

## **Announcement on the Transfer of Assets and Capital Increase to a Wholly-owned Subsidiary of Wanhua Chemical Group Co., Ltd.**

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.

### Notes for Important Content:

- Transfer the assets amounting to 9,352,262,100 yuan to Wanhua Petrochemical (Yantai) Co., Ltd., a wholly-owned subsidiary, and increase the capital of 2,000,000,000 yuan as well.
- The transaction does not constitute associated transaction
- The transaction does not constitute major assets restructuring

### **I . Transaction overview**

(I) Wanhua Chemical Group Co., Ltd. intends to transfer the physical assets relating to petrochemicals, together with its associated liabilities and creditor's rights as well as labor force, to the Wanhua Petrochemical (Yantai) Co., Ltd. (hereinafter referred to as "Petrochemical Corporation").

The assets calculated on the base date of evaluation are estimated to be worth at 985, 5373,300 yuan, and the liabilities at 503,111,200 yuan. In comparison with book value, the assessed value of above asset group presents 17,255,000 yuan at a premium.

The transfer transaction price of aforesaid asset group is calculated at 9,352,262,100 yuan. Since the implementation and whole transfer take some time to complete, the asset value at the time of actual transfer will differ from that at the base date, however, the margin is expected not to exceed 5%, the actual transaction price shall be subject to the value of asset group at the actual transfer.

In addition to the transfer business above, Wanhua Chemical has also increased the capital of 2,000,000,000 yuan in cash, in order to meet the future needs in production and operation.

(II) The amount of this transaction is within the jurisdiction of the board of directors, without the need to get approval from general meeting of shareholders and relevant government departments, but the debt transfer associated with assets shall be

subject to the consent of creditors.

(III) This transaction is between the Company and the wholly-owned subsidiary, which does not constitute a major asset restructuring specified in Measures for Administration of Material Asset Restructuring of Listed Companies.

## **II. Basic situation of counterpart**

1. Name: Wanhua Petrochemical (Yantai) Co., Ltd.

Enterprise nature: limited liability company

Registration address: No. 17, Tian Shan Road, Yantai Economic and Technical Developing Zone, Shandong Province

Legal representative: Kou Guangwu

Registered Capital: 50 million yuan

Business scope: Wholesale: acetone, propane, propene, acrylic acid, glacial acrylic acid, methyl acrylate, hydroxypropyl acrylate, tert-Butyl acrylate, ethyl acrylate, isobutyl acrylate, 2-ethylhexyl acrylate, butyl acrylate, 1-Butylene, tert-butyl hydroperoxide, 1,2-epoxypropane, toluene, methanol, tert butanol TBA, methyl isobutyl ketone (MIBK), methacrylic acid, methyl methacrylate, methyl isobutyl acrylate, butyl methacrylate、methyl tert butyl ether (MTBE), formaldehyde solution, LPG, ethanol, isobutyraldehyde, isobutane, isobutene, n-butyl alcohol, n-butanol, butane, alcohol aldehyde mixture, hydrocarbon gas and hydrocarbon mixed liquid, aldehyde mixed liquid, butylene mixture, mixed propane oxide solution, ketone mixture, ester compound, C4 heavy hydrocarbon, C5 heavy hydrocarbon and mixed heavy hydrocarbon. (The validity is subject to license). General mechanical equipment, hardware and electric material, minerals (except for special provisions of country), chemical products, chemical catalyst and solution (exclusive of hazardous chemicals), coal, sales of industrial salt; sales of building materials and related technology consulting; import and export of technologies and goods. (The projects that need to be approved in line with laws must be carried out only after approval by relevant department)

Shareholder: Wanhua Chemical Group Co., Ltd.

2. Petrochemical Corporation was founded in 2015; the financial data for last two years are as follows

As of December 31, 2016, the key financial data of Petrochemical Corporation: total asset of 2,170,410,000 yuan, net asset of 20,640,000 yuan, main business income of 8,801,270,000 yuan, net profit of 17,640,000 yuan.

As of December 31, 2015, the key financial data of Petrochemical Corporation: total asset of 1,355,790,000 yuan, net asset of 2,990,000 yuan, main business income of 922,420,000 yuan, net profit of negative 47,010,000 yuan.

### **III. Object of transaction**

(I) Basic situation of transaction object the assets on sale are related to petrochemicals: located at No. 59 Chongqing Street of Yantai Economic and Technical Developing Zone, the classes of which include fixed assets, construction in process, engineering materials, intangible assets and deferred tax assets. The transferred liabilities refer to the debts associated with the assets above.

Fixed assets mainly refer to the equipment and facilities for production of propane dehydrogenation, propylene oxide, acrylic acid and other chemicals, the assessment value amounts to 9,042,428,100 yuan.

The construction in process is the petrochemical asset that has not been transferred to fixed asset, the assessment value amounts to 242,877,100 yuan.

Construction materials are the engineering materials necessary for construction, valued at 105,300 yuan.

Assessed value of intangible assets is 556,421,100 yuan, mainly for propylene epoxide and MTBE technologies.

Deferred tax assets are valued at 13,541,700 yuan.

According to the announcement of Wanhua Chemical Group Co., Ltd. on the resolution of the 5th interim session of the fifth board of directors in 2013 (LIN No. 2013-30): "the Company has decided to apply The Export-Import Bank of China for providing export enterprises with amount of four billion yuan of fixed asset loan for a period of eight years. And agreed that, after the completion of "integrated project of propylene epoxide and acrylic ester", the additional loan mortgaged by assets, housing, land and building assets shall not exceed 60% of assessed value, and mortgage rate of equipment and other assets shall not exceed 40% of assessed value, ensuring that cover loan balance. For the above-mentioned assets to be mortgaged, it will be changed to the assets mortgaged by Petrochemical Corporation to China export import bank after completion of assignment, meanwhile, additional guarantee will be given to Wanhua Chemical for the loan.

#### **(II) Assessment of transaction object**

The agency that assessed the object of this transaction is Shandong Zhengyuanhexin Assets Appraisal Co., Ltd.

(1) Base date of assessment: February 28, 2017

(2) Scope of assessment: the assets relating to this economic activity.

(3) Assessment method: cost method.

(4) Assessment result: the book value of assets is 9,838,118,300 yuan, and assessed value is 9,855,373,300 yuan; book value of liabilities is 503,111,200 yuan, with assessed value of 503,111,200 yuan. In comparison with book value, the assessed value of above asset group is premium of 17,255,000 yuan.

#### **IV. Purpose of asset transfer and its impact on the Company**

The petrochemical business invested by Wanhua Chemical provides raw materials to its polyurethane series products, at the same time, some of the products are sold abroad. Petrochemical products have been recognized by customers since operation and developed rapidly. With the investment in other petrochemical projects, petrochemical business will be further expanded.

Therefore, the Company integrates the internal resources based on the needs of overall development strategy. To promote operational efficiency of assets, the Company decides to create a unique petrochemical business industry cluster and extend the industrial chain in depth to achieve integration advantages and optimal allocation of resources. For this purpose, Wanhua Chemical transfers the assets relating to petrochemical business to Petrochemical Corporation, with which the Petrochemical Corporation will be responsible for production, operation and sales of petrochemical series products.

This transaction is an asset transfer within the group, and has no effect on the Company's consolidated statement profit.

It is hereby notified the above.

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

August 1, 2017