

Shanghai Chlor-Alkali Chemical Co., Ltd.

600618

2013 Annual Report

March 21, 2014

Important Notice

1. The Board of Directors, the Supervisory Committee, Directors, Supervisors and senior executives of the Company ensure the content of this Annual Report is true, accurate and integrative, not having any false statement, misleading representation or significant omission, and will take joint and several legal responsibilities for the Report.
2. All the Directors of the Company attended the Board meeting.
3. Shanghai Shu Lun Pan CPA Ltd. (special general partnership) issued an auditor's report with standard and unqualified opinion for the Company.
4. Mr. Li Jun, principal of the Company, Mr. He Gang, principal in charge of accounting of the Company (accounting officer), and Mr. Lai Yonghua, head of accounting department declare to guarantee the truth, accuracy and integrity of the financial report in this Annual Report.
5. The proposal on profit distribution or the proposal on transferring of the public reserves into share capital for the report period examined by the Board of Directors: According to the financial audit report for 2013 issued by Shanghai Shu Lun Pan CPA Ltd. (special general partnership), in 2013 the net profit of the parent company was RMB 9,450,214.72, and the undistributed profit of the parent company at beginning of the year was RMB 3,126,574.04 70,479,373.59. After appropriating the statutory surplus reserves of RMB 945,021.47, the distributable profit at end of the year should be RMB 11,631,767.29, i.e., RMB 0.01 per share. The Company's proposal for distributing cash dividend in 2013 is as follows:
Based on the Company's total capital of 1,156,399,976 shares on December 31, 2013, the Company shall distribute cash dividend of RMB 0.05 (tax included) for every 10 shares held, totally distributing dividend of RMB 5,781,999.88. The undistributed profit shall be carried forward to the next year. The cash dividend to the holders of B share shall be paid in US dollars.
6. The declaration on the risk for forward looking statement
The future plan or other forward looking statement included in this Report shall not constitute the Company's substantial commitment to the investors, and we remind the investors to pay attention to the investment risks.
7. Is there any non-operational fund occupation by the controlling shareholder or by the related parties?
No
8. Is there any guarantee for outside entities in violation of the stipulated decision-making process?
No

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1. Paraphrase and Important Risk Prompt

1. Paraphrase

In this Report, except otherwise indicated, these words and expressions should have the meanings as follows:

Paraphrase for generally-used expressions		
CSRC	means	China Securities Regulatory Committee
SSRB	means	Shanghai Regulatory Bureau of China Securities Regulatory Commission
Huayi Group	means	Shanghai Huayi (Group) Company
The Company, Company, or Chlor-Alkali Chemical	means	Shanghai Chlor-Alkali Chemical Co., Ltd.
Sodium hydroxide	means	Molecular formula: NaOH; a soluble strong alkali. Sodium hydroxide is easy to be solved into water, has strong alkalinity, and can supply Na ⁺ ion. These properties make it used widely in the industries such as soap-making, textile industry, printing and dyeing, blanching, papermaking, petroleum refining, metallurgy and other chemical industries.
Chlorine gas	means	Molecular formula: Cl ₂ . As an important chemical raw material, chlorine gas is widely used in the industries such as papermaking, printing and dyeing, pigment, bleaching powder, textile industry, chemical fiber, greasem petroleum, rubber, plastic, pharmacy, disinfection, agricultural pesticide, metallurgy and electronic industry.
Paste resin	means	The Company's production for paste resin mainly adopts two processes, mixing method and seed emulsion polymerization, and the paste resin is mainly used in the products such as the artificial leather, floor leather, wall paper, toy and bottle cap.
Special resin	means	The special resin produced by the Company is mainly the customer specially-used material, the medical resin with high polymeric level such as plasma bag, infusion tube and the seal with high elasticity and the resin specially used for primary coating in automobiles.
CPVC	means	Chlorinated polyvinyl chloride, mainly used in various pipes with different caliber and the related fittings such as elbow and T-joint, the valve body and the wig.

2. Important prompt for risk:

The Company has described in details the risk factors existing in the Company in the Report. Please consult the content about the risk factors possibly faced in the outlook for future development and the countermeasures made by the Board of Directors.

2. Company Profile

1. Company information

Chinese name of the Company	Shanghai Chlor-Alkali Chemical Co., Ltd.
Short form	Chlor-Alkali Chemical
English name of the Company	SHANGHAI CHLOR – ALKALI CHEMICAL CO., LTD.
Abbreviation	SCAC
Legal representative of the Company	Mr. Li Jun

2. Contact information

	Secretary of the Board of Directors	Securities representative
Name	Xu Peiwen	Shen Qinyi
Contact address	4747 Longwu Rd., Shanghai	4747 Longwu Rd., Shanghai
Tel.	021-64340601	021-64342640
Fax	021-64341341	021-64341438
E-mail	shxpw@126.com	shqy_0227@126.com

3. Basic information

Registered address of the Company	4747, 4800 Longwu Rd., Shanghai
Zip code of registered address	200241
Business address of the Company	4747 Longwu Rd., Shanghai
Zip code of business address	200241
Website	www.scacc.com
E-mail	dshmss@scacc.com

4. Information disclosure and filing site

Newspapers for information disclosure selected by the Company	China Securities News, Shanghai Securities News, Securities Post and Hong Kong Commercial Daily
Website appointed by China Securities Regulatory Commission for carrying annual report	www.sse.com.cn
Site for filing annual report	4747 Longwu Rd., Shanghai

5. The Company's share

The Company's share			
Type of share	Stock exchange for listing of share	Share name	Share code
A share	Shanghai Stock Exchange	Chlor-Alkali Chemical	600618
B share	Shanghai Stock Exchange	Chlor-Alkali B Share	900908

6. Change of registration during the report period

1) Basic information

During the report period the Company did not have any change in its registration.

2) Consulting of the Company's first registration

For the Company's first registration, please see Brief Introduction to the Company in 2011 Annual

Report.

3) Changes in the Company's main business since its listing in the stock market

The Company has not got any change in its main business since its listing in the stock market.

4) Changes in the Company's controlling shareholder since its listing in the stock market

The Company has not got any change in its controlling shareholder since its listing in the stock market.

7. Other relevant information

Name of the public accounting firm engaged (domestic)	Name	Shanghai Shu Lun Pan CPA Ltd. (special general partnership)
	Business address	4th Floor, New Huangpu Financial Plaza, No. 61, East Nanjing Rd., Shanghai, China
	Name of the accountant for signing	China certified accountant: Sang Qimin
		China certified accountant: Ling Min

3. Financial Highlights

1. Main accounting data and financial indexes of previous 3 years before end of the report period

1) Main accounting data

Unit: RMB

Main accounting data	2013	2012	Increase or decrease than same period of last year (%)	2011
Operating income	6,974,211,654.53	6,340,883,649.76	9.99	5,762,526,037.15
Net profit attributable to shareholders of the listed Company	16,623,782.76	102,542,136.82	-83.79	229,773,339.37
Net profit attributable to shareholders of the Company, after non-recurring profit and loss	-139,868,977.14	65,211,838.90	-314.48	189,253,732.10
Net cash flow from operating activities	580,026,390.02	644,308,830.14	-9.98	710,046,662.19
	End of 2013	End of 2012	Increase or decrease (%)	End of 2011
Net assets attributable to shareholders of the Company	2,848,201,003.60	2,828,464,570.60	0.70	2,726,202,649.91
Total assets	5,992,581,029.65	6,340,132,786.82	-5.48	6,007,929,351.75

2) Main financial data

Main financial indexes	2013	2012	Increase or decrease than same period of last year (%)	2011
Basic earnings per share (RMB/share)	0.0144	0.0887	-83.77	0.1987
Diluted earnings per share (RMB/share)	0.0144	0.0887	-83.77	0.1987
Basic earnings per share after non-recurring profit and loss (RMB/share)	-0.121	0.0564	-314.54	0.1637
Return on net assets, weighted average (%)	0.5857	3.6921	Decrease by 3.11%	8.78
Return on net assets after non-recurring profit and loss, weighted average (%)	-4.9279	2.3480	Decrease by 7.28 percentage points	7.24

2. Items of non-recurring profit and loss

Unit: RMB

Items of non-recurring profit and loss	Amount in 2013	Note (if apply)	Amount in 2012	Amount in 2011
Profit and loss from disposal of non-current assets	71,743,954.84	Mainly the income from selling its equity interest in the subsidiaries Shanghai Tianyuan (Group) High Molecular Material Co., Ltd. and Shanghai Chlor-alkali Construction Antisepsis	12,512,201.40	26,696,105.82

		Installation Engineering Co., Ltd.		
Tax return and exemption approved by the authority beyond its right, or without official approval file or occasionally happened	1,120,000.00	Received fund for support to the enterprise	3,754,074.00	1,972,983.85
Government subsidy attributable to profit and loss of current period, except such government subsidy closely related to the Company's normal business operation, meeting the regulation of national policy and enjoyed constantly in certain quota or quantity according to a certain standard	111,427,687.60	Mainly the received project subsidy for adjustment of industrial structure	7,605,127.69	34,105,987.51
The income generated when the cost for the Company acquiring the investment in the subsidiaries, affiliated enterprises and the joint ventures is less than the fair value of the recognized net assets of the invested units enjoyed while acquiring the investment			7,427,541.47	
The profit and loss from change of fair value due to holding of tradable financial assets and tradable financial liabilities and the income acquired from disposal of tradable financial assets, tradable financial liabilities and salable financial assets, except that from the effective hedge business related to the Company's normal operating business			136,030.13	125,484.00

Return of provision for depreciation of receivables with depreciation tested individually				7,405,732.81
Other non-operating revenue and expenditure other than above items	7,086,532.41	Mainly the fund non-payable due to long account age in disposal	2,528,619.33	81,716,513.82
Other profit and loss items meeting the definition of non-recurring profit and loss	-35,532,990.89	The unemployment compensation to the employees due to production halt of the Company's important production unit F2 caused by the need for the adjustment of industrial structure and the energy-saving and emission reduction	4,311,535.50	-115,863,185.50
Impact of minority interests	-32,543.41		-876,846.11	4,554,376.69
Impact of income tax	680,119.35		-67,985.49	-194,391.73
Total	156,492,759.90		37,330,297.92	40,519,607.27

3. Items measured with fair value

Unit: RMB

Item	Beginning balance	Closing balance	Change in current period	Impact on profit of current period
Salable financial assets	9,905,288.69	10,926,604.39	1,021,315.70	0.00
Total	9,905,288.69	10,926,604.39	1,021,315.70	0.00

4. Report of the Board of Directors

1. Discussion and analysis of the Board of Directors on the operation status during the report period

The year of 2013 is still a hard year for Chinese chlor-alkali industry. Under the background that the world economy is increasing slightly in uncertain status and the domestic economy is still facing the downward pressure, the chlor-alkali industry, as a basic chemical industry, is running with severe difficulties. In the whole year, this industry got three changes. First, the increasing speed of production capacity was slowed down remarkably. According to the statistics of China Chlor-Alkali Industry Association, as off the end of 2013, in China the production capacity of sodium hydroxide was 38,500,000 tons, an increase of 3.05% than previous year, and the production capacity of PVC was 24,760,000, an increase of 5.77% than previous year. Among them, the newly-increased production capacities for sodium hydroxide and PVC are respectively 3,610,000 tons and 2,860,000 tons, and the reduced production capacities for sodium hydroxide and PVC are respectively 2,470,000 tons and 1,510,000 tons. This means the production capacity of the chlor-alkali industry is under adjustment. Secondly, the profitability space was narrowed further. The price of upstream resource was rising slightly, but in the whole year the price of the end product, sodium hydroxide, was dropping by about 15%, and the price of PVC was also very low. So it is impossible to make up the loss of chlorine with the profit of alkali. More than of the enterprises in the chlor-alkali industry have got loss. Especially all the PVC products have got loss. Thirdly, the competition structure has been changed. The enterprises lacking resources and industrial chain have gradually disappeared, while the enterprises possessing resources and market demand are developing based on industrial park mode and recycling economy mode and are striving to make reorganization.

The Company analyzed the situation and overcame the difficulties actively, promoted the strategy of "transformation through innovation and upgrading" steadily, strived to win profit and liquidize the stock asset actively and stably. Due to the joint efforts of all the employees and the strong support of Huayi Group, the Company has finally realized the profit target drawn at beginning of the year. In 2013, the Company realized gross operating income of RMB 6,974,000,000, increasing by 9.99% than previous year, gross profit of RMB 31,310,000, increasing by 72.76% than previous year, net profit attributable to shareholders of the Company of RMB 16,620,000, decreasing by 83.79% than previous year, and investment income of RMB 144,130,000, increasing by 33% than previous year.

1) Analysis on main business

(1) Analysis on changes in relevant items in the income statement and cash flow statement

Unit: RMB

Item	Current period	Same period of last year	Change ratio (%)
Operating income	6,974,211,654.53	6,340,883,649.76	9.99
Operating cost	6,344,195,298.75	5,700,714,055.07	11.29
Selling cost	193,012,461.43	151,977,833.76	27.00
Management cost	416,638,560.56	334,096,291.86	24.71
Financial expenses	111,801,208.77	120,850,845.04	-7.49
Net cash flow from operating activities	580,026,390.02	644,308,830.14	-9.98
Net cash flow from investment activities	-247,218,330.78	-332,740,540.86	26.33
Net cash flow from financing activities	-327,297,981.40	-251,796,453.62	-29.99
Expenditure on R&D	42,071,822.11	47,492,856.85	-11.41

(2) Income

A) Analysis on the factors influencing the Company's products income mainly from sales of goods

Unit: '0000 tons

Product category	Item	2013	2012	Increase or decrease (%)
Polyvinyl chloride resin	Sales volume	15.47	21.16	-26.89
	Output	16.76	21.68	-22.69
	Inventory	0.31	0.25	24.00
Sodium hydroxide	Sales volume	74.80	71.67	4.37
	Output	73.19	72.69	0.69
	Inventory	0.01	1.68	-99.40

Factor analysis:

The output and sales volume of polyvinyl chloride resin decreased than same period of last year, and this is mainly because the rise of the price of ethylene and big loss of gross profit made the Company to reduce production volume of this year to reduce the loss.

B) Main customers

Unit: RMB

Total of sales amount to top 5 customers		2,366,618,471.01	Ratio in total sales amount	33.93%
Information of top 5 customers				
No.	Name of customer	Sales amount	Ratio in annual sales amount (%)	
1	Shanghai Longhuixing Chemical Import & Export Co., Ltd.	675,534,859.88	9.69	
2	Bayer Material Technology (China) Co., Ltd.	549,693,381.59	7.88	
3	Shanghai Lianheng Isocyanic Ester Co., Ltd.	503,532,580.53	7.22	
4	Shanghai BASF Polyurethane Co., Ltd.	389,725,892.60	5.59	
5	Shanghai Rongkun Trade Co., Ltd.	248,131,756.41	3.56	
Total		2,366,618,471.01	33.94	

(3) Cost

A) Cost analysis

Unit: RMB

By sectors						
Sector	Component of cost	Current period	Ratio in total cost (%)	Same period of last year	Ratio in total cost (%)	Change ratio between the current period and same period of last year (%)
Industry	Direct material	3,543,812,672.61	56.45	3,625,728,952.18	64.29	-2.26
	Direct labour	122,690,121.16	1.95	137,128,536.73	2.43	-10.53
	Power	353,590,656.79	5.63	458,488,875.12	8.13	-22.88
	Manufacturing cost	533,631,687.86	8.50	549,705,596.11	9.75	-2.92
	Total	4,553,725,138.42	72.54	4,771,051,960.14	84.60	-4.56
Construction	Direct material	847,321.23	0.01	1,022,365.18	0.02	-17.12

	Direct labour	2,095,440.22	0.03	1,055,586.00	0.02	98.51
	Manufacturing cost	19,904,665.69	0.32	8,076,580.79	0.14	146.45
	Total	22,847,427.14	0.36	10,154,531.97	0.18	125.00
Trade income	Purchase cost	1,702,287,777.63	27.12	858,493,245.91	15.22	98.29
By product						
Product	Component of cost	Current period	Ratio in total cost (%)	Same period of last year	Ratio in total cost (%)	Change ratio between the current period and same period of last year (%)
PVC	Direct material	1,120,840,740.78	17.85	1,533,080,794.00	27.18	-26.89
	Direct labour	34,198,442.96	0.54	31,265,079.64	0.55	9.38
	Power	174,928,497.51	2.79	204,340,796.70	3.62	-14.39
	Manufacturing cost	153,861,264.90	2.45	168,084,688.71	2.98	-8.46
	Total	1,483,828,946.15	23.64	1,936,771,359.05	34.33	-23.39
Sodium hydroxide	Direct material	766,943,649.79	12.22	720,445,733.90	12.77	6.45
	Direct labour	15,567,915.32	0.25	13,649,198.48	0.24	14.06
	Power	68,353,774.89	1.09	149,058,139.46	2.64	-54.14
	Manufacturing cost	140,535,329.16	2.24	136,287,963.52	2.42	3.12
	Total	991,400,669.16	15.79	1,019,441,035.36	18.08	-2.75
Chlorine products	Direct material	1,587,487,697.19	25.29	1,363,607,981.53	24.18	16.42
	Direct labour	22,972,608.30	0.37	23,430,353.36	0.42	-1.95
	Power	99,822,584.08	1.59	99,598,481.23	1.77	0.23
	Manufacturing cost	197,330,597.08	3.14	199,051,377.71	3.53	-0.86
	Total	1,907,613,486.65	30.39	1,685,688,193.83	29.89	13.17

B) Main suppliers

Unit: RMB

Total of purchase amount from top 5 suppliers		3,424,498,610.38	Ratio in total purchase amount	49.62%
Information of top 5 suppliers				
No.	Name of customer	Sales amount	Ratio in annual sales amount (%)	
1	Shanghai Municipal Electric Power Company Jinshan Power Supply Branch	998,728,701.31	14.47	
2	Shanghai Secco Petrochemical Industry Co., Ltd.	977,936,916.53	14.17	
3	Sinopec Chemical Sales Co., Ltd. East China branch	676,219,053.40	9.80	
4	Shanghai Haohan Chengying International Trade Co., Ltd.	400,175,662.39	5.80	
5	Sinopec Shanghai Petrochemical Co., Ltd. (oil refining chemical department)	371,438,276.75	5.38	

Total	3,424,498,610.38	49.62
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(4) Expenses

Unit: RMB

Item	2013	2012	Increase or decrease (%)
Selling cost	193,012,461.43	151,977,833.76	27.00
Management cost	416,638,560.56	334,096,291.86	24.71
Financial expenses	111,801,208.77	120,850,845.04	-7.49
Income tax expense	5,990,994.17	3,783,886.50	58.33

Analysis on reasons for change of expenses:

- The selling cost increased by 27.00% than the same period of last year, and this is mainly caused by the increase of freight and dock dredging expenses for selling of the goods in this year.
- The management cost increased by 24.71%, and this is mainly caused by the increase of the employee coordination fee in this year than previous year.
- The expense of income tax increased by 58.33% than the same period of last year, and this is mainly caused by increase of the profit of the subsidiaries within the consolidation range this year.

(5) Expenditure on R&D

A) Expenditure on R&D

Unit: RMB

The cost of R&D expenditure	33,266,727.15
Capitalization of R&D expenditure in current period	8,805,094.96
Total of R&D expenditure	42,071,822.11
Ratio of total R&D expenditure in net assets (%)	1.43
Ratio of total R&D expenditure in operating income (%)	0.60

B) Explanation

In 2013 the Company's R&D was mainly concentrated on the optimization of industrial chain and new material development with the main research projects such as the "process development for chlorine gas made through catalytic oxidation of hydrogen chloride", the "research on processing application for chlorinated polyvinyl chloride" and the "development on specific polyvinyl chloride resin". For the "process development for chlorine gas made through catalytic oxidation of hydrogen chloride" project, the Company, based on the initial small batch test, designed and developed a pilot-plant with the output of kiloton level. The pilot-plant was started on May 18, and all the process parameters with the conversion rate of hydrogen chloride as key factor have all met the design indexes. For the project of "research on processing application for chlorinated polyvinyl chloride", the Company mainly conducted the research on the processing formulation for chlorinated polyvinyl chloride specially used in cars and improved the formulation for tubing and fittings of chlorinated polyvinyl chloride. For the project of "development on specific polyvinyl chloride resin", the Company mainly conducted the specific research on the differentiating resin to enhance further the Company's competitive advantage in this aspect.

(6) Cash flow

Unit: RMB

Item	2013	2012	Difference
Net cash flow of operating activities	580,026,390.02	644,308,830.14	-64,282,440.12

Net cash flow of investment activities	-247,218,330.78	-332,740,540.86	85,522,210.08
Net cash flow of financing activities	-327,297,981.40	-251,796,453.62	-75,501,527.78

Note:

- The decrease of net cash flow of operating activities is mainly because the decreasing of the selling price of products and the rising of the raw material cost makes the cash flows out.
- The increase of net cash flow of investment activities is mainly caused by the increase of cash inflow due to disposal of the subsidiaries.
- The decrease of net cash flow of financing activities is mainly caused by the repayment of loans.

(7) Other

- Detailed explanation on significant changes in the profit structure or profit source of the Company

Unit: RMB

Item	2013	2012	Increase or decrease (%)
Loss from assets depreciation	116,423,625.78	23,403,016.12	397.47
Investment income	144,125,008.27	108,360,721.34	33.00
Operating profit	-88,579,797.32	94,619,406.41	-193.62
Non-operating revenue	122,523,307.47	22,748,607.99	438.60
Gross profit	31,313,721.71	114,949,756.38	-72.76
Net profit	25,322,727.54	111,165,869.88	-77.22

Note:

- The increase of loss from assets depreciation is caused by the increase of provision for impairment of fixed assets appropriated in current year than previous year.
- The increase of investment income is caused by the increase of the investment income from disposal of long-term equity investment.
- The increase of non-operating revenue is mainly caused by the government subsidy received due to production halt of F2 sodium hydroxide unit this year.
- The decrease of operating profit, gross profit and net profit is mainly caused by the decrease of the selling price of the Company's leading products due to market impact and the impact of above factors.

(2) Explanation on the progress of the development strategy and management plan

During the report period the Company promoted firmly the strategy of "transformation through innovation and upgrading", strived to win profit and liquidized the inefficient stock asset actively and stably. In 2013 the Company finally realized profit, increasing by 124% than the profit target raised by the Board of Directors at beginning of the year.

(a) Promoted firmly the strategy of "transformation through innovation and upgrading"

The Company has defined the development targets for the three years after the 12th Five-year Plan. In 2013 the Company formulated the action plan for the three years (2013-2015) after the 12th Five-year Plan. The plan has defined the development goal for future three years: optimize the Company's industrial chain through technical advancements; realize the Company's cross-cities development through implementation of the "going-out" strategy; transform to become a company with advanced material through concentrating the advanced material into the Chemical Park.

The Company continues to speed up the concentration and upgrading in the Chemical Park. In 2013 the Company, based on the development target of this action plan, further speeds up the concentration and upgrading in the Chemical Park to become a most competitive supplier for

chlorine resource. It promoted the project of low temperature ethylene tank steadily. For this project, it got the approval for environmental assessment in May 2013 and the approval for permission in June 2013. At end of the year it completed basically the detailed design and entered the period for open bidding and preconstruction for this project. The Company started the construction plan for the high performance chlorinated polyvinyl chloride project with output of 80,000 tons per year. It has completed the location selection and preparing of the feasibility study report for the first-stage of the high performance chlorinated polyvinyl chloride project with output of 40,000 tons per year, started the project preparatory work such as safety assessment and environmental assessment, and passed the evaluation of the Company's investment committee. The Company also joined the projects of the downstream enterprises in the Chemical Park, such as the expansion project of Shanghai Lianheng Isocyanic Ester Co., Ltd., the cooperation negotiation for the first-stage expansion project of Bayer Jinhu and other production expansion plans of the down stream enterprises.

The Company continued to deepen the adjustment and integration in Wujing. In February 2013, the Company closed the F2 type ion exchange membrane sodium hydroxide electrolysis unit (output of 150,000 tons per year) in Wujing to reduce the carbon emission and save 100,000 tons of standard coal per year. It then made arrangement actively for the unemployed staffs and the production balancing to ensure a stable closing of the unit. It strived to apply for the specific subsidy for adjustment of industrial structure and other support policies for energy-saving and emission reduction from Shanghai government. In this year it obtained the subsidy of RMB 101,310,000, thus reducing the influence on its economic efficiency. The Company regulated timely the utilities in Wujing area to reduce the consumption of water and electricity. It promoted the new technique for chlorine production, i.e., the pilot plant of chlorine production through hydrogen chloride catalytic oxidation with kiloton -level. In May 2013 the plant started successfully and entered the trial run stage, and the conversion rate of hydrogen chloride is higher than the design value. Now the Company has stated to prepare the industrialization process software package for the chlorine production project through hydrogen chloride catalytic oxidation with 100,000 ton level.

(b) The Company did all its best to avoid loss and win profit

Since the second half-year of 2013, the Company's production operation has faced unprecedented difficulties and its performance has greatly fallen down. In order to realize the earnings target set at beginning of the year, the Company made every efforts to take measures, mobilized all its staff members to contribute their wisdoms, and formulated an operable plan for avoid loss and win profit covering all the departments such as production, sales and management, so that it could enhance the strong implementation force and realize the control targets in all aspects. It implemented a dynamic management, requesting the report for targets every week to ensure all the targets controlled.

All the departments have carried out related measures. The production department enhanced the output of the profitable products through optimization of production and product structure. It controlled effectively the production costs through strict control of unit consumption for dissipation of energy, regulating of utilities and reduction of repair cost. The purchase department reduced the purchase cost through prior consumption of storage material, reduction of the price of purchased material and optimization of the structure of industrial salt. The marketing department maximized the product profit through active adjustment of area structure and sales structure and promoting of differentiated marketing. The commercial department maintained the cooperative win-win trade mode through strengthening of supervision and implementation of important contracts and increasing of contract fulfillment ratio and plan execution rate. The financial department reduced the financial expenses through reasonable arrangement of fund debt and credit. Other functional department controlled effectively the management cost through strengthening of cost management. The production factories ensured the indexes for all the unit consumption for dissipation of energy controllable through strict production management and operation. Through associated efforts of all the staff members, the Company has finally realized the goal of avoiding loss and winning profit.

(c) The Company liquidized actively and stably the inefficient stock assets

The Company transferred its equity interest in the Polymer Molecular company to get investment income and support its economic performance. Due to the strategic adjustment and development need, in recent years the Company started many investment projects, so it has got a big fund pressure. For long time Shanghai Tianyuan (Group) Polymer Molecular Material Co., Ltd. has run not very well, and the equity investment in this company has become the Company's deposit asset with no investment income. In order to release the pressure of fund needed for strategic adjustment and development, the Company transferred this equity interest to Shanghai Huayi (Group) Company after evaluation. This can liquidize the stock asset, providing investment income of RMB 70,000,000, and support strongly the Company's economic performance of current period.

The Company found the way for the sodium hydroxide unit in Wujing to liquidize the stock asset. The halt of F2 sodium hydroxide unit in 2013 means all the sodium hydroxide units have exited from Wujing base. In order to liquidize the stock asset, the Company made a strategic research on the transformation and upgrading for industrial chain and the industrial merger and get a new thought of transferring the assets such as F2 electrolysis unit to the target chemical park and forming a plan on F2 physical investment. The Company organized a strong team to find the chemical park suitable to the Company's long-term development, checking the general planning, advantages and stock liquidation in all aspects. The Company has clarified the cooperation intention through many negotiations and now is just preparing the investment plan.

2) Analysis on industries, products and area operation

(1) Main business divided by sectors and products

Unit: RMB

Main business by sectors						
Sector	Operating income	Operating cost	Gross profit rate (%)	Increase or decrease of operating income (%)	Increase or decrease of operating cost (%)	Increase or decrease of gross profit rate (%)
Industry	5,149,005,804.89	4,553,725,138.42	11.56	-3.84	-4.56	Increase by 0.67 percentage points
Construction	24,395,615.41	22,847,427.14	6.35	131.23	125.00	Increase by 2.60 percentage points
Trade income	1,722,461,009.65	1,702,287,777.63	1.17	97.02	98.29	Decrease by 0.64 percentage points
Total	6,895,862,429.95	6,278,860,343.19	8.95	10.52	11.33	Decrease by 0.66 percentage points
Main business by products						
Product	Operating income	Operating cost	Gross profit rate (%)	Increase or decrease of operating income (%)	Increase or decrease of operating cost (%)	Increase or decrease of gross profit rate (%)
PVC	1,256,169,474.95	1,483,828,946.15	-18.12	-24.40	-23.39	Decrease by 1.55 percentage points
Sodium hydroxide	1,372,731,114.65	991,400,669.16	27.78	-15.82	-2.75	Decrease by 9.70 percentage points
Chlorine products	2,268,496,154.68	1,907,613,486.65	15.91	21.69	13.17	Increase by 6.34 percentage points
Other	1,998,465,685.67	1,896,017,241.23	5.13	84.54	90.02	Decrease by 2.73 percentage points
Total	6,895,862,429.95	6,278,860,343.19	8.95	10.52	11.33	Decrease by 0.66

						percentage points
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(2) Main business divided by area

Unit: RMB

Area	Operating income	Increase or decrease than previous year (%)
China	6,439,977,408.52	9.95
Other countries	455,885,021.43	-23.47
Total	6,895,862,429.95	6.87

3) Analysis on the assets and liabilities

(1) Analysis on assets and liabilities

Unit: RMB

Item	Closing balance	Ratio of closing balance in total assets (%)	Closing balance of previous period	Ratio of closing balance of previous period in total assets (%)	Change ratio of closing balance (%)
Other receivables	1,481,952.65	0.02	10,779,462.95	0.17	-86.25
Construction in progress	142,900,085.66	2.38	455,983,782.08	7.19	-68.66
Engineering materials	1,914,050.52	0.03	7,136,262.70	0.11	-73.18
Development expenditure	8,805,094.96	0.15	128,547.41	0.00	6,749.69
Long-term prepaid and deferred expenses	16,776,930.53	0.28	26,981,667.67	0.43	-37.82
Wages payable	947,961.82	0.02	47,483,968.60	0.75	-98.00
Tax payable	62,085,362.46	1.04	43,546,800.74	0.69	42.57
Long-term loan	0.00	0.00	64,000,000.00	1.01	-100.00

Note:

- a) Other receivables: caused by decrease of the input tax transferred in for deduction in current period.
- 2) Construction in progress: mainly because the dock expansion project has been completed and carried forward to fixed asset.
- 3) Engineering material: special equipment used for construction in progress.
- 4) Development expenditure: new development expenditure for project increased in current period.
- 5) Long-term prepaid and deferred expenses: because the halt of F2 ion exchange membrane alkali unit makes the ion exchange membrane not amortized yet transfer to management cost of current period.
- 6) Wages payable: the compensation for release employment relation.
- 7) Tax payable: the increase of the value added tax unpaid in current period.
- 8) Long-term loan: decrease of loan.

4) Analysis on core competitive power

(1) Profit advantage of the integration mode

The Company implemented the integration mode in the Chemical Park, adopt the pricing

mechanism of "cost formula method" to offset the cost rising basically. While selling chlorine, it should also sell sodium hydroxide in certain ratio. It established a compensation mechanism for the risk in contract implementation to ensure a stable supply relation between the two parties. The integration mode enhanced the Company's ability in long-term stable existing and development and ensured the downstream customers to obtain the long-term and stable supply of reliable chlor-alkali products. This has really demonstrated the situation of mutual benefit and win-win, and also established the firm base for upgrading of the integration mode. At present, MDI, TDI and PC are still under a growth stage with high speed, having a good industrial prospect. 2016 will be the second booming cycle of MDI industry and the downstream enterprises have already had the production expansion plan. Therefore, the Company will still have profitability advantage with its integration mode in the Chemical Park.

(2) Comprehensive advantages of the international cooperative partners

The Company's downstream partners are all the multinational enterprises with the history of more than 100 years and plentiful of technology resources. Based on the cooperation with the Company's industrial chain, such companies will further make technical cooperation with the Company, because the Company is of the condition for integrating fully the technology resources of all parties and can conduct the technical industry upgrading. Besides, the MDI expansion project of Shanghai Lianheng Isocyanic Ester Co., Ltd. and the first-stage production expansion project of Bayer Jinhu have brought development chance for the Company's industrial upgrading in the Chemical Park.

(3) The advanced material has a vast growth space

The new material of chlorinated polyvinyl chloride self-developed by the Company has not only filled the blank in this domestic new material field, but also made an important step forward in developing green chemical industry and expanding new material field. In September 2011 the chlorinated polyvinyl chloride unit with output of 10,000 ton level started the industrial production successfully. At end of 2013, through combination of domestic and international trade the sales volume of the Company's chlorinated polyvinyl chloride had realized a big increase, the unit making production in full and all the products sold in full. The Company has formally promoted the specific mixtures in market since March 2013 and got success in market; the customers are mainly in overseas market.

5) Analysis on investment

(1) General analysis on equity investment

Unit: RMB'0000

Item	Closing balance	Beginning balance	Increase or decrease	Increase or decrease (%)
Long-term equity investment	44,785.20	38,691.80	6,093.40	15.75
Incl.: Long-term equity investment measured with equity method	18,764.17	12,670.77	6,093.40	48.09
Long-term equity investment measured with cost method	26,021.03	26,021.03	0.00	0.00

Analysis on reason for change of equity investment:

- a) Long-term equity investment measured with equity method increased by 48.09% than the same period of last year, and this is mainly caused by the increase of long-term equity investment due to the investment income confirmed in current period.

Information of invested companies

Unit: RMB'0000

Name of invested company	Business nature	Investment cost	Ratio in the equity of	Remark
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			invested company (%)	
Shanghai Huntsman Polyurethane Co., Ltd.	Refine of MDI and polymer	14,598.89	30	Equity method
Shanghai Lianheng Isocyanic Ester Co., Ltd.	Produce and sell the chemicals related to raw MDI	13,996.15	15	Cost method
Shanghai Huayi Tianyuan Chemical Logistics Co., Ltd.	Logistics	7,540.66	16.64	Cost method
Shanghai Huayi Group Finance Co., Ltd.	Financial company	3,000.00	10	Cost method
Suzhou Tianyuan Logistics Ltd.	Logistics	134.09	13.5	Cost method
Beijing Yinzhaoyang Information Technology Co., Ltd.	Consultation for information technology	164.61	16	Cost method

(a) Equity interest in other listed companies held

Unit: RMB

Share code	Share name	Initial investment cost	Closing balance of book value	Gain or loss in the report period	Change in owner's equity during the report period	Bookkeeping operation items	Source of share
600636	3F	360,000	6,143,834.40	59,386.80	-998,778.00	Salable financial assets	Legal person share
600623	Double Coin Share	690,000	1,372,800.00	14,300.00	175,890.00	Salable financial assets	Legal person share
600610	S China Textile Machinery	2,095,000	2,095,000.00			Long-term equity investment	Legal person share
600688	Shanghai Petrochemical	900,000	900,000.00	15,000.00		Long-term equity investment	Legal person share
600637	Know-all	86,967	3,215,169.99		1,835,003.70	Salable financial assets	Legal person share
600082	Haitai Development	20,000	194,800.00		9,200.00	Salable financial assets	Legal person share
Total		4,151,967	13,921,604.39	88,686.80	1,021,315.70	/	/

(b) Equity interest of non-listed financial firms held

Name of the firm	Initial investment amount (RMB)	Shares held	Closing balance of book value (RMB)	Profit and loss during the report period (RMB)	Bookkeeping operation items	Source of share
Shenyin & Wanguo Securities Co., Ltd.	1,250,000	1,760,000	1,250,000.00	176,000.00	Long-term equity investment	Legal person share

Bank of Shanghai Co., Ltd.	150,000	1,049,302	7,307,758.85	199,367.38	Long-term equity investment	Legal person share
Total	1,400,000	2,809,302	8,557,758.85	375,367.38	/	/

(2) The trust management and derivatives investment

a) Entrusted financing

In this year the Company did not have any entrusted financing.

b) Entrusted loan

In this year the Company did not have any entrusted loan.

(3) Utilization of the raised fund

During the report period the Company did not raise any capital or had raised capital left over from previous period used in this period.

(4) Analysis on main subsidiaries and joint-stock companies

a) Operation status of the controlled companies

Unit: RMB'0000

Name of company	Business nature	Registered capital	Assets volume	Net profit
Shanghai Dakai Plastic Co., Ltd.	Plastic membrane and its deep processing	4,347.76	15,014.83	-349.07
Shanghai Jinyuan Water Plant Tap Water Co., Ltd.	Tap water	900	1,189.32	161.78
Shanghai Chlor-Alkali Machinery Co., Ltd.	Maintenance and engineering construction of petrochemical devices	3,000	2,315.39	170.10
Shanghai Ruisheng Enterprises Co., Ltd.	Trade	500	4,420.45	531.90
Shanghai Luwei Plastics Co., Ltd.	Production for CPVC tubing and fittings	5,000	4,525.56	-779.99
Shanghai Tiantai Addition Agent Co., Ltd.	Produce antistatic agent and levelling agent	3,300	18,647.09	2,055.06

b) Individual controlled subsidiaries with its net profit or its investment income's impact on the Company's net profit over 10%

Unit: RMB'0000

Name of company	Business nature	Main product or service	Main business income	Main business profit	Net profit	Investment income from the joint stock company	Ratio in net profit of the listed Company (%)
Shanghai Tiantai Addition Agent Co., Ltd.	Production and sale of chemical products	Chemical reagent and additive	23,718.12	5,453.65	2,055.06	904.23	35.71
Shanghai Ruisheng Enterprises Co., Ltd.	Trade	Sales of chemical raw material and products	81,366.43	1,812.99	531.90	531.90	21.01

Shanghai Luwei Plastics Co., Ltd.	Production and sale of chemical products	Production for CPVC tubing and fittings	1,256.42	-192.55	-779.99	-545.99	-21.56
Shanghai Dakai Plastic Co., Ltd.	Production and sale of chemical products	Plastic membrane and its deep processing	8,787.87	427.95	-349.07	-314.16	-12.41
Shanghai Huntsman Polyurethane Co., Ltd.	Production and sale of chemical products	Refine of MDI and polymer	356,088.24	39,277.07	20,311.33	6,093.40	240.63

(5) Projects with non-raised capital

Unit: RMB'0000

Project name	Project amount	Project progress	Investment amount in current year	Total actual investment amount	Status of project income
Low temperature ethylene storage and transportation unit project	23,845	For this project, it got the approval for environmental assessment in May 2013 and the approval for permission in June 2013. At end of the year it completed basically the detailed design and entered the period for open bidding and preconstruction for this project.	0	0	This is the preparing period for the project, and construction has not been started yet.
Total	23,845	/	0	0	/

2. Discussion and analysis of the Board of Directors on future development of the Company

1) Competition situation and development trend in the industry

(1) Policy direction

Based on the data analysis of recent three years, PVC industry has increased the capacity of 7,860,000 tons and reduced the capacity of 3,530,000 tons. The trend of capacity reducing is rising and concentrated in calcium carbide process. As to the capacity increasing trend, in 2014 all over China, the increased capacity of PVC shall be 3,230,000 tons, including 800,000 tons of PVC produced with ethylene method. The PVC with ethylene method will increase in future, and the trend of PVC unit moving westward will be descending in China. In 2014, the Company will still have the plan of the new unit for sodium hydroxide with new capacity of 5,000,000 tons put into production. According to previous experience, the actual production capacity should be about 50% to 60%, and still there will be a part of bad production capacity exit in 2014. Therefore the net increased production capacity in 2014 will be about 1,500,000 tons to 2,000,000 tons, much smaller than before. This is because the government's policy direction for energy-saving and emission reduction and the requirements and limitation of the severe policies for environmental protection, energy-saving and safety make the energy price and environmental protection cost in west China rising. This causes the support of local coal resource, water resource and environment carrying capacity to the production capacity of chlor-alkali much more difficult. The period featured with disorder of simple extensive expansion has passed already. In future three to five years, removing production capacity will be normal for this industry.

(2) Market pressure

As an international metropolis, Shanghai keeps to enhance the lower existing limit of the basic

chemical enterprise. In September 2013 Shanghai raised the price of industrial water, and then in January 2014 it again raised the price of industrial electricity, much higher than previous year. In recent years the production capacity of ethylene in Northeast Asia has decreased, and in April 2014 the ethylene units were overhauled. All these has tightened the supply, the ethylene price keeps very high and the raw material cost is further rising. However the price of chlor-alkali is still very low, so the difference between the raw material and the finished products will be further bigger.

(3) Be driven by transformation

In China, the period when the real estate industry drove Chinese economy developing in high speed for 10 years has passed, but the demand for construction material due to urbanization construction is rising. Meanwhile, the export market for PVC is expanding. In 2013 in China, the quantity of imported PVC was basically stable, while the exported quantity was rising quickly, reaching 660,000 tons. The Company focuses on the rapidly developed PVC market in South Asia and tries to grasp the chance in downstream market in advance. This will support the revival of the chlor-alkali industry.

In the world, the maturity of the technique for ethylene produced with shale gas in North America will make distinct impact on the naphtha ethylene and natural gas ethylene. This will influence the investment pattern for global ethylene and downstream derivatives in future 5 to 10 years. The development of shale gas industry has already made the North America become one of the low-cost region for petrochemical industry. The rise of the U.S. ethylene production has even made huge menace on the Middle East ethylene market with great price advantage, so the global energy structure will be faced with reorganization. The competition among crude oil, coal and natural gas is just equal to the competition among the PVC with light oil method, the PVC with calcium carbide process and the PVC with natural gas. This will make impact on Chinese PVC market, but also provide the chance for Chinese chlor-alkali enterprise to join the international competition.

2) Development strategy of the Company

In 2013 the Company formulated the action plan for the three years (2013-2015) after the 12th Five-year Plan and defined the development goal for the Company in future three years. Shanghai Chemical Industry Park: upgrade and improve the industrial chain to boost the competitive power; expand the development space and concentrate the advanced material to consolidate the status of main battlefield. Wujing area: speed up the step and force in adjustment and build the base for R&D of advanced material and demonstration of fruit industrialization for the Company. Cross-city development: implement the strategy of "going out" and realize the Company's development through merger and construction.

In the three years, the Company will speed up the construction for the key projects such as 30000m³ low temperature ethylene tank, the high performance chlorinated polyvinyl chloride unit with the capacity of 40,000 tons per year, the chlorine producing unit through hydrogen chloride catalytic oxidation with the capacity of 120,000 tons per year and the Epoxy ethane unit with the capacity of 100,000 tons per year, join the capacity expansion plan of Lianheng and Bayer, the downstream enterprises in the Chemical Park, implement the orderly exit from Wujing base and implement the strategy of "going out".

In order to achieve above goals, the Company will focus on followings:

- (1) Improve the industrial chain in the Chemical Park to share the high return. In 2014 the Company will further supplement and optimize the industrial chain in the Chemical Park, so that it can share the return through improving and expanding the industrial chain and enhance the value of integration. It will actively join the expansion project of Shanghai Lianheng Isocyanic Ester Co., Ltd., the downstream enterprise in the Chemical Park and increase the investment in polyurethane industry to realize the Company's transforming to new material field and share the investment return. It will conduct well the negotiation for the chlorine demand in Bayer's first-stage Jinhu project and the negotiation for renewing the supply contract with the downstream enterprises in the Chemical Park, so that the Company

will become a chlorine supplier with best competitive power and will consolidate the win-win commercial mode. The Company will promote the construction for key projects such as the low temperature ethylene tank and the high performance chlorinated polyvinyl chloride with the capacity of 40,000 tons per year, speed up the industrialization of the self-owned intellectual property right technology, producing chlorine through hydrogen chloride catalytic oxidation, and improve and optimize the industrial chain.

- (2) Go out firmly to exploit new development. Faced with domestic and international markets, the Company will breakthrough area limit to exploit new development. First is "going out from chlor-alkali industry". While keeping the market competitive power for existing products, the Company will focus on the long-range development, make adjustment initiatively, improve the industrial arrangement, enrich the product structure, exploit actively the products with bigger added-value such as new material and polymer, grasp the market share of high-end chemical products or fine chemical products, reduce the market risk for single product, and enhance the Company's whole profitability. Second is "going out from Shanghai". The Company will actively follow the policy direction for economic transformation and upgrading in Shanghai and the objective need for improving the ecological environment and strive to make preparation for exit from Wujing area. While optimizing and strengthening the industrial chain in the Chemical Park, it will focus on transferring to other suitable areas of China to enhance the Company's market competitive power with the help of more favorable policy environment, better supporting facilities and cheaper cost, and strive to build the industrial park with scale effect and competitive advantage. Third is "going out from China". The Company will join the globalization competition with the manner of maturity and self-confidence, strive to make international merger based on relevant government policy for encouraging investment abroad, demand on exploiting international market and accurate evaluation and scientific planning, obtain cheaper raw material, more advanced technology resource and more plentiful market resource through merger or reorganization of the high quality assets abroad, enhance its competitive power in international market, and strive to enhance the Company's right of discourse in the chemical industry.
- (3) Liquidize the inefficient stock assets in Wujing with high quality and efficiency. Due to the reorganization of industrial structure in Wujing, after next few years Wujing will exit from production in all aspects. Therefore, the disposal for the fixed assets for which the provision for impairment appropriated or not appropriated will make significant influence on the Company's operating performance in the next several years. Therefore the Company will adopt the measure of "walking at first step, watching at second step and thinking at third step" to liquidize the inefficient stock assets. At first step: the Company will dispose the production unit with the provision for impairment of fixed assets appropriated. Mainly for the sodium hydroxide unit and calcium hypochlorite unit, the Company will implement the "going out" strategy in the way of real investment. While activating the internal value of the stock assets, it will reduce the provision for impairment of the stock assets to release the negative impact of the disposal of fixed assets on the Company's operating performance. At second step: the Company will grasp the chance for development of Shanghai International Shipping Center and tap and transfer the potential value of the pipeline between Caojing and Wujing and the pipeline between Jinshan and Wujing. At third step: The Company will strive to develop and utilize the industrial land and enhance the commercial value after Wujing base has been removed in whole.
- (4) Change the profitability mode to realize the "double driving". The Company will be transferred firmly from a single production manufacturer to the production manufacturer and service trade provider, realizing the "double driving". In 2014 through adjustment and optimization of the organization structure, the Company will enhance the management efficiency of the organization structure, better adapt to and serve the Company's development strategy. It will establish the sales company to change the single sales mode for its products, make full use of its existing marketing and management ability, grasp the new

chances in Shanghai Free Trade Zone, expand from sales of self products to service trade, and transform from high-end manufacturing to service industry.

3) Operating plan

Income planning	Cost planning	Expense planning	New year's operating objective
RMB 7.3 billion	RMB 6.7 billion	RMB 0.7 billion	Gross profit RMB 1.3 million

The strategies and actions adopted for realizing the objective:

- (1) Promote actively the construction for the projects in "main battlefield" and promote the Company's sustainable development with new technology and new project

In 2014 the Company will keep on basing itself upon the Chemical Park, optimizing the overall arrangement and promoting the construction for key projects. It will further promote the construction for the low temperature ethylene storage and transportation unit project in the Chemical Park, take effective measures to grasp the progress and ensure the project to be started for construction in this year and installed in the same year, and strive to complete this project and put it into operation at end of 2014. It will promote the preparatory work such as safety assessment and environment assessment for the high performance chlorinated polyvinyl chloride project with the capacity of 80,000 tons per year (for first stage, 40,000 tons per year), speed up the project examination process, and strive to start the construction for the project within this year. It will continue to research the application of chlorine producing technology in Huasheng Factory. Based on the successful reconstruction of the membrane polar distance of electrolysis unit A, it will continue to promote the energy-saving reconstruction of electrolysis unit B and C in 2014. At end of 2013 it completed the construction of the two-channel fixation reaction of the chlorine producing through hydrogen chloride catalytic oxidation of Huasheng Factory. On such basis, it will conduct the study on the influence of the impurity of the hydrogen chloride material on the catalyst and reaction process in the Chemical Park and strived to complete the study on the way for removing the impurities in the first quarter of 2014 to provide reliable basis for preparing the industrial process package for the chlorine producing unit with hydrogen chloride catalytic oxidation of 0.1 million ton output and set solid foundation for the Company's sustainable development in future.

- (2) Conduct the coordination of supply and marketing, optimize the operation and ensure the high load running of the units in the Chemical Park.

In 2014, the competition in the chlor-alkali market will still be furious and the product price will keep being low. The Company will continue to make the united operation between upperstream and downstream mainly and also make the united operation between Caojing and Wujing, optimize and coordinate the production run between the two areas based on the principle of benefit maximization, and decide the load and production and sale of other units according to the sales of liquid chlorine in pipeline of the downstream units in the Chemical Park. It will first ensure the running of the units in Huasheng, make the sodium hydroxide unit in full running, strive to acquire ethylene supply, produce ethylene dichloride reasonably, optimize the use of vinyl chloride, and ensure the production of the units with marginal contribution. The Company will formulate the best plans for chlorine equilibration, ethylene equilibration, ethylene dichloride equilibration and vinyl chloride equilibration to reduce the negative influence of the shortage of ethylene, further strengthen the sale of commercial hydrochloric acid and liquid chlorine, and ensure the stable and high-load running of the units in the Chemical Park.

- (3) Keep on promoting the difference marketing and complete the organization of the sales company

In 2014 the Company will make overall plans and take all factors into consideration for the domestic and overseas market, adjust flexibly the sales strategy and region ratio, subdivide the target market, conduct the differentiation marketing and technical marketing, and strive to achieve the benefit maximization based on the product optimization, region optimization, customer optimization and price optimization. For sales of sodium hydroxide, it will adhere to

the integration of the domestic and overseas trade, enhance the execution rate of long-term contracts, optimize the variety of sodium hydroxide orientated by market, adjust the structure between domestic trade and foreign trade and the customer structure, lay stress on the expansion of the local sodium hydroxide market in Shanghai. It will focus on the equilibration between ethylene, ethylene dichloride and by product acid and promote the balancing sale of the by-product acid. It should ensure the full production and full sales of ethylene dichloride. For resin products, it will execute the sales policy of differentiation based on different regions and customers to enhance the enthusiasm of downstream enterprises and search for new growth points. For sales of chlorinated polyvinyl chloride, it will continue to tackle key problems in the composite market, and if improve the formulation system for the composite, and gradually launch the composites specially used in the industrial pipeline, fire main pipeline and plates to obtain a more integrative composite product system. It will complete the organization of the sales company, and based on it, strived to expand the trade enhance the quality of the trade and conduct the sales management to prevent the fund risk. Through hard work, it will strive to make the sales volume amounted to RMB 2 billion in the whole year.

(4) Continue to expedite the development of the R&D projects

In 2014 the Company will promote the tight junction between the science and technology and the economy and find the main direction for its technological innovation based on the demand of social development to transfer rapidly the scientific results to real productive force. It will further enhance the cooperative innovation ability in science and technology. It will strengthen the cooperation between the Company and universities, the Company and scientific institutions and the Company and other enterprises in the same trade, build a R&D and application platform integrated with multiple disciplines, multiple teams and multiple technology, and an internal technical center. It will strengthen the cooperation between its branch factories, concentrate the forces to tackle key problems together, speed up the research speed for hydrogen chloride catalytic oxidation technology and special resins, and strive to get significant technical breakthrough to form a batch of high-end products with self-owned intellectual property rights and brands. 2014 will be a key year for the Company to realize the industrialization of the hydrogen chloride catalytic oxidation technology with the self-owned intellectual property rights. The Company will focus on the goal of industrialization, play a role in the innovation mechanism integrated with production, learning and research, speed up further the speed of scientific research and innovation, and achieve the adjustment and upgrading of the Company's product structure at earlier.

(5) Go out firmly to search for new development

The Company will study seriously and comprehend profoundly the viewpoints raised by the 3rd meeting of 18th central CCP committee, i.e., "make the market play a decisive role in resource allocation" and "the mixed ownership economy is the important form of basic economic system, which is favourable to the state-owned capital in magnifying its function, keeping its value and increasing its value, enhancing the competitive power, and favourable to different kinds of ownerships in taking strong points to offset weakness, promoting mutually and developing together" , and implement them in practice. In 2014 the Company will give full play to the role of the competitive advantage of the private-owned Luwei Company in market, enhance the enterprise benefit through powerful alliance between the state-owned capital and the private capital and mutual complementation between them, and try to introduce private capital into Dakai Company to excite the economic vitality and creativity of the Company. Meanwhile, based on the effective deployment in market, it will "go out" firmly to buck for the new development. The Company will go out from Shanghai to find cooperative partner, promote the investment with physical assets and merged into the high-end integrative industrial chain in the Chemical Park. It will pay attention to the world economic situation, observe closely, analyze and grasp the reorganization of the global chemical business, walk out from China and speed up the step of the Company in the transformation for internationalization.

4) Fund required for maintaining current business and completing the investment projects under construction

Due to big investment and fund pressure in the 12th Five-year Plan, the Company will continue to keep good cooperative relationship with banks and other financial institutions to stabilize the financing channels with banks. It will change its acquisition strategy in operating activities, strive to compare cost to control cost strictly, reduce stocks and reduce tying-down of capital. It will strengthen the process control for accounts receivable, improve the rate of fund recovery and increase the cash flow in production and operation. Meanwhile, it will continue to strive for the fund support of its big shareholder Huayi Group and try to find other financing channel.

5) Possible risks

(1) Risk

- (a) Risk of depressed market. In 2014 the global economy will be running at low speed, and the growing speed of domestic economy will also be slow down. For the chlor-alkali industry, the growing speed slows down distinctly due to the limitation of the policies in environment, energy-saving and safety, but the contradiction of over capacity is still very sharp, the demand in downstream market is insufficient, and the product price is at low level.
- (b) The cost risk of production halt of some main units in Wujing Base. The difference between the net value of stock assets and the realized value of assets has made significant influence on economic efficiency.
- (c) Risk from rising of the price of main raw material and energy source. The Company belongs to the basic chemical industry, and in its product cost raw material and energy source account for about 70%. Therefore it is very sensitive to the price change of raw material and energy price. The rising of the price of raw material and energy price will greatly increase the manufacturing cost.

(2) Countermeasures

- (a) Further implement the strategies and actions (1-5) to be taken for achieving the objects in the operating plan.
- (b) Stop some units in Wujing base, strive to get the specific subsidy for reorganization of an industry and the subsidy due to the policy for energy saving and emission reduction offered by Shanghai government and make the transfer of stock assets to reduce the influence on the efficiency of current period to smallest level.
- (c) Pay high attention to the influence of the international development of shale gas on the petrochemical industry chain and conduct the strategy of introducing the low cost ethylene resource in advance.

3. The explanation of the Board of Directors on the Non-standard Auditor's Report by the public accounting firm

- 1) The explanation of the Board of Directors and the Supervisory Committee on the Non-standard Auditor's Report by the public accounting firm

√ Not applicable

- 2) The analysis and explanation of the Board of Directors on the reason and influence of the changes in the accounting policy, accounting estimate or accounting method

√ Not applicable

- 3) The analysis and explanation of the Board of Directors on the reason and influence of the correction for important previous mistakes

√ Not applicable

4. Proposal on profit distribution or on capital reserves transferred into share capital

- 1) Formulating, executing or adjusting of the cash dividend distribution policy

In 2012 the Company, based on relevant regulations of China Securities Regulatory Committee, Shanghai Securities Regulatory Bureau and Shanghai Stock Exchange, made amendment on the clauses of the Articles of Association related to the profit distribution, improved further relevant decision-making process and mechanism, and defined the policies such as the profit distribution form, actual conditions and ratio for cash dividends and the use of undistributed profit.

During the report period, the Company, strictly in accordance with relevant provisions, implemented the decision-making process for profit distribution. In 2012 the Company's distributable profit was too few, lower than 0.01 per share and unable to cover all the small shareholders, so the Company basically had no condition of distributing dividend in cash. Therefore, the Company presented the proposal for dividend distribution to the Independent Director for approval before the convening of the meeting of the Board of Directors, if agreed by them, then presented the proposal to the Board meeting for examination. Subsequently, the Company held the shareholders' meeting through network voting and on-site meeting to make all the shareholders to join the meeting and express their willingness fully.

- 2) If the Company got profit in the report period, the undistributed profit of parent company is positive and the Company did not made proposal for cash dividend distribution, then the Company shall disclose the reason and the purpose and use plan of the undistributed profit

√ Not applicable

- 3) The plan or proposal for profit distribution and the plan or proposal for transfer of capital reserves into share capital in recent 3 years (including the report period)

Unit: RMB

The year for distribution	Bonus shares for every 10 shares held	Dividend for every 10 shares held (RMB) (tax included)	Increased shares for every 10 shares held	Amount of cash dividend (tax included)	Net profit attributable to shareholders of the Company in the consolidated statements	Ratio in the net profit attributable to shareholders of the Company in consolidated statements (%)
2013	0	0.05	0	5,781,999.88	16,623,782.76	34.78
2012	0	0	0	0	102,542,136.82	0
2011	0	0	0	0	229,773,339.37	0

5. The work on fulfillment of social responsibility

1) The work on social responsibility

The Company performed its social responsibility actively and declared its social responsibility report of 2013. The full text of the report was carried in the website of Shanghai Stock Exchange at the same day: www.sse.com.cn.

5. Major Events

1. Significant lawsuits, arbitrations and events generally questioned by the media

In this year the Company did not have any significant lawsuit, arbitration and event questioned by the media.

2. Occupation of funds and the liquidation during the report period

√ Not applicable

3. Events related to bankruptcy and reorganization

In this year the Company did not have any events related to bankruptcy and reorganization.

4. Transaction in assets and business merger

1) The events not disclosed by provisional announcements or still being under progress

(1) Sale of assets

Unit: RMB'0000

Counterpart of transaction	Assets sold	Day of sale	Selling price	Profit and loss from the sale	A related transaction or not (if yes, state the pricing principle)	Pricing principle on sale of assets	The property right of the assets transferred completely or not	The involved creditor's rights and debt transferred completely or not	Ratio of the net profit contributed by the sale of assets in gross profit (%)
Zhu Chunyu	75.76% equity interest of Shanghai Chlor-alkali Building Anti-corrosion Installation Engineering Co., Ltd.	01/11/2013	463.90	77.05	No	Listed the price based on the appraisal price of the assets, finally executed at actual transaction price.	Yes	Yes	2.46

5. Equity incentive of the Company and the influences

√ Not applicable

6. Significant related transactions

1) Related transactions in routine operation

(1) The events disclosed in provisional announcement and having no progress or change

Description of event	Index
Based on the principle of fairness and reasonableness, mutual advantage and mutual benefit and voluntaries and good faith, the Company, Shanghai Huayi (Group) Company and Shanghai Huayi Group Finance Co., Ltd. signed a frame agreement on finance service of 3 parties, through which Shanghai Huayi (Group) Company shall make use of the self advantage for short-term financing and bond issuing and Shanghai Huayi Group Finance Co., Ltd. shall provide the Company with finance service as a non-banking financial institution to meet the Company's requirements for reducing financing cost in developing its business. The valid period of the agreement is 3 years.	China Securities News, Shanghai Securities News, Securities Post and Hong Kong Commercial Daily on May 29, 2012 and the website of Shanghai Stock Exchange: www.sse.com.cn

(2) Events not disclosed in provisional announcement

Unit: RMB'0000

Related transaction party	Related relation	Type of related transaction	Content of related transaction	Pricing principle of related transaction	Amount of related transaction	Ratio in total amount of transactions with same type (%)
Shanghai Wujing Chemical Co., Ltd.	Controlled subsidiary of parent company	Purchase goods	Material purchase	Settled as per agreed price	4,082.48	0.70
Shanghai Carbonization Co., Ltd.	Controlled subsidiary of parent company				21.84	0.00
Shanghai Huayi Tianyuan Chemical Logistics Co., Ltd.	Controlled subsidiary of parent company				76.51	0.01
Shanghai Xintianyuan Chemical Transport Co., Ltd.	Controlled subsidiary of parent company				335.89	0.06
Shanghai Chlor-Alkali Creation Co., Ltd.	Wholly owned subsidiary of parent company				1,544.52	0.26
Shanghai Huayi Group Equipment Engineering Co., Ltd.	Wholly owned subsidiary of parent company				284.95	0.05
Shanghai Chemical Supply and Marketing Co., Ltd.	Wholly owned subsidiary of parent company				52.29	0.01
Shanghai Huayi New Energy Chemical Sales Co., Ltd.	Wholly owned subsidiary of parent company				2,068.50	0.35
Shanghai Huayi Information Technology Co., Ltd.	Controlled subsidiary of parent company				267.61	0.05
Shanghai Huayi Group Huayuan Chemical Co., Ltd.	Wholly owned subsidiary of parent company				11.98	0.00
Shanghai Chemical Industry Pressure Vessel Inspection Co., Ltd.	Wholly owned subsidiary of parent company	Receive labour service	Receive labour service		188.04	0.03
Shanghai Huayi Tianyuan Chemical Logistics Co., Ltd.	Controlled subsidiary of parent company				3,206.36	0.55
Shanghai Xintianyuan Chemical Transport Co., Ltd.	Controlled subsidiary of parent company				375.88	0.06
Shanghai Chlor-Alkali Creation Co., Ltd.	Wholly owned subsidiary of parent company				2,530.48	0.43
Shanghai Huayi Engineering Co., Ltd.	Wholly owned subsidiary of parent company				1,001.89	0.17
Shanghai Huayi Information Technology	Controlled subsidiary of parent company				237.98	0.04

Co., Ltd.						
Shanghai Pacific Ocean Chemical Equipment Engineering Co., Ltd.	Controlled subsidiary of parent company				21.00	0.00
Shanghai Carbonization Co., Ltd.	Controlled subsidiary of parent company				752.45	0.13
Shanghai Huayi Group Huayuan Chemical Co., Ltd.	Wholly owned subsidiary of parent company				321.51	0.05
Shanghai 3F New Materials Co., Ltd.	Controlled subsidiary of parent company				3,677.66	0.61
Shanghai Huayi Tianyuan Chemical Logistics Co., Ltd.	Controlled subsidiary of parent company				188.02	0.03
Shanghai Xintianyuan Chemical Transport Co., Ltd.	Controlled subsidiary of parent company				6.22	0.00
Shanghai Chlor-Alkali Creation Co., Ltd.	Wholly owned subsidiary of parent company	Sell commodities	Product sales		71.41	0.01
Shanghai Tianyuan Group Shengde Plastic Co., Ltd.	Wholly owned subsidiary of parent company				855.94	0.14
Shanghai Resin Factory Co., Ltd.	Wholly owned subsidiary of parent company				40.55	0.01
Shanghai Huayi Acrylic Acid Co., Ltd.	Controlled subsidiary of parent company				194.88	0.03
Shanghai Huayi Carbonizing Coal Gas Co., Ltd.	Wholly owned subsidiary of parent company				21.82	0.00
Shanghai Peony Printing Ink Co., Ltd.	Controlled subsidiary of parent company				24.45	0.00
Shanghai Huntsman Polyurethane Co., Ltd.	Affiliated company				619.20	0.10
Shanghai Carbonization Co., Ltd.	Controlled subsidiary of parent company				229.20	0.04
Shanghai Huayi Tianyuan Chemical Logistics Co., Ltd.	Controlled subsidiary of parent company				222.90	0.04
Shanghai Huayi Engineering Co., Ltd.	Wholly owned subsidiary of parent company				240.27	0.04
Shanghai Huayi Polymer Co., Ltd.	Wholly owned subsidiary of parent company	Rendering of service	Rendering of service		168.04	0.03
Shanghai Huayi Group Huayuan Chemical Co., Ltd.	Wholly owned subsidiary of parent company				114.40	0.02
Shanghai Pacific Ocean Chemical Equipment Engineering Co., Ltd.	Shareholder's subsidiary				11.97	0.00

Shanghai Huntsman Polyurethane Co., Ltd.	Affiliated company				23.72	0.00
Total				/	24,837.20	4.18

The transaction between the Company and related parties, is that the Company pays expenditure for service and trusteeship business, for purchase of raw material, sales of product and other recurring business operations and for stripping non-recurring assets and non-central business. Such transactions are the necessary supplement for the coordination based on specialization and mutual transfer of predominance between the Company and its controlling shareholder and part of subordinate enterprises, and they will continue to exist. This makes no impacts on the Company's independence.

2) The related transactions due to purchase and sale of assets

(1) The, events disclosed in provisional announcement and having subsequent implementation progress or change

On November 23, 2013, the Company convened the 7th meeting of 8th Board of Directors, which examined and passed the Motion on the Related Transaction for Transfer of 90% Equity Interest of Shanghai Tianyuan (Group) High Molecular Material Co., Ltd. On December 11, 2013 the Company convened the second provisional shareholders' meeting of 2013, which examined and passed this motion. On December 25, 2013, this equity transfer has been completed with the official transfer procedure.

3) Significant related transactions for joint investment

(1) The events disclosed in provisional announcement and having no progress or change

Description of event	Index
Due to the demand for operating development, Shanghai Huayi Group Finance Co., Ltd. increased the registered capital by RMB 0.3 billion, and the shareholders shall make the capital increase with cash in the same ratio. In order to make Shanghai Huayi Group Finance Co., Ltd. further enhance its ability in expanding business and its general profitability, provide more powerful financing support and create higher return the shareholders, the Company and Shanghai Huayi (Group) Company, Double Coin Holdings Limited and Shanghai 3F New Material Co., Ltd. make common capital increase according to their ratio of contribution.	China Securities News, Shanghai Securities News, Securities Post and Hong Kong Commercial Daily and the website of Shanghai Stock Exchange: www.sse.com.cn on November 26, 2013.

4) Related creditor's rights and debts

(1) Events not disclosed in the provisional announcement

Unit: RMB'0000

Related party	Related relation	Provide fund to related parties			Related parties provide fund to the listed Company		
		Beginning balance	Amount	Closing balance	Beginning balance	Amount	Closing balance
Shanghai Tianyuan Group Shengde Plastic Co., Ltd.	Wholly owned subsidiary of parent company	769.18	34.86	804.04			
Shanghai Carbonization Co., Ltd.	Controlled subsidiary of parent company	0	120.61	120.61	14.14	-14.14	0
Shanghai 3F New Materials Co., Ltd.	Controlled subsidiary of parent company	20.28	-8.14	12.14			
Shanghai Huayi Engineering Co., Ltd.	Wholly owned subsidiary of parent company	0	6,645.42	6,645.42	0	1.51	1.51
Shanghai Huntsman Polyurethane Co., Ltd.	Affiliated company	0	12.78	12.78			
Shanghai Peony Printing Ink Co., Ltd.	Controlled subsidiary of parent company	0	0.44	0.44			

Shanghai Huayi Tianyuan Chemical Logistics Co., Ltd.	Controlled subsidiary of parent company	176.91	-176.46	0.45			
Shanghai Resin Factory Co., Ltd.	Wholly owned subsidiary of parent company	0	2.29	2.29			
Shanghai Paint Co., Ltd.	Wholly owned subsidiary of parent company	63.81	-63.34	0.47			
Shanghai Huayi Polymer Co., Ltd.	Wholly owned subsidiary of parent company	25.13	-25.13	0			
Shanghai Huayi Acrylic Acid Co., Ltd.	Controlled subsidiary of parent company	6.92	-6.92	0			
Shanghai Huayi New Energy Chemical Sales Co., Ltd.	Wholly owned subsidiary of parent company	0	0.03	0.03			
Shanghai Chemical Industry Pressure Vessel Inspection Co., Ltd.	Wholly owned subsidiary of parent company				0	10.52	10.52
Shanghai Chlor-Alkali Creation Co., Ltd.	Wholly owned subsidiary of parent company				11.37	-4.68	6.69
Shanghai Xintianyuan Chemical Transport Co., Ltd.	Controlled subsidiary of parent company				0	0.96	0.96
Shanghai Huayi (Group) Company	Controlling shareholder				157,635.98	25.86	157,661.84
Shanghai Huayi Group Construction Cost Consultation Co., Ltd.	Controlled subsidiary of parent company				30.37	-27.52	2.85
Shanghai Huayi Group Equipment Engineering Co., Ltd.	Wholly owned subsidiary of parent company				2.29	-2.29	0
Shanghai Chemical Supply and Marketing Co., Ltd.	Wholly owned subsidiary of parent company				11.15	14.15	25.30
Total		1,062.23	6,536.44	7,598.67	157,705.30	4.37	157,709.67
During the report period the amount of the fund supplied by the Company to its controlling shareholder and subsidiaries (RMB)			65,364,400				
Balance of the fund supplied by the Company to its controlling shareholder and subsidiaries (RMB)			75,986,700				
Reason for related creditor's rights and debts			Formed from purchase and sale in regular production operation				
Impacts of related creditor's rights and debts to the Company's operation results and financial status			No influence on the Company's operating results and financial status				

7. Important contracts and the implementation

1) Trusteeship, contracting and leasing

(1) Trusteeship

In this year the Company had no trusteeship.

(2) Contracting

In this year the Company had no contracting.

(3) Circumstance of tenancy

Unit: RMB'0000

Lessor	Renter	Leased assets	Amount related to leased assets	Beginning date of leasing	End date of leasing	Earned income on leases	Basis for deciding earned income on leases	Related transaction or not	Related relation
Shanghai Chlor-Alkali Chemical Co., Ltd.	Shanghai Huayi Tianyuan Chemical Logistics Co., Ltd.	Fixed assets	3,234.36	09/01/2012	08/31/2013	1,049.40	Settled as per agreed price	Yes	Controlled subsidiary of parent company
Shanghai Chlor-Alkali Chemical Co., Ltd.	Shanghai Tianyuan Group Shengde Plastic Co., Ltd.	Fixed assets	769.81	01/01/2013	12/31/2013	823.22	Settled as per agreed price	Yes	Wholly owned subsidiary of parent company

2) Particulars of guarantee

√ Not applicable

3) Other significant contracts

In this year the Company did not have any other important contract.

8. Fulfillment of commitments

√ Not applicable

9. Engaging and dismissing of the public accounting firmtal

Unit: RMB'0000

Whether change public accounting firm or not:	No
	Now engage
Name of the domestic public accounting firm	Shanghai Shu Lun Pan CPA Ltd. (special general partnership)
Reward to the domestic public accounting firm	88
Service age of domestic public accounting firm	3

	Name	Reward
Accounting firm for internal control	Shanghai Shu Lun Pan CPA Ltd. (special general partnership)	35.2

10. Punishment to the listed Company and its decades, Supervisors, senior executives, shareholders with 5% or higher equity interest, actual controller and purchaser and the correction status

In this year the Company and its Directors, Supervisors, senior executives, shareholders with 5% or higher equity interest, actual controller and purchaser all had not been checked, punished and publicly reprimanded by China Securities Regulatory Committee, nor publicly condemned by the stock exchange.

11. Description on other significant events

During the report period the Company did not have other significant events

6. Changes in shareholding and Particulars of Shareholders

1. Change of share capital

1) Table of change of share capital

(1) Table of change of share capital

Unit: Share

	Before change		Increase or decrease (+, -)					After change	
	Quantity	Ratio	New share issued	Bonus share	Transferred from reserves	Other	Subtotal	Quantity	Ratio
1. Shares with limited sales condition									
1) State-owned share									
2) State-owned legal person share									
3) Other domestic shares									
Incl.: domestic non-state legal person share									
Domestic natural person share									
4) Foreign capital share									
Incl.: Overseas legal person share									
Overseas natural person share									
2. Tradable share with no limited sales condition	1,156,399,976	100						1,156,399,976	100
1) Renminbi ordinary share	749,839,976	64.84						749,839,976	64.84
2) Domestically listed foreign capital share	406,560,000	35.16						406,560,000	35.16
3) Overseas listed foreign capital share									
4) Other									
3. Total of the share	1,156,399,976	100						1,156,399,976	100

2) Change of shares with limited sales condition

During the report period the Company did not have any change in shares with limited sales condition.

2. Issuance and listing of securities

1) The securities issuing in recent 3 years as of end of the report period

During the previous three years as of the end of the report period, the Company did not issue or list any new securities.

2) Changes in the total number of the Company's shares, the structure of the Company's shareholders and the structure of the Company's assets and liabilities

During the report period there was no change in total number and structure of the Company's shares due to bonus share, right share or other reason.

3) Information of existing internal staff share

At the end of the report period the Company did not have any internal staff share.

3. Information of the shareholders and the actual controller

1) Information of the shareholders

Unit: Share

Number of shareholders at end of the report period	109,379	Number of shareholders at fifth day before the date for disclosure of the annual report			108,086	
Top 10 shareholders						
Name of shareholder	Nature of shareholder	Shareholding ratio (%)	Shares held	Increase or decrease in the report period	Shares with limited sales conditions held	Shares pledged or frozen
Shanghai Huayi (Group) Company	State	50.29	581,592,347	0	0	None
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	Overseas legal person	0.75	8,649,032	7,608,132	0	None
Bank of China Wuxi Branch	State-owned legal person	0.23	2,605,981	0	0	None
CORE PACIFIC-YAMAICHI INTERNATIONAL(HK) LIMITED-CLIENT A/C	Overseas legal person	0.16	1,902,730	1,850,000	0	None
Shanghai Huayi Group Investment Co., Ltd.	State-owned legal person	0.16	1,848,100	0	0	None
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Overseas legal person	0.16	1,840,200	0	0	None
Chen Cailin	Domestic natural person	0.12	1,399,248	0	0	None
Employee's Technical Association of Shanghai Chlor-Alkali Chemical Co., Ltd.	Domestic non-state legal person	0.11	1,248,254	0	0	None
Yang Qinzheng	Domestic natural person	0.10	1,200,000	470,000	0	None
Xie Chuande	Domestic natural person	0.10	1,150,000	1,150,000	0	None
Top 10 shareholders with no limited sales condition						
Name of shareholder			Shares with no limited sales condition held		Type of share	
Shanghai Huayi (Group) Company			581,592,347		Renminbi ordinary share	
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND			8,649,032		Domestic listed foreign capital share	
Bank of China Wuxi Branch			2,605,981		Renminbi ordinary share	
CORE PACIFIC-YAMAICHI INTERNATIONAL(HK) LIMITED-CLIENT A/C			1,902,730		Domestic listed foreign capital share	
Shanghai Huayi Group Investment Co., Ltd.			1,848,100		Renminbi ordinary share	
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND			1,840,200		Domestic listed foreign capital share	
Chen Cailin			1,399,248		Domestic listed foreign capital share	
Employee's Technical Association of Shanghai Chlor-Alkali Chemical Co., Ltd.			1,248,254		Renminbi ordinary share	

Yang Qinzhen	1,200,000	Domestic listed foreign capital share
Xie Chuande	1,150,000	Renminbi ordinary share
Remark on related relations or concerted actions between above shareholders	Since January 12, 2009 the Company's shares have been tradable in full, and it now has no shareholder with limited sales condition. Among above shareholders, Shanghai Huayi Group Investment Co., Ltd. is a subsidiary wholly-owned Shanghai Huayi (Group) Company and have a related relation mutually. Except that, the Company have not learned whether the related relation is existing between the other shareholders or whether the other shareholders belong to the concerted actors stipulated in the "Information Disclosure Management Method for Change of Shares held by the Shareholders in the Listed Company".	

4. Information of the controlling shareholder and the actual controller

1) The controlling shareholder

(1) Legal person

Unit: RMB'0000

Name	Shanghai Huayi (Group) Company
Principal or legal representative	Liu Xunfeng
Establishment date	January 23, 1997
Organization code	13226216-8
Registered capital	328,108
Main business	Operation and management of state-owned assets within authorized range, investment on industry, manufacture and sale for chemical and medical products and equipment, installation, maintenance and contracted service for projects of chemical and medical equipment.
Operating results	As of end of 2013, the main business income of Shanghai Huayi (Group) Company was RMB 60.2 billion, and the gross profit was RMB 0.99 billion (above data not audited).
Cash flow and future development strategy	Achieve the "1350" strategic objective: Through hard work for several years, the sales income will reach RMB 100 billion, the market share of a batch of core products will be at leading position, it will reach among top 3 in the chemical industry of China, top 50 in manufacture industry of China and top 50 in global chemical industry.
Shares held in other domestic or overseas listed companies during the report period	During the report period Shanghai Huayi (Group) Company held 65.66% equity interest of Double Coin Holdings Limited and 31.53% equity interest of Shanghai Sanaifu New Material Co., Ltd..

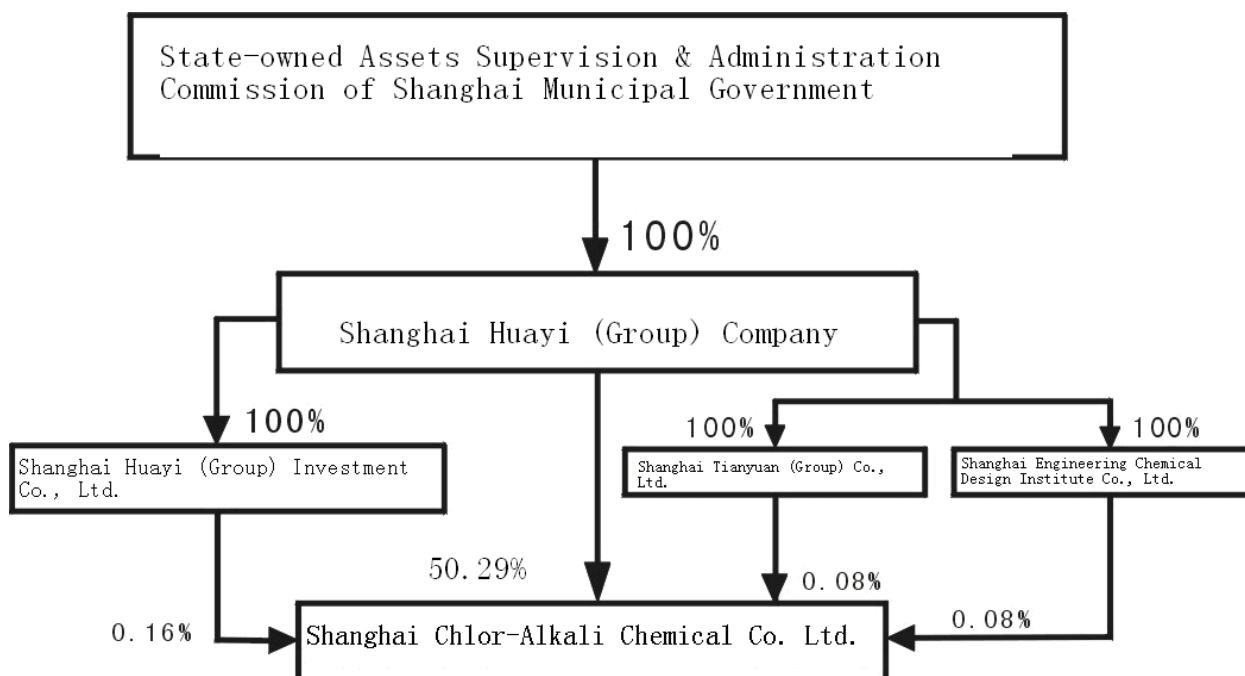
2) The actual controller

(1) Legal person

Unit: RMB

Name	State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government
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(2) The block diagram for property right and control relation between the Company and its actual controller



5. Other legal person shareholders holding shares over 10%

As of the end of this report period the Company did not have any other legal person shareholder with shares held over 10%.

7. Particulars of the Directors, Supervisors, Senior Executives and Employees

1. Changes in shareholding and particulars of rewards

1) Particulars of Directors, Supervisors and senior executives (including the ones leaving post during the report period)

Unit: Share

Name	Position	Gender	Age	Start date of office term	End date of office term	Shares held at year-beginning	Shares held at year-end	Reward got from the Company during the report period (RMB'0000)(before tax)	Reward got from the shareholder's unit in the report period (RMB'0000)
Li Jun	Chairman of the Board	Male	54	12/20/2012	12/20/2015	865	865	0	
Hu Yongkang	Director, Party secretary and deputy general manager	Male	58	12/20/2012	12/20/2015			75.49	
He Gang	Director, general manager and deputy Party secretary	Male	45	12/20/2012	12/20/2015	14,000	14,000	89.27	
Wang Zhenjin	Director	Male	47	12/20/2012	12/20/2015			0	
Yu Zhaojun	Employee's representative director	Male	55	12/20/2012	12/20/2015			54.92	
Wang Kaiguo	Independent Director	Male	55	12/20/2012	12/20/2015			10	
Lu Yiping	Independent Director	Male	68	12/20/2012	12/20/2015			10	
Li Zengquan	Independent Director	Male	39	12/20/2012	12/20/2015			10	
Zhang Wenlei	Outside Director	Male	43	12/20/2012	12/20/2015			11.32	
Chen Yao	Chairman of Supervisory Committee	Male	50	09/17/2013	12/20/2015			0	
Yu Bin	Supervisor	Male	39	12/20/2012	12/20/2015			0	
Dong Yan	Supervisor	Female	40	12/20/2012	12/20/2015			38.31	
Wang Minchun	Employee Supervisor	Female	52	12/20/2012	12/20/2015			31.97	
Wang Linzao	Employee Supervisor	Male	51	12/20/2012	12/20/2015			57.5	
Cao Jinrong	CFO	Male	39	12/20/2012	12/20/2015			56.55	
Chen Jiang	Deputy general manager	Male	49	12/20/2012	12/20/2015			58.7	
Zhang Junjun	Deputy general manager	Male	39	12/20/2012	12/20/2015			58.45	

Yuan Maoquan	Deputy general manager	Male	46	12/20/2012	12/20/2015			43.44	
Xu Peiwen	Secretary of the Board of Directors	Male	58	12/20/2012	12/20/2015			51.03	
Qin Jian	Chairman of Supervisory Committee	Male	46	12/31/2009	08/23/2013			0	
Total	/	/	/	/	/	14,865	14,865	656.95	/

Work career of Directors, Supervisors and senior executives in recent 5 years:

Li Jun: He used to be general manager and Deputy Party secretary of Shanghai Chlor-Alkali Chemical Co., Ltd. and Deputy Party secretary of Shanghai Tianyuan (Group) Co., Ltd. Now he is the vice president of Shanghai Huayi (Group) Company, Chairman of the Board of Shanghai Chlor-Alkali Chemical Co., Ltd., chairman of China Chlor-Alkali Industry Association and vice chairman of Shanghai Stock Company Association.

Hu Yongkang: He used to be general manager, Party secretary and Chairman of the Board of Shanghai Wujin Chemical Co., Ltd. Now he is the Director, Party secretary and deputy general manager of Shanghai Chlor-Alkali Chemical Co., Ltd.

He Gang: He used to be the manager of marketing department of Shanghai Chlor-Alkali Chemical Co., Ltd., assistant general manager, deputy general manager and Routine vice general manager of Shanghai Chlor-Alkali Chemical Co., Ltd. Now he is the Director, general manager and deputy Party secretary of Shanghai Chlor-Alkali Chemical Co., Ltd.

Wang Zhenjin: He used to be the chief economist and assets controller of assets financial department, head of management department and deputy general manager of Tyre & Rubber Group Co., Ltd., routine vice director of Tyre Research Institute and deputy general manager of Double Coin Holdings Limited. Now he is the general manager of assets department of Shanghai Huayi (Group) Company and Director of Shanghai Chlor-Alkali Chemical Co., Ltd.

Yu Zhaojun: He used to be Party secretary of PVC factory of Shanghai Chlor-Alkali Chemical Co., Ltd. Now he is the employee's representative director, Deputy Party secretary, secretary of Party discipline committee and chairman of trade union of Shanghai Chlor-Alkali Chemical Co., Ltd.

Wang Kaiguo: Since June 2001 he has been Party secretary and Chairman of the Board of Haitong Securities Co., Ltd. Now he is the Independent Director of Shanghai Chlor-Alkali Chemical Co., Ltd.

Lu Yiping: He used to be Chairman of the Board of Shanghai Petrochemical, Chairman of the Board of Shanghai Secco Petrochemical Industry Co., Ltd. and Chairman of the Board of Shanghai Chemical Industry Park Development Co., Ltd. He resigned the post of Chairman of the Board of Shanghai Petrochemical in 2005, the post of Chairman of the Board of Shanghai Secco Petrochemical Industry Co. in November 2006 and the post of Chairman of the Board of Shanghai Chemical Industry Park Development Co. in August 2008. Now he is the Independent Director of Shanghai Chlor-Alkali Chemical Co., Ltd.

Li Zengquan: He used to be the associate professor and master's tutor in Accounting Institute of Shanghai University of Finance and Economics, senior researcher and senior visiting scholar of Accounting Department of City University of Hong Kong, Independent Director of Bus Share and financial consultation expert of Xuhui District State-owned Assets Supervision and Administration Commission, has got the title of Twilight Scholar. Now he is the vice dean of Accounting Institute of Shanghai University of Finance and an anonymous proofreader of Economic Research and many other authoritative periodicals, member of editorial board of China Journal of Accounting Research, Independent Director of Haibo Share and Independent Director of East Wealth and Independent Director of Shanghai Chlor-Alkali Chemical Co., Ltd.

Zhang Wenlei: He used to be deputy chief of technical operation department, chief of general department and deputy secretary general of China Chlor-Alkali Industry Association. Now he is vice chairman and secretary general of China Chlor-Alkali Industry Association, routine councilor

of China Petrochemical Industry Association, vice chairman of China Chemical Environment Protection Association, Independent Director of Hebei Jinniu Chemical Co., Ltd. and Independent Director of Yibin Tianyuan Group Co., Ltd. and outside Director of Shanghai Chlor-Alkali Chemical Co., Ltd.

Chen Yao: He used to be deputy general manager of Shanghai Paint Co., Ltd., deputy general manager of Shanghai Paint Co., Ltd. and secretary of general Party branch of Xinhua Resin Factory, deputy general manager of Shanghai International Paint Co., Ltd., manager of external cooperation department of Shanghai Huayi (Group) Company and Party secretary and deputy general manager of Double Coin Holdings Limited. Now he is the secretary of Party discipline committee of Shanghai Huayi (Group) Company, vice chairman of Supervisory Committee and Chairman of the Supervisory Committee of Shanghai Chlor-Alkali Chemical Co., Ltd.

Yu Bin: He used to be the deputy general manager, CFO and manager of finance department of Huayi Group Enterprise Development Co., Ltd. Now he is the deputy general manager of finance department of Shanghai Huayi (Group) Company and the Supervisor of Shanghai Chlor-Alkali Chemical Co., Ltd.

Dong Yan: She used to be the member of cadre section and allotment section of human resource department and chief of personnel wage section of Shanghai Tianyuan (Group) Co., Ltd. and Shanghai Chlor-Alkali Chemical Co., Ltd., and the assistant manager of human resource department of Shanghai Chlor-Alkali Chemical Co., Ltd. Now she is the Supervisor and human resource department manager of Shanghai Chlor-Alkali Chemical Co., Ltd.

Wang Minchun: He used to be deputy Party secretary, secretary of Party disciplinary committee and chairman of trade union of PVC factory of Shanghai Chlor-Alkali Chemical Co., Ltd. Now he is the employee Supervisor and vice chairman of trade union of Shanghai Chlor-Alkali Chemical Co., Ltd. and Party secretary of PVC plant of Shanghai Chlor-Alkali Chemical Co., Ltd.

Wang Linzao: He used to be the manager of production control department of Shanghai Chlor-Alkali Chemical Co., Ltd. and deputy general manager of Shanghai Tianyuan Huasheng Chemical Co., Ltd. Now he is the employee Supervisor of Shanghai Chlor-Alkali Chemical Co., Ltd. and secretary of CPC general branch and factory director of Huasheng Chemical Plant of Shanghai Chlor-Alkali Chemical Co., Ltd.

Cao Jinrong: He used to be the deputy manager of assets department of Shanghai Huayi (Group) Company and deputy general manager of Shanghai Huayi Group Investment Co., Ltd. Now he is the CFO of Shanghai Chlor-Alkali Chemical Co., Ltd.

Chen Jiang: He used to be manager of technical development department of Shanghai Chlor-Alkali Chemical Co., Ltd. and assistant general manager of Shanghai Chlor-Alkali Chemical Co., Ltd. Now he is the deputy general manager of Shanghai Chlor-Alkali Chemical Co., Ltd.

Zhang Junjun: he used to be process engineer in charge of vinyl chloride shop of PVC factory of Shanghai Chlor-Alkali Chemical Co., Ltd., assistant manager of technical center of Shanghai Chlor-Alkali Chemical Co., Ltd., chief of chemical research room of technical center, manager of technical development department of Shanghai Chlor-Alkali Chemical Co., Ltd. and assistant general manager of Shanghai Chlor-Alkali Chemical Co., Ltd. Now he is the deputy general manager of Shanghai Chlor-Alkali Chemical Co., Ltd.

Yuan Maoquan: He used to be the workshop chief engineer of PVC plant of Shanghai Chlor-Alkali Chemical Company, assistant chief and routine deputy chief of technical center of Shanghai Chlor-Alkali Chemical Company and deputy chief engineer of Shanghai Chlor-Alkali Chemical Co., Ltd. Now he is the deputy general manager of Shanghai Chlor-Alkali Chemical Co., Ltd.

Xu Peiwen: He used to be Board Secretary of Shanghai Tianyuan (Group) Co., Ltd., and since 2000 he has also been the Board Secretary and chief of Board Secretary's office of Shanghai Chlor-Alkali Chemical Co., Ltd.

Qin Jian: He used to be the vice president of Shanghai Huayi (Group) Company and Chairman of the Supervisory Committee of Shanghai Chlor-Alkali Chemical Co., Ltd. On August 23, 2013 he resigned from the position of Chairman of the Supervisory Committee of Shanghai Chlor-Alkali Chemical Co., Ltd.

2. Particulars of Directors, Supervisors and senior executives (including the ones leaving post during the report period)

1) Position in shareholder's unit

Name	Name of shareholder's unit	Position in the shareholder's unit	Start date of office term
Li Jun	Shanghai Huayi (Group) Company	Vice president	April 1, 2009
Wang Zhenjin	Shanghai Huayi (Group) Company	General manager of assets department	Sept. 1, 2008
Qin Jian	Shanghai Huayi (Group) Company	President	Aug. 1, 2013
Chen Yao	Shanghai Huayi (Group) Company	Secretary of Party discipline committee, vice chairman of Supervisory Committee	Oct. 1, 2011
Yu Bin	Shanghai Huayi (Group) Company	Deputy general manager of financial department	July 1, 2010

2) Position in other companies

Name	Name of other unit	Position in other unit	Start date of office term
Li Jun	Inner Mongolia Yili Chemical Industry Co., Ltd.	Chairman of the Board	January 1, 2008
Hu Yongkang	Shanghai Chlor-Alkali Machinery Co., Ltd.	Chairman of the Board	March 1, 2012
He Gang	Shanghai Lianheng Isocyanic Acid Grease Co., Ltd.	Director	April 1, 2011
	Shanghai Hensmai Polyurethane Co., Ltd.	Chairman of the Board	Aug. 1, 2013
	Shanghai Huayi Group Finance Co., Ltd.	Director	March 1, 2012
Li Zengquan	Shanghai Haibo Co., Ltd.	Independent Director	April 18, 2012
	East Money Information Co., Ltd.	Independent Director	Jan. 22, 2014
Zhang Wenlei	Hebei Jinniu Chemical Co., Ltd.	Independent Director	June 8, 2011
	Yibin Tianyuan Group Co., Ltd.	Independent Director	June 19, 2009
Wang Linzao	Shanghai Jinyuan Tap Water Co., Ltd.	Director	July 1, 2011
Chen Jiang	Shanghai Dakai Plastic Co., Ltd.	Chairman of the Board	March 1, 2011
	Shanghai Huayi Tianyuan Chemical Logistics Co., Ltd.	Director	March 1, 2010
Zhang Junjun	Shanghai Tiantai Addition Agent Co., Ltd.	Chairman of the Board	April 1, 2012
Cao Jinrong	Shanghai Luwei Plastics Co., Ltd.	Chairman of the Board	February 1, 2013
	Shanghai Ruisheng Enterprises Co., Ltd.	Executive director	March 1, 2012

3. Reward for Directors, Supervisors and Senior Executives

Decision-making process for rewards to Directors, Supervisors and senior executives	The reward to Directors, Supervisors and senior executives is decided by the salary & checking committee of the Company.
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The basis for deciding Rewards to Directors, Supervisors and senior executives	Distributed according to the "Checking and Evaluation Methods on the Reward to Directors, Supervisors and Senior Executives" of the Company
The rewards of the Directors, Supervisors and Senior Executives payable	The Board of Directors decided the reward standard for the Directors, Supervisors and Senior Executives get salary from the Company and paid the reward monthly in accordance with the Company's unified salary management system and the annual performance review by the salary & checking committee of the Board of Directors. The standard for allowance to Independent Directors was examined and passed by the shareholders' meeting.
Actual total reward to all the Directors, Supervisors and Senior Executives at end of the report period	RMB 6,569,500

4. Change of Directors, Supervisors and senior executives

Name	Position	Change	Reason of change
Chen Yao	Chairman of Supervisory Committee	Engaged	Elected by the Company's 1st provisional shareholders' meeting of 2013 on September 17, 2013
Qin Jian	Chairman of Supervisory Committee	Leave post	Submit his resignation on August 23, 2013 due to job changed.

5. Particulars of the core technology team or key technical personnel

In general the Company's core technology team or key technical personnel is table, and there was no change in the personnel having significant influence on the Company's core competitive power.

6. Employees of the parent company and main subsidiaries

1) Particulars of employees

Number of in-service employees of the parent company	2,092
Number of in-service employees of main subsidiaries	478
Total number of in-service employees	2,570
Number of retired employees borne by the parent company and main subsidiaries	4,188
Profession structure	
Type of profession	Number of people
Production personnel	1,492
Sales people	76
Technical personnel	196
Financial personnel	34
Administrative personnel	294
Total	2,092
Education level	
Education level	Number of people
Bachelor degree or higher	361
Junior college	565
Senior high school (technical secondary school)	373
Lower than senior high school	793
Total	2,092

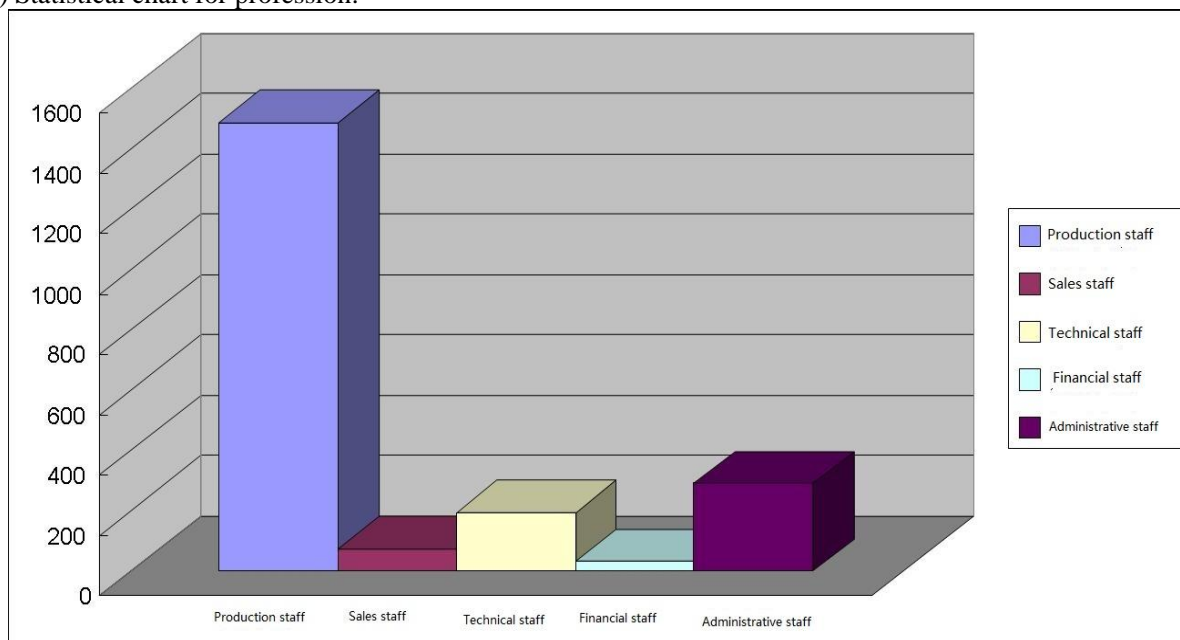
2) Salary policy

The Company implements the "Position Level Salary Measures of Shanghai Chlor-Alkali Chemical Co., Ltd.".

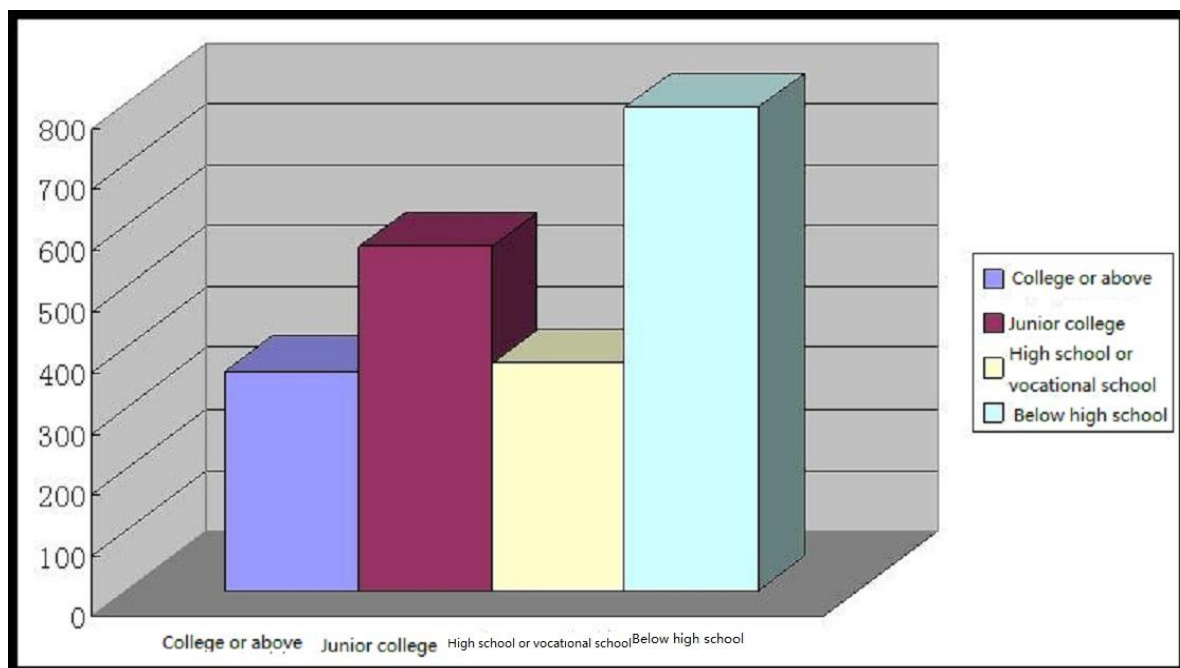
3) Training plan

In 2013 the Company made training for 14,894 mentimes. There were 10,257 mentimes of training for first line employees, accounting for 68.87% of the total training numbers. Main training content: post operation training (examination for training of post required knowledge, examination for training of skill contest and other trainings for post operating skill), training for special type of work (including the training for getting certificate and certificate checking for the post), training for QHSE, training for post transfer and training for technical skill level (including getting certificate of the skill level). There were 4,637 men-times of training for non first line employees, accounting for 31.13% of the total training numbers. Main training content: Various training for basic management personnel, further education training for professional technical post, certificate-getting training for the qualification of special post, QHSE training, special topic training for engineer, special lecture and other training for post ability.

4) Statistical chart for profession:



5) Statistical chart for education level:



8. Company Governance

1. Company governance and registration management for insiders

The Company kept on improving the Company's corporate governance structure, regulating its operation and strengthening its internal management strictly in accordance with the provisions and requirements of the Company Law, Securities Law and the Management Principle of the Listed Companies and the files for company's governance issued by China Securities Regulatory Committee and Shanghai Stock Exchange. The Board of Directors deems that, the actual conditions of the Company's corporate governance structure has no difference compared with the requirements in the Management Principle of the Listed Companies.

During the report period the Company implemented the Management System on Registration of Learners of Insider Information strictly and made the insider information security work further well to safeguard the interests of the shareholders.

2 Brief introduction to shareholders' meetings

In 2013 the Company totally convened three shareholders' meeting, i.e., 2012 annual shareholders' meeting and 2013 1st provisional shareholders' meeting and 2013 2nd provisional shareholders' meeting, as follows:

- 1) On May 9, 2013, the Company convened 2012 annual shareholders' meeting, which examined and passed all the motions. The resolution announcement of the shareholders' meeting was carried in China Securities, Shanghai Securities News, Securities Post, Hong Kong Commercial Daily and the website of Shanghai Stock Exchange www.sse.com.cn on May 10, 2013. The motions are as follows:

(1) Examined 2012 Annual Report and the Abstract; (2) Examined 2012 Work Report of the Board of Directors; (3) Examined 2012 Work Report of the Supervisory Committee; (4) Examined the Motion on 2012 Financial Account and 2013 Financial Budget; (5) Examined the Proposal for 2012 Profit Distribution; (6) Examined the Motion on Application for Financing Credit Limit in 2013; (7) Examined the Motion on Engagement of the Auditor for the Company's 2013 Annual Report and Payment for the Reward of 2012; (8) Examined the Motion on Engagement of the Auditor for the Company's Internal Control in 2013; (9) Examined the 2012 Work Report of the Independent Directors.

- 2) On September 17, 2013, the Company convened 2013 first provisional shareholders' meeting, which examined and passed all the motions. The resolution announcement of the shareholders' meeting was carried in China Securities, Shanghai Securities News, Securities Post, Hong Kong Commercial Daily and the website of Shanghai Stock Exchange www.sse.com.cn on September 18, 2013. The motion of the meeting was: examined the Motion on Change of the Company's Supervisor.

- 3) On December 11, 2013, the Company convened 2013 second provisional shareholders' meeting, which examined and passed all the motions. The resolution announcement of the shareholders' meeting was carried in China Securities, Shanghai Securities News, Securities Post, Hong Kong Commercial Daily and the website of Shanghai Stock Exchange www.sse.com.cn on December 12, 2013. The motion of the meeting was: examined the Motion on Transfer of 90% equity interest of Shanghai Tianyuan (Group) High Molecular Material Co., Ltd.

3. Duty performance of the Directors

1) Attendance of Directors in Board meetings and shareholders' meetings

Name of Director	Independent Director or not	Particulars of attendance in Board meetings						Particulars of attendance in shareholders' meetings
		Required	Attendances	Attendances	Entrusted	Absence	Attendances not	Attendances in

		number of attendances this year	in person	through communication	attendances	s	in person successively for 2 times or not	shareholders' meeting
Li Jun	No	6	6	4	0	0	No	3
Hu Yongkang	No	6	6	4	0	0	No	2
He Gang	No	6	6	4	0	0	No	1
Wang Zhenjin	No	6	6	4	0	0	No	3
Yu Zhaojun	No	6	6	4	0	0	No	3
Wang Kaiguo	Yes	6	6	4	0	0	No	0
Lu Yiping	Yes	6	6	4	0	0	No	2
Li Zengquan	Yes	6	6	4	0	0	No	2
Zhang Wenlei	No	6	6	4	0	0	No	2
Board meetings convened this year					6			
Incl.: On-site meetings					2			
Meetings held through communication					4			
Meetings held through communication and on site					0			

2) Rejection raised by Independent Directors to the Company's concerned matters

During the report period the Company's Independent Directors did not raise any objection to the Company's motion in Board meetings or non Board meetings.

4. Important opinions and proposals raised by the special committees under the Board of Directors in duty performance during the report period

In 2013 the special committees under the Board of Directors of the Company, in accordance with the provisions in the Enforcement Rules of the Special Committee under the Board of Directors, performed their duties earnestly, conducted work actively, give full play to their professional skills and play active role in the decision-making of the Board of Directors. For the annual report and related work, the audit committee performed its duty earnestly, raising the constructive suggestion for the Company's periodic report, internal control system, asset disposal and related transaction from the professional point of view and supervising the further healthful, stable and rapid development of the Company. The investment committee made a discussion meeting on the capital increase to Shanghai Huayi Group Finance Co., Ltd. and purchase of D4-2 land lot construction in progress of Shanghai Paint Co., Ltd. to enhance the scientificness of the investment. The salary & checking committee held a meeting to examine and confirm the salary of the Company's senior executives in 2013 and raised an examination proposal for the salary of the senior executives in 2013.

5. Note of the Supervisory Committee for the Company's risk

The Supervisory Committee makes no rejection for the supervised events during the report period.

6. The examination and evaluation mechanism for the senior executives and the establishment and implementation of the incentive mechanism during the report period

The implemented the Salary Checking Method for the Company's Senior Executives, let the salary & checking committee under the Board of Directors to conduct annual performance review to decide the reward standard for the Directors, Supervisors and Senior Executives getting salary from the Company, and paid the reward monthly.

9. Internal Control

1. Declaration for the responsibility of internal control and the construction of the internal control system

In accordance with the provisions of the enterprise internal control model system, to establish the healthful and effective internal control, appraise the effectiveness and disclose the appraisal report on internal control according to the facts, shall be the responsibility of the Board of Directors of the Company. The Supervisory Committee shall exercise supervision on the Board of Directors' establishing and implementing the internal control. The management shall be responsible for leading the routine running of the internal control of the enterprise. The Board of Directors, the Supervisory Committee, Directors, Supervisors and senior executives of the Company ensure that the content in the report does not have any false statement, serious misrepresentation or significant omission and will take the joint and several legal responsibilities for the truth, accuracy and completeness of the content of the Report.

The goal of the Company's internal control is to ensure reasonably the legality and compliance of the operating management, the safety of assets and the truth and integrity of the financial report and relevant information, enhance the operating efficiency and effect and promote the realization of the development strategy. Owing to its inherent limitation, the internal control can only provide reasonable assurance for realization of above goal. Furthermore, the change of instances may cause the internal control improper or the level of policy control and procedure following reduced, so predicting the effectiveness of the future internal control in accordance with the appraisal result to the internal control shall be of certain risk.

According to the cognizance to the significant and important deficiency in the internal control on the financial report of Shanghai Chlor-Alkali Chemical Co., Ltd., there was no significant and important deficiency in the internal control on the financial report at the base date of the appraisal report for internal control; the Board of Directors deems that, the Company has kept effective internal control on the financial report in all significant aspects in accordance with the requirements of the regulating system and relevant provisions for the enterprise internal control. According to the cognizance to the significant and important deficiencies other than in internal control on the financial report of Shanghai Chlor-Alkali Chemical Co., Ltd., the Company did not find any significant and important deficiencies other than in the internal control on the financial report at the base date of the appraisal report for the internal control. There was no any factor influencing the appraisal conclusion for effectiveness of the internal control from the base date of the appraisal report for the internal control to the issuing date of the appraisal report for the internal control. For details of the appraisal report on internal control, please see 2013 Self-appraisal Report for Internal Control of Shanghai Chlor-Alkali Chemical Co., Ltd. carried in the website of Shanghai Stock Exchange at the same day.

2. Explanation of the auditor's report on internal control

During the report period the Company engaged Shanghai Shu Lun Pan CPA Ltd. (special general partnership) as its audit agency for the internal control in 2013. Shanghai Shu Lun Pan CPA Ltd. (special general partnership) issued an auditor's report on internal control with standard unqualified opinion, deeming that the Company kept effective internal control on the financial report in all significant aspects in accordance with the Fundamental Norms for Enterprise Internal Control and relevant provisions on December 31, 2013. For details of the auditor's report on internal control, please see the Auditor's Report on the Company's Internal Control carried in the website of Shanghai Stock Exchange at the same day.

3. The accountability system for significant mistakes in the annual report and the note on relevant implementation

The Company's Information Disclosure Management System had defined the range of insider

information and the confidentiality obligation of the insider for such information. The insider for such information shall assume the obligation and responsibility of good faith and performing duty diligently according to law. In case of any violation of the system, Shanghai Stock Exchange shall dispose it according to regulations. The Company ensures the effective enforcement of internal control through the responsibility investigation system and incentive system.

10. Financial Accounting Report

The Company's annual financial report was audited by the China certified accountant Sang Qimin and Ling Min of Shanghai Shu Lun Pan CPA Ltd. (special general partnership) Limited, which issued an auditor's report with standard unqualified opinion.

1. Auditor's report

Auditor's Report

XKSBZ [2014] No. 110518

To all the shareholders of Shanghai Chlor-Alkali Chemical Co., Ltd.:

We audited the attached financial statements of Shanghai Chlor-Alkali Chemical Co., Ltd. (hereinafter referred to as the "Company"), including the balance sheet and consolidated balance sheet as of December 31, 2013, income statement and consolidated income statement of 2013, cash flow statement and consolidated cash flow statement of 2013, statement of changes in owner's equity and consolidated statement of changes in owner's equity in 2013, and the notes to the financial statements.

1. The management's responsibility to financial statements

To prepare financial statements make report fairly in it is the responsibility of the management of the Company. Such responsibility should include: (1) to prepare the financial statements in accordance with the provisions in the Enterprise Accounting Standard and make the statements realize fair reflection; (2) to design, execute and maintain necessary internal control to make the financial statements not have significant misrepresentation caused by fraud or error.

2. Responsibility of the certified accountants

Our responsibility is to express our audit opinion to the financial statements on the basis of executing the audit work. We conducted the audit work in accordance with the provisions of the Auditing Standards for CPAs of China. The Auditing Standards for CPAs of China requires us to abide by the code of professional ethics of CPAs of China, and to plan and execute audit work to obtain reasonable assurance for the financial statements not having significant misrepresentation.

The audit work involves with conducting audit procedure to obtain the audit evidences related to the amount and disclosure of the financial statements. The audit procedure selected depends on the judgment of the certified accountants, including the evaluation on the risk of significant misrepresentation of the financial statements due to fraud or error. While making risk evaluation, the certified accountants considered the internal control related to preparing and fair presenting of the financial statements to design a proper audit procedure. The audit work further includes evaluating the suitability of accounting policy selected by the management and the reasonableness of the accounting estimate made by the management, as well as evaluating the overall presentation of the financial statements.

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

3. Audit opinion

We deem that, the financial statements of the Company has been prepared in accordance with the provisions of the enterprise accounting standard in all significant aspects, and has fairly reflected the financial status of the Company as of December 31, 2013 and its operating results and cash flow in 2013.

Shanghai Shu Lun Pan CPA Ltd. (special general partnership)
China certified accountant: Sang Qimin
China certified accountant: Ling Min
Shanghai · China

March 19, 2014

2. Financial statements

Consolidated Balance Sheet

December 31, 2013

Prepared by: Shanghai Chlor-Alkali Chemical Co., Ltd.

Unit: RMB

Item	Closing balance	Beginning balance
Current assets:		
Monetary fund	573,468,453.52	573,937,087.33
Settlement reserves		
Loans to other bank		
Transactional financial assets		
Notes receivable	378,074,710.56	373,350,546.92
Accounts receivable	219,585,380.39	281,073,306.34
Advance payment	230,394,610.83	178,566,203.12
Premium receivable		
Reinsurance accounts receivable		
Contract reserve of reinsurance receivable		
Interest receivable		
Dividend receivable		
Other receivables	1,481,952.65	10,779,462.95
Financial assets purchased under agreement to resell		
Inventories	390,476,527.64	401,049,834.13
Non-current assets due in one year		
Other current assets		
Subtotal of current assets	1,793,481,635.59	1,818,756,440.79
Non-current assets:		
Disbursement of entrusted loans and advances		
Salable financial assets	10,926,604.39	9,905,288.69
Held-to-maturity investments		
Long-term receivables		
Long-term equity investment	447,852,026.33	386,918,042.18
Investment real estate		
Fixed assets	3,313,496,420.90	3,373,696,831.94
Construction in progress	142,900,085.66	455,983,782.08
Engineering material	1,914,050.52	7,136,262.70
Disposal of fixed assets		
Productive biological assets		
Oil gas assets		
Intangible assets	255,416,359.06	259,222,805.52
Development expenditure	8,805,094.96	128,547.41
Goodwill		
Long-term prepaid expenses	16,776,930.53	26,981,667.67
Deferred income tax assets	1,011,821.71	1,403,117.84
Other non-current assets		
Subtotal of non-current assets	4,199,099,394.06	4,521,376,346.03

Total of assets	5,992,581,029.65	6,340,132,786.82
Current liabilities:		
Short-term loan	422,800,855.65	577,905,075.14
Loan from central bank		
Customer bank deposits and due to banks and other financial institutions		
Loans from financial institutions		
Transactional financial liabilities		
Notes payable		
Accounts payable	372,058,908.94	364,270,073.50
Advance receipts	331,371,643.21	374,554,029.66
Financial assets sold for repurchase		
Handling charges and commission payable		
Staff salary payable	947,961.82	47,483,968.60
Tax payable	62,085,362.46	43,546,800.74
Interest payable	3,231,705.95	3,247,050.81
Dividend payable	2,907,553.75	3,402,443.92
Other payables	806,835,168.66	876,068,167.39
Reinsurance accounts payable		
Reserve of insurance contract		
Customer brokerage deposits		
Securities underwriting brokerage deposits		
Non-current liabilities due in one year		
Other current liabilities		
Subtotal of current liabilities	2,002,239,160.44	2,290,477,609.76
Non-current liabilities:		
Long-term loan		64,000,000.00
Bonds payable		
Long-term payables	950,000,000.00	976,026,345.12
Special payables	96,000,000.00	97,700,000.00
Estimated liabilities		
Liabilities for deferred income tax	1,795,745.90	2,187,080.42
Other non-current liabilities	930,800.00	1,047,150.00
Subtotal of non-current liabilities	1,048,726,545.90	1,140,960,575.54
Subtotal of liabilities	3,050,965,706.34	3,431,438,185.30
Owner's equity (or shareholders' equity):		
Paid-in capital (or share capital)	1,156,399,976.00	1,156,399,976.00
Capital reserves	1,593,255,392.61	1,590,142,742.37
Less: Treasury stock		
Special reserve		
Surplus reserves	11,329,760.39	10,384,738.92
Provision for normal risk		
Undistributed profit	87,215,874.60	71,537,113.31
Converted difference in foreign currency statements		
Owner's equity attributed to parent company	2,848,201,003.60	2,828,464,570.60
Minority interest	93,414,319.71	80,230,030.92
Total of owner's equity	2,941,615,323.31	2,908,694,601.52
Total of liabilities and owner's equity	5,992,581,029.65	6,340,132,786.82

Legal representative: Mr. Li Jun Principal in charge of accounting: Mr. He Gang Head of accounting dept.: Mr. Lai Yonghua

Balance Sheet of Parent Company

December 31, 2013

Prepared by: Shanghai Chlor-Alkali Chemical Co., Ltd.

Unit: RMB

Item	Closing balance	Beginning balance
Current assets:		
Monetary fund	520,889,380.61	495,362,517.37
Transactional financial assets		
Notes receivable	359,331,691.41	357,389,511.98
Accounts receivable	172,900,894.31	219,704,681.52
Advance payment	223,657,620.42	169,972,244.57
Interest receivable		
Dividend receivable		
Other receivables	1,146,309.00	20,388,175.90
Inventories	318,452,938.40	341,176,769.80
Non-current assets due in one year		
Other current assets	20,000,000.00	
Subtotal of current assets	1,616,378,834.15	1,603,993,901.14
Non-current assets:		
Salable financial assets	7,516,634.40	8,339,522.40
Held-to-maturity investments		
Long-term receivables		
Long-term equity investment	623,858,686.16	570,724,702.01
Investment real estate		
Fixed assets	3,147,708,955.11	3,205,968,169.72
Construction in progress	136,595,991.98	411,512,002.21
Engineering material	1,914,050.52	7,136,262.70
Disposal of fixed assets		
Productive biological assets		
Oil gas assets		
Intangible assets	205,724,769.34	215,622,425.18
Development expenditure	8,805,094.96	128,547.41
Goodwill		
Long-term prepaid expenses	15,829,943.15	25,704,767.62
Deferred income tax assets		
Other non-current assets		
Subtotal of non-current assets	4,147,954,125.62	4,445,136,399.25
Total of assets	5,764,332,959.77	6,049,130,300.39
Current liabilities:		
Short-term loan	368,350,855.65	497,555,075.14
Transactional financial liabilities		
Notes payable		
Accounts payable	348,490,583.44	332,975,473.99
Advance receipts	323,823,687.69	366,474,671.21
Staff salary payable		34,762,170.00
Tax payable	58,852,446.65	40,131,602.62
Interest payable	3,231,705.95	3,106,744.79
Dividend payable	1,372,676.90	1,372,676.90
Other payables	833,863,795.45	864,889,309.30
Non-current liabilities due in one year		

Other current liabilities		
Subtotal of current liabilities	1,937,985,751.73	2,141,267,723.95
Non-current liabilities:		
Long-term loan		64,000,000.00
Bonds payable		
Long-term payables	950,000,000.00	976,026,345.12
Special payables	96,000,000.00	97,700,000.00
Estimated liabilities		
Liabilities for deferred income tax	969,995.16	1,822,380.60
Other non-current liabilities	930,800.00	1,047,150.00
Subtotal of non-current liabilities	1,047,900,795.16	1,140,595,875.72
Subtotal of liabilities	2,985,886,546.89	3,281,863,599.67
Owner's equity (or shareholders' equity):		
Paid-in capital (or share capital)	1,156,399,976.00	1,156,399,976.00
Capital reserves	1,599,084,909.20	1,597,355,411.76
Less: Treasury stock		
Special reserve		
Surplus reserves	11,329,760.39	10,384,738.92
Provision for normal risk		
Undistributed profit	11,631,767.29	3,126,574.04
Subtotal of owner's equity (or shareholders' equity)	2,778,446,412.88	2,767,266,700.72
Total of liabilities and owner's equity (or shareholders' equity)	5,764,332,959.77	6,049,130,300.39

Legal representative: Mr. Li Jun Principal in charge of accounting: Mr. He Gang Head of accounting dept.: Mr. Lai Yonghua

Consolidated Income Statement

January to December, 2013

Unit: RMB

Item	Current period	Last period
1. Gross operating income	6,974,211,654.53	6,340,883,649.76
Incl.: Operating income	6,974,211,654.53	6,340,883,649.76
Interest income		
Earned premium		
Income from handling charges and commissions		
2. Gross operating cost	7,206,916,460.12	6,354,624,964.69
Incl.: Operating cost	6,344,195,298.75	5,700,714,055.07
Interest expense		
Expenditure for handling charges and commissions		
Surrenders		
Net payment of claims		
Net reserve of insurance contract appropriated		
Policy dividend expenditure		
Reinsurance premium		
Business tax and extra	24,845,304.83	23,582,922.84
Selling expenses	193,012,461.43	151,977,833.76
Management expenses	416,638,560.56	334,096,291.86
Financial expenses	111,801,208.77	120,850,845.04
Loss from depreciation of assets	116,423,625.78	23,403,016.12

Plus: Income from change of fair value (for loss filled in "—")		
Investment income (for loss filled in "—")	144,125,008.27	108,360,721.34
Incl.: Investment income from affiliated enterprises and joint ventures	60,933,984.15	84,147,446.18
Exchange gain (for loss filled in "-")		
3. Operating profit (for loss filled in "—")	-88,579,797.32	94,619,406.41
Plus: Non-operating income	122,523,307.47	22,748,607.99
Less: Non-operating expenses	2,629,788.44	2,418,258.02
Incl.: Loss from disposal of non-current assets	239,846.23	1,649,789.84
4. Gross profit (for gross loss filled in "—")	31,313,721.71	114,949,756.38
Less: Income tax expenses	5,990,994.17	3,783,886.50
5. Net profit (net loss filled in "—")	25,322,727.54	111,165,869.88
Net profit attributed to parent company's owners	16,623,782.76	102,542,136.82
Minority's profit and loss	8,698,944.78	8,623,733.06
6. Earnings per share:		
1) Basic earnings per share	0.0144	0.0887
2) Diluted earnings per share	0.0144	0.0887
7. Other composite income	1,412,650.24	-2,870,216.13
8. Total amount of composite income	26,735,377.78	108,295,653.75
Total composite income attributed to owners of parent company	18,036,433.00	99,671,920.69
Total composite income attributed to minority shareholders	8,698,944.78	8,623,733.06

Legal representative: Mr. Li Jun Principal in charge of accounting: Mr. He Gang Head of accounting dept.: Mr. Lai Yonghua

Income Statement of Parent Company
January to December, 2013

Unit: RMB

Item	Current period	Last period
1. Operating income	5,916,425,456.32	5,457,044,777.50
Less: Operating cost	5,388,806,879.89	4,906,634,638.45
Business tax and extra	21,475,479.12	19,607,926.66
Selling expenses	178,228,083.71	138,459,702.68
Management expenses	353,291,897.24	289,865,216.26
Financial expenses	108,695,503.06	117,198,038.40
Loss from depreciation of assets	116,003,101.01	25,231,062.07
Plus: Income from change of fair value (for loss filled in "—")		
Investment income (for loss filled in "—")	143,303,054.56	105,179,962.51
Incl.: Investment income from affiliated enterprises and joint ventures	60,933,984.15	84,147,446.18
2. Operating profit (for loss filled in "—")	-106,772,433.15	65,228,155.49
Plus: Non-operating income	118,197,625.26	10,292,645.26
Less: Non-operating expenses	1,974,977.39	1,567,456.00
Incl.: Loss from disposal of non-current assets	188,781.30	1,567,456.00
3. Gross profit (for total loss filled in "—")	9,450,214.72	73,953,344.75
Less: Income tax expenses		

4. Net profit (for net loss filled in "—")	9,450,214.72	73,953,344.75
5. Earnings per share:		
1) Basic earnings per share		
2) Diluted earnings per share		
6. Other composite income	29,497.44	-2,332,169.70
7. Total amount of composite income	9,479,712.16	71,621,175.05

Legal representative: Mr. Li Jun Principal in charge of accounting: Mr. He Gang Head of accounting dept.: Mr. Lai Yonghua

Consolidated Cash Flow Statement

January to December, 2013

Unit: RMB

Item	Current period	Last period
1. Cash flow from operating activities:		
Cash received from sale of goods and rendering of service	8,203,869,209.67	7,250,073,878.07
Net increase of customers' deposit and deposit from same trade		
Net increase of loan from central bank		
Net increase of fund lent from other financial institutions		
Cash received from premium of original insurance contract		
Net cash received from reinsurance business		
Net increase of policyholder's deposits and investments		
Net increase in disposal of transactional financial assets		
Cash from receipt of interest, handling charge and commission		
Net increase of loans from financial institutions		
Net increase of fund for repurchase business		
Tax rebates received	554,337.82	593,544.61
Other cash related to operating activities received	172,431,519.72	16,866,235.34
Subtotal of cash inflow from operating activities	8,376,855,067.21	7,267,533,658.02
Cash paid for purchase of goods and acceptance of service	6,795,220,824.04	5,833,765,627.79
Net increase of customer loan and advances		
Net increase of deposit in central bank and same trade		
Cash for payment of claims due to original insurance contract		
Cash for payment of interest, handling charge and commission		
Cash for payment of policy dividend		
Cash paid to or for employees	479,462,908.17	383,243,316.16
Cash paid for taxes and surcharges	212,616,312.30	233,092,627.99
Other cash paid related to operating activities	309,528,632.68	173,123,255.94
Subtotal of cash outflow from operating activities	7,796,828,677.19	6,623,224,827.88
Net cash flow from operating activities	580,026,390.02	644,308,830.14
2. Cash flow from investment activities:		
Cash received from disinvestment	307,808.78	34,981,500.97
Cash received from investment income	11,632,681.50	6,392,413.42
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	879,408.36	1,281,210.00
Net cash received from disposal of subsidiaries and other business units	100,455,646.23	

Other cash related to investment activities received	287,300.00	
Subtotal of cash inflow from investment activities	113,562,844.87	42,655,124.39
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	360,776,175.65	361,470,511.32
Cash paid for investment		10,000,000.00
Net increase of pledge loan		
Net cash paid for acquisition of subsidiaries and other business units		3,925,153.93
Other cash paid related to investment activities	5,000.00	
Subtotal of cash outflow from investment activities	360,781,175.65	375,395,665.25
Net cash flow from investment activities	-247,218,330.78	-332,740,540.86
3. Cash flow from financing activities:		
Cash received from capital contributions	100,000.00	
Incl.: Cash received by subsidiaries from capital contributions of minority shareholders		
Cash received from loan	934,700,855.65	1,651,108,034.80
Cash received from issuing bonds		
Other cash received related to financing activities		
Subtotal of cash inflow from financing activities	934,800,855.65	1,651,108,034.80
Cash paid for debt settlement	1,153,805,075.14	1,768,372,959.66
Cash paid for distribution of dividend or profit or for payment of interest	108,293,761.91	134,531,528.76
Incl.: Dividend and profit paid by subsidiaries to minority shareholders		
Other cash paid related to financing activities		
Subtotal of cash outflow from financing activities	1,262,098,837.05	1,902,904,488.42
Net cash flow from financing activities	-327,297,981.40	-251,796,453.62
4. Impact of change in exchange rate on cash and cash equivalents	-6,162,774.22	252,190.69
5. Net increase in cash and cash equivalents	-652,696.38	60,024,026.35
Plus: Beginning balance of cash and cash equivalents	573,937,087.33	513,913,060.98
6. Closing balance of cash and cash equivalents	573,284,390.95	573,937,087.33

Legal representative: Mr. Li Jun Principal in charge of accounting: Mr. He Gang Head of accounting dept.: Mr. Lai Yonghua

Cash Flow Statement of Parent Company
January to December, 2013

Unit: RMB

Item	Current period	Last period
1. Cash flow from operating activities:		
Cash received from sale of goods and rendering of service	6,909,563,045.93	6,214,083,638.97
Tax rebates received		
Other cash related to operating activities received	182,400,494.17	10,024,289.65
Subtotal of cash inflow from operating activities	7,091,963,540.10	6,224,107,928.62
Cash paid for purchase of goods and acceptance of service	5,694,920,028.38	4,985,860,307.02
Cash paid to or for employees	365,962,535.42	286,794,835.59
Cash paid for taxes and surcharges	176,779,177.89	191,802,939.45
Other cash paid related to operating activities	244,191,812.22	139,480,052.58
Subtotal of cash outflow from operating activities	6,481,853,553.91	5,603,938,134.64
Net cash flow from operating activities	610,109,986.19	620,169,793.98

2. Cash flow from investment activities:		
Cash received from disinvestment	307,808.78	24,981,500.97
Cash received from investment income	11,679,367.61	6,292,808.87
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	122,298.35	3,020.00
Net cash received from disposal of subsidiaries and other business units	99,416,016.00	
Other cash related to investment activities received	287,300.00	
Subtotal of cash inflow from investment activities	111,812,790.74	31,277,329.84
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	352,867,211.32	349,489,911.11
Cash paid for investment	21,000,000.00	
Net cash paid for acquisition of subsidiaries and other business units		45,754,798.06
Other cash paid related to investment activities	20,005,000.00	
Subtotal of cash outflow from investment activities	393,872,211.32	395,244,709.17
Net cash flow from investment activities	-282,059,420.58	-363,967,379.33
3. Cash flow from financing activities:		
Cash received from capital contributions		
Cash received from loan	808,350,855.65	1,541,258,034.80
Cash received from issuing bonds		
Other cash received related to financing activities		
Subtotal of cash inflow from financing activities	808,350,855.65	1,541,258,034.80
Cash paid for debt settlement	1,001,555,075.14	1,658,772,959.66
Cash paid for distribution of dividend or profit or for payment of interest	103,365,742.92	113,293,288.65
Other cash paid related to financing activities		
Subtotal of cash outflow from financing activities	1,104,920,818.06	1,772,066,248.31
Net cash flow from financing activities	-296,569,962.41	-230,808,213.51
4. Impact of change in exchange rate on cash and cash equivalents	-5,953,739.96	232,706.20
5. Net increase in cash and cash equivalents	25,526,863.24	25,626,907.34
Plus: Beginning balance of cash and cash equivalents	495,362,517.37	469,735,610.03
6. Closing balance of cash and cash equivalents	520,889,380.61	495,362,517.37

Legal representative: Mr. Li Jun Principal in charge of accounting: Mr. He Gang Head of accounting dept.: Mr. Lai Yonghua

Consolidated Statement of Changes in Owners' Equity

January to December, 2013

Unit: RMB

Unit: RMB

Item	Amount of current period						Minority interest	Total of owner's equity
	Owner's equity attributed to parent company							
	Paid-in capital (or share capital)	Capital reserves	Specific reserves	Surplus reserves	Undistributed profit			
1. Balance at end of last year	1,156,399,976.00	1,590,142,742.37		10,384,738.92	71,537,113.31	80,230,030.92	2,908,694,601.52	
Plus: Change in accounting policy								
Correction of errors in previous period								

Other							
2. Balance at beginning of the year	1,156,399,976.00	1,590,142,742.37		10,384,738.92	71,537,113.31	80,230,030.92	2,908,694,601.52
3. Increase or decrease of current period (for decrease filled in "—")		3,112,650.24		945,021.47	15,678,761.29	13,184,288.79	32,920,721.79
1) Net profit					16,623,782.76	8,698,944.78	25,322,727.54
2) Other composite income		1,412,650.24					1,412,650.24
Subtotal of above 1) and 2)		1,412,650.24			16,623,782.76	8,698,944.78	26,735,377.78
3) Capital contributed or reduced by the owner						4,458,004.73	4,458,004.73
(1) Capital contributed by the owner						4,458,004.73	4,458,004.73
(2) Payment for shares attributed into owner's equity							
(3) Other							
4) Profit distribution				945,021.47	-945,021.47	27,339.28	27,339.28
(1) Appropriated surplus reserves				945,021.47	-945,021.47		
(2) Appropriated provision for normal risk							
(3) Distribution to owners (or shareholders)						27,339.28	27,339.28
(4) Other							
5) Internal transfer of owner's equity							
(1) Capital reserves transferred into capital (or share capital)							
(2) Surplus reserves transferred into capital (or share capital)							
(3) Surplus reserves covering loss							
(4) Other							
6) Special reserve							
(1) Appropriated in current period			14,832,850.91				14,832,850.91
(2) Used in current period			14,832,850.91				14,832,850.91
7) Other		1,700,000.00					1,700,000.00
4. Closing balance of current period	1,156,399,976.00	1,593,255,392.61		11,329,760.39	87,215,874.60	93,414,319.71	2,941,615,323.31

Unit: RMB

Item	Amount at same period of last year					
	Owner's equity attributed to parent company				Minority interest	Total of owner's equity
	Paid-in capital (or share capital)	Capital reserves	Surplus reserves	Undistributed profit		
1. Balance at end of last year	1,156,399,976.00	1,590,422,958.50	10,037,341.80	-30,657,626.39	21,906,500.52	2,748,109,150.43
Plus: Change in accounting policy						
Correction of errors in previous period						
Other						
2. Balance at beginning of the year	1,156,399,976.00	1,590,422,958.50	10,037,341.80	-30,657,626.39	21,906,500.52	2,748,109,150.43
3. Increase or decrease of current period (for decrease filled in "—")		-280,216.13	347,397.12	102,194,739.70	58,323,530.40	160,585,451.09
1) Net profit				102,542,136.82	8,623,733.06	111,165,869.88
2) Other composite income		-2,870,216.13				-2,870,216.13
Subtotal of above 1) and 2)		-2,870,216.13		102,542,136.82	8,623,733.06	108,295,653.75
3) Capital contributed or reduced by the owner		2,590,000.00			49,592,339.28	52,182,339.28
(1) Capital contributed by the owner						
(2) Payment for shares attributed into owner's equity						
(3) Other		2,590,000.00			49,592,339.28	52,182,339.28
4) Profit distribution			347,397.12	-347,397.12	107,458.06	107,458.06
(1) Appropriated surplus reserves			347,397.12	-347,397.12		
(2) Appropriated provision for normal risk						
(3) Distribution to owners (or shareholders)					107,458.06	107,458.06
(4) Other						
5) Internal transfer of owner's equity						
(1) Capital reserves transferred into capital (or share capital)						
(2) Surplus reserves transferred into capital (or share capital)						
(3) Surplus reserves covering loss						
(4) Other						
6) Special reserve						
(1) Appropriated in current period						
(2) Used in current period						

7) Other						
4. Closing balance of current period	1,156,399,976.00	1,590,142,742.37	10,384,738.92	71,537,113.31	80,230,030.92	2,908,694,601.52

Legal representative: Mr. Li Jun Principal in charge of accounting: Mr. He Gang Head of accounting dept.: Mr. Lai Yonghua

Statement of Changes in Owners' Equity of Parent Company

January to December, 2013

Unit: RMB

Item	Amount of current period					
	Paid-in capital (or share capital)	Capital reserves	Specific reserves	Surplus reserves	Undistributed profit	Total of owner's equity
1. Balance at end of last year	1,156,399,976.00	1,597,355,411.76		10,384,738.92	3,126,574.04	2,767,266,700.72
Plus: Change in accounting policy						
Correction of errors in previous period						
Other						
2. Balance at beginning of the year	1,156,399,976.00	1,597,355,411.76		10,384,738.92	3,126,574.04	2,767,266,700.72
3. Increase or decrease of current period (for decrease filled in "—")		1,729,497.44		945,021.47	8,505,193.25	11,179,712.16
1) Net profit					9,450,214.72	9,450,214.72
2) Other composite income		29,497.44				29,497.44
Subtotal of above 1) and 2)		29,497.44			9,450,214.72	9,479,712.16
3) Capital contributed or reduced by the owner						
(1) Capital contributed by the owner						
(2) Payment for shares attributed into owner's equity						
(3) Other						
4) Profit distribution				945,021.47	-945,021.47	
(1) Appropriated surplus reserves				945,021.47	-945,021.47	
(2) Appropriated provision for normal risk						
(3) Distribution to owners (or shareholders)						
(4) Other						
5) Internal transfer of owner's equity						

(1) Capital reserves transferred into capital (or share capital)						
(2) Surplus reserves transferred into capital (or share capital)						
(3) Surplus reserves covering loss						
(4) Other						
6) Special reserve						
(1) Appropriated in current period			14,832,850.91			14,832,850.91
(2) Used in current period			14,832,850.91			14,832,850.91
7) Other		1,700,000.00				1,700,000.00
4. Closing balance of current period	1,156,399,976.00	1,599,084,909.20		11,329,760.39	11,631,767.29	2,778,446,412.88

Unit: RMB

Item	Amount at same period of last year				
	Paid-in capital (or share capital)	Capital reserves	Surplus reserves	Undistributed profit	Total of owner's equity
1. Balance at end of last year	1,156,399,976.00	1,597,097,581.46	10,037,341.80	-70,479,373.59	2,693,055,525.67
Plus: Change in accounting policy					
Correction of errors in previous period					
Other					
2. Balance at beginning of the year	1,156,399,976.00	1,597,097,581.46	10,037,341.80	-70,479,373.59	2,693,055,525.67
3. Increase or decrease of current period (for decrease filled in "—")		257,830.30	347,397.12	73,605,947.63	74,211,175.05
1) Net profit				73,953,344.75	73,953,344.75
2) Other composite income		-2,332,169.70			-2,332,169.70
Subtotal of above 1) and 2)		-2,332,169.70		73,953,344.75	71,621,175.05
3) Capital contributed or reduced by the owner		2,590,000.00			2,590,000.00
(1) Capital contributed by the owner					
(2) Payment for shares attributed into owner's equity					
(3) Other		2,590,000.00			2,590,000.00
4) Profit distribution			347,397.12	-347,397.12	
(1) Appropriated surplus reserves			347,397.12	-347,397.12	
(2) Appropriated provision for normal risk					
(3) Distribution to owners (or shareholders)					
(4) Other					
5) Internal transfer of owner's equity					
(1) Capital reserves transferred into capital (or share capital)					
(2) Surplus reserves transferred into capital (or share capital)					
(3) Surplus reserves covering loss					

(4) Other					
6) Special reserve					
(1) Appropriated in current period					
(2) Used in current period					
7) Other					
4. Closing balance of current period	1,156,399,976.00	1,597,355,411.76	10,384,738.92	3,126,574.04	2,767,266,700.72

Legal representative: Mr. Li Jun Principal in charge of accounting: Mr. He Gang Head of accounting dept.: Mr. Lai Yonghua

11. Documents for Reference

1. Accounting statements signed and stamped by legal representative, CFO and chief of accounting department;
2. The original auditor's report stamped by the public accounting firm and signed and stamped by the certified public accountant;
3. The formal version of all files and originals of the announcements disclosed in the newspapers appointed by China Securities Regulatory Committee during the report period;
4. The Company shall furnish the above documents for reference when the China Securities Regulatory Committee and the stock exchange request to provide them and the shareholders request to consult according to the requirements of the statute or the Articles of Association.

Chairman of the Board: Li Jun
Shanghai Chlor-Alkali Chemical Co., Ltd.
March 21, 2014