the common income tax rate for Israel companies)
ADAMA Makhteshim Ltd.	7.50% (the common income tax rate for Israel companies)
ADAMA Agan Ltd.	16.00% (the common income tax rate for Israel companies)
ADAMA Brasil S.A.	34.00% (the common income tax rate for Brazil companies)
ADAMA of North America Inc.	24.70% (the common income tax rate for America companies)
ADAMA India Private Ltd.	34.60% (the common income tax rate for India companies)
ADAMA Deutschland GmbH	32.50% (the common income tax rate for German companies)
Control Solutions Inc.	24.00% (the common income tax rate for America companies)
ADAMA Australia Pty Ltd.	30.00% (the common income tax rate for Australia companies)
ADAMA France S.A.S	33.30% (the common income tax rate for France companies)
ADAMA Andina B.V.Sucursal Colombia	33.00% (the common income tax rate for Columbia companies)
ADAMA Italia S.R.L.	27.90% (the common income tax rate for Italia companies)
Alligare Inc.	27.50% (the common income tax rate for America companies)
ADAMA Brasil S/A	34.00% (the common income tax rate for Brazil companies)
ADAMA Andina B.V.Sucursal Colombia	34.00% (the common income tax rate for Columbia companies)
Adisseo France, Bluestar organosilicon France Co., Ltd, ADAMA France S.A.S	34.43%、33.30% (the common income tax rate for France companies)
Drakker holding Co., Ltd	33.99% (the common income tax rate for Belgium companies)
ADAMA Deutschl and GmbH	32.50% (the common income tax rate for Germany companies)
Blue star Aiken international co. LTD, Bluestar Elkem Solar Co.,Ltd. S.à.r.l.	26.01% (the common income tax rate for Luxembourg companies)
REC Solar Holdings AS, Elkem, Elkem Solar AS	24.00% (the common income tax rate for Norway companies)
China national chemical (UK) Co., Ltd	20.00% (the common income tax rate for England companies)
Kenos holdings limited, ADAMA Australia Pty Ltd.	30.00% (the common income tax rate for Australia companies)
REC Solar Pte. Ltd., China national chemical (Singapore) Co., Ltd	17.00%、5.00% (the common income tax rate for Singapore 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., Bluestar Finance Holdings Limited	16.50% (the common income tax rate for HongKong companies)

Note: The President of the United States signs the tax reform bill on December 22, 2017. Under the bill, the U.S. corporate income tax rate would be reduced from 35 percent to 21 percent in a single cut starting in 2018. The income tax rates for U.S. subsidiaries in the table above include federal and state taxes.

Adama, the subsidiary Company of the Company, is registered in Israel. According to the capital investment encouragement act of Israel and its amendment, the preferential income tax rate of its subsidiary Company, ADAMA Agan Ltd. is 9% in zone A of Israel and 16% in other areas.

The Company's subsidiary Adama is industrial holding company registered in Israel, part of it, a subsidiary of Israel's "industrial company", in 1969, according to Israeli industry (tax) to encourage law, with its subsidiary ADAMA Makhteshim Ltd Adama. can be consolidated income tax return, amortization and proprietary technology, can be more than eight years, so it can enjoy certain tax breaks.

6.2 Tax incentives and approvals

The Company's subsidiaries enjoy the following tax benefits:

a. Preferential tax treatment for the development of the western region

The Company subordinate Deyang HaoHua qingping phosphate rock Co., Ltd., Guilin rubber machinery co., LTD and Sichuan light engineering design institute, according to the ministry of finance, general administration of customs, state administration of taxation on the tax policies thorough implementation of western development strategy of the notice (Caishui [2011] no. 58) enjoy the preferential tax policy in west development state in 2018, according to 15% tax rate pay enterprise income tax.

b. Tax incentives for high-tech enterprises

The Company subordinate ZhongHao chenguang chemical research institute Co., Ltd., ZhongHao light chemical research and design institute Co., Ltd., Marine chemical industry research institute Co., Ltd., day shares, southwest chemical research and design institute Co., Ltd., ZhongHao (Dalian) chemical research and design institute Co., Ltd., north ZhongHao coatings industry research and design institute Co., Ltd., Shenyang rubber research and design institute Co., Ltd., the northwest rubber plastics research and design institute Co., Ltd., Shuguang rubber industry research and design institute of China chemical group Co., Ltd., China national chemical Zhuzhou rubber research and design institute Co., Ltd., dawn chemical research and design institute Co., Ltd., Jinxi chemical industry research institute Co., Ltd. In the design and research institute of the blue sea, blue length in engineering technology Co., Ltd., Bluestar new material (Chengdu) Co., Ltd., Shenyang blue star cleaning co., LTD, Anhui branch made China chemical industry Co., Ltd., Jiangsu business electrochemical Co., Ltd., Anhui province chemical industry research institute, wheat, Cangzhou dahua chemiactl, blue in daqing petrochemical Co., Ltd., Fengshen shares, the Chinese chemical industry science and technology research institute, Beijing research and design institute of rubber industry, blue light in the chemical industry research and design institute Co., Ltd., Hangzhou water treatment technology research and development center Co., Ltd., bluestar (Beijing) chemical machinery Co., Ltd., Beijing blue star cleaning Co., Ltd., Shenyang chemical industry,, nantong starsSynthetic material Co., Ltd., Guangzhou institute of synthetic materials Co., Ltd., Hangzhou west doumen (torch) film industry Co., Ltd., Shandong bluestar dongda chemical Co., Ltd., bluestar technology center (Beijing) Co., Ltd., China national bluestar Harbin petrochemical Co., Ltd., bluestar engineering Co., Ltd., Jiangxi bluestar spark our organic silicon Co., Ltd., Nanjing chemical engineering co., LTD and Nanjing chemical equipment supervision Co., Ltd., won the recognition of hi-tech enterprises, according to the state administration of taxation on the implementation of a high and new technology enterprise preferential income tax related issues notice "(Guoshuihan [2009] no. 203), Corporate income tax will be paid at the 15% rate for 2018.

c. Three exemptions and three halving of tax benefits

The company subordinates Beijing bluestar energy-saving investment management Co., Ltd., according to the ministry of finance, state administration of taxation issued by the ministry of finance, state administration of taxation on promoting energy-saving services industry business tax and enterprise income tax policy issue VAT notice (caishui [2010] no. 110), conform to the conditions of the project, since the project made the first tax year, production and operation income belongs to enjoy the tax preference of three exemptions and three halving.

d. Tax incentives for small, low-margin enterprises

The Company subordinates in the blue the morning Chengdu testing technology Co., Ltd. And the blue sea (Shanghai) chemical technology Co., Ltd., for a small meagre-profit enterprise satisfying engineering center,

according to the ministry of finance, state administration of taxation issued "on further expanding the scope of the small profit-making enterprise income tax preferential policy notice (Caishui [2018] 77 date), since January 1, 2018 to December 31, 2020, will be a small meagre-profit enterprise satisfying the maximum annual taxable income from RMB 500,000 to RMB 1 million , the annual taxable income of less than RMB 1 million (contain RMB 1 million) a small meagre-profit enterprise satisfying, The enterprise income tax shall be paid at the rate of 20%.

e. Other tax benefits

Sichuan bluestar machinery Co., Ltd., a subsidiary of the Company, shall pay enterprise income tax at the rate of 15% according to no.12 of 2012 and no.652 of Sichuan economic and trade letter [2012] issued by the state administration of taxation.

The Company subsidiary our chemical machinery and automation research and design institute Co., Ltd., on October 8, 2015, Gansu province development and reform commission audit conform to the national development and reform commission in 2013 21 order released the industry structure adjustment guidance catalogue (2011) ", since 2015, execute the enterprise income tax preferential rate of 15%.

Note 7: Business combination and consolidation financial statements

7.1 Subsidiaries Profile

No	Company Name	Level	Type	Location	Business Field	Paid-in Capital (RMB '0000)	Share Proportion (%)	Voting Right (%)	Investment (RMB '0000)	Acquisition method
1	BlueStar Co.	2	Domestic, Non-financial	Beijing	Chemicals	1,536,558.92	66.78	66.78	1,488,432.52	Other
2	CNCA	2	Domestic, Non-financial	Beijing	Agricultural Chemicals	333,821.96	100	100	338,102.57	Investment and establishment
3	ChemChina Century	2	Domestic, Non-financial	HK	Outbound investment	0.88	100	100	0.89	Investment and establishment
4	Petrochemical Co.	2	Domestic, Non-financial	Beijing	Oil Manufacturing	684,300.00	72.73	72.73	852,187.40	Investment and establishment
5	Tire& Rubber Corp.	2	Domestic, Non-financial	Beijing	Tire Manufacturing	160,000.00	100	100	346,300.10	Investment and establishment
6	Equip. Corp.	2	Domestic, Non-financial	Beijing	Chemical Machineries	100,000.00	100	100	72,488.00	Investment and establishment
7	HaoHua Co.	2	Domestic, Non-financial	Beijing	Chemicals	422,121.93	69.20	69.20	482,400.54	Other
8	ZhongLan Petrochemical	2	Domestic, Non-financial	Beijing	Chemicals	51,100.87	100	100	43,215.62	Investment and establishment
9	Academy of Sc.	2	Domestic, Non-financial	Beijing	Technical Services	18,762.90	100	100		Investment and establishment
10	Finance Corp.	2	Domestic, Financial	Beijing	Finance	84,122.50	86.20	100	43,580.86	Investment and establishment
11	CNCIC	2	Domestic, Non-financial	Beijing	Information Service	15,000.00	100	100	5,685.60	Investment and establishment
12	Interstar Group	2	Domestic, Non-financial	Beijing	Metallic ore	72,000.00	100	100	52,306.51	Other

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

No	Company Name	Level	Type	Location	Business Field	Paid-in Capital (RMB '0000)	Share Proportion (%)	Voting Right (%)	Investment (RMB '0000)	Acquisition method
13	Yellow Sea Rubber	2	Domestic, Non-financial	Qingdao Shandong	Rubber Products	33,282.57	100	100		Investment and establishment
14	Asset Co.	2	Domestic, Non-financial	Beijing	Chemicals	85,714.29	35.00	35.00	1,337.18	Investment and establishment
15	HaoHua Corp.	2	Domestic, Non-financial	Beijing	Chemicals	235,408.12	100	100	244,222.93	Investment and establishment
16	ChemChina HK	2	Domestic, Non-financial	HK	Outbound investment	0.85	100	100	0.85	Investment and establishment
17	ZhongChe QiXiu	2	Domestic, Non-financial	Beijing	Vehicle Repair	82,422.05	100	100	27,805.14	Investment and establishment
18	Bluestar Info.	2	Domestic, Non-financial	Beijing	Chemical Equipments	1,000.00	100	100	12,546.16	Investment and establishment
19	Chem. Museum	2	Public institution	Beijing	Museum	4,879.29	100	100	104,879.29	Investment and establishment
20	Adama	5	Domestic, Non-financial	Jingzhou Hubei	Agricultural Chemicals	244,655.40	78.91	78.91	1,870,864.42	Investment and establishment
21	Adisseo	3	Domestic, Non-financial	Beijing	Chemicals	268,190.13	89.74	89.74	1,848,542.90	Investment and establishment
22	TianHuaYuan	4	Domestic, Non-financial	Qingdao Shandong	Chemicals	89,809.15	78.18	78.18	41,766.76	Investment and establishment
23	Shenyang Chem.	4	Domestic, Non-financial	Shenyang Liaoning	Chemicals	81,951.44	47.23	47.23	133,690.04	Investment and establishment
24	Aeolus Tyre	3	Domestic, Non-financial	Henan, Jiaozuo	tyre manufacture	56,241.32	44.58	44.58	61,908.83	Other
25	Cangzhou Dahua	4	Domestic, Non-financial	Cangzhou Hebei	Chemicals	41,186.35	46.25	46.25	30,188.83	Investment and establishment
26	Tian Yi Co.	3	Domestic, Non-financial	Chengdu Sichuan	Chemicals	83,718.60	75.73	75.73	704,367.31	Investment and establishment
27	Pirelli	7	Overseas, Non-financial	Italy	Tire Manufacturing	1,398,170.78	46.00	46.00	1,594,743.71	M&A
28	Elkem	4	Overseas, Non-financial	Norway	Silicon products	646,782.66	58.20	58.20	1,415,605.00	M&A

Note: when the Company discloses subsidiaries, it discloses all secondary companies and subordinate listed companies with direct and indirect shareholding ratios.

7.2 Controlled investees of which the Company has less than half voting rights

No.	Name of the Company	Share Proportion (%)	Voting Right (%)	Registered capital	Investment Amount	Level	The reason of inclusion in the consolidated statement scope
1	Asset Co. (note 1)	35.00	35.00	857,142,857.14	13,371,829.66	2	Actual control right

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

No.	Name of the Company	Share Proportion (%)	Voting Right (%)	Registered capital	Investment Amount	Level	The reason of inclusion in the consolidated statement scope
2	Shenyang Chem. (note 2)	47.23	47.23	819,514,395.00	1,336,900,400.00	4	Actual control right
3	Aeolus Tyre (note 2)	44.58	44.58	562,413,222.00	619,088,311.59	3	Actual control right
4	Cangzhou Dahua (note 2)	46.25	46.25	411,863,502.00	301,888,300.00	4	Actual control right
5	Pirelli (note 2)	46.00	46.00	13,981,707,825.52	15,947,437,096.06	7	Actual control right

Note 1: Our Company is one of the largest shareholder equity companies, but other outside shareholders are mainly financial investors, the Company can exercise right of appointment and performance appraisal right, assets of the Company's investment projects are the Company within the project, basic not the assets of the Company daily management and outside shareholders intervene effect making major decisions. Therefore, the Company has the power over the asset Company and has the ability to use the power to influence the amount of return of the Company.

Note 2: The Company is the largest shareholder in the division, and the shares held by other shareholders are small and very dispersed. Therefore, the Company has the right to the branch of the department, and has the ability to use the power to affect the Company's return amount.

7.3 Significant Non-wholly-owned Subsidiaries Profile

7.3.1 Minority shareholder

No.	Name of the Company	Proportion of non-controlling interests (%)	Gain and loss attributable to non-controlling interests in Current Year	Dividends paid to Minority Shareholders in Current Year	Cumulative non-controlling interests at the end of Current Year
1	BlueStar Co.	33.22	186,073,320.60		3,583,054,984.01
2	Petrochemical Co.	27.27	434,511,654.70		5,295,549,920.37
3	HaoHua Co.	30.8	29,057,602.92		1,055,765,491.97
4	Adama	21.09	506,679,235.80	38,562,854.10	3,579,013,222.47
5	Adisseo	10.26	214,973,759.01	183,168,303.85	3,243,614,008.45
6	TianHuaYuan	21.82	42,122,992.08		1,238,064,950.89
7	Shenyang Chem.	52.77	29,703,685.75		2,843,312,218.51
8	Aeolus Tyre	55.42	10,125,721.00		1,118,061,080.45
9	Cangzhou Dahua	53.75	576,416,839.49		1,928,535,331.79
10	TianYi Co.	24.27	130,807,541.99	4,327,728.72	746,300,322.04
11	Pirelli	54.00	1,864,311,161.97		18,933,829,736.33
12	Elkem	41.80	892,275,945.42		4,930,373,004.90

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

7.3.2 Major Financial Information

Unit: RMB 10 Thousands

Items	Current Year					
	BlueStar Co.	Petrochemical Co.	HaoHua Co.	Adama	Adisseo	TianHuaYuan
Current Assets	5,262,369.20	3,470,442.57	817,966.20	2,468,948.80	938,517.97	644,204.82
Non-current Assets	4,961,520.77	2,730,853.65	613,569.09	1,812,301.70	1,116,424.89	954,152.92
Total Assets	10,223,889.97	6,201,296.22	1,431,535.29	4,281,250.50	2,054,942.86	1,598,357.74
Current Liabilities	4,781,649.38	3,140,053.20	504,204.47	1,133,916.70	255,652.19	465,385.08
Non-current Liabilities	2,867,625.05	556,947.29	459,314.57	919,321.20	149,846.74	565,573.50
Total Liabilities	7,649,274.43	3,697,000.49	963,519.04	2,053,237.90	405,498.93	1,030,958.58
Operating Revenue	6,001,337.75	18,558,901.93	552,830.36	2,561,511.90	1,141,798.18	1,130,409.40
Net Profits	146,479.81	190,748.91	9,920.68	240,246.20	121,568.71	19,304.76
Total Comprehensive Income	123,371.90	216,141.86	9,920.68	359,749.40	126,030.27	25,791.35
Cash Flows from Operating Activities	647,730.51	504,457.89	33,993.40	200,213.90	144,169.60	93,102.66

(Continue)

Items	Current Year					
	Shenyang Chem.	Aeolus Tyre	Cangzhou Dahua	TianYi Co.	Pirelli	Elkem
Current Assets	330,118.11	323,215.31	244,686.41	411,786.96	2,901,893.45	1,311,382.40
Non-current Assets	584,252.59	394,272.16	216,716.31	415,741.12	7,324,470.05	1,167,456.31
Total Assets	914,370.70	717,487.47	461,402.72	827,528.08	10,226,363.50	2,478,838.71
Current Liabilities	374,238.07	434,061.03	56,214.47	223,242.43	2,371,709.57	690,741.78
Non-current Liabilities	89,594.34	81,683.18	8,187.04	105,855.90	4,283,408.48	713,921.54
Total Liabilities	463,832.41	515,744.21	64,401.51	329,098.33	6,655,118.05	1,404,663.32
Operating Revenue	1,079,078.09	621,863.95	443,172.75	418,182.89	4,333,669.04	2,082,061.13
Net Profits	11,860.58	1,827.09	107,240.34	53,896.80	345,242.81	273,555.75
Total Comprehensive Income	11,860.58	547.53	107,240.34	53,896.80	312,949.41	301,200.45
Cash Flows From Operating Activities	6,450.09	35,313.58	150,035.06	53,611.36	482,956.48	351,778.43

(Continue)

Items	Previous Year					
	BlueStar Co.	Petrochemical Co.	HaoHua Co.	Adama	Adisseo	TianHuaYuan
Current Assets	5,446,047.17	3,438,541.30	815,402.11	2,337,519.60	1,206,818.27	612,721.21
Non-current Assets	4,893,789.12	2,768,278.78	594,787.29	1,632,882.80	1,016,483.33	928,862.83
Total Assets	10,339,836.29	6,206,820.08	1,410,189.40	3,970,402.40	2,223,301.60	1,541,584.04

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Previous Year					
	BlueStar Co.	Petrochemical Co.	HaoHua Co.	Adama	Adisseo	TianHuaYuan
Current Liabilities	4,263,418.44	2,833,816.80	604,476.35	1,129,544.40	279,992.45	445,264.20
Non-current Liabilities	3,585,917.26	1,059,493.53	347,237.15	954,046.50	127,208.39	578,801.83
Total Liabilities	7,849,335.70	3,893,310.33	951,713.50	2,083,590.90	407,200.84	1,024,066.03
Operating Revenue	5,576,070.81	17,353,372.66	519,113.97	2,381,956.80	1,039,782.31	1,091,222.63
Net Profits	75,006.59	183,920.11	10,305.24	154,587.90	167,608.64	21,933.75
Total Comprehensive Income	68,709.53	150,949.66	9,716.94	36,407.10	226,181.49	32,475.84
Cash Flows From Operating Activities	775,174.31	628,130.82	52,735.97	395,838.90	251,308.56	44,262.38

(Continue)

Items	Previous Year					
	Shenyang Chem.	Aeolus Tyre	Cangzhou Dahua	TianYi Co.	Pirelli	Elkem
Current Assets	360,512.58	314,267.85	186,313.83	405,678.72	2,623,259.01	637,848.62
Non-current Assets	625,471.89	424,486.39	248,084.35	394,831.61	7,311,321.43	683,726.16
Total Assets	985,984.47	738,754.24	434,398.18	800,510.33	9,934,580.44	1,321,574.78
Current Liabilities	483,999.17	413,733.71	127,663.98	229,524.52	2,313,936.56	318,019.44
Non-current Liabilities	63,307.60	133,116.26	2,427.20	116,091.13	4,362,416.50	343,509.37
Total Liabilities	547,306.77	546,849.97	130,091.18	345,615.65	6,676,353.06	661,528.81
Operating Revenue	1,190,816.21	730,361.42	441,719.51	364,581.26	4,578,195.85	1,343,016.60
Net Profits	22,792.30	-47,499.32	144,811.92	33,943.47	191,262.57	72,666.67
Total Comprehensive Income	22,792.30	-47,603.02	144,811.92	33,355.18	222,968.03	83,103.51
Cash Flows From Operating Activities	20,464.70	-21,016.79	176,555.45	53,908.11	867,293.33	143,278.93

7.4 New Consolidated and Unconsolidated Subjects in the Current Year

7.4.1 The merger scope of atomic companies will not be included this year

Previous name	Registration place	Nature of the business	proportion of shareholding (%)	The proportion of voting rights enjoyed (%)	The reason why this year is no longer a subsidiary
Jiangsu zhongrun fluorine chemical technology Ltd	Jiangsu Rudong	Refrigerant manufacture	75.00	75.00	Sale of transfer
Huaxing fluorine chemical Ltd	Jiangxi Ganzhou	Freon fabrication	100.00	100.00	Sale of transfer
Ganzhou huaxing fluorine salt chemical co. Ltd	Jiangxi Ganzhou	Anhydrous aluminum fluoride	100.00	100.00	Sale of transfer
Ganzhou guoxin mining Ltd	Jiangxi Ganzhou	Fluorite	50.00	50.00	Sale of transfer

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Previous name	Registration place	Nature of the business	proportion of shareholding (%)	The proportion of voting rights enjoyed (%)	The reason why this year is no longer a subsidiary
Ningdu zhongkuang tongfa fluorite Ltd	Jiangxi Ganzhou	Fluorite	58.00	58.00	Divided into holding for sale assets until disposal is completed in February 2019
Ning du changhua mining Ltd	Jiangxi Ganzhou	Fluorite	58.00	58.00	
Heilongjiang heihua group Ltd	Heilongjiang Qiqihaer	Chemicals	100.00	100.00	bankrupt
China HaoHua chemical group xuanhua chemical Ltd	Hebei Xuanhua	Chemicals	100.00	100.00	bankrupt
Rafferty3	luxembourg	Chemicals	100.00	100.00	cancellation
Shenyang chemical factory	Liaoning Shenyang	Chemicals	100.00	100.00	cancellation
CRRC tianshui 7452 factory	Gansu Tianshui	Chemicals	100.00	100.00	Sale of transfer
Huass anticorrosive engineering Ltd	Beijing	Corrosion protection	75.07	75.07	Sale of transfer
Ecosil-industriaquimica Dobrasiltda	Meleiro	Rubber Products	35.73	35.73	Sale of transfer
Nanjing lide Orient Ltd	Jiangsu Nanjing	Production and sale of rubber products	51.00	51.00	Sale of transfer

7.4.2 The financial position of atomization on the disposal date and the balance sheet date of the previous accounting period

Name of the Company	Disposal Date	Financial Performance at Disposal Date		
		Total Assets	Total Liabilities	Total Equity
Jiangsu zhongrun fluorine chemical technology Ltd	2018-2-1	256,126,200.12	122,689,822.24	133,436,377.88
Huaxing fluorine chemical Ltd	2018-12-1	120,702,212.51	29,652,797.91	91,049,414.60
Ganzhou huaxing fluorine salt chemical co. Ltd	2018-12-2	32,630,090.91	43,351,921.06	-10,721,830.15
Ganzhou guoxin mining Ltd	2018-12-3	30,030,384.91	1,989,391.03	28,040,993.88
Heilongjiang heihua group Ltd	2018-12-18	799,299,644.56	2,124,595,928.24	-1,325,296,283.68
China HaoHua chemical group xuanhua chemical Ltd	2018-1-1	16,450,300.15	76,211,129.04	-59,760,828.89
Rafferty3	2018-12-20	6,499,138.00		6,499,138.00
Shenyang chemical factory	2018-3-31	156,300,506.89	46,106,921.44	110,193,585.45
CRRC tianshui 7452 factory	2018-12-31	55,707,465.26	107,943,863.03	-52,236,397.77
Huass anticorrosive engineering Ltd	2018-10-1	13,727,325.65	6,748,227.07	6,979,098.58
Ecosil-industriaquimica Dobrasiltda	2018-8-27	10,817,761.20	17,662,627.80	-6,844,866.60
Nanjing lide Orient Ltd	2018-2-13	759,834,039.03	370,220,156.35	389,613,882.68

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

(Continue)

Name of the Company	31/12/2017		
	Total Assets	Total Liabilities	Total Equity
Jiangsu zhongrun fluorine chemical technology Ltd	259,578,295.68	127,446,784.95	132,131,510.73
Huaxing fluorine chemical Ltd	131,059,425.88	45,361,327.51	85,698,098.37
Ganzhou huaxing fluorine salt chemical co. Ltd	33,358,275.91	42,504,925.06	-9,146,649.15
Ganzhou guoxin mining Ltd	32,686,919.27	2,195,441.58	30,491,477.69
Heilongjiang heihua group Ltd	818,893,096.48	2,243,291,088.72	-1,424,397,992.24
China HaoHua chemical group xuanhua chemical Ltd	16,450,300.15	76,211,129.04	-59,760,828.89
Rafferty3	588,415,518.19	213,400,309.38	375,015,208.81
Shenyang chemical factory	156,300,506.89	46,106,921.44	110,193,585.45
CRRC tianshui 7452 factory	61,600,080.02	87,944,278.01	-26,344,197.99
Huass anticorrosive engineering Ltd	17,144,519.38	9,516,916.99	7,627,602.39
Ecosil-industriaquimica Dobrasiltda	8,941,435.80	15,635,809.20	-6,694,373.40
Nanjing lide Orient Ltd	803,035,712.50	424,074,166.24	378,961,546.26

7.4.3 The operating results of atomics from the beginning of this year to the disposal date

Name	Disposal Date	Year Beginning to Disposal Date		
		Revenue	Cost	Net Profits
Heilongjiang heihua group co. LTD	2018-12-18	261,321,051.31	168,205,606.30	93,115,445.01
Rafferty3	2018-12-20		457,376.86	-1,556,072.49
Shenyang chemical factory	2018-3-31			
CRRC tianshui 7452 factory	2018-12-31	633,543.52	24,594,931.86	-25,892,199.78
Huasi anticorrosive engineering LTD	2018-10-1	8,192,206.80	8,868,580.61	-648,503.81
Ecosil-industriaquimica Dobrasiltda	2018-8-27	15,234,188.80	1,381,378.80	13,845,005.60
Nanjing lide Orient LTD	2018-2-13	61,501,391.18	60,181,358.00	1,642,798.20

7.5 New Consolidated in the Current Year

No.	Name of the Company	Ending net asset	Net income for the year	Domination property
1	Nidera SeedsHolding B.V	2,055,408,536.65	-42,987,554.98	Acquired
2	Strider Desenvolvimentode SoftwareLtda	722,665.84	-9,906,517.65	Acquired
3	Nutriad Holding B.V.	679,865,176.00	36,641,586.00	Acquired
4	Raccolta Limited	683,924,742.31		Acquired
5	Cuarzo Limited	146,186,160.75		Acquired

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

No.	Name of the Company	Ending net asset	Net income for the year	Domination property
6	Shandong bluestar dongda (nanjing) co. LTD	87,150,000.00		Newly Established
7	Joint Stock Company "Scientific institute of medical polymers"	32,445,148.38	-691,188.95	Acquired
8	TP (Tianjin) Enterprise Management Consulting Co., Ltd.	1,997,184.93		Newly Established
9	Ptg Logisticae Servicos Ltda..	1,942,222.44	178,728.58	Newly Established
10	Pirelli Trading (Beijing) Co., Ltd	7,899,688.57	138,403.24	Newly Established
11	Pirelli International Treasury S.p.A.	345,281.20	-46,826.40	Newly Established
12	Jmc Pneus Comercio Importacaoe Exportacao Ltda	-13,617,890.53	-1,394,880.41	Acquired

7.6 Merger of enterprises not under the same control that took place this year

Name of the Company	Purchases (Sales) Date	Basis for Purchases Date Recognition	Carrying Amount of Net Assets	Fair value of the investee's identifiable net assets	
				Amount	Recognition
Nidera Seeds Holding B.V.	2018-02-06	Date of acquiring control	3,211,977,600.00	5,730,772,000.00	Value assessment
Raccolta Limited	2018-12-31	Date of acquiring control	683,924,742.31	339,309,444.60	Acquisition value
Nutriad Holding B.V.	2018-02-09	Date of acquiring control	249,176,097.00	679,865,176.00	Value assessment
Cuarzo Limited	2018-12-31	Date of acquiring control	146,186,160.75	72,482,555.40	Acquisition value
FarmShots Inc.	2018-02-01	Date of acquiring control	48,042,400.00	130,400,800.00	Value assessment
Abbott and Cobb	2018-03-30	Date of acquiring control	34,316,000.00	109,811,200.00	Value assessment
Strider Desenvolvimento de Software Ltda	2018-04-30	Date of acquiring control	6,863,200.00	61,768,800.00	Value assessment
Icepage Limited(Floranova)	2018-07-26	Date of acquiring control	6,863,200.00	13,726,400.00	Value assessment
Jmc Pneus Comercio Importacaoe Exportacao Ltda	2018-10-31	Date of acquiring control	-12,984,807.50		Value assessment

(Continue)

Name of the Company	Consideration payment	Original amount of goodwill		Revenue of the investee's from acquisition to the end of current period	Net profit of the investee's from acquisition to the end of current period
		Amount	Recognition		
Nidera Seeds Holding B.V.	10,109,493,600.00	4,378,721,600.00	Difference between consideration and fair value of identifiable net assets		
Raccolta Limited	339,309,444.60				
Nutriad Holding B.V.	1,374,738,014.00	694,872,838.00		679,641,855.00	36,641,586.00
Cuarzo Limited	72,482,555.40				
FarmShots Inc.	144,127,200.00	13,726,400.00			
Abbott and Cobb	123,537,600.00	13,726,400.00			

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Name of the Company	Consideration payment	Original amount of goodwill		Revenue of the investee's from acquisition to the end of current period	Net profit of the investee's from acquisition to the end of current period
		Amount	Recognition		
Strider Desenvolvimento de Software Ltda	281,391,200.00	219,622,400.00			
Icepage Limited (Floranova)	34,316,000.00	20,589,600.00			
Jmc Pneus Comercio Importacao Exportacao Ltda	66,005,447.00	78,990,254.50		18,285,969.27	-1,394,873.87

7.7 The change in the share of owner's equity in a subsidiary of the parent company

1). This year, Syngenta acquired 1.94% of the minority equity, paying the consideration of RMB 5,449,619,523.02. The fair value of the minority equity on the acquisition date from the date of purchase was RMB 2,782,001,912.97. As an equity transaction, the transaction reduced the capital reserve at the consolidated statement level by RMB 2,667,617,606.61.

2). On March 22, 2018, ecken completed its initial public offering on the Oslo stock exchange of Norway, offering a total of 179,310,344 new shares at a price of 29 Norwegian kroner per share. After deducting the issuance fees, it raised about 5.17 billion Norwegian kroner. In the process of Listed, the parent company Bluestar Elkem InternationalCo. ltd. S.A. sell 63,661,464 shares and receive consideration about 1.861 billion Norwegian krone. As of December 31, 2018, Bluestar Elkem International Co. Ltd. holds 338,338,536 shares and maintains control of ecken, reducing its shareholding ratio from 100% to 58.20%. This transaction as an equity transaction, adds RMB 1,236,327,275.21 to the capital reserve at the consolidated statement level.

3). Our enterprise is therefore very helpful through the purchase 487,455,450 ordinary shares, issue price of 12.93 RMB/share, the Company subordinate China chemical equipment international holdings (Hong Kong) Co., Ltd. (hereinafter referred to as the "universal" equipment) to buy its owns a 100% stake in equipment of Luxembourg and the Fujian sanming two-wheel chemical machinery Co., Ltd. And China rubber automatic control technology Co., Ltd. To buy the assets such as land, property and equipment of the production. After the completion of asset delivery on December 28, 2018, the Company's investment proportion in TianHuaYuan changed from 52.29% to 78.18%. As an equity transaction, the transaction reduced the capital reserve by RMB 821,926,797.69 at the consolidated statement level.

4). ChemChinaHK acquired 100% shares of Cuarzo Limited (hereinafter referred to as Company C) and Raccolta Limited (hereinafter referred to as "Company R") this year, paying the consideration of us \$0.01 billion and undertaking debts of us \$0.50 million of original shareholders' shares of bluesar, which is equivalent to about RMB 412 million. Company C and Company R hold a combined 3.2 percent stake in bluestar. This transaction is regarded as the purchase of minority shares of bluestar at the level of merger. The difference between the purchase consideration paid and the fair value calculated continuously from the purchase date of minority shares is RMB 379 million. At the level of consolidated statement, the capital reserve is reduced by RMB 32,712,163.33.

5). This year, Huanghai rubber acquired all the equity of its wholly-owned subsidiary Qingdao Huanghai rubber Co., Ltd. from Aeolus Tyre and its creditor's rights to the subsidiary. This transaction is regarded as the acquisition of minority equity at the level of merger and the reduction of capital reserve of RMB 25,441,798.82 at the level of consolidated statement.

6). The difference between the purchase consideration paid by the rubber Company and the fair value continuously calculated by the minority equity when it acquired the minority equity of Aeolus Tyre this year reduced the capital reserve by RMB 11,298,330.12 at the consolidated statement level.

Note 8: Notes to significant elements of the financial statements

Unless otherwise stated (includes notes to significant elements of the financial statements is), the current year is 2018, prior year is 2017 respectively.

8.1 Cash and cash equivalents

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Cash in hand	26,239,487.80	177,817,784.43
Bank deposit	55,512,641,960.38	71,984,636,411.44
Others	15,817,565,755.05	15,287,010,640.54
Total	71,356,447,203.23	87,449,464,836.41
Including: The total amount of deposit abroad	40,909,465,154.66	55,417,233,987.55

Note: For details of the use of restricted monetary funds contained in the above monetary funds, see Note 8.68 "Assets with restricted ownership".

8.2 Financial assets held for trading

Items	Fair value at the end of the year	Fair value at the beginning of the year
Financial assets measured at fair value and recorded in current profits and losses	267,163,187.35	1,436,042,521.69
a. Debt instrument investment	235,632,187.35	273,289,159.59
b. Equity vehicle investment		1,162,753,362.10
c. Others	31,531,000.00	
Total	267,163,187.35	1,436,042,521.69

8.3 Financial asset measured by fair value and with changes in fair value recognized in profit or loss

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Financial assets held for trading	136,665,663.71	137,576,523.31
a. Debt instrument investment		
b. Equity instrument investment	136,665,663.71	137,576,523.31
c. Others		
Financial assets measured at fair value and recorded in current profits and losses	32,800.80	
a. Debt instrument investment		
b. Equity instrument investment	32,800.80	
c. Others		
Total	136,698,464.51	137,576,523.31

8.4 Derivative Financial Assets

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Foreign currency derivatives Financial Instruments	389,068,000.00	449,553,000.00

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
financial forwards	597,098,400.00	405,120,400.00
Currency interest rate swap - cash flow hedge	322,136,185.04	
Foreign currency derivatives-transaction	95,823,270.44	67,774,515.10
Foreign currency derivatives-included in net financial position	568,608,318.97	171,714,344.79
Cash flow hedging Instruments	232,232,435.23	64,057,530.21
Fair value hedging Instruments	517,922.00	4,143,021.00
Others	243,246,099.03	81,743,192.39
Total	2,448,730,630.71	1,244,106,003.49

8.5 Notes receivable and Accounts receivable

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Notes receivable	4,856,913,791.94	6,209,380,072.78
Accounts receivable	55,076,080,698.04	52,525,982,954.61
Total	59,932,994,489.98	58,735,363,027.39

8.5.1 Notes receivable

a. Classification of receivables

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Bank acceptance bills	3,725,866,237.68	5,118,636,620.71
Commercial acceptance bills	1,131,047,554.26	1,090,743,452.07
Total	4,856,913,791.94	6,209,380,072.78

b. Notes receivable pledged as at the end of the year

Items	Amount has pledged at the end of the year
Bank acceptance bills	51,442,864.00
Total	51,442,864.00

c. Unexpired notes receivable that have been endorsed or discounted as at the balance sheet date

Items	The confirmed amount terminated at the end of the year	The confirmed amount is not terminated at the end of the year
Bank acceptance bills	6,629,358,996.64	71,496,333.86
Commercial acceptance bills	2,528,000.00	12,920,000.00
Total	6,631,886,996.64	84,416,333.86

d. Bills transferred to accounts receivable due to default by the drawer at the end of the year

Items	Amount that transfer accounts receivable at the end of the year
Bank acceptance bills	9,353,905.97
Commercial acceptance bills	880,000.00
Total	10,233,905.97

8.5.2 Accounts receivable

Items	Balance as at 31/12/2018			
	Carrying amount		Allowance for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for impairment individually				
Collectively assessed for impairment based on credit risk characteristics	59,885,927,523.39	98.74	4,966,600,994.14	8.29
Individually insignificant but assessed for impairment individually	765,340,376.06	1.26	608,586,207.27	79.52
Total	60,651,267,899.45	100.00	5,575,187,201.41	

(Continued)

Items	Balance as at 31/12/2017			
	Carrying amount		Allowance for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for impairment individually	749,938,904.78	1.25	428,135,368.91	57.09
Collectively assessed for impairment based on credit risk characteristics	55,076,989,877.83	91.72	6,841,615,765.46	12.42
Individually insignificant but assessed for impairment individually	4,224,534,601.76	7.03	255,729,295.39	6.05
Total	60,051,463,384.37	100.00	7,525,480,429.76	

8.5.2.1 Accounts receivable with provision for bad debts based on credit risk portfolio

a. Accounts receivable which are collectively assessed for impairment using the ageing analysis method at the end of the year

Ageing	Balance as at 31/12/2018		
	Accounts receivable	Allowance for bad debt	Proportion (%)
Within 1 year	11,242,391,809.51	93,911,148.86	81.04
1 to 2 years	542,725,597.31	71,942,375.05	3.91
2 to 3 years	385,362,026.82	70,560,879.57	2.78
Over 3 years	1,701,956,479.33	1,284,635,762.13	12.27
Total	13,872,435,912.97	1,521,050,165.61	100.00

b. Provision for bad debt accounts receivable in accordance with the expected credit portfolio

Items	Balance as at 31/12/2018		Balance as at 31/12/2017	
	Accounts receivable	Allowance for bad debt	Accounts receivable	Allowance for bad debt
Expected credit portfolio	44,078,533,372.70	3,437,711,378.34	40,714,655,249.11	5,415,913,329.79
Total	44,078,533,372.70	3,437,711,378.34	40,714,655,249.11	5,415,913,329.79

c. Accounts receivable of bad debt provision according to other credit portfolios

Items	Balance as at 31/12/2018		
	Accounts receivable	Allowance for bad debt	Proportion (%)
Percentage balance method	1,556,388,943.00	7,839,450.19	0.50
Others	378,569,294.72		
Total	1,934,958,237.72	7,839,450.19	

8.5.2.2 Accounts receivable that are individually insignificant but assessed for impairment individually

Accounts receivables (By company)	Carrying amount	Allowance for bad debt	Age	Proportion (%)	Reason of Provision
Old tire factory leaves creditor's rights	49,988,390.16	49,988,390.16	Over 3 years	100.00	Note
Zhonghao changrong tire (Beijing) Co. Ltd.	33,847,613.92	33,847,613.92	Over 3 years	100.00	Note
China first automobile group import and export corporation.	32,384,968.26	32,384,968.26	Over 3 years	100.00	Note
Zaozhuang zhongke chemical Co. Ltd.	22,465,000.00	22,465,000.00	Over 3 years	100.00	Note
Panzhihua excellent chemical technology Co. Ltd.	21,300,000.00	21,300,000.00	Over 3 years	100.00	Note
Beijing ji'an yida trading Co. Ltd.	16,643,112.87	5,826,937.57	1-2 years	35.01	Note
Jiangxi lanhengda chemical Co. Ltd.	16,428,174.25	3,228,556.28	2-3 years	19.65	Note
Others	572,283,116.60	439,544,741.08	Over 1 years	76.81	Note
Total	765,340,376.06	608,586,207.27			

Note: Combined with ageing and the Company's business condition, for all or part of accounts receivable plan the provision for bad debt.

8.5.2.3 Recovery and reversal of allowance for bad debt

Debtors	Amount	Accumulated provision for bad debts	Reason and way
SINAGROPRODAGROPSA	2,656,058.40	2,656,058.40	Collection and bank transfer
ADEMARANTONIOMARCAL	2,271,719.20	2,271,719.20	Collection and bank transfer
AGROINSUMOSCOMLAGREIRELI	2,134,455.20	2,134,455.20	Collection and bank transfer
PRODUZIRAGROPLTDA	1,345,187.20	1,345,187.20	Collection and bank transfer
AGROARAGUAIACOMINSAGRLTDA	1,228,512.80	1,228,512.80	Collection and bank transfer

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Debtors	Amount	Accumulated provision for bad debts	Reason and way
Filipdoo	1,118,701.60	1,118,701.60	Collection and bank transfer
Others	62,099,884.82	62,099,884.82	Collection and bank transfer
Total	72,854,519.22	72,854,519.22	

8.5.2.4 Accounts receivable written off during the current year

Items	Written off amount	Reasons	Whether due to related transactions
PirellideVenezuelaC.A.	1,666,784,439.72	Disposal of subsidiaries	No
Wuzhou lianyi chemical Co. Ltd.	15,342,199.73	Quality problem	No
Shanxi linfen water supply company	4,678,100.00	Prolonged	No
China chemical engineering third construction company xuzhou engineering project	4,119,400.00	Prolonged	No
Ziyang ronghua trading company	2,128,792.85	Prolonged	No
Kingboard (hengyang) industrial Co. Ltd.	1,800,000.00	Quality problem	No
Hebei jiheng chemical Co. Ltd.	1,165,366.51	Quality problem	No
Others	220,402,156.89	Unable to recover	No
Total	1,916,420,455.70		

8.5.2.5 Details of top five accounts receivable

Name of the Debtor	Carrying amount	Percentage (%)	Allowance for bad debt
NUTRIENAGSOLUTIONS	1,997,191,200.00	3.29	
MercuriaEnergyTradingSA	750,265,830.99	1.24	
China united petroleum corporation	550,651,055.04	0.91	
FIAGRILLTDA	418,655,200.00	0.69	
WINFIELDUNITED	391,202,400.00	0.65	
Total	4,107,965,686.03	6.78	

8.5.2.6 Accounts receivable that are terminated by the transfer of financial assets

Name of the Debtor	Amount derecognised	Gains and losses associated with derecognition(The loss to "-")
PirellideVenezuelaC.A.	1,666,784,439.72	
Securitization of assets (Brazil purchase corporation)	2,541,443,000.00	-79,060,000.00
Total	4,208,227,439.72	-79,060,000.00

Note: Pirelli sold to A third party its PirellideVenezuelaC. A. all equity and accounts receivable, the account receivable has been in the previous year full provision for bad debts.

8.5.2.7 The transfer of accounts receivable, such as securitization and factoring, continues to involve the amount of assets and liabilities formed

Items	Closing balance
Assets:	
Securitized receivables continue to be involved	129,893,000.00
Securitized receivables that have been transferred but are yet to be collected	622,362,000.00
Sub-total	752,255,000.00
Liabilities:	
Transfer accounts receivable and continue to involve liabilities	35,572,000.00
Sub-total	35,572,000.00

8.6 Advances to suppliers

8.6.1 Disclosure by age

Age	Balance as at 31/12/2018			Balance as at 31/12/2017		
	Amount	Proportion (%)	Provision for bad debts doubtful debts	Amount	Proportion (%)	Provision for bad debts doubtful debts
Within 1 year	6,167,371,317.35	82.93	90,835.61	4,840,693,874.60	76.17	3,440,407.66
1 to 2 years	326,804,266.01	4.39	2,746,085.88	296,397,779.26	4.67	9,267,774.39
2 to 3 years	118,957,674.89	1.61	68,459,711.50	148,194,425.96	2.33	8,028,073.68
Over 3 years	823,383,547.81	11.07	494,430,324.07	1,069,518,859.74	16.83	500,321,669.25
Total	7,436,516,806.06	100.00	565,726,957.06	6,354,804,939.56	100.00	521,057,924.98

8.6.2 Large amount of advance payment with ageing over 1 year

Creditors	Debtors	Closing Balance	Ageing	Reasons of unsettlement
Jiangsu HaoHua chemical polybenzene industry Co., Ltd.	Shanghai HaoHua polystyrene Co., Ltd.	69,177,273.71	Over 3 years	Unsettlement
China blue international chemical Co., Ltd.	Nanjing duchen investment management Co., Ltd.	67,426,337.30	Over 3 years	Bankrupt
China blue international chemical Co., Ltd.	Dalian jinchuan cable Co., Ltd.	53,346,953.09	Over 3 years	Bankrupt
Lanzhou bluestar fiber Co., Ltd.	Lanzhou xigu district new town	35,272,360.00	Over 3 years	Unsettlement
HaoHua huadong chemical Co., Ltd.	Ningbo HaoHua packaging technology development Co., Ltd.	31,575,000.00	2-3 years	Litigation
HaoHua huadong chemical Co., Ltd.	Zhejiang shanghang new material Co., Ltd.	29,966,260.00	2-3 years	Litigation
Petrochemical Co.	Shandong Weiyi construction Co., Ltd.	26,680,000.00	1-2 years	Unsettlement
China blue international chemical Co., Ltd.	Shanghai weiran industry Co., Ltd.	26,060,656.94	Over 3 years	Bankrupt
Petrochemical Co.	Guangrao county guankai venture capital Co., Ltd.	23,835,117.00	1-2 years	Unsettlement

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Creditors	Debtors	Closing Balance	Ageing	Reasons of unsettlement
Petrochemical Co.	Dongying tianhua construction and installation Co., Ltd.	20,800,000.00	1-3 years	Unsettlement
Jiangsu huaihe chemical Co., Ltd. Co., Ltd.	Chengdu gaoke da technology Co., Ltd.	20,033,872.34	Over 3 years	Unsettlement
Southwest chemical research and design institute Co., Ltd.	Hangzhou kaida catalytic metal materials Co., Ltd.	13,936,000.00	1-2 years	Unsettlement
China blue international chemical Co., Ltd.	PORTCOR,SOCIEDADEPORTUGUESADECORTICA,LDA	11,903,877.67	Over 3 years	Bankrupt
HaoHua huadong chemical Co., Ltd.	Zhejiang huayao xinyu new material technology Co., Ltd.	10,000,000.00	2-3 years	Litigation
合计		440,013,708.05		

8.6.3 Details of top five advance to suppliers

Debtors	Carrying amount	Percentage (%)	Allowance for bad debt
Cnooc and sinopec united international trading Co., Ltd.	398,450,201.46	5.36	
PETROBRASGLOBALTRADINGB.V.	383,534,824.11	5.16	
Shanghai HaoHua polystyrene Co., Ltd.	69,190,671.71	0.93	69,190,671.71
Nanjing duchen investment management Co., Ltd.	67,426,337.30	0.91	49,404,557.30
Dalian jinchuan cable Co., Ltd.	53,346,953.09	0.72	24,346,953.09
Total	971,948,987.67	13.08	142,942,182.10

8.7 Other receivable

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Interest receivable	1,701,424,657.45	1,563,098,483.15
Dividends Receivable	179,524,983.80	172,284,983.80
Other receivable	26,462,407,065.43	30,608,470,527.00
Total	28,343,356,706.68	32,343,853,993.95

8.7.1 Interest receivable

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Fixed deposit receipt	731,517,557.49	225,279,568.85
Entrusted loans	23,171,909.13	30,783,844.18
Bond investment		158,321,686.51
Others	946,735,190.83	1,148,713,383.61
Total	1,701,424,657.45	1,563,098,483.15

8.7.2 Dividends Receivable

Items	Balance as at 31/12/2018	Balance as at 31/12/2017	Reason for uncollection	Impairment Yes/No
Ageing within 1 year	7,240,000.00			
(1) InnovAroma S.A	3,432,000.00		Not Declare	No
(2) Beijing Deyang Zhongche Auto Parts Co., Ltd.	2,000,000.00		Not Declare	No
(3) Hubei Bank	1,808,000.00		Not Declare	No
Ageing above 1 year	172,284,983.80	172,284,983.80		
Incl: (1) Dezhou Shihua Chemical Co., Ltd.	72,857,881.64	72,857,881.64	Not Declare	No
(2) HaoHua Aerospace Chemical Co., Ltd.	48,940,444.98	48,940,444.98	Not Declare	No
(3) HaoHua Junhua Group Co., Ltd.	32,255,657.18	32,255,657.18	Not Declare	No
(4) Dongying Shenghong Real Estate Development Investment Co., Ltd.	8,100,000.00	8,100,000.00	Not Declare	No
(5) Shanxi Tianji coal chemical group company	7,344,000.00	7,344,000.00	Not Declare	No
(6) Lihua Real Estate Development Co., Ltd.	2,430,000.00	2,430,000.00	Not Declare	No
(7) Zhonghao Alkali Industry Co., Ltd.	357,000.00	357,000.00	Not Declare	No
Total	179,524,983.80	172,284,983.80		

8.7.3 Other receivable

Items	Balance as at 31/12/2018			
	Carrying amount		Allowance for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for impairment individually	3,025,485,753.84	9.57	2,553,129,770.05	84.39
Collectively assessed for impairment based on credit risk characteristics	24,155,759,737.70	76.45	825,400,589.34	3.42
Individually insignificant but assessed for impairment individually	4,416,970,352.94	13.98	1,757,278,419.66	39.78
Total	31,598,215,844.48	100.00	5,135,808,779.05	

(Continued)

Items	Balance as at 31/12/2017			
	Carrying amount		Allowance for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for impairment individually	4,178,735,366.82	12.33	2,117,425,599.44	50.67
Collectively assessed for impairment based on credit risk characteristics	27,699,787,165.20	81.72	977,340,518.06	3.53
Individually insignificant but assessed for impairment individually	2,019,132,804.84	5.95	194,418,692.36	9.63
Total	33,897,655,336.86	100.00	3,289,184,809.86	

8.7.3.1 Other receivables which are individually significant and assessed for impairment individually

Other receivables (By company)	Balance as at 31/12/2018			
	Other receivables	Allowance for bad debt	Proportion (%)	Reasons for allowance
Heilongjiang heihua group Co., Ltd.	1,505,330,714.61	1,505,330,714.61	100.00	Bankrupt
Heilongjiang xintai petrochemical Co., Ltd.	646,444,783.39	174,088,799.60	26.93	Disputable
Spark chemical plant	283,437,587.45	283,437,587.45	100.00	Bankrupt
Siping HaoHua chemical Co., Ltd.	232,784,436.85	232,784,436.85	100.00	Bankrupt
Jiamusi black dragon pesticide Co., Ltd.	205,201,030.36	205,201,030.36	100.00	Bankrupt
Qingdao Wire rope Company	152,287,201.18	152,287,201.18	100.00	Bankrupt
Total	3,025,485,753.84	2,553,129,770.05		

8.7.3.2 Other receivable with provision for bad debts based on credit risk portfolio

a. Other receivables which are collectively assessed for impairment using the ageing analysis method at the end of the year

Items	Balance as at 31/12/2018		
	Carrying amount	Allowance for bad debt	Proportion (%)
Within 1 year	12,170,130,897.17	64.90	7,009,348.54
1 to 2 years	3,551,734,229.58	18.94	6,575,294.99
2 to 3 years	2,228,119,536.95	11.88	23,733,059.24
Over 3 years	802,871,460.54	4.28	655,443,672.33
Total	18,752,856,124.24	100.00	692,761,375.10

b. Provision for bad debt accounts receivable in accordance with the expected credit portfolio

Items	Balance as at 31/12/2018		Balance as at 31/12/2017	
	Accounts receivable	Allowance for bad debt	Accounts receivable	Allowance for bad debt
Expected credit portfolio	2,173,062,100.61	132,639,214.24	5,758,553,743.21	69,742,419.88
Total	2,173,062,100.61	132,639,214.24	5,758,553,743.21	69,742,419.88

c. Accounts receivable of bad debt provision according to other credit portfolios

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Others	3,229,841,512.85	8,023,203,065.31
Total	3,229,841,512.85	8,023,203,065.31

8.7.3.3 Other receivables which are individually insignificant but assessed for impairment individually

Other receivables (By company)	Balance as at 31/12/2018			
	Other receivables	Allowance for bad debt	Proportion (%)	Reasons for allowance
Cangzhou Dahua Group Co. Ltd-Huanghua Chlor-Alkali Company	148,559,773.61	148,559,773.61	100.00	Bankrupt

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Other receivables (By company)	Balance as at 31/12/2018			
	Other receivables	Allowance for bad debt	Proportion (%)	Reasons for allowance
Bluestar group shifang southwest chemical machinery factory	142,591,641.89	142,591,641.89	100.00	Bankrupt
Bluestar (tianjin) chemical Co., Ltd.	134,487,049.76	134,487,049.76	100.00	Bankrupt
Yibin tianke coal chemical Co., Ltd.	121,335,865.20	121,335,865.20	100.00	Bankrupt
Jiamusi Heilong Pesticide Co., Ltd.	52,096,756.54	52,096,756.54	100.00	Bankrupt
Harbin huayu Co., Ltd.	43,431,000.00	43,431,000.00	100.00	Bankrupt
Changzhou Huachen Chemical Light Industrial Materials Co., Ltd.	40,000,000.00	40,000,000.00	100.00	Bankrupt
Others	3,734,468,265.94	1,074,776,332.66	28.78	Note
Total	4,416,970,352.94	1,757,278,419.66		

Note: Combined with ageing and the Company's business condition, for all or part of accounts receivable plan the provision for bad debt.

8.7.3.4 Recovery and reversal of allowance for bad debt

Debtors	Amount	Accumulated provision for bad debts	Reason and way
Changyi industrial and commercial bank of China	10,933,355.32	10,933,355.32	Collection and bank transfer
Jiamusi Heilong Pesticide Co., Ltd.	629,547.45	629,547.45	Collection and bank transfer
Ningxia shenzhou tire co. LTD	233,117.47	233,117.47	Collection and bank transfer
Others	5,791,495.39	5,791,495.39	Collection and bank transfer
Total	17,587,515.63	17,587,515.63	

8.7.3.5 Other receivable written off during the current year

Items	Amount written off	Reasons	Whether due to related transactions
China ping an property insurance co., LTD. Shaanxi branch	2,514,924.45	Uncollectible	No
Laoshan district laboratory, Marine coatings research institute, ministry of chemical industry	212,828.89	Uncollectible	No
Jinan east shun barrel co. LTD	29,777.36	Uncollectible	No
Others	68,098,591.96	Uncollectible	No
Total	70,856,122.66		

8.7.3.6 Details of top five other receivables

Debtors	Nature of OR	Carrying amount as at 31/12/2018	Age	Proportion (%)	Allowance for bad debt as at 31/12/2018
Hunan xiangwei co. LTD	Accounts	2,307,927,890.17	Whin 1 year, 1-3 years	7.3	
MIICompanyLimited	Accounts	2,028,447,644.46	Over 3 years	6.42	
Heilongjiang heihua group co. LTD	Accounts	1,505,330,714.61	Whin 1 year, 1-2 years	4.76	1,505,330,714.61

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Debtors	Nature of OR	Carrying amount as at 31/12/2018	Age	Proportion (%)	Allowance for bad debt as at 31/12/2018
Shandong dacheng agrochemical co. LTD	Accounts	1,141,121,344.42	Whin 1 year, 1-3 years	3.61	
HaoHua north chemical co. LTD	Accounts	1,105,552,442.97	Whin 1 year, over 5 years	3.50	
Total		8,088,380,036.63		25.59	1,505,330,714.61

8.8 Inventories

Items	Balance as at 31/12/2018		
	Carrying amount before impairment allowance	Impairment allowance	Net carrying amount
Raw material	18,604,472,551.78	328,898,450.32	18,275,574,101.46
Work in process	19,674,732,295.44	263,684,287.84	19,411,048,007.60
Stock goods (finished products)	45,445,827,525.16	3,091,734,289.28	42,354,093,235.88
Turnover material (packaging, low-value consumables, etc.)	1,027,653,901.17	70,379,406.09	957,274,495.08
Expendable biological assets	253,938,400.00		253,938,400.00
Construction (uncompleted settlement)	21,605,338.13		21,605,338.13
Others	99,350,916.83		99,350,916.83
Total	85,127,580,928.51	3,754,696,433.53	81,372,884,494.98

(Continued)

Items	Balance as at 31/12/2017		
	Carrying amount before impairment allowance	Impairment allowance	Net carrying amount
Raw material	15,371,580,984.69	189,892,823.41	15,181,688,161.28
Work in process	16,423,104,024.21	110,423,183.32	16,312,680,840.89
Stock goods (finished products)	47,840,894,645.12	2,885,342,117.72	44,955,552,527.40
Turnover material (packaging, low-value consumables, etc.)	913,249,947.71	70,471,770.48	842,778,177.23
Expendable biological assets	235,231,200.00		235,231,200.00
Construction (uncompleted settlement)			
Others	92,113,595.86		92,113,595.86
Total	80,876,174,397.59	3,256,129,894.93	77,620,044,502.66

8.9 Held-for-sale assets

Items	Balance as at 31/12/2018	Fair value	Expected disposal costs	The expected time for disposal
BaseSite Buildings 4,5&6	940,258,400.00	1,839,337,600.00	68,286,048.34	2019.03
Buildings ATOM	77,626,755.02	77,626,755.02		2019.02
Tianshui 7452 factory	60,835,001.28	60,835,001.28		2019.02

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Balance as at 31/12/2018	Fair value	Expected disposal costs	The expected time for disposal
Ningdu Zhongfa Tongfa Fluorite Co., Ltd., Changhua Mining	29,407,952.51	29,407,952.51		2019.02
Yuanhua Assets	10,249,437.03	13,606,533.00	300,000.00	2019.03
Buildings Brazil	6,160,452.23	6,160,452.23		2019.02
Total	1,124,537,998.07	2,026,974,294.04	68,586,048.34	

8.10 Non-current Assets Due Within 1 Year

Items	Carrying amounts as at 31/12/2018	Carrying amounts as at 31/12/2017
Entrusted Loan (note 8.26)	46,200,643.08	35,500,000.00
Other non-receivable items (note 8.26)	48,000.00	46,000.00
Deposit (note 8.26)	10,165,511.17	
Total	56,414,154.25	35,546,000.00

8.11 Other current assets

Items	Carrying amounts as at 31/12/2018	Carrying amounts as at 31/12/2017
Input tax to be deducted	7,206,104,612.24	6,266,622,080.12
Value added for acquiring Nidera		980,130,000.00
Financial products	269,600,000.00	954,170,000.00
Deposit paid under CSA agreement	761,815,200.00	771,035,600.00
Holding assets to be resold	370,612,800.00	378,983,600.00
Entrusted Loan	579,181,675.79	337,712,905.87
Securities – Current portion	1,448,135,200.00	26,136,800.00
Tax refund receivable	171,580,000.00	19,602,600.00
Reclassification of Interest-bearing Funds	59,031,040.99	
Others	46,130,596.57	104,811,828.82
Total	10,912,191,125.59	9,839,205,414.81

8.12 Available-for-sale financial assets

8.12.1 The situation of available-for-sale financial assets

Items	Carrying amounts as at 31/12/2018		
	Carrying amounts	Impairment	Net carrying amounts
Available for sale equity instruments	2,907,933,814.79	1,329,689,598.57	1,578,244,216.22
Including: measured at fair value	1,312,508,332.76		1,312,508,332.76
Measured by cost	1,595,425,482.03	1,329,689,598.57	265,735,883.46
Total	2,907,933,814.79	1,329,689,598.57	1,578,244,216.22

(Continued)

Items	Carrying amounts as at 31/12/2017		
	Carrying amounts	Impairment	Net carrying amounts
Available for sale equity instruments	2,972,469,194.99	1,163,407,104.71	1,809,062,090.28
Including: measured at fair value	1,444,183,293.45	19,962,616.17	1,424,220,677.28
Measured by cost	1,528,285,901.54	1,143,444,488.54	384,841,413.00
Total	2,972,469,194.99	1,163,407,104.71	1,809,062,090.28

8.12.2 Available-for-sale financial assets measured at fair value by the end of year

Items	Available-for-sale equity instrument	Others	Total
Cost of equity instruments / amortised cost of debt instruments	1,173,412,358.91		1,173,412,358.91
Fair value	1,312,508,332.76		1,312,508,332.76
Cumulative fair value changes recognised in other comprehensive income	139,095,973.85		139,095,973.85
Provision for impairment			

8.13 Held-to-maturity Investment

Items	Carrying amounts as at 31/12/2018			Carrying amounts as at 31/12/2017		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Bond investment – important railway bonds	213,000.00	213,000.00		213,000.00	213,000.00	
Total	213,000.00	213,000.00		213,000.00	213,000.00	

8.14 Long-term receivables

Items	Carrying amounts as at 31/12/2018			Discount rate
	Account Balance	Allowance for bad debt	Book Value	
Sale of goods by instalments	488,522,855.51		488,522,855.51	1.41%-16.83%
Entrusted Loan	4,066,201,318.44		4,066,201,318.44	3%-5%
Other	102,948,000.00		102,948,000.00	
Total	4,657,672,173.95		4,657,672,173.95	

(Continued)

Items	Carrying amounts as at 31/12/2017			Discount rate
	Account Balance	Allowance for bad debt	Book Value	
Sale of goods by instalments	454,995,467.78	452,744.48	454,542,723.30	1.41%-16.83%
Entrusted Loan	7,196,688,896.00		7,196,688,896.00	3%-5%
Other	300,573,200.00		300,573,200.00	
Total	7,952,257,563.78	452,744.48	7,951,804,819.30	

8.15 Long-term Equity Investment

8.15.1 Disclosure by classification

Items	Opening Balance	Current year increase	Current year decrease	Ending Balance
Investments in Joint venture	1,397,653,147.74	686,623,747.21	130,588,302.97	1,953,688,591.98
Investments in associates	9,107,293,258.37	447,627,755.03	1,190,475,457.72	8,364,445,555.68
Sub-total	10,504,946,406.11	1,134,251,502.24	1,321,063,760.69	10,318,134,147.66
Less: Provision for impairment of Long-term equity investments	198,452,725.90	6,958,442.42	161,297,592.02	44,113,576.30
Total	10,306,493,680.21	1,127,293,059.82	1,159,766,168.67	10,274,020,571.36

8.15.2 The Details of Long-term equity investment

Investees	Investment Cost	Opening balance	Current year movement			
			Addition	Decrease	Investee's profit or loss under equity method	Other Comprehensive Income Adjustment
Total	12,886,794,791.25	10,504,946,406.11	537,654,785.53	168,515,495.10	237,527,072.97	-18,689,028.99
1、Joint venture	1,680,091,836.68	1,397,653,147.74	529,725,896.22	303,515.43	-30,557,704.24	-18,416,716.36
CIMOC Compagnie Industrielle de Monthey	446,108,000.00	718,762,000.00			26,456,000.00	13,228,000.00
Xushen Tyre (Shanghai) Co., Ltd	511,816,600.60		509,018,630.41		-7,304,919.17	
Bluestar toray membrane technology (Beijing) co., LTD	181,224,507.30	175,072,130.03			32,478,414.33	
Qinghai salt cloud potassium salt co., LTD	8,157,828.09	106,456,440.11			5,810,547.15	
Chenguang kemu fluorine materials (Shanghai) co., LTD	52,100,000.00	61,974,233.32			4,914,281.58	
Alfa Agricultural Supplies S.A	33,568,834.00	54,362,000.00			10,612,000.00	
Bluestar xu hua (nantong) engineering plastics manufacturing co., LTD	55,014,300.00	54,985,060.85			-196,106.26	
North Sea Container Line AS	396,050.00	59,297,400.75			5,680,187.50	
Puyang blue star new material co., LTD	26,573,724.00	26,210,169.00				
Cotton Growers Services Pty Ltd	27,452,800.00	19,602,600.00			-6,614,000.00	
Other	337,679,192.69	120,931,113.68	20,707,265.81	303,515.43	-102,394,109.37	-31,644,716.36
2、Associate company	11,206,702,954.57	9,107,293,258.37	7,928,889.31	168,211,979.67	268,084,777.21	-272,312.63
Mercuria Energy (Group) Co., Ltd	3,786,645,679.05	3,506,913,387.47			250,179,841.20	

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Investees	Investment Cost	Opening balance	Current year movement			
			Addition	Decrease	Investee's profit or loss under equity method	Other Comprehensive Income Adjustment
The New Materials Co., Ltd.	3,202,831,947.09	3,409,308,343.16			12,021,238.60	
Guangxi Hechi Chemical Co., Ltd.	43,110,128.63	454,000,868.51			-10,574,494.83	
SanbeiSeeds	247,075,200.00	280,970,600.00			6,614,000.00	
Beijing deyang CRRC auto parts co. LTD	56,141,321.32	150,586,286.48			-10,507,554.35	
Shanghai kaizhong material technology co., LTD	20,458,179.67	74,835,734.37			11,591,250.60	
EurostazioniS.p.A.	415,412,520.10	48,929,686.72			967,745.70	
Nanjing 6902 technology co. LTD	4,500,000.00	42,934,530.29			13,630,145.42	
ClaseedLtd.	36,714,000.00	37,860,000.00				
Qingdao yijia yanghong fuel oil co. LTD	31,941,429.42	36,887,698.62			1,701,901.81	
Other	3,361,872,549.29	1,064,066,122.75	7,928,889.31	168,211,979.67	-7,539,296.94	-272,312.63

(Continued)

Investees	Current year changes				Ending Balance	Impairment Provision At Closing Balance
	other changes in owners' equity	approved dividend payment	provision for impairment of investments	Others		
Total	803,135.01	521,819,378.67	6,820,453.18	-253,773,349.20	10,318,134,147.66	44,113,576.30
1、Joint venture		30,027,250.00		105,614,734.05	1,953,688,591.98	16,127,453.91
CIMOCCompagnieindustrielledeMonthey				23,958,800.00	782,404,800.00	
XushenTyre(Shanghai) Co.ltd				2,757,816.56	504,471,527.80	
Bluestar toray membrane technology (Beijing) co. LTD					207,550,544.36	
Qinghai salt cloud potassium salt co. LTD					112,266,987.26	
Chenguang kemu fluorine materials (Shanghai) co., LTD					66,888,514.90	
AlfaAgriculturalSuppliesA		6,063,000.00		3,785,000.00	62,696,000.00	
Bluestar xu hua (nantong) engineering plastics manufacturing co. LTD					54,788,954.59	
NorthSeaContainerLineAS		18,281,250.00		-235,592.65	46,460,745.60	
Puyang blue star new material co. LTD					26,210,169.00	

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Investees	Current year changes				Ending Balance	Impairment Provision At Closing Balance
	other changes in owners' equity	approved dividend payment	provision for impairment of investments	Others		
CottonGrowersService sPtyLtd				7,601,000.00	20,589,600.00	
Other		5,683,000.00		67,747,710.14	69,360,748.47	16,127,453.91
2、Associate company	803,135.01	491,792,128.67	6,820,453.18	-359,388,083.25	8,364,445,555.68	27,986,122.39
Mercuria Energy (Group) Co., Ltd		415,895,540.25		150,462,091.67	3,491,659,780.09	
The New Materials Co., Ltd.					3,421,329,581.76	
Guangxi Hechi Chemical Co., Ltd.					443,426,373.68	
SanbeiSeeds		6,614,000.00		7,283,800.00	288,254,400.00	
Beijing deyang CRRC auto parts co. LTD		20,000,000.00			120,078,732.13	
Shanghai kaizhong material technology co., LTD	803,135.01	7,173,154.80			80,056,965.18	
EurostazioniS.p.A.				287,526.37	50,184,958.79	
Nanjing 6902 technology co. LTD		13,722,403.33			42,842,272.38	
ClaseedLtd.				1,906,000.00	39,766,000.00	
Qingdao yijia yanghong fuel oil co. LTD					38,589,600.43	
Other		28,387,030.29	6,820,453.18	-519,327,501.29	348,256,891.24	27,986,122.39

8.15.3 The Main Financial Information of The Major Joint Ventures

Items	Current Year		Prior Year	
	Mercuria Energy (Group) Co., Ltd	The New Materials Co. Ltd.	Mercuria Energy (Group) Co., Ltd	The New Materials Co. Ltd.
Current Assets	96,604,084,000.00	27,217,823,670.03	96,876,049,200.00	27,434,432,247.21
Non-Current Assets	23,433,402,000.00	24,619,083,767.32	19,831,297,000.00	23,815,208,762.38
Total Assets	120,037,486,000.00	51,836,907,437.35	116,707,346,200.00	51,249,641,009.59
Current Liabilities	75,564,950,000.00	31,372,276,311.80	77,776,582,600.00	32,253,510,384.40
Non-current Liabilities	17,083,962,000.00	5,834,943,031.91	12,042,530,600.00	4,641,044,559.05
Total Liabilities	92,648,912,000.00	37,207,219,343.71	89,819,113,200.00	36,894,554,943.45
Net Assets	27,388,574,000.00	14,629,688,093.64	26,888,233,000.00	14,355,086,066.14
Net Assets Shares Calculated at Proportion of Shares	3,286,628,880.00	3,803,718,904.35	3,226,587,960.00	3,732,322,377.20
Adjusting Events	205,030,900.09	-382,389,322.59	280,325,427.47	-323,014,034.04
The Book Value of The Equity Investment of Joint Venture	3,491,659,780.09	3,421,329,581.76	3,506,913,387.47	3,409,308,343.16

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Current Year		Prior Year	
	Mercuria Energy (Group) Co., Ltd	The New Materials Co. Ltd.	Mercuria Energy (Group) Co., Ltd	The New Materials Co. Ltd.
The Public Fair Value of The Equity Investment				
Operating Income	548,313,828,000.00	18,747,936,499.54	471,299,976,000.00	16,504,509,347.33
Net Profit	2,771,266,000.00	197,470,707.28	2,613,643,200.00	-79,489,342.66
Other Comprehensive Income	-19,842,000.00		108,057,600.00	
Total Comprehensive Income	2,751,424,000.00	197,470,707.28	2,721,700,800.00	-79,489,342.66
Dividends Received Form Joint Venture In This Current Year				

8.15.4 The Information of Unimportant Joint Ventures

Items	Current Year	Prior Year
Joint Ventures:		
Aggregate carrying amount of investments	1,953,688,591.98	1,397,653,147.74
Aggregate amount in proportion of Ownership of below items		
Net Profit	-30,557,704.24	-1,830,102.37
Other Comprehensive Income	-18,416,716.36	53,489,600.00
Total Comprehensive Income	-48,974,420.60	51,659,497.63
Associates:		
Aggregate carrying amount of investments	1,451,456,193.83	2,191,071,527.74
Aggregate amount in proportion of Ownership of below items		
Net Profit	5,883,697.41	122,991,224.85
Other Comprehensive Income	-272,312.63	-968,413.10
Total Comprehensive Income	5,611,384.78	122,022,811.75

8.16 Other equity instrument investments

8.16.1 Investment in other equity instruments

Items	Carrying amounts as at 31/12/2018	Carrying amounts as at 31/12/2017
Measured at fair value	844,173,600.00	614,214,800.00
RCS Media group S.p.A	223,247,837.70	235,457,809.40
Fin.Priv.S.r.l.	122,449,269.20	155,328,188.40
Fondo Anastasia	122,213,850.20	119,133,318.70
Hubei bank	79,554,000.00	79,554,000.00
Istituto Europeo di	54,625,055.30	51,487,377.70

Items	Carrying amounts as at 31/12/2018	Carrying amounts as at 31/12/2017
Others	29,249,889.05	77,439,258.28
Total	1,475,513,501.45	1,332,614,752.48

8.16.2 Investment status of other important equity instruments at the end of the year

Items	Investment cost	Amount of changes in fair value that are included in other comprehensive income	Ending fair value
Measured at fair value	741,225,600.00	102,948,000.00	844,173,600.00
RCS Media group S.p.A	294,116,804.00	-70,868,966.30	223,247,837.70
Fin.Priv.S.r.l.	191,073,907.70	-68,624,638.50	122,449,269.20
Fondo Anastasia	113,613,209.40	8,600,640.80	122,213,850.20
Hubei bank	20,000,000.00	59,554,000.00	79,554,000.00
Istituto Europeodi	45,153,364.20	9,471,691.10	54,625,055.30

8.17 Other non-current financial assets

Items	Carrying amounts as at 31/12/2018	Carrying amounts as at 31/12/2017
Financial instruments - derivatives	205,896,000.00	365,915,200.00
Brazilian judicial deposit	164,716,800.00	222,162,800.00
Long-term incentive plan	329,433,600.00	326,710,000.00
Galecron accounts receivable	96,084,800.00	84,944,600.00
others	150,990,400.00	196,026,000.00
Total	947,121,600.00	1,195,758,600.00

8.18 Investment property

8.18.1 Investment property subsequently measured using the cost model

Items	Balance as at 31/12/2017	Increased in current year	Decrease in current year	Balance as at 31/12/2018
1. Original book value	666,685,811.36	105,649,362.44	8,832,074.57	763,503,099.23
Incl: Houses and buildings	519,883,113.60	42,479,762.44	8,832,074.57	553,530,801.47
Land use right	146,802,697.76	63,169,600.00		209,972,297.76
2. Accumulated Depreciation and accumulated amortization	263,799,753.33	35,547,172.26	5,604,894.85	293,742,030.74
Incl: Houses and buildings	223,978,825.92	31,108,253.20	5,604,894.85	249,482,184.27
Land use right	39,820,927.41	4,438,919.06		44,259,846.47
3. Net book value	402,886,058.03			469,761,068.49
Incl: Houses and buildings	295,904,287.68			304,048,617.20
Land use right	106,981,770.35			165,712,451.29
4. Accumulated amount of impairment provision				

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Balance as at 31/12/2017	Increased in current year	Decrease in current year	Balance as at 31/12/2018
Incl: Houses and buildings				
Land use right				
5. Carrying amount	402,886,058.03			469,761,068.49
Incl: Houses and buildings	295,904,287.68			304,048,617.20
Land use right	106,981,770.35			165,712,451.29

8.18.2 Investment property subsequently measured using the cost model

Items	Opening fair value	Increase in the year			Decrease in the year		Closing fair value
		Outsourcing	Transfers to Self-use real estate or inventory	Change in Profit and losses of Fair Value	Disposition	Transfers to Self-use real estate	
1. Cost	185,692,091.23						185,692,091.23
Incl: Houses and buildings	61,452,720.07						61,452,720.07
Land use right	124,239,371.16						124,239,371.16
2. Fair Value							
Incl: Houses and buildings							
Land use right							
3. Book value	185,692,091.23						185,692,091.23
Incl: Houses and buildings	61,452,720.07						61,452,720.07
Land use right	124,239,371.16						124,239,371.16

8.19 Fixed assets

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Fixed assets	122,108,673,094.21	120,928,659,992.40
Fixed assets disposal	51,737,927.42	9,989,191.79
Total	122,160,411,021.63	120,938,649,184.19

8.19.1 Conditions of fixed assets

Items	Balance as at 31/12/2017	Increase in the year	Decrease in the year	Balance as at 31/12/2018
1. Original book value	212,731,139,245.71	16,921,043,855.01	7,433,261,125.41	222,218,921,975.31
Incl: Land	6,866,491,130.56	392,367,314.08	-30,716,586.40	7,289,575,031.04
Houses and buildings	54,803,622,459.43	3,409,289,230.43	2,509,176,051.78	55,703,735,638.08
Machinery equipment	141,677,451,712.90	11,849,871,860.14	4,159,301,491.32	149,368,022,081.72
Transportation equipment	2,579,691,959.32	218,293,248.84	361,262,373.74	2,436,722,834.42
Electronic equipment	2,296,125,488.45	514,922,541.07	107,423,815.44	2,703,624,214.08
Office equipment	2,939,405,499.99	307,048,298.27	26,681,182.50	3,219,772,615.76

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Balance as at 31/12/2017	Increase in the year	Decrease in the year	Balance as at 31/12/2018
Others	1,568,350,995.06	229,251,362.18	300,132,797.03	1,497,469,560.21
2. Accumulative depreciation	87,402,060,436.45	12,035,063,388.54	3,629,501,720.49	95,807,622,104.50
Incl: Land				
Houses and buildings	16,741,118,692.41	2,044,429,626.97	843,188,711.55	17,942,359,607.83
Machinery equipment	65,557,065,408.31	9,190,316,409.02	2,305,558,697.11	72,441,823,120.22
Transportation equipment	1,267,505,009.31	135,255,586.51	289,442,506.80	1,113,318,089.02
Electronic equipment	1,223,296,847.00	293,037,879.78	77,128,752.96	1,439,205,973.82
Office equipment	1,960,472,223.68	208,661,981.00	-114,508,392.55	2,283,642,597.23
Others	652,602,255.74	163,361,905.26	228,691,444.62	587,272,716.38
3. Net book value	125,329,078,809.26			126,411,299,870.81
Incl: Land	6,866,491,130.56			7,289,575,031.04
Houses and buildings	38,062,503,767.02			37,761,376,030.25
Machinery equipment	76,120,386,304.59			76,926,198,961.50
Transportation equipment	1,312,186,950.01			1,323,404,745.40
Electronic equipment	1,072,828,641.45			1,264,418,240.26
Office equipment	978,933,276.31			936,130,018.53
Others	915,748,739.32			910,196,843.83
4. Impairment provision	4,400,418,816.86	647,417,884.39	745,209,924.65	4,302,626,776.60
Incl: Land				
Houses and buildings	892,955,717.33	96,898,115.54	354,439,066.24	635,414,766.63
Machinery equipment	3,461,523,049.56	530,334,502.15	382,990,346.52	3,608,867,205.19
Transportation equipment	25,316,686.22	543,678.71	4,092,781.48	21,767,583.45
Electronic equipment	2,928,924.13	19,472,601.08	233,341.52	22,168,183.69
Office equipment	16,110,310.08	73,464.99	3,401,526.52	12,782,248.55
Others	1,584,129.54	95,521.92	52,862.37	1,626,789.09
5. Book value	120,928,659,992.40			122,108,673,094.21
Incl: Land	6,866,491,130.56			7,289,575,031.04
Houses and buildings	37,169,548,049.69			37,125,961,263.62
Machinery equipment	72,658,863,255.03			73,317,331,756.31
Transportation equipment	1,286,870,263.79			1,301,637,161.95
Electronic equipment	1,069,899,717.32			1,242,250,056.57
Office equipment	962,822,966.23			923,347,769.98

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Balance as at 31/12/2017	Increase in the year	Decrease in the year	Balance as at 31/12/2018
Others	914,164,609.78			908,570,054.74

Note: The negative decrease in this year is mainly due to the translation of foreign currency statements.

8.19.2 Fixed assets pending certificates of ownership

Items	Original cost	Accumulated depreciation	Provision for impairment	Carrying amount	Remarks
Houses and buildings	186,390,586.39	142,490,694.30	28,328,433.96	15,571,458.13	Idle production
Machinery equipment	831,080,490.86	651,588,318.70	121,083,031.49	58,409,140.67	Idle production
Transportation equipment	226,442.66	194,772.18	11,074.89	20,595.59	Idle production
Electronic equipment	531,788.51	332,791.85		198,996.66	Idle production
Office equipment	8,070,261.30	7,051,060.70	779,797.75	239,402.85	Idle production
Total	1,026,299,569.72	801,657,637.73	150,202,338.09	74,439,593.90	

8.19.3 Fixed assets disposal

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017	Reason
Houses and buildings	27,549,870.89	1,605,749.15	Idle clearance
Machinery equipment	23,898,896.82	5,950,245.33	Idle clearance
Transportation equipment	265,385.67	2,416,618.45	Idle clearance
Electronic equipment	17,265.87	12,830.75	Idle clearance
Others	6,508.17	3,748.11	Idle clearance
Total	51,737,927.42	9,989,191.79	

8.20 Construction in progress

Items	Carrying amounts as at 31/12/2018		
	Carrying amounts	Impairment	Net carrying amounts
1318 project	2,034,602,670.24		2,034,602,670.24
SAS technical upgrade project	1,232,297,703.39		1,232,297,703.39
Silao2increasecapacity(PirelliMexico)	382,164,428.13		382,164,428.13
Slatina4-15millionpieces(PirelliRumania)	236,152,934.43		236,152,934.43
YZmachinaries	227,258,365.16		227,258,365.16
USNM-NampaTIDGreehouse	150,990,400.00		150,990,400.00
※(Military Secret-related Projects)	138,585,645.22		138,585,645.22
R&DTechnologyCentreatEnkhuizen	130,400,800.00		130,400,800.00
150,000 tons/year naphtha upgrading	118,608,884.20		118,608,884.20
Extended replacement project of 1 million tons/year phosphate rock	109,911,862.85		109,911,862.85
SingaporeFPPPlantProject	102,948,000.00		102,948,000.00

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Carrying amounts as at 31/12/2018		
	Carrying amounts	Impairment	Net carrying amounts
Others	7,983,296,910.32	300,459,665.59	7,682,837,244.73
Construction materials	142,945,633.58	85,577,990.61	57,367,642.97
Total	12,990,164,237.52	386,037,656.20	12,604,126,581.32

(Continued)

Items	Carrying amounts as at 31/12/2017		
	Carrying amounts	Impairment	Net carrying amounts
1318 project	1,932,653,006.80		1,932,653,006.80
SAS technical upgrade project	880,515,776.00		880,515,776.00
Silao2increas capacity(PirelliMexico)	377,634,829.89		377,634,829.89
Slatina4-15millionpieces(PirelliRumania)	324,944,339.61		324,944,339.61
YZmachinaries			
USNM-NampaTIDGreehouse	13,068,400.00		13,068,400.00
※(Military Secret-related Projects)	103,535,045.27		103,535,045.27
R&DTechnologyCentreatEnkhuizen	104,547,200.00		104,547,200.00
150,000 tons/year naphtha upgrading	118,636,404.55		118,636,404.55
Extended replacement project of 1 million tons/year phosphate rock	96,939,153.17		96,939,153.17
SingaporeFPPPlantProject			
Others	11,726,851,875.94	274,345,002.70	11,452,506,873.24
Construction materials	198,762,757.52	83,858,650.61	114,904,106.91
Total	15,878,088,788.75	358,203,653.31	15,519,885,135.44

8.20.1 Movements of major construction projects in progress during the year

Name of items	Budget	Opening balance	Increased amount	Transfers to fixed assets	Other decreases	Closing balance
1318 project	1,680,922,000.00	1,932,653,006.80	107,574,098.60		5,624,435.16	2,034,602,670.24
SAS technical upgrade project	1,371,580,000.00	880,515,775.39	963,765,348.00	618,576,509.00	-6,593,089.00	1,232,297,703.39
Silao2increas capacity(PirelliMexico)	1,389,036,353.69	377,634,829.89	396,454,189.85	412,750,331.70	-20,825,740.12	382,164,428.16
Slatina4-15millionpieces(PirelliRumania)	1,639,915,798.11	324,944,339.61	507,956,505.17	599,411,666.92	-2,663,756.58	236,152,934.44
YZmachinaries	356,428,721.25		226,016,001.90		-1,242,363.24	227,258,365.14
USNM-NampaTIDGreehouse	205,896,000.00	13,068,400.00	132,280,000.00		-5,642,000.00	150,990,400.00
※(Military Secret-related Projects)	193,870,000.00	103,535,045.27	62,531,451.91		27,480,851.96	138,585,645.22
R&DTechnologyCentreatEnkhuizen	130,400,800.00	104,547,200.00	19,842,000.00		-6,011,600.00	130,400,800.00

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Name of items	Budget	Opening balance	Increased amount	Transfers to fixed assets	Other decreases	Closing balance
150,000 tons/year naphtha upgrading	206,000,000.00	118,636,404.55			27,520.35	118,608,884.20
Extended replacement project of 1 million tons/year phosphate rock	450,000,000.00	96,939,153.17	12,972,709.68			109,911,862.85
SingaporeFPPPlantProject	109,811,200.00		99,210,000.00		-3,738,000.00	102,948,000.00

(Continued)

Name of items	Percentage of actual cost to budget (%)	Project progress (%)	Accumulative amount of capitalized interests	Of which: the amount of the capitalized interests of the period	Capitalization rate of the interests of the period (%)	Capital resources
1318 project	97.73	90.00	391,795,326.60			Loans, self-financing
SAS technical upgrade project	85.00	85.00				own funds
Silao2increasecapacity(PirelliMexico)	91.00	91.00				Government funds
Slatina4-15millionpieces(PirelliRumania)	57.00	57.00				Government funds
YZmachinaries	64.00	64.00				own funds
USNM-NampaTIDGreehouse	73.00	73.00				self-financing
※(Military Secret-related Projects)	0.72	0.72				state funding
R&DTechnologyCentreatEnkhuizen	100.00	99.00				self-financing
150,000 tons/year naphtha upgrading	57.58	98.00				self-financing
Extended replacement project of 1 million tons/year phosphate rock	45.00	38.00	4,135,572.07			Loans
SingaporeFPPPlantProject	94.00	94.00				self-financing

8.20.2 Provision for impairment of construction projects in the current period

Items	Increased amount of the period	Reason
3 million semi-steel projects	34,046,226.70	Long term stoppage
Vulcanizing Machine Technological Reform Project	9,370,776.46	Long term stoppage
Tianjin Blue Star Cleaning Sporadic Project	4,541,304.95	Assets dismantled
Twin Screw Project	2,276,459.37	The project has never been used
One tow two tread winding station	2,233,638.48	Long term stoppage
Skew tire forming machine	1,220,502.73	Long term stoppage
Rear inflatable device	1,202,135.94	Long term stoppage
Electric control cabinet	1,000,812.24	Long term stoppage
Others	5,716,273.29	Long term stoppage
Construction materials	2,328,678.93	Long term stoppage
Total	63,936,809.09	

8.20.3 Construction materials

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Special equipment	46,399,965.59	97,282,060.27
special material	9,937,029.80	13,918,584.27
Spare parts		344,135.86
Others	1,030,647.58	3,359,326.51
Total	57,367,642.97	114,904,106.91

8.21 Intangible assets

Items	Balance as at 31/12/2017	Increase in the year	Decrease in the year	Balance as at 31/12/2018
1. Original book value	218,149,708,418.30	17,511,896,673.57	1,953,807,468.05	233,707,797,623.82
Incl: Software	7,160,442,339.11	656,384,560.74	-344,225,418.35	8,161,052,318.20
Land use right	8,285,648,570.77	459,554,104.73	536,170,213.18	8,209,032,462.32
Patent right	5,985,089,495.74	229,704,249.43	320,141,184.70	5,894,652,560.47
Non-patent technology	99,183,809,463.50	4,708,566,615.54	-3,692,991,757.56	107,585,367,836.60
Trademark	68,757,613,680.83	905,899,994.62	-2,125,534,436.85	71,789,048,112.30
Franchise	65,554,924.60			65,554,924.60
Mining rights	318,747,122.07		172,585,939.93	146,161,182.14
Crude oil quota	6,962,083,082.65			6,962,083,082.65
Others	21,430,719,739.03	10,551,787,148.51	7,087,661,743.00	24,894,845,144.54
2. Accumulative amortization	38,171,135,801.44	9,376,064,484.48	-400,516,417.42	47,947,716,703.34
Incl: Software	3,419,827,167.93	859,380,965.45	-3,767,551.54	4,282,975,684.92
Land use right	1,255,355,183.57	137,489,080.54	54,908,138.38	1,337,936,125.73
Patent right	2,745,513,952.26	130,199,076.69	15,850,696.06	2,859,862,332.89
Non-patent technology	17,760,888,667.83	4,257,437,794.37	-977,046,180.86	22,995,372,643.06
Trademarks	1,647,074,869.73	873,095,284.00	-24,225,000.00	2,544,395,153.73
Franchise				
Mining rights	121,997,772.76	2,736,474.62	71,635,961.37	53,098,286.01
Crude oil quota				
Others	11,220,478,187.36	3,115,725,808.81	462,127,519.17	13,874,076,477.00
3. Depreciation	1,413,413,595.92	117,946,975.41	77,513,562.14	1,453,847,009.19
Incl: Software		41,167,084.90		41,167,084.90
Land use right	134,628,758.23	35,293,755.51	32,072,000.00	137,850,513.74

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Balance as at 31/12/2017	Increase in the year	Decrease in the year	Balance as at 31/12/2018
Patent right	368,688,983.91		5,218,200.00	363,470,783.91
Non-patent technology	499,076,604.68	6,614,000.00	-3,322,441.97	509,013,046.65
Trademarks	197,247,501.25		-2,303,000.00	199,550,501.25
Franchise				
Mining rights	38,818,004.11		38,818,004.11	
Crude oil quota				
Others	174,953,743.74	34,872,135.00	7,030,800.00	202,795,078.74
4. Book value	178,565,159,020.94			184,306,233,911.29
Incl: Software	3,740,615,171.18			3,836,909,548.38
Land use right	6,895,664,628.97			6,733,245,822.85
Patent right	2,870,886,559.57			2,671,319,443.67
Non-patent technology	80,923,844,190.99			84,080,982,146.89
Trademarks	66,913,291,309.85			69,045,102,457.32
Franchise	65,554,924.60			65,554,924.60
Mining rights	157,931,345.20			93,062,896.13
Crude oil quota	6,962,083,082.65			6,962,083,082.65
Others	10,035,287,807.93			10,817,973,588.80

8.22 Development expenditure

Items	Balance as at 31/12/2017	Increase in the year	
		Internal development expenditure	Other
Enogenprocess	627,283,200.00	105,824,000.00	4,380,400.00
KM Capitalized R&D Project	69,587,855.37	265,882,695.11	
EIK project	214,564,688.80	120,201,293.88	
Solid-state azine project	78,920,265.01	18,293,514.00	505,651.00
New Polymerization Technology of Polytetrafluoroethylene Dispersion Resin	4,528,471.69	6,941,102.96	
Beijing Cleaning Big Data Project		5,249,169.35	
Carbonylation of dimethyl ether	4,884,570.83		
New Polymerization Technology of Polytetrafluoroethylene Suspension Resin	2,022,782.61	1,341,183.87	
Conveyor bed Methanation		3,118,955.26	
acrylic acid		2,815,150.76	

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Balance as at 31/12/2017	Increase in the year	
		Internal development expenditure	Other
Others	12,404,485.14	13,050,553,535.84	244,946.55
Total	1,014,196,319.45	13,580,220,601.03	5,130,997.55

(Continued)

Items	Decrease in the year			Balance as at 31/12/2018
	Identify as an intangible asset	Transfer to current profit and loss	Other	
Enogenprocess	99,210,000.00			638,277,600.00
KM Capitalized R&D Project	28,736,316.49	161,950,889.66		144,783,344.33
Elk project	199,164,671.07		28,556,814.45	107,044,497.16
Solid-state azine project		9,110,763.00		88,608,667.01
New Polymerization Technology of Polytetrafluoroethylene Dispersion Resin				11,469,574.65
Beijing Cleaning Big Data Project				5,249,169.35
Carbonylation of dimethyl ether				4,884,570.83
New Polymerization Technology of Polytetrafluoroethylene Suspension Resin				3,363,966.48
Conveyor bed Methanation				3,118,955.26
acrylic acid				2,815,150.76
Others	4,963,856.79	13,042,624,154.76	19,712.50	15,595,243.48
Total	332,074,844.35	13,213,685,807.42	28,576,526.95	1,025,210,739.31

8.23 Goodwill

8.23.1 Carrying amount of Goodwill

Name of investee or events from which goodwill arose	Opening balance	Increase in the year	Decrease in the year	Closing balance
SyngentaAG	138,472,766,400.00		-6,972,168,000.00	145,444,934,400.00
ResidualGoodwillfromMarcoPoloIndustrialHoldingS.p.A.("Bidco")	18,345,258,314.01	105,806,829.28		18,451,065,143.29
NideraSeedsHoldingB.V.		4,219,732,000.00	-158,989,600.00	4,378,721,600.00
Adama solutions	3,821,974,000.00	192,418,000.00		4,014,392,000.00
CGU	3,399,263,993.14	49,947,342.55		3,449,211,335.69
Elkem AS	764,129,611.94		8,971,601.31	755,158,010.63
Bluestar Adisseo Company	729,445,890.00	4,207,101.00		733,652,991.00
Nutriad		694,872,838.00	-4,007,700.00	698,880,538.00

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Name of investee or events from which goodwill arose	Opening balance	Increase in the year	Decrease in the year	Closing balance
ElkemSolarHoldingS.a.r.l	460,836,793.68	7,599,164.51		468,435,958.19
Bluestar Silicones	339,884,945.87		3,990,569.37	335,894,376.50
StriderDesenvolvimento de Software Ltda		211,648,000.00	-7,974,400.00	219,622,400.00
Innovia S.A	142,852,311.00	50,713,766.00		193,566,077.00
Others	213,416,538.92	140,418,927.31	13,337,152.83	340,498,313.40
Total	166,689,828,798.56	5,677,363,968.65	-7,116,840,376.49	179,484,033,143.70

Note: The decrease negative in this year is mainly due to the translation of foreign currency statements. The main reasons for the increase in goodwill this year are as follows:

- ① Syngenta acquired 100% of its subsidiary, NideraSeeds Holdings B.V. (hereinafter referred to as "Nidera"), which was completed on February 16, 2018. The fair value of the acquisition consideration paid by Syngenta over Nidera's identifiable net assets at the acquisition date of approximately RMB 4.22 billion was recognized as goodwill.
- ② In December 2017, Adisseo and the transferor signed an agreement to acquire a 100% stake in Nutriad Holdings B.V. (hereinafter referred to as "Nutriad"). The transaction was completed on February 9, 2018. The acquisition consideration paid by Adisseo exceeds Nutriad's fair value of identifiable net assets at the acquisition date of approximately RMB 695 million as goodwill.
- ③ Syngenta acquired a 100% stake in StriderDesenvolvimento de Software Ltda (hereinafter referred to as "Strider"), which was completed on April 30, 2018. The fair value of the acquisition of the identifiable net assets of Synder on the acquisition date of approximately RMB 212 million was recognized as goodwill.

8.23.2 Impairment of Goodwill

Name of investee or events from which goodwill arose	Opening balance	Increase in the year	Decrease in the year	Closing balance
Bluestar Silicones	280,658,634.00		3,295,196.69	277,363,437.31
Jiangsu zhonggrun fluorine chemical technology co. LTD	25,885,580.59			25,885,580.59
Shicheng county Fluorite mine (general partnership)	8,556,881.30		8,556,881.30	
Ningdu mine tongfa fluorite co. LTD	7,225,278.96			7,225,278.96
Ningdu county changhua mining co. LTD	425,311.09			425,311.09
Total	322,751,685.94		11,852,077.99	310,899,607.95

Note: The decrease in goodwill impairment provision this year was due to the decrease in the disposal of subsidiaries by the National Star Company and the translation of the foreign exchange statement of the Blue Star Ecker.

8.24 Long-term deferred expenses

Items	Carrying amount as at 31/12/2017	Increase during the current year	Amortisation for the current year	Other decrease during the current year	Carrying amount as at 31/12/2018
Adsorbents and catalysts	158,162,096.18	24,057,611.09	77,638,935.49		104,580,771.78
Prepaid expenses	67,846,335.27	57,706,684.01		40,839,744.30	84,713,274.98
Mould	60,161,300.20	29,870,162.44	25,946,040.34		64,085,422.30

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Carrying amount as at 31/12/2017	Increase during the current year	Amortisation for the current year	Other decrease during the current year	Carrying amount as at 31/12/2018
Project Improvement Expenditure	36,711,971.13	46,817,904.56	20,674,541.19	1,325,558.80	61,529,775.70
Renovation costs	15,224,765.84	5,497,294.52	4,263,240.85		16,458,819.51
Deferred financing costs	18,310,748.09		2,361,742.70	166,593.55	15,782,411.84
Rental expense	15,648,989.54	7,567,251.60	9,298,613.95	778,563.65	13,139,063.54
Repair and maintenance fees	1,542,951.37	1,609,638.83	1,072,343.79	864,889.95	1,215,356.46
Unconfirmed financing charges	23,021,196.83	3,543,538.56	26,564,735.39		
Others	31,745,948.76	24,418,359.25	12,880,425.79	1,419,810.68	41,864,071.54
Total	428,376,303.21	201,088,444.86	180,700,619.49	45,395,160.93	403,368,967.65

8.25 Deferred tax assets and deferred tax liabilities

8.25.1 Deferred tax assets and deferred tax liabilities presented as before the offset

8.25.1.1 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	10,219,178,695.56	41,372,784,971.24	10,587,501,389.93	41,652,574,669.80
Provision for impairment of assets	4,998,998,444.69	19,256,835,714.72	787,808,503.22	3,438,635,752.52
Deductible loss	565,938,779.56	2,609,756,082.64	1,519,845,846.97	6,676,315,951.15
Other liabilities	3,219,908,998.15	12,812,652,521.00	2,670,078,732.25	10,676,785,500.00
Employee benefits payable	114,056,881.02	717,245,749.27	152,885,839.17	993,482,583.96
Temporary differences in accrued expenses	144,983,678.21	549,867,879.56	457,003,904.69	1,623,064,953.98
Derivative instruments	43,349,957.77	192,570,225.62	100,657,939.80	436,210,272.00
Unrealised profits from intragroup transactions	27,609,668.97	110,438,675.88	112,665,452.91	430,334,191.64
Fixed assets and intangible assets	10,251,082.99	31,807,610.52	28,791,549.93	101,551,384.88
Risk reserve for oil price regulation	29,869,945.39	119,479,781.57		
Others	1,064,211,258.81	4,972,130,730.46	4,757,763,620.99	17,276,194,079.67
2. Deferred income tax liabilities	38,754,695,306.54	193,421,876,501.06	38,880,493,782.21	188,868,590,936.97
Fixed assets and intangible assets	3,044,871,464.62	12,591,232,197.13	4,068,952,446.05	16,088,605,821.30
Asset valuation appreciation	8,944,145,274.24	31,757,309,574.79	9,554,780,922.90	33,154,690,332.42
Changes in the fair value of available-for-sale financial assets recognized in other comprehensive income	15,939,139.75	90,199,502.16	25,064,052.30	126,456,979.71

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Ending Balance		Beginning Balance	
	Deferred tax assets/liabilities	Deductible / taxable temporary differences	Deferred tax assets/liabilities	Deductible / taxable temporary differences
Valuation of trading financial instruments and derivative financial instruments	73,537,218.60	313,113,449.44	223,631,424.42	766,314,156.36
State appropriation of construction project			6,750,000.00	45,000,000.00
Others	26,676,202,209.33	148,670,021,777.54	25,001,314,936.54	138,687,523,647.18

8.25.1.2 Details of unrecognised deferred tax assets

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Deductible temporary differences	12,759,038,321.87	10,679,886,472.86
Deductible loss	21,776,421,960.42	28,260,504,752.41
Total	34,535,460,282.29	38,940,391,225.27

8.25.1.3 The deductible losses of unrecognised deferred tax assets shall be matured in the following years

Year	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017	Note
2018		2,805,949,484.59	
2019	1,909,479,894.14	2,279,108,814.47	
2020	3,006,277,933.66	3,583,599,923.81	
2021	4,864,613,397.74	5,770,562,165.61	
2022	2,136,366,543.24	2,325,330,592.18	
2023	6,422,138,840.10	8,165,536,738.13	
After 2023	3,437,545,351.54	3,330,417,033.62	No maturity date
Total	21,776,421,960.42	28,260,504,752.41	

8.25.2 Deferred tax assets and deferred tax liabilities presented as after the offset

8.25.2.1 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	Deferred tax assets/liabilities after the offset at the beginning of the year
1. Deferred tax assets	9,959,843,662.34	10,177,851,638.50
2. Deferred tax liabilities	38,495,360,273.32	38,470,844,030.78

8.25.2.2 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	259,335,033.22	409,649,751.43

8.26 Other non-current assets

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Entrusted Loan	1,450,072,681.57	345,915,297.86

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Receivable margin and deposit	1,019,883,696.78	945,617,643.79
Prepayment Engineering equipment	1,037,259,966.42	753,037,398.43
Long-term receivables from joint ventures	578,613,634.32	613,910,703.81
Overseas prepayments for long-term taxes	555,919,200.00	627,283,200.00
Retirement benefits and long-term incentive compensation	370,612,800.00	437,791,400.00
Tax credit	364,739,270.91	197,818,281.44
Derivative financial assets	114,118,365.06	133,606,765.40
Relocation payment	108,556,624.81	108,556,624.81
Land Compensation	90,139,231.78	73,571,090.86
Split share distribution rights	89,986,098.72	89,986,098.72
Unrealized gains and losses from After sale leaseback	56,952,858.13	67,713,082.40
Other non-cash accounts receivable	20,600,000.00	137,805,379.80
Pensions	14,439,783.77	12,527,192.02
IndbraTPIndustrialdePneusBrasilLtda		162,156,698.94
Others	990,858,996.24	681,941,082.25
Subtotal	6,862,753,208.51	5,389,237,940.53
Less: due within 1 year (Note 8.)	56,414,154.25	35,546,000.00
Total	6,806,339,054.26	5,353,691,940.53

8.27 Short-term loan

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Pledged loans	4,663,194,277.60	30,138,036,802.21
Loans secured by mortgage	70,625,800.00	183,325,800.00
Guaranteed loans	34,239,128,179.69	92,788,857,578.07
Unsecured loans	24,708,844,531.20	31,493,502,716.08
Total	63,681,792,788.49	154,603,722,896.36

8.28 Derivative Financial Liabilities

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Cash flow Hedging instrument	593,418,329.39	455,517,933.49
Foreign currency derivatives- transaction	630,012,904.28	886,944,184.17
Foreign currency derivatives- included in net financial position	147,995,291.15	69,011,764.82
Financial forwards	818,341,414.69	516,201,800.00

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Foreign currency derivatives financial instruments	1,430,497,000.00	485,530,000.00
Hedging derivative financial instruments	21,173,000.00	303,520,000.00
Other derivatives	168,751,006.02	231,192,515.81
Total	3,810,188,945.53	2,947,918,198.29

8.29 Notes payable and Accounts payable

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Notes payable	2,920,394,814.42	2,682,674,981.95
Accounts payable	59,727,244,600.65	58,676,013,051.79
Total	62,647,639,415.07	61,358,688,033.74

8.29.1 Notes payable

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Commercial acceptance bills	984,594,881.27	546,695,854.88
Bank acceptance bills	1,935,799,933.15	2,135,979,127.07
Total	2,920,394,814.42	2,682,674,981.95

8.29.2 Accounts payable

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Within 1 year	57,466,929,549.56	56,241,395,713.31
1-2 year (Inclusive)	972,024,459.14	754,656,253.74
2-3 years (Inclusive)	300,317,765.72	413,687,682.40
Over 3 year	987,972,826.23	1,266,273,402.34
Total	59,727,244,600.65	58,676,013,051.79

Details of significant accounts payable aged over 1 year:

Creditors	Amounts outstanding as at 31/12/2018	Reason(s) for unsettlement
Shandong united energy pipeline transportation Co., Ltd.	24,901,622.91	Unpaid
Dow chemical (Shanghai) Co., Ltd.	23,561,114.87	Unpaid
Beijing Boda yongsheng technology development center	19,065,600.00	Unpaid
Sinopec fourth construction Co., Ltd.	17,503,626.52	Unpaid
Hunan sanhua garment industry Co., Ltd.	14,692,401.29	Unpaid
Guizhou chemical construction Co., Ltd.	11,964,459.48	Unpaid
(Hong Kong) tongzhou chemical trading Co., Ltd.	11,481,341.37	Unpaid
Jinan Great Wall oil refining Co., Ltd.	10,919,750.94	Unpaid

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Creditors	Amounts outstanding as at 31/12/2018	Reason(s) for unsettlement
FGHFTCO.LIMITED	10,381,575.45	Unpaid
China national nuclear industry second third construction Co., Ltd.	9,899,869.55	Unpaid
Anhui yuhe agricultural means of production Co., Ltd.	9,586,899.49	Unpaid
Beijing beitri dairui technology development Co., Ltd.	9,341,150.00	Unpaid
Jiaozuo yuyang trading Co., Ltd.	8,244,468.00	Unpaid
Shenyang turbine machinery Co., Ltd.	8,167,000.00	Unpaid
Hua ao tire equipment technology (suzhou) Co., Ltd.	8,037,000.00	Unpaid
Haikou luhai rubber chemical Co., Ltd.	7,950,350.49	Unpaid
Qingdao lianchuang Co., Ltd.	7,914,063.82	Unpaid
Shenyang turbine machinery Co., Ltd.	7,849,000.00	Unpaid
Cangzhou yunhe district industry and information bureau	7,014,000.00	Unpaid
Total	228,475,294.18	

8.30 Advances from customers

8.30.1 Detail for accounts payable

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Within 1 year (inclusive)	6,852,770,628.65	6,526,277,654.86
Over 1 year	744,960,485.07	877,366,915.86
Total	7,597,731,113.72	7,403,644,570.72

8.30.2 Details of significant advances from customers aged over 1 year

Creditors	Amounts outstanding as at 31/12/2018	Reason(s) for unsettlement
Nanning oasis chemical Co. Ltd.	75,110,000.00	Unpaid
Ordos Donghai new energy Co. Ltd.	23,454,000.00	Unpaid
Dalian heavy industry machinery and electrical equipment Co. Ltd.	19,000,000.00	Unpaid
China coal energy Heilongjiang coal chemical Co. Ltd.	16,832,760.69	Unpaid
Jinrentong	15,540,000.00	Unpaid
Tianjin Zhengfeng petrochemical trade Co. Ltd.	10,502,918.20	Unpaid
Zhejiang Shanghang new material Co. Ltd.	10,180,000.00	Unpaid
Shandong fortier tire co. LTD	5,982,000.00	Unpaid
Shandong xinhecheng vitamin co. LTD	5,280,000.00	Unpaid
Shanghai Institute of Organic Chemistry, Chinese Academy of Sciences	5,128,205.10	Unpaid
Total	187,009,883.99	

8.31 Contract liability

Items	Carrying amounts as at 31/12/2018	Carrying amounts as at 31/12/2017
Advances for goods and services	333,111,548.46	443,872,290.04
Deferred revenue	208,872,514.54	112,624,062.74
Customer loyalty programs	356,886,400.00	287,504,800.00
Sales discount	525,982,000.00	503,362,000.00
Total	1,424,852,463.00	1,347,363,152.78

8.32 Employee benefits payable

8.32.1 Disclosure by classification

Items	Carrying amount as at 31/12/2017	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2018
1. Short-term employee benefits	5,868,466,413.32	38,225,841,910.88	37,472,494,969.18	6,621,813,355.02
2. Post-employment benefits - defined contribution plans	869,618,351.85	3,352,293,351.54	3,620,534,444.44	601,377,258.95
3. Termination benefits	529,133,184.97	555,379,975.85	706,003,548.68	378,509,612.14
4. Other benefits due within one year	1,087,230,602.72	1,917,220,957.53	2,189,953,321.11	814,498,239.14
5. Others	849,416,688.11	913,679,483.17	1,296,540,165.32	466,556,005.96
Total	9,203,865,240.97	44,964,415,678.97	45,285,526,448.73	8,882,754,471.21

8.32.2 Disclosure by classification of short-term employee benefits

Items	Carrying amount as at 31/12/2017	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2018
1. Wages, salaries and subsidies	3,899,138,106.66	34,681,040,808.13	33,621,508,247.49	4,958,670,667.30
2. Employee welfare	8,746,263.00	454,977,243.72	420,281,064.19	43,442,442.53
3. Social insurance:	189,987,135.88	1,589,835,986.57	1,541,979,820.32	237,843,302.13
Including: Medical insurance	164,087,592.07	1,404,976,513.09	1,354,376,367.38	214,687,737.78
Employment injury insurance	13,798,463.29	104,080,895.48	106,690,755.84	11,188,602.93
Maternity insurance	9,739,998.74	63,179,520.19	63,931,522.79	8,987,996.14
Others	2,361,081.78	17,599,057.81	16,981,174.31	2,978,965.28
4. Housing provident fund	126,013,660.11	295,731,789.11	333,765,409.21	87,980,040.01
5. Labour union fee and employee education fee	148,523,442.40	96,712,221.40	100,061,776.82	145,173,886.98
6. Short-term paid absences	553,990,652.80	310,712,447.04	322,693,025.04	542,010,074.80
7. Short-term profit sharing plan	392,052,000.00	231,273,600.00	396,840,000.00	226,485,600.00
8. Other short-term compensation	550,015,152.47	565,557,814.91	735,365,626.11	380,207,341.27
Total	5,868,466,413.32	38,225,841,910.88	37,472,494,969.18	6,621,813,355.02

8.32.3 Disclosure by defined contribution plan

Items	Carrying amount as at 31/12/2017	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2018
1. Basic pension	815,461,090.32	3,148,310,936.88	3,414,227,999.44	549,544,027.76
2. Unemployment insurance	24,325,598.78	114,110,009.90	114,697,719.01	23,737,889.67
3. Enterprise annuity payment	10,966,780.23	89,872,404.76	88,686,448.91	12,152,736.08
4. Others	18,864,882.52		2,922,277.08	15,942,605.44
Total	869,618,351.85	3,352,293,351.54	3,620,534,444.44	601,377,258.95

8.33 Taxes payable

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
VAT	1,096,011,414.29	1,663,369,297.21
Consumption tax	3,864,393,411.60	395,399,452.84
Resource tax	7,553,777.99	8,531,136.18
Corporate income tax	5,390,682,678.58	4,477,627,561.14
Urban maintenance and construction surcharge	224,119,298.97	78,116,634.32
Property tax	68,268,104.59	78,007,657.54
Land use tax	74,925,202.02	131,903,901.87
Personal income tax	351,562,313.75	309,771,703.91
Education surcharge	191,443,022.84	59,854,435.32
Others	864,102,724.18	852,388,387.36
Total	12,133,061,948.81	8,054,970,167.69

8.34 Other payables

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Interest payables	1,557,790,311.36	1,543,439,823.38
Dividends Payable	4,681,265.28	39,113,294.98
Other payables	14,656,849,101.81	21,730,070,862.52
Total	16,219,320,678.45	23,312,623,980.88

8.34.1 Interest payables

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Interest on long-term borrowings with interest payments due on installments	138,918,528.59	361,772,058.48
Corporate bond interest	695,943,294.61	432,527,957.08
Interests on Short-term borrowings	671,812,095.62	731,245,894.33
Others	51,116,392.54	17,893,913.49
Total	1,557,790,311.36	1,543,439,823.38

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

8.34.2 Dividends Payable

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Ordinary stock dividend	4,681,265.28	39,113,294.98
Others		
Total	4,681,265.28	39,113,294.98

8.34.3 Other payables

1) Detail for other payables

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Accounts current	4,312,817,481.23	5,879,377,539.95
Engineering equipment engineering fund	2,476,855,679.72	2,252,199,949.22
Temporary receive and pay for another	1,630,520,101.46	4,068,582,296.46
Accrued expenses	911,578,530.39	918,078,532.72
Insurance, deposit	701,386,431.55	515,055,699.51
Agency fees payable	632,672,591.93	1,378,431,719.33
Fiscal appropriation	265,470,066.07	846,189,230.94
Employee resettlement money	263,072,421.75	331,774,931.18
Share transfer payables	103,874,939.00	103,849,019.00
Others	3,358,600,858.71	5,436,531,944.21
Total	14,656,849,101.81	21,730,070,862.52

2) Details of significant other payables aged over 1 year

Items	Carrying amount as at 31/12/2018	Reason(s) for unsettlement
Fuzhou Bluestar Chemical Co. Ltd.	500,000,000.00	Unpaid
Jinan Chemical New Material Co. Ltd.	282,208,000.00	Unpaid
Shandong Guoliang Kerry Property Co. Ltd.	225,508,000.00	Unpaid
Beijing Demaowei Investment Co. Ltd.	120,080,000.00	Unpaid
Bluestar Petrochemical Co. Ltd.	113,653,998.62	Unpaid
Beijing zhongrui hengsheng asset management Co. Ltd.	100,000,000.00	Unpaid
Nierenqing	79,523,379.00	Unpaid
Ruicheng Foster Chemical Co. Ltd.	63,870,291.49	Unpaid
Shanghai Bluestar Polyformaldehyde Co. Ltd.	49,558,590.27	Unpaid
Gansu Longrun Investment Management Co. Ltd.	94,670,000.00	Unpaid
Hunan xiangwei co. LTD	45,000,000.00	Unpaid

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Carrying amount as at 31/12/2018	Reason(s) for unsettlement
Qingdao anbound refining and chemical co. LTD	36,720,718.96	Unpaid
Total	1,710,792,978.34	

8.35 Liabilities held for sale

Items	Carrying amount as at 31/12/2018	Fair value at the end of the year	Estimated disposal cost	Time
Ningdu zhongkuang tongfa fluorite co. LTD, Ning duchanghua mining co. LTD	14,460,830.08	14,460,830.08		2019.02
Total	14,460,830.08	14,460,830.08		

8.36 Non-current liabilities due within one year

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Long-term borrowings due within one year (note 8. 38)	15,886,557,816.53	9,826,624,435.16
Bonds payable within one year (note 8. 39)	17,973,536,663.71	4,242,908,259.62
Long-term payable at the end of one year (note 8. 40)	904,076,529.33	556,317,747.39
Other long-term liabilities due within one year	8,714,520,701.53	3,819,915,842.10
Total	43,478,691,711.10	18,445,766,284.27

8.37 Other Current Liabilities

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Short-term bonds payable	9,500,000,000.00	15,343,503,793.70
Minority shareholders' put options	404,463,000.00	285,329,000.00
Interest-bearing funds	336,277,049.62	
Deposits and deposits	229,699,317.50	1,788,465,140.64
Provision for other risks s/t	202,500,282.76	267,908,456.70
Product quality assurance	149,686,000.00	161,643,000.00
Technical claims and product warranties	120,626,105.99	135,804,875.41
Labour lawsuits	77,877,464.96	74,590,438.93
Claims	23,644,000.00	18,714,000.00
Government subsidies related to research and development expenditure	13,412,022.00	13,394,890.00
Reorganisation and closure of business units	8,337,756.25	33,081,752.00
Others	28,851,420.29	20,800,374.31
Total	11,095,374,419.37	18,143,235,721.69

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Including, movements of short-term bonds payable:

Bond name	Par value	Issuance date	Bond period	Issuance Amount	Beginning Balance
Total				26,843,503,793.7	15,343,503,793.70
China National Chemical Corporation's 2017 third short-term financing bill	100.00	2017.4.25	271 days	2,500,000,000.00	2,500,000,000.00
China Chemical Industry Corporation's 2017 fourth ultra-short-term financing bill	100.00	2017.9.29	271 days	2,500,000,000.00	2,500,000,000.00
China Chemical Industry Corporation's 2017 fifth short-term financing bill	100.00	2017.11.13	270 days	1,500,000,000.00	1,500,000,000.00
China National Chemical Corporation's 2017 first super short-term financing bill	100.00	2017.10.27	366 days	2,000,000,000.00	2,000,000,000.00
China National Chemical Corporation's 2018 first super short-term financing bill	100.00	2018.1.24	181 days	2,000,000,000.00	
China National Chemical Corporation's 2018 second super short-term financing bill	100.00	2018.7.11	271 days	1,500,000,000.00	
China National Chemical Corporation's 2018 third super short-term financing bill	100.00	2018.10.18	245 days	1,500,000,000.00	
China National Chemical Corporation's 2018 fourth super short-term financing bill	100.00	2018.10.23	273 days	1,500,000,000.00	
17 HaoHua CP001	100.00	2017.6.22	365 days	500,000,000.00	500,000,000.00
17 HaoHua CP001	100.00	2017.7.26	365 days	500,000,000.00	500,000,000.00
China Chemical Agrochemical Corporation 2017 First Phase Short-term Financing Coupon	100.00	2017.12.21	365 days	1,500,000,000.00	1,500,000,000.00
China Chemical Agrochemical Corporation 2018 First Phase Short-term Financing Coupon	100.00	2018.3.20	365 days	1,500,000,000.00	
2018 CNAC 01	100.00	2018.11.12	365 days	1,500,000,000.00	
FinbridgeUSD0.1billion	1.00	2017.12.22	365 days	643,503,793.70	643,503,793.70
18 Bluestar SCP004	100.00	2018.5.28	240 days	1,000,000,000.00	
18 Bluestar SCP005	100.00	2018.11.5	240 days	1,000,000,000.00	
China Bluestar (Group) Co., Ltd. 2017 first phase short-term financing bill	100.00	2017.8.21	270 days	1,000,000,000.00	1,000,000,000.00
China Bluestar (Group) Co., Ltd. 2017 second phase short-term financing bill	100.00	2017.8.24	160 days	2,000,000,000.00	2,000,000,000.00
China Bluestar (Group) Co., Ltd. 2017 third phase short-term financing bill	100.00	2017.12.4	180 days	700,000,000.00	700,000,000.00

(Continued)

Bond name	Issued current year	Accrued interest at par	Amortization of premium price and conversion into money	Repay current year	Ending Balance
Total		556,170,772.46		17,777,560,182.59	9,500,000,000.00
China National Chemical Corporation's 2017 third short-term financing bill		6,805,555.56		2,506,805,555.56	

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Bond name	Issued current year	Accrued interest at par	Amortization of premium price and conversion into money	Repay current year	Ending Balance
China Chemical Industry Corporation's 2017 fourth ultra-short-term financing bill		60,843,750.00		2,560,843,750.00	
China Chemical Industry Corporation's 2017 fifth short-term financing bill		46,962,500.00		1,546,962,500.00	
China National Chemical Corporation's 2017 first super short-term financing bill		82,500,000.00		2,082,500,000.00	
China National Chemical Corporation's 2018 first super short-term financing bill	2,000,000,000.00	51,000,000.00		2,051,000,000.00	
China National Chemical Corporation's 2018 secondt super short-term financing bill	1,500,000,000.00	32,293,333.33		32,293,333.33	1,500,000,000.00
China National Chemical Corporation's 2018 third super short-term financing bill	1,500,000,000.00	11,408,333.33		11,408,333.33	1,500,000,000.00
China National Chemical Corporation's 2018 fourth super short-term financing bill	1,500,000,000.00	10,896,250.00		10,896,250.00	1,500,000,000.00
17 HaoHua CP001		29,791,666.67		529,791,666.67	
17 HaoHua CP001		27,500,000.00		527,500,000.00	
China National Agrochemical Co., Ltd. 2017 First Phase Short-term Financing Coupon		85,350,000.00		1,500,000,000.00	
China National Agrochemical Co., Ltd. 2018 First Phase Short-term Financing Coupon	1,500,000,000.00	63,887,500.00		63,887,500.00	1,500,000,000.00
2018 CNAC 01	1,500,000,000.00	10,167,500.00		10,167,500.00	1,500,000,000.00
FinbridgeUSD0.1billion	1.00			643,503,793.70	
18 Bluestar SCP004	1,000,000,000.00	30,320,547.95			1,000,000,000.00
18 Bluestar SCP005	1,000,000,000.00	6,443,835.62			1,000,000,000.00
China Bluestar (Group) Co., Ltd. 2017 first phase short-term financing bill				1,000,000,000.00	
China Bluestar (Group) Co., Ltd. 2017 second phase short-term financing bill				2,000,000,000.00	
China Bluestar (Group) Co., Ltd. 2017 thirdphase short-term financing bill				700,000,000.00	

8.38 Long-term borrowing

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Pledged loans	8,240,660,263.75	12,157,069,633.07
Loans secured by mortgages	9,156,793,615.73	9,484,718,333.61
Guaranteed loans	73,141,727,370.92	27,463,788,234.07
Unsecured loans	46,167,581,400.67	58,710,197,723.09
Subtotal	136,706,762,651.07	107,815,773,923.84
Less: Due within 1 year (Note 8. 36)	15,886,557,816.53	9,826,624,435.16
Total	120,820,204,834.54	97,989,149,488.68

8.39 Debentures Payable

8.39.1 Disclosure by classification

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Mid-term notes	7,649,098,000.00	7,777,410,000.00
B-Series bond payable	32,042,067,646.45	19,696,215,422.48
Non-public directional bond payable	174,512,073,174.11	91,129,348,495.83
Subtotal	214,203,238,820.56	118,602,973,918.31
Less: Due within 1 year (Note 8.36)	17,973,536,663.71	4,242,908,259.62
Total	196,229,702,156.85	114,360,065,658.69

8.39.2 Movement of debentures payable

Bond name	Par value	Issuance date	Bond term	Issuance	Carrying amount as at 31/12/2017
16 ChemChina Petrochemical PPN001		2016.2.24	3 years	3,000,000,000.00	3,000,000,000.00
17 Petrochemical 01		2017.9.7	3 years	1,500,000,000.00	1,500,000,000.00
18 Petrochemical 01		2018.9.20	5 years	800,000,000.00	
China Chemical Industry Group Co., Ltd. 2014 first period (5 years) medium-term notes		2014.5.15	5 years	1,200,000,000.00	1,200,000,000.00
China Chemical Industry Group Co., Ltd. 2014 second (5 years) medium-term notes		2014.10.20	5 years	1,400,000,000.00	1,400,000,000.00
China Chemical Industry Group Co., Ltd. 2015 first (5 years) medium-term notes		2015.11.4	5 years	3,000,000,000.00	3,000,000,000.00
China Chemical Industry Group Co., Ltd. 2017 first (3 years) medium-term notes		2017.4.13	3 years	2,500,000,000.00	2,500,000,000.00
China Chemical Industry Group Co., Ltd. 2017 second (3 years) medium-term notes		2017.10.17	3 years	1,500,000,000.00	1,500,000,000.00
China National Chemical Corporation Limited 2018 First Phase (3 Years) Medium Term Notes		2018.1.11	3 years	2,500,000,000.00	

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Bond name	Par value	Issuance date	Bond term	Issuance	Carrying amount as at 31/12/2017
China National Chemical Corporation Limited 2018 Second Phase (3 years) Medium Term Notes		2018.4.10	3 years	1,500,000,000.00	
China National Chemical Corporation Limited 2018 Phase III (3 years) Medium Term Notes		2018.10.12	3 years	1,500,000,000.00	
China National Chemical Corporation Limited 2018 Phase 4 (3 years) Medium Term Notes		2018.11.16	3 years	1,500,000,000.00	
Corporate debt		2017.1.24	3 years	300,000,000.00	300,000,000.00
Corporate debt		2017.2.10	3 years	500,000,000.00	500,000,000.00
Corporate debt		2017.2.23	3 years	700,000,000.00	700,000,000.00
0.750%CHFbond2019		2014.3.25	5.6 years	2,587,543,200.00	1,798,710,470.07
USPP\$75m2020		2005.12.8	15 years	490,065,000.00	247,622,035.05
1.875%Eurobond2021EUR/USD		2014.3.24	7.6 years	4,502,063,800.00	4,099,894,141.10
3.125%\$Notes2022		2012.3.28	10 years	3,267,100,000.00	3,234,784,781.65
1.625%CHFbond2024		2014.3.25	10.6 years	1,849,178,600.00	1,132,949,944.88
USPP\$75m2025		2005.12.8	20 years	490,065,000.00	411,899,619.82
1.250%Eurobond2027		2015.3.3	12.5 years	3,652,617,800.00	2,373,145,911.40
2.125%CHFbond2029		2014.3.25	15.6 years	1,110,814,000.00	3,804,758,409.19
USPP\$100m2035		2005.12.8	30 years	653,420,000.00	168,010,288.81
4.375%\$Notes2042		2012.3.28	30 years	1,633,550,000.00	1,494,446,798.03
3.698%USDbond2020		2018.4.17	2 years	5,147,400,000.00	
3.933%USDbond2021		2018.4.17	3 years	5,147,400,000.00	
4.441%USDbond2023		2018.4.17	5 years	6,863,200,000.00	
4.892%USDbond2025		2018.4.17	7 years	5,147,400,000.00	
5.182%USDbond2028		2018.4.17	10 years	6,863,200,000.00	
5.676%USDbond2048		2018.4.17	30 years	3,431,600,000.00	
CNAC Finbridge USD0.5billion		2017.7.19	3 years	3,251,368,471.74	3,297,874,767.18
CNAC Finbridge USD1.5billion		2017.7.19	5 years	9,747,440,531.23	9,906,765,454.88
CNAC Finbridge USD1billion		2017.7.19	10 years	6,479,671,217.49	6,603,318,277.72
CNAC Finbridge USD2billion		2017.12.22	3 years	12,445,037,320.00	12,462,221,700.30
CNAC Finbridge USD1billion		2018.3.14	3 years	6,863,200,000.00	
CNAC Finbridge USD1.3billion		2018.3.14	5 years	8,922,160,000.00	
CNAC Finbridge USD0.8billion		2018.3.14	7 years	5,490,560,000.00	
CNAC Finbridge USD1.75billion		2018.3.14	10 years	12,010,600,000.00	

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Bond name	Par value	Issuance date	Bond term	Issuance	Carrying amount as at 31/12/2017
CNAC Finbridge USD0.1billion		2018.3.14	30 years	686,320,000.00	
CNAC Finbridge Euro0.1billion		2018.3.14	4.25 years	10,205,852,928.00	
CNAC Finbridge Xingye privately raised company bonds USD 0.5billion		2018.12.14	3 years	3,431,600,000.00	
EuroMediumTermNote		2014.11.18	10 years	4,708,380,000.00	4,652,352,377.70
EuroMediumTermNoteNew		2018.1.22	2.5 years	6,277,840,000.00	
Shuldschein		2018.7.26	3 years	4,119,832,500.00	
Yang Fan Project Euro Premium Bond		2016.12.7	5 years	5,493,110,000.00	5,443,863,044.78
Morgan Bond		2017.5.5	3 years	12,872,374,000.00	13,014,216,410.82
Corporate Bond Series B		2006.12.4	14 years	3,043,742,000.00	3,531,088,000.00
Corporate Bond Series B		2012.1.16	10 years	842,579,000.00	1,027,019,000.00
Corporate Bond Series B		2013.1.7	10 years	1,120,339,000.00	1,295,327,000.00
Corporate Bond Series B		2015.2.1	5 years	1,047,439,000.00	1,233,624,000.00
Corporate Bond Series B		2015.1.31	5 years	556,941,000.00	690,352,000.00
2015 first bond underwriting		2015.11.19	3 years	1,000,000,000.00	998,162,600.53
2016 private debt		2016.2.29	3 years	2,000,000,000.00	1,995,195,257.58
2016 first bond underwriting		2016.8.8	3 years	2,400,000,000.00	2,396,447,346.44
2016 second bond underwriting		2016.11.24	3 years	2,100,000,000.00	2,096,329,836.30
2018 first bond underwriting		2018.7.4	3 years	1,500,000,000.00	
2018 second bond underwriting		2018.8.22	3 years	800,000,000.00	
SeniorBondinterest-2015-3years		2015.6.11	3 years	3,249,601,388.17	3,244,745,659.09
SeniorBondinterest-2015-5years		2015.6.11	5 years	3,249,601,388.17	3,235,110,182.85
SeniorBondinterest-2016-3years		2016.9.30	3 years	3,245,441,898.39	3,238,561,482.27
SeniorBondinterest-2016-5years		2016.9.30	5 years	3,884,469,512.17	3,873,876,147.87
Shenyang Chemical Bond		1998.1.28	30 years		300,972.00
Aiken senior debt		2018.11.27	3 years	1,369,900,000.00	
Subtotal					118,602,973,918.31
Less: Due within 1 year (Note VIII 40)					4,242,908,259.62
Total					114,360,065,658.69

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

(Continued)

Bond name	Accrued interest at par	Amortization of premium price and conversion into money	Repay current year	Other Adjust-Interim	Ending Balance
16 chem oil PPN001					3,000,000,000.00
17oil 01					1,500,000,000.00
18 oil 01	800,000,000.00		1,278,863.44		798,721,136.56
China Chemical Industry Group Co., Ltd. 2014 first period (5 years) medium-term notes					1,200,000,000.00
China Chemical Industry Group Co., Ltd. 2014 second (5 years) medium-term notes					1,400,000,000.00
China Chemical Industry Group Co., Ltd. 2015 first (5 years) medium-term notes					3,000,000,000.00
China Chemical Industry Group Co., Ltd. 2017 first (3 years) medium-term notes					2,500,000,000.00
China Chemical Industry Group Co., Ltd. 2017 second (3 years) medium-term notes					1,500,000,000.00
China National Chemical Corporation Limited 2018 First Phase (3 Years) Medium Term Notes	2,500,000,000.00				2,500,000,000.00
China National Chemical Corporation Limited 2018 Second Phase (3 years) Medium Term Notes	1,500,000,000.00				1,500,000,000.00
China National Chemical Corporation Limited 2018 Phase III (3 years) Medium Term Notes	1,500,000,000.00				1,500,000,000.00
China National Chemical Corporation Limited 2018 Phase 4 (3 years) Medium Term Notes	1,500,000,000.00				1,500,000,000.00
Corporate debt		16,500,000.00		16,500,000.00	300,000,000.00
Corporate debt		28,500,000.00		28,500,000.00	500,000,000.00
Corporate debt		41,860,000.00		41,860,000.00	700,000,000.00
0.750%CHFbond2019			-644,588,729.93		2,443,299,200.00
USPP\$75m2020			-20,042,764.95		267,664,800.00
1.875%Eurobond2021EUR/USD			174,542,309.35		3,925,351,831.75
3.125%\$Notes2022			-203,678,418.35		3,438,463,200.00

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Bond name	Accrued interest at par	Amortization of premium price and conversion into money	Repay current year	Other Adjust-Interim	Ending Balance
1.625%CHFbond2024			-561,081,110.02		1,694,031,054.90
USPP\$75m2025			34,423,619.82		377,476,000.00
1.250%Eurobond2027			-1,474,147,314.25		3,847,293,225.65
2.125%CHFbond2029			2,393,262,521.49		1,411,495,887.70
USPP\$100m2035			92,515,088.81		75,495,200.00
4.375%\$Notes2042			-207,626,801.97		1,702,073,600.00
3.698%USDbond2020	4,934,044,000.00		-199,629,600.00		5,133,673,600.00
3.933%USDbond2021	4,934,044,000.00		-192,766,400.00		5,126,810,400.00
4.441%USDbond2023	6,580,930,000.00		-254,817,200.00		6,835,747,200.00
4.892%USDbond2025	4,934,044,000.00		-192,766,400.00		5,126,810,400.00
5.182%USDbond2028	6,580,930,000.00		-247,954,000.00		6,828,884,000.00
5.676%USDbond2048	3,293,772,000.00		-124,101,600.00		3,417,873,600.00
USD0.5billion			-21,799,479.66		3,319,674,246.84
USD1.5billion			-11,530,016.46		9,918,295,471.34
USD1billion			27,440,364.98		6,575,877,912.74
USD2billion			-1,055,250,301.16	133,969,415.28	13,383,502,586.18
USD1billion	6,719,292,743.32		-205,670,698.44		6,924,963,441.76
USD1.3billion	8,722,941,584.62		-290,776,441.79		9,013,718,026.41
USD0.8billion	5,362,255,979.94		-189,754,940.31		5,552,010,920.25
USD1.75billion	11,719,056,848.45		-431,945,728.19		12,151,002,576.64
USD0.1billion	668,132,296.53		-26,061,947.40		694,194,243.93
Euro0.1billion	10,097,644,640.44		-123,800,849.09		10,221,445,489.53
HY Markets Private EquityUSD0.5billion	3,431,600,000.00				3,431,600,000.00
EuroMediumTermNote		156,196,513.91	-27,760,253.72	4,836,309,145.33	
EuroMediumTermNoteNew	6,174,581,380.38	64,348,931.51	-15,695,820.71	399,145,357.32	5,855,480,775.28
Shuldschein	4,082,969,845.00	22,450,714.16	-1,359,503.21		4,106,780,062.37
Yang Fan Project Euro Premium Bond		133,621,529.71	97,677,765.69		5,479,806,808.80
Morgan Bond		1,325,338,605.31	-64,855,783.44	668,320,000.00	13,736,090,799.57
Corporate Bond Series B			59,414,000.00		3,471,674,000.00
Corporate Bond Series B			8,705,000.00		1,018,314,000.00
Corporate Bond Series B			17,928,000.00		1,277,399,000.00

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Bond name	Accrued interest at par	Amortization of premium price and conversion into money	Repay current year	Other Adjust-Interim	Ending Balance
Corporate Bond Series B			23,429,000.00		1,210,195,000.00
Corporate Bond Series B			18,836,000.00		671,516,000.00
2015 first bond underwriting					
2016 private debt		76,000,000.00	-4,132,546.30	76,000,000.00	1,999,327,803.88
2016 first bond underwriting		100,800,000.00	-2,195,582.49	100,800,000.00	2,398,642,928.93
2016 second bond underwriting		91,350,000.00	-1,897,325.78	91,350,000.00	2,098,227,162.08
2018 first bond underwriting	1,498,200,000.00	39,057,534.25	-280,680.80	39,057,534.25	1,498,480,680.80
2018 second bond underwriting	799,040,000.00	14,356,164.38	-109,246.18	14,356,164.38	799,149,246.18
SeniorBondinterest-2015-3y ears					
SeniorBondinterest-2015-5y ears		150,468,143.41	-194,845,735.92	150,468,144.41	3,429,955,917.77
SeniorBondinterest-2016-3y ears		107,477,246.00	-195,478,087.56	107,477,246.00	3,434,039,569.83
SeniorBondinterest-2016-5y ears		144,449,418.63	-236,632,693.03	144,449,418.64	4,110,508,840.89
Shenyang Chemical Bond					300,972.00
Aiken senior debt	1,369,900,000.00				1,369,900,000.00
Subtotal	99,703,379,318.68	2,512,774,801.27	-4,475,581,467.53	6,848,562,425.61	214,203,238,820.56
Less: Due within 1 year (Note VIII 40)					17,973,536,663.71
Total					196,229,702,156.85

8.40 Long-term payment

Items	Carrying amount as at 31/12/2017	Increased in current year	Decreased in current year	Carrying amount as at 31/12/2018
Long-term payment	3,700,632,691.81	541,355,909.98	3,399,702,148.33	842,286,453.46
Designated payables	450,857,109.56	258,282,192.13	230,176,845.80	478,962,455.89
Total	4,151,489,801.37	799,638,102.11	3,629,878,994.13	1,321,248,909.35

8.40.1 Long-term payment

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Obligation under finance lease	1,151,480,227.13	1,535,134,418.49
Financing installment payment	394,189,504.62	614,236,621.73
Long-term guarantee	25,106,000.00	24,203,000.00
Financial support for 150,000 sets of project start-up funds	20,000,000.00	20,000,000.00
Tax	20,028,199.95	20,028,199.95

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Others	135,559,051.09	2,043,348,199.03
Subtotal	1,746,362,982.79	4,256,950,439.20
Less: Due within 1 year (Note 8.36)	904,076,529.33	556,317,747.39
Total	842,286,453.46	3,700,632,691.81

8.40.2 Designated payables

Items	Carrying amount as at 31/12/2017	Increased in current year	Decreased in current year	Carrying amount as at 31/12/2018
Total	450,857,109.56	240,361,677.55	212,256,331.22	478,962,455.89
Infrastructure funds	54,346,244.90	5,905,882.10		60,252,127.00
Shantytown renovation funds	22,440,000.00			22,440,000.00
allowance for staff	19,269,634.62			19,269,634.62
Investment in the revitalization of key industries within the central budget	50,400,000.00			50,400,000.00
economic compensation	22,205,826.85		175,740.59	22,030,086.26
Other	282,195,403.19	234,455,795.45	212,080,590.63	304,570,608.01

8.41 Long-term employee benefits payable

Items	Carrying amount as at 31/12/2017	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2018
1. Post-employment benefits-net liabilities of defined benefit plans	6,833,441,707.26	589,283,772.34	1,293,788,328.80	6,128,937,150.80
2. Termination benefits	813,678,830.33	213,244,757.52	88,815,813.24	938,107,774.61
3. Other long-term benefits	809,168,065.72	494,505,297.26	149,550,244.79	1,154,123,118.19
Total	8,456,288,603.31	1,297,033,827.12	1,532,154,386.83	8,221,168,043.60

8.42 Provisions

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Disposal costs	1,478,795,328.63	1,530,042,789.59
Warranty for product quality	1,293,892,919.56	954,160,784.45
Outstanding litigations	1,121,863,071.42	11,386,390,504.25
Restructurings obligation	102,014,900.00	
Providing external guarantee	25,885,056.99	26,475,897.27
Executory onerous contracts	7,695,988.36	189,440,503.12
Others	1,274,156,302.20	1,067,297,513.82
Subtotal	5,304,303,567.16	15,153,807,992.50
Less: Due within 1 year (Note 8.40)	250,488,913.72	3,491,151,087.48
Total	5,053,814,653.44	11,662,656,905.02

8.43 Deferred income

Items	Carrying amount as at 31/12/2017	Increased in current year	Decreased in current year		Carrying amount as at 31/12/2018
			Reckon into profit and loss	Return	
Special fund	1,020,622,756.37	252,106,331.26	371,800,614.28		900,928,473.35
Land compensation	720,952.48		595,700.55		125,251.93
The Romanian government grants	281,814,656.64	96,738,380.40	34,701,183.45		343,851,853.59
Production grants	60,835,169.23	14,830,000.00	5,108,324.03		70,556,845.20
Research grant	344,200,654.97	83,554,404.31	116,926,217.73		310,828,841.55
Energy conservation and environmental protection benefits	45,857,648.23	129,500.00	8,159,599.86		37,827,548.37
Government discount	20,560,375.67	35,890,361.21	3,864,076.00		52,586,660.88
The Mexican government subsidies	40,340,336.38	13,558,006.77	10,949,293.42		42,949,049.73
Unrealized leaseback earning	26,523,860.14		4,798,860.12		21,725,000.02
Compensation for demolition	75,809,308.94	80,339,217.14	4,515,886.76		151,632,639.32
Business cost allocation	228,076,857.74	9,200,000.00	9,311,178.88		227,965,678.86
Bounty		500,000.00			500,000.00
Deferred license revenue	463,928,200.00	24,292,400.00	42,112,600.00		446,108,000.00
Others	197,478,657.44	97,427,964.88	98,293,012.98		196,613,609.34
Total	2,806,769,434.23	708,566,565.97	711,136,548.06		2,804,199,452.14

8.44 Other non-current liabilities

Items/Categories	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Derivative financial liabilities	1,066,102,029.23	1,979,740,253.52
Asian Infrastructure Investment Bank	227,851,000.00	
Pension and social securities (non-current portion)	239,404,996.81	248,872,693.91
Priority construction funds of CADB	200,000,000.00	200,000,000.00
Tax payable (non-current portion)	71,249,403.40	73,774,998.75
Delay payment	48,042,400.00	
Long-term contract liability	28,146,000.00	
Deferred rental income	28,233,902.68	26,667,972.71
Other transaction-related liabilities	34,686,808.10	35,600,256.42
Confer minority shareholder put option		53,509,000.00
Margin		4,376,419.30
Others	6,316,039.56	16,145,516.95
Total	1,950,032,579.78	2,638,687,111.56

8.45 Share capital

Investors	Carrying amount as at 31/12/2017		Current year increase	Current year decrease	Carrying amount as at 31/12/2018	
	Amount	Percentage (%)			Amount	Percentage (%)
Total	11,580,025,968.24	100.00	12,000,000.00		11,592,025,968.24	100.00
State-owned Assets Supervision and Administration Committee	11,580,025,968.24	100.00	12,000,000.00		11,592,025,968.24	100.00

8.46 Other equity instruments

Outstanding financial instruments	Carrying amount as at 31/12/2017		Increase during the current year	
	Amount	Book Value	Amount	Book Value
Perpetual Bond	129,000,000	12,900,000,000.00		
Total	129,000,000	12,900,000,000.00		

(Continued)

Outstanding financial instruments	Decrease during the current year		Carrying amount as at 31/12/2018	
	Amount	Book Value	Amount	Book Value
Perpetual Bond			129,000,000	12,900,000,000.00
Total			129,000,000	12,900,000,000.00

8.47 Capital reserves

Items	Carrying amount as at 31/12/2017	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2018
Share premium	3,060,993,580.07	1,344,804,066.12	3,718,287,638.63	687,510,007.56
Other capital reserves	20,558,194,624.69	30,471,989.71	116,819,730.41	20,471,846,883.99
Total	23,619,188,204.76	1,375,276,055.83	3,835,107,369.04	21,159,356,891.55
State-owned exclusive capital reserves				

8.48 Designated reserves

Items	Carrying amount as at 31/12/2017	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2018
Safety fund	76,046,433.14	237,320,370.08	219,080,211.85	94,286,591.37
Total	76,046,433.14	237,320,370.08	219,080,211.85	94,286,591.37

8.49 Undistributed profit

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Balance at the end of last year	-22,295,108,426.13	-13,209,402,192.70
Add: Accounting policy changes	56,807,423.00	
Adjustment of major accounting errors		-1,566,827,939.28
Opening Balance	-22,238,301,003.13	-14,776,230,131.98
Increase	-14,580,701,199.91	-6,901,027,044.15

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
Incl: Transferred from net profit for the current period	-14,602,535,996.35	-6,901,027,044.15
Other adjusting factors	21,834,796.44	
Decrease	726,750,000.00	617,851,250.00
Incl: Distribution of cash dividend for the current period	726,750,000.00	617,851,250.00
Ending Balance	-37,545,752,203.04	-22,295,108,426.13

8.50 Operating revenues and costs

Items	Current year		Prior year	
	Revenue	Cost	Revenue	Cost
Subtotal of operating income from main business	436,262,733,788.99	333,699,722,468.03	377,303,025,277.23	303,983,960,276.20
Petroleum processing and petrochemical products	180,251,715,300.10	164,828,536,158.84	164,985,049,894.48	158,763,895,440.01
Agricultural chemicals	117,133,722,744.55	70,779,750,638.15	76,517,481,193.55	46,790,279,977.81
Tire rubber products	55,229,863,331.42	35,095,401,753.86	58,146,523,698.18	38,635,771,457.90
New chemical materials and specialty chemicals	61,617,055,011.84	47,122,095,611.26	55,349,528,580.05	44,188,116,858.58
Chemical machinery and equipment manufacturing	12,567,560,703.15	9,403,615,489.65	11,806,346,471.59	8,944,043,986.90
Others	9,462,816,697.93	6,470,322,816.27	10,498,095,439.38	6,661,852,555.00
Subtotal of other business	9,550,831,706.95	8,607,219,963.69	14,861,558,178.12	13,095,377,910.22
Selling materials	7,694,497,237.37	7,235,316,866.32	13,148,358,578.56	12,176,014,199.43
Assets rent out	130,948,694.73	38,322,036.20	478,410,523.99	55,973,028.70
Transfer power	36,073,797.69	34,151,085.51	61,748,837.34	56,871,500.23
Others	1,689,311,977.16	1,299,429,975.66	1,173,040,238.23	806,519,181.86
Total	445,813,565,495.94	342,306,942,431.72	392,164,583,455.35	317,079,338,186.42

8.51 Sales expenses, General and administrative expenses and Financial costs

8.51.1 Sales expenses

Items	Current year	Prior year
Employee benefits	10,547,065,031.73	8,204,569,009.91
Transportation fees	7,700,247,218.68	6,929,977,047.99
Advertising fees	3,598,919,481.82	3,819,375,378.52
Business fees	3,416,317,394.43	2,086,409,171.00
Sales service fee	2,839,054,805.15	2,234,106,818.64
Depreciation	2,018,478,549.01	1,614,479,425.36
Warehousing fees	1,228,078,434.60	1,075,927,453.08
Travel expenses	165,054,516.50	239,971,587.12
Consignment fee	141,780,066.74	112,425,304.09
Repairment expense	136,117,617.67	136,386,778.43

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Current year	Prior year
Others	1,423,087,459.15	1,513,272,088.42
Total	33,214,200,575.48	27,966,900,062.56

8.51.2 General and administrative expenses

Items	Current year	Prior year
Employee benefits	9,317,950,334.27	7,985,371,149.11
Intangible assets amortization	5,353,810,241.38	3,958,267,788.77
Depreciation and amortization of assets	1,225,274,978.19	1,074,087,662.68
Consultant fees	1,224,683,799.47	1,318,603,533.73
Intermediary institution fees	736,463,708.51	622,149,327.20
Rental expenses	649,009,799.98	712,183,074.34
Maintenance expenses	642,712,861.03	705,016,819.23
Travel expenses	600,624,236.35	591,263,240.52
Information system operation and maintenance fee	442,667,259.06	378,910,674.89
Insurance	395,491,104.40	388,576,257.52
Party construction work expenses	7,564,729.60	2,561,522.90
Others	3,066,391,486.66	2,695,941,818.3
Total	23,662,644,538.90	20,432,932,869.19

8.51.3 Financial costs

Items	Current year	Prior year
Interest expenses	19,083,730,613.53	14,367,537,851.57
Less: Interest income	2,872,965,752.33	2,583,547,829.37
Net interest expense	16,210,764,861.20	11,783,990,022.20
Net exchange loss	3,469,168,279.86	
Exchange of net income		2,188,568,200.21
Financial institution fees	589,338,173.56	614,739,434.50
Others	1,958,097,698.54	1,467,299,491.95
Total	22,227,369,013.16	11,677,460,748.44

8.52 Impairment loss on assets

Items	Current Period	Prior Period
Impairment loss of bad debts	2,035,191,597.73	1,250,747,091.08
Impairment loss of Inventories	2,415,347,389.41	1,145,170,115.45
Impairment loss of hold-for-sale financial assets	9,034,346.01	

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Current Period	Prior Period
Impairment loss of available-for-sale financial assets	193,796,705.07	268,286,708.17
Impairment loss of held-to-maturity investments		
Impairment loss of long-term equity investments	6,820,453.18	5,749,476.20
Impairment loss of investment properties		
Impairment loss of fixed assets	623,322,020.26	429,243,094.28
Impairment loss of construction materials		
Impairment loss of construction in progress	63,936,809.09	19,678,891.40
Impairment loss of intangible assets	111,201,008.50	34,305,280.44
Impairment loss of goodwill		
Impairment loss of other assets	13,746,045.16	399,353,560.91
Total	5,472,396,374.41	3,552,534,217.93

8.53 Credit losses

Items	Carrying amounts as at 31/12/2018	Carrying amounts as at 31/12/2017
Loss on bad debts	404,613,681.10	
Total	404,613,681.10	

8.54 Other income

Items	Current Period	Prior Period
Tax returns	489,557,391.83	338,036,701.51
Special fund	256,348,356.59	48,252,993.45
Bounty	176,114,813.91	115,612,892.51
Government grants from the Italy government insurance	116,099,741.66	1,677,566.00
Research grant	27,473,567.71	94,068,306.37
Industrial development funding for amortization	20,823,359.64	26,449,641.62
Bond lending fund for amortization	16,801,908.84	16,801,908.84
Land compensation	14,678,238.71	16,718,238.71
Energy conservation and environmental protection benefits	11,633,180.14	5,408,467.12
Benefits from 200 thousand tons integrated project	11,139,962.74	11,688,132.84
Business cost allocation	6,154,948.13	7,613,371.21
Steady post subsidies	5,698,641.70	4,917,293.34
Patent grants	3,312,161.30	2,216,700.00
Support and development funds of small and medium-sized enterprise	1,238,900.00	42,551,793.24
Production grants	1,117,913.31	3,478,713.30

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Current Period	Prior Period
The Romanian government grants		25,182,423.62
Insurance		11,250,000.00
Government discount		2,400,000.00
Others	46,888,912.54	241,441,018.18
Total	1,205,081,998.75	1,015,766,161.86

8.55 Investment income

Source of investment income	Current year	Prior year
Investment income from long-term equity investments measured by the equity method	237,527,072.97	210,443,905.54
Investment income from disposal of long-term equity investment	-136,673,552.00	884,700,670.40
Investment income from financial assets held-for-trading during holding period	450,607,609.16	
Investment income from disposal of financial assets held-for-trading	235,034,478.74	
Investment income from financial assets at fair value through profit or loss during holding period	-1,923,355.75	48,511,099.85
Investment income from disposal of financial assets at fair value through profit or loss	632,467,944.07	-1,451,599,350.18
Investment income from held-to-maturity investments during holding period (under old financial instrument standards)		1,204,468.56
Investment income from available-for -sale financial assets during holding period (under old financial instrument standards)	6,231,002.59	84,717,214.31
Investment income from disposal of available-for -sale financial assets (under old financial instrument standards)	9,420,621.80	193,167,036.07
Investment income obtained by subsidiaries	1,566,134,272.49	19,537,749.49
Others	-123,680,924.20	6,084,614.97
Total	2,875,145,169.87	-3,232,590.99

8.56 Gains from net exposure hedge

Source of net exposure hedge income	Current year	Prior year
The amount of cash flow hedging reserve transferred into current profit and loss	645,797,907.75	
Total	645,797,907.75	

8.57 Gain from fair-value changes ("-"for loss)

Sources of income from changes in fair value	Current Period	Prior Period
Financial assets at fair value through profit and loss	-938,172,988.26	119,644,699.79
Derivative assets	989,425,023.81	-1,225,498,306.72
Financial liabilities at fair value through profit and loss		
Investment properties in fair value		
Other	-4,921,000.00	129,000.00
Total	46,331,035.55	-1,105,724,606.93

8.58 Gains from asset disposals ("-"for loss)

Items	Current Period	Prior Period	Included in the non-recurring gains and losses of the year
Gain or loss from disposal of product rights	1,646,886,000.00		1,646,886,000.00
Gain or loss from disposal of fixed assets	167,839,781.65	364,355,410.04	167,839,781.65
Gain or loss from disposal of land	32,648,285.56	-49,427,653.37	32,648,285.56
Gain or loss from disposal of intangible assets	755,649,598.91	59,243,534.48	755,649,598.91
Gain or loss from disposal of held-for-sale non-current assets or disposal group		132,503,920.02	
Gain or loss from disposal of construction in progress		137,611,206.22	
Total	2,603,023,666.12	644,286,417.39	2,603,023,666.12

8.59 Non-operating income

8.59.1 Disclosure by classification

Items	Current Period	Prior Period	Included in the non-recurring gains and losses of the year
Government grants (details as follow)	706,725,302.40	504,388,814.96	706,725,302.40
Gains from insurance claims	145,181,243.18	145,027,575.17	145,181,243.18
Unpayable accounts payable	129,445,681.55	122,123,076.98	129,445,681.55
Gains from debt restructuring	63,168,473.32	7,202,800.76	63,168,473.32
Compensation revenue	31,041,887.73	63,150,685.06	31,041,887.73
Gains from non-monetary assets exchange	9,868,900.00	2,009,845.47	9,868,900.00
Dispose debt	5,004,904.66	2,459,323.89	5,004,904.66
Gains from disposal of non-current assets	4,644,041.01	10,643,883.97	4,644,041.01
Confiscated gains	1,831,021.26	972,543.08	1,831,021.26
Gains from the recipient	1,265,460.87	10,704,269.33	1,265,460.87
Dispose of waste materials		1,612,013.26	
Others	304,022,903.43	1,199,191,912.06	304,022,903.43
Total	1,402,199,819.41	2,069,486,743.99	1,402,199,819.41

8.59.2 Government Grants Details

Items	Current Period	Prior Period
Business cost allocation	261,045,110.38	228,972,893.46
Special fund	181,830,956.65	17,910,426.00
Government discount	43,464,692.78	22,230,261.06

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Current Period	Prior Period
Research grant	50,864,973.27	127,930,521.76
Energy conservation and environmental protection benefits	27,666,801.00	36,751,939.79
Retirement benefits	16,126,775.66	15,077,300.00
Bounty	7,614,900.00	4,938,996.78
Steady post subsidies	2,803,787.73	2,354,587.72
Compensation for demolition	1,584,120.16	17,982,871.75
Support and development funds of small and medium-sized enterprise	1,040,200.00	776,000.00
Others	112,682,984.77	29,463,016.64
Total	706,725,302.40	504,388,814.96

8.60 Non-operating expenses

Items	Current Period	Prior Period	Included in the non-recurring gains and losses of the year
Expenditure on water supply, power supply, heating and property management renovation	294,766,710.16		294,766,710.16
Retirement expenses	203,542,662.25	164,155,512.50	203,542,662.25
Overdue fine expenses	122,163,653.64	77,719,876.96	122,163,653.64
Loss from disposal of non-current assets	121,164,163.74	202,175,297.29	121,164,163.74
Loss from disposal of assets	96,044,708.66	77,064,806.09	96,044,708.66
Donation expenses	48,637,680.91	80,041,948.18	48,637,680.91
Expense from compensation for breach of contract	15,483,342.18	23,476,905.29	15,483,342.18
Losses from debt restructuring	5,675,505.83	2,469,139.27	5,675,505.83
Land reclamation	5,365,500.00	21,136,500.00	5,365,500.00
Expense from compensation of litigation	3,414,690.79	25,085,185.72	3,414,690.79
Loss from disposal of debt		40,459,584.46	
Bounty expenses		8,420,300.00	
Others	274,085,816.66	278,101,514.16	274,085,816.66
Total	1,190,344,434.82	1,000,306,569.92	1,190,344,434.82

8.61 Income tax expenses

8.61.1 General information

Items	Current year	Prior year
Current tax expense for the year based on tax law and regulations	5,649,917,100.93	5,219,172,627.13
Changes in deferred tax assets / liabilities	-2,811,433,663.49	-5,659,922,783.97
Total	2,838,483,437.44	-440,750,156.84

8.61.2 Reconciliation of account profit and income tax expenses

Items	Current year
Profit before tax	1,427,837,430.96
Income tax computed in accordance with the applicable tax rate	356,959,357.74
Effect of different tax rates applied by subsidiaries	-583,803,249.68
Adjustments to income tax of previous years	145,475,258.93
Effect of non-taxable income	-1,264,943,681.14
Effect of non-deductible costs, expense and losses	1,422,867,917.80
Effect of using the deductible losses for which no deferred tax asset was recognised in previous period	-618,116,490.36
Effect of deductible temporary differences or deductible losses for which no deferred tax asset was recognised this year	3,364,114,441.92
Others	15,929,882.23
Income tax expenses	2,838,483,437.44

8.62 Other comprehensive income

8.62.1 General information

Items	Current year		
	Amount for the year before tax	Current year increase/decrease ("-" for decrease)	Amount for the year before tax
1. Other comprehensive income that will not be classified to profit or loss	290,727,272.87	104,302,778.73	186,424,494.14
Remeasurement of defined benefit plan net assets/liabilities	216,137,380.97	84,460,778.73	131,676,602.24
Proportions of the other comprehensive income of the investee that will not be reclassified to profit or loss under equity method	-1,208.97		-1,208.97
Changes in fair value of other investments in equity instruments (under new financial instrument standards)	74,591,100.87	19,842,000.00	54,749,100.87
Changes in fair value due to entity's own credit risk change (under new financial instrument standards)			
Others			
2. Other comprehensive income that may be classified to profit or loss	3,325,033,466.67	227,324,527.42	3,097,708,939.25
Proportions of the other comprehensive income of the investee that will be reclassified to profit or loss in the future under equity method	-30,729,211.47	-4,404,248.39	-26,324,963.08
Less: other comprehensive income recognized in prior periods and transferred to profit or loss in current period			
Subtotal	-30,729,211.47	-4,404,248.39	-26,324,963.08
Changes in fair value of other debt investments (under new financial instrument standards)			

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Current year		
	Amount for the year before tax	Current year increase/decrease ("-" for decrease)	Amount for the year before tax
Less: other comprehensive income recognized in prior periods and transferred to profit or loss in current period			
Subtotal			
Gains or losses from fair value movement of available-for-sale financial assets (under old financial instrument standards)	-97,322,858.61	-13,866,479.87	-83,456,378.74
Less: other comprehensive income recognized in prior periods and transferred to profit or loss in current period	20,174,592.66	3,797,284.53	16,377,308.13
Subtotal	-117,497,451.27	-17,663,764.40	-99,833,686.87
Amount included in other comprehensive income arising from reclassification of financial assets (under new financial instrument standards)			
Less: other comprehensive income recognized in prior periods and transferred to profit or loss in current period			
Subtotal			
Gains or losses from the reclassification from held-to-maturity financial assets to available-for-sale financial assets (under old financial instrument standards)			
Less: other comprehensive income recognized in prior periods and transferred to profit or loss in current period			
Subtotal			
Credit losses of other debt investments (under new financial instrument standards)			
Less: other comprehensive income recognized in prior periods and transferred to profit or loss in current period			
Subtotal			
Effective portion of gains or losses arising from cash flow hedging instruments	1,264,340,920.43	136,954,540.21	1,127,386,380.22
Less: other comprehensive income recognized in prior periods and transferred to profit or loss in current period			
Adjustment amount for items that are transferred to cash flow hedging instruments	544,273,229.98		544,273,229.98
Subtotal	720,067,690.45	136,954,540.21	583,113,150.24
Translation differences arising from translation of foreign currency financial statements	2,681,443,192.50	112,438,000.00	2,569,005,192.50
Less: other comprehensive income recognized in prior periods and transferred to profit or loss in current period			
Subtotal	2,681,443,192.50	112,438,000.00	2,569,005,192.50
Others	71,749,246.46		71,749,246.46

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Current year		
	Amount for the year before tax	Current year increase/decrease ("-" for decrease)	Amount for the year before tax
Less: other comprehensive income recognized in prior periods and transferred to profit or loss in current period			
Subtotal	71,749,246.46		71,749,246.46
3.Total other comprehensive income	3,615,760,739.54	331,627,306.15	3,284,133,433.39

(Continued)

Items	Prior year		
	Amount for the year before tax	Current year increase/decrease ("-" for decrease)	Amount for the year before tax
1. Other comprehensive income that will not be classified to profit or loss	917,119,125.80	217,134,406.48	699,984,719.32
Remeasurement of defined benefit plan net assets/liabilities	853,861,859.71	207,366,740.39	646,495,119.32
Proportions of the other comprehensive income of the investee that will not be reclassified to profit or loss under equity method	63,257,266.09	9,767,666.09	53,489,600.00
Changes in fair value of other investments in equity instruments (under new financial instrument standards)			
Changes in fair value due to entity's own credit risk change (under new financial instrument standards)			
Others			
2. Other comprehensive income that may be classified to profit or loss	-5,846,149,403.01	-109,448,171.38	-5,736,701,231.63
Proportions of the other comprehensive income of the investee that will be reclassified to profit or loss in the future under equity method	20,668,963.38	3,798,463.70	16,870,499.68
Less: other comprehensive income recognized in prior periods and transferred to profit or loss in current period			
Subtotal	20,668,963.38	3,798,463.70	16,870,499.68
Changes in fair value of other debt investments (under new financial instrument standards)			
Less: other comprehensive income recognized in prior periods and transferred to profit or loss in current period			
Subtotal			
Gains or losses from fair value movement of available-for-sale financial assets (under old financial instrument standards)	117,581,236.85	-21,273,991.29	138,855,228.14
Less: other comprehensive income recognized in prior periods and transferred to profit or loss in current period	67,145,566.44	16,786,391.61	50,359,174.83
Subtotal	50,435,670.41	-38,060,382.90	88,496,053.31

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Prior year		
	Amount for the year before tax	Current year increase/ decrease ("-" for decrease)	Amount for the year before tax
Amount included in other comprehensive income arising from reclassification of financial assets (under new financial instrument standards)			
Less: other comprehensive income recognized in prior periods and transferred to profit or loss in current period			
Subtotal			
Gains or losses from the reclassification from held-to-maturity financial assets to available-for-sale financial assets (under old financial instrument standards)			
Less: other comprehensive income recognized in prior periods and transferred to profit or loss in current period			
Subtotal			
Credit losses of other debt investments (under new financial instrument standards)			
Less: other comprehensive income recognized in prior periods and transferred to profit or loss in current period			
Subtotal			
Effective portion of gains or losses arising from cash flow hedging instruments	-545,857,641.51	-75,186,252.18	-470,671,389.33
Less: other comprehensive income recognized in prior periods and transferred to profit or loss in current period			
Adjustment amount for items that are transferred to cash flow hedging instruments	44,294,503.64		44,294,503.64
Subtotal	-590,152,145.15	-75,186,252.18	-514,965,892.97
Translation differences arising from translation of foreign currency financial statements	-5,353,704,001.62		-5,353,704,001.62
Less: other comprehensive income recognized in prior periods and transferred to profit or loss in current period	-26,602,109.97		-26,602,109.97
Subtotal	-5,327,101,891.65		-5,327,101,891.65
Others			
Less: other comprehensive income recognized in prior periods and transferred to profit or loss in current period			
Subtotal			
3.Total other comprehensive income	-4,929,030,277.21	107,686,235.10	-5,036,716,512.31

8.62.2 Reconciliation of other comprehensive income items

Items	Remeasurement of defined benefit plan net assets/liabilities	Proportion of the other comprehensive income of the equity-accounted investee that will not be reclassified to profit or loss	Changes in fair value of other investments in equity instruments	Proportion of the other comprehensive income of the equity-accounted investee that may be reclassified to profit or loss
1. Balance at January 1, 2017	66,712,902.00	74,628.00		-10,979,797.99
2. Increase /(decrease) during the year 2017 ("-" for decrease)	646,495,119.32	53,489,600.00		16,870,499.68
3. Balance at December 31, 2017	713,208,021.32	53,564,228.00		5,890,701.69
4. Adjustment of accounting standards				
5. Balance at January 1, 2018	713,208,021.32	53,564,228.00		5,890,701.69
6. Increase /(decrease) during the year 2018 ("-" for decrease)	131,676,602.24	-1,208.97	54,749,100.87	-26,324,963.08
7. Balance at December 31, 2018	844,884,623.56	53,563,019.03	54,749,100.87	-20,434,261.39

(Continued)

Items	Gains or losses arising from changes in fair value of available-for-sale financial assets	Effective portion of gains or losses arising from cash flow hedging instruments	Translation differences arising from translation of foreign currency financial statements	Others	Subtotal
1. Balance at January 1, 2017	309,704,317.13	-326,359,578.85	-3,936,793,139.72		-3,897,640,669.43
2. Increase /(decrease) during the year 2017 ("-" for decrease)	-29,957,822.98	-514,965,892.97	-5,327,101,891.65		-5,155,170,388.60
3. Balance at December 31, 2017	279,746,494.15	-841,325,471.82	-9,263,895,031.37		-9,052,811,058.03
4. Adjustment of accounting standards		39,944,923.70		-30,057,217.26	9,887,706.44
5. Balance at January 1, 2018	279,746,494.15	-801,380,548.12	-9,263,895,031.37	-30,057,217.26	-9,042,923,351.59
6. Increase /(decrease) during the year 2018	-99,833,686.87	583,113,150.24	2,569,005,192.50	71,455,839.96	3,283,840,026.89
7. Balance at December 31, 2018	179,912,807.28	-218,267,397.88	-6,694,889,838.87	41,398,622.70	-5,759,083,324.70

8.63 Debt restructuring

8.63.1 The Company's debt restructuring as a debtor

Manners of debt restructuring	Gains from debt restructuring	Increase in capital	Contingent payables
Pay off debts by cash amount less than carrying amount of debts	59,831,431.55		
Debts transferred to paid-in capital	3,337,041.77		
Total	63,168,473.32		

8.63.2 The Company's debt restructuring as a creditor

Manners of debt restructuring	Losses from debt restructuring	Increase in long-term investment	Proportion of debtors' shares (%)	Contingent receivables
Recover debts by cash that lower than carrying amount of debts	5,334,385.00			
Recover debts by non-cash assets	341,120.83			
Total	5,675,505.83			

8.64 Leases

8.64.1 Finance lease (Lessor)

The minimum lease receivable amount for the subsequent leased finance lease assets:

Remaining lease term	Minimum lease receipt
Within 1 year	97,788,275.00
1 to 2 years	75,805,575.00
2 to 3 years	75,805,575.00
Over 3 years	147,895,900.00
Total	397,295,325.00

8.64.2 Operating lease (Lessor)

Categories	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
House and building	601,932,053.69	530,953,699.55
Machineries	1,192,030.48	1,058,745.11
Vehicles	9,353.59	11,248.50
Land use rights		72,144,795.44
Total	603,133,437.76	604,168,488.6

8.64.3 Finance lease (Lessee)

8.64.3.1 Financing lease of the rented fixed assets

Categories	Carrying amount as at 31/12/2018	Carrying amount as at 31/12/2017
House and building	896,969.93	577,370.20
Machineries	1,777,412,393.37	2,306,800,665.74
Total	1,778,309,363.30	2,307,378,035.94

8.64.3.2 Minimum payments for subsequent year

Remaining lease period	Minimum payments
Within 1 years (Include 1 year)	908,628,777.51
1 – 2 years (Include 2 years)	360,686,002.62
2 – 3 years (Include 3 years)	200,654,521.41
Over 3 years	238,199,395.94
Total	1,708,168,697.48

8.64.4 Operating lease (Lessee)

Major operating leases and operating leases the remaining lease term

Remaining lease period	Minimum payments
Within 1 years (Include 1 year)	1,597,154,643.03
1 – 2 years (Include 2 years)	1,418,159,648.24
2 – 3 years (Include 3 years)	1,095,214,371.44
Over 3 years	3,826,193,228.99
Total	7,936,721,891.70

8.65 Segments

Items	Petroleum processing and petrochemical products		Tire rubber products	
	Current year	Prior year	Current year	Prior year
Operating Revenue	185,589,019,327.77	173,533,726,629.04	55,503,885,589.92	57,947,278,719.00
Incl: Segment revenue from external customer	185,470,447,058.62	173,511,876,240.95	55,293,151,733.01	57,945,405,556.58
Revenue between segments	118,572,269.15	21,850,388.09	210,733,856.91	1,873,162.42
Investment income in associate and joint venture	251,559,629.81	128,496,164.71	-90,220,520.23	-62,923,823.09
Impairment loss	835,511,454.70	447,353,715.48	288,420,854.75	228,525,750.92
Credit impairment loss (applicable to new standard)			135,978,681.10	
Depreciation & Amortization	1,314,819,786.05	1,202,039,061.08	3,878,280,951.20	3,697,387,331.94
Total profit	2,378,119,043.61	2,249,972,899.70	3,162,279,387.52	1,340,507,634.24
Income tax	470,629,954.46	410,771,845.85	511,542,302.67	456,267,677.33
Net profit	1,907,489,089.15	1,839,201,053.85	2,650,737,084.85	884,239,956.91
Total assets	62,012,962,229.85	62,068,200,824.09	133,116,568,552.17	136,972,710,696.75
Total liabilities	36,970,004,892.24	38,933,103,303.59	99,588,742,314.23	99,871,825,942.28
Other significant non-cash Items				
Others non-cash Item other than depreciation & amortization				
Addition in Associate company & Joint venture Long-term equity investment				

(Continued)

Items	New chemical materials and specialty chemicals		Agricultural chemicals	
	Current year	Prior year	Current year	Prior year
Operating Revenue	61,299,767,325.45	57,717,549,430.20	116,994,020,638.60	77,030,870,563.51
Incl: Segment revenue from external customer	60,427,863,833.12	57,021,954,261.93	116,984,847,412.31	77,015,366,392.54

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	New chemical materials and specialty chemicals		Agricultural chemicals	
	Current year	Prior year	Current year	Prior year
Revenue between segments	871,903,492.33	695,595,168.27	9,173,226.29	15,504,170.97
Investment income in associate and joint venture	48,712,625.90	86,633,074.39	20,821,919.60	53,458,400.00
Impairment loss	537,327,690.36	274,000,722.95	1,816,797,170.87	1,500,468,343.85
Credit impairment loss (applicable to new standard)			268,635,000.00	
Depreciation & Amortization	4,938,447,690.07	4,454,467,872.37	10,085,089,198.29	7,459,371,132.96
Total profit	2,361,684,776.45	2,142,054,397.93	-4,008,820,449.28	-5,970,111,964.59
Income tax	953,465,934.60	1,072,553,518.38	639,829,195.35	-3,019,017,078.11
Net profit	1,408,218,841.85	1,069,500,879.55	-4,648,649,644.63	-2,951,094,886.48
Total assets	122,807,396,396.65	125,298,696,729.08	520,627,795,889.27	492,946,736,007.67
Total liabilities	89,246,868,502.17	97,893,046,996.65	343,917,246,775.37	304,490,563,272.64
Other significant non-cash Items				
Others non-cash Item other than depreciation & amortization				
Addition in Associate company & Joint venture Long-term equity investment				

(Continued)

Items	Chemical machinery and equipment manufacturing		Others	
	Current year	Prior year	Current year	Prior year
Operating Revenue	13,400,085,333.90	12,431,201,205.71	16,185,860,498.31	14,887,353,095.70
Incl: Segment revenue from external customer	13,387,645,516.04	12,368,366,362.13	14,249,609,942.84	14,301,614,641.22
Revenue between segments	12,439,817.86	62,834,843.58	1,936,250,555.47	585,738,454.48
Investment income in associate and joint venture	3,219,794.77	18,696,431.94	9,244,170.27	-13,916,342.41
Impairment loss	39,166,929.66	56,049,498.93	2,036,192,135.87	941,282,291.96
Credit impairment loss (applicable to new standard)				
Depreciation & Amortization	729,049,646.69	669,476,120.95	898,714,743.14	607,690,472.26
Total profit	-102,113,914.56	245,716,852.45	-1,221,158,569.02	234,004,475.60
Income tax	94,265,847.64	198,233,622.16	172,691,747.38	440,440,257.55
Net profit	-196,379,762.20	47,483,230.29	-1,393,850,316.40	-206,435,781.95
Total assets	28,656,054,300.90	26,215,343,474.41	130,848,734,743.22	129,795,719,686.82
Total liabilities	24,157,156,429.20	21,911,156,394.36	89,371,571,309.45	85,621,065,468.33

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Chemical machinery and equipment manufacturing		Others	
	Current year	Prior year	Current year	Prior year
Other significant non-cash Items				
Others non-cash Item other than depreciation & amortization				
Addition in Associate company & Joint venture Long-term equity investment				

(Continued)

Items	Elimination		Total	
	Current year	Prior year	Current year	Prior year
Operating Revenue	-3,159,073,218.01	-1,383,396,187.81	445,813,565,495.94	392,164,583,455.35
Incl: Segment revenue from external customer			445,813,565,495.94	392,164,583,455.35
Revenue between segments	-3,159,073,218.01	-1,383,396,187.81		
Investment income in associate and joint venture	-5,810,547.15		237,527,072.97	210,443,905.54
Impairment loss	-81,019,861.80	104,853,893.84	5,472,396,374.41	3,552,534,217.93
Credit impairment loss (applicable to new standard)			404,613,681.10	
Depreciation & Amortization	-273,381,927.82	1,229,103,747.23	21,571,020,087.62	19,319,535,738.79
Total profit	-1,142,152,843.76	3,849,360.53	1,427,837,430.96	245,993,655.86
Income tax	-3,941,544.66		2,838,483,437.44	-440,750,156.84
Net profit	-1,138,211,299.10	3,849,360.53	-1,410,646,006.48	686,743,812.70
Total assets	-199,220,611,111.46	-176,669,961,834.12	798,848,901,000.60	796,627,445,584.70
Total liabilities	-77,369,990,534.81	-63,363,012,096.82	605,881,599,687.85	585,357,749,281.03
Other significant non-cash Items				
Others non-cash Item other than depreciation & amortization				
Addition in Associate company & Joint venture Long-term equity investment				

8.66 Supplementary information to the statement of cash flows

8.66.1 Supplementary information to the statement of cash flows

Items	Current year	Prior year
1. Reconciliation of cash flows from operating activities to net profit:		
Net profit	-1,410,646,006.48	686,743,812.70

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Current year	Prior year
Add: Loss on asset impairment	5,472,396,374.41	3,552,534,217.93
Credit impairment loss (applicable to new standard)	404,613,681.10	
Depreciation of fixed assets, oil and gas assets, biological assets held for production	12,598,060,316.81	12,102,052,959.43
Amortization of intangible assets	8,792,259,151.32	7,029,909,546.36
Amortization of Long-term deferred expenditure	180,700,619.49	187,573,233.00
Loss on non-current assets disposal (gain presented by "-" prefix)	-2,603,023,666.12	-644,286,417.39
Loss on scrap of fixed assets (gain presented by "-" prefix)	116,520,122.73	191,531,413.32
Loss on fair value changes (gain presented by "-" prefix)	-46,331,035.55	1,105,724,606.93
Financial costs (gain presented by "-" prefix)	21,971,040,634.12	14,846,726,844.31
Investment loss (gain presented by "-" prefix)	-2,875,145,169.87	3,232,590.99
Decrease of deferred tax assets (increase presented by "-" prefix)	448,111,568.83	-8,314,298,071.30
Increase of deferred tax liabilities (increase presented by "-" prefix)	-3,259,545,232.32	2,654,375,287.33
Decrease of inventories (increase presented by "-" prefix)	-2,380,514,345.13	-43,597,011,237.16
Decrease of operating receivables (increase presented by "-" prefix)	2,436,644,422.12	-39,481,381,389.62
Increase of operating payables (decrease presented by "-" prefix)	-3,621,580,134.53	94,173,960,895.62
Others	-7,141,367,961.64	-973,725,358.40
Net cash flows generated from operating activities	29,082,193,339.29	43,523,662,934.05
2. Significant investing and financing activities involve no cash:		
Debt-to-capital conversion		
Convertible loan due within one year		
Fixed assets acquired under financial lease	185,192,000.00	26,744,800.00
3. Movement of cash and cash equivalents:		
Cash as at 31/12/2018	55,553,086,201.46	71,873,684,365.75
Less: Cash as at 31/12/2017	71,873,684,365.75	44,869,372,855.83
Add: Cash equivalents as at 31/12/2018		
Less: Cash equivalents as at 31/12/2017		
Net increase of cash and cash equivalents	-16,320,598,164.29	27,004,311,509.92

6.66.2 Net cash from subsidiaries or disposal subsidiaries this year

Items	Current year
1. Cash or cash equivalents that occurred in this year	10,793,302,800.15
Less: Cash and cash equivalents held on the acquisition date	251,186,623.33
Add: Cash or cash equivalents that have occurred during the previous period	

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Current year
Net cash payments from acquiring subsidiaries	10,542,116,176.82
2. Cash or cash equivalents received by the subsidiaries this year	628,358,377.29
Less: Cash and cash equivalents held by the Company during the day of loss of control	39,875,921.66
Add: Cash or cash equivalents received by the subsidiary during the previous period	31,281,685.35
Net cash received from the disposal of subsidiary	619,764,140.98

6.66.3 Composition of cash and cash equivalents

Items	Current year	Prior year
1. Cash	55,553,086,201.46	71,873,684,365.75
Including: Cash at hand	26,239,487.80	177,817,784.43
Demand bank deposit	48,405,102,030.47	64,749,968,275.04
Demand other monetary funds	1,377,971,420.79	971,471,406.51
Deposit in the industry	5,743,773,262.40	5,974,426,899.77
2. Cash equivalents		
Including: Debt instrument matured within three months		
3. Cash and cash equivalents as at 31/12/2018	55,553,086,201.46	71,873,684,365.75
Including: restricted cash and cash equivalents in parent company or subsidiary		

8.67 Foreign currency monetary items

Items	Original amount as at 31/12/2018	Foreign exchange rate	Translated amount as at 31/12/2018
Monetary funds			37,375,280,817.76
Including: -NOK	3,940,051,807.38	0.7828	3,084,272,554.82
-USD	2,180,582,295.31	6.8632	14,965,772,409.17
-EUR	1,806,047,360.71	7.8473	14,172,595,453.70
-ARS	1,129,758,688.00	0.1818	205,390,129.48
-BRL	993,647,849.00	1.7712	1,759,949,070.15
-AUD	139,608,013.95	4.8250	673,608,667.31
-PLN	103,279,000.00	1.8255	188,535,814.50
-TRY	100,639,500.00	1.2995	130,781,030.25
-JPY	90,127,452.00	0.0619	5,578,889.28
-ILS	60,227,000.00	1.8312	110,287,682.40
-RON	47,005,000.00	1.6848	79,194,024.00
-GBP	16,598,589.60	8.6762	144,012,683.09
-SGD	1,615,000.35	5.0062	8,085,014.75
-RUB	1,375,918.84	0.0986	135,665.60

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Original amount as at 31/12/2018	Foreign exchange rate	Translated amount as at 31/12/2018
-HKD	393,218.98	0.8762	344,538.47
-AED	165,170.50	1.8681	308,555.01
-CAD	8,521.76	5.0381	42,933.48
-CHF	0.49	6.9494	3.41
-Others	1,846,385,698.89	1.0000	1,846,385,698.89
Accounts receivable			46,263,642,640.86
Including: -USD	5,476,937,375.84	6.8632	37,589,316,597.87
-BRL	1,309,193,765.00	1.7712	2,318,843,996.57
-ARS	1,159,012,236.50	0.1818	210,708,424.60
-RUB	963,627,000.00	0.0988	95,206,347.60
-EUR	392,474,925.74	7.8473	3,079,868,484.76
-ZAR	254,335,000.00	0.4757	120,987,159.50
-TRY	157,206,490.24	1.2995	204,289,834.07
-NOK	103,284,559.46	0.7828	80,851,153.15
-RON	83,020,000.00	1.6848	139,872,096.00
-MXN	58,305,253.00	0.3485	20,319,380.67
-GBP	20,539,305.68	8.6762	178,203,123.94
-AUD	149,338.87	4.8300	721,306.74
-Others	2,224,454,735.39	1.0000	2,224,454,735.39
Long-term borrowing			67,844,747,999.64
Including: -USD	7,163,843,919.25	6.8632	49,166,893,586.60
-EUR	2,373,090,771.67	7.8473	18,622,355,212.53
-BRL	31,229,788.00	1.7712	55,314,200.51
Others	185,000.00	1.0000	185,000.00

8.68 Assets with restricted ownership

Items	Year-end book value	Limited reason
Monetary funds	15,803,361,001.77	Deposit, reserve, time deposit for guarantee or notice deposit, loan pledge, special account for housing maintenance fund.
Notes receivable	51,442,864.00	Pledge
Accounts receivable	942,688,301.70	Pledge, Loan guarantee
Fixed assets	3,777,288,179.07	Pledge Against A Loan
Intangible assets	127,969,821.05	Pledge Against A Loan

The details of the restricted monetary fund are as follows:

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Bank acceptance bills deposits	915,162,110.72	1,106,324,423.97
Letter of credit guarantee	5,229,449,498.60	129,066,975.71
Performance bond	824,611,495.71	745,011,557.09
Time deposit or Notice deposit used for Guarantee	7,428,930,399.34	12,022,758,756.28
Required to meet insurance solvency requirements	1,076,852,558.14	758,385,526.59
Pledge loan	300,000,000.00	794,117,500.00
Freezing funds	14,249,831.87	756,475.53
Special account for housing maintenance fund	6,880,085.42	7,126,354.70
Special funds	5,583,495.73	12,212,144.83
Others	1,641,526.24	20,755.96
Total	15,803,361,001.77	15,575,780,470.66

Note 9: Contingency

9.1 Main Outstanding Litigations

a. The overseas subsidiaries of Bluestar stock have made provision for the estimated liabilities of several projects for the environmental recovery and reconstruction plant, and the total environmental recovery and reconstruction costs are equivalent to RMB 339,504,128.63. Due to the dispute with the local tax authorities over tax payment, the pending litigation of overseas companies is worth RMB 58,710,000.00, and the estimated tax penalty is worth RMB 212,694,335.98.

b. Adama and its subsidiaries outside the Company have incurred an estimated liability of \$64,002,000 as they face class action lawsuits related to patent infringement and similar plant protection products in the market.

9.2 Guarantee

At the end of December 31, 2018, the Company has provided guarantee of RMB 18,056,358,863.72. Details are shown as following charts:

Guarantee Company	Guaranteed Company	Amount
The Company and subsidiaries	New chemical materials and affiliated enterprises	18,027,311,400.00
Jingzhou Sanoda Holding Ltd.	Sanoda Yuchun co. LTD.	18,650,000.00
Jingzhou Sanoda Holding Ltd.	Datian Corp.	7,557,463.72
Yello Sea Rubber	Qingdao Ruber Group Inner Tube Branch	1,340,000.00
Yello Sea Rubber	Qingdao Rubber Light Tire Factory	1,500,000.00
Total		18,056,358,863.72

Note 10: Events after the balance sheet date

1) On August 21, 2018, Cangzhou dahua group co., LTD. (hereinafter referred to as Canghua group) was publicly listed and transferred 50.98% of its equity in Beijing equity exchange. After public solicitation, Nanjing Jinpudongyu investment co., LTD. (hereinafter referred to as "Jinpudongyu") is confirmed as the transferee of the equity. On Oct 25, 2018, CNAC signed the property right transfer agreement with Jinpudongyu. On January 22,

2019, it was approved by the state-owned assets supervision and administration commission (state-owned assets property right [2019] no. 28). In March 2019, CNAC and Jinpudongyu signed the custody agreement to determine the scope of Jinpudongyu's participation in the daily operation of Canghua group during the transition period from the effective date of the agreement to the equity transfer of Canghua group. This agreement does not involve matters related to the purchaser's exercise of the shareholder rights of the target company. As of the date of approval of this financial statement, CNAC has received RMB 1.261 billion of equity transfer payment from Jinpudongyu, and the "property right transfer agreement" is being implemented.

2) On January 2, 2019, Adama board of directors issued the indicative announcement on the intention to acquire 100% equity of Jiangsu anbang dianhua and related transaction, and the parties reached preliminary consensus on the potential transaction. On March 19, 2019, the parties to the transaction signed the "equity transfer agreement", and agreed to take March 29, 2019 as the delivery date of the equity transaction for the equity transfer. As of the date of approval of the financial statements, the parties to the transaction have not completed the procedures for filing with the commercial commission and industrial and commercial alteration related to the equity transfer of Jiangsu anbang electric chemical co., LTD.

3) In March 2019, the Company acquired 100% equity of Malan holdings co., LTD. (hereinafter referred to as Malan holdings), paid the purchase consideration of RMB 110 million, and undertook all debts of RMB 1.55 billion, equivalent to about RMB 1.66 billion. Malan holdings indirectly owns 15.97 percent of Bluestar shares.

4) Since September 12, 2014, Syngenta has incurred an estimated liability of \$1.56 billion for AGRISUREVIPTERA(MIR162) and DURACADE corn seed products marketed in the United States without a Chinese import license. Several plaintiffs have filed lawsuits in state and federal courts, and has paid \$400 million in settlements in 2018, with the remaining \$1.16 billion to be paid by the end of March 2019.

Note 11: Related parties and related party transactions

11.1 Subsidiaries Profile

Please refer to note 7.1 Business Combination and Consolidated Financial Statements for details.

11.2 Joint ventures and associated enterprises

Please refer to note 8.15 Long-term Equity Investment

11.3 Other related parties

Name	Relationship
China HaoHua Xuanhua Group Co., Ltd..	Joint ventures and associated enterprises
Beijing Hongtu Changli Investment fund management center (limited partnership)	Joint ventures and associated enterprises
New Material Company and Subsidiar	Joint ventures and associated enterprises
Hainan Chemical Industry Company	Joint ventures and associated enterprises
Nanjing Technology Co., Ltd.. (6902)	Joint ventures and associated enterprises
Chemical industry department lianyungang worker sanatorium	Joint ventures and associated enterprises
Zibo chuancheng engineering design Co., Ltd..	Joint ventures and associated enterprises
Shandong Huaxing Petrochemical Group Company	Joint ventures and associated enterprises
Dalian 4821 shipping Co., Ltd..	Joint ventures and associated enterprises
Changsha Blue Star chemical new material co. LTD	Joint ventures and associated enterprises
Beijing zhongan investment management center (limited partnership)	Joint ventures and associated enterprises
Blue pearl (Beijing) fluid control equipment co. LTD	Joint ventures and associated enterprises

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Name	Relationship
Blackstone Group	Joint ventures and associated enterprises
Cabot blue star chemical (jiangxi) co. LTD	Joint ventures and associated enterprises
Yibin tianke coal chemical co. LTD	Joint ventures and associated enterprises
CIMO Compagnie Industrielle de Monthey SA	Joint ventures and associated enterprises
Maisadour Semences SA	Joint ventures and associated enterprises
North Sea Containerline AS	Joint ventures and associated enterprises
Combined Cargo Warehousing BV	Joint ventures and associated enterprises
Elkem Chartering AS	Joint ventures and associated enterprises
Klafi ehf.	Joint ventures and associated enterprises

11.4 Related Party Transactions

11.4.1 Pricing policy

The Company transactions with related party are according to fair market value.

11.4.2 Related Party Transactions

11.4.2.1 Selling goods

Name	Current year		Prior year	
	Amount	Percentage (%)	Amount	Percentage (%)
New Material Company and Subsidiary	585,338,929.38	0.13	25,078,638.44	0.01
North Sea Container line AS			48,574,815.37	0.01
Total	585,338,929.38	0.13	73,653,453.81	0.02

11.4.2.2 Purchasing goods

Name	Current year		Prior year	
	Amount	Percentage (%)	Amount	Percentage (%)
New Material Company and Subsidiary	556,469,146.19	0.17	11,999,488.49	
CIMO Compagnie Industrielle de Monthey SA			300,879,000.00	0.10
Maisadour Semences SA			60,175,800.00	0.02
North Sea Containerline AS			56,124,006.37	0.02
Combined Cargo Warehousing BV			29,116,734.80	0.01
Elkem Chartering AS			27,132,832.74	0.01
Klafi ehf.			5,451,077.12	
Zibo chuangcheng engineering design co. LTD			339,805.89	
Total	556,469,146.19	0.17	491,218,745.41	0.16

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

11.4.2.3 Provide labor services

Name	Current year		Prior year	
	Amount	Percentage (%)	Amount	Percentage (%)
New Material Company and Subsidiary	16,456,784.76	0.17		
Total	16,456,784.76	0.17		

11.4.2.4 Rendering of service

Name	Current year		Prior year	
	Amount	Percentage (%)	Amount	Percentage (%)
New Material Company and Subsidiary	68,985.27			
Total	68,985.27			

11.4.2.5 Interest income

Name	Current year		Prior year	
	Amount	Percentage (%)	Amount	Percentage (%)
New Material Company and Subsidiary	107,043,132.51			
Beijing Hongtu Changli Investment fund management center (limited partnership)	6,583,561.64			
Total	113,626,694.15			

11.4.2.6 Balance of accounts payable

Items	Current year		Prior year		The terms and conditions	Gain or provide guarantee
	Amount	Percentage (%)	Amount	Percentage (%)		
Accounts receivable:						
New Material Company and Subsidiary	49,119,574.26	0.08	74,587,049.89	0.12	None	No
Dalian 4821 shipping Co., Ltd..	200,000.00		200,000.00		None	No
North Sea Containerline AS			4,267,206.52	0.01	None	No
Shandong Huaxing Petrochemical Group Company			821,308.33		None	No
Total	49,319,574.26	0.08	79,875,564.74	0.13		
Notes Receivable:						
New Material Company and Subsidiary			1,500,000.00	0.02	None	No
Total			1,500,000.00	0.02		
Advances to suppliers:						
New Material Company and Subsidiary	98,455.27		21,690,575.44	0.34	None	No
Blue pearl (Beijing) fluid control equipment Co., Ltd..			4,169,850.00	0.07	None	No

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Current year		Prior year		The terms and conditions	Gain or provide guarantee
	Amount	Percentage (%)	Amount	Percentage (%)		
Bluestar Dongli Technology (Beijing) Co., Ltd..			1,625,651.00	0.03	None	No
Total	98,455.27		27,486,076.44	0.44		
Other Receivable:						
New Material Company and Subsidiar	6,928,232,196.70	26.19	4,847,420,159.54	14.30	None	No
China HaoHua Xuanhua Group Co., Ltd..	166,973,858.89	0.63	166,973,858.89	0.49	None	No
Yibin tianke coal chemical co. LTD	121,335,865.20	0.46			None	No
Hainan chemical industry corporation	381,600.00				None	No
Chemical industry department lianyungang worker sanatorium			14,021,343.33	0.04	None	No
Changsha Blue Star chemical new material Co., Ltd..			4,892,053.19	0.01	None	No
Blue pearl (Beijing) fluid control equipment Co., Ltd..			3,347,879.55	0.01	None	No
Total	7,216,923,520.79	27.28	5,036,655,294.50	14.85		
Long-term Receivables:						
Nanjing Technology Co., Ltd. (6902)	16,600,000.00	0.36	16,600,000.00	0.21	None	No
New Material Company and Subsidiar			350,000,000.00	4.40	None	No
Total	16,600,000.00	0.36	366,600,000.00	4.61		
Dividends Receivable:						
New Material Company and Subsidiar	154,410,983.80	86.01	154,410,983.80	89.63	None	No
Total	154,410,983.80	86.01	154,410,983.80	89.63		
Interest receivable:						
Beijing Hongtu Changli Investment fund management center (limited partnership)	6,583,561.64	0.39			None	No
New Material Company and Subsidiar	439,954.16	0.03	660,414.59	0.04	None	No
Total	7,023,515.80	0.41	660,414.59	0.04		
Accounts Payable:						
New Material Company and Subsidiar	11,606,656.54	0.02	10,570,222.20	0.02	None	No
North Sea Containerline AS			6,177,066.27	0.01	None	No
Combined Cargo Warehousing BV			1,774,689.24		None	No
Cabot blue star chemical (jiangxi) Co., Ltd..			676,478.48		None	No

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Current year		Prior year		The terms and conditions	Gain or provide guarantee
	Amount	Percentage (%)	Amount	Percentage (%)		
Blue pearl (Beijing) fluid control equipment Co., Ltd..			151,155.71		None	No
Total	11,606,656.54	0.02	19,349,611.90	0.03		
Advances From Customers:						
New Material Company and Subsidiar	59,688,626.80	0.79	31,699,492.30	0.43	None	No
Total	59,688,626.80	0.79	31,699,492.30	0.43		
Other Payables:						
New Material Company and Subsidiar	3,187,076,029.65	21.74	4,775,765,257.61	21.98	None	No
Hainan chemical industry corporation	5,700,000.00	0.04			None	No
China HaoHua Xuanhua Group Co., Ltd..	5,340,000.00	0.04	6,560,404.09	0.03	None	No
Beijing zhongan investment management center (limited partnership)			119,143,870.64	0.55	None	No
Zibo chuangcheng engineering design Co., Ltd..			287,000.00		None	No
Blue pearl (Beijing) fluid control equipment Co., Ltd..			99,308.24		None	No
Total	3,198,116,029.65	21.82	4,901,855,840.58	22.56		
Long-term Payables:						
New Material Company and Subsidiar			100,868,800.00	2.73	None	No
Total			100,868,800.00	2.73		
Interest payables:						
New Material Company and Subsidiar	341,047.74	0.02			None	No
Total	341,047.74	0.02				

Note 12: Information that helps users of financial statements evaluate the objectives, policies, and procedures of an enterprise's management capital
None.

Note 13: Main project notes of the Company's financial statement

13.1 Other receivable

Items	Balance as at 31/12/2018	Balance as at 31/12/2017
Interest receivable		
Dividends Receivable	353,815,625.00	353,815,625.00
Other receivable	6,470,295,401.94	5,399,341,537.02
Total	6,824,111,026.94	5,753,157,162.02

13.1.1 Dividends Receivable

Items	Balance as at 31/12/2018	Balance as at 31/12/2017	Reason for uncollection	Impairment Yes/No
Ageing above 1 year	353,815,625.00	353,815,625.00		
Including: HaoHua Co.	266,000,000.00	266,000,000.00	Unpaid	No
Tire& Rubber Corp.	87,815,625.00	87,815,625.00	Unpaid	No
Total	353,815,625.00	353,815,625.00		

13.1.2 Other receivable

Items	Balance as at 31/12/2018			
	Carrying amount		Allowance for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for impairment individually				
Collectively assessed for impairment based on credit risk characteristics	6,470,295,401.94	100.00		
Individually insignificant but assessed for impairment individually				
Total	6,470,295,401.94	100.00		

(Continued)

Items	Balance as at 31/12/2017			
	Carrying amount		Allowance for bad debt	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant and assessed for impairment individually				
Collectively assessed for impairment based on credit risk characteristics	5,399,341,537.02	100.00		
Individually insignificant but assessed for impairment individually				
Total	5,399,341,537.02	100.00		

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

12.1.2.1 Accounts receivable using related party group and other methods for measurement of allowance for bad debt

Items	Balance as at 31/12/2018	
	Accounts receivable	Allowance for bad debt
Related party	6,394,603,196.90	5,321,975,683.88
The method of other group	75,692,205.04	77,365,853.14
Total	6,470,295,401.94	5,399,341,537.02

12.1.2 Details of top five other receivables

Debtors	Nature of OR	Carrying amount as at 31/12/2018	Age	Proportion (%)	Allowance for bad debt as at 31/12/2018
ZhongChe QiXiu	Account current	2,063,395,151.94	Over 5 years	31.89	
HaoHua Corp.	Account current	2,027,122,548.79	Within 2 years	31.33	
CNCA	Account current	880,733,515.25	Within 3 years	13.61	
Blue star organic silicon investment Co. Ltd.	Account current	274,528,000.00	Within 1 years, over 3 years	4.24	
New Material Company	Account current	242,157,300.00	1-3 years	3.74	
Total		5,487,936,515.98		84.81	

13.2 Long-term Equity Investment

13.2.1 Disclosure by classification

Items	Opening Balance	Current year increase	Current year decrease	Ending Balance
Investments in subsidiaries	40,762,527,601.64	25,110,587.00		40,787,638,188.64
Investments in Joint venture				
Investments in associates				
Subtotal	40,762,527,601.64	25,110,587.00		40,787,638,188.64
Less: Provision for impairment of Long-term equity investments				
Total	40,762,527,601.64	25,110,587.00		40,787,638,188.64

13.2.2 The Details of Long-term equity investment

Investee	Percentage (%)	Investment Cost	Beginning Balance	Current year movement		
				Additional investment	Reduced Investment	Profit or loss on investment under equity method
Total		40,787,638,188.64	40,762,527,601.64	25,110,587.00		
Subsidiaries		40,787,638,188.64	40,762,527,601.64	25,110,587.00		
BlueStar Co	63.58	14,472,157,315.21	14,472,157,315.21			
Petrochemical Co.	72.73	8,521,874,043.71	8,521,874,043.71			
HaoHua Co.	69.20	4,824,005,443.48	4,824,005,443.48			

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Investee	Percentage (%)	Investment Cost	Beginning Balance	Current year movement		
				Additional investment	Reduced Investment	Profit or loss on investment under equity method
Tire& Rubber Corp.	100.00	3,463,000,970.21	3,463,000,970.21			
CNCA	100.00	3,381,025,738.00	3,381,025,738.00			
HaoHua Corp.	100.00	2,442,229,318.60	2,713,670,873.91			
Chem. Museum	100.00	1,048,792,900.00	1,023,691,200.00	25,101,700.00		
Equip. Corp.	100.00	724,880,045.52	453,438,490.21			
Interstar Group	100.00	523,065,116.36	523,065,116.36			
Finance Corp.	49.41	435,808,569.72	435,808,569.72			
ZhongLan Petrochemical	100.00	432,156,212.46	432,156,212.46			
ZhongChe QiXiu	100.00	278,051,358.84	278,051,358.84			
Bluestar Info.	100.00	125,461,639.77	125,461,639.77			
CNCIC	100.00	56,855,986.15	56,855,986.15			
Shenyang Chem.	1.20	44,892,813.95	44,892,813.95			
Asset Co.	100.00	13,371,829.66	13,371,829.66			
ChemChina Century	100.00	8,887.00		8,887.00		
Academy of Sc.	100.00					
Yello Sea Rubber	100.00					

(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						40,787,638,188.64	
Subsidiaries						40,787,638,188.64	
BlueStar Co						14,472,157,315.21	
Petrochemical Co.						8,521,874,043.71	
HaoHua Co.						4,824,005,443.48	
Tire& Rubber Corp.						3,463,000,970.21	
CNCA						3,381,025,738.00	
HaoHua Corp.					-271,441,555.31	2,442,229,318.60	

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

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		
Chem. Museum						1,048,792,900.00	
Equip. Corp.					271,441,555.31	724,880,045.52	
Interstar Group						523,065,116.36	
Finance Corp.						435,808,569.72	
ZhongLan Petrochemical						432,156,212.46	
ZhongChe QiXiu						278,051,358.84	
Bluestar Info.						125,461,639.77	
CNCIC						56,855,986.15	
Shenyang Chem.						44,892,813.95	
Asset Co.						13,371,829.66	
ChemChina Century						8,887.00	
Academy of Sc.							
Yello Sea Rubber							

13.3 Operating revenues and costs

Items	Current year		Prior year	
	Revenue	Cost	Revenue	Cost
Subtotal of other business	114,435,627.74	3,921,976.25	155,421,147.54	3,983,163.57
Premium income	81,606,229.50		121,967,123.98	
Assets rent out	32,699,033.33	3,921,976.25	33,413,194.08	3,983,163.57
Others	130,364.91		40,829.48	
Total	114,435,627.74	3,921,976.25	155,421,147.54	3,983,163.57

13.4 Investment income

Items	Current year	Prior year
The long-term return on equity investment calculated by cost method		641,252.10
Bank financing income		5,205.48
Total		646,457.58

13.5 Supplementary information to the statement of cash flows

13.5.1 Supplementary information to the statement of cash flows

Items	Current year	Prior year
1. Reconciliation of cash flows from operating activities to net profit:		
Net profit	-1,894,440,950.62	-605,505,869.47
Add: Loss on asset impairment		
Depreciation of fixed assets, oil and gas assets, biological assets held for production	16,842,755.82	21,212,680.65
Amortisation of intangible assets	11,135,232.46	10,712,119.05
Amortisation of Long-term deferred expenditure		
Loss on non-current assets disposal (gain presented by "-" prefix)		
Loss on scrap of fixed assets (gain presented by "-" prefix)	36,324.38	-1,118.88
Loss on fair value changes (gain presented by "-" prefix)		
Financial costs (gain presented by "-" prefix)	1,883,594,589.53	1,048,228,358.96
Investment loss (gain presented by "-" prefix)		-646,457.58
Decrease of deferred tax assets (increase presented by "-" prefix)		
Increase of deferred tax liabilities (increase presented by "-" prefix)		
Decrease of inventories (increase presented by "-" prefix)		
Decrease of operating receivables (increase presented by "-" prefix)	-537,144,537.08	1,771,003,365.85
Increase of operating payables (decrease presented by "-" prefix)	-1,624,404,464.60	553,801,558.92
Others		
Net cash flows generated from operating activities	-2,144,381,050.11	2,798,804,637.50
2. Significant investing and financing activities involve no cash:		
Debt-to-capital conversion		
Convertible loan due within one year		
Fixed assets acquired under financial lease		
3. Movement of cash and cash equivalents:		
Cash as at 31/12/2018	479,210,603.94	1,059,981,630.22
Less: Cash as at 31/12/2017	1,059,981,630.22	957,918,440.67
Add: Cash equivalents as at 31/12/2018		
Less: Cash equivalents as at 31/12/2017		
Net increase of cash and cash equivalents	-580,771,026.28	102,063,189.55

12.5.2 Composition of cash and cash equivalents

Items	Current year	Prior year
1. Cash	479,210,603.94	1,059,981,630.22
Including: Cash at hand	18,278.63	18,281.32
Demand bank deposit	478,558,964.96	1,059,332,015.13

CHINA NATIONAL CHEMICAL CORPORATION LTD.
Notes to the Financial Statements for the Year ended December 31, 2018

Items	Current year	Prior year
Demand other monetary funds	633,360.35	631,333.77
2. Cash equivalents		
Including: Debt instrument matured within three months		
3. Cash and cash equivalents as at 31/12/2018	479,210,603.94	1,059,981,630.22
Including: restricted cash and cash equivalents in parent company or subsidiary		

Note 14: Other contents disclosed in accordance with the relevant financial accounting system

On May 5, 2017, the Company acquired control of Syngenta through an overseas acquisition entity. The merger and acquisition according to the accounting standards for enterprises "belongs to in a business combination not under the same control, the business combination not under the same control needs to be of the identifiable assets and liabilities of the combined party of the apportionment, share the balance as goodwill, the value of the final enterprises should also be to divide the transfer or amortization, the part will affect the value of amortization and turn out for the parent company combine the profits of the combined party. In the merger of enterprises not under the same control of Syngenta, the amount of the fair value increment is a total of RMB 235.163 billion, of which the net amount allocated to identifiable assets and liabilities is RMB 89.184 billion, and the recognized goodwill is RMB 145.979 billion. The value-added portion is allocated to the impact of the transfer and amortization of identifiable assets and liabilities, with a total profit of RMB 10.364 billion and a net profit of RMB 8.08 billion in 2018. This amortization has no effect on the Company's revenue, cash flow and business.

After excluding the impact of amortization and transfer of fair value increment of Swiss Syngenta, the Company's total profit in 2018 is RMB 11.792 billion and net profit is RMB 6.669 billion .

Note 15: Approval of financial statements

The financial statements are approved and submitted by the 29th meeting of the first board of directors of the Company on April 22, 2019.

编号: 1 05411938



营业执照

(副本) (5-1)

统一社会信用代码 9111010856949923XD

名称 瑞华会计师事务所(特殊普通合伙)

类型 特殊普通合伙企业

主要经营场所 北京市海淀区西四环中路16号院2号楼4层

执行事务合伙人 其他股东(委派杨荣华, 刘贵彬, 冯忠为代表)

成立日期 2011年02月22日

合伙期限 2011年02月22日至 2061年02月21日

经营范围 审计企业会计报表, 出具审计报告; 验证企业资本, 出具验资报告; 办理企业合并、分立、清算事宜中的审计业务, 出具有关报告; 基本建设年度财务决算审计; 代理记账; 会计咨询、税务咨询、管理咨询、会计培训; 法律、法规规定的其他业务。(企业依法自主选择经营项目, 开展经营活动; 依法须经批准的项目, 经相关部门批准后依批准的内容开展经营活动; 不得从事本市产业政策禁止和限制类项目的经营活动。)



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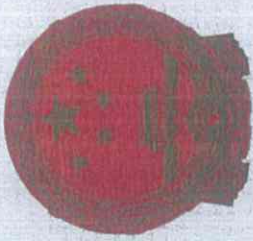


2018年 12月 13日

提示: 每年1月1日至6月30日通过企业信用信息公示系统报送上一年度年度报告并公示。

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中华人民共和国国家工商行政管理总局监制



会计师事务所 执业证书

名称 瑞华会计师事务所（特殊普通合伙）

首席合伙人 刘贵彬

主任会计师：

经营场所：

北京市海淀区西四环中路16号院2号楼4层

组织形式 特殊普通合伙

执业证书编号：11010130

批准执业文号：京财会许可[2011]0022号

批准执业日期：2011年02月14日

证书序号：0000146

说明

- 1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。
- 2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。
- 3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。
- 4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。



发证机关：北京市财政局

二〇一八年六月二十三日

中华人民共和国财政部制



姓名: 张庆海
性别: 男
出生日期: 1972/09/04
工作单位: 河南中兴会计师事务所有限公司
身份证号: 413028720904001
Identity card No.



年度检验登
Annual Renewal Re



本证书经检验合格
This certificate is valid
this renewal.



姓名: 张庆海
证书编号: 410100040055

2013年 8 月 28 日

年度检验登记
Annual Renewal Registrati



本证书经检验合格
This certificate is valid
this renewal.



2012年 8 月 1 日



由 扫描全能王 扫描创建



姓名 谢秉影
Full name
性别 女
Sex
出生日期 1977-5-29
Date of birth
工作单位 北京中守会计师事务所有限责任公司
Working unit
身份证号码 131125197705293427
Identity card No.



年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.



姓名：谢秉影
证书编号：110000512041



2008年 3 月 20 日
/y /m /d

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
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2009年 3 月 20 日
/y /m /d

China National Chemical Corporation
Consolidated Financial Statements and
Independent Auditors' Report

Ruihua Audit [2018] NO.02160157

Contents

	Page
Independent Auditors' Report	1
Consolidated Statement of Financial Position	4
Consolidated Statement of Comprehensive Income	6
Consolidated Statement of Cash Flow	7
Consolidated Statement of Changes in Owner's Equity	8
Notes to the Consolidated Financial Statements	16



通讯地址: 北京市东城区永定门西滨河路 8 号院 7 号楼中海地产广场西塔 5-11 层
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Xibinhe Road, Dongcheng District, Beijing
邮政编码 (Post Code): 100077
电话 (Tel): +86(10)88095588 传真 (Fax): +86(10)88091199

Independent Auditors' Report

Ruihua Audit [2018] NO.02160157

To: China National Chemical Corporation

I. Audit Opinion

We have audited the accompanying financial statements of China National Chemical Corporation (hereafter, the Company), which include the Consolidated and Separate Statements of Financial Position as of 31 December 2017, the Consolidated and Separate Statements of Comprehensive Income, the Consolidated and Separate Statements of Cash Flows and the Consolidated and Separate Statements of Changes in Shareholders' Equity for the year then ended and the notes to the financial statements.

In our opinion, the financial statements have been prepared in accordance with the requirements of the Enterprises Accounting Standards of China and presented fairly, in all material respects, the consolidated and separate financial position of the Company as at 31 December 2017, and the Company's consolidated and separate results of operations and consolidated and separate cash flows for the year then ended.

II. Basis of Forming the Audit Opinion

We conducted our audit in accordance with the Chinese Certified Public Accountant Auditing Standards. The section "Auditors' Responsibility for the Financial Statements" in the audit report further describes our responsibilities in accordance with these standards. According to the Code of Ethics for Chinese Certified Public Accountants, we are independent of the Company and fulfilled other responsibilities of code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management of the Company (hereafter, the management) is responsible for preparing and presenting the financial statements in accordance with Enterprise

Accounting Standards of China and for the purpose of fair presentation and designing, implementing and maintaining internal control necessary to the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

During the preparation of the financial statements, the management is responsible for assessing the Company's going-concern capability; disclosing, where applicable, matters in relation to the going-concern status; and applying the going-concern assumption for preparation of the financial statements, unless the management plans to liquidate the Company, terminates operation of the Company or has no other practical alternative choice.

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

IV. Auditors' Responsibility for the Financial Statements

Our objective is to obtain reasonable assurance as to whether the financial statements are free from material misstatement, whether due to frauds or errors, and issue an audit report with audit opinion. Reasonable assurance is a high level assurance, but there is no guarantee that a material misstatement will always be found in the audit performed in accordance with the auditing standards. Misstatements may be caused by fraud or error. Misstatements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users based on the financial statements.

During the performance of our audit in accordance with the auditing standards, we use professional judgment and maintain professional skepticism. We also perform the following procedures:

- A. Identify and assess the risks of material misstatement of the financial statements due to fraud and error, design and implement audit procedures to address these risks, and obtain sufficient and appropriate audit evidence as a basis for forming the audit opinion. As fraud may involve collusion, forgery, willful omission, misrepresentation or override of internal control, the risk of not discovering a material misstatement due to fraud is higher than the risk of failing to detect a material misstatement resulting from a mistake.
- B. Understand the internal controls related to auditing in order to design appropriate audit procedures.
- C. Evaluate the appropriateness of accounting policies adopted by the management and the reasonableness of accounting estimates and relevant disclosures made by management.
- D. Conclude on the appropriateness of management's application of the going concern

assumption. Meanwhile, based on the audit evidence obtained, conclude whether there is material uncertainty about the Company's ability to continue as a going-concern. If we conclude that there is material uncertainty, the auditing standards require us to draw attention of the users of the financial statements to the relevant disclosures in the financial statements. If the disclosure is inadequate, we shall express a qualified opinion. Our conclusion is based on information available as of the date of the audit report. However, future events or circumstances may cause the Company not being able to continue as a going-concern.

E. Evaluate the overall presentation, structure and content of financial statements (including disclosures), and evaluate whether the financial statements present fairly the relevant transactions and events.

F. Obtain sufficient and appropriate audit evidence regarding to ChemChina financial information of the entities or business activities in order to express opinion on the financial statements. We are responsible for the guidance, supervision and execution of the group audit. We take full responsibility for the audit opinion.

We communicate with those charged with governance on the scope and time schedule of the audit, and significant audit findings, etc., including deficiency of internal control that we identified during the audit which warrants attention.

Ruihua Certified Public Accountants

Certified Public Accountants

Beijing, China

Certified Public Accountants

16 April 2018

Consolidated Statement of Financial Position

as of 31 December 2017

Prepared by: China National Chemical Corporation

Currency: CNY

Item	Note	31 December 2017	31 December 2016
Current assets			
Cash and Cash equivalents	8.1	87,539,341,826.29	48,507,376,036.86
Deposit Reservation for Balance			
Lending Funds			
Financial assets measured by fair value with changes in fair value recognised in profit or loss	8.2	410,865,682.90	841,096,311.07
Derivative financial assets	8.3	1,244,106,003.49	423,892,433.73
Notes receivable	8.4	6,211,255,741.76	4,155,013,327.50
Accounts receivable	8.5	52,253,338,092.10	28,584,552,890.01
Advances to suppliers	8.6	6,024,593,572.02	6,462,987,522.86
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserves			
Interests receivable	8.7	1,404,776,796.64	533,782,674.17
Dividends receivable	8.8	172,284,983.80	173,804,186.80
Other receivables	8.9	35,241,808,129.94	22,709,352,748.38
Buying back the sale of financial assets			
Inventories	8.10	77,964,338,354.55	41,313,751,782.06
Raw materials	8.10	15,115,134,507.17	12,904,108,068.82
Finished goods	8.10	44,929,923,371.70	19,789,646,986.71
Held-for-sale assets	8.11	403,297,000.00	114,789,109.69
Non-current assets due within one year	8.12	35,546,000.00	3,573,217.12
Other current assets	8.13	9,707,897,082.24	10,806,613,348.03
Total current assets		278,613,449,265.73	164,630,585,588.28
Non-current assets			
Loans and payments on behalf			
Available-for-sale financial assets	8.14	4,324,944,732.84	2,853,980,611.09
Held-to-maturity investments	8.15		
Long-term receivables	8.16	7,261,788,680.83	4,443,491,953.05
Long-term equity investments	8.17	10,199,837,240.10	11,440,073,898.80
Investment properties	8.18	585,887,438.94	541,943,065.20
Fixed assets original costs	8.19	209,063,903,377.05	146,102,545,011.35
Less:Accumulated Depreciation	8.19	86,869,858,301.47	49,382,412,013.50
Net value of fixed assets	8.19	122,194,045,075.58	96,720,132,997.85
Less:Impairment provisions of fixed assets	8.19	4,186,201,678.78	3,856,430,265.55
Net book value of fixed assets	8.19	118,007,843,396.80	92,863,702,732.30
Construction in progress	8.20	13,473,608,406.76	8,269,496,548.01
Materials held for construction	8.21	113,722,910.29	191,974,201.57
Disposal of fixed assets	8.22	9,989,191.79	8,599,663.67
Biological assets held for production			
Oil and gas assets			
Intangible assets	8.23	178,522,971,522.17	58,395,565,102.37
Development expenditure	8.24	1,014,196,319.45	329,039,540.48
Goodwill	8.25	166,367,077,112.62	27,212,881,338.19
Long-term deferred expenses	8.26	428,376,303.21	457,334,045.71
Deferred tax assets	8.27	10,175,861,407.44	2,772,206,585.82
Other non-current assets	8.28	5,812,137,787.87	3,231,003,724.64
Physical assets reserve specifically			
Total non-current assets		516,298,242,451.11	213,011,293,010.90
Total asset		794,911,691,716.84	377,641,878,599.18

(Continued in next page)

(Continued from previous page)

Consolidated Statement of Financial Position (Continued)

as of 31 December 2017

Prepared by: China National Chemical Corporation

Currency: CNY

Item	Note	31 December 2017	31 December 2016
Current liabilities			
Short-term borrowings	8.29	154,524,915,697.76	49,785,792,795.18
Borrowings from central bank			
Deposits from customers and interbank			
Deposit funds			
Financial liabilities measured by fair value with changes in fair value recognised in profit or loss			747,718,419.00
Derivative financial liabilities	8.30	2,947,918,198.29	647,947,293.81
Notes payable	8.31	2,682,674,981.95	5,277,799,897.25
Accounts payable	8.33	58,094,015,921.16	34,223,101,092.09
Advances from customers	8.34	8,228,744,986.36	6,289,155,938.17
Funds from sales of financial assets with repurchase agreement			
Handling charges and commissions payable			
Employment benefits payable	8.35	9,178,390,756.85	4,990,802,577.95
Accrued payroll	8.35	3,895,365,632.16	2,740,696,376.86
Welfare benefits payable	8.35	8,606,192.57	331,112,684.84
Staff and worker's bonus and selfare	8.35	40,087.40	
Taxes and fees payable	8.36	8,450,132,688.03	3,638,004,226.45
Taxes payable	8.36	8,280,753,462.45	3,508,366,144.15
Interests payable	8.37	1,305,258,086.93	1,129,191,834.08
Dividends payable	8.38	39,113,294.98	77,012,949.34
Other payables	8.39	19,785,324,447.31	8,459,550,452.41
Cession insurance premiums payable			
Provision for insurance contracts			
Funds received as agent of stock exchange			
Funds received as stock underwrite			
Held-for-sale liabilities			
Non-current liabilities due within one year	8.40	18,423,924,507.87	17,351,017,221.66
Other current liabilities	8.41	18,176,396,299.31	6,673,491,924.34
Total current liabilities		301,836,809,866.80	139,290,586,621.73
Non-current liabilities			
Long-term borrowings	8.42	97,664,107,886.46	91,339,876,409.50
Debt instruments payable	8.43	114,360,065,658.69	47,425,612,121.05
Long-term payables	8.44	2,211,327,386.08	2,530,155,568.02
Long-term employee benefits payable	8.45	8,351,318,603.31	5,277,256,320.46
Designated payables	8.46	400,097,109.56	360,476,641.39
Provisions	8.47	11,662,656,905.02	2,634,211,057.61
Deferred income	8.48	2,807,796,605.12	2,176,163,020.94
Deferred tax liabilities	8.27	38,480,915,938.41	13,548,147,609.50
Other non-current liabilities	8.49	2,642,788,226.71	1,215,447,088.78
Authorized reserve fund			
Total non-current liabilities		278,581,074,319.36	166,507,345,837.25
Total liabilities		580,417,884,186.16	305,797,932,458.98
Shareholders' equity			
Share capital	8.50	11,580,025,968.24	11,580,025,968.24
National capital	8.50	11,580,025,968.24	11,580,025,968.24
State-owned legal person's capital			
Collective capital			
Private capital			
Personal capital			
Foreign businessmen's capital			
Less: Returned investment			
Net book value of share capital	8.50	11,580,025,968.24	11,580,025,968.24
Other equity instruments	8.51	12,900,000,000.00	10,500,000,000.00
Including: Preferred shares			
Sustainable debts	8.51	12,900,000,000.00	10,500,000,000.00
Capital reserves	8.52	24,043,499,452.68	19,011,730,832.88
Less: Treasury shares			
Other comprehensive income	8.66	-9,040,046,177.23	-3,897,640,669.43
Exchange differences on translating foreign operations	8.66	-9,250,278,430.58	-3,933,208,263.43
Designated reserves	8.53	76,110,275.96	76,472,166.89
Surplus reserves			
Statutory accumulation reserve			
Discretionary accumulation			
Reserved funds			
Enterprise expansion funds			
Profits capitalised on return of investments			
Provision for General risks			
Retained earnings	8.54	-18,822,060,407.51	-13,209,402,192.70
Equity attributable to shareholders of the Parent		20,737,529,112.14	24,061,186,105.88
Minority interests		193,756,278,418.54	47,782,760,034.32
Total shareholders' equity		214,493,807,530.68	71,843,946,140.20
Total liabilities and shareholders' equity		794,911,691,716.84	377,641,878,599.18

Legal Representative

Person in Charge of Accounting Work

Person in Charge of Financial Department

Consolidated Statement of Comprehensive Income
for the Year ended 31 December 2017

Prepared by: China National Chemical Corporation

Currency: CNY

Item	Note	2017	2016
Total revenue		391,927,498,849.04	300,127,176,400.62
Including: Revenue from operation	8.55	391,927,498,849.04	300,127,176,400.62
Interest income			
Insurance premiums earned			
Handling charges and commissions income			
Total operating costs		393,193,438,571.11	303,363,761,832.60
Including: Cost for operation	8.55	316,849,917,492.64	249,495,632,455.17
Interest expenses			
Handling charges and commissions expenses			
Refund of insurance premiums			
Net payments for insurance claims			
Net provision for insurance contracts			
Commissions on insurance policies			
Cession charges			
Taxes and surcharges		3,289,983,451.81	2,014,239,307.54
Selling expenses	8.56	27,949,318,073.65	16,160,636,244.39
Administrative expenses	8.57	29,858,951,769.75	18,419,834,991.42
Research and development expenses	8.57	9,509,917,994.45	3,456,292,073.31
Party building work funds	8.57	2,561,522.90	
Financial costs	8.58	11,683,305,487.42	13,334,300,265.43
Interest expense	8.58	14,186,185,471.59	11,886,190,560.28
Interest income	8.58	2,506,723,574.95	2,849,626,418.85
Gain or loss on foreign exchange transactions (less exchange gain)	8.58	-2,072,424,650.06	786,117,999.81
Loss on asset impairment	8.59	3,561,962,295.84	3,939,118,568.65
Others			
Add: Gain from changes in fair value (loss presented with "-" prefix)	8.60	-1,105,724,606.93	110,573,344.00
Investment income (loss presented with "-" prefix)	8.61	8,007,020.56	5,929,094,067.81
Including: Investment income from associates and joint ventures	8.61	210,443,905.54	3,473,353.85
Gain on foreign exchange transactions (loss presented by "-" prefix)			
Other income and gain	8.62	678,899,351.31	
Profit from operation (loss presented with "-" prefix)		-1,684,757,957.13	2,803,081,979.83
Add: Non-operating income	8.63	3,158,045,130.68	3,442,443,505.94
Including: Gain on disposal of non-current assets		758,965,571.85	822,976,374.67
Including: Gain on exchange of non-monetary assets		2,009,845.47	
Government grants		510,477,576.18	969,593,858.92
Gains from debt restructuring		9,747,564.70	41,726,897.16
Less: Non-operating expenses	8.64	1,103,190,908.48	1,091,559,417.79
Including: Loss on disposal of non-current assets		306,493,737.47	331,743,369.19
Loss on exchange of non-monetary assets			
Loss from debt restructuring		2,449,752.87	206,615,215.59
Profit before taxation (loss presented with "-" prefix)		370,096,265.07	5,153,966,067.98
Less: Income tax expenses	8.65	-439,179,052.82	2,611,472,314.76
Net profit (loss presented with "-" prefix)		809,275,317.89	2,542,493,753.22
Net profit attributable to shareholders of the Parent (loss presented with "-" prefix)		-4,994,806,964.81	119,084,771.97
Net profit attributable to minority interests (loss presented with "-" prefix)		5,804,082,282.70	2,423,408,981.25
Net profit from continued operations (loss presented with "-" prefix)		809,275,317.89	2,542,493,753.22
Net profit from discontinued operations (loss presented with "-" prefix)			
After-tax other comprehensive income	8.66	-9,855,380,481.57	1,283,121,503.14
After-tax other comprehensive income attributable to shareholders of the parent		-5,023,951,631.51	1,178,413,158.48
A. Other comprehensive income not reclassifiable to profit or loss in subsequent periods		699,984,719.32	-205,146,817.12
1. Remeasurement of net assets or net liabilities of defined benefit plans		646,495,119.32	-205,146,817.12
2. Share of other comprehensive income of investees measured by the equity method not reclassifiable to profit or loss		53,489,600.00	
B. Other comprehensive income reclassifiable to profit or loss in subsequent periods		-5,723,936,350.83	1,383,559,975.60
1. Share of other comprehensive income of investees measured by the equity method reclassifiable to profit or loss		16,870,499.68	11,974,342.36
2. Gain or loss on changes in fair value of financial assets available for sale		87,644,333.32	7,752,903.49
3. Gain or loss on reclassification of held-to-maturity investments to financial assets available for sale			
4. Effective elements of gain or loss of cash flow hedges		-514,965,892.97	336,038,256.56
5. Exchange difference on translation of foreign financial statements		-5,313,485,290.86	1,027,794,473.19
After-tax other comprehensive income attributable to minority interests		-4,831,428,850.06	104,708,344.66
Total comprehensive income		-9,046,105,163.68	3,825,615,256.36
Total comprehensive income attributable to shareholders of the Parent		-10,018,758,596.32	1,297,497,930.45
Total comprehensive income attributable to minority interests		972,653,432.64	2,528,117,325.91
Earning per share			
A. Basic earning per share			
B. Diluted earning per share			

Legal Representative

Person in Charge of Accounting Work

Person in Charge of Financial Department

Consolidated Statement of Cash Flows

for the Year ended 31 December 2017

Prepared by: China National Chemical Corporation

Currency: CNY

Item	Note	2017	2016
Cash flows from operating activities			
Cash received for sales of goods and rendering of services		426,076,068,130.57	310,352,067,389.13
Net increase in deposits and placements from financial institutions			
Net increase in due to central banks			
Net increase in placement from financial institutions			
Cash received from premiums of original insurance contracts			
Net amount of reinsurance business			
Net increase in insured's deposits and investments			
Net increase in disposal of financial assets at fair value through profit and loss			
Cash received from interests, fees and commissions			
Net increase of placement from banks and other financial institutions			
Net increase in repurchasing			
Tax refund received		1,940,514,139.88	852,382,774.93
Other cash receipts relating to operating activities		3,658,787,594.06	13,927,322,064.00
Cash inflows from operating activities		431,675,369,864.51	325,131,772,228.06
Cash payments for purchase of goods and services		298,723,095,664.21	237,962,574,832.72
Net increase in loans and advances			
Net increase in deposits with central banks and other financial institutions			
Cash paid for claim settlements on original insurance contracts			
Cash paid for interest, fees and commissions			
Cash paid for policy dividends			
Cash paid to or on behalf of employees		39,708,208,064.84	23,544,668,966.74
Taxes and fees paid		13,949,333,451.70	10,050,050,820.73
Other cash payments relating to operating activities		33,605,601,234.45	25,059,983,048.46
Cash outflows from operating activities		385,986,238,415.20	296,617,277,668.65
Net cash flows from operating activities	8.70	45,689,131,449.31	28,514,494,559.41
Cash flows from investing activities			
Cash received from investment withdrawal		6,467,515,661.53	2,070,453,305.35
Cash investment income received		2,035,521,881.31	1,760,685,979.04
Net cash received from disposal of fixed assets, intangible assets or other non-current assets		1,381,599,945.30	1,214,443,459.12
Net cash received from disposal of subsidiaries or other invested entities		1,574,249,164.18	2,312,695,746.16
Other cash receipts relating to investing activities		9,317,043,864.05	5,121,140,024.89
Cash inflows from investing activities		20,775,930,516.37	12,479,418,514.56
Cash paid for purchase or construction of fixed assets, intangibles assets or other non-current assets		16,621,909,925.10	10,156,648,496.33
Cash paid for investment		9,769,318,661.62	7,613,554,138.19
Net increase in pledged loan			
Net cash paid for acquisition of subsidiaries and other invested entities		276,311,135,823.25	5,579,403,194.75
Other cash payments relating to investing activities		24,377,361,059.47	6,116,966,123.25
Cash outflows from investing activities		327,079,725,469.44	29,466,571,952.52
Net cash flows from investing activities		-306,303,794,953.07	-16,987,153,437.96
Cash flows from financing activities			
Cash received from investors		153,680,165,062.96	12,825,137,632.78
Including: Cash received from minority shareholders of subsidiaries		147,254,889,777.23	3,743,984,460.53
Cash received from loans raised		360,910,467,450.36	110,260,426,973.96
Cash received from debt instruments issued			16,834,340,000.00
Other cash receipts relating to financing activities		11,839,975,094.90	7,516,399,623.36
Cash inflows from financing activities		526,430,607,608.22	147,436,304,230.10
Cash paid for debt repayment		208,977,913,297.41	122,580,813,791.04
Cash paid for dividends, profit distribution and interests		21,933,356,058.63	14,953,722,511.88
Including: Cash dividends and profit distribution paid to minority shareholders of subsidiaries		32,509,000.00	55,039,573.68
Other cash payments relating to financing activities		6,688,045,187.69	5,627,322,189.58
Cash outflows from financing activities		237,599,314,543.73	143,161,858,492.50
Net cash flows from financing activities		288,831,293,064.49	4,274,445,737.60
Impact of change of foreign exchange rates on cash and cash equivalents		-1,197,078,094.07	101,883,028.46
Net increase of cash and cash equivalents	8.70	27,019,551,466.66	15,903,669,887.51
Add: cash and cash equivalents brought forward	8.70	44,944,609,888.97	29,040,940,001.46
Cash and cash equivalents carried forward	8.70	71,964,161,355.63	44,944,609,888.97

Legal Representative

Person in Charge of Accounting Work

Person in Charge of Financial Department

for the Year ended 31 December 2017

Prepared by: China National Chemical Corporation

Person in Charge of Financial Department

Person in Charge of Accounting Work

Person in Charge of Financial Department

(Continued from previous page)

Consolidated Statement of Changes in Shareholders' Equity(Continued)
for the Year ended 31 December 2017

Item	2016										Currency: CNY	
	Equity attributable to shareholders of the Parent											
	Share capital	Other equity instruments		Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Minority interest	Total shareholders' equity
		Preferred shares	Sustainable debts	Others						其他		
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	44,434,911,947.43	69,610,795,378.89
Add: Changes of accounting policies												
Correction of prior period errors												
Others												
Balance as at 1 January	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	44,434,911,947.43	69,610,795,378.89
Changes for the period (decrease presented by "-" prefix)	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	3,347,848,086.89	2,233,150,761.31
1. Total comprehensive income						1,178,413,158.48				119,084,771.97	2,528,117,325.91	3,825,615,256.36
2. Owner's contributions and withdrawals of capital	500,000,000.00		2,500,000,000.00		-4,899,144,944.12	-24,098,527.61					1,666,902,980.01	-256,340,511.72
a. Common stock contributed by owners	500,000,000.00										4,328,209,376.55	4,828,209,376.55
b. Capital contributed by other equity instruments holders			2,500,000,000.00									2,500,000,000.00
c. Share-based payment recorded in owner's equity												
d. Others					-4,899,144,944.12	-24,098,527.61					-2,661,306,416.54	-7,584,549,888.27
3. Accrual and utilization of specific reserve							-35,304,284.30				-43,516.06	-35,347,800.36
a. Accrual of specific reserve							235,890,943.35				32,590,293.64	288,481,236.99
b. Utilization of specific reserve							-271,196,227.65				-32,633,809.70	-303,829,037.35
4. Profits distribution										-453,647,500.00	-847,128,682.97	-1,300,776,182.97
a. Appropriation of surplus reserve												
Including: statutory surplus reserve												
Discretionary surplus reserve												
General reserve fund												
Enterprise expansion fund												
Return of investment												
b. Accrual of general risk reserve												
c. Distribution to owner/shareholder										-453,647,500.00	-440,615,903.39	-894,263,403.39
d. Others											-406,512,779.58	-406,512,779.58
5. Transfer within owner's equity												
a. Paid-in capital increased by capital reserve transfer												
b. Paid-in capital increased by surplus reserve transfer												
c. Loss covered by surplus reserve												
d. Transfer of changes as a result of remeasurement of defined benefit plan liability												
e. Others												
Ending balance of current year	11,580,025,968.24		10,500,000,000.00		19,011,730,832.88	-3,897,640,689.43	76,472,166.89			-13,209,492,192.70	47,782,760,034.32	71,843,946,140.20
Legal Representative												
Person in Charge of Accounting Work										Person in Charge of Financial Department		

Statement of Financial Position

as of 31 December 2017

Prepared by: China National Chemical Corporation

Currency: CNY

Item	Note	31 December 2017	31 December 2016
Current assets			
Cash and Cash equivalents		1,059,981,630.22	957,918,440.67
Deposit Reservation for Balance			
Lending Funds			
Financial assets measured by fair value with changes in fair value recognised in profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable			
Advances to suppliers			
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserves			
Interests receivable			4,253,333.33
Dividends receivable		353,815,625.00	353,815,625.00
Other receivables	11.1	5,399,341,537.02	7,158,445,962.76
Buying back the sale of financial assets			
Inventories			
Raw materials			
Finished goods			
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		1,233,359,031.38	2,059,620,164.88
Total current assets		8,046,497,823.62	10,534,053,526.64
Non-current assets			
Loans and payments on behalf			
Available-for-sale financial assets		31,274,248,750.00	14,218,900,000.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	11.2	35,440,501,730.51	34,891,659,579.40
Investment properties			
Fixed assets original costs		565,948,986.05	567,962,262.78
Less:Accumulated Depreciation		222,687,854.28	204,220,628.42
Net value of fixed assets		343,261,131.77	363,741,634.36
Less:Impairment provisions of fixed assets			
Net book value of fixed assets		343,261,131.77	363,741,634.36
Construction in progress		213,369,129.63	125,571,191.62
Materials held for construction			
Disposal of fixed assets			
Biological assets held for production			
Oil and gas assets			
Intangible assets		61,954,200.91	69,451,208.02
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets			
Other non-current assets			
Physical assets reserve specifically			
Total non-current assets		67,333,334,942.82	49,669,323,613.40
Total asset		75,379,832,766.44	60,203,377,140.04

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Statement of Financial Position (Continued)

as of 31 December 2017

Prepared by: China National Chemical Corporation

Currency: CNY

Item	Note	31 December 2017	31 December 2016
Current liabilities			
Short-term borrowings		4,960,000,000.00	2,450,000,000.00
Borrowings from central bank			
Deposits from customers and interbank			
Deposit funds			
Financial liabilities measured by fair value with changes in fair value recognised in profit or loss			
Derivative financial liabilities			
Notes payable			
Accounts payable			
Advances from customers			
Funds from sales of financial assets with repurchase agreement			
Handling charges and commissions payable			
Employment benefits payable		3,746,540.30	8,193,918.66
Accrued payroll		2,048,754.25	6,320,505.16
Welfare benefits payable			
Staff and worker's bonus and selfare			
Taxes and fees payable		866,662.93	990,766.36
Taxes payable		866,662.93	990,766.36
Interests payable		327,565,022.86	323,658,826.13
Dividends payable			
Other payables		14,379,302,988.27	11,064,283,660.45
Cession insurance premiums payable			
Provision for insurance contracts			
Funds received as agent of stock exchange			
Funds received as stock underwrite			
Held-for-sale liabilities			
Non-current liabilities due within one year			4,000,000,000.00
Other current liabilities		8,500,000,000.00	3,500,000,000.00
Total current liabilities		28,171,481,214.36	21,347,127,171.60
Non-current liabilities			
Long-term borrowings		3,022,286,600.00	385,000,000.00
Debt instruments payable		9,600,000,000.00	5,600,000,000.00
Long-term payables			
Long-term employee benefits payable			
Designated payables			
Provisions			
Deferred income		46,850,000.00	46,850,000.00
Deferred tax liabilities			
Other non-current liabilities			
Authorized reserve fund			
Total non-current liabilities		12,669,136,600.00	6,031,850,000.00
Total liabilities		40,840,617,814.36	27,378,977,171.60
Shareholders' equity			
Share capital		11,580,025,968.24	11,580,025,968.24
National capital		11,580,025,968.24	11,580,025,968.24
State-owned legal person's capital			
Collective capital			
Private capital			
Personal capital			
Foreign businessmen's capital			
Less:Returned investment			
Net book value of share capital		11,580,025,968.24	11,580,025,968.24
Other equity instruments		12,900,000,000.00	10,500,000,000.00
Including: Preferred shares			
Sustainable debts		12,900,000,000.00	10,500,000,000.00
Capital reserves		17,350,562,557.61	16,812,390,454.50
Less: Treasury shares			
Other comprehensive income			
Exchange differences on translating foreign operations			
Designated reserves			
Surplus reserves			
Statutory accumulation reserve			
Discretionary accumulation			
Reserved funds			
Enterprise expansion funds			
Profits capitalised on return of investments			
Provision for General risks			
Retained earnings		-7,291,373,573.77	-6,068,016,454.30
Equity attributable to shareholders of the Parent		34,539,214,952.08	32,824,399,968.44
Minority interests			
Total shareholders' equity		34,539,214,952.08	32,824,399,968.44
Total liabilities and shareholders' equity		75,379,832,766.44	60,203,377,140.04

Legal Representative

Person in Charge of Accounting Work

Person in Charge of Financial Department

Statement of Comprehensive Income

for the Year ended 31 December 2017

Prepared by: China National Chemical Corporation

Currency: CNY

Item	Note	2017	2016
Total revenue	13.4	155,421,147.54	96,664,474.88
Including: Revenue from operation	13.4	155,421,147.54	96,664,474.88
Interest income			
Insurance premiums earned			
Handling charges and commissions income			
Total operating costs		752,962,448.81	3,556,903,497.81
Including: Cost for operation		3,983,163.57	3,860,414.16
Interest expenses			
Handling charges and commissions expenses			
Refund of insurance premiums			
Net payments for insurance claims			
Net provision for insurance contracts			
Commissions on insurance policies	13.5		
Cession charges			
Taxes and surcharges		6,464,023.79	7,645,424.29
Selling expenses			
Administrative expenses		122,701,406.28	532,757,492.29
Research and development expenses			
Party building work funds			
Financial costs		619,813,855.17	3,012,640,167.07
Interest expense		1,048,168,448.12	767,221,223.01
Interest income		-97,521,864.85	373,300,465.23
Gain or loss on foreign exchange transactions (less exchange gain)		-372,355,357.60	122,803,917.68
Loss on asset impairment			
Others			
Add: Gain from changes in fair value (loss presented with "-" prefix)			
Investment income (loss presented with "-" prefix)		646,457.58	632,663,031.24
Including: Investment income from associates and joint ventures			
Gain on foreign exchange transactions (loss presented by "-" prefix)			
Other income and gain			
Profit from operation (loss presented with "-" prefix)		-596,894,843.69	-2,827,575,991.69
Add: Non-operating income		8,334.95	215,512.13
Including: Gain on disposal of non-current assets		8,334.95	
Including: Gain on exchange of non-monetary assets			
Government grants			148,763.27
Gains from debt restructuring			
Less: Non-operating expenses		8,619,360.73	3,357,306.06
Including: Loss on disposal of non-current assets		7,216.07	79,306.06
Loss on exchange of non-monetary assets			
Loss from debt restructuring			
Profit before taxation (loss presented with "-" prefix)		-605,505,869.47	-2,830,717,785.62
Less: Income tax expenses			
Net profit (loss presented with "-" prefix)		-605,505,869.47	-2,830,717,785.62
Net profit attributable to shareholders of the Parent (loss presented with "-" prefix)		-605,505,869.47	-2,830,717,785.62
Net profit attributable to minority interests (loss presented with "-" prefix)			
Net profit from continued operations (loss presented with "-" prefix)		-605,505,869.47	-2,830,717,785.62
Net profit from discontinued operations (loss presented with "-" prefix)			
After-tax other comprehensive income			
After-tax other comprehensive income attributable to shareholders of the parent			
A. Other comprehensive income not reclassifiable to profit or loss in subsequent periods			
1. Remeasurement of net assets or net liabilities of defined benefit plans			
2. Share of other comprehensive income of investees measured by the equity method not reclassifiable to profit or loss			
B. Other comprehensive income reclassifiable to profit or loss in subsequent periods			
1. Share of other comprehensive income of investees measured by the equity method reclassifiable to profit or loss			
2. Gain or loss on changes in fair value of financial assets available for sale			
3. Gain or loss on reclassification of held-to-maturity investments to financial assets available for sale			
4. Effective elements of gain or loss of cash flow hedges			
5. Exchange difference on translation of foreign financial statements			
After-tax other comprehensive income attributable to minority interests			
Total comprehensive income		-605,505,869.47	-2,830,717,785.62
Total comprehensive income attributable to shareholders of the Parent		-605,505,869.47	-2,830,717,785.62
Total comprehensive income attributable to minority interests			
Earning per share			
A. Basic earning per share			
B. Diluted earning per share			

Legal Representative

Person in Charge of Accounting Work

Person in Charge of Financial Department

Statement of Cash Flows

for the Year ended 31 December 2017

Prepared by: China National Chemical Corporation

Currency: CNY

Item	Note	2017	2016
Cash flows from operating activities			
Cash received for sales of goods and rendering of services		86,545,909.42	97,672,705.95
Net increase in deposits and placements from financial institutions			
Net increase in due to central banks			
Net increase in placement from financial institutions			
Cash received from premiums of original insurance contracts			
Net amount of reinsurance business			
Net increase in insured's deposits and investments			
Net increase in disposal of financial assets at fair value through profit and loss			
Cash received from interests, fees and commissions			
Net increase of placement from banks and other financial institutions			
Net increase in repurchasing			
Tax refund received			
Other cash receipts relating to operating activities		17,961,337,956.88	11,956,842,452.68
Cash inflows from operating activities		18,047,883,866.30	12,054,515,158.63
Cash payments for purchase of goods and services			
Net increase in loans and advances			
Net increase in deposits with central banks and other financial institutions			
Cash paid for claim settlements on original insurance contracts			
Cash paid for interest, fees and commissions			
Cash paid for policy dividends			
Cash paid to or on behalf of employees		62,542,963.86	45,704,699.72
Taxes and fees paid		7,702,788.31	16,258,724.72
Other cash payments relating to operating activities		15,178,833,476.63	4,806,951,371.87
Cash outflows from operating activities		15,249,079,228.80	4,868,914,796.31
Net cash flows from operating activities		2,798,804,637.50	7,185,600,362.32
Cash flows from investing activities			
Cash received from investment withdrawal		176,096,800.00	
Cash investment income received		646,457.58	
Net cash received from disposal of fixed assets, intangible assets or other non-current assets		148,500.00	
Net cash received from disposal of subsidiaries or other invested entities			
Other cash receipts relating to investing activities			21,172,402.78
Cash inflows from investing activities		176,891,757.58	21,172,402.78
Cash paid for purchase or construction of fixed assets, intangibles assets or other non-current assets		104,426,338.41	12,839,936.70
Cash paid for investment		17,238,196,750.00	8,098,340,000.00
Net increase in pledged loan			
Net cash paid for acquisition of subsidiaries and other invested entities			
Other cash payments relating to investing activities			3,019,035.00
Cash outflows from investing activities		17,342,623,088.41	8,114,198,971.70
Net cash flows from investing activities		-17,165,731,330.83	-8,093,026,568.92
Cash flows from financing activities			
Cash received from investors		5,400,000,000.00	500,000,000.00
Including: Cash received from minority shareholders of subsidiaries			
Cash received from loans raised		27,618,683,900.00	14,049,000,000.00
Cash received from debt instruments issued			
Other cash receipts relating to financing activities		5,697,687,321.75	9,162,196,556.18
Cash inflows from financing activities		38,716,371,221.75	23,711,196,556.18
Cash paid for debt repayment		20,464,405,555.56	17,565,000,000.00
Cash paid for dividends, profit distribution and interests		1,660,707,945.83	1,261,366,525.05
Including: Cash dividends and profit distribution paid to minority shareholders of subsidiaries			
Other cash payments relating to financing activities		2,122,207,926.64	3,656,783,703.16
Cash outflows from financing activities		24,247,321,428.03	22,483,150,228.21
Net cash flows from financing activities		14,469,049,793.72	1,228,046,327.97
Impact of change of foreign exchange rates on cash and cash equivalents		-59,910.84	
Net increase of cash and cash equivalents		102,063,189.55	320,620,121.37
Add: cash and cash equivalents brought forward		957,918,440.67	637,298,319.30
Cash and cash equivalents carried forward		1,059,981,630.22	957,918,440.67

Legal Representative

Person in Charge of Accounting Work

Person in Charge of Financial Department

Statement of Changes in Shareholders' Equity
for the Year ended 31 December 2017

Prepared by: China National Chemical Corporation										2017		Currency: CNY	
Item	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Total shareholders' equity	
		Preferred shares	Sustainable debts	Others									
Balance brought forward	11,580,025,968.24		10,500,000,000.00		16,812,390,454.50						-6,068,016,454.30	32,824,399,968.44	
Add: Changes of accounting policies													
Correction of prior period errors													
Others													
Balance as at 1 January	11,580,025,968.24		10,500,000,000.00		16,812,390,454.50						-6,068,016,454.30	32,824,399,968.44	
Changes for the period (decrease presented by "-") (profit)			2,400,000,000.00		538,172,103.11						-1,223,357,119.47	1,714,814,983.64	
1. Total comprehensive income													
2.Owner's contributions and withdrawals of capital			2,400,000,000.00		538,172,103.11						-605,505,869.47	-605,505,869.47	
a. Common stock contributed by owners													
b.Capital contributed by other equity instruments holders			2,400,000,000.00		538,172,103.11							538,172,103.11	
c.Share-based payment recorded in owner's equity												2,400,000,000.00	
d. Others													
3. Accrual and utilization of specific reserve													
a.Accrual of specific reserve													
b.Utilization of specific reserve													
4.Profits distribution													
a.Appropriation of surplus reserve											-617,851,250.00	-617,851,250.00	
Including: statutory surplus reserve													
Discretionary surplus reserve													
General reserve fund													
Enterprise expansion fund													
Return of investment													
b.Accrual of general risk reserve													
c.Distribution to owner/shareholder											-617,851,250.00	-617,851,250.00	
d.Others													
5.Transfer within owner's equity													
a.Paid-in capital increased by capital reserve transfer													
b.Paid-in capital increased by surplus reserve transfer													
c.Loss covered by surplus reserve													
d.Transfer of changes as a result of remeasurement of defined benefit plan liability													
e.Others													
Ending balance of current year	11,580,025,968.24		12,900,000,000.00		17,350,562,557.61						-7,291,373,573.77	34,539,214,952.08	
Legal Representative	Person in Charge of Financial Department												
	Person in Charge of Accounting Work				Person in Charge of Financial Department								

(Continued from previous page)

Statement of Changes in Shareholders' Equity (Continued) for the Year ended 31 December 2017

Prepared by: China National Chemical Corporation											2016		Currency: CNY
Item	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Designated reserves	Surplus reserves	Provision for general risks	Retained earnings	Total shareholders' equity	
		Preferred shares	Sustainable debts	Others									
Balance brought forward	11,080,025,968.24		8,000,000,000.00		16,466,225,285.74						-2,783,651,168.68	32,762,600,085.30	
Add: Changes of accounting policies													
Correction of prior period errors													
Others													
Balance as at 1 January	11,080,025,968.24		8,000,000,000.00		16,466,225,285.74						-2,783,651,168.68	32,762,600,085.30	
Changes for the period (decrease presented by "-": prefix)	500,000,000.00		2,500,000,000.00		346,165,168.76						-3,284,365,285.62	61,799,883.14	
1. Total comprehensive income											-2,830,717,785.62	-2,830,717,785.62	
2.Owner's contributions and withdrawals of capital	500,000,000.00		2,500,000,000.00		346,165,168.76							3,346,165,168.76	
a. Common stock contributed by owners	500,000,000.00											500,000,000.00	
b.Capital contributed by other equity instruments holders			2,500,000,000.00									2,500,000,000.00	
c.Share-based payment recorded in owner's equity													
d. Others					346,165,168.76							346,165,168.76	
3. Accrual and utilization of specific reserve													
a.Accrual of specific reserve													
b.Utilization of specific reserve													
4.Profits distribution	-	-	-	-	-	-	-	-	-	-	-453,647,500.00	-453,647,500.00	
a.Appropriation of surplus reserve													
Including: statutory surplus reserve													
Discretionary surplus reserve													
General reserve fund													
Enterprise expansion fund													
Return of investment													
b.Accrual of general risk reserve													
c.Distribution to owner/shareholder													
d.Others											-453,647,500.00	-453,647,500.00	
5.Transfer within owner's equity													
a.Paid-in capital increased by capital reserve transfer													
b.Paid-in capital increased by surplus reserve transfer													
c.Loss covered by surplus reserve													
d.Transfer of changes as a result of remeasurement of defined benefit plan liability													
e.Others													
Ending balance of current year	11,580,025,968.24		10,500,000,000.00		16,812,390,454.50						-6,068,016,454.30	32,824,399,968.44	
Legal Representative	Person in Charge of Accounting Work											Person in Charge of Financial Department	

CHINA NATIONAL CHEMICAL CORPORATION

Notes to the Financial Statements

For the Year Ended 31 December 2017

(All amounts are expressed, unless otherwise stated, in Renminbi (CNY))

Note 1: Company Profile

Upon the approval of the State-owned Assets Supervision and Administration Commission of the State Council (hereinafter as the "SASAC") (letter No. 115 [2003] of the State Council), China National Chemical Corporation (hereinafter as the "Company") was set up on 22 April 2014. The Company was registered with Beijing Administration for Industry & Commerce with a registered capital of RMB 11,010,025,968.24. The Company's registered address is No.62 Beisihuan West Road, Haidian District, Beijing, legal representative being Ren Jianxin, Unified Social Credit Code 91110000710932515R and business term since April 22, 2004 to long term.

The Company owned 19 subsidiaries, namely 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 National 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 Corporation (Yello Sea Rubber), Interstar Co. Ltd. (Interstar Group), ChemChina HK Company Limited (ChemChina HK), China chemical century Co. Ltd (ChemChina Century).

Business scope of the Company and its subsidiaries is mainly engaged in: new chemical materials and specialty chemicals – owning dozens of high-tech and high-value-added manufacturing and development bases for the production of silicones, fluororubbers, methionine, and metallurgical solar grade polysilicon; basic chemicals – producing basic chemical raw materials such as chlor-alkali, caustic soda, PVC, polyvinyl chloride paste resins; petroleum processing and refining - main products including automotive gasoline, automotive diesel, liquefied gas, industrial sulfur, petroleum coke, propylene, Acrylic acid, butyl acrylate, dodecene, naphtha, benzene, toluene, etc.; agrochemicals - products covering herbicides, insecticides, fungicides, and plant growth regulators, etc., being able to produce more than 120 kinds of original drugs, more than 800 kinds of preparations and claiming ownership of approximately 5,000 registered products and over 6,000 trademarks in 120 countries around the world; tire rubber – owning several companies engaged in the manufacturing of tires, rubber products and latex products, and producing various tires, poly sulfur rubber, special rubber products, and other high-tech, high value-added products such as carbon; chemical equipment - providing the chemical industry with production technology and equipment, including ion-exchange membrane electrolyzer, rubber machinery, large-scale drying equipment, axles and other gears; the Company is also engaged in research and development, service and design, auto ready and parts manufacturing and maintenance business.

This financial statements were approved and reported on April 16 2018 by the 23rd meeting of the first board of directors of the Company.

This report is subject to the Chinese report.

Note 2: Basis for preparation of the financial statements

The financial statements of company have been prepared on basis of going concern in conformity with the Chinese Accounting Standards for Business Enterprises and the Accounting Systems for Business Enterprises issued by the Ministry of Finance of People's Republic of China (Ministry of Finance issued order No.33, the Ministry of Finance revised order No.76) on 15 February 2006, the revised Accounting Standards (order 41 of the Ministry of Finance), the Guides on Enterprises Accounting Standards Application, Explanations on Enterprises Accounting Standards and other provisions related to individual financial statements– General Provisions on Financial Reports issued by the China Securities Regulatory Commission (CSRC).

Note 3: Statement of Compliance with Enterprise Accounting Standards

The financial statements of the Company have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises, and present truly and completely its financial position, annual operation outcomes and cash flows for the year ended 31 December 2017.

Note 4: Important Accounting Principles and Accounting Estimates

4.1 Accounting period

The company's accounting periods include an annual and a medium-term period. The medium-term accounting period is a period shorter than the reporting period of a complete accounting year. The accounting year of the Group is from 1 January to 31 December.

4.2 Monetary Unit

Yuan (CNY) is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate, therefore, the Company and its domestic subsidiaries have CNY as their functional currency. Overseas subsidiaries of the Company select their functional currencies in accordance with the primary economic environment in which they operate. The financial statements of the Company's subsidiaries with functional currencies other from CNY have been translated based on the accounting policy set out in Note 4.6.3 Conversion of Foreign Currency Reports.

4.3 Business combination

Corporation merger refers to the transaction or other event that combine two or more entities into a single reporting entity. Accounting treatments for business combinations involving entities under common control and not under common control.

4.3.1 Business combinations under common control

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

the date of merger. The acquirees are other participating companies in the merger. The combination date is the date on which one combining entity obtains control of other combining entities.

Assets and liabilities acquired are measured at the acquiree's carrying amount at the date of merger. The difference between the carrying amount of the net assets acquired and the consideration paid for the combination (or the total par value of shares issued) is adjusted against share premium in the capital reserve, with any excess adjusted against retained earnings. Any costs directly attributable to the combination are recognized in profit or loss when incurred.

4.3.2 Business combinations not under common control

A business combination not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination. The acquirer is the company which obtained the right of control at the date of merger. The acquirees are other companies participating in the 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.

Acquirees' deductible temporary difference obtained by acquirer, which are not recognized at the time of combination due to failure in meeting the criteria for deferred tax assets recognition, could be accounted for as deferred tax assets if there are new or further information to prove that the criteria are met at the time of combination and that the expected economic benefits of the acquirees' deductible temporary difference at the time of combination could be realized. Meanwhile, goodwill should be deducted and if it could not cover the deduction, the difference could be recognized in profits and losses in current period.

For business combination not under common control involving multiple transactions, judgments should be made

on whether multiple transactions form a bundled transaction or not according to the stipulations set out in No.33 Consolidation of Financial Statement, the Accounting Standards for Business Enterprises and other relative documents. If multiple transactions could be regard as bundled transaction, the accounting treatment should refer to previous description in this section and section 4.10 Long-term investment. Otherwise, it should be accounted by distinguish individual financial statements or consolidated financial statements.

4.4 Preparation of the consolidated financial statements

4.4.1 The scope of consolidation

The scope of consolidation for the consolidated financial statements is determined on the basis of control. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. The scope of consolidation includes the Company and all of its subsidiaries. Subsidiary is an enterprise or entity under the control of the Company.

In event of change in relevant facts and circumstances that could lead to changes in the elements involved in the above definition of the scope of consolidation, reassessment would be made by the Company.

4.4.2 Preparation of the consolidated financial statements

The subsidiary of the Company is included in the consolidated financial statements from the date when the control over the net assets and business decisions of the subsidiary is effectively obtained, and excluded from the date when the control ceases.

For a subsidiary disposed of by the Company, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate. For a subsidiary disposed during the period, no adjustment is made to the opening balance of the consolidated financial statements.

For a subsidiary acquired through a business combination not under common control, the operating results and cash flows from the acquisition (the date when the control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriated; no adjustment is made to the opening balance and comparative figures in the consolidated financial statements.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements. The results of operations and cash flow are included in the consolidated balance sheet and the consolidated income statement, respectively, based on their carrying amounts, from the date that common control was established, and the opening balances and the comparative figures of the consolidated financial statements are restated.

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Where a subsidiary was acquired during the reporting period

through a business combination not under common control, the financial statements was reconciliated on the basis of the fair value of identifiable net assets at the date of acquisition. Intra-Group balances and transactions, and any unrealized profit or loss arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

Non-controlling interest and the portion in the net profit or loss not attributable to the Company are presented separately in the consolidated balance sheet within shareholders' equity and net profit. Net profit or loss attributable to non-controlling shareholders in the subsidiaries is presented separately as non-controlling interest in the consolidated income statement below the net profit line item.

When the amount of loss for the current period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the non-controlling interests.

When the Company loses control over a subsidiary due to the disposal of a portion of an equity investment or other reasons, the remaining equity investment is remeasured at its fair value at the date when control is lost. The difference between 1) the total amount of consideration received from the transaction that resulted in the loss of control and the fair value of the remaining equity investment and 2) the carrying amounts of the interest in the former subsidiary's net assets immediately before the loss of the control is recognized as investment income for the current period when control is lost. Other comprehensive income related to the former subsidiary's equity investment, using the foundation and the acquiree directly related to the disposal of the same assets or liabilities are accounted when the control is lost (ie, in addition to the former subsidiary is remeasured at the net defined benefit plan or changes in net assets and liabilities resulting from, the rest are transferred to the current investment income). The retained interest is subsequently measured according to the rules stipulated in the - "Chinese Accounting Standards for Business Enterprises No.2 - Long-term equity investment" or "Chinese Accounting Standards for Business Enterprises No.22 - Determination and measurement of financial instruments". See Note 4.13 Long-term equity investments and Note 4.9 Financial instruments for details.

The company get through multiple transactions step deal with disposal of the subsidiary's equity investment until the loss of control, need to distinguish between equity until the disposal of a subsidiary's loss of control over whether the transaction is package deal. Terms of the transaction disposition of equity investment in a subsidiary, subject to the following conditions and the economic impact of one or more of cases, usually indicates that several transactions should be accounted for as a package deal: 1. these transactions are considered simultaneously, or in the case of mutual influence made, 2. these transactions as a whole in order to achieve a complete business results; 3. the occurrence of a transaction depends on occurs at least one other transaction; 4. transaction look alone is not economical, but when considered together with other transaction is economical. If they does not belong to the package deal, each of them separately, as the case of a transaction in accordance with "without losing control over the disposal of a subsidiary part of a long-term equity investments"(see Note

4.10.2.4) and “due to the disposal of certain equity investments or other reasons lost control of a subsidiary of the original” (see previous paragraph) principles applicable accounting treatment. Until the disposal of the equity investment loss of control of a subsidiary of the transactions belonging to the package deal, the transaction will be used as a disposal of a subsidiary and the loss of control of the transaction. However, before losing control of the price of each disposal entitled to share in the net assets of the subsidiary's investment corresponding to the difference between the disposals, recognized in the consolidated financial statements as other comprehensive income, loss of control over the transferred together with the loss of control or loss in the period.

4.5 Cash equivalent

Cash and cash equivalents of the Company include cash on hand, ready usable deposits and investments having short holding term (normally will be due within three months from the day of purchase), with strong liquidity and easy to be exchanged into certain amount of cash that can be measured reliably and have low risks of change.

4.6 Foreign exchange

4.6.1 Translation in foreign exchange transactions

The foreign currency transactions are recorded, on initial recognition in the functional currency, by applying [the spot exchange rate on the date of the transaction / an exchange rate that approximates the actual spot exchange rate on the date of transaction]. The exchange of foreign currency and transactions related to the foreign exchange are translated at the spot exchange rate.

4.6.2 Translation of monetary foreign currency and non-monetary foreign currency

At the balance sheet date, foreign currency monetary items are translated using the spot exchange rate at the balance sheet date. All the exchange differences thus resulted are taken to profit or loss, except for ①those relating to foreign currency borrowings specifically for construction and acquisition of qualifying assets, which are capitalized in accordance with the principle of capitalization of borrowing costs, ②hedging accounting, the exchange difference related to hedging instruments for the purpose of net overseas operating investment is recorded in the comprehensive income till the date of disposal and recognized in profit or loss of the period; exchange difference from changes of other account balance of foreign currency monetary items, ③ available-for-trade is recorded into profit or loss except for amortized cost.

Non-monetary foreign currency items measured at historical cost shall still be translated at the spot exchange rate prevailing on the transaction date, and the amount denominated in the functional currency is not changed. Non-monetary foreign currency items measured at fair value are translated at the spot exchange rate prevailing at the date when the fair values are determined. The exchange difference thus resulted are recognized in profit or loss for the current period or as capital reserve.

4.6.3 The translation of financial statement in foreign currency

When the consolidated financial statements include foreign operation(s), if there is a foreign currency monetary

item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as "exchange differences arising on translation of financial statements denominated in foreign currencies" in owner's equity, and in profit or loss for the period upon disposal of the foreign operation.

The Group translates the financial statements of its foreign operations into CNY by following rules. Assets and liabilities in the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; all equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items occur; income and expenses in income statement are translated at the spot exchange rates at the date of transaction; the opening retained earnings is the closing retained earnings of the last period after translation; the closing balance of retained earnings is calculated and presented in the basis of each translated income statements and profit distribution item; the difference arising between the assets and liabilities and shareholders' equity shall be booked as translation difference of foreign currency statements, and shall be presented as a separate component of equity in the balance sheet. On a loss of control over Group's overseas operation due to disposal, the Company transfers the accumulated or proportionate share of the accumulated exchange difference arising on translation of financial statements of this overseas operation attributable to the owners' equity of the Company and presented under shareholders' equity, to profit or loss in the period in which the disposal occurs.

Foreign currency cash flows and cash flow of overseas subsidiaries are translated at the spot exchange rates on the date of cash flows. The effect of exchange rate changes on cash is separately presented as an adjustment item in the cash flow statement.

The opening and actual amount of last year are presented in the financial statement after translation.

At the disposal of all of the company's ownership interest in a foreign operation, or due to the disposal of part of the equity investment or other reasons, the loss of control over a foreign operation, the project owner's equity in the balance sheet listed under the relevant overseas operations attributable to statements of the parent company's shareholders' equity of foreign currency translation differences, all transferred to the disposal of the income statement.

At the disposal of part of the equity investment or other causes lower hold percentage overseas business interests, but does not lose control over a foreign operation, and disposal of the foreign operation section related to foreign currency translation differences attributable to minority interests, is not transferred to the income statement. At the disposal of a foreign operation as part of the equity joint venture or joint ventures, foreign currency financial statements of the foreign operation and the associated translation difference in proportion to dispose of the foreign operation into the disposal of the income statement.

4.7 Financial instruments

4.7.1 Determination of financial assets and liabilities' fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable,

willing parties in an arm's length transaction. For a financial instrument which has an active market, the Company uses quoted price in the active market to establish its fair value. The quoted price in the active market refers to the price that can be regularly obtained from exchange market, agencies, industry associations, pricing authorities; it represents the fair market trading price in the actual transaction.

For a financial instrument which does not have an active market, the Company establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

The Company measures initially and subsequently the fair value of an interest rate swap at the value of a competitor's interest rate swap quoted by a recognised financial institution as at the Company's balance sheet date in accordance with the principle of consistency.

4.7.2 Classification, recognition and measurement of financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. On initial recognition, the Company's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to maturity investments, loans and receivables and available-for-trade financial assets. A financial asset is recognized initially at fair value. In the case of financial assets at fair value through profit or loss, relevant transaction costs are immediately charged to the profit and loss of the current period; transaction costs relating to financial assets of other categories are included in the amount initially recognized.

1) Financial assets at fair value through profit or loss:

Including financial assets held-for-trade and financial assets designated at fair value through profit or loss.

Financial asset held-for-trade is the financial asset that meets one of the following conditions:

- A. the financial asset is acquired for the purpose of selling it in a short term;
 - B. the financial asset is a part of a portfolio of identifiable financial instruments that are collectively managed, and there is objective evidence indicating that the enterprise recently manages this portfolio for the purpose of short-term profits;
 - C. the financial asset is a derivative, except for a derivative that is designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price from an active market) whose fair value cannot be reliably measured.
- For such kind of financial assets, fair values are adopted for subsequent measurement.

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

2) Investment held-to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Such kind of financial assets are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization are recognized in profit or loss for the current period.

Effective interest rate is the rate that exactly discounted estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company shall estimate future cash flow considering all contractual terms of the financial asset or financial liability without considering future credit losses, and also consider all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

3) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed determinable payment that are not quoted in an active market. Financial assets classified as loans and receivables by the Company include note receivables, account receivables, interest receivable dividends receivable and other receivables.

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

4) Financial assets available-for-trade

Financial assets available-for-trade include non-derivative financial assets that are designated on initial recognition as available for trade, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or investment held-to-maturity.

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

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

4.8.3 Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of every financial asset except for the financial assets that measured by the fair value. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment.

1) Impairment on held-to maturity investment, loans and receivables

The financial assets measured by cost or amortized cost write down their carrying value by the estimated present value of future cash flow. The difference is recorded as impairment loss. If there is objective evidence to indicate the recovery of value of financial assets after impairment, and it is related with subsequent event after recognition of loss, the impairment loss recorded originally can be reversed. The carrying value of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

2) Impairment loss on available-for-trade financial assets

Where the fair value of the equity instrument investment drops significantly or not contemporarily according to the integrated relevant factors, an available-for-trade financial asset is impaired.

When an available-for-trade financial asset is impaired, the cumulative loss arising from declining in fair value that had been recognized in capital reserve shall be removed and recognized in profit or loss. The amount of the cumulative loss that is removed shall be difference between the acquisition cost with deduction of recoverable amount less amortized cost, current fair value and any impairment loss on that financial asset previously recognized in profit or loss.

If, after an impairment loss has been recognized, there is objective evidence that the value of the financial asset is recovered, and it is objectively related to an event occurring after the impairment loss was recognized, the initial impairment loss can be reversed and the reserved impairment loss on available-for-trade equity instrument is recorded in the profit or loss, the reserved impairment loss on available-for-trade debt instrument is recorded in the current profit or loss.

The equity instrument where there is no quoted price in an active market, and whose fair value cannot be reliably measured, or impairment loss on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument shall not be reversed.

4.7.4 Recognition and measurement of financial assets transfer

The Group derecognises a financial asset when one of the following conditions is met:

- 1) the rights to receive cash flows from the asset have expired;
- 2) the enterprise has transferred its rights to receive cash flows from the asset to a third party under a pass-through arrangement; or
- 3) the enterprise has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

If the enterprise has neither retained all the risks and rewards from the financial asset nor control over the asset, the asset is recognised according to the extent it exists as financial asset, and correspondent liability is recognised. The extent of existence refers the level of risk by the financial asset changes the enterprise is facing. For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, (a). the carrying amount of

the financial asset transferred; and (b) the sum of the consideration received from the transfer and any cumulative gain or loss that had been recognised in other comprehensive income, is recognised in profit or loss. If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair value of those parts. The difference between (a) the carrying amount allocated to the part derecognised; and (b) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income, is recognised in profit or loss.

4.7.5 Classification and measurement of financial liabilities

The Group's financial liabilities are, on initial recognition, classified into financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities at fair value through profit or loss, relevant transaction costs are immediately recognised in profit or loss for the current period, and transaction costs relating to other financial liabilities are included in the initial recognition amounts.

1) Financial liabilities measured by the fair value and the changes recorded in profit or loss

The classification by which financial liabilities held-for-trade and financial liabilities designed at the initial recognition to be measured by the fair value follows the same criteria as the classification by which financial assets held-for-trade and financial assets designed at the initial recognition to be measured by the fair value and their changes are recorded in the current profit or loss.

For the financial liabilities measured by the fair value and changes recorded in the profit or loss, fair values are adopted for subsequent measurement. All the gains or losses on the change of fair value and the expenses on dividends or interests related to these financial liabilities are recognised in profit or loss for the current period.

2) Other financial liabilities

Derivative financial liabilities that linked with equity instruments, which do not have a quoted price in an active market and their fair value cannot be measured reliably, is subsequently measured by cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition or amortization is recognised in profit or loss for the current period.

3) Financial Guarantee Contract

Financial guarantee contracts that are not classified as financial liabilities measured by fair value with the changes in fair value recognised in profit or loss are initially recognised at fair value. After the initial recognition, financial guarantee contracts shall be measured at the higher of the amount recognised in accordance with the Accounting Standards for Enterprises No. 13 - Contingencies. Subsequent measurement and the initial recognition amount deducted by the accumulative amortisation amount determined in accordance with the Accounting Standards for Business Enterprises No. 14 - Revenue.

4.7.6 Derecognition of financial liabilities

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

When the Company derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

4.7.7 Derivatives and embedded derivatives

Derivative financial instruments include derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are substantially re-measured at fair value. The resulting gain and loss is recognised in profit or loss.

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

4.7.8 Offsetting financial assets and financial liabilities

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

4.7.9 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The consideration received from issuing equity instruments, net of transaction costs, are added to shareholders' equity. All types of distribution (excluding stock dividends) made by the Company to holders of equity instruments are deducted from shareholders' equity. The Group does not recognise any changes in the fair value of equity instruments.

4.8 Receivables

The receivables by the Company include account receivables, and other receivables.

4.8.1 Method for bad debts provision

- 1) Provisions of bad debts in account receivables that is individually significant.

Individual receivables equal to or higher than RMB 30 million are classified as receivables of individual significance.

For an account receivable that is individually significant, the asset is individually assessed for impairment, the impairment loss is recognized at the difference between the present value of future cash flow less the carrying amount, and provision is made accordingly.

2) Provisions of bad debts in account receivables that individually insignificant item with similar credit risk characteristics that have significant risk:

A. Evidence of credit risk characteristics

Whether the financial asset is individually significant or not individually significant, it is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Such credit risk reflects the repayment of all due amount under the contract, and is related to the estimation of future cash flow expected to be derived from the assets.

Evidence of portfolios:

Item	Basis
Age portfolios	Age
Related party portfolios	The companies which are in the scope of the consolidation.

B. Provision by credit risk characteristics

During the Company impairment test, the amount of bad debts provisions is determined by the assessed result from the experience of historical loss and current economic status and the existing loss in the estimated account receivables according to the set of account receivables and credit risk characteristic.

Provision for different portfolios:

Item	Provision
Age portfolios	Age analysis method
Related party portfolios	No allowance for bad debt, Unless the related party is insolvent

a. Portfolio by age analysis:

Category	% for accounts receivable	% for other receivable
0 to 1 year (including 1 year)	0-5	0-5
1 to 2 years (including 2 years)	0.5-10	0.5-10
2 to 3 years (including 3 years)	0.5-30	0.5-30
3 to 4 years (including 4 years)	10-50	10-50
4 to 5 years (including 5 years)	20-50	20-50
Over 5 years	50-100	50-100

3) Provisions of bad debts that is individually insignificant.

For the account receivables not individually significant, the Company assesses the account receivables

individually for impairment when are of following characteristics: if there is objective evidence indicating the impairment, the impairment loss is recognized at the difference between the present value of future cash flow less the carrying amount, and provision is made accordingly. For examples: receivables of individual insignificance bears differing credit risk characteristics to other receivables of individual insignificance account receivables with related parties; account receivables under litigations or arbitrations, or account receivables with obvious indication that debtor cannot fulfill the obligation of repayment.

4.8.3 The reversal of bad debts provision

If there is objective evidence of recovery in value of account receivables, and the recovery can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and recognized in profit or loss. However, the reversal shall not result in a carrying amount that exceeds what the amortized cost would have been had the impairment loss not been recognized at the date the impairment is reversed.

4.9 Inventories

4.9.1 Classification of inventory

Inventories include finished goods and merchandises held for sale, work-in-progress and materials and supplies to be consumed in the course of production of goods or rendering of services. Inventories are classified into materials in transit, raw materials, work-in-progress, finished goods, materials and goods of consignment and revolving materials etc.

4.9.2 Valuation method of inventories

Inventories are initially carried at the planed cost, to record the difference between planned cost and actual cost through the cost variances account, and carryover the cost variances of issued inventory on schedule, to adjust the planned cost to actual cost. Cost of issue is measured using the weighted average method.

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

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purpose of holding inventories and effect of post balance sheet events.

At the balance sheet date, inventories are measured at the lower of the cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. The provision for inventories decline in value is determined normally by the difference of the cost of individual item less its realizable value. For large quantity and low value items of inventories,

Provision for decline in value is made based on categories of inventories. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end users

or purposes, and cannot be practicably evaluated separately from other items in that product line provision for decline in value is determined on an aggregate basis.

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

4.9.4 The perpetual inventory system is maintained for stock system.

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

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

4.10 Long-term equity investments

Long-term equity investments referred to in this section refer to the Company invested entity has control, joint control or significant influence over the long-term equity investments. The Company invested does not have control, joint control or significant influence over the long-term equity investments as financial assets available for sale or at fair value and the changes included financial assets through profit or loss, which refer to the accounting policies in Note 4.8 "financial instruments".

Joint control is the Company control over an arrangement in accordance with the relevant stipulations are common, related activities and the arrangement must be after sharing control participants agreed to the decision-making. Significant influence is the Company's financial and operating policies of the entity has the right to participate in decision-making, but cannot control or with other parties joint control over those policies.

4.10.1 Determination of Investment cost

The cost of a long-term equity investment acquired through business combination under common control is measured at the acquirer's share of the combination date book value of the acquiree's net equity in the ultimate controller's consolidated financial statements. The difference between the cost and book value of cash paid, non-monetary assets transferred and liabilities assumed is adjusted to capital reserves, and to retained earnings if capital reserves is insufficient. If the consideration is transferred by way of issuing equity instruments, the face value of the equity instruments issued is recognised in share capital and the difference between the cost of the face value of the equity instruments issued is adjusted to capital reserves, and to retained earnings if capital reserves is insufficient. Where a business combination under common control is achieved by multiple acquisition of the acquiree's shareholding, the multiple acquisitions shall be assessed to determine whether the multiple acquisitions shall be viewed as one single transaction. If the multiple acquisitions shall be viewed as one single transaction, the multiple acquisitions shall be accounted for as one single transaction accordingly. If the multiple acquisitions shall not be viewed as one single transaction, the difference between the cost of combination and the sum of the book value of the investment in the acquiree immediately before the combination and the book

value of the consideration transferred to acquire additional shareholding is adjusted to capital reserves, and to retained earnings if capital reserves is insufficient. Cumulative other comprehensive income associated with the investment recognised as a result of the treatment of equity method or available-for-sale financial assets prior to the combination is not affected by the combination.

The cost of a long-term equity investment acquired through business combination not under common control is the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued. Where a business combination not under common control is achieved by multiple acquisition of the acquiree's shareholding, the multiple acquisitions shall be assessed to determine whether the multiple acquisitions shall be viewed as one single transaction. If the multiple acquisitions shall be viewed as one single transaction, the multiple acquisitions shall be accounted for as one single transaction accordingly. If the multiple acquisitions shall not be viewed as one single transaction, the cost of combination is measured at the sum of book value of the investment in the acquiree immediately before the combination and cost of acquisition of additional shareholding. If the investment prior to the combination is measured by fair value, cumulative other comprehensive income associated with the investment prior to the combination is not affected by the combination. If the investment prior to the combination is measured as an available-for-sale financial asset, the difference between the fair value and the book value of the investment immediately before the combination and the associated cumulative other comprehensive income recognised prior to the combination are carried to profit or loss.

All expenses incurred directly associated with the acquisition by the acquirer, including expenditure of audit, legal services, valuation and consultancy and other administrative expenses, are recognised in profit or loss for the period during which the acquisition occurs.

Long-term equity investments acquired not through business combination are measured at cost on initial recognition. Depending on the way of acquisition, the cost of acquisition can be the total cash paid, the fair value of equity instrument issued, the contract price, the fair value or book value of the assets given away in the case of non-monetary asset exchange, or the fair value of the relevant long-term equity investments. The cost of acquisition of a long-term equity investment acquired not through business combination also includes all directly associated expenses, applicable taxes and fees, and other necessary expenses. The cost of a long-term equity investment, which enables the Company has significant influence or joint control over the acquiree which is achieved through additional investment, is measured as the fair value determined in accordance with CAS 22 - Financial Instruments: Recognition and Measurement plus the cost of additional investment.

4.10.2 Subsequent Measurement

To be invested joint control (except constitute common operator) or long-term equity investments significant influence are accounted for using the equity method. In addition, the Company's financial statements using the cost method of accounting for long-term equity can exercise control over the investee.

1) Cost method of accounting for long-term equity investments

Under the cost method, a long-term equity investment is measured at initial investment cost. Except for cash dividends or profits declared but not yet paid that are included in the price or consideration actually paid upon acquisition of the long-term equity investment, investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

2) Equity method of accounting for long-term equity investments

Where the initial investment cost of a long-term equity investment exceeds the investing enterprise's interest in the fair values of the investee's identifiable net assets at the time of acquisition, no adjustment shall be made to the initial investment cost.

The carrying amount of a long-term equity investment measured using the equity method is adjusted by the Company's share of the investee's net profit and other comprehensive income, which is recognised as investment income and other comprehensive income respectively. The carrying amount of a long-term equity investment measured using the equity method is reduced by profit distribution or cash dividends announced by the investee. The carrying amount of a long-term equity investment measured using the equity method is also adjusted by the investee's equity movement other than net profit, other comprehensive income and profit distribution, which is adjusted to capital reserves. The net profit of the investee is adjusted by the fair value of the investee's identifiable assets as at acquisition. The financial statements and hence the net profit and other comprehensive income of an investee which does not adopt accounting policies or accounting period uniform with the Company is adjusted by the Company's accounting policies and accounting period. The Company's share of unrealised profit or loss arising from related party transactions between the Company and an associate or joint venture is deducted from investment income. Unrealised loss arising from related party transactions between the Company and an associate or joint venture which is associated with asset impairment is not adjusted. Where assets transferred to an associate or joint venture which form part of the Company's investment in the investee but which does not enable the Company obtain control over the investee, the cost of the additional investment acquired is measured at the fair value of assets transferred and the difference between the cost of the additional investment and the book value of the assets transferred is recognised in profit or loss. Where assets transferred to an associate or joint venture form an operation, the difference between the consideration received and the book value of the assets transferred is recognised in profit or loss. Where assets transferred from an associate or joint venture form an operation, the transaction is accounted for in accordance with CAS 20 - Business Combination, any gain or loss is recognised in profit or loss.

The Company's share of an investee's net loss is limited by the sum of the book value of the long-term equity investment and other net long-term investments in the investees. The Company has obligation to share additional net loss of the investee, the estimated share of loss recognised as accrued liabilities and investment loss. Where the Company has unrecognised share of loss of the investee when the investee generates net profit, the Company's unrecognised share of loss is reduced by the Company's share of net profit and when the

Company's unrecognised share or loss is eliminated in full, the Company's share of net profit, if any, is recognised as investment income.

For long-term equity investments in associates and joint ventures which had been held by the Company before its first time adoption of Accounting Standards for Business Enterprises, where the initial investment cost of a long-term equity investment exceeds the Company's interest in the investee's net assets at the time of acquisition, the excess is amortized and is recognised in profit or loss on a straight line basis over the original remaining life.

3) Acquisition of minority interest

The difference between newly increased equity investment due to acquisition of minority interests and portion of net asset cumulatively calculated from the acquisition date is adjusted as capital reserve. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against returned earnings.

4) Disposal of long-term equity investment

The parent company disposes long-term investment in a subsidiary without a change in control, the difference in the net asset between the amount of disposed long-term investment and the amount of the consideration paid or received is adjusted to the owner's equity. If the disposal of long-term investment in a subsidiary involves loss of control over the subsidiary, the related accounting policies in Note 4.3.2 applies. For disposal of long-term equity investments in any situation other than the fore-mentioned situation, the difference between the book value of the investment disposed and the consideration received is recognised in profit or loss.

The long-term equity investment is measured by the equity method both before and after part disposal of the investment, cumulative other comprehensive income relevant to the investment recognised prior to the acquisition is treated in the same manner that the investee disposes the relevant assets or liabilities proportionate to the disposal. The investee's equity movement other than net profit, other comprehensive income and profit distribution is recognised in profit or loss proportionate to the disposal.

The long-term equity investment is measured at cost both before and after part disposal of the investment, cumulative other comprehensive income relevant to the investment recognised, as a result of accounting by equity method or recognition and measurement principles applicable to financial instruments, prior to the Company's acquisition of control over the investee is treated in the same manner that the investee disposes the relevant assets or liabilities and recognised in profit or loss proportionate to the disposal. The investee's equity movement other than net profit, other comprehensive income and profit distribution, as a result of accounting by equity method, is recognised in profit or loss proportionate to the disposal.

The Company's control over an investee is lost due to partial disposal of investment in the investee and the Company continues to have significant influence over the investee after the partial disposal, the investment in measured by the equity method in the Company's separate financial statements; the Company's control over an investee is lost due to partial disposal of investment in the investee and the Company ceases to have significant

influence over the investee after the partial disposal, the investment is measured in accordance with the recognition and measurement principles applicable to financial instruments in the Company's separate financial statements and the difference between the fair value and the book value of the remaining investment at the date of loss of control is recognised in profit or loss. Cumulative other comprehensive income relevant to the investment recognised, as a result of accounting by equity method or recognition and measurement principles applicable to financial instruments, prior to the Company's acquisition of control over the investee is treated in the same manner that the investee disposes the relevant assets or liabilities on the date of loss of control. The investee's equity movement other than net profit, other comprehensive income and profit distribution, as a result of accounting by equity method, is recognised in profit or loss when control is lost. Where the remaining investment is measured by equity method, the fore-mentioned other comprehensive income and other equity movement are recognised in profit or loss proportionate to the disposal; Where the remaining investment is measured in accordance with the recognition and measurement principles applicable to financial instruments, the fore-mentioned other comprehensive income and other equity movement are recognised in profit or loss in full.

The Company's joint control or significant influence over an investee is lost due to partial disposal of investment in the investee, the remaining investment in the investee is measured in accordance with the recognition and measurement principles applicable to financial instruments, the difference between the fair value and the book value of the remaining investment at the date of loss of joint control or significant influence is recognised in profit or loss. Cumulative other comprehensive income relevant to the investment recognised, as a result of accounting by equity method, prior to the partial disposal is treated in the same manner that the investee disposes the relevant assets or liabilities on the date of loss of joint control or significant influence. The investee's equity movement other than net profit, other comprehensive income and profit distribution is recognised in profit or loss when joint control or significant influence is lost.

The Company's control over an investee is lost through multiple disposals and the multiple disposals shall be viewed as one single transaction, the multiple disposals is accounted for one single transaction which result in the Company's loss of control over the investee. Each difference between the consideration received and the book value of the investment disposed is recognised in other comprehensive income and reclassified in full to profit or loss at the time when control over the investee is lost.

4.11 Investment property

Investment property is held to earn rentals or for capital appreciation or for both. Investment property includes leased or ready to transfer after capital appreciation land use rights and leased buildings. In addition, the Company holds for future operating lease vacant buildings, if the board of directors (or similar body) to make a written resolution, made it clear that their intention for rent and shall not occur in the short term change, but also as an investment real estate presentation. Investment property is initially measured at cost. Subsequent expenditures related to an investment real estate are likely to flow about the economic benefits of the asset and

its cost can be measured reliably, is included in the cost of investment real estate. Other subsequent expenditure is recorded in the profit or loss when it incurred.

The Group uses the cost model for subsequent measurement of investment property, and in accordance with the depreciation or amortization of buildings or land use rights policy.

Investment property impairment test method and impairment accrual method described in Note 4.17 "Impairment of Non-current and non-financial assets".

Occupied real estate for investment property or investment property is transferred to owner-occupied real estate or stock conversion as the recorded value after the conversion, according to the book value before the conversion.

When an investment property is changed for personal use, since the change of date, the investment property is transferred to fixed assets or intangible assets. Owner-occupied property is changed to earn rentals or for capital appreciation, change the date, will be converted to fixed assets or intangible investment property. When the transition occurs, the conversion to the use of investment property cost model, the carrying value before conversion as the book value after conversion, convert to investment property measured at fair value model, the fair value of the conversion date as the conversion after the recorded value.

When the investment property is disposed of or permanently withdrawn from use and no future economic benefits are expected from the disposal, derecognition of the investment property. Investment property is sold, transferred, retired or damaged, the disposal income after deducting the book value and related taxes and profit or loss.

4.12 Fixed assets

4.12.1 The conditions of recognition

Fixed assets refers to the tangible assets that are held for the sake of producing commodities, rendering labor service, renting or business management and their useful life is in excess of one fiscal year. Fixed assets only in the economic benefits associated with it will flow to the company and the cost can be measured reliably only are confirmed. Fixed assets are stated at cost and considering the expected costs of abandoning the initial measurement.

4.12.2 The method for depreciation

Fixed assets are stated at cost and consider the impact of expected costs of abandoning the initial measurement. From the following month of state of intended use, depreciation method of the straight-line method is used for different categories of fixed assets to take depreciation. The recognition of the classification, useful life and estimated residual rate are as follows:

Category	Estimated residual value (%)	Expected useful life	Depreciation (%)
Houses and building	25-50	3-5	1.90-3.88
Machineries	5-20	3-5	4.75-19.40

Category	Estimated residual value (%)	Expected useful life	Depreciation (%)
Transportation facility	5-10	3-5	9.50-19.40
Electronic equipment	5-10	3-5	9.50-19.40
Office and other equipment	5-10	3-5	9.50-19.40

Expected net residual value of fixed assets is the balance of the Company currently obtained from the disposal of the asset less the estimated costs of disposal amount, assuming the asset is out of useful life and state the expected service life in the end.

4.12.3 Measurement and recognition of fixed assets impairment

Impairment and provisions of fixed assets are disclosed on Note 4.17 "Impairment of Non-current and Non-financial assets".

4.12.4 Fixed Assets under finance leases

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.

Fixed assets that are held under finance leases shall be depreciated by applying the same policy as that for the fixed assets owned by the Company. If it can be reasonably determined that the ownership of the leased assets can be obtained at the end of the lease period, the leased assets are depreciated over their useful lives; otherwise, the leased assets are depreciated over the shorter of the lease terms and the useful lives of the leased assets.

4.12.5 Others

A fixed asset is recognised only when the economic benefits associated with the asset will probably flow to the Company and the cost of the asset can be measured reliably. Subsequent expenditure incurred for a fixed asset that meet the recognition criteria shall be included in the cost of the fixed asset, and the carrying amount of the component of the fixed asset that is replaced shall be derecognised. Otherwise, such expenditure shall be recognised in profit or loss in the period in which they are incurred.

The revenue from selling or transferring, or disposing a fixed asset is booked into profit and loss after deduction of carrying value and related tax.

The Company conducts a review of useful life, expected net realizable value and depreciation methods of the fixed asset at least on an annual base. Any change is regarded as change in accounting estimates.

4.13 Construction in progress

Construction in progress is measured at its actual cost. The actual costs include various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is transferred to a fixed asset when it is ready for intended use. Testing method for provision impairment of construction in progress and accrued method for provision impairment please refer to Note 4.17.

4.14 Borrowing costs

Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings.

The borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. The amounts of other borrowing costs incurred are recognised as an expense in the period in which they are incurred. Qualifying assets are asset (fixed assets, investment property and inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Where funds are borrowed for a specific-purpose, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

Where funds are borrowed for a general-purpose, the amount of interest to be capitalized on such borrowings is determined by applying a weighted average interest rate to the weighted average of the excess amounts of accumulated expenditure on the asset over and above the amounts of specific-purpose borrowings.

During the capitalization period, exchange differences related to a specific-purpose borrowing denominating in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognised in profit or loss in the period in which they are incurred.

Assets qualified for capitalization are the fixed assets, investment properties or inventories which need a long time of construction or production activities before ready for intended used or sale.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted by activities other than those necessary to prepare the asset for its intended use or sale, when the interruption is for a continuous period of more than 3 months. Borrowing costs incurred during these periods recognised as an expense for the current period until the acquisition, construction or production is resumed.

4.15 Intangible assets

4.15.1 Intangible asset

The term “intangible asset” refers to the identifiable non-monetary assets without physical shape, possessed or controlled by enterprises.

The intangible assets are initially measured by its cost. Expenses related to intangible assets, if the economic benefits related to intangible assets are likely to flow into the enterprise and the cost of intangible assets can be measured reliably, shall be recorded as cost of intangible assets. The expenses other than this shall be booked in the profit or loss when they occur.

Land use rights that are purchased by the Company are accounted for as intangible assets. Buildings, such as plants that are developed and constructed by the Company, and relevant land use rights and buildings, are

accounted for as intangible assets and fixed assets, respectively. Payments for the land and buildings purchased are allocated between the land use rights and the buildings; if they cannot be reasonably allocated, all of the land use rights and buildings are accounted for as fixed assets.

When an intangible asset with a definite useful life is available for use, its original cost less net residual value and any accumulate impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a definite useful life, the Company reviews the useful life and amortization method at the end of the period, and makes adjustment when necessary. An additional review is also carried out for useful life of the intangible assets with indefinite useful life. If there is evidence showing the foreseeable limit period of economic benefits generated to the enterprise by the intangible assets, then estimate its useful life and amortize according to the policy of intangible assets with definite useful life.

4.15.2 Research and development cost

Cost of research and development is distinguished into the research phase and the development phases.

Cost of the research phase is recognised in the profit or loss in the period in which it is incurred.

Unless the following conditions are satisfied, cost of the development phase is recognised in the profit or loss in the period in which it is incurred:

- 1) it is technically feasible to complete the intangible asset so as to use it or sell it;
- 2) it is clearly invented to complete the intangible asset in order to use it or sell it;
- 3) it is probable that the intangible asset is capable of generating future economic benefit, such as the market for the product produced by the intangible asset or the intangible asset itself, it is objectively evidential that the intangible asset is economically usable if it is going to be used internally;
- 4) there are sufficient technical, financial and other resources to complete the intangible asset and to use it or sell it;
- 5) the cost of the development of the intangible can be measured reliably.

If the cost cannot be distinguished into the search phase and the development phase, it is recognised in the profit or loss for the period in which it is incurred.

4.15.3 Impairment of intangible assets

Impairment and provisions of intangible assets are disclosed on Note 4.17.

4.16 Long-term deferred expenditure

An item long-term deferred expenses is an expense which has been incurred and which has a beneficial period (a period during which an expense is expected to bring economic benefits to an entity) which is longer than one year and which includes at least part of the reporting period during which the expense was incurred and subsequent reporting periods. An item of long-term deferred expenses is recognised at the actual amount of the expense incurred and allocated in each month of the beneficial period using the straight line method.

4.17 Impairment of Non-current and non-financial assets

Non-financial assets with non-current nature include fixed assets, construction in progress, intangible assets with definite useful lives, investment properties measured by cost methods and long-term equity investment on subsidiaries, jointly operations. The Company assesses whether there are any indicators of impairment for all non-financial assets at the balance sheet date, and impairment test is carried out and recoverable value is estimated if such an indicator exists. Goodwill and intangible assets with indefinite useful lives, as well as intangible assets not ready for use, are tested for impairment annually regardless of indicators of impairment. Impairment of loss is calculated and provisions taken by the difference if the recoverable value of the assets is lower than the book value. The recoverable value is the higher of estimated present value of the future expected cash flows from the asset and net fair value of the asset less disposed cost. The fair value of asset is determined by the sales agreement price within an arm's length transaction. In case there is no sales agreement, but there is active market of assets, the fair value can be determined by the selling price. If there is neither sales agreement nor active market, the fair value of the asset can be estimated based on the best information obtained.

Disposal expenses include expenses related to the legislation, taxes, transportations and the direct expense for the asset to be ready for sale. When calculating the present value of expected future cash flows from an asset or asset Group, the management shall estimate the expected future cash flows from the asset or asset Group and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for asset impairment is calculated and determined on the individual basis. If the recoverable of individual asset is hard to estimate, the recoverable amount can be determined by the asset Group where subject asset belongs. Asset Group is the smallest set of assets that can have cash flow in independently. The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future expected cash flows from the asset Groups or sets of asset Groups to which the goodwill is allocated. Estimating the present value requires the Company to make an estimate of the expected future cash flows from the asset Groups or sets of asset Groups and also choose a suitable discount rate in order to calculate the present value of those cash flows. Once the loss from above asset impairment is recognised, the recoverable part cannot be reserved in the subsequent periods.

4.18 Employee Benefits

The employee benefits of the company include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits:

Short-term employee benefits includes wages, bonuses, allowances and subsidies, welfare, health insurance, maternity insurance, work injury insurance, housing funds, labor union funds, employee education funds, non-monetary benefits and etc. The company provides services accounting period in which an employee of the company will be short-term employee benefits are recognised as liabilities actually incurred and loss account or the costs associated with the asset. The non-monetary benefits are measured at fair value.

Post-employment benefits mainly include basic old-age insurance, unemployment insurance and annuities. Post-employment benefits include defined contribution plans and defined benefit plans. Relevant contribution amount in the defined contribution plan shall be recognised as cost of related assets or profit or loss during the year. The defined benefit plan in the company is old-age insurance. Projected unit credit cost method ("PUC") was used by independent actuaries engaged by the Company to determine the present value of the defined benefit obligations with unbiased and consistent actuarial assumptions regarding population variables and financial variables. Defined benefit obligation was presented with the present value and the related current service cost was accounted into current profit or loss.

When the Company terminates the labor relationship with employees prior to the employment contracts, or encourages employees to accept voluntary redundancy compensation proposals in this company, a provision shall be recognised for the compensation arising from the termination of employment relationship with employees at the time when the Company cannot unilaterally withdraw layoff proposal termination benefits provided due to termination of employment, or the company ensures the costs related to the payment for termination benefits related to the restructuring, which one is early to confirm employee benefits liabilities, and recorded as profit or loss. However, if termination benefits cannot be fully paid after twelve months of the reporting date, the liability shall be processed in accordance with other long-term employee benefits.

Retirement plan adopts the same principles as the termination benefits. The salaries and insurance to be paid from the date when employees stop providing services to the date of normal retirement shall be recognised in profit or loss (termination benefits) when satisfying the requirements of a provision.

Other long-term employee benefits provided by the company to employee that is in line with defined contribution plans shall adopt the accounting treatment in accordance with defined contribution plans, otherwise the accounting treatment of defined benefit plans.

4.19 Accrued liabilities

Recognition of accrued liabilities:

Obligation with contingency factor such as external hypothecate, lawsuit or arbitrage in dispute, guarantee on quality of product, cut-down plan, loss of contract, recombine obligation, obligation on abandon fixed asset, and meet the follow condition simultaneously would determine as liabilities:

- 1) This obligation is current obligation of the Company; and,
- 2) The performance of this obligation will probably cause economic benefits outflow of the Company; and,
- 3) The amount of this obligation can be reliably measured.

On balance sheet date the Company performs relate obligation that consider risk, incertitude, time value of currency of contingency factor. According to the best estimate of the expenditure required to settle the present obligation for estimated liabilities measured.

If the expenditure required to settle the liability is expected to be fully or partly compensated by a third party, to

determine the amount of compensation will be received at the basic, separately recognised as an asset, and is recognised in the amount of compensation does not exceed the carrying value of estimated liabilities.

4.20 Revenue

4.20.1 Revenue from sales 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.

4.20.2 Revenue from rendering of service

Revenue arising from rendering of services is recognised on the balance date using the percentage of completion method when the outcome of the services rendered can be reliably estimated. The percentage of completion of the services rendered is calculated by dividing the cost to date by the budgeted total cost. The outcome of the services rendered can be reliably estimated when revenue from the services render can be reliably measured, when the inflow of associated future economic benefits is probable, when the percentage of completion can be reliably measure, and when the cost incurred or to be incurred associated with the services can be reliably measured.

When the outcome of the services rendered cannot be reliably estimate, revenue is recognised as cost reimbursement received or to be received, if any, and cost incurred is recognised in profit or loss for the period in which the cost is incurred. No revenue is recognised if cost reimbursement is not probable.

When a contract between the group and another entity involves both sales of goods and rendering for services, the sales of goods and rendering of services are accounted for separately if they are distinguishable and separately measurable; the contract is accounted for as if it is a contract involves only sales of goods if the sales of goods and rendering of services are either indistinguishable or distinguishable but not separately measurable.

4.20.3 Revenue from construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract should be recognised as revenue and expenses according to the percentage of completion. at the balance sheet date.

The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied: 1) total contract revenue can be measured reliably; 2) it is probable that the economic benefits associated with the contract will flow to the enterprise; 3) the contract costs attributable to the contract can be clearly identified and

measured reliably so that actual contract costs incurred can be compared with prior estimates; and, 4) both the contract costs to complete the contract and the stage of contract completion at the balance sheet date can be measured reliably.

When the outcome of a construction contract cannot be estimated reliably, but revenue should be recognised only to the extent of contract costs incurred that it is probable will be recoverable; and If the cost cannot be recovered, contract costs should be recognised as an expense in the period in which they are incurred and the contract revenue cannot be recognised. When the uncertainty that makes the outcome of the construction unable to be estimated reliably disappears, the revenue and cost are recognised according to the percentage of completion.

An expected loss on the construction contract should be recognised as an expense during the year when the total contract cost is expected to be higher than the total contract revenue.

The incurred cost and accumulated gross profit (loss) and the settled price of the construction contract are disclosed as a net amount in the balance sheet. The excess amount of the incurred cost and accumulated gross profit (loss) over the settled price of the construction contract is disclosed as inventory, while the excess amount of the settled price over the incurred cost and accumulated gross profit (loss) of the construction contract is disclosed as advance from customers.

4.20.4 Royalty Revenue

According to the contract or agreement, the revenue is recognized on an accrual basis.

4.20.5 Interest Income

The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the enterprise's cash is used by others and the actual interest rate.

4.21 Government Grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Company at no consideration, excluding the capital invested by the government as equity owner. Government grant can be classified as grant related to the assets and grants related to the income. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

A government grant related to an asset is recognized as deferred income or write down book value of relevant assets, and evenly amortized to profit or loss over the useful life of the related asset in a reasonable and systematic manner. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent period, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a

compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

Government subsidies including both assets-related parts and income-related parts should be treated separately. If it is difficult to separate, the government subsidies as a whole will be classified as income-related government grants.

The government grants related to the daily activities of the Company are included in other income or offset the related costs according to the essence of the economic business. The government grants unrelated to the daily activities are included in the non-operating income and expenses.

When government subsidy needs to be returned, if the related deferred income balance exists, the book value of related deferred income shall be offset and the excess part shall be included in the current profit or loss; if it is other cases, it shall be directly carried to the current profits and losses.

4.22 Deferred tax assets and deferred tax liabilities

4.22.1 Income tax for the current period

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects at the balance sheet date, to recover the assets or settle the liabilities.

At the balance sheet date, current income tax liabilities or assets for the current and prior period, are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws. The calculation for income tax expenses in the current period is based on the taxable income according to the related tax laws after adjustment to the accounting profit of the reporting period.

4.22.2 Deferred income tax assets and liabilities

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

For temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax liability related is recognised except where the Company is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

All deferred income tax liabilities arising from taxable temporary differences except the ones mentioned above are recognised.

For temporary deductible differences associated with the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset is recognised.

For taxable temporary deductible differences associated with investments in subsidiaries and associates, and interests in joint ventures, no deferred income tax asset related is recognised if it is impossible to reversal the temporary difference in the foreseeable future, or it is not probable to obtain taxable income which can be used for the deduction of the temporary difference in the future.

Except mentioned above, the Company recognises other deferred income tax assets that can deduct temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

For the deductible losses and tax credit that can be carried forward, deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates according to tax law, that are expected to apply in the period in which the asset is realised or the liability is settled.

At the balance sheet date, the Company reviews the carrying amount of deferred tax assets. If it is no longer probable that sufficient taxable profit will be available in future periods to allow the benefits of the deferred tax assets to be used, the Company reduces the carrying amount of deferred tax assets. The amount of such reduction is reversed when it becomes probable that sufficient taxable profit will be available.

4.22.3 Income tax expenses

Income tax expenses consist of current income tax and deferred income tax.

The expenses from income tax and deferred income tax, as well as the revenue, shall be recorded into profit or loss in current accounting period, except expense for income tax of the current period and deferred income tax that booked into other income or equity and adjusted carrying value of deferred income tax goodwill arose from business combination.

4.22.4 Income tax offset

When we have the legal right, and have intended to, to make settlement with net amount, or through the asset acquisition and liability fulfillment simultaneously, the Company shall present the net value from the offset between current income tax asset and current income tax liability in the financial statement.

When the Company has the legal right to make a settlement with the current income tax asset and current income tax liability, and the deferred income tax asset and deferred income tax liability are related to the same taxable subject under the same tax payer, or related to different taxable subject, but the intension of net value

settlement in regard of the current income tax asset and current income tax liability, the Company shall present net value after the offset of deferred income tax asset and deferred income tax liability.

4.23 Leases

A finance lease is a lease that transfers in substance all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

4.23.1 The Company as Lessee under operating Lease

Lease payments under an operating lease are recognised by a lessee on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss for the current period. The contingent rents shall be recorded in the profit or loss of the period in which they actually arise.

4.23.2 The Company as Lessor under operating Lease

Lease income from operating leases shall be recognised by the lessor in profit or loss on a straight-line basis over the lease term. Initial direct cost of significance in amount shall be capitalized when incurred. If another basis is more systematic and rational, that basis may be used. Contingent rents are credited to profit or loss in the period in which they actually arise.

4.23.3 Financial lease to which the Company is the lessee

At the commencement of a financial lease to which the Company is the Lessee, the lower of the lease-commencement-date fair value of the leased asset and the present value of the minimum lease payment is recognised as the cost of the leased asset; the minimum lease payment is recognised as a long-term payable; and the excess of the long-term payable over the amount recognised as the cost of the leased asset is recognised as unrecognised lease expenditure. Expenses incurred during the negotiation and signing of the lease contract for activities directly attributable to the lease are recognised as part of the cost of the leased asset. The residual amount after deducting the unrecognised lease expenditure from the long-term payable is divided into non-current liability and non-current liability due within one year depending on maturity and presented on (consolidated) financial statements separately.

The unrecognised lease expenditure is amortised over the lease term using the effective interest rate method and the amortisation is recognised as lease expense in profit or loss for the relevant period. Contingency lease rental is recognised in profit or loss when it is incurred.

4.23.4 Financial lease to which the Company is the lessor

At the commencement of a financial lease to which the Company is the lessor, the sum of the minimum lease rental receivable and the initial expenses incurred for activities directly attributable to the lease is recognised as the initial amount of the respective financial lease rental receivable; unguaranteed residual value is recorded, if any; the excess of the present value of the sum of the minimum lease rental receivable, the initial expenses incurred for activities directly attributable to the lease and the unguaranteed residual value over the sum itself is recognised as unrecognised lease income. The residual amount after deducting the unrecognised lease income

from the financial lease rental receivable is divided into non-current receivable and non-current receivable due within one year depending on maturity and presented on (consolidated) financial statements separately. The unrecognised lease income is amortised over the lease term using the effective interest rate method and the amortisation is recognised as lease income in profit or loss for the relevant period. Contingency lease rental income is recognised in profit or loss when it is received or becomes receivable.

Note 5: Significant changes in accounting policies and accounting estimates

5.1 Changes in accounting policies

Changes in accounting policies due to the implementation of the new Accounting Standards for Business Enterprises

The Ministry of Finance issued CAS 42 - Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations, with "CaiKui [2017] No.13" on 28 April 2017, effective on 28 May, 2017. The Ministry of Finance issued the revised CAS 16 - Government Subsidies (2017) with "CaiKui [2017] No.15" on 10 May 2017, effective on 12 June 2017. The Company started to implement the aforesaid two accounting standards in accordance with the time required by the Ministry of Finance.

According to "CAS 16 - Government Subsidies (2017)", with "CaiKui [2017] No.15", the Company recognized government subsidies related to daily activities in other income or write down costs and expenses in accordance with the substance of transactions, government subsidies recognized as other income is represented separately in operating profits on the statement of profit or loss; those not related to daily activities are included in non-operating income and expense. Government subsidies incurred in 1 January 2017 should be treated as prospective application. Government subsidies incurred after 1 January 2017 should be adjusted in accordance with revised standards.

"CAS 42 - Non-Current Assets and Disposal Groups Held for Sale and Discontinued Operations", regulates that non-current assets and disposal groups held for sale and discontinued operations that exist in the implementation date of standard should be treated as prospective application.

5.2 Change of accounting estimates

CNCA for Indian customers use percentage of balance method, the provision for bad debts according to overdue time. In order to strengthen the accounts receivable risk management and supervise recovery of accounts receivable, the company change overdue bad debts provision method this year. The change of bad debts provision method comparison is as follows:

Before		After	
Items	% of total	Items	% of total
Accounts receivable have been sued	100	Accounts receivable have been sued	100
Overdue 240 days	50	Overdue 180 days	40

Before		After	
Items	% of total	Items	% of total
Overdue 60-240 days	20-25	Overdue 60-180 days	10
Non or within 60 days	0	Overdue < 60 days	3
		Non-overdue	0

5.3 Significant prior period errors correction

No significant prior period error correction needs to be disclosed for the current period.

Note 6: Taxation

6.1 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 policy of 'exemption, deduction and refund' is applied for the VAT on the export products of the Company and its subsidiaries. Overseas subsidiaries should apply the VAT rate of the jurisdictions the companies operate in.
Consumption Tax	For gasoline, diesel oil, wax oil, and slurry sold, the Company should calculate and pay consumption tax according to the national regulation.
City Maintenance and Construction Tax	City maintenance and construction tax should be paid based on 7%, 5% or 1% of the amount of VAT paid.
Income Tax	The Company should pay 25%, 20% or 15% of taxable income for its income tax. Overseas subsidiaries should pay income tax in accordance with the relevant regulations of their jurisdictions.
Education Surcharge	The Company should pay 3% of the amount of VAT paid for education surcharge.
Local Education Surcharge	The Company should pay 2% the amount of VAT paid for local education surcharge.
Land Use Tax	The Company should pay RMB 3, 18 or 24 per square meter for land use tax based on the area of land used.
Property Tax	For property for self-use, 1.2% of the residual value of the property and for property leased out, 12% of the rentals is calculated as the amount of property tax.
Other Tax	Other tax should be paid according to relative national regulation.

Notes:

1. The company's subsidiary, Qingdao Tianhuayuan Chemical Engineering Co., Ltd., selects the simple tax calculation method and calculates VAT payable at the 5% tax rate for real estate operating leasing; for construction projects with contractual commencement dates prior to 30 April 2016, the simple tax calculation method and tax rate of 3% are applied in calculating VAT payable. The corresponding input tax cannot be deducted.

2. The Tax Rate Apply to Overseas Subsidiaries

Company Name	Tax Rate
Control Solutions Inc., Alligare Inc., ADAMA of North America Inc	38.8% (the common income tax rate for

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Company Name	Tax Rate
	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, Elkem Solar AS	25.00% (the common income tax rate for Norwegian companies)
ChemChina (U.K.) Ltd.	20.00% (the common income tax rate for British companies)
ADAMA Agricultural Solution Ltd., ADAMA Agan Ltd ADAMA Makhteshim Ltd, ADAMA Makhteshim Ltd.	25.00%, 16.00%, 7.50% (the common income tax rate for Israeli 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., Bluestar Finance Holdings Limited	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)

Note: ADAMA, a subsidiary of the Company, is registered in Israel. According to Israel's "CAPITAL INVESTMENT INCENTIVES LAW" and its amendments, its subsidiary ADAMA Agan Ltd., etc., applies a preferential income tax rate of 9% in Israel Development Zone A. For other regions the tax rate is 16%.

ADDA, a subsidiary of the Company, is an industrial holding company registered in Israel. Some of its subsidiaries in Israel are "industrial companies". According to Israel's Industrial (Taxation) Encouragement Act 1969, ADAMA and its subsidiary ADAMA Makhteshim Ltd file income tax returns in aggregate, and proprietary technology could be amortized for more than eight years, leading to certain tax reduction.

Note 7: Business combination and consolidation financial statements

7.1 Subsidiaries Profile

No.	Company Name	Level	Type	Location	Business Field	Paid-in Capital (RMB '0000)	Share Proportion (%)	Voting Right (%)	Investment (RMB '0000)	Acquisition method
1	BlueStar Co.	2	Domestic, Non-financial	Beijing	Chemicals	1,536,558.92	63.58	63.58	915,013.14	Other

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

No.	Company Name	Level	Type	Location	Business Field	Paid-in Capital (RMB '0000)	Share Proportion (%)	Voting Right (%)	Investment (RMB '0000)	Acquisition method
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 and establishment
4	Equip. Corp.	2	Domestic, Non-financial	Beijing	Chemical Machineryes	100,000.00	100.00	100.00	45,343.85	Investment and establishment
5	CNCA	2	Domestic, Non-financial	Beijing	Agricultural Chemicals	333,821.96	100.00	100.00	338,102.57	Investment and establishment
6	Tire & Rubber Corp.	2	Domestic, Non-financial	Beijing	Tire Manufacturing	160,000.00	100.00	100.00	346,300.10	Investment and establishment
7	ZhongChe QiXiu	2	Domestic, Non-financial	Beijing	Vehicle Repair	82,422.05	100.00	100.00	27,805.14	Investment and establishment
8	Yellow Sea Rubber	2	Domestic, Non-financial	Qingdao Shandong	Rubber Products	33,282.57	100.00	100.00		Investment and establishment
9	Petrochemical Co.	2	Domestic, Non-financial	Beijing	Oil Manufacturing	684,300.00	72.73	72.73	852,187.40	Investment and establishment
10	ZhongLan Petrochemical	2	Domestic, Non-financial	Beijing	Chemicals	51,100.87	100.00	100.00	43,215.62	Investment and establishment
11	Academy of Sc.	2	Domestic, Non-financial	Beijing	Technical Services	18,762.90	100.00	100.00		Investment and establishment
12	Finance Corp.	2	Domestic, Financial	Beijing	Finance	84,122.50	85.74	100.00	43,580.86	Investment and establishment
13	CNCIC	2	Domestic, Non-financial	Beijing	Information Service	15,000.00	100.00	100.00	5,685.60	Investment and establishment
14	Asset Co.	2	Domestic, Non-financial	Beijing	Chemicals	85,714.29	35.00	35.00	5,005.00	Investment and establishment
15	Chem. Museum	2	Public institution	Beijing	Museum	2,369.12	100.00	100.00	101,694.00	Investment and establishment
16	Bluestar Info.	2	Domestic, Non-financial	Beijing	Chemical Equipments	1,000.00	100.00	100.00	8,567.65	Investment and establishment
17	Interstar Group	2	Domestic, Non-financial	Beijing	Metallic ore	72,000.00	100.00	100.00		Other
18	ChemChina HK	2	Domestic, Non-financial	HK	Outbound investment	0.85	100.00	100.00	0.85	Investment and establishment
19	ChemChina Century	2	Domestic, Non-financial	HK	Outbound investment	0.000090	100.00	100.00	0.000090	Investment and establishment

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

No.	Company Name	Level	Type	Location	Business Field	Paid-in Capital (RMB '0000)	Share Proportion (%)	Voting Right (%)	Investment (RMB '0000)	Acquisition method
20	Adisseo	3	Domestic, Non-financial	Beijing	Chemicals	268,190.13	89.22	89.22	1,848,542.90	Investment and establishment
21	Aeolus Tyre	3	Domestic, Non-financial	Henan Jiaozuo	Tire Manufacturing	56,241.32	42.58	42.58	61,908.83	Other
22	Tian Yi Co.	3	Domestic, Non-financial	Chengdu Sichuan	Chemicals	29,719.33	31.64	31.64	108,051.65	Investment and establishment
23	Shenyang Chem.	4	Domestic, Non-financial	Shenyang Liaoning	Chemicals	10,319.00	47.23	47.23	133,690.04	Investment and establishment
24	Tian Yuan Hua	4	Domestic, Non-financial	Qingdao Shandong	Chemicals	18,762.90	52.29	52.29	41,766.76	Investment and establishment
25	Cangzhou Dahua	4	Domestic, Non-financial	Cangzhou Hebei	Chemicals	81,800.00	46.25	46.25	30,188.83	Investment and establishment
26	Sanoda	5	Domestic, Non-financial	Jingzhou Hubei	Agricultural Chemicals	244,655.40	78.91	78.91	1,870,864.42	Investment and establishment
27	Pirelli	7	Domestic, Non-financial	Italy	Tire Manufacturing	1,398,170.78	63.11	63.11	2,198,234.16	M&A

7.2 Controlled investees of which the Company has less than half voting rights

No.	Name of the Company	Share Proportion (%)	Voting Right (%)	registered capital	Investment Amount	Level	The reason of inclusion in the consolidated statement scope
1	Asset Co.	35.00	35.00	85,714.29	5,005.00	2	Actual control right
2	Aeolus Tyre	42.58	42.58	56,241.32	61,908.83	3	Actual control right
3	Tian Yi Co.	31.64	31.64	29,719.33	108,051.65	3	Actual control right
4	Shenyang Chem.	47.23	47.23	81,951.44	133,690.04	4	Actual control right
5	Cangzhou Dahua	46.25	46.25	29,418.82	30,188.83	3	Actual control right

7.3 Significant Non-wholly-owned Subsidiaries Profile

The Company regards its non-wholly-owned secondary subsidiaries and its listed subsidiaries as significant non-wholly-owned subsidiaries.

7.3.1 Non-controlling Interests

No.	Name of the Company	Proportion of non-controlling interests (%)	Gain and loss attributable to non-controlling interests in Current Year	Dividends paid to Minority Shareholders in Current Year	Cumulative non-controlling interests at the end of Current Year
1	BlueStar Co.	36.42	-13,397,952.29		7,328,709,768.07
2	HaoHua Co.	30.80	20,056,769.99		1,052,465,774.87
3	Petrochemical Co.	27.27	424,265,605.37		4,814,397,100.90

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

No.	Name of the Company	Proportion of non-controlling interests (%)	Gain and loss attributable to non-controlling interests in Current Year	Dividends paid to Minority Shareholders in Current Year	Cumulative non-controlling interests at the en of Current Year
4	Aeolus Tyre	57.42	-272,741,081.56	32,293,767.21	1,101,914,271.90
5	Pirelli	36.89	-5,221,069.91	56,777,983.80	470,096,946.87
6	TianYi Co.	68.36	40,251,576.88	6,065,146.20	543,784,328.01
7	Shenyang Chem.	52.77	95,340,202.40	28,105,910.37	2,762,280,749.96
8	Adisseo	10.78	254,973,950.88	193,284,303.52	3,676,638,169.03
9	TianHuaYuan	47.71	-22,393,998.22		551,898,002.85
10	Cangzhou Dahua	53.75	689,635,294.54	20,558,207.28	1,474,713,321.80
11	Sanoda	21.09	176,181,834.80		3,960,323,189.09

7.3.2 Major Financial Information

Unit: RMB 10 Thousands

Item	Current Year					
	BlueStar Co.	HaoHua Co.	Petrochemical Co.	Aeolus Tyre	Pirelli	TianYi Co.
Current Assets	5,405,383.01	815,402.11	3,434,991.30	314,267.85	2,507,749.93	77,820.16
Non-current Assets	4,872,995.09	594,787.29	2,771,828.78	424,486.39	7,427,629.06	27,925.05
Total Assets	10,278,378.10	1,410,189.40	6,206,820.08	738,754.23	9,935,378.99	105,745.20
Current Liabilities	4,276,200.60	603,618.87	2,833,816.80	413,733.71	2,313,526.45	26,099.38
Non-current Liabilities	3,577,057.10	347,237.15	3,893,310.33	133,116.26	4,362,826.61	98.67
Total Liabilities	7,853,257.69	950,856.02	6,727,127.13	546,849.97	6,676,353.06	26,198.05
Operating Revenue	5,551,145.55	519,113.97	17,353,372.66	730,361.42	4,578,195.85	52,685.75
Net Profits	75,702.97	10,305.24	183,920.11	-47,499.32	191,262.57	5,888.18
Total Comprehensive Income	68,204.41	9,716.94	150,949.66	-47,603.02	222,968.03	5,888.18
Cash Flows From Operating Activities	763,860.65	52,735.97	628,130.82	-21,016.79	867,293.33	105.42

(Continue)

Item	Current Year				
	Adisseo	Shenyang Chem.	TianHuaYuan	Cangzhou Dahua	Sanoda
Current Assets	1,116,424.89	360,512.58	118,093.25	186,313.83	2,333,034.40
Non-current Assets	1,016,483.33	625,471.89	41,874.51	248,084.35	1,628,357.80
Total Assets	2,132,908.22	985,984.48	159,967.76	434,398.17	3,961,392.20
Current Liabilities	279,992.45	483,999.17	42,202.82	127,663.98	1,129,544.40

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Item	Current Year				
	Adisseo	Shenyang Chem.	TianHuaYuan	Cangzhou Dahua	Sanoda
Non-current Liabilities	127,208.39	63,307.60	2,087.30	2,427.20	954,046.50
Total Liabilities	407,200.84	547,306.76	44,290.12	130,091.18	2,083,590.90
Operating Revenue	1,039,782.31	1,190,816.21	44,633.36	441,719.51	2,381,956.80
Net Profits	167,608.64	22,792.30	-4,693.77	144,811.92	154,587.90
Total Comprehensive Income	226,181.49	22,792.30	-4,693.77	144,811.92	36,407.10
Cash Flows From Operating Activities	251,308.56	19,739.70	-1,591.45	176,555.45	396,156.40

(Continue)

Item	Previous Year					
	BlueStar Co.	HaoHua Co.	Petrochemical Co.	Aeolus Tyre	Pirelli	TianYi Co.
Current Assets	5,216,840.45	775,145.04	3,305,281.35	326,588.81	2,689,297.14	69,602.90
Non-current Assets	4,940,017.51	589,505.89	2,658,246.81	446,185.26	7,807,989.19	29,289.27
Total Assets	10,156,857.97	1,364,650.94	5,963,528.16	772,774.07	10,497,286.33	98,892.17
Current Liabilities	3,528,657.47	731,234.75	2,820,410.84	446,814.03	2,238,475.65	24,231.67
Non-current Liabilities	4,028,247.99	188,177.20	962,155.15	80,828.63	5,865,940.20	72.44
Total Liabilities	7,556,905.46	919,411.95	3,782,565.99	527,642.65	8,104,415.85	24,304.12
Operating Revenue	4,776,633.75	508,852.10	13,985,534.06	732,515.61	4,485,594.67	39,154.48
Net Profits	91,257.86	17,840.63	161,895.95	8,455.14	108,376.68	2,584.68
Total Comprehensive Income	193,946.01	18,428.93	192,615.32	8,040.34	14,495.37	2,584.68
Cash Flows From Operating Activities	640,090.34	45,179.84	499,134.87	76,965.75	4,809,828.70	3,797.31

(Continue)

Item	Previous Year				
	Adisseo	Shenyang Chem.	TianHuaYuan	Cangzhou Dahua	Sanoda
Current Assets	1,029,491.51	392,440.64	118,777.33	93,723.68	109,158.40
Non-current Assets	964,890.63	667,348.65	41,476.27	280,925.99	189,329.98
Total Assets	1,994,382.14	1,059,789.29	160,253.60	374,649.67	298,488.38
Current Liabilities	243,890.60	463,765.26	37,814.20	169,286.67	58,889.85
Non-current Liabilities	161,789.71	174,811.79	2,067.99	40,949.35	39,092.73
Total Liabilities	405,680.31	638,577.05	39,882.19	210,236.03	97,982.58
Operating Revenue	1,068,826.31	884,676.55	48,230.99	294,390.27	185,473.27

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Item	Previous Year				
	Adisseo	Shenyang Chem.	TianHuaYuan	Cangzhou Dahua	Sanoda
Net Profits	231,618.12	33,912.58	627.99	41,833.38	-7,449.00
Total Comprehensive Income	258,722.15	33,912.58	627.99	41,833.38	-7,449.00
Cash Flows From Operating Activities	305,392.36	72,152.37	-2,468.54	66,619.54	26,836.50

7.4 New Consolidated and Unconsolidated Subjects in the Current Year

7.4.1 New Consolidated Subjects in the Current year

No.	Name of the Company	Ending net asset	Net income for the year	Domination property
1	Interstar Group and its subsidiaries	554,723,339.99	-59,830,916.21	Common Subsidiary
2	Century and its subsidiaries	162,891,526,478.28	-3,615,801,792.56	Newly Established or Acquired
3	ChemChina asset management (international) co. LTD.	-20,749,155.74	-18,019,451.00	Newly Established
4	Gansu hongrun insurance broker co. LTD.	56,672,330.38	6,146,116.32	Acquired
5	ChemChina Energy conservation and environmental protection co. LTD.	-957.99	-1,197.26	Acquired
6	PLAMAG AG		-6,763,641.10	Acquired
7	Elkem Uruguay SA	141,346,784.54	3,394,984.26	Acquired
8	Capsulae S.A.S	930,287.00		Acquired

7.4.2 New Unconsolidated Subjects in the Current year

7.4.2.1 New Unconsolidated Subjects Profile

Name of Subsidiary	Registered Location	Business Field	Share Proportion (%)	Voting Right (%)	Reason of Unconsolidation
Lycored Ltd (UK)	UK	Nourishing food manufacturing	100.00	100.00	Transfer
Lycored ASIA Limited	HK	Nourishing food manufacturing	100.00	100.00	Transfer
LycoRed Food Additives (Changzhou) Co., Ltd	China	Dairy manufacturing	100.00	100.00	Transfer
Sanoda (jingzhou) pesticide chemicals Co., Ltd	Jingzhou Hubei	Agricultural Chemicals	100.00	100.00	cancellation
Blue star organic silicon (tianjin) co. LTD.	Tianjin	Organic silicon fabrication	100.00	100.00	cancellation

7.4.2.2 The Financial Performance of New Unconsolidated Subjects at the Disposal Date and the Last Reporting Date

Unit: RMB 10 Thousands

Name of the Company	Disposal Date	Financial Performance at Disposal Date		
		Total Assets	Total Liabilities	Total Equity
Lycored Ltd (Uk)	2017.6.22	98,086.54	18,934.45	79,152.09
Lycored ASIA Limited	2017.6.22	-16,014.68	20.32	-16,035.00
LycoRed Food Additives (Changzhou) Co., Ltd.	2017.6.22	30,058.01	17,918.29	12,139.72
Sanoda (jingzhou) pesticide chemicals Co., Ltd.	2017.12.1	975.95	343.68	632.27
Blue star organic silicon (tianjin) co. LTD.	2017.9.28	40,921.26	41,127.89	-206.63

(Continue)

Name	Disposal Date	Financial Performance at Last Reporting Date		
		Total Assets	Total Liabilities	Total Equity
Lycored Ltd (Uk)	2017.6.22	98,086.54	18,934.45	79,152.09
Lycored ASIA Limited	2017.6.22	-16,014.68	20.32	-16,035.00
LycoRed Food Additives (Changzhou) Co., Ltd.	2017.6.22	30,058.01	17,918.29	12,139.72
Sanoda (jingzhou) pesticide chemicals Co., Ltd.	2017.12.1	1,132.74	473.67	659.07
Blue star organic silicon (tianjin) co. LTD.	2017.9.28	61,589.42	75,028.22	-13,438.80

7.4.2.3 The Operating Performance of New Unconsolidated Subjects From Year Beginning to Disposal Date

Unit: RMB 10 Thousands

Name	Disposal Date	Year Beginning to Disposal Date		
		Revenue	Cost	Net Profits
Lycored Ltd (Uk)	2017.6.22			
Lycored ASIA Limited	2017.6.22			
LycoRed Food Additives (Changzhou) Co., Ltd	2017.6.22			
Sanoda (jingzhou) pesticide chemicals Co., Ltd	2017.12.1		26.80	-26.80
Blue star organic silicon (tianjin) co. LTD.	2017.9.28	13,222.30	10.85	13,211.45

7.5 The Profile of Business Combination Not Under Common Control in the Current Year

Name of the Company	Purchases (Sales) Date	Basis for Purchases Date Recognition	Carrying Amount of Net Assets	fair value of the investee's identifiable net assets	
				Amount	Recognition
PLAMAG AG	2017-1-13	Date of acquiring control	-669,058.54	-669,058.54	Value assessment
Elkem Uruguay SA	2017-10-1	Date of acquiring control	141,346,784.54	141,346,784.54	Value assessment
Capsulae S.A.S	2017-12-11	Date of acquiring control	930,287.00	930,287.00	Value assessment

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Name of the Company	Purchases (Sales) Date	Basis for Purchases Date Recognition	Carrying Amount of Net Assets	fair value of the investee's identifiable net assets	
				Amount	Recognition
Syngenta AG(consolidation)	2017-5-5	Date of acquiring control	61,051,889,200.00	150,236,004,000.00	Value assessment

(Continued)

Name of the Company	Consideration	Goodwill		Revenue of the investee's from acquisition to the end of current year
		Amount	Recognition	
PLAMAG AG	1,921,003.70	2,590,062.24	The difference between price and fair value of identifiable net assets.	62,618,963.60
Elkem Uruguay SA	70,673,392.27			
Capsulae S.A.S	3,050,120.00	2,305,891.00		
Syngenta AG(consolidation)	296,214,976,800.00	145,978,972,800.00		52,907,900,600.00

Note 8: Notes to significant elements of the financial statements

Unless otherwise stated (incl. notes to significant elements of the financial statements is), the current year is 2017, prior year is 2016 respectively.

8.1 Monetary funds

Items	Balance as at 31/12/2017	Balance as at 31/12/2016
Cash in hand	175,392,839.07	61,763,500.32
Bank deposit	72,077,538,346.68	44,075,244,741.04
Others	15,286,410,640.54	4,370,367,795.50
Total	87,539,341,826.29	48,507,376,036.86
Including: The total amount of deposit abroad	54,038,395,365.82	32,846,683,272.44

The details of the restricted monetary fund are as follows:

Items	Balance as at 31/12/2017	Balance as at 31/12/2016
Bank acceptance bills deposits	1,124,423,310.89	1,749,796,226.13
Letter of credit guarantee	128,839,275.76	
Performance bond	833,404,919.57	955,531,069.53
Time deposit or Notice deposit used for Guarantee	12,022,098,156.28	449,114,041.37
Required to meet insurance solvency requirements	646,885,800.00	
Special account for housing maintenance fund	12,016,580.25	11,506,195.98
Pledge loan	794,117,500.00	380,000,000.00
Others	13,394,927.91	16,818,614.88
Total	15,575,180,470.66	3,562,766,147.89

8.2 Financial asset measured by fair value and with changes in fair value recognized in profit or loss

Items	Balance as at 31/12/2017	Balance as at 31/12/2016
Trading financial assets	410,865,682.90	841,096,311.07
(1) Debt instrument investment	273,289,159.59	388,751,345.96
(2) Equity instrument investment	137,576,523.31	20,794,195.11
(3) Others		431,550,770.00
Total	410,865,682.90	841,096,311.07

8.3 Derivative Financial Assets

Items	Balance as at 31/12/2017	Balance as at 31/12/2016
Foreign currency derivatives Financial Instruments	449,553,000.00	
financial forwards	405,120,400.00	
Foreign currency derivatives- transaction	67,774,515.10	97,936,671.88
Foreign currency derivatives- included in net financial position	171,714,344.79	27,166,711.63
Cash flow hedging Instruments	64,057,530.21	84,113,251.84
Fair value hedging Instruments	4,143,021.00	73,234,289.28
Others	81,743,192.39	141,441,509.10
Total	1,244,106,003.49	423,892,433.73

8.4 Notes receivable

8.4.1 Disclosure by classification

Items	Balance as at 31/12/2017	Balance as at 31/12/2016
Bank acceptance bills	5,120,462,289.69	3,468,942,495.50
Commercial acceptance bills	1,090,793,452.07	686,070,832.00
Total	6,211,255,741.76	4,155,013,327.50

8.4.2 Notes receivable pledged as at the end of the year

Items	Amount has pledged at the end of year
Bank acceptance bills	154,639,589.16
Total	154,639,589.16

8.4.3 Unexpired notes receivable that have been endorsed or discounted as at the balance sheet date

Items	Amount pledged at the end of year
Bank acceptance bills	6,845,943,683.22
Commercial acceptance bills	31,582,000.00
Total	6,877,525,683.22

8.4.4 Bills transferred to accounts receivable due to default by the drawer at the end of the year

Items	Amount pledged at the end of year
Bank acceptance bills	2,816,800.00
Total	2,816,800.00

8.5 Accounts receivable

8.5.1 Disclosure by classification

Items	Balance as at 31/12/2017			
	Carrying amount		Allowance for bad debt	
	Amount	% of total	Amount	% of total
Individually significant and assessed for impairment individually	1,829,098,619.83	3.06	1,691,880,419.83	92.50
Collectively assessed for impairment based on credit risk characteristics	51,921,775,672.83	86.92	4,332,974,742.05	8.35
Individually insignificant but assessed for impairment individually	5,984,645,144.20	10.02	1,457,326,182.88	24.35
Total	59,735,519,436.86	100.00	7,482,181,344.76	

(Continued)

Items	Balance as at 31/12/2016			
	Carrying amount		Allowance for bad debt	
	Amount	% of total	Amount	% of total
Individually significant and assessed for impairment individually	7,337,346,028.70	22.24	2,110,453,232.51	28.76
Collectively assessed for impairment based on credit risk characteristics	24,997,039,123.11	75.76	1,728,664,353.75	6.92
Individually insignificant but assessed for impairment individually	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	

8.5.1.1 Accounts receivable that are individually significant and assessed for impairment individually at the end of year

Accounts receivables (By company)	Carrying amount	Allowance for bad debt	Age	% of total	Reason of Provision
Pirelli Tyre de Venezuela	1,659,209,419.83	1,659,209,419.83	Overdue 3 years	100.00	Note
GAIA AGRIBUSINESS AGRIC LTDA	169,889,200.00	32,671,000.00	Within 1 year	19.23	Note
Total	1,829,098,619.83	1,691,880,419.83			

Note: Combined with aging and the company's business condition, for all or part of accounts receivable plan the provision for bad debt.

8.5.1.1 Accounts receivable which are collectively assessed for impairment using the ageing analysis method at the end of the year

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Age	Balance as at 31/12/2017		
	Accounts receivable	Allowance for bad debt	% of total
Within 1 year	46,238,215,214.88	2,287,747,508.98	93.66
1 to 2 years	662,416,043.27	64,131,576.39	1.34
2 to 3 years	457,290,591.20	108,975,135.94	0.93
Over 3 years	2,010,156,333.13	1,824,747,520.74	4.07
Total	49,368,078,182.48	4,285,601,742.05	100.00

8.5.1.2 Accounts receivable which are collectively assessed for impairment using the percentage of balance method at year end

Items	Balance as at 31/12/2017		
	Accounts receivable	Allowance for bad debt	% of total
Non-overdue	475,572,000.00		
Overdue < 60 days	115,257,000.00	3,457,000.00	3.00
Overdue 60-180 days	30,528,000.00	3,052,000.00	10.00
Overdue 180 days	20,465,000.00	8,186,000.00	40.00
Overdue 240 days			
Overdue 60-240 days			
Accounts receivable have been sued	32,678,000.00	32,678,000.00	100.00
The method of other group	1,879,197,490.35		
Total	2,553,697,490.35	47,373,000.00	

8.5.1.3 for accounts receivable that are individually insignificant but assessed for impairment individually

Accounts receivables (By company)	Carrying amount	Allowance for bad debt	Age	% of total	Reason of Provision
RURAL SOLUCOES E SERV LTDA	117,615,600.00	19,602,600.00	Within 1 year	16.67	Note
Hand down debt of the old tire factory.	49,988,390.16	49,988,390.16	Overdue 3 years	100.00	Note
China first automobile group import and export corporation.	42,844,172.17	42,844,172.17	Overdue 1 years	100.00	Note
Tangshan caofeidian water desalination Co. Ltd.	34,489,599.91	34,489,599.91	Overdue 3 years	100.00	Note
Reifen Ritter	33,989,596.42	33,989,596.42	1-2 years	100.00	Note
Zhonghao changrong tire (Beijing) Co. Ltd.	33,847,613.92	33,847,613.92	Overdue 3 years	100.00	Note
GOLDEN SUCCESS CORPORATION LIMITED	27,056,567.85	6,853,004.86	2-3 years	25.33	Note
BOM JESUS AGROP LTDA	23,719,000.00	23,719,000.00	2-3 years	100.00	Note
Zaozhuang zhongke chemical Co. Ltd.	22,465,000.00	22,465,000.00	Overdue 3 years	100.00	Note

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Accounts receivables (By company)	Carrying amount	Allowance for bad debt	Age	% of total	Reason of Provision
Panzhuhua excellent chemical technology Co. Ltd.	21,300,000.00	21,300,000.00	Overdue 3 years	100.00	Note
ROLAND TRENTINI	19,602,600.00	6,534,200.00	Within 1 year	33.33	Note
ООО "АЙС-АВТО"	19,562,753.60	19,562,753.60	1-2 yeas	100.00	Note
Wuzhou lianhe chemical industry Co. Ltd.	18,759,999.67	18,759,999.67	Overdue 3 years	100.00	Note
OVERGOM S.r.L.	17,381,464.59	17,381,464.59	1-2 years	100.00	Note
Others	5,502,022,785.91	1,105,988,787.58	Overdue 1 years	20.10	Note
Total	5,984,645,144.20	1,457,326,182.88			

Note: Combined with aging and the company's business condition, for all or part of accounts receivable plan the provision for bad debt.

8.5.2 Recognition, recovery and reversal of allowance for bad debt

The amount of allowance for bad debts recognized during the year is CNY540,331,201.78. The amount of recovered or reversed allowance for bad debts during the year is CNY172,215,663.61.

8.5.3 Accounts receivable written off during the current year

Items	Written off amount	Reasons	Whether due to related transactions
Funk-Seeds (William Funk)	58,807,800.00	Bankruptcy Liquidation	No
Shandong HaoBang Chemical Co. Ltd.	34,904,000.00	Debt Dispute	No
Jiangu GRAP Chemical Co. Ltd.	5,894,888.68	Debt Dispute	No
AMERICAN PACIFIC INDUSTRIES INC	5,401,498.66	Court Judgement	No
Solar World	4,510,470.00	Overdue for long time	No
Others	95,772,659.43	Overdue for long time	No
Total	205,291,316.77		

8.5.4 Details of top five accounts receivable

Debtors	Carrying amount	Percentage (%)	Allowance for bad debt
Mercuria Energy Trading SA	2,733,972,921.14	4.57	
Pirelli Tyre de Venezuela	1,659,209,419.83	2.78	1,659,209,419.83
CROP PRODUCTION SERVICE INC	1,522,468,600.00	2.55	
Winfield Solutions LLC	444,325,600.00	0.74	
TRAFIGURA PTE LTD	332,347,414.11	0.56	
Total	6,692,323,955.08	11.20	1,659,209,419.83

8.6 Advances to suppliers

8.6.1 Disclosure by age

Age	Balance as at 31/12/2017			Balance as at 31/12/2016		
	Amount	% of total		Amount	% of total	
Within 1 year	4,989,709,661.67	78.41	3,440,407.66	5,566,244,884.46	81.81	510,202.99
1 to 2 years	285,258,262.60	4.48	9,267,774.39	225,815,447.02	3.32	6,535,349.27
2 to 3 years	145,705,079.48	2.29	8,028,073.68	518,518,451.99	7.62	166,450,342.69
Over 3 years	942,555,045.58	14.81	317,898,221.58	493,482,186.23	7.25	167,577,551.89
Total	6,363,228,049.33	100.00	338,634,477.31	6,804,060,969.70	100.00	341,073,446.84

8.6.2 Details of top five advance to suppliers

The total amount of top five advance to suppliers as at the end of current year is CNY1,446,210,826.43, accounting for 22.72% of the total advance to suppliers.

8.7 Interests receivable

Items	Balance as at 31/12/2017	Balance as at 31/12/2016
Fixed deposit receipt	230,512,778.94	133,809.43
Entrusted loans	1,115,641,467.51	524,821,460.46
Others	58,622,550.19	8,827,404.28
Total	1,404,776,796.64	533,782,674.17

8.8 Dividends Receivable

Items	Balance as at 31/12/2017	Balance as at 31/12/2016	Reason for uncollection	Impairment Yes/No
Aging within 1 year		1,519,203.00		
(2) Other Equity Investment		1,519,203.00	Not Declare	No
Aging above 1 year	172,284,983.80	172,284,983.80		
Incl: (1) Dezhou Shihua Chemical Co., Ltd.	72,857,881.64	72,857,881.64	Not Declare	No
(2) Haohua Aerospace Chemical Co., Ltd.	48,940,444.98	48,940,444.98	Not Declare	No
(3) Haohua Junhua Group Co., Ltd.	32,255,657.18	32,255,657.18	Not Declare	No
(4) Dongying Shenghong Real Estate Development Investment Co., Ltd.	8,100,000.00	8,100,000.00	Not Declare	No
(5) Shanxi Tianji coal chemical group company	7,344,000.00	7,344,000.00	Not Declare	No
(6) Lihua Real Estate Development Co., Ltd.	2,430,000.00	2,430,000.00	Not Declare	No
(7) Zhonghao Alkali Industry Co., Ltd.	357,000.00	357,000.00	Not Declare	No

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Balance as at 31/12/2017	Balance as at 31/12/2016	Reason for uncollection	Impairment Yes/No
Total	172,284,983.80	173,804,186.80		

8.9 Other receivable

8.9.1 Disclosure by classification

Items	Balance as at 31/12/2017			
	Carrying amount		Allowance for bad debt	
	Amount	% of total	Amount	% of total
Individually significant and assessed for impairment individually	2,753,128,540.49	7.09	864,033,540.49	31.38
Collectively assessed for impairment based on credit risk characteristics	31,225,418,846.96	80.45	867,563,758.09	2.78
Individually insignificant but assessed for impairment individually	4,837,545,423.40	12.46	1,842,687,382.33	38.09
Total	38,816,092,810.85	100.00	3,574,284,680.91	

(Continued)

Items	Balance as at 31/12/2016			
	Carrying amount		Allowance for bad debt	
	Amount	% of total	Amount	% of total
Individually significant and assessed for impairment individually	2,046,828,151.37	7.90	1,973,906,222.62	96.44
Collectively assessed for impairment based on credit risk characteristics	23,575,343,146.51	91.08	955,205,815.49	4.05
Individually insignificant but assessed for impairment individually	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	

8.9.1.1 Other receivables which are individually significant and assessed for impairment individually

Other receivables (By company)	Balance as at 31/12/2017			
	Other receivables	Allowance for bad debt	% of total	Reasons for allowance
Hehui Hechuang Investment Company	2,085,000,000.00	208,500,000.00	10.00	Note
Xinghuo Chemical plant	283,437,587.45	283,437,587.45	100.00	Note
Jiamusi Heilong Pesticide co., Ltd	232,288,456.86	219,693,456.86	94.58	Note
Qingdao Wire rope Company	152,402,496.18	152,402,496.18	100.00	Note
Total	2,753,128,540.49	864,033,540.49		

Note: Combined with aging and the company's business condition, for all or part of accounts receivable plan the provision for bad debt.

8.9.1.2 Other receivables which are collectively assessed for impairment using the ageing analysis method at the end of the year

Items	Balance as at 31/12/2017		
	Carrying amount	Allowance for bad debt	% of total
Within 1 year	14,595,409,125.08	53.55	2,961,044.27
1 to 2 years	3,725,034,178.26	13.67	14,446,079.89
2 to 3 years	2,432,461,838.48	8.93	17,085,851.91
Over 3 years	6,499,071,087.81	23.85	833,070,782.02
Total	27,251,976,229.63	100.00	867,563,758.09

8.9.1.1 Other receivables which are individually insignificant but assessed for impairment individually

Other receivables (By company)	Balance as at 31/12/2017			
	Other receivables	Allowance for bad debt	% of total	Reasons for allowance
Cangzhou Dahua Group Co. Ltd-Huanghua Chlor-Alkali Company	148,559,773.61	148,559,773.61	100.00	Note
BlueStar Cleaning Agent Co. Ltd.	96,355,105.62	96,355,105.62	100.00	Note
Shenzhen Fubon New Century Investment Co. Ltd.	83,162,982.07	83,162,982.07	100.00	Note
Fubon Investment Co. Ltd.	65,411,316.88	65,411,316.88	100.00	Note
Beijing Huazi Syndicate	57,640,000.00	57,640,000.00	100.00	Note
Jiamusi Heilong Pesticide co., Ltd	52,726,303.99	52,726,303.99	100.00	Note
Beijing Anpon Petrochemical Co., Ltd	42,748,497.45	42,748,497.45	100.00	Note
Changzhou Huachen Chemical Light Industrial Materials Co. Ltd.	40,000,000.00	40,000,000.00	100.00	Note
Others	4,250,941,443.78	1,256,083,402.71	16.93	Note
Total	4,837,545,423.40	1,842,687,382.33	100.00	

Note: Combined with aging and the company's business condition, for all or part of accounts receivable plan the provision for bad debt.

8.9.2 Recognition, recovery and reversal of allowance for bad debt

The amount of allowance for bad debts recognized during the current year is CNY13,378,537.89, the amount of recovered or reversed allowance for bad debts during the year is CNY13,378,537.89.

8.9.3 Other receivable written off during the current year

Items	Amount written off	Reasons	Whether due to related transactions
Other receivable written off	10,135,547.70	Bankruptcy Liquidation	No

8.9.4 Details of top five other receivables

Debtors	Nature of OR	Carrying amount as at 31/12/2017	Age	% of total	Allowance for bad debt as at 31/12/2017
Bluestar Fiber Investment Co. Ltd.	Account current	2,909,202,781.35	Over 1 year	7.51	
Hehui Hechuang Investment Company	Account current	2,085,000,000.00	2-3 years	5.38	208,500,000.00
Bluestar Petrochemical Co. Ltd.	Account current	2,058,979,099.00	Over 1 year	5.32	
Blu star (Tianjin) Chemical Co. Ltd.	Account current	1,768,013,339.79	Over 1 year	4.56	
Bluestar Petroleum Co. Ltd.(Jinan Branch.)	Account current	1,125,984,760.08	Within 2 years	2.91	
Total		9,947,179,980.22		23.12	208,500,000.00

8.10 Inventories

Items	Balance as at 31/12/2017		
	Carrying amount before impairment allowance	Impairment allowance	Net carrying amount
Raw material	15,305,027,330.58	189,892,823.41	15,115,134,507.17
Work in process	16,867,910,573.66	109,249,932.00	16,758,660,641.66
Stock goods (finished products)	47,815,086,751.67	2,885,163,379.97	44,929,923,371.70
Turnover material (packaging, low-value consumables, etc.)	898,336,345.37	63,913,868.39	834,422,476.98
Expendable biological assets	235,231,200.00		235,231,200.00
Others	90,966,157.04		90,966,157.04
Total	81,212,558,358.32	3,248,220,003.77	77,964,338,354.55

(Continued)

Items	Balance as at 31/12/2016		
	Carrying amount before impairment allowance	Impairment allowance	Net carrying amount
Raw material	13,166,784,589.25	262,676,520.43	12,904,108,068.82
Work in process	7,857,965,290.98	163,347,698.71	7,694,617,592.27
Stock goods (finished products)	20,900,172,884.94	1,110,525,898.23	19,789,646,986.71
Turnover material (packaging, low-value consumables, etc.)	712,610,336.00	61,290,446.87	651,319,889.13
Expendable biological assets			
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

8.11 Held-for-sale assets

Items	Balance as at 31/12/2017	Fair value	Expected disposal costs	The expected time for disposal
Crop protection product portfolio	403,297,000.00	403,297,000.00		First quarter of 2018
Total	403,297,000.00	403,297,000.00		

8.12 Non-current Assets Due Within 1 Year

Items	Carrying amounts as at 31/12/2017	Carrying amounts as at 31/12/2016
Entrusted Loan (note 8.)	35,500,000.00	
Other non-receivable items (note 8.)	46,000.00	3,453,559.00
Long-term deferred expense due within 1 year		119,658.12
Total	35,546,000.00	3,573,217.12

8.13 Other current assets

Items	Carrying amounts as at 31/12/2017	Carrying amounts as at 31/12/2016
Input tax to be deducted	6,143,449,086.91	5,120,081,918.35
Value added for acquiring Nidera	980,130,000.00	
Financial products	954,170,000.00	2,600,000,000.00
Deposit paid under CSA agreement	771,035,588.86	
Holding assets to be resold	378,983,600.00	
Entrusted Loan	343,213,820.39	2,256,380,000.00
Securities – Current portion	26,136,800.00	
Tax refund receivable	19,602,600.00	5,042,224.31
Monetary Fund Investment		232,691,989.48
Effective portion of gains or losses arising from cash flow hedging instruments		205,203,397.00
Others	91,175,586.08	387,213,818.89
Total	9,707,897,082.24	10,806,613,348.03

8.14 Available-for-sale financial assets

8.14.1 The situation of available-for-sale financial assets

Items	Carrying amounts as at 31/12/2017		
	Carrying amounts	Impairment	Net carrying amounts
Available for sale equity instruments	5,703,149,971.87	1,378,205,239.03	4,324,944,732.84
Including: measured at fair value	4,818,164,898.67	1,028,218,303.20	3,789,946,595.47
measured by cost	884,985,073.20	349,986,935.83	534,998,137.37
Total	5,703,149,971.87	1,378,205,239.03	4,324,944,732.84

(Continued)

Items	Carrying amounts as at 31/12/2016		
	Carrying amounts	Impairment	Net carrying amounts
Available for sale equity instruments	3,915,211,670.45	1,061,231,059.36	2,853,980,611.09
Including: measured at fair value	3,102,034,970.46	865,797,497.66	2,236,237,472.80
measured by 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

8.14.2 Available-for-sale financial assets measured at fair value by the end of year

Items	Available-for-sale equity instrument	Others	Total
Cost of equity instruments / amortised cost of debt instruments	4,565,076,305.56		4,565,076,305.56
Fair value	3,789,946,595.47		3,789,946,595.47
Cumulative fair value changes recognised in other comprehensive income	253,088,593.11		253,088,593.11
Provision for impairment	1,028,218,303.20		1,028,218,303.20

8.15 Held-to-maturity Investment

Items	Carrying amounts as at 31/12/2017			Carrying amounts as at 31/12/2016		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Bond investment –important railway bonds	213,000.00	213,000.00		213,000.00	213,000.00	
Total	213,000.00	213,000.00		213,000.00	213,000.00	

8.16 Long-term receivables

Items	Carrying amounts as at 31/12/2017			Discount rate
	Account Balance	Allowance for bad debt	Book Value	
Sale of goods by instalments	454,995,467.78	452,744.48	454,542,723.30	1.41%-16.83%
Other	6,807,245,957.53		6,807,245,957.53	4.00%-5.9%
Total	7,262,241,425.31	452,744.48	7,261,788,680.83	

(Continued)

Items	Carrying amounts as at 31/12/2016			Discount rate
	Account Balance	Allowance for bad debt	Book Value	
Sale of goods by instalments	275,127,066.80		275,127,066.80	1.41%-16.83%

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Carrying amounts as at 31/12/2016			Discount rate
	Account Balance	Allowance for bad debt	Book Value	
Other	4,168,364,886.25		4,168,364,886.25	4.00%-5.9%
Total	4,443,491,953.05		4,443,491,953.05	

8.17 Long-term Equity Investment

8.17.1 Disclosure by classification

Items	Opening Balance	Current year increase	Current year decrease	Ending Balance
Investments in Joint venture	514,922,915.76	870,467,012.89	111,541,814.20	1,273,848,114.45
Investments in associates	11,291,336,335.23	823,922,267.17	3,006,944,204.76	9,108,314,397.64
Sub-total	11,806,259,250.99	1,694,389,280.06	3,118,486,018.96	10,382,162,512.09
Less: Provision for impairment of Long-term equity investments	366,185,352.19	5,749,476.20	189,609,556.40	182,325,271.99
Total	11,440,073,898.80	1,688,639,803.86	2,928,876,462.56	10,199,837,240.10

8.17.2 The Details of Long-term equity investment

Investee	Investment Cost	Opening balance	Current year movement			
			Addition	Decrease	Investee's profit or loss under equity method	Other Comprehensive Income Adjustment
Total	14,325,120,498.68	11,806,259,250.99	1,286,684,044.39	2,371,136,357.84	210,443,905.54	52,521,186.90
1、Joint venture	2,429,933,459.95	514,922,915.76	772,423,395.59	7,044.35	-1,830,102.37	53,489,600.00
CIMO Compagnie industrielle de Monthey	447,746,000.00		661,286,400.00		26,744,800.00	53,489,600.00
LAN-STAR Dongli Membrane Technology Co., Ltd. Beijing	181,224,507.32	153,382,694.69			21,689,435.34	
Chenguang Chemours fluoride materials (Shanghai) Co., Ltd.	52,100,000.00	60,283,017.35			1,691,215.97	
North Sea Container Line AS	500,000.00	50,507,364.81			19,696,070.40	
Blue star xu (nantong) engineering plastics manufacturing co. LTD	55,014,300.00		55,014,300.00		-29,239.15	
Alfa Agricultural Supplies S.A	33,568,834.00	54,143,285.00			5,861,000.00	
PT Evoluzione Tyres (Indonesia)	161,153,747.10	106,414,864.77			-73,301,856.39	
PuYang Bluestar New Material Co., Ltd	26,573,724.00	26,573,724.00			-363,555.00	
Cotton Growers Services Pty Ltd	27,553,600.00		20,665,200.00			

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Investee	Investment Cost	Opening balance	Current year movement			
			Addition	Decrease	Investee's profit or loss under equity method	Other Comprehensive Income Adjustment
Blue star xu (nantong) engineering plastic sales co. LTD.	16,975,010.00		16,975,010.00		-28,011.18	
Salten Energigjenvinning	15,961,778.50		15,961,778.50		-408,700.00	
LanXi (Beijing) Fluid Control Equipment Co., Ltd.	10,500,000.00	5,294,063.01	1,500,000.00		134,902.30	
Bluestar Xuhuacheng (Beijing) Energy Saving Solution Co., Ltd.	6,271,980.00	6,390,828.75			48,445.97	
InnovAroma S.A	62,077,255.00	5,202,750.00			1,394,000.00	
Shandong luchang oil sales co. LTD.	5,000,000.00	5,000,000.00			144,332.18	
Servicidas de Colombia S.A.S.	7,236,006.40	4,363,373.00			-227,000.00	
Klafi EHF	552,000.00	2,974,945.32			233,307.21	
Others	1,319,924,717.63	34,392,005.06	1,020,707.09	7,044.35	-5,109,250.02	
2、Associate company	11,895,187,038.73	11,291,336,335.23	514,260,648.80	2,371,129,313.49	212,274,007.91	5,515,042.90
Mercuria Energy (Group) Co., Ltd	3,786,645,679.05	3,879,462,739.05			126,369,702.75	6,483,456.00
The New Materials Co.,Ltd.	3,202,831,947.09	3,446,395,262.85			-37,086,919.69	
AnTong Holding Co.,Ltd	2,456,855,896.59	2,500,131,605.85		2,005,158,709.26	15,079,594.74	
GuangXi HeChi Chemical Co., Ltd	43,110,128.63	443,426,373.68				
Sanbei Seeds	247,982,400.00		275,536,000.00		20,058,600.00	
Maisadour semances SA	68,884,000.00		179,098,400.00		6,686,200.00	
Fenice S.r.l.	559,317,725.10	204,626,934.00			38,141,750.60	
Beijing Deyang Zhongche Automobile Parts Co. Ltd.	56,141,321.32	142,357,634.96			8,228,651.52	
Shanghai kaizhong material technology co. LTD.	20,458,179.67				38,311,984.28	
Eurostazioni S.p.A.	380,050,604.10	45,822,313.23				
Nanjing 690 technology co. LTD.	4,500,000.00	41,242,393.01			11,346,045.67	
Claseed Ltd.	36,714,000.00	40,574,513.00			-373,000.00	
Qingdao yijia yanghong fuel oil co. LTD.	31,941,429.42	34,905,568.84			1,982,129.78	
Agrimetis	48,218,800.00		34,442,000.00		-6,686,200.00	

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Investee	Investment Cost	Opening balance	Current year movement			
			Addition	Decrease	Investee's profit or loss under equity method	Other Comprehensive Income Adjustment
Euro partnership BV	8,374,166.00	26,726,480.97			4,340,063.77	
Elkem Chartering AS	7,233,986.97	12,528,388.79			6,243,422.99	
Focus Investment S.p.a	29,365,600.00	19,363,020.00			-5,787,602.70	
Joint Stock Company "Kirov Tyre Plant"	11,407,507.80		11,407,448.80			
Wuchuan Chenhe dongsheng co. LTD.	18,000,000.00	11,640,995.00				
Sella Invest di ESB S.r.l & Co. Sas	10,936,818.64	9,737,282.48			-41,116.04	
Others	866,216,848.35	432,394,829.52	13,776,800.00	365,970,604.23	-14,539,299.76	-968,413.10

(Continued)

Investee	Current year movement				Ending Balance	Impairment Provision At Closing Balance
	other changes in owners' equity	approved dividend payment	provision for impairment of investments	Others		
Total	56,613,680.24	107,604,881.56	5,749,476.20	-551,618,316.57	10,382,162,512.09	182,325,271.99
1. Joint venture	7,157,992.00	9,848,800.00		-62,459,842.18	1,273,848,114.45	
CIMO Compagnie industrielle de Monthey	13,372,400.00			-36,131,200.00	718,762,000.00	
LAN-STAR Dongli Membrane Technology Co., Ltd. Beijing					175,072,130.03	
Chenguang Chemours fluoride materials (Shanghai) Co., Ltd.					61,974,233.32	
North Sea Container Line AS		9,808,800.00		-1,097,234.45	59,297,400.76	
Blue star xu (nantong) engineering plastics manufacturing co. LTD					54,985,060.85	
Alfa Agricultural Supplies S.A	-5,642,285.00				54,362,000.00	
PT Evoluzione Tyres (Indonesia)				5,514,871.57	38,627,879.95	
PuYang Bluestar New Material Co., Ltd					26,210,169.00	
Cotton Growers Services Pty Ltd				-1,062,600.00	19,602,600.00	
Blue star xu (nantong) engineering plastic sales co. LTD.					16,946,998.82	
Salten Energigjenvinning				-481,395.75	15,071,682.75	
LanXi (Beijing) Fluid Control Equipment Co., Ltd.					6,928,965.31	
Bluestar Xuhuacheng (Beijing) Energy Saving Solution Co., Ltd.					6,439,274.72	
InnovAroma S.A	-349,750.00				6,247,000.00	

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Investee	Current year movement				Ending Balance	Impairment Provision At Closing Balance
	other changes in owners' equity	approved dividend payment	provision for impairment of investments	Others		
Shandong luchang oil sales co. LTD.					5,144,332.18	
Servicidas de Colombia S.A.S.	-222,373.00				3,914,000.00	
Klafi EHF				-53,803.00	3,154,449.53	
Others		40,000.00		-29,148,480.55	1,107,937.23	
2. Associate company	49,455,688.24	382,841,326.13	5,749,476.20	-210,556,685.82	9,108,314,397.64	182,325,271.99
Mercuria Energy (Group) Co., Ltd		285,085,244.57		-220,317,265.76	3,506,913,387.47	
The New Materials Co.,Ltd.					3,409,308,343.16	
AnTong Holding Co.,Ltd					510,052,491.33	
GuangXi HeChi Chemical Co., Ltd	10,574,494.83				454,000,868.51	
Sanbei Seeds	13,372,400.00	6,686,200.00		-21,310,200.00	280,970,600.00	
Maisadour semences SA	20,058,600.00			-9,817,200.00	196,026,000.00	
Fenice S.r.l.	-21,366,090.60	65,242,066.80	1,639,439.50	12,751,465.50	168,911,992.70	149,585,695.60
Beijing Deyang Zhongche Automobile Parts Co. Ltd.					150,586,286.48	
Shanghai kaizhong material technology co. LTD.	31,345,222.97	5,517,811.60		10,696,338.72	74,835,734.37	
Eurostazioni S.p.A.				3,107,373.47	48,929,686.70	
Nanjing 690 technology co. LTD.		9,653,908.39			42,934,530.29	
Claseed Ltd.	-2,341,513.00				37,860,000.00	
Qingdao yijia yanghong fuel oil co. LTD.					36,887,698.62	
Agrimetis				-1,619,000.00	26,136,800.00	
Euro partnership BV		8,736,769.27		1,685,797.50	24,015,572.97	
Elkem Chartering AS	-265,850.36			-381,186.25	18,124,775.17	
Focus Investment S.p.a			4,110,036.70	1,178,732.00	14,754,149.30	4,205,439.70
Joint Stock Company "Kirov Tyre Plant"				264,792.00	11,672,240.80	
Wuchuan Chenhe dongsheng co. LTD.					11,640,995.00	11,640,995.00
Sella Invest di ESB S.r.l & Co. Sas				532,296.90	10,228,463.34	
Others	-1,921,575.60	1,919,325.50		12,671,370.10	73,523,781.43	16,893,141.69

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

8.17.3 The Main Financial Information of The Major Joint Ventures

Items	Current Year		Prior Year	
	Mercuria Energy (Group) Co., Ltd	Mercuria Energy (Group) Co., Ltd	Mercuria Energy (Group) Co., Ltd	Mercuria Energy (Group) Co., Ltd
Current Assets	96,876,049,200.00	27,434,432,247.00	103,146,253,000.00	28,219,317,780.00
Non-Current Assets	19,831,297,000.00	23,815,080,784.00	16,426,816,000.00	23,570,218,635.00
Total Assets	116,707,346,200.00	51,249,513,031.00	119,573,069,000.00	51,789,536,415.00
Current Liabilities	77,776,582,600.00	32,253,510,384.00	82,390,749,000.00	31,674,796,613.00
Non-current Liabilities	12,042,530,600.00	4,641,179,403.00	10,259,823,000.00	5,741,233,541.00
Total Liabilities	89,819,113,200.00	36,894,689,787.00	92,650,572,000.00	37,416,030,154.00
Net Assets	26,888,233,000.00	14,354,823,244.00	26,922,497,000.00	14,373,506,261.00
Net Assets Shares Calculated at Proportion of Shares	3,226,587,960.00	13,112,724,397.00	2,625,515,760.00	13,255,366,396.00
Adjusting Events	280,325,427.47		1,253,946,979.05	
The Book Value of The Equity Investment of Joint Venture	3,506,913,387.47	3,409,308,343.00	3,879,462,739.05	3,446,395,263.00
The Public Fair Value of The Equity Investment				
Operating Income	471,299,976,000.00	16,504,509,347.00	363,311,501,000.00	8,601,037,150.00
Net Profit	2,613,643,200.00	-79,752,164.87	2,094,974,000.00	-284,480,600.30
Other Comprehensive Income	108,057,600.00		-55,496,000.00	
Total Comprehensive Income	2,721,700,800.00	-79,752,164.87	2,039,478,000.00	-284,480,600.30
Dividends Received Form Joint Venture In This Current Year				

8.17.4 The Information of Unimportant Joint Ventures

Items	Current Year	Prior Year
Joint Ventures:		
Aggregate carrying amount of investments	499,607,908.79	514,922,915.76
Aggregate amount in proportion of Ownership of below items		
Net Profit	-8,176,136.04	-191,951,687.30
Other Comprehensive Income	8,347,000.00	-5,293,175.60
Total Comprehensive Income	170,863.96	-197,244,862.90

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Current Year	Prior Year
Associates:		
Aggregate carrying amount of investments	5,335,224,942.85	3,965,478,333.33
Aggregate amount in proportion of Ownership of below items		
Net Profit	69,106,705.10	106,573,813.15
Other Comprehensive Income	-3,309,926.10	-1,364,355.60
Total Comprehensive Income	65,796,779.00	105,209,457.55

8.18 Investment property

8.18.1 Investment property subsequently measured using the cost model

Items	Balance as at 31/12/2016	Increased in current year	Decrease in current year	Balance as at 31/12/2017
1. Original book value	665,485,407.70	8,571,617.62	10,061,924.28	663,995,101.04
Incl: Houses and buildings	518,682,709.94	8,571,617.62	10,061,924.28	517,192,403.28
Incl: Land use right	146,802,697.76			146,802,697.76
2. Accumulated Depreciation and accumulated amortization	247,781,713.66	21,822,036.13	5,803,996.46	263,799,753.33
Incl: Houses and buildings	212,483,594.64	17,299,227.74	5,803,996.46	223,978,825.92
Incl: Land use right	35,298,119.02	4,522,808.39		39,820,927.41
3. Net book value	417,703,694.04			400,195,347.71
Incl: Houses and buildings	306,199,115.30			293,213,577.36
Incl: Land use right	111,504,578.74			106,981,770.35
4. Depreciation				
Incl: Houses and buildings				
Incl: Land use right				
5. Carrying amount	417,703,694.04			400,195,347.71
Incl: Houses and buildings	306,199,115.30			293,213,577.36
Incl: Land use right	111,504,578.74			106,981,770.35

8.18.2 Investment property subsequently measured using the cost model

Items	Opening fair value	Increase in the year			Decrease in the year		Closing fair value
		Outsourcing	Transfers to Self-use real estate or inventory	Change in Profit and losses of Fair Value	Dispositio n	Transf ers to Self-us e real estate	
1. Cost	124,239,371.16	19,862,517.68	41,590,202.39				185,692,091.23
Incl: Houses and buildings	19,862,517.68		41,590,202.39				61,452,720.07
Incl: Land use right	104,376,853.48	19,862,517.68					124,239,371.16

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Opening fair value	Increase in the year			Decrease in the year		Closing fair value
		Outsourcing	Transfers to Self-use real estate or inventory	Change in Profit and losses of Fair Value	Dispositio n	Transf ers to Self-us e real estate	
2. Fair Value							
Incl: Houses and buildings							
Incl: Land use right							
3. Book value	124,239,371.16	19,862,517.68	41,590,202.39				185,692,091.23
Incl: Houses and buildings	19,862,517.68		41,590,202.39				61,452,720.07
Incl: Land use right	104,376,853.48	19,862,517.68					124,239,371.16

8.19 Fixed assets

8.19.1 Conditions of fixed assets

Items	Balance as at 31/12/2016	Increase in the year	Decrease in the year	Balance as at 31/12/2017
1. Original book value	146,102,545,011.35	71,397,191,455.94	8,435,833,090.24	209,063,903,377.05
Incl: Land use right	1,185,682,082.45	3,555,942,345.60	290,207,159.10	4,451,417,268.95
Houses and buildings	37,177,729,395.82	19,515,515,249.41	1,780,512,595.72	54,912,732,049.51
Machinery equipment	101,529,171,605.19	45,190,010,255.86	5,935,832,411.78	140,783,349,449.27
Transportation equipment	1,792,957,912.17	1,117,329,509.55	333,385,131.98	2,576,902,289.74
Electronic equipment	1,210,880,483.09	740,066,790.58	115,880,623.88	1,835,066,649.79
Office equipment	2,110,853,972.22	989,020,919.63	166,012,154.26	2,933,862,737.59
Hotel furniture				
Others	1,095,269,560.41	289,306,385.31	-185,996,986.48	1,570,572,932.20
2. Accumulative depreciation	49,382,412,013.50	41,664,502,110.22	4,177,055,822.25	86,869,858,301.47
Incl: Land use right				
Houses and buildings	7,976,004,110.24	9,245,868,228.69	479,750,763.44	16,742,121,575.49
Machinery equipment	38,430,810,804.85	30,183,337,416.42	3,463,017,962.76	65,151,130,258.51
Transportation equipment	713,944,105.70	802,850,863.03	251,973,038.40	1,264,821,930.33
Electronic equipment	704,101,417.84	492,752,197.33	93,863,472.72	1,102,990,142.45
Office equipment	1,327,252,395.28	747,927,918.08	120,018,639.48	1,955,161,673.88
Hotel furniture				
Others	230,299,179.59	191,765,486.67	-231,568,054.55	653,632,720.81
3. Net book value	96,720,132,997.85			122,194,045,075.58
Incl: Land use right	1,185,682,082.45			4,451,417,268.95

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Balance as at 31/12/2016	Increase in the year	Decrease in the year	Balance as at 31/12/2017
Houses and buildings	29,201,725,285.58			38,170,610,474.02
Machinery equipment	63,098,360,800.34			75,632,219,190.76
Transportation equipment	1,079,013,806.47			1,312,080,359.41
Electronic equipment	506,779,065.25			732,076,507.34
Office equipment	783,601,576.94			978,701,063.71
Hotel furniture				
Others	864,970,380.82			916,940,211.39
4. Depreciation	3,856,430,265.55	808,719,951.56	478,948,538.33	4,186,201,678.78
Incl: Land use right				
Houses and buildings	879,779,715.98	255,484,706.04	243,423,900.21	891,840,521.81
Machinery equipment	2,938,575,204.67	536,676,128.70	229,943,622.50	3,245,307,710.87
Transportation equipment	29,699,940.32	3,379,820.60	2,894,714.44	30,185,046.48
Electronic equipment	271,774.05	1,873,618.35	942,922.67	1,202,469.73
Office equipment	6,686,913.76	10,244,482.89	849,596.30	16,081,800.35
Hotel furniture				
Others	1,416,716.77	1,061,194.98	893,782.21	1,584,129.54
5. Book value	92,863,702,732.30			118,007,843,396.80
Incl: Land use right	1,185,682,082.45			4,451,417,268.95
Houses and buildings	28,321,945,569.60			37,278,769,952.21
Machinery equipment	60,159,785,595.67			72,386,911,479.89
Transportation equipment	1,049,313,866.15			1,281,895,312.93
Electronic equipment	506,507,291.20			730,874,037.61
Office equipment	776,914,663.18			962,619,263.36
Hotel furniture				
Others	863,553,664.05			915,356,081.85

8.19.2 Fixed assets pending certificates of ownership

Items	Carrying amount	Reason for pending
Houses and buildings	1,485,102,056.11	Legal procedures in process

8.20 Construction in progress

8.20.1 Disclosure by classification

Items	Carrying amounts as at 31/12/2017		
	Carrying amounts	Impairment	Net carrying amounts
Diesel hydrogenation	1,000,537,560.90		1,000,537,560.90
SAS technical upgrade project	880,515,775.39		880,515,775.39
Zhenghe1,000,000 tons/year Continuous reforming uni	714,958,047.57		714,958,047.57
800,000 tons/year Continuous reforming unit	555,504,747.52		555,504,747.52
Silao 2 increase capacity (Pirelli Mexico)	377,634,829.89		377,634,829.89
Slatina 4 - 15 milion pieces (Pirelli Rumania)	324,944,339.61		324,944,339.61
Jiangsu Pharmaceutical factory	302,821,000.00		302,821,000.00
Desalination base	302,242,885.63		302,242,885.63
Foundry plant, Elkem Paraguay	249,609,596.83		249,609,596.83
Slatina 3 increase capacity (37kpcs/day)	201,597,869.06		201,597,869.06
Others	8,837,586,757.06	274,345,002.70	8,563,241,754.36
Total	13,747,953,409.46	274,345,002.70	13,473,608,406.76

(Continued)

Items	Carrying amounts as at 31/12/2016		
	Carrying amounts	Impairment	Net carrying amounts
Diesel hydrogenation	281,591,309.56		281,591,309.56
SAS technical upgrade project	453,360,412.65		453,360,412.65
Zhenghe1,000,000 tons/year Continuous reforming uni	180,320,390.19		180,320,390.19
800,000 tons/year Continuous reforming unit	113,081,314.41		113,081,314.41
Silao 2 increase capacity (Pirelli Mexico)	231,584,359.85		231,584,359.85
Slatina 4 - 15 milion pieces (Pirelli Rumania)	19,645,871.62		19,645,871.62
Jiangsu Pharmaceutical factory	187,736,031.00		187,736,031.00
Desalination base	261,129,112.60		261,129,112.60
Foundry plant, Elkem Paraguay			
Slatina 3 increase capacity (37kpcs/day)	164,479,546.98		164,479,546.98
Others	7,041,088,562.51	664,520,363.36	6,376,568,199.15
Total	8,934,016,911.37	664,520,363.36	8,269,496,548.01

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

8.20.2 Movements of major construction projects in progress during the year

Name of item	Budget	Opening balance	Increased amount	Transfers to fixed assets	Other decreases	Closing balance
Diesel hydrogenation	1,380,590,000.00	281,591,309.56	839,044,550.72	120,098,299.38		1,000,537,560.90
SAS technical upgrade project	1,238,253,000.00	453,360,412.65	937,523,081.74	510,367,719.00		880,515,775.39
Zhenghe 1,000,000 tons/year Continuous reforming unit	950,000,000.00	180,320,390.20	534,637,657.37			714,958,047.57
800,000 tons/year Continuous reforming unit	727,780,000.00	113,081,314.41	442,423,433.11			555,504,747.52
Silao 2 increase capacity (Pirelli Mexico)	1,426,986,162.59	231,584,359.85	598,127,728.60	426,470,055.39	25,607,203.17	377,634,829.89
Slatina 4 - 15 million pieces (Pirelli Rumania)	1,480,757,134.85	19,645,871.62	337,228,268.64	31,929,800.65		324,944,339.61
Jiangsu Pharmaceutical factory	355,180,000.00	187,736,031.00	115,400,969.00		316,000.00	302,821,000.00
Desalination base	433,090,000.00	261,129,112.60	41,113,773.03			302,242,885.63
Foundry plant, Elkem Paraguay	259,935,536.00		258,934,717.29	1,352,487.21	7,972,633.25	249,609,596.83
Slatina 3 increase capacity (37kpcs/day)	1,565,066,053.24	164,479,546.98	256,991,492.44	169,397,307.02	50,475,863.34	201,597,869.06
Total	9,817,637,886.68	1,892,928,348.87	4,344,256,722.49	1,259,615,668.65	67,202,750.31	4,910,366,652.40

(Continued)

Name of item	Percentage of actual cost to budget (%)	Project progress (%)	Accumulative amount of capitalized interests	Of which: the amount of the capitalized interests of the period	Capitalization rate of the interests of the period (%)	Capital resources
Diesel hydrogenation	72.47	72.47	36,939,067.71	28,191,972.47	4.66	own funds
SAS technical upgrade project	71.11	71.11				own funds
Zhenghe 1,000,000 tons/year Continuous reforming unit	76.26	18.98				own funds
800,000 tons/year Continuous reforming unit	76.33	99.00	1,249,571.50	791,955.38	4.66	own funds and loan
Silao 2 increase capacity (Pirelli Mexico)	60.00	60.00				Government funds
Slatina 4 - 15 million pieces (Pirelli Rumania)	27.00	27.00				Government funds
Jiangsu Pharmaceutical factory	85.00	85.00				own funds
Desalination base	69.79	69.79	25,078,640.91	10,340,902.56	4.84	own funds and loan
Foundry plant, Elkem Paraguay	99.61	99.61				own funds
Slatina 3 increase capacity (37kpcs/day)	95.00	95.00				Government funds
Total			63,267,280.12	39,324,830.41		

8.20.3 Provision for impairment of construction projects in the current period

Items	Increased amount of the period	Reason
Single nitrotoluene safety and energy saving technical renovation project	4,814,700.43	Low return on investment

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Increased amount of the period	Reason
Waste heat recovery generation project	4,115,741.59	shutdown
Insecticidal double	2,765,642.78	shutdown
20,000 tons of ECH technology upgrade (glycerine method)	1,980,769.15	shutdown
600t/a The M325 technical reform project of the intermediates of trimethylol	1,207,470.22	shutdown
Others	4,794,567.23	Low return on investment
Total	19,678,891.40	

8.21 Materials held for construction

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Special equipment	90,364,817.82	145,576,286.61
special material	13,918,584.27	32,747,427.23
Spare parts	582,597.41	
Others	8,856,910.79	13,650,487.73
Total	113,722,910.29	191,974,201.57

8.22 Disposal of fixed assets

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016	Reason
Houses and buildings	1,606,210.50	1,539,899.76	To be processed
Machinery equipment	5,949,783.98	6,955,511.69	To be processed
Transportation equipment	2,416,618.45	93,939.14	To be processed
Electronic equipment	13,101.17	10,313.08	To be processed
Special equipment	3,264.69		To be processed
Office equipment	213.00		To be processed
Total	9,989,191.79	8,599,663.67	

8.23 Intangible assets

Items	Balance as at 31/12/2016	Increase in the year	Decrease in the year	Balance as at 31/12/2017
1. Original book value	74,600,288,927.43	151,985,019,349.18	8,502,741,390.04	218,082,566,886.57
Incl: Software	1,587,541,635.43	5,940,731,012.81	363,695,189.07	7,164,577,459.17
Land use right	7,997,867,952.90	495,005,275.62	196,730,353.91	8,296,142,874.61
Patent right	5,544,322,676.94	503,568,323.69	114,674,391.52	5,933,216,609.11
Non-patent right	10,900,973,457.21	92,549,805,580.59	4,296,867,643.30	99,153,911,394.50
Trademarks	21,208,251,126.10	49,019,745,691.64	1,470,383,136.91	68,757,613,680.83
Franchise		65,554,924.60		65,554,924.60

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Balance as at 31/12/2016	Increase in the year	Decrease in the year	Balance as at 31/12/2017
Mining rights	134,205,935.81	184,541,186.26		318,747,122.07
Crude oil quota	6,962,083,082.65			6,962,083,082.65
Others	20,265,043,060.39	3,226,067,353.97	2,060,390,675.33	21,430,719,739.03
2. Accumulative amortization	15,396,842,940.98	25,488,890,127.32	2,739,551,299.82	38,146,181,768.48
Incl: Software	937,065,619.80	2,644,909,532.37	156,915,965.77	3,425,059,186.40
Land use right	1,089,958,859.28	197,222,775.27	30,081,502.57	1,257,100,131.98
Patent right	2,254,633,468.34	562,607,092.12	96,749,323.40	2,720,491,237.06
Non-patent technology	869,877,355.80	17,904,568,380.93	1,020,465,353.54	17,753,980,383.19
Trademarks	820,047,649.73	945,247,571.44	118,220,351.44	1,647,074,869.73
Franchise				
Mining rights	37,526,911.59	84,470,861.17		121,997,772.76
Crude oil quota				
Others	9,387,733,076.44	3,149,863,914.02	1,317,118,803.10	11,220,478,187.36
3. Depreciation	807,880,884.08	652,171,622.87	46,638,911.03	1,413,413,595.92
Incl: Software				
Land use right	134,566,867.07	42,380.29	-19,510.87	134,628,758.23
Patent right	335,158,954.07	41,582,829.84	8,052,800.00	368,688,983.91
Non-patent technology	1,136,246.65	523,494,358.03	25,554,000.00	499,076,604.68
Trademarks	151,508,101.25	48,218,800.00	2,479,400.00	197,247,501.25
Franchise				
Mining rights		38,818,004.11		38,818,004.11
Crude oil quota				
Others	185,510,715.04	15,250.60	10,572,221.90	174,953,743.74
4. Book value	58,395,565,102.37			178,522,971,522.17
Incl: Software	650,476,015.63			3,739,518,272.77
Land use right	6,773,342,226.55			6,904,413,984.40
Patent right	2,954,530,254.53			2,844,036,388.14
Non-patent technology	10,029,959,854.76			80,900,854,406.63

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Balance as at 31/12/2016	Increase in the year	Decrease in the year	Balance as at 31/12/2017
Trademarks	20,236,695,375.12			66,913,291,309.85
Franchise				65,554,924.60
Mining rights	96,679,024.22			157,931,345.20
Crude oil quota	6,962,083,082.65			6,962,083,082.65
Others	10,691,799,268.91			10,035,287,807.93

8.24 Development expenditure

Items	Balance as at 31/12/2016	Increase in the year	
		Internal development expenditure	Other
Enogen process		692,291,000.00	5,671,751,800.00
BSI France process improvement	75,788,648.20	56,765,859.28	
Solid nitrogen acid	80,930,117.01	1,624,189.00	
BSI France new product development	41,833,403.01	14,375,029.36	
Elkem Solar AS development costs	35,576,255.34		
IMM R&D Expenses	59,359,501.87	7,122,745.24	
RPM R&D Expenses	14,815,397.96	5,963,065.28	
BSI USA Corp. operations support	5,878,406.63	1,749,887.47	
EXT R&D Expenses	3,700,974.57	1,537,302.39	
Others	11,156,835.89	637,703,086.65	157,700.00
Total	329,039,540.48	1,419,132,164.67	5,671,909,500.00

(Continued)

Items	Decrease in the year			Balance as at 31/12/2017
	Identify as an intangible asset	Transfer to current profit and loss	Other	
Enogen process		5,736,759,600.00		627,283,200.00
BSI France process improvement		20,590,790.72	2,306,382.77	109,657,333.99
Solid nitrogen acid		8,952,102.00	-5,318,061.00	78,920,265.01
BSI France new product development		8,754,879.59	828,981.55	46,624,571.23
Elkem Solar AS development costs		5,935,240.31	373,346.97	29,267,668.06
IMM R&D Expenses	42,777,532.13			23,704,714.98
RPM R&D Expenses	5,362,797.25			15,415,665.99
BSI USA Corp. operations support		919,861.09	456,983.47	6,251,449.54

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Decrease in the year			Balance as at 31/12/2017
	Identify as an intangible asset	Transfer to current profit and loss	Other	
EXT R&D Expenses				5,238,276.96
Others	13,363,886.31	779,277,034.02	-215,456,471.48	71,833,173.69
Total	61,504,215.69	6,561,189,507.73	-216,808,837.72	1,014,196,319.45

8.25 Goodwill

8.25.1 Carrying amount of Goodwill

Name of investee or events from which goodwill arose	Opening balance	Increase in the year	Decrease in the year	Closing balance
Pirelli & Co	17,180,207,465.45	1,165,050,848.56		18,345,258,314.01
KraussMaffei Group GmbH	3,243,751,564.80	155,512,428.34		3,399,263,993.14
ADAMA	4,542,302,143.69		652,205,143.69	3,890,097,000.00
Drakkar Group S.A.	683,121,032.80	46,324,857.20		729,445,890.00
Elkem AS	573,861,343.90		8,985,526.20	564,875,817.70
Elkem Solar Holding S.a.r.l	479,692,563.22		18,855,769.54	460,836,793.68
Bluestar Silicones	318,653,101.40	21,231,844.47		339,884,945.87
Innov'ia S.A.	131,018,230.56	11,834,080.44		142,852,311.00
Huaxing oil	89,847,807.89			89,847,807.89
NEH Inc	77,267,150.77		4,868,605.60	72,398,545.17
Fesil Rana AS	49,813,090.64		18,156,882.24	31,656,208.40
Ferroveld JV (JO)	37,465,891.31	1,474,652.44		38,940,543.75
Higna group	29,757,122.80	2,257,893.40		32,015,016.20
Elkem Oilfield	16,182,381.00		1,022,124.85	15,160,256.15
Zhenghe	10,842,552.64			10,842,552.64
EPICL	8,795,325.13		616,678.76	8,178,646.37
Nejiu county dingfeng mining co. LTD.	2,510,126.45			2,510,126.45
Elkem Carbon China	804,700.00		12,600.00	792,100.00
Elkem Materials Process Services BV	114,267.40		1,789.20	112,478.20
Shicheng county Fluorite mine (general partnership)		8,556,881.30		8,556,881.30
Jiangsu zhonggrun fluorine chemical technology co. LTD.		25,885,580.59		25,885,580.59
Ningdu mine tongfa fluorite co. LTD.		7,225,278.96		7,225,278.96

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Name of investee or events from which goodwill arose	Opening balance	Increase in the year	Decrease in the year	Closing balance
Ningdu county changhua mining co. LTD		425,311.09		425,311.09
Syngenta AG		145,978,972,800.00	7,506,206,400.00	138,472,766,400.00
Total	27,476,007,861.85	147,424,752,456.79	8,210,931,520.08	166,689,828,798.56

8.25.2 Impairment of Goodwill

Name of investee or events from which goodwill arose	Opening balance	Increase in the year	Decrease in the year	Closing balance
Bluestar Silicones	263,126,523.66	17,532,110.34		280,658,634.00
Jiangsu zhonggrun fluorine chemical technology co. LTD		25,885,580.59		25,885,580.59
Shicheng county Fluorite mine (general partnership)		8,556,881.30		8,556,881.30
Ningdu mine tongfa fluorite co. LTD		7,225,278.96		7,225,278.96
Ningdu county changhua mining co. LTD		425,311.09		425,311.09
Total	263,126,523.66	59,625,162.28		322,751,685.94

8.26 Long-term deferred expenses

Items	Carrying amount as at 31/12/2016	Increase during the current year	Amortisation for the current year	Other decrease during the current year	Carrying amount as at 31/12/2017
Adsorbents and catalysts	168,492,119.29	68,938,388.17	66,723,724.49		170,706,782.97
Mould	68,325,037.00	19,891,477.90	28,055,214.70		60,161,300.20
Prepaid expenses	63,235,904.16	37,441,724.68	29,907,407.86		70,770,220.98
rental expense	47,370,903.16	11,515,622.29	30,336,182.84		28,550,342.61
Unconfirmed financing charges	32,309,181.10	7,000,000.00	16,287,984.27		23,021,196.83
renovation costs	19,322,844.27	2,067,118.01	6,247,470.97		15,142,491.31
Project Improvement Expenditure	16,950,337.25	5,639,179.25	4,316,740.70		18,272,775.80
Deferred financing costs	14,328,634.80	938,988.67	1,353,694.57		13,913,928.90
Repair and maintenance fees	2,326,084.79	817,716.24	1,521,209.90		1,622,591.13
Others	24,672,999.89	4,365,275.29	2,823,602.70		26,214,672.48
Total	457,334,045.71	158,615,490.50	187,573,233.00		428,376,303.21

8.27 Deferred tax assets and deferred tax liabilities

8.27.1 Deferred tax assets and deferred tax liabilities presented as before the offset

8.27.1.1 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	13,930,373,913.11	54,766,715,618.16	5,082,991,113.63	22,341,011,078.43
Inventory	3,084,839,600.00	11,990,412,000.00	403,060,511.00	1,385,242,593.00
Provision	2,965,808,306.63	11,545,988,977.51	3,350,000.00	13,400,000.00
Provision for impairment of assets	2,713,999,843.44	9,916,616,733.65	723,166,519.71	2,990,493,173.64
Deductible loss	1,720,932,784.72	7,176,276,397.34	1,139,969,138.63	4,485,908,900.07
Employee benefits payable	1,093,140,335.57	5,187,617,477.94	792,416,363.88	2,561,356,284.08
Temporary differences in accrued expenses	961,126,420.07	3,527,897,314.16	1,252,490,487.26	5,876,173,706.31
Derivative instruments	318,134,024.40	1,438,124,549.98	134,985,498.72	518,384,388.08
Unrealised profits from intragroup transactions	129,862,409.43	499,122,017.72	135,726,100.26	490,387,007.04
Fixed assets and intangible assets	32,210,332.96	110,331,754.85	69,879,436.42	251,602,919.40
Start-up expenses	9,485,519.96	39,629,133.00		
Valuation of trading financial instruments and derivative financial instruments	21,369.47	62,851.11	138,099,438.64	537,253,037.30
Others	900,812,966.46	3,334,636,410.90	289,847,619.11	3,230,809,069.51
2. Deferred income tax liabilities	42,235,428,444.08	196,562,157,646.17	15,858,932,137.31	55,412,749,236.79
Fixed assets and intangible assets	24,105,737,604.86	133,310,748,400.00	484,944,859.00	3,351,479,747.00
Asset valuation appreciation	12,491,111,688.81	45,696,167,933.94	12,019,588,829.44	40,091,077,471.67
Inventory	1,961,501,498.00	4,175,353,800.00		
Provision	1,150,019,200.00	5,011,731,400.00		
Changes in the fair value of available-for-sale financial assets recognized in other comprehensive income	789,399,462.58	2,613,389,252.01	661,837,777.19	2,425,167,816.17
Derivative instruments	312,793,981.42	1,202,584,613.39		
Net working capital items	286,533,069.61	326,511,180.96		
Valuation of trading financial instruments and derivative financial instruments	201,662,083.04	651,875,214.44	1,865,951,676.16	5,819,356,039.75

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Ending Balance		Beginning Balance	
	Deferred tax assets/liabilities	Deductible / taxable temporary differences	Deferred tax assets/liabilities	Deductible / taxable temporary differences
The differences related to employee welfare	125,937,954.20	695,078,342.78	169,377,497.38	539,418,781.47
State appropriation of construction project	8,920,014.81	59,466,765.39	10,333,220.14	68,888,134.27
Net trial expenses of construction in progress	8,443,639.46	33,774,557.84	190,100,438.00	1,136,219,692.88
Others	793,368,247.29	2,785,476,185.42	456,797,840.00	1,981,141,553.58

8.27.1.2 Details of unrecognised deferred tax assets

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Deductible temporary differences	10,319,220,361.34	8,712,293,501.59
Deductible loss	20,358,208,711.11	22,114,932,224.06
Total	30,677,429,072.45	30,827,225,725.65

8.27.1.3 The deductible losses of unrecognised deferred tax assets shall be matured in the following years

Year	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016	Note
2017	132,879,129.57	1,898,029,568.23	
2018	2,618,346,025.50	3,409,988,210.03	
2019	2,068,083,948.55	2,673,072,977.61	
2020	2,279,429,730.64	5,324,280,866.24	
2021	4,698,748,477.29	2,666,202,136.12	
2022	1,848,796,917.58	3,356,614,491.73	
After 2022	6,711,924,481.98	2,786,743,974.10	No maturity date
Total	20,358,208,711.11	22,114,932,224.06	

8.27.2 Deferred tax assets and deferred tax liabilities presented as after the offset

8.27.2.1 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	Deferred tax assets/liabilities after the offset at the beginning of the year
1. Deferred tax assets	10,175,861,407.44	2,772,206,585.82
2. Deferred tax liabilities	38,480,915,938.41	13,548,147,609.50

8.27.2.2 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	3,754,512,505.67	2,310,784,527.81

8.28 Other non-current assets

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Receivable margin and deposit	1,192,167,627.30	1,127,388,321.09
Prepayment Engineering equipment	753,037,398.43	201,137,428.23
Retirement benefits and long-term incentive compensation	679,556,800.00	
Long-term receivables from joint ventures	627,793,125.54	100,599,379.40
Derivative financial assets	499,521,954.26	268,455,893.77
Split share distribution rights	382,620,193.06	444,765,156.68
Entrusted loans	381,415,297.86	142,000,000.00
Tax credit	320,752,644.22	72,882,385.36
Indbra TP Industrial de Pneus Brasil Ltda	162,156,698.94	147,836,913.44
Other non-cash accounts receivable	137,805,379.80	132,834,598.02
Relocation payment	108,556,624.81	106,878,257.81
Pensions	97,471,792.02	12,794,206.80
Land Compensation	73,571,090.86	62,762,088.78
Unrealized gains and losses from After sale leaseback	22,211,508.01	148,282,671.76
Others	409,045,652.76	179,153,663.65
Overseas prepayments for long-term taxes		86,686,318.85
Subtotal	5,847,683,787.87	3,234,457,283.64
Less: due within 1 year (Note 8.)	35,546,000.00	3,453,559.00
Total	5,812,137,787.87	3,231,003,724.64

8.29 Short-term loan

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Pledged loans	563,462,941.19	2,112,332,901.01
Loans secured by mortgage	1,235,055,800.00	593,355,800.00
Guaranteed loans	34,129,127,251.40	36,264,776,843.54
Unsecured loans	118,597,269,705.17	10,815,327,250.63
Total	154,524,915,697.76	49,785,792,795.18

8.30 Financial liabilities measured by fair value with changes in fair value recognized in profit or loss

Items	Balance as at 31/12/2017	Balance as at 31/12/2016
Trading financial liabilities		747,718,419.00
Total		747,718,419.00

8.31 Derivative Financial Liabilities

Items	Balance as at 31/12/2017	Balance as at 31/12/2016
Cash flow Hedging instrument	455,517,933.49	257,346,479.28
Foreign currency derivatives- transaction	886,944,184.17	261,163,014.03
Foreign currency derivatives- included in net financial position	69,011,764.82	117,648,343.15
Financial forwards	516,201,800.00	
Foreign currency derivatives financial instruments	485,530,000.00	
Hedging derivative financial instruments	303,520,000.00	
Other derivatives	231,192,515.81	11,789,457.35
Total	2,947,918,198.29	647,947,293.81

8.32 Notes payable

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Commercial acceptance bills	546,695,854.88	605,226,712.70
Bank acceptance bills	2,135,979,127.07	4,672,573,184.55
Total	2,682,674,981.95	5,277,799,897.25

Note: There are no expired notes payable that have not been paid as at the end of current year.

8.33 Accounts payable

8.33.1 Detail for accounts payable

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Within 1 year	55,907,404,520.02	32,073,139,713.91
1-2 year (Inclusive)	738,528,780.82	963,646,254.27
2-3 years (Inclusive)	409,207,085.14	285,291,967.29
Over 3 year	1,038,875,535.18	901,023,156.62
Total	58,094,015,921.16	34,223,101,092.09

8.33.2 Details of significant accounts payable aged over 1 year

Creditors	Amounts outstanding as at 31/12/2017	Reason(s) for unsettlement
China national petroleum corporation limited.	57,721,825.61	Unpaid
Shandong Shengtong steel cord Co. Ltd.	39,048,614.36	Unpaid
Beijing Jintianzheng intelligent control Co. Ltd.	34,826,468.21	Unpaid
Dongge investment Co. Ltd.	30,000,000.00	Unpaid
Beijing Boda Yongsheng technology development center	19,065,600.00	Unpaid
Shandong united energy pipeline transportation Co. Ltd.	17,000,000.00	Unpaid

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Creditors	Amounts outstanding as at 31/12/2017	Reason(s) for unsettlement
Eight metallurgical construction group Co. Ltd.	15,937,167.74	Unpaid
FGHFT CO. LIMITED	15,799,333.18	Unpaid
Golmud road mechanical engineering Co. Ltd.	13,997,692.98	Unpaid
Beijing Beatrix technology development Co. Ltd.	13,945,996.71	Unpaid
Beijing branch of cleaning agent.	12,558,678.81	Unpaid
Eleventh metallurgical construction group Co. Ltd.	11,884,880.24	Unpaid
Jinan Great Wall oil refining Co. Ltd.	10,919,750.94	Unpaid
Greatoo Intelligent Equipment Inc.	10,735,857.57	Unpaid
China chemical engineering construction Co. Ltd.	10,422,490.98	Unpaid
Datong county north Lingren industrial Co. Ltd.	10,192,893.19	Unpaid
Black chemical group dahua economic and trade Co. Ltd.	10,000,000.00	Unpaid
Qingdao soft control electromechanical engineering Co. Ltd.	9,242,117.16	Unpaid
Qinghai Fangyuan construction industry and trade Co. Ltd.	8,622,491.15	Unpaid
China 15th metallurgical construction group Co. Ltd.	8,568,038.08	Unpaid
Total	360,489,896.91	

8.34 Advances from customers

8.34.1 Detail for accounts payable

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Within 1 year (inclusive)	7,015,585,676.95	5,014,429,955.15
Over 1 year	1,213,159,309.41	1,274,725,983.02
Total	8,228,744,986.36	6,289,155,938.17

8.34.2 Details of significant advances from customers aged over 1 year

Creditors	Amounts outstanding as at 31/12/2017	Reason(s) for unsettlement
Nanning oasis chemical Co. Ltd.	75,110,000.00	Unpaid
Hebei Jinniu chemical Co. Ltd.	40,200,000.00	Unpaid
Tianjin chemical light trade Co. Ltd.	30,003,650.00	Unpaid
Ordos Donghai new energy Co. Ltd.	23,454,000.00	Unpaid
Dalian heavy industry machinery and electrical equipment Co. Ltd.	19,000,000.00	Unpaid
China coal energy Heilongjiang coal chemical Co. Ltd.	16,832,760.69	Unpaid
Yibin Tianyuan Group Co. Ltd.	13,094,680.00	Unpaid

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Creditors	Amounts outstanding as at 31/12/2017	Reason(s) for unsettlement
Tianjin Zhengfeng petrochemical trade Co. Ltd.	10,502,918.20	Unpaid
Zhejiang Shanghang new material Co. Ltd.	10,180,000.00	Unpaid
Shandong one rubber Co. Ltd.	10,000,000.00	Unpaid
Total	248,378,008.89	

8.35 Employee benefits payable

8.35.1 Disclosure by classification

Items	Carrying amount as at 31/12/2016	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2017
1. Short-term employee benefits	3,881,227,292.87	33,699,643,484.72	31,717,164,861.01	5,863,705,916.58
2. Post-employment benefits – defined contribution plans	791,644,441.61	2,890,065,164.34	2,819,718,652.27	861,990,953.68
3. Termination benefits	137,257,454.80	1,036,365,840.68	657,576,699.72	516,046,595.76
4. Other benefits due within one year	167,216,118.29	2,707,128,019.48	1,787,113,535.05	1,087,230,602.72
5. Others	13,457,270.38	3,819,402,113.18	2,983,442,695.45	849,416,688.11
Total	4,990,802,577.95	44,152,604,622.40	39,965,016,443.50	9,178,390,756.85

8.35.2 Disclosure by classification of short-term employee benefits

Items	Carrying amount as at 31/12/2016	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2017
1. Wages, salaries and subsidies	2,740,696,376.86	29,476,981,707.53	28,322,312,452.23	3,895,365,632.16
2. Employee welfare	331,112,684.84	101,664,478.24	424,170,970.51	8,606,192.57
3. Social insurance:	189,079,641.02	1,762,434,845.51	1,761,584,569.13	189,929,917.40
Including: Medical insurance	165,603,445.55	1,576,139,904.58	1,577,566,976.44	164,176,373.69
Employment injury insurance	13,795,761.07	98,342,405.18	98,343,570.10	13,794,596.15
Maternity insurance	8,635,752.92	59,007,225.28	57,905,713.78	9,737,264.42
Others	1,044,681.48	28,945,310.47	27,768,308.81	2,221,683.14
4. Housing provident fund	144,263,979.99	300,042,209.10	318,321,330.08	125,984,859.01
5. Labour union fee and employee education fee	142,058,113.83	87,854,366.16	82,276,469.82	147,636,010.17
6. Short-term paid absences	277,110,531.91	530,656,323.53	251,124,030.93	556,642,824.51
7. Short-term profit sharing plan		401,172,000.00	9,120,000.00	392,052,000.00
8. Other short-term compensation	56,905,964.42	1,038,837,554.65	548,255,038.31	547,488,480.76
Total	3,881,227,292.87	33,699,643,484.72	31,717,164,861.01	5,863,705,916.58

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

8.35.3 Disclosure by defined contribution plan

Items	Carrying amount as at 31/12/2016	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2017
1. Basic pension	749,679,012.50	2,671,000,404.91	2,605,110,177.25	815,569,240.16
2. Unemployment insurance	39,143,948.94	128,394,988.55	143,223,316.71	24,315,620.78
3. Enterprise annuity payment	2,821,480.17	71,387,632.59	70,967,902.54	3,241,210.22
4. Others		19,282,138.29	417,255.77	18,864,882.52
Total	791,644,441.61	2,890,065,164.34	2,819,718,652.27	861,990,953.68

8.36 Taxes payable

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
The VAT	1,648,415,632.56	990,477,649.33
The consumption tax	384,758,720.81	147,946,805.14
Resource tax	8,316,724.67	12,170,321.83
Corporate income tax	4,882,035,968.98	1,474,167,348.84
Urban maintenance and construction surcharge	78,044,871.58	53,994,568.92
The property tax	78,090,696.35	117,051,448.23
Land use tax	130,879,469.38	113,435,743.50
Personal income tax	310,416,347.06	358,178,391.59
Education surcharge	59,734,868.17	39,433,832.60
Others	869,439,388.47	331,148,116.47
Total	8,450,132,688.03	3,638,004,226.45

8.37 Interest payables

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Interest on long-term borrowings with interest payments due on installments	307,363,201.86	90,256,928.39
Corporate bond interest	415,877,530.62	827,197,444.76
Interests on Short-term borrowings	567,712,421.51	121,131,337.70
Others	14,304,932.94	90,606,123.23
Total	1,305,258,086.93	1,129,191,834.08

8.38 Dividends Payable

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Ordinary stock dividend	39,051,120.46	76,950,774.82
Others	62,174.52	62,174.52
Total	39,113,294.98	77,012,949.34

8.39 Other payables

8.39.1 Detail for other payables

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Accounts current	6,717,787,526.91	3,021,093,456.23
Temporary receive and pay for another	3,945,120,711.69	201,662,300.56
Construction payables	1,146,136,235.78	1,816,244,762.82
Accrued expenses	918,078,532.72	796,986,069.56
Fiscal appropriation	846,189,230.94	704,426,974.00
Insurance, deposit	807,110,005.92	802,396,658.10
Entrusted loans	254,000,000.00	394,000,000.00
Employee resettlement money	201,023,620.30	220,000,000.00
Share transfer payables	106,311,419.00	103,849,019.00
Others	4,843,567,164.05	398,891,212.14
Total	19,785,324,447.31	8,459,550,452.41

8.39.2 Details of significant other payables aged over 1 year

Items	Carrying amount as at 31/12/2017	Reason(s) for unsettlement
Fuzhou Bluestar Chemical Co. Ltd.	650,000,000.00	Unpaid
Jinan Chemical New Material Co. Ltd.	282,208,000.00	Unpaid
Chengdu Jingche Real Estate Co. Ltd.	250,000,000.00	Unpaid
Shandong Guoliang Kerry Property Co. Ltd.	225,008,000.00	Unpaid
Lanzhou Bluestar Fiber Co. Co. Ltd.	216,975,555.56	Unpaid
Nanjing Lanxing Chemical New Material Co. Ltd.	169,600,577.32	Unpaid
Beijing Demaowei Investment Co. Ltd.	120,080,000.00	Unpaid
Bluestar Petrochemical Co. Ltd.	107,364,231.12	Unpaid
Nierengqing	79,523,379.00	Unpaid
Ruicheng Foster Chemical Co. Ltd.	63,870,291.49	Unpaid
Payables for employee's purchase of the old house	51,233,382.07	Unpaid

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Carrying amount as at 31/12/2017	Reason(s) for unsettlement
Shanghai Bluestar Polyformaldehyde Co. Ltd.	49,558,590.27	Unpaid
Gansu Longrun Investment Management Co. Ltd.	46,670,000.00	Unpaid
Total	2,312,092,006.83	

8.40 Non-current liabilities due within one year

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Long-term borrowings due within one year (note 8, 42)	9,667,568,494.27	12,025,077,189.45
Bonds payable within one year (note 8, 43)	4,242,908,259.62	4,000,000,000.00
Long-term payable at the end of one year (note 8, 44)	620,876,020.42	652,496,194.81
Other long-term liabilities due within one year	3,892,571,733.56	673,443,837.40
Total	18,423,924,507.87	17,351,017,221.66

8.41 Other Current Liabilities

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Short-term bonds payable	15,343,503,793.70	5,700,000,000.00
Deposits and deposits	1,788,465,140.64	
provision for other risks s/t	267,908,456.76	183,175,535.57
Minority shareholders' put options	285,329,000.00	258,424,061.00
Technical claims and product warranties	297,447,875.42	238,012,505.49
Retirement benefits	59,779,286.00	13,040,820.00
Reorganisation and closure of business units	33,081,752.00	347,694.08
Labour lawsuits	14,790,110.10	15,357,125.35
Insurance	13,925,310.97	12,986,887.12
Government subsidies related to research and development expenditure	13,394,890.00	13,303,860.00
Claims	18,714,000.00	44,730,000.00
Deferred income	16,505,000.00	12,719,000.00
Others	23,551,683.72	181,394,435.73
Total	18,176,396,299.31	6,673,491,924.34

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Including, movements of short-term bonds payable

Bond name	Par value	Issuance date	Bond period	Issuance Amount	Beginning Balance
Total				24,043,329,250.00	5,700,000,000.00
ChemChina Agrochemical Corporation. 2016 first-term short-term financing bills	100.00	2016.9.5	365 days	1,500,000,000.00	1,500,000,000.00
ChemChina Agrochemical Corporation. 2017 first-term short-term financing bills	100.00	2017.12.21	365 days	1,500,000,000.00	
China National Chemical Corp 2016 second period super short-term commercial paper	100.00	2016.7.22	270 days	1,500,000,000.00	1,500,000,000.00
China National Chemical Corp 2016 third period super short-term commercial paper	100.00	2016.10.27	270 days	2,000,000,000.00	2,000,000,000.00
China National Chemical Corp 2017 first period super short-term commercial paper	100.00	2017.2.20	210 days	1,500,000,000.00	
China National Chemical Corp 2017 second period super short-term commercial paper	100.00	2017.3.6	240 days	1,500,000,000.00	
China National Chemical Agrochemical Corp 2017 third period short-term commercial paper	100.00	2017.4.25	270 days	2,500,000,000.00	
China National Chemical Agrochemical Corp 2017 fourth period short-term commercial paper	100.00	2017.9.29	270 days	2,500,000,000.00	
China National Chemical Agrochemical Corp 2017 fifth period short-term commercial paper	100.00	2017.11.13	270 days	1,500,000,000.00	
China National Chemical Corp 2017 first period super short-term commercial paper	100.00	2017.10.27	365 days	1,989,909,250.00	
Chem China Blue Star (Group) Co, Ltd 2017 first period super short-term commercial paper	100.00	2017.8.21	270 days	1,000,000,000.00	
Chem China Blue Star (Group) Co, Ltd 2017 second period super short-term commercial paper	100.00	2017.8.24	160 days	2,000,000,000.00	
Chem China Blue Star (Group) Co, Ltd 2017 third period super short-term commercial paper	100.00	2017.12.4	180 days	700,000,000.00	
Chem China Haohua (Group) Co, Ltd Non-public offering Private bond	100.00	2016.9.19	365 days	200,000,000.00	200,000,000.00
Chem China Haohua (Group) Co, Ltd Non-public offering Private bond	100.00	2016.2.26	365 days	500,000,000.00	500,000,000.00
Chem China Haohua (Group) Co, Ltd Non-public offering Private bond	100.00	2017.6.23	365 days	500,000,000.00	
Chem China Haohua (Group) Co, Ltd Non-public offering Private bond	100.00	2017.7.28	365 days	500,000,000.00	
Finbridge USD0.1 billion	1.00	2017.12.22	365 days	653,420,000.00	

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

(Continued)

Bond name	Issued current year	Accrued interest at par	Amortization of premium price and conversion into money	Repay current year	Ending Balance
Total	18,343,329,250.00	423,534,718.74		8,700,000,000.00	15,343,503,793.70
ChemChina Agrochemical Corporation. 2016 first-term short-term financing bills		60,000,000.00		1,500,000,000.00	
ChemChina Agrochemical Corporation. 2017 first-term short-term financing bills	1,500,000,000.00	2,845,000.00			1,500,000,000.00
China National Chemical Corp 2016 second period super short-term commercial paper		11,900,000.00		1,500,000,000.00	
China National Chemical Corp 2016 third period super short-term commercial paper		29,775,342.47		2,000,000,000.00	
China National Chemical Corp 2017 first period super short-term commercial paper	1,500,000,000.00	34,510,000.00		1,500,000,000.00	
China National Chemical Corp 2017 second period super short-term commercial paper	1,500,000,000.00	39,452,054.79		1,500,000,000.00	
China National Chemical Agrochemical Corp 2017 third period short-term commercial paper	2,500,000,000.00	80,560,000.00			2,500,000,000.00
China National Chemical Agrochemical Corp 2017 fourth period short-term commercial paper	2,500,000,000.00	30,510,000.00			2,500,000,000.00
China National Chemical Agrochemical Corp 2017 fifth period short-term commercial paper	1,500,000,000.00	12,580,000.00			1,500,000,000.00

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

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 2017 first period super short-term commercial paper	1,989,909,250.00	24,750,000.00			1,989,909,250.00
ChemChina Blue Star (Group) Co ,Ltd 2017 first period super short-term commercial paper	1,000,000,000.00	35,625,000.00			1,000,000,000.00
ChemChina Blue Star (Group) Co, Ltd 2017 second period super short-term commercial paper	2,000,000,000.00	41,777,777.78			2,000,000,000.00
ChemChina Blue Star (Group) Co, Ltd 2017 third period super short-term commercial paper	700,000,000.00	19,075,000.00			700,000,000.00
Chem China Haohua (Group) Co, Ltd Non-public offering Private bond				200,000,000.00	
ChemChina Haohua (Group) Co, Ltd Non-public offering Private bond				500,000,000.00	
ChemChina Haohua (Group) Co, Ltd Non-public offering Private bond	500,000,000.00				500,000,000.00
ChemChina Haohua (Group) Co, Ltd Non-public offering Private bond	500,000,000.00				500,000,000.00
Finbridge USD0.1 billion	653,420,000.00	174,543.70			653,594,543.70

8.42 Long-term borrowing

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Pledged loans	10,362,540,633.07	13,235,449,887.75
Loans secured by mortgages	9,448,010,531.39	49,586,360,465.93
Guaranteed loans	26,889,988,234.07	19,490,756,347.80
Unsecured loans	60,153,136,982.20	20,574,386,897.47
Entrusted loans	478,000,000.00	478,000,000.00
Subtotal	107,331,676,380.73	103,364,953,598.95

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Less: Due within 1 year (Note 8.40)	9,667,568,494.27	12,025,077,189.45
Total	97,664,107,886.46	91,339,876,409.50

8.43 Bond Payable

8.43.1 Disclosure by classification

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Mid-term notes	19,696,215,422.48	19,038,722,284.07
B-Series bond payable	7,777,410,000.00	7,417,408,061.00
Non-public directional bond payable	91,129,348,495.83	24,969,481,775.98
Subtotal	118,602,973,918.31	51,425,612,121.05
Less: Due within 1 year (Note 8.40)	4,242,908,259.62	4,000,000,000.00
Total	114,360,065,658.69	47,425,612,121.05

8.43.2 Movement of bond payable

Bond name	Par value (yuan)	Issuance date	Bond term	Issuance	Carrying amount as at 31/12/2016
Petrochemical Co. Non-public issue of bonds A	100.00	2016.2.24	3 years	3,000,000,000.00	3,000,000,000.00
Petrochemical Co. Non-public issue of bonds B	100.00	2017.9.7	3 years	1,500,000,000.00	
Euro Medium Term Note	1.00	2014.11.18	5 years	4,681,380,000.00	4,342,533,586.35
Guaranteed Bonds due 2021	1.00	2016.12.7	5 years	5,461,610,000.00	5,096,188,697.72
Haohua Co. Non-public issue of bonds C	100.00	2017.1.24	3 years	300,000,000.00	
Haohua Co. Non-public issue of bonds D	100.00	2017.2.10	3 years	500,000,000.00	
Haohua Co. Non-public issue of bonds E	100.00	2017.2.23	3 years	700,000,000.00	
China National Chemical Corp 2014 first Medium-term notes	100.00	2014.5.15	5 years	1,200,000,000.00	1,200,000,000.00
China National Chemical Corp 2014 second Medium-term notes	100.00	2014.10.20	5 years	1,400,000,000.00	1,400,000,000.00
China National Chemical Corp 2015 first Medium-term notes	100.00	2015.11.4	5 years	3,000,000,000.00	3,000,000,000.00
China National Chemical Corp 2017 first Medium-term notes	100.00	2017.4.17	3 years	2,500,000,000.00	
China National Chemical Corp 2017 second Medium-term notes	100.00	2017.10.19	3 years	1,500,000,000.00	
First year of bond underwriting in 2015	100.00	2015.11.19	3 years	1,000,000,000.00	996,153,024.88
private debt in 2016	100.00	2016.2.29	3 years	2,000,000,000.00	1,991,222,276.58

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Bond name	Par value (yuan)	Issuance date	Bond term	Issuance	Carrying amount as at 31/12/2016
First-period Bond Underwriting in 2016	100.00	2016.8.8	3 years	2,400,000,000.00	2,394,342,237.44
Second annual bond underwriting in 2016	100.00	2016.11.24	3 years	2,100,000,000.00	2,094,513,314.10
Senior Bond interest-2015-3 years	1.00	2015.6.11	3 years	3,246,124,314.68	3,455,479,381.89
Senior Bond interest-2015-5 years	1.00	2015.6.11	5 years	3,249,601,388.17	3,450,743,198.43
Senior Bond interest-2016-3 years	1.00	2016.9.30	3 years	3,245,441,898.39	3,453,882,389.44
Senior Bond interest-2016-5 years	1.00	2016.9.30	5 years	3,914,469,512.17	4,133,145,953.22
Morgan Bond	100.00	2017.5.5	3 years	12,872,374,000.00	
Corporate Bond Series B	100.00	2006.12.4	17 years	3,043,742,000.00	3,369,384,144.00
Corporate Bond Series B	100.00	2012.1.16	17 years	842,579,000.00	971,075,945.00
Corporate Bond Series B	100.00	2013.1.7	17 years	1,120,339,000.00	1,232,184,625.00
Corporate Bond Series B	100.00	2015.2.1	17 years	1,047,439,000.00	1,179,338,559.00
Corporate Bond Series B	100.00	2015.1.6	17 years	556,941,000.00	665,424,788.00
0.750% CHF bond 2019	1.00	2014.3.25	5.6 years	2,587,543,200.00	
US PP \$75m 2020	1.00	2005.12.8	15 years	490,065,000.00	
1.875% Eurobond 2021 EUR / USD	1.00	2014.3.24	7.6 years	4,502,063,800.00	
3.125% \$ Notes 2022	1.00	2012.3.28	10 years	3,267,100,000.00	
1.625% CHF bond 2024	1.00	2014.3.25	10.6 years	1,849,178,600.00	
US PP \$75m 2025	1.00	2005.12.8	20 years	490,065,000.00	
1.250% Eurobond 2027	1.00	2015.3.3	12.5 years	3,652,617,800.00	
2.125% CHF bond 2029	1.00	2014.3.25	15.6 years	1,110,814,000.00	
US PP \$100m 2035	1.00	2005.12.8	30 years	653,420,000.00	
4.375% \$ Notes 2042	1.00	2012.3.28	30 years	1,633,550,000.00	
USD0.5 billion	1.00	2017.7.19	3years	3,251,368,471.74	
USD1.5 billion	1.00	2017.7.19	5 years	9,747,440,531.23	
USD1 billion	1.00	2017.7.19	10 years	6,479,671,217.49	
USD2 billion	1.00	2017.12.22	3 years	12,445,037,320.00	
China National Chemical Corp 2012 first Medium-term notes	100.00	2012.8.29	5 years	2,500,000,000.00	2,500,000,000.00
China National Chemical Corp 2007 Corporate bonds	100.00	2007.4.18	10 years	1,500,000,000.00	1,500,000,000.00
Subtotal				122,541,976,053.87	51,425,612,121.05
Less: Due within 1 year (Note VIII 40)					4,000,000,000.00

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Bond name	Par value (yuan)	Issuance date	Bond term	Issuance	Carrying amount as at 31/12/2016
Total				122,541,976,053.87	47,425,612,121.05

(Continued)

Bond name	Accrued interest at par	Amortization of premium price and conversion into money	Repay current year	Other Adjust-Interim	Ending Balance
Petrochemical Co. Non-public issue of bonds A					3,000,000,000.00
Petrochemical Co. Non-public issue of bonds B	1,500,000,000.00				1,500,000,000.00
Euro Medium Term Note		80,066,064.25	65,077,697.02	-294,830,424.12	4,652,352,377.70
Guaranteed Bonds due 2021		99,869,070.80	-2,036,472.64	-245,768,803.62	5,443,863,044.78
Haohua Co. Non-public issue of bonds C	300,000,000.00				300,000,000.00
Haohua Co. Non-public issue of bonds D	500,000,000.00				500,000,000.00
Haohua Co. Non-public issue of bonds E	700,000,000.00				700,000,000.00
China National Chemical Corp 2014 first Medium-term notes					1,200,000,000.00
China National Chemical Corp 2014 second Medium-term notes					1,400,000,000.00
China National Chemical Corp 2015 first Medium-term notes					3,000,000,000.00
China National Chemical Corp 2017 first Medium-term notes	2,500,000,000.00				2,500,000,000.00
China National Chemical Corp 2017 second Medium-term notes	1,500,000,000.00				1,500,000,000.00
First year of bond underwriting in 2015			-2,009,575.65		998,162,600.53
private debt in 2016			-3,972,981.00		1,995,195,257.58
First-period Bond Underwriting in 2016			-2,105,109.00		2,396,447,346.44
Second annual bond underwriting in 2016			-1,816,522.22		2,096,329,836.32

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Bond name	Accrued interest at par	Amortization of premium price and conversion into money	Repay current year	Other Adjust-Interim	Ending Balance
Senior Bond interest-2015-3 years			210,733,722.80		3,244,745,659.09
Senior Bond interest-2015-5 years			215,633,015.60		3,235,110,182.83
Senior Bond interest-2016-3 years			215,320,907.17		3,238,561,482.27
Senior Bond interest-2016-5 years			258,968,833.35		3,874,177,119.87
Morgan Bond	12,872,374,000.00	428,353,111.00	-40,199,299.82	326,710,000.00	13,014,216,410.82
Corporate Bond Series B			-161,703,856.00		3,531,088,000.00
Corporate Bond Series B			-55,943,055.00		1,027,019,000.00
Corporate Bond Series B			-63,142,375.00		1,295,327,000.00
Corporate Bond Series B			-54,285,441.00		1,233,624,000.00
Corporate Bond Series B			-24,927,212.00		690,352,000.00
0.750% CHF bond 2019	1,861,832,070.07		-26,744,800.00	89,866,400.00	1,798,710,470.07
US PP \$75m 2020	551,102,835.05		26,744,800.00	276,736,000.00	247,622,035.05
1.875% Eurobond 2021 EUR / USD	3,953,508,941.10		-347,682,400.00	201,297,200.00	4,099,894,141.10
3.125% \$ Notes 2022	3,496,670,781.65		80,234,400.00	181,651,600.00	3,234,784,781.65
1.625% CHF bond 2024	1,173,365,744.88		-13,372,400.00	53,788,200.00	1,132,949,944.88
US PP \$75m 2025	569,148,619.82			157,249,000.00	411,899,619.82
1.250% Eurobond 2027	2,458,973,311.40		-40,117,200.00	125,944,600.00	2,373,145,911.40
2.125% CHF bond 2029	3,656,956,409.19		-347,682,400.00	199,880,400.00	3,804,758,409.19
US PP \$100m 2035	784,974,088.81			616,963,800.00	168,010,288.81
4.375% \$ Notes 2042	1,582,288,398.03			87,841,600.00	1,494,446,798.03
USD0.5 billion	3,356,310,715.74		-47,588,135.13	106,024,083.69	3,297,874,767.18
USD1.5 billion	10,062,052,145.21		-163,031,175.13	318,317,865.46	9,906,765,454.88
USD1 billion	6,688,811,228.47		-126,523,365.39	212,016,316.14	6,603,318,277.72
USD2 billion	12,460,083,660.00		-17,584,127.14	15,446,086.84	12,462,221,700.30
China National Chemical Corp 2012 first Medium-term				2,500,000,000.00	

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Bond name	Accrued interest at par	Amortization of premium price and conversion into money	Repay current year	Other Adjust-Interim	Ending Balance
notes					
China National Chemical Corp 2007 Corporate bonds				1,500,000,000.00	
Subtotal	72,528,452,949.42	608,288,246.05	-469,754,526.18	6,429,133,924.39	118,602,973,918.31
Less: Due within 1 year (Note 8.40)					4,242,908,259.62
Total					114,360,065,658.69

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.

8.44 Long-term payment

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Obligation under finance lease	1,829,014,691.52	1,664,952,507.89
Financing installment payment	614,236,621.73	820,770,411.50
Qiqihaer finance bureau	151,966,808.94	151,966,808.94
China chemical new material co. LTD.	100,868,800.00	100,868,800.00
Others	136,116,484.31	444,093,234.50
Subtotal	2,832,203,406.50	3,182,651,762.83
Less: Due within 1 year (Note 8.40)	620,876,020.42	652,496,194.81
Total	2,211,327,386.08	2,530,155,568.02

8.45 Long-term employee benefits payable

Items	Carrying amount as at 31/12/2016	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2017
1. Post-employment benefits-net liabilities of defined benefit plans	3,983,825,239.41	5,997,274,415.08	3,170,097,947.21	6,811,001,707.28
2. Termination benefits	732,094,643.48	197,671,559.60	116,087,372.76	813,678,830.32
3. Other long-term benefits	561,336,437.57	471,883,063.37	306,581,435.23	726,638,065.71
Total	5,277,256,320.46	6,666,829,038.05	3,592,766,755.20	8,351,318,603.31

8.46 Designated payables

Items	Carrying amount as at 31/12/2016	Increased in current year	Decreased in current year	Carrying amount as at 31/12/2017
Total	360,476,641.39	413,465,607.15	373,845,138.98	400,097,109.56
Include: (1) Shelter infrastructure construction funds	11,316,800.00	92,973,444.90		104,290,244.90
(2) National Security Project	90,000,000.00			90,000,000.00
(3) Relocation of the company		132,400,000.00	53,814,553.81	78,585,446.19

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Carrying amount as at 31/12/2016	Increased in current year	Decreased in current year	Carrying amount as at 31/12/2017
(4) Land development compensation	29,856,000.00			29,856,000.00
(5) State funding	28,720,000.00			28,720,000.00
(6) Others	200,583,841.39	188,092,162.25	320,030,585.17	68,645,418.47

8.47 Provisions

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Outstanding litigations	11,386,390,504.25	92,903,639.72
Disposal costs	1,530,042,789.59	273,221,624.91
Warranty for product quality	954,160,784.45	333,355,222.73
Executory onerous contracts	189,440,503.12	197,936,184.29
Providing external guarantee	26,475,897.27	41,086,248.21
Fair value of anti-monopoly survey		695,477,751.98
Others	1,067,297,513.82	1,273,415,810.36
Subtotal	15,153,807,992.50	2,907,396,482.20
Less: Due within 1 year (Note 8.40)	3,491,151,087.48	273,185,424.59
Total	11,662,656,905.02	2,634,211,057.61

8.48 Deferred income

Items	Carrying amount as at 31/12/2016	Increased in current year	Decreased in current year		Carrying amount as at 31/12/2017
			Reckon into profit and loss	Return	
Special fund	486,864,535.93	75,003,342.32	41,978,621.64		519,889,256.61
Government Grants	348,227,130.35	111,962,327.82	76,851,327.35	167,251,896.73	216,086,234.09
Land compensation	266,324,694.74	2,376,420.16	16,535,235.53		252,165,879.37
The Romanian government grants	234,786,841.14	55,979,310.39	8,951,494.91		281,814,656.62
Production grants	144,821,817.64	2,075,420.00	9,108,190.01		137,789,047.63
Benefits from 200 thousand tons integrated project	123,928,302.79	10,000,000.00	12,044,382.84		121,883,919.95
Industrial development funding for amortization	96,232,487.51	809,506.00	26,449,641.62		70,592,351.89
Research grant	100,904,103.93	108,469,960.03	114,979,215.93		94,394,848.03
Bond lending fund for amortization	71,583,804.29		16,801,908.84		54,781,895.45
Energy conservation and environmental protection benefits	67,399,539.78	84,310,575.20	88,387,559.05		63,322,555.93
Government discount	62,900,128.79	2,930,000.00	6,519,751.67		59,310,377.12
The Mexican government subsidies	57,320,164.01	7,675,728.99	24,655,556.60		40,340,336.40

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Carrying amount as at 31/12/2016	Increased in current year	Decreased in current year		Carrying amount as at 31/12/2017
			Reckon into profit and loss	Return	
Unrealized leaseback earning	43,646,295.26		5,750,213.12		37,896,082.14
Compensation for demolition	20,519,760.00	53,814,553.81	751,618.66		73,582,695.15
Support and development funds of small and medium-sized enterprise	9,908,021.00	2,401,988.00	2,392,179.00		9,917,830.00
Business cost allocation	7,106,105.98	11,193,200.00	7,548,505.24		10,750,800.74
Steady post subsidies	60,960.00	2,155,829.09	2,216,789.09		
Bounty		2,482,127.59	2,415,127.59		67,000.00
Deferred license revenue		474,720,200.00	10,792,000.00		463,928,200.00
Research Project		1,200,000.00	22,216.74		1,177,783.26
Others	97,694,885.53	310,000,459.69	52,340,119.19		355,355,226.03
Less: Due within 1 year (Note 8.40)	64,066,557.73	-6,816,186.44			57,250,371.29
Total	2,176,163,020.94	1,326,377,135.53	527,491,654.62	167,251,896.73	2,807,796,605.12

8.49 Other non-current liabilities

Items/Categories	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Derivative financial liabilities	1,979,727,253.52	471,761,111.62
Pension and social securities (non-current portion)	248,872,693.90	266,454,649.74
Priority construction funds of CADB	200,000,000.00	200,000,000.00
Tax payable (non-current portion)	73,774,998.75	67,532,711.74
Confer minority shareholder put option	53,509,000.00	46,380,782.00
Other transaction-related liabilities	35,600,256.42	8,585,628.83
Other payables	19,092,883.49	22,114,176.34
Deferred rental income	11,676,204.37	6,535,194.60
Others	20,534,936.26	26,759,356.90
Warranty for product quality		206,307,498.00
Special funds		122,940,000.00
Subtotal	2,642,788,226.71	1,445,371,109.77
Less: Due within 1 year (Note 8.40)		229,924,020.99
Total	2,642,788,226.71	1,215,447,088.78

8.50 Share capital

Investors	Carrying amount as at 31/12/2016		Current year increase	Current year decrease	Carrying amount as at 31/12/2017	
	Amount	Percentage (%)			Amount	Percentage (%)
Total	11,580,025,968.24	100.00			11,580,025,968.24	100.00
State-owned Assets Supervision and Administration Committee	11,580,025,968.24	100.00			11,580,025,968.24	100.00

8.51 Other equity instruments

Outstanding financial instruments	Carrying amount as at 31/12/2016		Increase during the current year	
	Amount	Book Value	Amount	Book Value
Perpetual Capital Securities	105,000,000	10,500,000,000.00	54,000,000	5,400,000,000.00
Total	105,000,000	10,500,000,000.00	54,000,000	5,400,000,000.00

(Continued)

Outstanding financial instruments	Decrease during the current year		Carrying amount as at 31/12/2017	
	Amount	Book Value	Amount	Book Value
Perpetual Capital Securities	30,000,000	3,000,000,000.00	129,000,000	12,900,000,000.00
Total	30,000,000	3,000,000,000.00	129,000,000	12,900,000,000.00

8.52 Capital reserves

Items	Carrying amount as at 31/12/2016	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2017
Share premium	2,577,462,772.47	538,172,103.11		3,115,634,875.58
Other capital reserves	16,434,268,060.41	6,479,774,649.97	1,986,178,133.28	20,927,864,577.10
Total	19,011,730,832.88	7,017,946,753.08	1,986,178,133.28	24,043,499,452.68
State-owned exclusive capital reserves				

8.53 Designated reserves

Items	Carrying amount as at 31/12/2016	Increase during the current year	Decrease during the current year	Carrying amount as at 31/12/2017
Safety fund	76,472,166.89	177,199,630.37	177,561,521.30	76,110,275.96
Total	76,472,166.89	177,199,630.37	177,561,521.30	76,110,275.96

8.54 Undistributed profit

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Opening balance	-13,209,402,192.70	-12,874,839,464.67
Current year increase	-4,994,806,964.81	119,084,771.97
Incl: Current year net profit	-4,994,806,964.81	119,084,771.97
Current year decrease	617,851,250.00	453,647,500.00

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
Incl: Current year allocate cash dividends	617,851,250.00	453,647,500.00
Closing balance	-18,822,060,407.51	-13,209,402,192.70

8.55 Operating revenues and costs

Items	Current year		Prior year	
	Revenue	Cost	Revenue	Cost
Subtotal of operating income from main business	377,909,655,146.80	304,319,710,560.36	286,474,828,869.58	236,167,925,503.41
Petroleum processing and petrochemical products	164,987,652,544.00	158,765,934,976.64	132,425,205,428.78	125,351,322,686.19
Agricultural chemicals	76,517,481,193.55	46,790,279,977.81	25,650,707,455.32	18,243,054,479.42
Tire rubber products	57,743,382,724.11	38,317,759,621.99	53,362,566,646.13	40,300,871,419.50
New chemical materials and specialty chemicals	54,918,604,184.37	43,589,654,097.45	51,763,690,799.91	33,761,561,343.12
Chemical machinery and equipment manufacturing	11,629,473,546.62	8,781,483,090.07	8,764,454,329.53	6,678,367,562.56
Basic chemical products	6,600,925,042.71	3,859,314,380.08	9,841,804,701.31	8,352,528,493.99
Others	5,512,135,911.44	4,215,284,416.32	4,666,399,508.60	3,480,219,518.63
Subtotal of other business	14,017,843,702.24	12,530,206,932.28	13,652,347,531.04	13,327,706,951.76
Selling materials	13,164,007,115.81	12,178,611,910.76	12,722,189,233.52	12,649,139,005.68
Assets rent out	430,733,035.51	51,124,346.84	36,756,075.53	27,994,377.18
Transfer power	42,390,463.31	42,936,052.67	137,080,662.92	123,084,066.90
Others	380,713,087.61	257,534,622.01	756,321,559.07	527,489,502.00
Total	391,927,498,849.04	316,849,917,492.64	300,127,176,400.62	249,495,632,455.17

8.56 Sales expenses

Items	Current year	Prior year
Employee benefits	8,198,557,056.47	4,191,946,586.87
Transportation fees	6,926,184,027.67	5,420,994,655.45
Advertising fees	3,818,886,859.45	2,427,232,526.00
Sales service fee	2,233,979,009.57	535,997,686.55
Business fees	2,080,692,623.06	225,643,934.45
Depreciation	1,614,473,433.19	807,754,407.33

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Current year	Prior year
Warehousing fees	1,075,927,453.08	912,879,433.51
Repairment expense	136,382,896.86	
Consignment fee	111,973,080.42	175,229,514.89
Insurance fees	86,765,698.50	113,419,691.41
Others	1,665,495,935.38	1,349,537,807.93
Total	27,949,318,073.65	16,160,636,244.39

8.57 General and administrative expenses

Items	Current year	Prior year
R&D expenses	9,509,917,994.45	3,456,292,073.31
Employee benefits	7,950,834,169.25	6,016,912,395.63
Intangible assets amortization	3,947,748,356.75	712,773,588.93
Consultant fees	1,311,055,776.89	1,297,912,916.70
Depreciation and amortization of assets	1,054,520,174.15	1,509,497,338.53
Maintenance expenses	701,442,591.78	1,005,480,189.49
Rental expenses	621,887,526.55	246,111,964.64
Intermediary institution fees	613,899,150.26	649,090,220.29
Travel expenses	590,022,707.08	336,260,441.79
Litigation expense	436,720,758.31	
Others	3,120,902,564.28	3,189,503,862.11
Total	29,858,951,769.75	18,419,834,991.42

8.58 Financial costs

Items	Current year	Prior year
Interest expenses	14,186,185,471.59	11,886,190,560.28
Less: Interest income	2,506,723,574.95	2,849,626,418.85
Net interest expense	11,679,461,896.64	9,036,564,141.43
Exchange gain or loss	-2,072,424,650.06	786,117,999.81
Others	2,076,268,240.84	3,511,618,124.19
Total	11,683,305,487.42	13,334,300,265.43

8.59 Impairment loss on assets

Items	Current Period	Prior Period
Impairment loss of bad debts	1,630,628,318.02	1,349,506,510.78
Impairment loss of Inventories	1,142,457,966.42	1,582,266,878.73

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Current Period	Prior Period
Impairment loss of hold-for-sale financial assets		160,442,653.28
Impairment loss of available-for-sale financial assets	268,286,708.17	
Impairment loss of held-to-maturity investments		154,073,961.80
Impairment loss of long-term equity investments	5,749,476.20	
Impairment loss of investment properties		554,702,485.98
Impairment loss of fixed assets	429,243,094.28	14,095,419.00
Impairment loss of construction materials	586,760.91	99,405,257.98
Impairment loss of construction in progress	19,678,891.40	
Impairment loss of intangible assets	34,305,280.44	13,497,852.70
Impairment loss of goodwill		
Impairment loss of other assets	31,025,800.00	11,127,548.40
Total	3,561,962,295.84	3,939,118,568.65

8.60 Gain from changes in fair value

Source of fair value change	Current year	Prior year
Financial assets measured by fair value with changes in fair value recognised in profit or loss	-1,105,853,606.93	145,049,502.82
Including: Derivative financial assets	-1,208,517,076.55	148,799,642.97
Financial liabilities measured by fair value with changes in fair value recognised in profit or loss		-31,347,674.17
Including: Derivative financial assets		-31,347,674.17
Others	129,000.00	-3,128,484.65
Total	-1,105,724,606.93	110,573,344.00

8.61 Investment income

Items	Current year	Prior year
Investment income from long-term equity investments measured by the equity method	210,443,905.54	3,473,353.85
Investment income from disposal of long-term equity investment	895,113,197.58	924,427,877.53
Investment income from financial assets at fair value through profit or loss during holding period	41,589,999.85	-602,273,095.28
Investment income from disposal of financial assets measured by fair value with changes in fair value recognised in profit or loss	-1,432,269,488.22	-269,656,745.80
Investment income from held-to-maturity investments during holding period	1,204,468.56	1,819,334.91
Investment income from the available-for-sale financial assets during the holding period	91,742,550.80	71,088,628.72
Investment income from disposal of available-for-sale financial assets	188,435,382.88	54,345,327.04
Gains from the remaining equity remeasured at fair value after		5,727,359,660.69

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Current year	Prior year
losing the control		
Others	11,747,003.57	18,509,726.15
Total	8,007,020.56	5,929,094,067.81

8.62 Other income

Items	Current Period	the same scope with this year
Research grant	179,078,686.15	26,829,777.85
Research Project	95,976,518.13	95,587,247.29
Energy conservation and environmental protection benefits	81,538,191.23	75,265,273.90
Special fund	50,298,302.85	31,927,544.79
Support and development funds of small and medium-sized enterprise	35,362,007.52	1,396,100.00
Industrial development funding for amortization	26,449,641.62	22,798,004.38
The Romanian government grants	25,182,423.62	20,645,097.68
Production grants	23,092,312.36	11,824,528.55
Bond lending fund for amortization	16,801,908.84	16,801,908.88
Land compensation	16,107,785.37	1,546,428.40
Benefits from 200 thousand tons integrated project	12,044,382.84	15,323,867.85
Business cost allocation	11,933,996.08	5,661,899.64
Insurance	11,250,000.00	9,360,000.00
Government grants from the Mexico government insurance	10,271,164.72	10,032,544.34
Tax returns	8,442,085.32	15,041,052.28
Bounty	7,817,300.00	44,000.00
Steady post subsidies	7,051,475.09	131,111.00
Government discount	4,824,390.61	5,873,370.04
Patent grants	2,269,900.00	3,121,521.00
Others	53,106,878.96	14,355,521.54
Total	678,899,351.31	383,566,799.41

8.63 Non-operating income

8.65.1 Disclosure by classification

Items	Current Period	Prior Period	Included in the non-recurring gains and losses of the year
Gains from disposal of non-current assets	758,965,571.85	822,976,374.67	758,965,571.85
Including: gains from disposal of fixed assets	755,047,574.14	763,076,842.08	755,047,574.14

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Current Period	Prior Period	Included in the non-recurring gains and losses of the year
Gains from disposal of intangible assets	3,917,997.71	59,899,532.59	3,917,997.71
Gains from non-monetary assets exchange	2,009,845.47		2,009,845.47
Government grants (details as follow)	510,477,576.18	969,593,858.92	452,442,566.79
Gains from debt restructuring	9,747,564.70	41,726,897.16	9,747,564.70
Gains from the recipient	10,704,269.33	3,003,841.28	10,704,269.33
Gains from the incidental	509,484,419.50		509,484,419.50
Tax returns	489,192,064.43	75,349,350.77	489,192,064.43
Gains from insurance claims	329,129,672.57	611,605,068.18	329,129,672.57
Unpayable accounts payable	148,529,337.70		148,529,337.70
Revenue from compensation for breach of Contract	61,252,741.24	130,331,730.53	61,252,741.24
Count gain	11,302,043.70	561,885.10	11,302,043.70
Dispose debt	2,459,323.89		2,459,323.89
Reward income	1,693,400.00		1,693,400.00
Dispose of waste materials	1,612,013.26		1,612,013.26
Confiscated gains	517,689.87	15,399,822.42	517,689.87
Others	310,967,596.99	296,019,768.43	310,967,596.99
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	
Total	3,158,045,130.68	3,442,443,505.94	3,100,010,121.29

8.63.2 Government Grants Details

Items	Current Period	Prior Period	The same scope with this year
Business cost allocation	228,729,458.70	77,156,500.24	71,494,600.60
Research grant	160,570,616.07	233,963,473.51	207,133,695.66
Research Project	20,595,140.00	102,128,746.34	6,541,499.05
Compensation for demolition	18,912,111.75	19,700,000.00	19,700,000.00
special fund	17,035,629.75	59,869,699.83	27,942,155.04
Tax returns	16,043,129.32	31,221,157.66	16,180,105.38
Retirement benefits	15,077,300.00	15,342,460.00	15,342,460.00
Energy conservation and environmental protection benefits	10,614,940.55	82,088,116.30	6,822,842.40
Government discount	4,670,261.06	16,937,512.88	11,064,142.84

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Current Period	Prior Period	The same scope with this year
bounty	4,260,891.59	17,282,794.32	17,238,794.32
Steady post subsidies	3,557,532.49	15,688,914.88	15,557,803.88
production grants	3,395,000.00	12,378,546.00	554,017.45
Support and development funds of small and medium-sized enterprise	1,976,000.00	19,810,895.00	18,414,795.00
Patent grants	725,430.00	14,274,684.00	11,153,163.00
Others	4,314,134.90	50,387,665.48	26,672,143.94
Land compensation		39,035,324.23	37,488,895.83
Industrial development funding for amortization		22,798,004.38	
The Romanian government grants		20,645,097.68	
Land-transferring fees refund of feedstock route project		20,230,695.20	20,230,695.20
The project of Suqiao 1 million steel heavy truck tire		16,901,700.00	16,901,700.00
Bond lending fund for amortization		16,801,908.88	
Periodisation of investment support		15,681,287.81	15,681,287.81
Benefits from 200 thousand tons integrated project		15,323,867.85	
The Germany government subsidies		13,832,262.11	13,832,262.11
Optimization of process energy system		10,080,000.00	10,080,000.00
The Mexican government subsidies		10,032,544.34	-
Total	510,477,576.18	969,593,858.92	586,027,059.51

8.64 Non-operating expenses

Items	Current Period	Prior Period	Included in the non-recurring gains and losses of the year
Loss from disposal of non-current assets	306,493,737.47	331,743,369.19	306,493,737.47
Including: Loss from disposal of fixed assets	304,773,815.23	270,832,099.22	304,773,815.23
Loss from disposal of intangible assets	1,719,922.24	60,911,269.97	1,719,922.24
Retirement expenses	218,120,289.62	131,615,715.68	218,120,289.62
Loss from disposal of assets	116,653,900.97	163,334,210.53	116,653,900.97
Donation expenses	87,613,871.08	75,690,458.58	87,613,871.08
Overdue fine expenses	77,782,522.97	70,169,678.51	77,782,522.97
Expense from compensation for breach of contract	61,076,504.33	16,785,822.05	61,076,504.33
Loss from disposal of debt	40,459,584.46		40,459,584.46

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Current Period	Prior Period	Included in the non-recurring gains and losses of the year
Expense from compensation of litigation	24,563,105.00		24,563,105.00
Land reclamation	21,136,500.00		21,136,500.00
Bounty expenses	8,420,300.00		8,420,300.00
Losses from debt restructuring	2,449,752.87	206,615,215.59	2,449,752.87
Others	138,420,839.71	95,604,947.66	138,420,839.71
Total	1,103,190,908.48	1,091,559,417.79	1,103,190,908.48

8.65 Income tax expenses

8.65.1 General information

Items	Current year	Prior year
Current tax expense for the year based on tax law and regulations	5,454,687,021.47	3,563,181,552.12
Changes in deferred tax assets / liabilities	-5,893,866,074.29	-951,709,237.36
Total	-439,179,052.82	2,611,472,314.76

8.65.2 Reconciliation of account profit and income tax expenses

Items	Current year
Profit before tax	370,096,265.07
Income tax computed in accordance with the applicable tax rate	92,524,066.27
Effect of different tax rates applied by subsidiaries	1,353,233,010.65
Adjustments to income tax of previous years	-128,922,452.12
Effect of non-taxable income	-490,517,135.46
Effect of non-deductible costs, expense and losses	829,774,821.50
Effect of using the deductible losses for which no deferred tax asset was recognised in previous period	-601,470,018.99
Effect of deductible temporary differences or deductible losses for which no deferred tax asset was recognised this year	810,921,830.93
Effect of PPA appreciation	-2,160,979,840.00
Effect of extra deductions under tax laws	-143,743,335.60
Income tax expenses	-439,179,052.82

8.66 Other comprehensive income

8.66.1 General information

Items	Current year		
	Amount for the year before tax	Income tax	Amount for the year after tax
1. Other comprehensive income not reclassifiable to profit or loss in subsequent	918,810,396.58	218,825,677.26	

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Current year		
	Amount for the year before tax	Income tax	Amount for the year after tax
periods			699,984,719.32
Including:			
Movements from re-measurement of net liabilities/assets) of defined benefit plan	855,553,130.49	209,058,011.17	646,495,119.32
The share of other comprehensive income that cannot be reclassified into profit or loss under the equity method	63,257,266.09	9,767,666.09	53,489,600.00
2. Other comprehensive Income reclassifiable to profit or loss in subsequent periods	-5,828,261,271.22	-104,324,920.39	-5,723,936,350.83
Including:			
The share of other comprehensive income that can be reclassified into profit or loss under the equity method	22,844,757.68	5,974,258.00	16,870,499.68
Less: The previous period included other comprehensive income into profit and loss			
Subtotal	22,844,757.68	5,974,258.00	16,870,499.68
Gains and losses from changes in fair value of available-for-sale financial assets	116,859,798.72	-21,143,709.43	138,003,508.15
Less: The previous period included other comprehensive income into profit and loss	67,145,566.44	16,786,391.61	50,359,174.83
Subtotal	49,714,232.28	-37,930,101.04	87,644,333.32
Gains and losses from available-for-sale financial assets that is reclassified from held-to-maturity investments			
Less: The previous period included other comprehensive income into profit and loss			
Subtotal			
Effective portion of cash flow hedge gain and losses	-547,294,851.40	-72,369,077.35	-474,925,774.05
Change to the initial confirmation amount of the hedged item			
Less: The previous period included other comprehensive income into profit and loss	40,040,118.92		40,040,118.92
Subtotal	-587,334,970.32	-72,369,077.35	-514,965,892.97
Foreign exchange difference on translation of financial Statements	-5,340,087,400.83		-5,340,087,400.83
Less: The previous period included other comprehensive income into profit and loss	-26,602,109.97		-26,602,109.97
Subtotal	-5,313,485,290.86		-5,313,485,290.86
Total	-4,909,450,874.64	114,500,756.87	-5,023,951,631.51

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

(Continued)

Items	Prior year		
	Amount for the year before tax	Income tax	Amount for the year after tax
1. Other comprehensive income not reclassifiable to profit or loss in subsequent periods	-248,188,187.06	-43,041,369.94	-205,146,817.12
Including: Movements from re-measurement of net liabilities/assets of defined benefit plan	-248,188,187.06	-43,041,369.94	-205,146,817.12
The share of other comprehensive income that cannot be reclassified into profit or loss under the equity method			
2. Other comprehensive Income reclassifiable to profit or loss in subsequent periods	1,546,690,576.62	163,130,601.02	1,383,559,975.60
Including: The share of other comprehensive income that can be reclassified into profit or loss under the equity method	11,974,342.36		11,974,342.36
Less: The previous period included other comprehensive income into profit and loss			
Subtotal	11,974,342.36		11,974,342.36
Gains and losses from changes in fair value of available-for-sale financial assets	-14,145,168.53	-21,898,072.02	7,752,903.49
Less: The previous period included other comprehensive income into profit and loss			
Subtotal	-14,145,168.53	-21,898,072.02	7,752,903.49
Gains and losses from available-for-sale financial assets that is reclassified from held-to-maturity investments			
Less: The previous period included other comprehensive income into profit and loss			
Subtotal			
Effective portion of cash flow hedge gain and losses	580,626,114.66	185,028,673.04	395,597,441.62
Change to the initial confirmation amount of the hedged item			
Less: The previous period included other comprehensive income into profit and loss	59,559,185.06		59,559,185.06
Subtotal	521,066,929.60	185,028,673.04	336,038,256.56
Foreign exchange difference on translation of financial Statements	1,027,794,473.19		1,027,794,473.19
Less: The previous period included other comprehensive income into profit and loss			
Subtotal	1,027,794,473.19		1,027,794,473.19
Total	1,298,502,389.56	120,089,231.08	1,178,413,158.48

8.66.2 Reconciliation of other comprehensive income items

Items	Prior year beginning balance	Prior year increase/decrease ("-" for decrease)
Movement of re-measurement net liabilities and net assets of defined benefit plan	271,859,719.12	-205,146,817.12
Share of the other comprehensive income in investee that cannot be reclassified into P/L with using equity method	74,628.00	
Share of the other comprehensive income in investee that will be reclassified into P/L subsequently with using equity method	-22,954,140.35	11,974,342.36
Available-for-sale financial assets FV changes P/L	324,277,008.94	-18,157,568.10
Gain/loss from Held-to-maturity investment reclassified into Available-for-sale financial assets		
Effective portion of Cash flow hedging gain/loss	-662,198,217.41	335,838,638.56
Difference of translation of foreign currency financial statement	-4,963,014,298.60	1,029,806,035.17
Others		
Total other comprehensive income	-5,051,955,300.30	1,154,314,630.87

(Continued)

Items	Current year beginning balance	Current year increase/decrease ("-" for decrease)	Current year ending balance
Movement of re-measurement net liabilities and net assets of defined benefit plan	66,712,902.00	646,495,119.32	713,208,021.32
Share of the other comprehensive income in investee that cannot be reclassified into P/L with using equity method	74,628.00	53,489,600.00	53,564,228.00
Share of the other comprehensive income in investee that will be reclassified into P/L subsequently with using equity method	-10,979,797.99	16,870,499.68	5,890,701.69
Available-for-sale financial assets FV changes P/L	306,119,440.84	-27,224,666.68	278,894,774.16
Gain/loss from Held-to-maturity investment reclassified into Available-for-sale financial assets			
Effective portion of Cash flow hedging gain/loss	-326,359,578.85	-514,965,892.97	-841,325,471.82
Difference of translation of foreign currency financial statement	-3,933,208,263.43	-5,317,070,167.15	-9,250,278,430.58
Others			

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Current year beginning balance	Current year increase/decrease (“-” for decrease)	Current year ending balance
Total Other comprehensive income	-3,897,640,669.43	-5,142,405,507.80	-9,040,046,177.23

8.67 Borrowing costs

Asset items that are eligible for capitalization	Capitalization rate (%)	Capitalization amount
Projects under construction	4.66	28,191,972.47
Water desalination technology equipment manufacturing base project	4.84	10,340,902.56
Liuhe project	6.38	10,311,346.34
(j031-12)5000 tons/year high quality ptfe suspension resin and supporting works	4.35	6,031,459.91
Others		18,098,664.37
Total		72,974,345.65

8.66 Foreign currency translation

Translation difference arising from translation of foreign currency of the current year is RMB-2,072,424,529.20.

8.68 Leases

8.68.1 Operating lease (Lessor)

Categories	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
House and building	293,213,577.36	306,199,115.30
Intangible assets	106,981,770.35	111,504,578.74
Total	400,195,347.71	417,703,694.04

8.68.2 Finance lease (Lessee)

8.68.2.1 Financing lease of the rented fixed assets

Categories	Carrying amount as at 31/12/2017	Carrying amount as at 31/12/2016
House and building	65,342,000.00	4,171,569.03
Machineries	2,308,516,406.17	1,026,531,670.26
vehicles		550,684.29
Others	599,157.60	599,157.60
Total	2,374,457,563.77	1,031,853,081.18

8.68.2.2 Minimum payments for subsequent year

Remaining lease period	Minimum payments
Within 1 years (Include 1 year)	1,351,596,619.96
1 – 2 years (Include 2 years)	1,673,864,256.67
2 – 3 years (Include 3 years)	1,004,784,703.20
Over 3 years	3,082,025,831.86
Total	7,112,271,411.69

8.68.3 Operating lease (Lessee)

Major operating leases and operating leases the remaining lease term

Remaining lease period	Minimum payments
Within 1 years (Include 1 year)	1,595,206,110.42
1 – 2 years (Include 2 years)	1,354,558,245.96
2 – 3 years (Include 3 years)	1,041,315,121.60
Over 3 years	4,125,391,337.23
Total	8,116,470,815.21

8.69 Segments

Items	Petroleum processing and petrochemical products		Tire rubber products	
	Current year	Prior year	Current year	Prior year
Operating Revenue	173,533,726,629.04	140,168,650,251.44	57,947,278,719.00	53,785,382,073.50
Incl: Segment revenue from external customer	173,511,876,240.95	140,098,871,763.79	57,945,405,556.58	53,567,355,732.59
Revenue between segments	21,850,388.09	69,778,487.65	1,873,162.42	218,026,340.91
Investment income in associate and joint venture	128,496,164.71	93,931,475.25	-62,923,823.09	44,372,559.92
Impairment loss	447,353,715.48	1,187,582,463.31	228,525,750.92	577,818,929.76
Depreciation & Amortization	1,202,039,061.08	1,251,618,340.08	3,697,387,331.94	3,949,269,252.95
Total profit	2,249,972,899.70	1,919,969,352.37	1,340,507,634.24	1,104,016,342.94
Income tax	410,771,845.85	301,009,879.85	456,267,677.33	919,329,213.56
Net profit	1,839,201,053.85	1,618,959,472.52	884,239,956.91	184,687,129.38
Total assets	62,068,200,824.09	59,635,281,562.64	136,972,710,696.75	124,334,722,150.36
Total liabilities	38,933,103,303.59	37,825,659,908.84	99,871,825,942.28	108,663,121,610.61
Other significant non-cash Items	150,718,210.29			143,503,314.31
Others non-cash Item other than depreciation & amortization	150,545,552.52			45,751,645.00
Addition in Associate company & Joint venture Long-term equity investment	172,657.77			93,931,475.25

(Continued)

Items	New chemical materials and specialty chemicals		Agricultural chemicals	
	Current year	Prior year	Current year	Prior year
Operating Revenue	57,717,549,430.20	52,036,938,623.31	77,030,870,563.51	25,523,951,770.14
Incl: Segment revenue from external customer	57,021,954,261.93	52,036,938,623.31	77,015,366,392.54	25,523,951,770.14
Revenue between segments	695,595,168.27		15,504,170.97	
Investment income in associate and joint venture	86,633,074.39	-93,484,824.85	53,458,400.00	-110,975,242.61
Impairment loss	274,000,722.95	542,715,737.11	1,500,468,343.85	306,561,414.15

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	New chemical materials and specialty chemicals		Agricultural chemicals	
	Current year	Prior year	Current year	Prior year
Depreciation & Amortization	4,454,467,872.37	3,977,038,834.22	7,459,371,132.96	1,722,507,138.53
Total profit	2,142,054,397.93	1,820,305,419.62	-5,970,111,964.59	1,660,074,602.17
Income tax	1,090,354,879.99	1,225,324,107.57	-3,019,017,078.11	109,160,678.98
Net profit	1,069,500,879.55	594,981,312.05	-2,951,094,886.48	1,550,913,923.19
Total assets	125,298,696,729.08	123,297,568,542.37	492,946,736,007.67	19,910,194,925.76
Total liabilities	97,893,046,996.65	84,169,130,904.19	304,490,563,272.64	20,715,582,549.31
Other significant non-cash Items	6,085,273,508.93	-105,414.60	10,865,075,000.00	-44,919,510.83
Others non-cash Item other than depreciation & amortization	2,649,112.08		46,803,400.00	
Addition in Associate company & Joint venture Long-term equity investment	422,770,931.09	-105,414.60		-44,919,510.83

(Continued)

Items	Chlor alkali and basic chemical products		Chemical machinery and equipment manufacturing	
	Current year	Prior year	Current year	Prior year
Operating Revenue	6,759,455,607.83	9,109,900,872.93	12,431,201,205.71	8,560,926,328.69
Incl: Segment revenue from external customer	6,759,455,607.83	9,109,900,872.93	12,368,366,362.13	8,479,336,403.49
Revenue between segments			62,834,843.58	81,589,925.20
Investment income in associate and joint venture	-249,349.48	-3,745,178.94	18,696,431.94	31,425,928.27
Impairment loss	358,716,475.00	114,718,170.56	56,049,498.93	171,222,044.47
Depreciation & Amortization	383,924,785.39	518,903,597.06	669,476,120.95	434,874,898.07
Total profit	1,738,729,681.14	445,733,076.73	245,716,852.45	51,173,997.59
Income tax	346,364,896.47	59,124,494.75	198,233,622.16	-10,922,710.50
Net profit	1,392,364,784.67	386,608,581.98	47,483,230.29	62,096,708.09
Total assets	7,606,324,484.76	14,776,049,531.18	26,215,343,474.41	24,822,412,563.22
Total liabilities	3,205,338,546.82	9,052,660,074.57	21,911,156,394.36	20,897,620,287.97
Other significant non-cash Items				
Others non-cash Item other than depreciation & amortization				
Addition in Associate company & Joint venture Long-term equity investment				

(Continued)

Items	Others		Elimination	
	Current year	Prior year	Current year	Prior year
Operating Revenue	7,890,812,881.56	11,773,075,375.70	-1,383,396,187.81	-831,648,895.09
Incl: Segment revenue from external customer	7,305,074,427.08	11,310,821,234.37		

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Others		Elimination	
	Current year	Prior year	Current year	Prior year
Revenue between segments	585,738,454.48	462,254,141.33	-1,383,396,187.81	-831,648,895.09
Investment income in associate and joint venture	-13,666,992.93	41,843,222.21		105,414.60
Impairment loss	591,993,894.87	1,082,223,166.58	104,853,893.84	-43,723,357.29
Depreciation & Amortization	162,725,237.73	374,598,350.14	1,229,103,747.23	
Total profit	-1,380,622,596.33	-1,268,105,413.01	3,849,360.53	-579,201,310.43
Income tax	77,845,103.49	13,117,950.33		-4,671,299.78
Net profit	-1,476,269,061.43	-1,281,223,363.34	3,849,360.53	-574,530,010.65
Total assets	120,473,641,334.20	126,021,588,903.83	-176,669,961,834.12	-115,155,939,580.18
Total liabilities	77,475,861,826.64	89,652,380,155.81	-63,363,012,096.82	-65,178,223,032.32
Other significant non-cash Items	-2,016,566,612.20	6,581,589,039.59		
Others non-cash Item other than depreciation & amortization		642,711.12		
Addition in Associate company & Joint venture Long-term equity investment	-2,016,566,612.20	410,983,142.43		

(Continued)

Items	Total	
	Current year	Prior year
Operating Revenue	391,927,498,849.04	300,127,176,400.62
Incl: Segment revenue from external customer	391,927,498,849.04	300,127,176,400.62
Revenue between segments		
Investment income in associate and joint venture	210,443,905.54	3,473,353.85
Impairment loss	3,561,962,295.84	3,939,118,568.65
Depreciation & Amortization	19,258,495,289.65	12,228,810,411.05
Total profit	370,096,265.07	5,153,966,067.98
Income tax	-439,179,052.82	2,611,472,314.76
Net profit	809,275,317.89	2,542,493,753.22
Total assets	794,911,691,716.84	377,641,878,599.18
Total liabilities	580,417,884,186.16	305,797,932,458.98
Other significant non-cash Items	15,084,500,107.02	6,680,067,428.47
Others non-cash Item other than depreciation & amortization	199,998,064.60	46,394,356.12
Addition in Associate company & Joint venture Long-term equity investment	-1,593,623,023.34	459,889,692.25

8.70 Supplementary information to the statement of cash flows

8.70.1 Supplementary information to the statement of cash flows

Items	Current year	Prior year
1. Reconciliation of cash flows from operating activities to net profit:		
Net profit	809,275,317.89	2,542,493,753.22
Add: Loss on asset impairment	3,561,962,295.84	3,939,118,568.65
Depreciation of fixed assets, oil and gas assets, biological assets held for production	12,054,390,450.41	8,808,724,222.41
Amortization of intangible assets	7,016,531,606.24	3,220,476,305.97
Amortization of Long-term deferred expenditure	187,573,233.00	199,609,882.67
Loss on non-current assets disposal (gain presented by "-" prefix)	-432,614,053.46	-530,482,213.51
Loss on scrap of fixed assets (gain presented by "-" prefix)	-19,857,780.92	39,249,208.03
Loss on fair value changes (gain presented by "-" prefix)	1,105,724,606.93	-110,573,344.00
Financial costs (gain presented by "-" prefix)	15,383,263,565.66	11,400,406,254.28
Investment loss (gain presented by "-" prefix)	-8,007,020.56	-5,929,094,067.81
Decrease of deferred tax assets (increase presented by "-" prefix)	-7,403,654,821.62	-381,281,270.29
Increase of deferred tax liabilities (increase presented by "-" prefix)	1,509,788,747.33	-570,427,967.07
Decrease of inventories (increase presented by "-" prefix)	-38,293,487,950.02	8,702,263,731.35
Decrease of operating receivables (increase presented by "-" prefix)	-41,285,767,600.35	-8,068,978,117.71
Increase of operating payables (decrease presented by "-" prefix)	86,105,595,887.61	6,354,638,374.53
Others	5,398,414,965.33	-1,101,648,761.31
Net cash flows generated from operating activities	45,689,131,449.31	28,514,494,559.41
2. Significant investing and financing activities involve no cash:		
Debt-to-capital conversion		
Convertible loan due within one year		
Fixed assets acquired under financial lease	26,744,800.00	
3. Movement of cash and cash equivalents:		
Cash as at 31/12/2017	71,964,161,355.63	44,944,609,888.97
Less: Cash as at 31/12/2016	44,944,609,888.97	29,040,940,001.46
Add: Cash equivalents as at 31/12/2017		
Less: Cash equivalents as at 31/12/2016		
Net increase of cash and cash equivalents	27,019,551,466.66	15,903,669,887.51

6.48.2 Net cash from subsidiaries or disposal subsidiaries this year

Items	Current year
1. Cash or cash equivalents that occurred in this year	289,847,539,686.86
Less: Cash and cash equivalents held on the acquisition date	13,652,738,810.01
Add: Cash or cash equivalents that have occurred during the previous period	116,334,946.40
Net cash payments from acquiring subsidiaries	276,311,135,823.25
2. Cash or cash equivalents received by the subsidiaries this year	758,577,511.88
Less: Cash and cash equivalents held by the company during the day of loss of control	140,297,523.80
Add: Cash or cash equivalents received by the subsidiary during the previous period	955,969,176.10
Net cash received from the disposal of subsidiary	1,574,249,164.18

6.48.2 Composition of cash and cash equivalents

Items	Current year	Prior year
1. Cash	71,964,161,355.63	44,944,609,888.97
Including: Cash at hand	175,392,839.07	61,763,500.32
Demand bank deposit	70,808,651,266.30	42,803,114,155.09
Demand other monetary funds	980,117,250.26	2,079,732,233.56
2. Cash equivalents		
Including: Debt instrument matured within three months		
3. Cash and cash equivalents as at 31/12/2017	71,964,161,355.63	44,944,609,888.97
Including: restricted cash and cash equivalents in parent company or subsidiary		

8.71 Foreign currency monetary items

Items	Original amount as at 31/12/2017	Foreign exchange rate	Translated amount as at 31/12/2017
Monetary funds			34,691,159,946.86
Including: -USD	1,333,518,351.87	6.5342	8,713,475,614.79
-EUR	2,619,596,441.73	7.8023	20,438,877,317.31
-HKD	2,981,686.95	0.8359	2,492,392.12
-GBP	11,450,474.21	8.7792	100,526,003.18
-CAD	5,390.00	5.2009	28,032.85
-INR	205,656,994.04	0.1017	20,915,316.29
-JPY	1,678,201,231.56	0.0579	97,167,851.31
-SGD	11,329,680.71	4.8831	55,323,963.88
- AED	115,774.24	1.7787	205,927.64

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Original amount as at 31/12/2017	Foreign exchange rate	Translated amount as at 31/12/2017
- CHF	11,961,106.82	6.6779	79,875,075.23
- RUB	1,375,918.84	0.1135	156,166.79
- BRL	1,391,168,322.19	1.9725	2,744,079,515.52
- ARS	982,794,444.56	0.3420	336,115,700.04
- RON	47,166,131.10	1.6813	79,300,416.22
- TRY	489,553,111.40	1.7291	846,486,284.92
- MXP	67,758,986.00	0.3315	22,462,103.86
- AUD	89,248,778.95	5.0928	454,526,181.44
- NOK	662,855,508.00	0.7921	525,047,847.89
- ISK	234,224,448.11	0.0624	14,615,605.56
- KRW	1,751,297,332.47	0.0061	10,682,913.73
- MYR	10,504,037.62	1.6057	16,866,333.21
- ZAR	41,293,780.89	0.5259	21,716,399.37
- Others	110,216,983.71	1.0000	110,216,983.71
Accounts receivable			17,695,596,665.75
Including: -USD	1,349,857,602.93	6.5342	8,820,239,549.07
- EUR	747,170,925.75	7.8023	5,829,651,713.98
- AUD	74,135,666.92	5.0928	377,558,124.49
- BRL	471,470,457.53	1.9725	929,975,477.48
- GBP	24,211,014.75	8.7792	212,553,340.69
- ARS	480,209,516.28	0.3420	164,231,654.57
- TRY	234,028,213.93	1.7291	404,658,184.71
- MXP	172,223,582.40	0.3315	57,092,117.57
- CHF	49,337.00	6.6779	329,467.55
- NOK	9,382,316.99	0.7921	7,431,733.29
- Others	891,875,302.35	1.0000	891,875,302.35
Long-term borrowing			78,714,370,885.50
Including: -USD	7,330,355,278.74	6.5342	47,898,007,462.34
-EUR	3,935,060,971.26	7.8023	30,702,526,216.06
- BRL	52,415,793.69	1.9725	103,390,153.05
Others	10,447,054.05	1.0000	10,447,054.05

8.72 Assets with restricted ownership

Items	Year-end book value	Limited reason
Monetary funds	15,575,180,470.66	Deposit, reserve, time deposit for guarantee or notice deposit, loan pledge, special account for housing maintenance fund.
Notes receivable	154,639,589.16	Pledge and pledge
Accounts receivable	120,462,941.19	Borrowing the pledge
Fixed assets	3,695,505,407.19	Pledge Against A Loan
Intangible assets	163,199,167.31	Pledge Against A Loan

Note 9: Contingency

9.1 Main Outstanding Litigations

Since September 12, 2014, lawsuits have been filed against Syngenta AG in state and federal courts in the United States by plaintiffs seeking damages from Syngenta AG for commercializing its AGRISURE VIPTERA® (MIR162) and DURACADE™ corn seed in the United States without having obtained import approval from China for those products. As of December 31, 2017, total provision of USD1.5 billion was provided.

9.2 External Guarantee

The Company has guarantees of RMB18,529,882,169.14 for external companies. Details are shown as following charts:

Guarantee company	Guaranteed Company	Amount
The Company and subsidiaries	Bluestar Petrochemical Ltd. and its subsidiaries	18,482,702,900.00
ADAMA Agricultural Solutions Ltd	Negev Aroma	19,602,600.00
Jingzhou Sanoda Holding Ltd.	Sanoda Yuchun co. LTD.	18,650,000.00
Jingzhou Sanoda Holding Ltd.	Datian Corp.	6,086,669.14
Yello Sea Rubber	Qingdao Rubber Light Tire Factory	1,340,000.00
Yello Sea Rubber	Qingdao Ruber Group Inner Tube Branch	1,500,000.00
Total		18,529,882,169.14

Note 10: Non-adjusting post balance sheet date events

10.1 On 22nd March 2018, the subsidiary of the company, Elkem AS, announced the successful completion of the bookbuilding period for the initial public offering of shares in Oslo Bors. The shares in the Offering was priced at NOK 29 per share, and Elkem AS issued 179,310,344 new shares in connection with the offering, raising gross proceeds of approximately NOK 5,200 million (converted into RMB 4,260 million). The company will maintain control in Elkem AS via the Selling Shareholder following the offering.

10.2 Drakkar Group S.A. ("Drakkar"), which is the overseas holding subsidiary of the company's subsidiary Bluestar Adisseo, signed an equity subscription agreement with Herge Holding B.V. ("Herge") on December 8, 2017. Drakkar use its own capital about 193 million U.S. dollars to acquire Herge's holdings of Nutriad Holding B.V. ("Nutriad") 100% shares. Drakkar and Herge completed the share purchase on February 9, 2018.

10.3 The Group completed the squeeze out procedures and acquired 100% of shares of Syngenta AG. Syngenta AG ordinary shares were delisted from the SIX Swiss Exchange on January 8, 2018, and Syngenta AG ADSs were delisted from the New York Stock Exchange on January 18, 2018.

10.4 On February 6, 2018, Syngenta AG completed the acquisition of Nidera Seeds by acquiring 100% of the issued shares of Nidera Seeds Holding B.V., a private limited liability company incorporated in the Netherlands, for \$1,400 million in cash.

Note 11: Related parties and related party transactions

11.1 Subsidiaries Profile

Please refer to note 7.1 Business Combination and Consolidated Financial Statements for details.

11.2 Other related parties

Name	Relationship
China Haohua Xuanhua Group Co., Ltd.	Investee
Shandong Dacheng International Trade Co., Ltd.	Investee
Cangzhou Dahua Lianxing Transportation Co., Ltd.	Investee
Beijing Hongtu Changli Investment fund management center (limited partnership)	Investee
Bluestar Dongli Technology (Beijing) Co., Ltd.	Investee
Jinan Petrochemical Group Co., Ltd.	Investee
New Material Company and Subsidiar	Investee
Hainan Chemical Industry Company	Investee
Nanjing Technology Co., Ltd. (6902)	Investee
Shandong King Group Co., Ltd.	Investee
Shanxi Yuanping Chemical Group Co., Ltd.	Investee
Chemical industry department lianyungang worker sanatorium	Investee
The information morning post	Investee
Zibo chuangcheng engineering design Co., Ltd.	Investee
Shandong Huaxing Petrochemical Group Company	Investee
Dalian si821 shipping Co., Ltd.	Investee
Changsha Blue Star chemical new material co. LTD	Investee
Chengdu Xingrong Environment Co., Ltd.	Investee
Blue star chemical supply and marketing company	Investee
Beijing zhongan investment management center (limited partnership)	Investee
Blue pearl (Beijing) fluid control equipment co. LTD	Investee
Blackstone Group	Investee
Cabot blue star chemical (jiangxi) co. LTD	Investee

Name	Relationship
CIMO Compagnie Industrielle de Monthey SA	Investee
Maisadour Semences SA	Investee
North Sea Containerline AS	Investee
Combined Cargo Warehousing BV	Investee
Elkem Chartering AS	Investee
Klafi ehf.	Investee

11.3 Joint Ventures and Associated Companies Profile

Please refer to Note 8.17 Long-term Equity Investment.

11.4 Related Party Transactions

11.4.1 Pricing policy

The Company transactions with related party are according to fair market value.

11.4.2 Related Party Transactions

11.4.2.1 Selling goods

Name	Current year		Prior year	
	Amount	Percentage (%)	Amount	Percentage (%)
North Sea Containerline AS	48,574,815.37	0.01		
New Material Company and Subsidiar	25,078,638.44	0.01	1,681,167.68	
Shandong King Group Co., Ltd.			924,145.30	
Total	73,653,453.81	0.02	2,605,312.98	

11.4.2.2 Purchasing goods

Name	Current year		Prior year	
	Amount	Percentage (%)	Amount	Percentage (%)
CIMO Compagnie Industrielle de Monthey SA	300,879,000.00	0.10		
Maisadour Semences SA	60,175,800.00	0.02		
North Sea Containerline AS	56,124,006.37	0.02		
Combined Cargo Warehousing BV	29,116,734.80	0.01		
Elkem Chartering AS	27,132,832.74	0.01		
New Material Company and Subsidiar	11,999,488.49			
Klafi ehf.	5,451,077.12			
Zibo chuangcheng engineering design co. LTD	339,805.89			
Cangzhou Dahua Lianxing Transportation Co., Ltd.			13,585,581.52	0.01
Shandong Dacheng International			924,145.30	

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Name	Current year		Prior year	
	Amount	Percentage (%)	Amount	Percentage (%)
Trade Co., Ltd.				
Bluestar Dongli Technology (Beijing) Co., Ltd.			409,230.77	
Total	491,218,745.41	0.16	14,918,957.59	0.01

11.4.2.3 Balance of accounts payable

Items	Current year		Prior year		The terms and conditions	Gain or provide guarantee
	Amount	Percentage (%)	Amount	Percentage (%)		
Accounts receivable:						
New Material Company and Subsidiar	74,587,049.89	0.12	91,749,473.78	0.28	None	No
North Sea Containerline AS	4,267,206.52	0.01			None	No
Shandong Huaxing Petrochemical Group Company	821,308.33				None	No
Dalian 4821 shipping Co., Ltd.	200,000.00				None	No
Total	79,875,564.74	0.13	91,749,473.78	0.28		
Notes Receivable:						
New Material Company and Subsidiar	1,500,000.00	0.02			None	No
Total	1,500,000.00	0.02				
Prepayments:						
New Material Company and Subsidiar	21,690,575.44	0.34			None	No
Blue pearl (Beijing) fluid control equipment Co., Ltd.	4,169,850.00	0.07			None	No
Bluestar Dongli Technology (Beijing) Co., Ltd.	1,625,651.00	0.03			None	No
Total	27,486,076.44	0.44				
Other Receivable						
New Material Company and Subsidiar	4,847,420,159.54	12.49	3,579,712,581.61	15.77	None	No
Blackstone Group	326,710,000.00	0.84			None	No
China Haohua Xuanhua Group Co., Ltd.	166,973,858.89	0.43			None	No
Shanxi Yuanping Chemical Group Co., Ltd.	28,165,932.85	0.07			None	No
Chemical industry department lianyungang worker sanatorium	14,021,343.33	0.04			None	No
Changsha Blue Star chemical new material Co., Ltd.	4,892,053.19	0.01			None	No
Blue pearl (Beijing) fluid control equipment Co., Ltd.	3,347,879.55	0.01			None	No
Cangzhou Dahua Lianxing			4,672,000.00	0.02	None	No

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Current year		Prior year		The terms and conditions	Gain or provide guarantee
	Amount	Percentage (%)	Amount	Percentage (%)		
Transportation Co., Ltd.						
Total	5,391,531,227.35	13.89	3,584,384,581.61	15.79		
Long-term Receivables						
New Material Company and Subsidiar	350,000,000.00	5.34	350,000,000.00	7.88	None	No
Nanjing Technology Co., Ltd. (6902)	16,600,000.00	0.25			None	No
Total	366,600,000.00	5.59	350,000,000.00	7.88		
Accounts Payable						
New Material Company and Subsidiar	10,570,222.20	0.02	11,780,369.62	0.03	None	No
North Sea Containerline AS	6,177,066.27	0.01			None	No
Combined Cargo Warehousing BV	1,774,689.24				None	No
Cabot blue star chemical (jiangxi) Co., Ltd.	676,478.48				None	No
Blue pearl (Beijing) fluid control equipment Co., Ltd.	151,155.71				None	No
Chengdu Xingrong Environment Co., Ltd.			2,336,909.00	0.01	None	No
Cangzhou Dahua Lianxing Transportation Co., Ltd.			656,289.72		None	No
Total	19,349,611.90	0.03	14,773,568.34	0.04		
Advances From Customers						
New Material Company and Subsidiar	31,699,492.30	0.39	20,900,525.31	0.33	None	No
Total	31,699,492.30	0.39	20,900,525.31	0.33		
Other Payables						
New Material Company and Subsidiar	4,775,765,257.61	24.14	334,764,140.64	3.96	None	No
Beijing zhongan investment management center (limited partnership)	119,143,870.64	0.60			None	No
Shandong King Group Co., Ltd.	24,325,640.00	0.12	24,325,640.00	0.29	None	No
China Haohua Xuanhua Group Co., Ltd.	6,560,404.09	0.03			None	No
Zibo chuangcheng engineering design Co., Ltd.	287,000.00				None	No
Blue pearl (Beijing) fluid control equipment Co., Ltd.	99,308.24				None	No
Beijing Hongtu Changli Investment fund management center (limited partnership)			75,018,972.92	0.89	None	No

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Current year		Prior year		The terms and conditions	Gain or provide guarantee
	Amount	Percentage (%)	Amount	Percentage (%)		
Cangzhou Dahua Lianxing Transportation Co., Ltd.			2,868,418.80	0.03	None	No
Hainan chemical industry corporation			2,000,000.00	0.02	None	No
Total	4,926,181,480.58	24.89	438,977,172.36	5.19		
Long-term Payables						
New Material Company and Subsidiary	100,868,800.00	25.49			None	No
Total	100,868,800.00	25.49				

Note 12: Main project notes of the company's financial statement

12.1 Other receivable

12.1.1 Disclosure by category

Items	Balance as at 31/12/2017			
	Carrying amount		Allowance for bad debt	
	Amount	% of total	Amount	% of total
Individually significant and assessed for impairment individually				
Collectively assessed for impairment based on credit risk characteristics	5,399,341,537.02	100.00		
Individually insignificant but assessed for impairment individually				
Total	5,399,341,537.02	100.00		

(Continued)

Items	Balance as at 31/12/2016			
	Carrying amount		Allowance for bad debt	
	Amount	% of total	Amount	% of total
Individually significant and assessed for impairment individually				
Collectively assessed for impairment based on credit risk characteristics	7,158,445,962.76	100.00		
Individually insignificant but assessed for impairment individually				
Total	7,158,445,962.76	100.00		

12.1.2 Accounts receivable using related party group and other methods for measurement of allowance for bad debt

Items	Balance as at 31/12/2017	
	Accounts receivable	Allowance for bad debt
Related party	5,321,975,683.88	7,157,324,022.33

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Balance as at 31/12/2017	
	Accounts receivable	Allowance for bad debt
The method of other group	77,365,853.14	1,121,940.43
Total	5,399,341,537.02	7,158,445,962.76

12.1.3 Details of top five other receivables

Debtors	Nature of OR	Carrying amount as at 31/12/2017	Age	% of total	Allowance for bad debt as at 31/12/2017
ZhongChe QiXiu	Account current	2,063,395,151.94	Over 4 years	38.30	
Haohua Corp.	Account current	1,039,870,628.21	Within 1 years	19.30	
CNCA	Account current	697,807,415.25	Within 1 years	12.95	
New Material Company	Account current	341,908,700.00	1-2 years	6.35	
Blue star organic silicon investment Co. Ltd.	Account current	261,368,000.00	1-2, 3-5 years	4.85	
Total		4,404,349,895.40		81.75	

12.2 Long-term Equity Investment

12.2.1 Disclosure by classification

Items	Opening Balance	Current year increase	Current year decrease	Ending Balance
Investments in subsidiaries	34,891,659,579.40	588,627,308.2	39,785,157.09	35,440,501,730.51
Investments in Joint venture				
Investments in associates				
Subtotal	34,891,659,579.40	588,627,308.2	39,785,157.09	35,440,501,730.51
Less: Provision for impairment of Long-term equity investments				
Total	34,891,659,579.40	588,627,308.2	39,785,157.09	35,440,501,730.51

12.2.2 The Details of Long-term equity investment

Investee	Percentage (%)	Investment Cost	Beginning Balance	Current year movement		
				Additional investment	Reduced Investment	profit or loss on investment under equity method
Total		35,440,501,730.51	34,891,659,579.40	585,520,321.45	36,678,170.34	
subsidiaries		35,440,501,730.51	34,891,659,579.40	585,520,321.45	36,678,170.34	
HaoHua Co.	69.20	4,824,005,443.48	4,808,086,595.48	15,918,848.00		
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			

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Investee	Percentage (%)	Investment Cost	Beginning Balance	Current year movement		
				Additional investment	Reduced Investment	profit or loss on investment under equity method
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	3,463,000,970.21			
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	13,371,829.66	50,050,000.00	3,106,986.75	39,785,157.09	
Academy of Sc.	100.00	2,713,670,873.91	2,713,670,873.91			
Haohua Corp.	100.00	432,156,212.46	432,156,212.46			
ZhongLan Petrochemical	100.00	1,023,691,200.00	1,016,940,000.00	6,751,200.00		
Chem. Museum	100.00	125,461,639.77	85,676,482.68	39,785,157.09		
Bluestar Info.	1.20	44,892,813.95	44,892,813.95			
Shenyang Chem.	100.00	523,065,116.36		523,065,116.36		
Interstar Group		35,440,501,730.51	34,891,659,579.40	585,520,321.45	36,678,170.34	
Academy of Sc.						
Yello Sea Rubber						

(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						35,440,501,730.51	
subsidiaries						35,440,501,730.51	
HaoHua Co.						4,824,005,443.48	
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	

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

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		
Tire& Rubber Corp.						3,463,000,970.21	
CNCA						3,381,025,738.00	
CNCIC						56,855,986.15	
Finance Corp.						435,808,569.72	
Asset Co.						13,371,829.66	
Academy of Sc.						2,713,670,873.91	
Haohua Corp.						432,156,212.46	
ZhongLan Petrochemical						1,023,691,200.00	
Chem. Museum						125,461,639.77	
Bluestar Info.						44,892,813.95	
Shenyang Chem.						523,065,116.36	
Interstar Group						35,440,501,730.51	
Academy of Sc.							
Yello Sea Rubber							

12.3 Operating revenues and costs

Items	Current year		Prior year	
	Revenue	Cost	Revenue	Cost
Subtotal of other business	155,421,147.54	3,983,163.57	96,664,474.88	3,860,414.16
Premium income	121,967,123.98		63,441,800.00	
Assets rent out	33,413,194.08	3,983,163.57	33,151,455.68	3,860,414.16
Others	40,829.48		71,219.20	
Total	155,421,147.54	3,983,163.57	96,664,474.88	3,860,414.16

12.4 Investment income

Items	Current year	Prior year
Investment income from disposal of long-term equity investment		632,663,031.24
Others	646,457.58	
Total	646,457.58	632,663,031.24

12.5 Supplementary information to the statement of cash flows

12.5.1 Supplementary information to the statement of cash flows

Items	Current year	Prior year
1. Reconciliation of cash flows from operating activities to net profit:		
Net profit	-605,505,869.47	-2,830,717,785.62
Add: Loss on asset impairment		
Depreciation of fixed assets, oil and gas assets, biological assets held for production	21,212,680.65	25,305,218.40
Amortisation of intangible assets	10,712,119.05	10,394,624.07
Amortisation of Long-term deferred expenditure		
Loss on non-current assets disposal (gain presented by "-" prefix)	-7,793.81	
Loss on scrap of fixed assets (gain presented by "-" prefix)	6,674.93	79,306.06
Loss on fair value changes (gain presented by "-" prefix)		
Financial costs (gain presented by "-" prefix)	1,048,228,358.96	767,221,223.01
Investment loss (gain presented by "-" prefix)	-646,457.58	-632,663,031.24
Decrease of deferred tax assets (increase presented by "-" prefix)		
Increase of deferred tax liabilities (increase presented by "-" prefix)		
Decrease of inventories (increase presented by "-" prefix)		
Decrease of operating receivables (increase presented by "-" prefix)	1,771,003,365.85	1,985,741,573.27
Increase of operating payables (decrease presented by "-" prefix)	553,801,558.92	7,860,239,234.37
Others		
Net cash flows generated from operating activities	2,798,804,637.50	7,185,600,362.32
2. Significant investing and financing activities involve no cash:		
Debt-to-capital conversion		
Convertible loan due within one year		
Fixed assets acquired under financial lease		
3. Movement of cash and cash equivalents:		

CHINA NATIONAL CHEMICAL CORPORATION
Notes to the Financial Statements for the Year ended 31 December 2017

Items	Current year	Prior year
Cash as at 31/12/2017	1,059,981,630.22	957,918,440.67
Less: Cash as at 31/12/2016	957,918,440.67	637,298,319.30
Add: Cash equivalents as at 31/12/2017		
Less: Cash equivalents as at 31/12/2016		
Net increase of cash and cash equivalents	102,063,189.55	320,620,121.37

12.5.2 Composition of cash and cash equivalents

Items	Current year	Prior year
1. Cash	1,059,981,630.22	957,918,440.67
Including: Cash at hand	18,281.32	34,684.99
Demand bank deposit	1,059,332,015.13	957,299,982.76
Demand other monetary funds	631,333.77	583,772.92
2. Cash equivalents		
Including: Debt instrument matured within three months		
3. Cash and cash equivalents as at 31/12/2017	1,059,981,630.22	957,918,440.67
Including: restricted cash and cash equivalents in parent company or subsidiary		

Note 13: Other contents disclosed in accordance with the relevant financial accounting system

On May 5, 2017, the Company obtained the control of the Syngenta AG through its overseas intermediate entity. According to the Accounting Standards, this acquisition was a business combinations involving entities not under common control. The combination cost is required to be allocated to the identifiable net assets of the acquiree, and the difference is recognized as goodwill. For the fair value adjustment, it shall be amortized or recycled in the subsequent period, which will have an impact on the profit or loss attributable to the parent company (the acquirer). The fair value adjustment of the business combinations of Sysngent AG involving entities not under common control is RMB235.163 billion, which allocated to identifiable net assets of RMB89.184 billion. The goodwill recognized is RMB145.979 billion. The impact on profit or loss for the year of 2017 was RMB4.647 billion due to the amortization and recycle of fair value adjustment, including the impact of the sales of inventory of RMB5.068 billion, the depreciation of fixed assets of RMB0.415 billion, the amortization of intangible assets of RMB2.848 billion, deferred tax of negative RMB3.597 billion and others of negative RMB0.087 billion. There is no impact on the Company's revenue, cash flow and business.

If the impact on profit or loss for the year of 2017 due to the amortization and recycle of fair value adjustment for this acquisition were taken out on a simulation basis, the Company's profit before tax and net profit would have been RMB8.614 billion and RMB5.456 billion, respectively.

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