

Wanhua Chemical Group Co., Ltd.
**2017 Semi-Annual Special Report on Deposit and Actual Use of
Raised Fund**

The Board of Directors and all the directors of the Company undertake that the information in this announcement contains no false records, misleading statements or material omissions, and they are jointly and severally liable for the veracity, accuracy, and integrity of the content hereof.

According to the Guideline NO. 2 on the Supervision and Administration of Listed Companies - Regulatory Requirements for Administration and Use of Raised Fund in Listed Companies (Announcement No. 44 [2012] of the China Securities Regulatory Commission (CSRC)) issued by CSRC, the Provision on the Administration of Raised Fund for Listed Companies in Shanghai Stock Exchange (SSE) issued by SSE and other relevant provisions, the Board of Directors of Wanhua Chemical Group Co., Ltd. (the "Company") prepared the 2017 Semi-Annual Special Report on Deposit and Actual Use of Raised Fund till June 30, 2017 as follows:

I. Basic information of Raised Fund

On July 13, 2016, the Issuance Examination Committee (IEC) of CSRC examined and verified the application for non-public issuance of stocks by Wanhua Chemical.

On August 30, 2016, the Company obtained the Official Reply on Confirming the Non-public Issuance of Stocks by Wanhua Chemical Group Co., Ltd (Licensing No. 1805 [2016] of CSRC) issued by CSRC, which approved the Company to issue no more than 157,629,255 new shares non-publicly.

On January 6, 2017, Hexin Certified Public Accountants LLP (special general partnership) issued the Capital Verification Report (Verification NO. 000002 [2017] of Hexin). Till January 6, 2017, a total of RMB 2,499,999,984.00 yuan was raised by the Company. Deducting the underwriter's issuance cost of RMB 37,735,849.06 yuan (exclusive of tax) and other issuance-related costs of RMB 1,839,622.64 yuan (exclusive of tax), the actual net amount of raised fund was RMB 2,460,424,512.30 yuan, including the new registered capital of RMB 116,009,280.00 yuan and the capital stock premium of RMB 2,344,415,232.30 yuan.

To regulate the administration and use of the Company's raised fund and protect the investors' rights and interests, the Company has set up special accounts for raised

fund. The raised fund has been deposited into the special accounts for raised fund upon its collection, and the Company has signed the Agreement on Supervision of Raised Fund with the sponsor institution and the commercial bank in which the raised fund was deposited.

II. Administration of Raised Fund

The Company raised the fund in strict accordance with the Guideline NO. 2 on the Supervision and Administration of Listed Companies - Regulatory Requirements for Administration and Use of Raised Fund in Listed Companies, the Measures for the Administration of Raised Fund for Listed Companies in Shanghai Stock Exchange (2013 Revision) and other provisions, without any violation of relevant regulations in deposit, use and project implementation and management of raised fund.

The Company and the sponsor institution, CitiOrient Securities Co., Ltd ("CitiOrient"), adopted the method of special account deposit and management for the raised fund, and signed the Tripartite Agreement on Supervision of Special Account Deposit for Raised Fund with Industrial and Commercial Bank of China Yantai Branch, Bank of China Yantai Branch and Huaxia Bank Yantai Branch respectively on January 19, 2017, and set up special accounts for raised fund. The holding subsidiary, Shanghai Wanhua Keju Chemical Science and Technology Development Co., Ltd (Shanghai Keju), set up a special deposit account for raised fund in Bank of China Yantai Branch. The Company signed the Quartet Agreement on Supervision of Special Account Deposit for Raised Fund with Bank of China Yantai Branch, the sponsor institution, and Shanghai Keju on February 28, 2017.

The above tripartite supervision agreement and quartet supervision agreement have no significant difference with the Tripartite Supervision Agreement on Supervision of Special Account Deposit for Raised Fund (Template) provided by SSE.

Till June 30, 2017, the balance and deposit information of the Company's raised fund are as follows:

Company Name	Opening bank	Account No.	Amount (thousand yuan)
Wanhua Chemical	Industrial and Commercial Bank of China, Yantai Branch	1606020529022678228	9,632.30
Wanhua Chemical	Huaxia Bank, Yantai Branch	12650000001026179	26.27
Wanhua Chemical	Bank of China, Yantai Branch	220831108026	15.33

Shanghai Keju	Bank of China, Yantai Branch	232531120239	9,992.02
Total			19,665.92

III. The Actual Use of Raised Fund in This Year

1. The commitment to the use of raised fund in the application report of publication

According to the application documents for issuance approved by CSRC and the actual fund raised in this non-public issuance, the company intended to use the fund raised by this non-public issuance of stocks for the following committed investment projects:

Unit: thousand yuan

No.	Project name	Total investment amount on the project	Planned investment amount of raised fund	Planned investment amount exclusive of other issuance costs
1	Polycarbonate project of 200,000 tons/year (Note 1)	146,225	140,000	135,805
2	Shanghai Comprehensive Center of Wanhua	41,502	40,000	40,000
3	Bank loan repayments and cash flow replenishment (Note 2)	70,000	70,000	70,000
	Total		250,000	245,805

Note 1: According to the plan of non-public issuance of stocks in 2015, the Company intended to distribute RMB 1,400,000,000 yuan of fund raised in the non-public issuance to the polycarbonate project of 200,000 tons/year. After deducting relevant issuance cost equal to RMB 40,000,000 yuan (including tax), the actual amount in the special bank account for the raised fund dedicated to the polycarbonate project of 200,000 tons/year was RMB 1,360,000,000 yuan.

According to the 2017 First Impromptu Meeting of the Sixth Term of Board held on February 16, 2017, unpaid costs related to the non-public issuance, including attorney's fee of RMB 1,900,000 yuan, capital verification fee of RMB 50,000 yuan and other fees, should be paid by this special account. The planned investment amount on the polycarbonate project of 200,000 tons/year was, deducting the above

costs, RMB 1,358,050,000 yuan.

Note 2: According to the Company's reply to the Notice of Feedback on Examination of Administrative Permission Projects of CSRC (NO. 160953), the Company intended to allot RMB 500,000,000 yuan from raised fund to repay bank loans.

2. Actual use of raised fund

A total of RMB 2,500,000,000 yuan was raised in this non-public issuance. The amount received after the deduction of issuance cost and other costs was RMB 2,458,050,000 yuan, which, plus the accumulated amount of deposit interest income equal to RMB 1,637,100 yuan, reached to RMB2,459,687,100 in total. In this period, RMB 1,313,027,900 yuan of raised fund was used for the committed investment projects, RMB 950,000,000 yuan for temporary cash flow replenishment. In total, RMB 2,263,020,900 yuan of raised fund was used, with the ending balance amounted to RMB 196,659,200 yuan.

(For detailed use of raised fund, please refer to Appendix I Check List for the Use of Raised Fund from January to June of 2017)

3. Initial investment on and replacement of committed investment projects

According to the Special Audit Report on Pre-investment of Self-financing Funds on Committed Investment Projects of Wanhua Chemical Group Co., Ltd.(DTT Report (17) NO. E00012) issued by Deloitte Touche Tohmatsu CPA Ltd (special general partner), till January 20, 2017, Wanhua Chemical had totally input self-financing fund equal to RMB 919,720,000 yuan into the "polycarbonate project of 200,000 tons/year" and "bank loan repayments". Shanghai Keju has invested self-financing fund total to RMB 118,830,000 yuan to "Shanghai Comprehensive Center of Wanhua Chemical".

On February 16, 2017, the Board of Directors decided on the 2017 First Impromptu Meeting of the Sixth Term of Board to take out RMB 1,038,550,000 yuan from raised fund to replace the self-financing fund pre-invested on the committed investment projects.

The Board of Supervisors, the independent directors and the sponsor institution agreed on such replacement.

4. Temporary cash flow replenishment with idled raised fund

On February 16, 2017, the Board of Directors decided on the 2017 First Impromptu Meeting of the Sixth Term of Board to allot no more than RMB 500,000,000 yuan from idled raised fund for replenishing the cash flow, and the use term should not exceed 12 months. Accordingly, the Company used RMB 500,000,000 yuan of idled raised fund on February 23, 2017. On June 14, 2017, the Board of Directors decided the 2017 First Impromptu Meeting of the Seventh Term of Board to appropriate RMB 300,000,000 yuan from idled raised fund of the "polycarbonate project of 200,000 tons/year" and RMB 150,000,000 yuan from idled raised fund of "Shanghai Comprehensive Center of Wanhua Chemical" to replenish the cash flow, and the use term should not exceed 12 months. Accordingly, the Company appropriated RMB 300,000,000 yuan from idled raised fund on June 15, 2017 and RMB 150,000,000 from idled raised fund on June 16, 2017 respectively.

The Board of Supervisors, the independent directors and the sponsor institution agreed on this temporary cash flow replenishment by idled raised fund.

5. Cash management of and related products investment information of idled raised fund

In the first half of 2017, no cash management and related products investment affair was involved in the idled raised fund of the Company.

IV. Change of Committed Investment Projects

In the first half of 2017, no change of committed investment projects has happened to the Company.

The Board of Directors of Wanhua Chemical Group Co., Ltd.

August 1, 2017

Appendix I:

Check List for the Use of Raised Fund

Prepared by: Wanhua Chemical Group Co., Ltd.

Unit: RMB thousand yuan

Total amount of raised fund				250,000.00		Total invested amount of raised fund from January to June in 2017					131,302.79	
Total amount of raised fund with usage change				0		Total amount of accumulated invested raised fund					131,302.79	
Percentage of total raised fund with usage change				0%							Expected benefits achieved or not	
Committed investment projects	Changed projects, including partial change (If applicable)	Committed total investment amount of raised fund	Adjusted total investment amount	Committed investment amount by the end of the period (1)	2017 investment amount from January to June	Committed investment amount by the end of the period (2)	The difference between accumulated investment amount and committed investment amount by the end of the period (3)= (2)-(1)	Committed investment amount by the end of the period (%) (4)=(2)/(1)	The date of project achieving scheduled availability status	Realized benefits in this year	Expected benefits achieved or not	The feasibility of project changed significantly or not
Polycarbonate project of 200,000 tons/ year		140,000.00	135,805.00	135,805.00	46,266.33	46,266.33	-89,538.67	34.07	—	Not applicable	Not applicable	No
Wanhua Chemical Shanghai Comprehensive		40,000.00	40,000.00	40,000.00	15,036.46	15,036.46	-24,963.54	37.59%	—	Not applicable	Not applicable	No
Bank loan repayments and cash flow replenishment		70,000.00	70,000.00	70,000.00	70,000.00	70,000.00	0	100%	—	—	—	No
Total	—	250,000.00	245,805.00	245,805.00	131,302.79	131,302.79	-114,502.21	—	—	—	—	—

Reasons for not achieving planned progress (by investment projects)	Not applicable
Statements about significant change of project feasibility	Not applicable
Initial investment and replacement of committed investment projects	Before raised fund was transferred into the account, the Company had used its self-financing fund equal to RMB 419,720,000 yuan for investing in advance to the "polycarbonate project of 200,000 tons/ year" and RMB 118,830,000 yuan to "Shanghai Comprehensive Center of Wanhua Chemical", and for "repaying bank loans" of RMB 500,000,000 yuan in advance. On February 16, 2017, the Company held the 2017 First Impromptu Meeting of the Sixth Term of Board, on which the Board of Directors deliberated and approved the Proposal of Replacing Self-financing Fund Pre-invested in Committed Investment Projects with Raised Fund, and agreed the Company to replace pre-invested self-financing fund with raised fund of RMB 1,038,550,000 yuan. The Board of Supervisors, the independent directors and the sponsor institution agreed on such replacement; and Deloitte Touche Tohmatsu CPA Ltd (special general partner) issued the attestation report.
Temporary cash flow replenishment with idled raised fund	On February 16, 2017, the Company held the 2017 First Impromptu Meeting of the Sixth Term of Board, on which the Board of Directors deliberated and approved the Proposal of Temporary Working Fund Replenishment with Idled Raised Fund, and decided to utilize idled raised fund of RMB 500,000,000.00 yuan for temporary cash flow replenishment, and the use term should not exceed 12 months. On June 14, 2017, the Company held the 2017 First Impromptu Meeting of the Seventh Term of Board, on which the Board of Directors deliberated and approved the Proposal of Temporary Working Fund Replenishment with Idled Raised Fund, and decided to utilize idled raised fund of RMB 450,000,000.00 yuan for temporary cash flow replenishment, and the use term should not exceed 12 months.
Cash management of and related products investment with idled raised fund	Not applicable
Permanent cash flow replenishment and bank loan repayment with excessive raised fund	Not applicable
Balance of raised fund and how it forms	The balance of raised fund is RMB 19,665,920,000 yuan, which is formed due to projects in construction period without achieving the available status.
Other use of raised fund	Not applicable

Note 1: "Total invested amount of raised fund in this year" includes "invested amount in this year" after raised fund transferred into the account and the actual replaced initial investment amount.

Note 2: "Committed investment amount at the end of the period" is based and confirmed on the latest disclosed investment plan of fund raised.

Note 3: The calculation caliber and the calculation method of "realized benefits in this year" should be in line with the committed benefits.