

Company code: 600618 900908

Short name of the Company: SCAC Chlor-Alkali B share

Shanghai Chlor-Alkali Chemical Co., Ltd.

2016 Annual Report

Important Notice

- I. The Board of Directors, the Supervisory Committee, Directors, Supervisors and senior executives of the Company ensure that 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.**
- II. All the Directors of the Company attended the Board meeting.**
- III. BDO China Shu Lun Pan Certified Public Accountants LLP (special ordinary partnership) issued an auditor's report with standard and unqualified opinion for the Company.**
- IV. Mr. Huang Dailie, the principal of the Company, Mr. Zhang Weimin, the principal in charge of accounting of the Company, and Mr. Lai Yonghua, the head of accounting department (accounting officer) declare to guarantee the truth, accuracy and integrity of the financial report carried in this Annual Report.**
- V. The profit distribution preplan or the common reserves capitalizing preplan during the reporting period reviewed by the board of directors**

According to the 2016 annual financial audit report issued by BDO China Shu Lun Pan Certified Public Accountants LLP engaged by the Company, in 2016 the net profit of the parent company was RMB -320,466,343.92 Yuan and the undistributed profit at beginning of the year was RMB -614,936,506.51 Yuan, and the profit available for distribution at end of the year was RMB -935,402,850.43 Yuan. Therefore, the Company had no capability of cash dividend or common reserves capitalization.

VI. Risk disclaimer of forward-looking statements

Applicable Not applicable

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 notice to the investment risks.

VII. Is there any non-operational fund occupation by the controlling shareholder or the related parties?

No

VIII. Does the Company provide the outward guarantees in breach of the stipulated decision-making process?

No

IX. Notice on important risks

Applicable Not applicable

The company has described the related potential risks in this report. Please refer to the contents concerning the risk factors that the Company may face in the future development in Section IV Discussion and Analysis of the Business.

X. Other

Applicable Not applicable

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Section I Paraphrase

I. Paraphrase

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

Paraphrase for generally-used expressions		
CSRC	means	China Securities Regulatory Commission
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 strong soluble 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	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, grease petroleum, rubber, plastic, pharmacy, disinfection, agricultural pesticide, metallurgy and electronic industry.
EDC	means	Ethylene dichloride. Achromatic or yellowish transparent liquid with specific gravity of about 1.26 and odor similar to chloroform, insoluble in water, dissolve in ethyl alcohol and ethyl ether. Mainly used as the solvent for wax, fat and rubber, and also used in producing vinyl chloride and polycarbonate.
EPVC, paste resin	means	Paste resin. 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.
TPVC	means	Special resin. 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.
SLIC	means	Shanghai Lianheng Isocyanate Co., Ltd
SBPC	means	Shanghai BASF Polyurethane Co., Ltd

Section II Company Profile and Main Financial indexes

I. Company information

Chinese name of the Company	上海氯碱化工股份有限公司
Short form	氯碱化工
English name of the Company	SHANGHAI CHLOR – ALKALI CHEMICAL CO., LTD.
Abbreviation	SCAC
Legal representative of the Company	Mr. Huang Dailie

II. Contact information

	Secretary of the Board of Directors	Securities representative
Name	Dong Yan	Chen Lihua
Contact address	No. 4747 Longwu Rd., Shanghai	No. 4747 Longwu Rd., Shanghai
Tel.	021-23533113	021-64342640
Fax	021-64340817	021-64340817
E-mail	dy@scacc.com	chenlihua@scacc.com

III. Basic information

Registered address of the Company	No. 4747 and 4800 Longwu Rd., Shanghai
Zip code of registered address	200241
Business address of the Company	No. 4747 Longwu Rd., Shanghai
Zip code of business address of the Company	200241
Website	www.scacc.com
E-mail	dshms@scacc.com

IV. 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	No. 4747 Longwu Rd., Shanghai

V. 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

VI. Other relevant information

Public accounting firm engaged by the Company (domestic)	Name	BDO China Shu Lun Pan Certified Public Accountants LLP
	Business address	4th Floor, New Huangpu Financial Plaza, No.61, East Nanjing Rd., Shanghai, China
	Name of the accountant for signing	Gu Xuefeng, Chen Luying

VII. Main accounting data and financial indexes of the last 3 years**(I) Main accounting data**

Unit: Yuan Currency: RMB

Main accounting data	2016	2015	Increase or decrease than same period of last year (%)	2014
Operating income	6,754,397,061.69	6,170,874,223.67	9.46	7,015,409,267.56
Net profit attributable to shareholders of the listed Company	-328,091,761.80	95,615,030.34	-443.14	-592,502,499.95
Net profit attributable to shareholders of the Company, after non-recurring profit and loss	-72,743,416.16	-31,416,638.28	N.A.	-262,177,332.00
Net cash flow from operating activities	488,856,761.24	305,852,432.45	59.83	-29,059,999.83
	At the end of 2016	At the end of 2015	Increase or decrease (%)	At the end of 2014
Net assets attributable to shareholders of the listed Company	1,941,720,787.56	2,261,545,045.54	-14.14	2,164,655,507.39
Total assets	4,489,616,046.06	4,847,854,403.79	-7.39	5,754,717,626.22

(II) Main financial indexes

Main financial indexes	2016	2015	Increase or decrease than same period of last year (%)	2014
Basic earnings per share (RMB/share)	-0.2837	0.0827	-443.05	-0.5124
Diluted earnings per share (RMB/share)	-0.2837	0.0827	-443.05	-0.5124
Basic earnings per share after non-recurring profit and loss (RMB/share)	-0.0629	-0.0272	N.A.	-0.2267
Return on net assets, weighted average (%)	-15.6113	4.313	Decrease by 19.92 percentage points	-24.4467
Return on net assets, weighted average, after recurrent profit and loss (%)	-3.4613	-1.4171	Decrease by 2.04 percentage points	-10.8175

Notes to the main accounting data and financial indexes of the last 3 years before the end of the reporting period

Applicable Not applicable

VIII. Difference in accounting data under domestic and overseas accounting standards**(I) The difference between net profit and net assets attributable to shareholders of the Company between the international accounting standard and Chinese accounting standards**

Applicable Not applicable

(II) The difference of net profit and net assets attributable to shareholders of the listed Company in the financial report synchronously disclosed according to the international accounting standards and Chinese accounting standards

Applicable Not applicable

(III) Explanation for differences between the international and Chinese accounting standards:

Applicable Not applicable

IX. Main financial data by quarters in 2016

Unit: Yuan Currency: RMB

	1 st quarter (Jan.-March)	2 nd quarter (Apr.-Jun.)	3 rd quarter (July-Sept.)	4 th quarter (Oct.-Dec.)
Operating income	1,121,594,645.40	1,996,947,639.96	1,902,126,376.36	1,733,728,399.97
Net profit attributable to shareholders of the listed Company	9,426,009.05	2,908,167.36	-58,655,607.08	-281,770,331.13
Net profit attributable to shareholders of the listed Company after deducting non-recurring profit and loss	21,263,550.76	24,316,965.61	4,060,482.46	-122,384,414.99
Net cash flow from operating activities	108,726,920.00	94,418,777.05	57,693,400.75	228,017,663.44

Note on differences between the data of the quarters and that of the period report disclosed

□Applicable √Not applicable

X. Items of non-recurring profit and loss and amounts

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Items of non-recurring profit and loss	Amount of 2016	Note (if applicable)	Amount of 2015	Amount of 2014
Profit or loss from disposal of non-current assets	297,935.96		257,772,690.18	1,111,822.13
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	22,590,620.20	The rest 30% of the government subsidy for industrial restructuring of Wujing Base, totally RMB 15,000,000.00 Yuan	41,118,941.72	5,732,560.40
Profit and loss on the changes in fair value of the held-for-trading financial assets and liabilities and the investment yield from the disposal of the held-for-trading financial assets and liabilities and available-for-sale financial assets except the valid hedging business related to the normal operation business of the company	13,928,846.49	Yield from sale of Zhongyida's shares		
Other non-operating revenue and expenditure other than	2,120,604.54		3,081,055.74	6,572,403.12

above items				
Other profit or loss items meeting the definition of non-recurring profit and loss	-297,607,371.13	Compensation for personnel placement and related loss on work stoppage caused by adjustment of the industrial structure in Wujing Base	-174,731,937.80	-343,652,815.90
Impact of minority interests	3,119,749.28		-199,632.57	50,515.48
Impact of income tax	201,269.02		-9,448.67	-139,653.18
Total	-255,348,345.64		127,031,668.60	-330,325,167.95

XI. Items measured by fair value

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	Beginning balance	Closing balance	Change in current period	Impact on the profit of current period
Salable financial assets	50,765,875.23	70,138,258.46	19,372,383.23	344,311.88
Total	50,765,875.23	70,138,258.46	19,372,383.23	344,311.88

XII. Others

□Applicable √Not applicable

Section III Summary on the Company's Business**I. Main business, operating mode and industrial status of the Company during the reporting period**

- II. (1) Main business: The Company mainly produces and sells sodium hydroxide, chlorine, chlorine products, polyvinyl chloride plastics resin and the products. Now the Company's annual production capacity for sodium hydroxide is 720,000 tons, for ethylene dichloride, 720,000 tons, for liquid chlorine, 600,000 tons, and for paste and special resin, 80,000 tons.
- III. (2) Operating mode: The Company makes close cooperation with the international chemical magnate to establish an integrated operation mode with completed devices and pipe-line transportation in the shanghai chemical industrial park. The integrated industrial industry chain model is an interchange and sharing integrated industry chain which mainly takes the ethylene product from SECCO as the flagship product, the chlor-alkali product from the Company as the foundation, the refined chemical product such as isocyanate, polyisocyanate and polycarbonate from BASF SE, Covestro and American HUNTSMAN as the intermediate, and the refined chemical product such as the paint and the adhesive as the end-product. The structure of the specific industry chain is described as follows: the Company provides the chlorine and the sodium hydroxide as the raw materials to MDI/TDI/PC units in the park area, digest the byproduct hydrochloric acid gas and produce the dichloroethane with the ethylene as the raw material and the secondary chlorine. Therefore, the Company built 720000t sodium hydroxide unit and 720000t dichloroethane units in the shanghai chemical industrial park as the supporting facilities, all of the chlorine liquid produced is basically supplied to the downstream of the shanghai chemical industrial park. The chlorine pipeline and sodium hydroxide pipeline partition wall supply mode is adopted in the shanghai chemical industrial park to guarantee the stability and safety of the supply and zero the logistics cost. The integrated operation mode has enhanced the Company's capability of long-term stable existing and development and has also provided guarantee for the downstream customers to obtain stable and reliable chlor-alkali products in long period, realizing mutual benefit and win-win. The long-term contract on 10-year's

supply of chlorine by the downstream enterprises in the shanghai chemical industrial park to the Company became due in 2016 and the Company initiated the negotiation of the renew of the contract such as SLIC/SBPC Contract I, II and III and Covestro Contract I and II in time. Both parties of a new round of 10-year's supply and marketing contract upheld the idea of cooperation and win-win and took the growth, relevance and interaction of the industry chain into full consideration. Therefore, the profit advantages of the integrated mode of the Company continued in the shanghai chemical industrial park.

- IV. (3) Description of industrial status: in 2016, the sodium hydroxide market turned round. Pushed forward by the rise of the demand in the downstream and the shortage of the output in the main sodium hydroxide production area, the operating factor of the enterprise rose and the price increased. In 2016, the output of the sodium hydroxide in China reached up to 39,450,000t, with a net increment of 720000t compared with the 2015 (a new increase of 2030000t and a cutting of outdated production capacity of 1310000t). There are totally 158 sodium hydroxide producers in china, with a decrease of 5 producers compared with the last year. Although the output of sodium hydroxide increased to a certain extent every year, the outdated production capacity was relatively large, so the overall production capacity was stable. Due to the average increase in consumption, the average industrial operating factor rose from 78% in 2015 to 83% in 2016 and the industrial concentration ratio increased. Affected by the factors such as the supply-side reform for cutting industrial overcapacity, the operating factor of PVC industry kept the trend of stable rise and the price increased. In 2016, the output of PVC was 23,260,000t, with a net reduction of 220,000t compared with the end of 2015 (a new increase of 890,000t and a cutting of outdated production capacity of 1,110,000t). At present, there are 75 PVC producers, with a net reduction of 6 producers compared with the end of the last year. The output of PVC had been in negative growth for 3 years. Since the overall consumption stably grew, the industrial average operating factor rose from 69% in 2015 to 72% in 2016 and the industrial concentration ratio rose.

V. Explanation for significant changes in prime assets of the Company during the reporting period

Applicable Not applicable

VI. Analysis on the core competitive power in the reporting period

Applicable Not applicable

1. Signed a new-round 10-years supply and marketing contracts

Through 10 years'running in the shanghai chemical industrial park by the Company, the integrated operating mode has fully demonstrated the merits of the cooperative win-win pricing mechanism. When the Company signs the long-term contract with the downstream enterprises, the pricing is based on the cost plus the reasonable profit and adjusts the changes in the price and cost of the main cost factors including electricity, salt, steam, water, labor force and industrial products. When the price of the raw material or energy rises, for example, the electricity price rises, the contract price can be adjusted according to the price formula to make efforts to eliminate the cost rise factors; with the chlorine bringing along the sodium hydroxide, in sale of the chlorine, the sodium hydroxide is also sold as per a certain ratio at the same time. The chlorine pipeline and sodium hydroxide pipeline partition wall supply mode is adopted in the shanghai chemical industrial park to guarantee the stability and safety of the supply and zero the logistics cost. It establishes the risk compensation mechanism for the execution of the contracts. In the signing of long-term contracts , various factors were fully considered, for

example, when the actual amount purchased of the customer is less than the amount carried in the contract, the Company will be compensated in accordance with the stipulations of the contract, thus, the risks from the execution of the contract are greatly reduced. At the same time, based on the equity of the contract, when the commodity quantity supplied by the Company to the downstream enterprises is lower than the quantity specified by the contract, the Company will also compensate the downstream enterprises to guarantee the stable supply between and by both parties. The integrated operation mode has enhanced the Company's capability of long-term stable existing and development and has also provided guarantee for the downstream customers to obtain stable and reliable chlor-alkali products in long period, realizing mutual benefit and win-win. The long-term contract on 10-year's supply of chlorine by the downstream enterprises in the shanghai chemical industrial park to the Company expired in 2016 and the Company initiated the negotiation of the renew of the contract such as SLIC/SBPC Contract I, II and III and SECCO Contract I and II in time. Both parties upheld the idea of cooperation and win-win and took the growth, relevance and interaction of the industry chain into full consideration. On Dec. 4, 2016, the company signed the Contract on Supply of Chlorine/Sodium Hydroxide with Covestro Polymer (China) Co., Ltd (the proposal of this contract was reviewed and approved by the 6th meeting of the 9th board of directors and was announced on Dec. 5, 2016) and had reached an agreement on the main clauses of the supply contract with SLIC/SBPC and it was expected that the contract would be signed in the first half year of 2017. Therefore, the Company's profitability predominance due to the integrated operating mode in the shanghai chemical industrial park can continue to exist.

2. New R&D outcome of chlorine preparation technology, accelerating the industrialization

In 2016, the advanced chlorine preparation process independently researched and developed by the state-level technical center of the Company, namely hydrogen chloride to chlorine through catalysis and oxidation passed the review of the experts from the industry and the university; meanwhile, the Company optimized and perfected the feasibility study report on the process package of hydrogen chloride to chlorine through catalysis and oxidation and the industrialized project, laid a solid foundation of the industrialization of the hydrogen chloride to chlorine through oxidation and accelerated the building of the circular economy industry chain in the shanghai chemical industrial park.

3. Reserving a batch of new technology R&D outcomes

The Company independently researched and developed the chlorinated PVC by water phase process and accomplished the research and application development of low-cost chlorinated PVC resin and the formula for chlorinated PVC granular material for the particular customers in 2016, as a result, it seriated and customized the chlorinated PVC resin products.

4. Having a powerful marketing platform

As the enterprise exporting sodium hydroxide earliest in China, the Company owns a powerful international marketing platform and import base for raw salt and this means it is of distinct advance predominance. With respect to domestic trade, the Company is at the middle and down stream of the Yangtze River, the most developed region in China, with the best consumption and logistics. In 2016, the Company established the trading company to build an integrated supply and marketing platform and achieve the “supply and marketing linkage, product linkage and the linkage of the primary business and the trade”. The establishment of the trading company is the need for achieving the industrial upgrading, transformation of growth mode and secondary innovation and upgrading of the profit mode of the company.

Section IV Discussion and Analysis of the Business

I. Discussion and Analysis on the Management

In the first year of the 13th five-year plan, the chlor-alkali industry entered the critical period of industrial restructuring and growth mode transformation. A series of changes had taken place in the industrial operation characteristics: the industrial scale expanded continuously, but the speed of growth slowed down; the industrial concentration ratio rose and the industrial layout became reasonable gradually; the market pattern changed continuously and the trading mode was diversified; the production process was continuously optimized and the energy-saving and environmental protection level was continuously improved. Viewed from the operating environment of the Company, the domestic overall economic growth speed slowed down, the traditional manufacturing industry stepped into the recession cycle, especially, the manufacturing industry of bulk commodity with severe competition entered into the period of cold winter. Although the chlor-alkali product market in the second half year of 2016 turned a little better, the overall situation in the whole year was still severe, the price of ethylene and EDC decreased greatly compared with the annual budget. Confronted with the market fluctuation and actual difficulties, the Company encompassed the strategic target of “innovation, upgrading and transformation” proposed in the 13th five-year plan, persisted in the working requirements of “adjustment and cost cutting for survival and transformation and development for the future”, focused on cost cutting and benefit increase, settlement and reemployment and going global strategy and preliminarily achieved the established operation objectives.

(I) Pushing forward the arrangement and implementation of the strategy of the Company in an all-round way

1. Accomplishing the strategic adjustment of Wujing Zone in an all-round way. According to the relevant policy against the industrial layout and industrial restructuring issued by Shanghai Municipal Government as well as the strategic planning of the Company for clustering and upgrading, the Company had implemented the adjustment of Wujing Zone since 2013, shut down the production units in Wujing Zone in order step by step and actively and stably pushed forward the reduction and reemployment of the employees in the Company. In 2016, the adjustment of Wujing Zone entered the into the closing phase, the Company shut down all of the CPVC units and the related utilities in Wujing Base and stably reduced 696 employees according to the specific proposal, indicating the strategic adjustment in Wujing Zone had accomplished in an all-round way. The success of in strategic adjustment in Wujing Zone as scheduled was an important step for the strategic development of the Company and was of milestone significance for the transformation and development of the Company.

2. Accelerating the cluster and development of the shanghai chemical industrial park. The company further transferred the production and operation center of gravity to Caojing Chemical Zone in an all-round way strengthen the industrial layout in the shanghai chemical industrial park and lay a solid foundation for the great-leap-forward development based on the shanghai chemical industrial park in the future. (1) Quickening the progress of the projects in the

chemical zone. Firstly, the Company independently researched and developed the chlorine hydride to chlorine through oxidation, formally launched the preparation of the feasibility study report on this project and accelerated the industrialization progress of the project of 100000t/a chlorine hydride to chloride through oxidation. Secondly, the chlorinated polyvinyl chloride project would be settled in Tianyuan Chemical Plant in the chemical zone. It was originally planned to be settled in the land for the former paste resin unit on Plot D4 in Shanghai Chemical Zone. In 2016, 3rd board meeting of 9th board of directors reviewed and approved Proposal for Alteration of the Contents Concerning 40000t/a High Performance Perchlorinated Polyvinyl Chloride Project and decided to invest in and build this project in Tianyuan Chemical Plant to further optimize the investment in this project. Now the project is being optimized continuously. (2) Strengthening the position of the important chloride supplier in the chemical zone. The Company scientifically studied and judged the demand for chloride of the downstream enterprises in the chemical zone in the coming years, did well in balance and assessment of the chloride resource in advance, dealt with the challenges from the supply of the chloride resource in time and satisfied the demand at the downstream to the utmost extent. In view that the long-term contract on supply of chloride from the downstream enterprises in the chemical zone to the Company was due in 2016, it launched the negotiation of the renew of the contracts such as SLIC/SBPC Contract I, II and III and Covestro Contract I and II. It regarded "business negotiation of major contracts" as the key management project, strengthened the negotiation with the partners and fully accelerated the negotiation process. Through many rounds of negotiation and communication between both parties, the Company signed the contract on supply of chloride/sodium hydroxide with Covestro Polymer (China) Co., Ltd on Dec. 4, 2016 (the proposal for the contract was reviewed and approved by the 6th board meeting of the 9th board of directors and was announced on Dec. 5, 2016) and it was expected the supply contract with SLIC/SBPC would be signed in the first half year of 2017. 3. Accelerating the step of "going global". In 2016, the Company took a material step in the "going global" strategy and the 5th board meeting of the 9th board of directors of the Company reviewed and approved the proposal for Investment in Inner Mongolia Junzheng Tianyuan Chemical Co., Ltd on Oct. 28, 2016. According to the proposal, Inner Mongolia Junzheng Tianyuan Chemical Co., Ltd would be jointly invested and incorporated as per the stock ratio of Chlor-Alkali Company 40% and Junzheng Energy 60% and the joint venture would plan and build the project of 200000t/a EPVC with seed emulsion process. This project would be implemented by phases and the project (phase I) planned to put 100000t into production. This joint venture accomplished the industrial and commercial registration on Jan. 10, 2017 and it was expected that it would be put into production at the end of 2017. The cooperation between Chlor-Alkali Company and Junzheng Energy could make use of the advantages in local rich resources and rely on the existing production and living facilities of Junzheng Energy to achieve the resources complementarities and upstream and downstream linkage as well as combine the advantages in technology and brand with the ones in resources and cost, as a result, it could effectively reduce the production cost and raise the product competitiveness. This project conformed to the development planning of "trying for the industrial transfer to other appropriate regions in China, relying on the more advantageous policy environment, more complete supporting facilities and cheaper cost input, strengthening the market competitiveness of the products and building the industrial zone with scale effects and competitiveness advantages" and would become an important step towards the implementation of the "going global" strategy.

(II) Optimizing the operation and management of the Company in an all-round way

1. Enhancing HSE management and ensuring safety. The Company adhered to the principle of "building the defense line firmly, holding the bottom line and consolidating the line", advocated the safety culture of "self awareness, sensitivity and working efficiently" and enhanced continuously HSE management level to provide powerful guarantee for its adjustment and development. With propaganda and implementation of the new Production Safety Law and Environmental Protection Law as the main thread, persisting in the principle that "CPC committees and governments are held accountable, officials take responsibility for workplace safety in performing their duties, and those who fail to uphold safety standards are held accountable", strengthening the consciousness of "bottom line", "red line" and

“high voltage line” for safety and environmental protection and ensuring the intrinsic safety of HSE. (1) Defining the safety responsibility. Carrying out the activity of “my area in the charge of me and my work in the charge of me” and continuously improving the safety consciousness and the sense of responsibility of the employees. Implementing HSE responsibility system and signing the HSE responsibility agreement and the letter of commitment in layers, with the contract signing ratio of 100%. In the context of institutional adjustment and reduction in workforce, adjusting HSE working organ in time, establishing Safety Committee of Caojing Zone and guaranteeing the implementation of HSE responsibility. (2) Strengthening safety assessment. Assessing each department and each employee every month. Preparing Detailed Rules for Assessment of Comprehensive Bonus of HSE for Employees in the Company and including the implementation of the production safety responsibility into the comprehensive management and assessment system for the employees in the company for uniform assessment. Revising Detailed Rules for Assessment of Contractors, aiming at the problems in the management of the contractor in the overhaul, studying the assessment, rewards and punishment scheme for the contractors and preparing Standard of Chlor-Alkali Company for Safety Assessment of Construction by the Contractor. (3) Implementing and urging the rectification and improvement. Aiming at some individual minor accident, formulating and launching the measures for rectification and improvement in time, strengthening the management of the key equipment and the major hazard sources, putting the management into place, contracting the management to the specific person, improving the routine patrol quality and guaranteeing the safety facilities in good condition. Amending the scheme for dumping of the chloride liquid storage tank, guaranteeing the dumping in the abnormal condition in the controllable safety state, strengthening the emergency drilling, upgrading the emergency drilling of the leakage of the chloride liquid to the height at the group level and keep the information unblocked among the related persons.

2. Flexibly adjusting the sales system. (1) Integrating the marketing system, establishing the trade company and building the efficient business platform. The establishment of the trade company was required for the industrial upgrading and the secondary innovation and upgrading of the profit mode of the Company. Through the modern marketing system more closely to the market, on one hand, it could achieve the proper linkage of the purchase and sale of the self-operating products, do well in the management of two cores including purchase and sale and improve the market competitiveness of the products; on the other hand, it would make full use of the new mechanism, motivate the spirit of struggle to expand the market so as to transform the growth mode and cultivate the new profit increase point. (2) Aiming at the market trend and optimizing the sale of the products. Firstly, optimizing the sale of EDC and acid absorbent. Viewed from the profit of the chloride per t, the loss of the acid absorbent product was less than the one of EDC product. In 2016, the Company greatly increased the sales volume of acid absorbent and optimized the sales radius as well, and expanded the market of East China all out. Compared with the annual budget, the sales volume of the acid absorbent increased 120000t and the loss was reduced by RMB 19,720,000.00 Yuan in the whole year. Secondly, optimizing the sales structure of the sodium hydroxide. In 2016, the benefit of 32% alkali was better than the one of 50% alkali sold at home and abroad. According to the benefit optimization principle, the Company dynamically adjusted the variety structure of the sodium hydroxide and the regional structure, produced and sold more 32% alkali, increased the sales proportion in Shanghai all out, as a result, the sales proportion of 32% alkali in Shanghai in 2016 increased remarkably, with an increase of 7% on year-on-year basis. (3) Active communication to raise the execution rate of the contracts by the downstream enterprises. In 2016, based on the active communication with the downstream enterprises, the Company closely followed up the execution of the contracts with the downstream enterprises and raised the execution rate of the contract as much as possible to increase the profit of the Company. The quantity of chloride received by the downstream enterprises in 2016 was 599,600t, reaching a record high, with an increase of 23,000t on year-on-year basis.

3. Scientifically strengthening operation and management. (1) Deeply excavating the potential, reducing the cost and increasing the benefit. The Company strictly implemented the budget, optimized the capital structure and the sales structure, resulting in the reduction in three charges by 23% on year-on-year basis. Meanwhile, with respect to the production, the Company strictly controlled the materials and energy consumption, enhanced the management,

reduced the production fluctuation and optimized the use structure of the raw materials, as a result, the manufacturing expense fell down on year-on-year basis. (2) Adopting the flat management mode. The production system further adopted the flat management mode, simplified the management layers, quickened the rate of the information flow, improved the decision-making efficiency, implemented the refined production and achieved the remarkable improvement of the cost and operation profit with the minimum input. The main purpose of the refined production was to make the quickest response with the best quality, the lowest cost and the highest efficiency. With respect to the organizational structure, it reduced the non-direct production layer, adopted the flat production system and quickly responded to the market. The production management department was shifted to the economic operation department, Tianyuan Chemical Plant and Huasheng Chemical Plant were cancelled, sodium hydroxide unit, oxidative chlorination unit, resin unit and utilities were established and PVC plant was cancelled. Economic operation department, HSE department and arm safeguard department directly managed them, in this way, they uniformly implemented the production and operation function together with the four units.

II. Main operating status in the reporting period

In the reporting period, the Company realized the operating income of RMB 6,754,397,100 Yuan, increasing by RMB 583,522,800 Yuan or 9.46% year on year, the gross profit of RMB -334,813,600 Yuan, decreasing by RMB 444,375,500 Yuan year on year, and the net profit attributable to shareholders of the listed Company of RMB -328,091,800 Yuan, decreasing by RMB 423,706,800 Yuan year on year.

(I) Analysis of the main business

Analysis of Changes in Relevant Items in Income Statement and Cash Flow Statement

Unit: Yuan Currency: RMB

Item	Current period amount	Amount in the same period of last year	Change ratio (%)
Operating income	6,754,397,061.69	6,170,874,223.67	9.46
Operating cost	6,128,517,218.57	5,559,439,778.97	10.24
Selling cost	184,329,793.95	199,911,085.12	-7.79
Management expenses	480,214,277.58	402,196,032.57	19.40
Financial expenses	74,994,167.59	140,436,053.89	-46.60
Net cash flow from operating activities	488,856,761.24	305,852,432.45	59.83
Net cash flow from investment activities	-32,240,748.36	462,369,445.87	-106.97
Net cash flow from financing activities	-266,227,416.76	-930,062,240.97	Not applicable
R&D expenditure	22,218,163.42	36,893,630.81	-39.78

1. Analysis on revenue and cost

√Applicable □Not applicable

(1). Main business divided by sector, product and area

Unit: Yuan Currency: RMB

Main business by sector						
Sector	Operating income	Operating cost	Gross profit rate (%)	Increase or decrease of operating income than previous year (%)	Increase or decrease of operating cost than previous year (%)	Increase or decrease of gross profit rate than previous year (%)
Industry	3,825,805,128.74	3,478,929,132.02	9.07	-7.84	-2.18	Decrease by 5.26 percentage points
Construction	52,384,954.98	50,855,935.65	2.92	57.02	71.53	Decrease by 8.21 percentage points

Trade income	2,834,742,551.50	2,557,264,284.04	9.79	46.13	32.35	Increase by 9.39 percentage points
Total	6,712,932,635.22	6,087,049,451.71	9.32	9.61	10.30	Decrease by 0.58 percentage points
Main business by product						
Product	Operating income	Operating cost	Gross profit rate (%)	Increase or decrease of operating income than previous year (%)	Increase or decrease of operating cost than previous year (%)	Increase or decrease of gross profit rate than previous year (%)
PVC	538,275,093.61	557,330,514.67	-3.54	8.76	-3.11	Increase by 12.69 percentage points
Sodium hydroxide	1,377,470,326.87	917,255,823.14	33.41	7.38	-2.50	Increase by 6.74 percentage points
Chlorine products	2,144,285,877.31	2,005,608,343.01	6.47	-0.14	5.79	Decrease by 5.24 percentage points
Others	2,652,901,337.43	2,606,854,770.89	1.74	20.62	23.75	Decrease by 2.48 percentage points
Total	6,712,932,635.22	6,087,049,451.71	9.32	9.61	10.30	Decrease by 0.58 percentage points
Main business by area						
Area	Operating income	Operating cost	Gross profit rate (%)	Increase or decrease of operating income than previous year (%)	Increase or decrease of operating cost than previous year (%)	Increase or decrease of gross profit rate than previous year (%)
China	6,436,295,912.76	5,829,905,849.66	9.42	10.56	11.94	Decrease by 1.11 percentage points
Other countries	276,636,722.46	257,143,602.05	7.05	-8.75	-17.11	Increase by 9.37 percentage points
Total	6,712,932,635.22	6,087,049,451.71	9.32	9.61	10.30	Decrease by 0.58 percentage points

Explanation for the main business by industries, products and regions

√Applicable □Not applicable

1) The Company established the “double-core driven” business development mode and realized the shift from “production and manufacture” to “manufacture+ service trade”. The service trade has rapidly developed in the past two years, kept relatively high share in the market, quickened the transformation of the trade mode and gradually built itself a trade company with relatively strong competitiveness in purchase of the raw materials and sale of the product;

2) The Company, based on the platform of Shanghai Chemical Products Trading Market and the platform of the trade company, expanded the business in the primary products and the raw materials, further expanded the industry chain of the service trade, made use of the information and advantages in the purchase of the existing primary raw materials including ethylene and vinyl chloride and intensified the market development of the varieties such as polyethylene to gradually prompt the Company to shift to the service trade of the varieties in the related industry chain from the main single raw materials (ethylene and vinyl chloride) so as to further strengthen the discourse right of the Company in the primary products and the raw materials market. In this stage, the expansion range of polyethylene business mainly depends on the users in Zhejiang, Jiangsu, Shandong and so on.

3) Continuously making full use of the opportunity of the established ethylene tank project, actively expanding ethylene trade market and seeking for the trade partners in many ways. During this reporting period, the ethylene trade business mainly concentrates on the main consumption region of the ethylene, including Shanghai, Jiangsu and Zhejiang, therefore, the trade business of the ethylene mainly depends on the users in Zhejiang, Jiangsu and Shanghai. Considering the safety factors such as the capital, the ethylene customers of Shanghai Chlor-Alkali are selected according to the standard of stable channel, capital safety and a certain consumption;

4) Selection of settlement and trade mode: in this stage, this Company mainly concentrates on the expansion of the market and the business varieties and guarantees the safety of the capital, as a result, as to the trade mode, it firstly selects the downstream customers and determines the sales intent according

to the quantity and the price, then purchases the products from the upstream suppliers at a proper price, so the form of settlement mainly adopts the payment before delivery.

(2). Analysis on production and sale

√Applicable □Not applicable

Main products	Output ('0000 tons)	Sales volume ('0000 tons)	Stock balance ('0000 tons)	Increase or decrease of output than previous year (%)	Increase or decrease of sales volume than previous year (%)	Increase or decrease of stock balance than previous year (%)
PVC product	6.875	7.215	0.217	-10.12	-5.98	-65.69
Sodium hydroxide product	101.358	67.981	0.928	47.36	2.61	-39.07
Chlorine product	140.622	144.667	3.727	-1.60	10.04	-54.20

In 2016, the basic chemical industry turned round, the price of the products rose, the market sale was good and the stock size of the products decreased.

(3). Cost analysis

Unit: Yuan

By sector						
Sector	Items of cost structure	Amount in current period	Ratio in total cost (%)	Amount in the same period of last year	Ratio in total (%)	Change ratio (%)
Industry	Direct material	2,903,828,396.6	47.71	2,860,008,053.66	51.83	1.53
	Direct labor	77,872,144.56	1.28	96,854,436.74	1.76	-19.60
	Power	199,367,318.61	3.28	244,563,736.73	4.43	-18.48
	Manufacture cost	297,861,272.25	4.89	355,203,896.99	6.44	-16.14
	Total	3,478,929,132.02	57.15	3,556,630,124.12	64.45	-2.18
Construction	Direct material	1,832,355.52	0.03	2,220,503.52	0.04	-17.48
	Direct labor	1,745,672.28	0.03	3,688,472.71	0.07	-52.67
	Manufacture cost	47,277,907.85	0.78	23,738,840.58	0.43	99.16
	Total	50,855,935.65	0.84	29,647,816.81	0.54	71.53
Trade income	Purchase cost	2,557,264,384.04	42.01	1,932,174,066.11	35.01	32.35
By product						
Product	Items of cost structure	Amount in current period	Ratio in total cost (%)	Amount in the same period of last year	Ratio in total (%)	Change ratio (%)
PVC	Direct material	387,186,822.81	6.36	382,641,803.88	6.93	1.19
	Direct labor	16,674,223.52	0.27	17,460,930.59	0.32	-4.51
	Power	82,209,949.13	1.35	95,674,768.66	1.73	-14.07
	Manufacture cost	71,259,519.21	1.17	79,451,927.95	1.44	-10.31
	Total	557,330,514.67	9.16	575,229,431.08	10.42	-3.11
Sodium hydroxide	Direct material	760,390,751.28	12.49	729,098,699.59	13.21	4.29
	Direct labor	16,548,439.55	0.27	15,627,153.42	0.28	5.90
	Power	69,768,678.75	1.15	94,463,749.19	1.71	-26.14
	Manufacture cost	70,547,953.56	1.16	101,539,246.32	1.84	-30.52
Total	917,255,823.14	15.07	940,728,848.52	17.05	-2.50	
Chlorine product	Direct material	1,792,188,346.51	29.44	1,690,759,223.40	30.64	6.00

	Direct labor	35,580,679.00	0.58	32,201,251.85	0.58	10.49
	Power	50,674,330.48	0.83	43,801,478.39	0.79	15.69
	Manufacture cost	127,164,987.02	2.09	129,158,563.36	2.34	-1.54
	Total	2,005,608,343.01	32.95	1,895,920,517.00	34.36	5.79

Explanation for other situation of cost analysis

Applicable Not applicable

(4). Main customers and main suppliers

Applicable Not applicable

The amount of sales of the first five customers was RMB 2,378,062,500.00 Yuan, accounting for 35.19% of the annual total sales, in which the amount of sales of the related parties of the first five customers was RMB 0.00 Yuan, accounting for 0% of the annual total sales.

Unit: Yuan Currency: RMB

No.	Customer	Amount of sales	Percent in annual total sales (%)
1	Covestro	702,663,341.07	10.40
2	Shanghai Daokuan Trade Co., Ltd	513,655,222.22	7.60
3	SLIC	473,681,459.22	7.01
4	BASF	350,184,633.60	5.18
5	Qingdao Shengtaifeng International Trade Co., Ltd	337,877,863.25	5.00
	Total	2,378,062,519.36	35.19

The amount of procurement of the first five suppliers was RMB 3,271,360,400.00 Yuan, accounting for 59.79% of the annual total amount of procurement, in which the one of the related parties of the first five suppliers was RMB 0.00 Yuan, accounting for 0% of the annual total amount of procurement.

Unit: Yuan Currency: RMB

No.	Supplier	Amount of procurement	Percent in annual total amount of procurement (%)
1	State Grid Shanghai Municipal Electric Power Company	1,102,666,883.85	20.16
2	Shanghai SECCO Petrochemical Company Limited	864,644,799.54	15.80
3	Shandong Zhongxin Industry Trade Co., Ltd	746,228,292.31	13.64
4	Qingdao Free Trade Zone Zhongyan Trade Co., Ltd	322,971,615.38	5.90
5	Mitsubishi Corporation	234,848,784.08	4.29
	Total	3,271,360,375.16	59.79

Other explanations

1. Covestro is an important downstream customer of the chemical zone and the Company supplies the chemical products such as sodium hydroxide and chloride liquid to it.
2. State Grid Shanghai Municipal Electric Power Company is the main electric power supplier for the Company to produce the main product sodium hydroxide.
3. Shanghai SECCO Petrochemical Company Limited is the supplier of the main raw materials for the Company to produce the main product dichloroethane.
4. Shandong Zhongxin Industry Trade Co., Ltd is the supplier of polyethylene for the Company to expand the market and carry out the main trade business.

2. Expenses

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	2016	2015	Year-on-year increase/decrease (%)
Selling cost	184,329,793.95	199,911,085.12	-7.79
Management expenses	480,214,277.58	402,196,032.57	19.40
Financial expenses	74,994,167.59	140,436,053.89	-46.60
Income tax expense	1,713,353.49	4,672,427.26	-63.33

Analysis of the reason for changes in the expenses:

- 1) The management expenses increased by 19.4% year on year, mainly caused by significant increase of employee's dismissal benefit than previous year.
- 2) The financial expenses decreased by 46.6% year on year, mainly caused by the reduction in interest expenditure due to the optimization of loan portfolio and reduction in loan scale in this period.

3. R&D investment**Details of R&D investment**

√Applicable □Not applicable

Unit: Yuan

Expense investment in R&D in current period	17,060,292.79
Capitalized investment in R&D in current period	5,157,870.63
Total of investment in R&D	22,218,163.42
Ratio of total investment in R&D in the operating income (%)	0.33
Number of R&D personnel in the Company	210
Ratio of R&D personnel in total employees of the Company (%)	28.85
Ratio of capitalized investment in R&D (%)	23.21

Notes

√Applicable □Not applicable

In 2016, the Company still continued to focus on the advanced chlorine making process and new material technique to make R&D. The main projects included "the improvement on chlorine making with hydrogen chloride catalytic oxidation", "inner quality tracking and process improvement of chlorinated polyvinyl chloride resin" and "the development and application of the power-saving technology for electrolyzer". For the project of "the improvement on chlorine making with hydrogen chloride catalytic oxidation", the Company, based on the completed process package for the industrialized unit with the annual capacity of 100,000 tons, completed the optimization of the first generation of catalyst, determined the technical indexes of the catalyst and magnified the process parameter of preparation, established the enterprise standard of catalyst; the evaluation unit for the single column run of Huasheng Chemical Plant was established and the preparations for the startup was made; the research on the process of the offgas absorption liquid was made and 100000t/a industrialized process package was further perfected. For the project of "inner quality tracking and process improvement of the chlorinated polyvinyl chloride resin", the Company conducted quality tracing for chlorinated polyvinyl chloride resin. Comprehensively considering the static thermal stability and dynamic rheological property as the quality indexes, it analyzed the fluctuation of chlorination process and the fluctuation among the batches to adjust the chloride flow and the process. Based on the follow-up and improvement of this project, the static temperature time and the quality product rate of CPVC resin were risen to above 80%; based on the continuous follow-up, the batches with the quality defects were retained in the Company and did not come into the market. In this year, good feedback was get from the customers on CPVC, without any quality complaint. With the stable quality, the sales

volume rose step by step and the balance of production and marketing was achieved. As to the project of “development and application of electrolyte tank energy-saving technology”, the electrolyte tank reconstruction plan was accomplished in 2016. The operation of the unit in the condition of operation current density of 5.0 KA/m², soda concentration of 32% and tank temperature of 90°C got a very good effect. In the evaluation, the voltage of the single tank was lower than 2.98V, the power consumption of the sodium hydroxide per ton was reduced by 140KWH/sodium hydroxide per ton, the power consumption of 360000t/a unit could be reduced by 50,000,000kWh or so, as a result, based on RMB 0.6 Yuan/KWH, it could save the electricity cost of RMB 30,000,000.00 Yuan, the electric energy saved in each year was converted into about 16000t standard coal, equivalent to reduction of the emission of 40000t CO₂ per year.

4. Cash flow

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Item	2016	2015	Difference
Net cash flow from operating activities	488,856,761.24	305,852,432.45	183,004,328.79
Net cash flow from investment activities	-32,240,748.36	462,369,445.87	-494,610,194.23
Net cash flow from financing activities	-266,227,416.76	-930,062,240.97	663,834,824.21
Net increase of cash and cash equivalents	193,630,445.62	-162,165,661.15	355,796,106.77

Notes:

- 1) The increase in net cash flow from operating activities was mainly caused by the great drop of the stock in trade in this period, resulting in the increase in the net cash flow from the operating activities on year-on-year basis;
- 2) The decrease in cash flow from investing activities is mainly caused by the decrease in the cash inflow due to no equity transfer and sale of buildings in current period.
- 3) The decrease in net cash flow from financing activities is mainly because the loan returned was smaller than the outflow of funds in current period.

(II) Note on significant changes in the profit caused by non-main business

√Applicable □Not applicable

The main reasons for the loss of the Company during the reporting period: 1. Provision for impairment. The provision for impairment of the fixed assets in this period was totally RMB 203,833,414.81 Yuan, among which: (1) the amount of provision for impairment of paste resin unit in this year was RMB 142,123,801.94 Yuan. The reason for the provision: A. The Company planned to build the 40000t/a CPVC project, but the original site, namely Plot D4 in the chemical zone was located at No. 168 Yinhe Road Shanghai Chemical Zone and was adjusted in the planning since the chemical zone carried out the overall planning of the plot at the north of Central River in the park. Now it is approved for the record according to Opinion for Record of Shanghai Municipal Enterprise Investment Project by Shanghai Chemical Zone Management Committee (Project record No.: HHGB [2014] 26). Shanghai Municipal Bureau of Planning, Land and Resources issued the approval for Releasing Decision about Notice on Requirements on Planning and Design of Construction Project of 40000t/a PVC Project by Water Phase Process (HGTZHXF [2016] No. 9) and the site of this project was reselected at Plot B3 of the chemical zone (the location of paste resin unit) (the alteration of the site selection of this project was announced in the resolutions of the 3rd board meeting of the 9th board of directors). After the new site of this project was determined, the Company launched the previous work such as application of the project for record, environmental impact evaluation, safety evaluation and energy evaluation. B. The Company signed a joint venture agreement with Ordos Junzheng Energy Chemical Co., Ltd on Dec. 15, 2016 (the investment was announced in the resolutions of the 5th board meeting of the 9th board of directors) to jointly invest in Mengxi Industry Zone, Ordos City, Inner Mongolia, China to establish Inner Mongolia Junzheng Tianyuan Chemical Co., Ltd to produce EPVC products based on the local geological advantages and 100000t/a EPVC unit technology of the company. In addition, the Company signed the contract on technical license with Inner Mongolia Junzheng Tianyuan Chemical Co., Ltd, which stipulated that Inner Mongolia Junzheng Tianyuan Chemical Co., Ltd used EPVC technology in the

manner of exclusive license, as a result, the production and development of the original paste resin unit of the company was restricted. Based on the above-mentioned reasons, considering the high energy consumption cost and the strict requirements on the environmental protection in Shanghai City, the management of the Company decided to carry out the depreciation test of the paste resin unit. By Dec. 31, 2016, the Company, according to Data of Research Report on Paste Resin Industry in 2017, in combination with the actual conditions of the Company, based on the net amount of the new cash flow of the Company in the coming five years, provided RMB 142,123,801.94 Yuan as the provision for impairment for the paste resin unit.

(2) The amount of provision for the impairment in Wujing Zone in this year was RMB 49,675,281.43 Yuan. The adjustment of the industrial structure of the Company in Wujing Zone entered into the final stage (the shutdown in Wujing Zone was announced in the resolutions of the 5th board meeting of the 9th board of directors), the overall production of the Company was entirely transferred to Shanghai Chemical Zone, Wujing Zone was cleaned up in an all-round way and the production of the last production unit was terminated in this period, so the provision for impairment of this unit and the auxiliary facilities in this year was RMB 49,675,281.43 Yuan.

(3) The amount of provision for impairment of F2 electrolyte tank in this year was RMB 11,481,274.95 Yuan, the reasons for provision: with the cleaning-up of Wujing Zone of the Company in an all-round way, the electrolyte tank in the former F2 unit was confronted with the cleaning-up, as a result, according to the assessed value of the electrolyte tank confirmed by the Company by Dec. 31, 2016, the amount of provision for impairment, totally RMB 11,481,274.95 Yuan was made.

2. Employee termination benefits expenditures. Due to the implementation of permanent parking scheme in Wujing Base and current arrangement of adjustment progress, a large number of employees terminated labor contract with the company in batches, and the actually diversion expense incurred was RMB 125,000,000Yuan, the termination benefits withheld was RMB 131,000,000Yuan, and the personnel diversion cost incurred in current period was totally RMB 256,000,000Yuan.

(III) Analysis on assets and liabilities

√Applicable □Not applicable

1. Status of Assets and Liabilities

Unit: Yuan

Item	Closing balance of current period	Ratio in total assets (%)	Closing balance of previous period	Ratio in total assets (%)	Change ratio (%)	Remark
Monetary fund	433,999,695.91	9.67	240,425,945.13	4.96	80.51	Capital recovery in current period is better
Notes receivable	448,822,006.32	10.00	336,221,352.79	6.94	33.49	Increase in notes receivable of the new subsidiary New Materials Trading Company
Advance payments	50,056,591.51	1.11	136,446,799.31	2.81	-63.31	Decrease in advance project payments and dynamic payment in current period
Other receivables	762,159.00	0.02	3,561,716.78	0.07	-78.60	Collection of imprest fund
Inventory	159,466,728.86	3.55	384,885,265.71	7.94	-58.57	Falling inventories of EDC product
Project under construction	97,570,414.69	2.17	305,408,986.91	6.30	-68.05	Carrying forward the fixed assets after the completion of project
Engineering	37,478.63	0.00	1,381,336.82	0.03	-97.29	Special materials

material						requisition
Development expenditure	17,364,046.98	0.39	30,247,277.15	0.62	-42.59	Carrying forward intangible assets and fixed assets after the completion of project
Long-term fees to be apportioned	15,196,164.92	0.34	23,460,981.73	0.48	-35.23	Increase in amortization of current period
Short-term loans	1,256,000,000.00	27.98	620,000,000.00	12.79	102.58	Optimized the loan structure and increased short-term loans and reduced long-term payables
Employees' salary payable	131,471,648.00	2.93	780,802.00	0.02	16,738.03	Increase in dismissal benefit appropriated in this period
Tax payable	80,270,216.68	1.79	14,824,741.55	0.31	441.46	Increase in unpaid VAT of current period
Other payables	88,814,552.29	1.98	441,394,365.43	9.10	-79.88	Return the loan of RMB 350,000,000 Yuan for Huayi Group
Long-term payables	170,000,000.00	3.79	645,000,000.00	13.30	-73.64	Return the loan of RMB 475,000,000 Yuan for Huayi Group

2. Restriction of main assets by the end of report period

Applicable Not applicable

Unit: Yuan Currency: RMB

Item	Final book value	Reason of restriction
Fixed assets	5,008,538.28	Mortgage
Intangible assets	1,314,847.65	Mortgage
Total	6,323,385.93	

3. Other information

Applicable Not applicable

(IV) Analysis on operational information of the industry

Applicable Not applicable

In the first year of “the 13th five-year plan”, the chlor-alkali industry entered the key period of structure adjustment and pattern transformation. The industry operation characteristics experienced a series of changes: continuous expansion of industry size with slower growth; enhanced industrial concentration degree and gradually reasonable industrial layout; changing market pattern and diversified trade mode; continuous optimization of production process and constant improvement of energy conservation and environmental protection level. In recent years, affected by the pulling effect of

national economy growth and investment, as the basic material, there are many new expansion projects constructed and put into operation every year in chlor-alkali industry. However, along with the intensifying market competition of the industry, although the production capacity of chlor-alkali industry is increasing, the backward and old production units will be gradually eliminated from the market, which is the new characteristic of chlor-alkali production capacity growth.

Business information analysis of chemical industry

1 Basic information of the industry

(1). Industry policy and changes

Applicable Not applicable

Targeted policy during “the 13th five-year plan” of the state:

- ① Establish and improve the market access and exit mechanism to optimize the industrial layout
- ② Optimize material and technical route to promote the adjustment of product structure
- ③ Utilize independent innovation and technical progress to promote the transformation and upgrading of chlor-alkali industry
- ④ Strengthen ecological environmental protection construction to promote the green development of the industry
- ⑤ Further deepen the circular economy development mode
- ⑥ Strengthen the coordinated development of productive service industry
- ⑦ Strengthen the information construction to promote the manufacturing level of transitional industries
- ⑧ Implement responsible care for the industry, and enhance the health, security and environmental system management.

(2). Basic information of main industry segments and industry status of the Company

Applicable Not applicable

The caustic soda production capacity of our country reached 39,450,000t in 2016, with a net increase of 720,000t (new increase of 2,030,000t and exit of 1,310,000t) compared with that at the end of 2015. There were totally 158 caustic soda production enterprises in China, decreased by 5 enterprises compared with last year. There is certain increment in caustic soda every year, but the exit production capacity is large, and the overall production capacity is stable; due to the average increase in consumption, the average operating rate of the industry increases from 74% in 2013 to 83% in current period, and the number of production enterprises reduces from 176 in 2013 to 158 in current period, and the industrial concentration ratio has been improved. PVC production capacity in 2016 was 23,260,000t, decreased by 220,000t (new increase of 890,000t and exit of 1,110,000t) compared with that at the end of 2015. At present, there are 75 PVC production enterprise, decreased by 6 compared with that at the end of last year. Although the PVC production capacity is negative growth for three consecutive years, the average operating rate of the industry increases from 62% in 2013 to 72% in current period, and the number of production enterprises reduces from 93 in 2013 to 75 in current period, and the industrial concentration ratio has been improved.

The Company is mainly engaged in the manufacturing and sales of caustic soda, chlorine and chlorine products as well as polyvinyl chloride plastic resin and products. As the main products of the Company, the production capacity of caustic soda reaches 720,000t, dichloroethane reaches 720,000t, liquid chlorine reaches 600,000t and paste and special resin reaches 80,000t. Currently, the production capacity of special resin unit of the Company is 20,000t/a, and the Company is one of the largest special resin suppliers in east China. The Company has obvious advantages in the fields of professional R&D and product technology, and is thus an influential enterprise in the industry.

2 Product and production

(1). Main operating mode

Applicable Not applicable

The Company has integrated the marketing resources, actively pursued the transformation of marketing mode, focused on the overall stable operation of the chemical industrial area, firstly ensured the stable supply of chlorine resources in chemical industrial area, optimized the regional structure and built differentiated marketing mode.

Caustic soda: internal and external integration operating mode, in combination of the production operation conditions and domestic and foreign instant market situation, reasonable distribution of internal and external sales proportion based on the principle of benefit priority, optimizing domestic regional structure and improving the profitability of products;

PVC: relying on the special resin base, the Company actively implements differentiated marketing strategy and adhere to the development of domestic high-end resin market to satisfy the customers' differentiated service requirements, and has maintained the dominant status in domestic high-end resin market;

Chlorine products: firstly putting MDI, TDI and similar production enterprises into operation as the support in the downstream of chemical industrial area, with the rest mainly solvent market and PVC market, to effectively reduce the product stock and sales cost.

Main conditions of operation mode adjustment in report period

Applicable Not applicable

(2). Main products

Applicable Not applicable

Product	Industry segment	Main upstream raw materials	Main downstream application field	Main price affecting factors
Caustic soda	Chlor-alkali	Industrial salt	Dye printing, paper making	Market supply and demand
PVC	Chlor-alkali	Vinyl chloride	Leatheret, wall paper, tools	Market supply and demand
Chlorine products	Chlor-alkali	Industrial salt, ethylene	Solvent, PVC	Market supply and demand

(3). R&D innovation

Applicable Not applicable

The R&D and development of Company continued to adhere to the main line of advanced chlorine production process and polymer new material technology in 2016. The main research projects include “hydrogen chloride catalytic oxidation to chlorine process technology development”, “dichloroethane oxychlorination to tetrachlorethylene amplification technology research”, “development and application research on customized CPVC resin”, “solution-method vinyl polymer technology exploration and mPOE product development” etc.

“Hydrogen chloride catalytic oxidation to chlorine process technology development” project has completed the optimization of first generation catalyst in multi-channel small testing apparatus and drafted the first generation of catalyst standards, and the catalyst has been used stably for over 6000h; in the meanwhile, constructed the single tube test device in chemical area and put into operation, established the analytical method for components of offgas absorption liquid; on the basis of process package of completed 100,000t/a industrial unit, cooperated with domestic and foreign specialized companies to improve the process package and improved the FSR of industrialized projects.

As for the “dichloroethane oxychlorination to tetrachlorethylene amplification technology research” project, on the basis of preliminary exploration of process conditions, raw material ratio and analytical method, carried out amplification process research through industry-university-research mode, and established oxidative chlorination test amplification unit in colleges and universities, which has entered experimental stage.

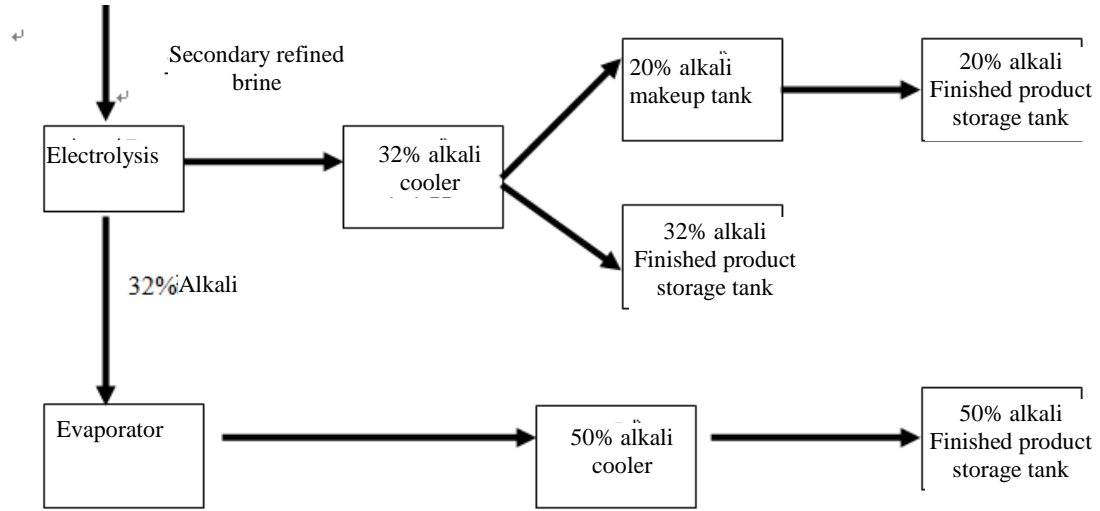
As for “development and application research on customized CPVC resin” project, carried out quality tracing and assessment of CPVC resin and optimized the production process and technology to improve the quality of CPVC resin; in the meanwhile, carried out the research on low-cost and high-performance CPVC mixture formulation, reduced the formulation cost of tubs and pipes through matching adjustment of auxiliary stabilizer system, lubrication system and filling system; developed high-flow and creep-resistant special aggregate used for all vanadium redox flow battery for specific customers, which is in specimen evaluation stage.

“Solution-method vinyl polymer technology exploration and mPOE product development” is the prospective project for exploiting POE new material market, through the implementation of the project, the Company masters the rules of ethylene solution polymerization process, prepares POE product in conformity with technical indicators, determines the tentative metallocene catalyst and opens up the refining process of POE product.

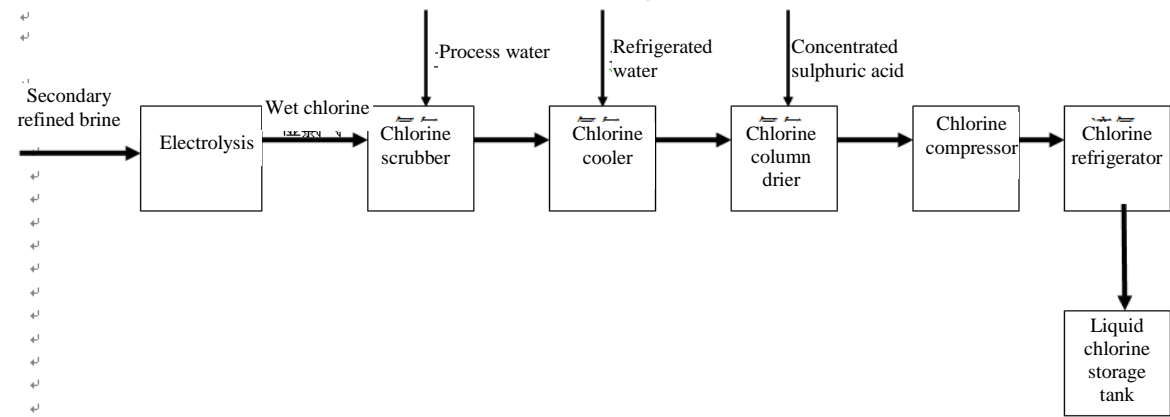
(4). Production process and flow

Applicable Not applicable

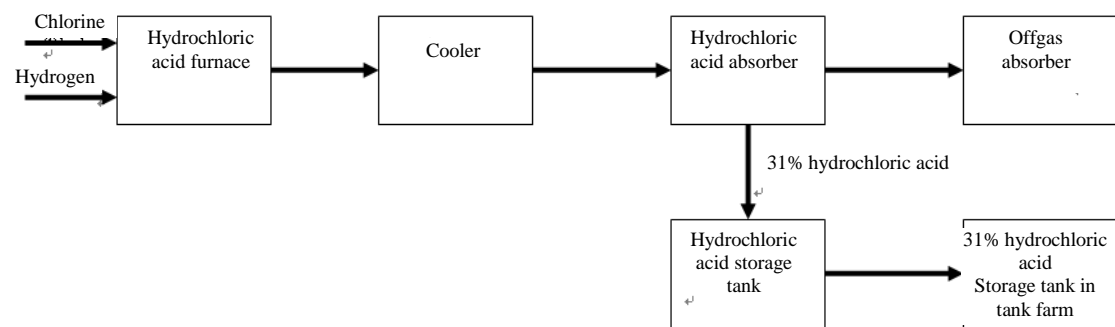
Caustic soda:



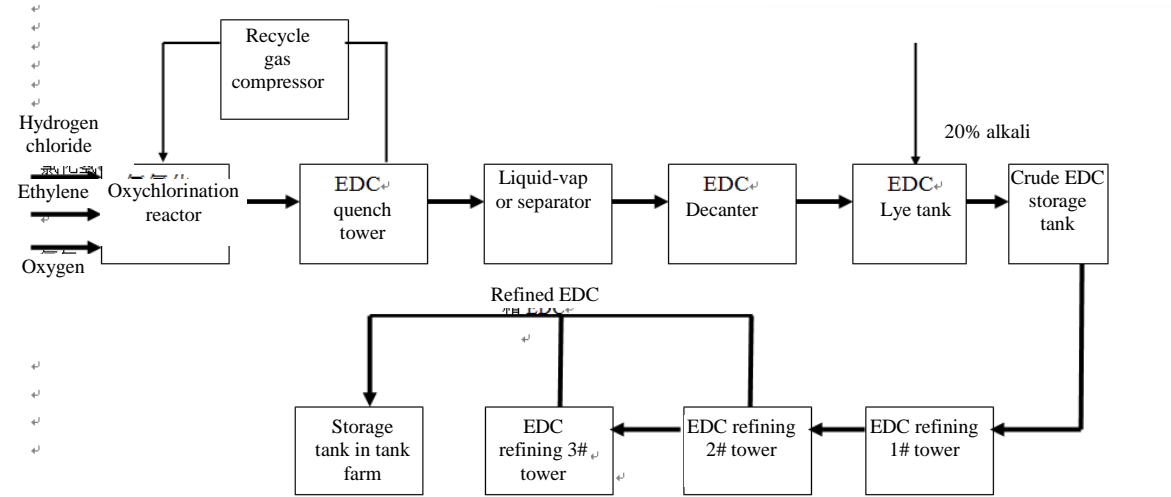
Liquid chlorine



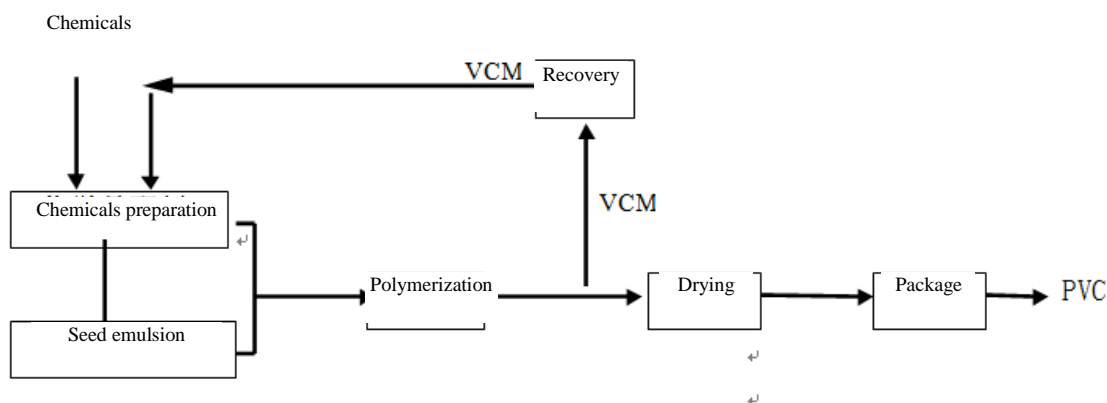
Hydrochloric acid:



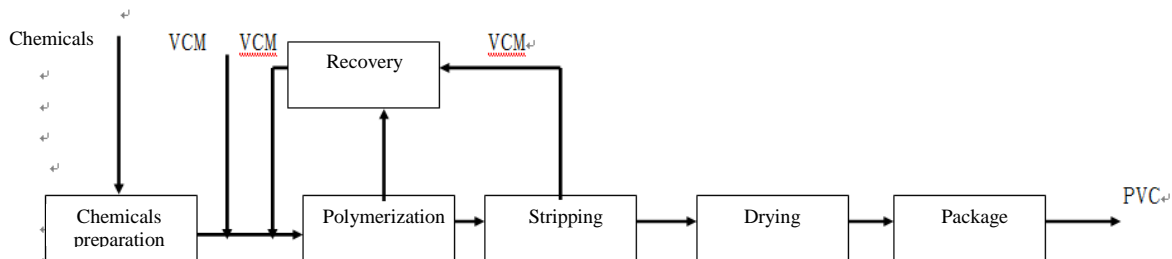
Dichloroethane:



Emulsion method PVC paste resin:



Suspension method PVC special resin:



(5). Production capacity and work condition

√Applicable □Not applicable

Main plant area or project	Designed capacity	Capacity utilization (%)
Caustic soda	720,000t	98.98
Dichloroethane	720,000t	56.67
Liquid chlorine	600,000t	100.10
Paste PVC	60,000t	83.37
Special PVC	20,000t	92.24

Increase or decrease in production capacity

□Applicable √Not applicable

Adjustment of production line and capacity structure optimization

□Applicable √Not applicable

Abnormal shutdown

□Applicable √Not applicable

3 Raw materials purchase**(1). Basic information about main raw materials**

√Applicable □Not applicable

Raw material	Purchase mode	Amount purchased	Price changes	Influence of price fluctuation on operating cost
Ethylene	Long-term contract	1,190,000t	Rise	The influence of purchase price is in direct proportion to operating cost, the higher the purchase cost, the higher the operating shall be and vice versa.
Salt	Combination of long-term and short-term contract, and combination of import and domestic purchase	1,090,000t	Drop	The influence of purchase price is in direct proportion to operating cost, the higher the purchase cost, the higher the operating shall be and vice versa.
Vinyl chloride	Combination of long-term and short-term contract, and combination of import and domestic purchase	68,900t	Rise	The influence of purchase price is in direct proportion to operating cost, the higher the purchase cost, the higher the operating shall be and vice versa.

(2). Countermeasures for price fluctuation risk of raw materials**Basic information about holding derivatives and other financial products**

□Applicable √Not applicable

Main information about the adoption of periodic reserves and other means

□Applicable √Not applicable

4 Particulars about product sales**(1). Sales model**

√Applicable □Not applicable

The sales territories of caustic soda and EDC and other main products of the Company include Shanghai, Jiangsu, Zhejiang and south regions, adopting the mode combining direct selling and distribution.

(2). Basic information about main business of the Company divided by industry segments

√Applicable □Not applicable

Unit: Yuan Currency: RMB

Industry segment	Operating income	Operating cost	Gross profit (%)	Increase or decrease in operating income over previous year (%)	Increase or decrease in operating cost over previous year (%)	Increase or decrease in gross profit over previous year (%)
Industry	3,825,805,128.74	3,478,929,132.02	9.07	-7.84	-2.18	-5.26
Construction industry	52,384,954.98	50,855,935.65	2.92	57.02	71.53	-8.21
Trade	2,834,742,551.50	2,557,264,384.04	9.79	46.13	32.35	9.39

income						
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Pricing strategy and price changes of main products

Applicable Not applicable

Pricing policy: the market price of product shall be adjusted timely according to real-time market conditions, the changes of raw materials price and supply-demand relations.

Caustic soda: the caustic soda supplied to the downstream of chemical industrial area is contract pricing, and the price is relatively stable, the overall price of products sold on market was stable in the first half year and caustic soda was persistent overheating since August in the second half of year, mainly because that some chlor-alkali enterprises were forced to limit production or even stop production due to environmental protection reasons; the maximum downstream alumina market of caustic soda turned better and the caustic soda demand was strong.

PVC: after nearly 5 years' silence on the market, PVC eventually showed new condition in 2016. The price began to rise in the middle of June, reached the peak in November and then became stable. The main reason was that the reform effect of supply side of industrial capacity transfer gradually appeared, furthermore, the limited production of calcium carbide for environmental reasons and better export promoted PVC quotation to be better.

Chlorine product: the chlorine product supplied to the downstream of chemical industrial area belonged to contract price and the price was relatively stable, but the price of chlorine product sold on the market changed significantly, in excessive supply status for a long term, and the price dropped greatly compared with 2015.

(3). Basic information about main business of the Company divided by sales channel

Applicable Not applicable

Sales channel	Operating income	Unit: 10,000Yuan Unit: RMB
		Year-on-year increase or decrease in operating income (%)
China	6,436,295,912.76	10.56
Other countries	276,636,722.46	-8.75

Description of accounting policy

Applicable Not applicable

(4). Basic information about joint product, byproduct, semi-finished product, waste material and waste-heat utilization product

Applicable Not applicable

Other output products	Production in report period	Pricing method	Main target customers	Proportion of sales of main target customer (%)
Recycled material of Tianyuan Plant	1634.48	Market price	Shanghai Sitaiji Plastic Cement Co., Ltd	30
Sulfuric acid used for fertilizer	11385.82	Market price	Shanghai Chengtang Industrial Co., Ltd	100
Solvent ethylene dichloride	3927.16	Market price	Wuxi Yangshi Chemical Co., Ltd	29
Sodium monophosphate for wastewater treatment	17371.81	Market price	Shanghai Yuanyuan Chemical Co., Ltd	39
Lye for neutralization	48.98	Market price	Shanghai Lingtuo Chemical Co., Ltd	100

Situation description

Applicable Not applicable

5 Environmental Protection and Security

(1). Basic information about major safety production accidents of the Company in report period

Applicable Not applicable

(2). Basic information about environmental input of the Company during report period

Applicable Not applicable

Unit: 10⁴Yuan Currency: RMB

Investment in environmental protection	Proportion of invested fund in operating income (%)
3,892.28	0.58

Basic information about major environmental violations in report period

Applicable Not applicable

(3). Other information

Applicable Not applicable

(V) Analysis on investment status

1. General analysis on the equity investments in outside entities

Applicable Not applicable

1. General analysis on the equity investments in outside entities

Unit: 10⁴Yuan Currency: RMB

Item	Closing balance	Beginning balance	Increment or decrement	Year-on-year increase or decrease (%)
Long-term equity investment	36,521.56	28,885.54	7,636.02	26.44
Available-for-sale financial assets	45,320.96	42,407.82	2,913.14	6.87
Including: measured at fair value	7,013.83	5,076.59	1,937.24	38.16
Measured at cost	38,307.13	37,331.23	975.90	2.61

Analysis on the reason for change in equity:

- 1) Long-term equity investment increased by 26.44% year on year, mainly due to the investment income in Huntsman confirmed in current period.
- 2) The Available-for-sale financial assets measured at fair value increased by 38.16% year on year, mainly because that the Bank of Shanghai which was measured at cost was transferred to measured at fair value in current period

(1) Significant equity investment

Applicable Not applicable

1. The Company deliberated and passed the proposal on Investment in Inner Mongolia Junzheng Tianyuan Chemical Co., Ltd. on the 5th board meeting of the 9th Board of Directors on Oct. 28, 2016, and jointly set up Inner Mongolia Junzheng Tianyuan Chemical Co., Ltd. according to the proportion of shares, i.e. 40% for chlor-alkali company and 60% for Junzheng energy; joint venture corporation planned and constructed 200,000t/a seed emulsion polymerization paste resin project. The project has been implemented in phases, and the production capacity of phase I is intended to be 100,000t. The joint venture corporation completed business registration on Jan. 10, 2017, the fund of 4,000,000Yuan for Phase I was fully invested on Jan. 24, 2017, and Phase I is predicated to be put into operation at the end of 2017.

2. The Company participated in capital increase and expansion MDI project of Shanghai Huntsman Polyurethane Co., Ltd. and Shanghai Lianheng Isocyanate Co., Ltd in 2014. The contributions are as follows: participation in the project of Shanghai Huntsman Polyurethane Co., Ltd. with the total

contributions of 36,571,851.75Yuan in 2014 and the contributions of 16,244,815.25Yuan in 2017, totally 52,816,667Yuan by now. Participated in the expansion project of Shanghai Lianheng Isocyanate Co., Ltd, with the total contributions of 39,135,000Yuan in 2014, 40,466,400Yuan in 2015 and 18,316,800Yuan in 2016, totally 97,918,200Yuan by now.

(2) Significant non-equity investment

√Applicable □Not applicable

40,000t/a high-performance chlorinated polyvinyl chloride project got the EIA approval issued by Shanghai Environmental Protection Bureau on Feb. 28, 2017.

(3) Financial assets measured at fair value

√Applicable □Not applicable

Stock code	Stock Name	Initial investment cost	Ending book value	Profit or loss in reporting period	Change in owner's equity in the reporting period	Accounting subject	Source of share
600623	Huayi Group share	690,000.00	1,921,920.00	15,015.00	-590,947.50	Available-for-sale financial assets	Legal person share
600636	3F	360,000.00	7,482,736.80		-1,117,551.60	Available-for-sale financial assets	Legal person share
600688	Shanghai Petrochemical	900,000.00	2,898,000.00		-13,500.00	Available-for-sale financial assets	Legal person share
600610	ZYD	1,272,952.61	16,234,320.00	45,000.00	-11,648,154.46	Available-for-sale financial assets	Legal person share
000166	Shenwan Hongyuan	1,250,000.00	14,850,000.00	264,000.00	10,200,300.00	Available-for-sale financial assets	Legal person share
600637	Oriental Pearl	86,967.00	2,026,331.10	20,296.88	-951,636.40	Available-for-sale financial assets	Legal person share
600082	Haitai Development	20,000.00	297,200.00		9,000.00	Available-for-sale financial assets	Legal person share
601229	Bank of Shanghai	7,307,758.85	24,427,750.56		12,839,993.78	Available-for-sale financial assets	Legal person share
Total		11,887,678.46	70,138,258.46	344,311.88	8,727,503.82	/	/

(VI) Sales of important assets and equities

□Applicable √Not applicable

(VII) Analysis on main controlled companies and participated companies

√Applicable □Not applicable

1) Operating performance of main controlled companies

Unit: 10⁴Yuan Currency: RMB

Company name	Business nature	Registered capital	Assets volume	Net profit
Shanghai Chlor-Alkali New Materials Trading Co., Ltd.	Trade	5,000	21,032.45	60.86
Shanghai Jinyuan Tap Water Co.,	Tap water	900	1,429.48	85.50

Ltd.					
Shanghai Chlor-Alkali machinery Co., Ltd.	Maintenance of petrochemical devices and engineering construction	3,000	2,743.33	-1,345.17	
Shanghai Ruisheng Enterprise Co. Ltd.	Trade	500	6,837.85	340.03	
Shanghai Luwei Plastics Co., Ltd.	Production of CPVC tubing and pipe fittings	5,000	1,480.03	-1,905.73	

2) Influence of the net profit of the controlled subsidiary or the income of the participated subsidiary on the Company's net profit

Unit: 10⁴Yuan Currency: RMB

Company name	Business nature	Main products or service	Main business income	Main business profit	Net profit	Investment income contributed by the participated company
Shanghai Chlor-Alkali New Materials Trading Co., Ltd.	Trade	Chemical raw materials and product sales	25,295.30	1,611.35	60.86	60.86
Shanghai Ruisheng Enterprise Co. Ltd.	Trade	Chemical raw materials and product sales	249,549.75	948.94	340.03	340.03
Shanghai Chlor-Alkali Machinery Co., Ltd.	Industry	Machine manufacturing	9,546.30	1,037.27	-1,345.17	-1,120.93
Shanghai Jinyuan Tap Water Co., Ltd.	Industry	Tap water	810.03	411.77	85.50	66.50
Shanghai Luwei Plastics Co., Ltd.	Chemical production and sale	Production of CPVC tubing and pipe fittings	271.46	-122.69	-1,905.73	-1,334.01
Shanghai Huntsman Polyurethane Co., Ltd.	Chemical production and sale	MDI refining and polymer	307,342.25	47,305.05	32,451.87	9,735.56

Notes:

The data of Shanghai Huntsman Polyurethane Co., Ltd. in 2016 is the list of relevant data in DSB (S) Z (17) No. P00165 Audit Report issued by Deloitte Touche Tohmatsu CPA Ltd. (special general partnership) for Shanghai Huntsman Polyurethane Co., Ltd.

(VIII) Particular about structured entity controlled by the Company

Applicable Not applicable

III. Discussion and analysis on the Company's future development

(I) Industrial pattern and trend

Applicable Not applicable

In the first year of the 13th five-year plan, the chlor-alkali industry entered the critical period of industrial restructuring and growth mode transformation. A series of changes had taken place in the industrial operation characteristics: the industrial scale expanded continuously, but the speed of growth slowed down; the industrial concentration ratio rose and the industrial layout became reasonable gradually; the market pattern changed continuously and the trading mode was diversified; the production process was continuously optimized and the energy-saving and environmental protection level was continuously improved. There are still many contradictions and urgent problems in the industry, for example, overcapacity problem still exists, product homogenized competition is intense, the competitiveness of high-end product is poor, the technological innovation capacity should be further enhanced, “zombie enterprises” drags down the industrial development, which should be overall solved during the “13th Five-year Plan”.

During the “13th five-year plan”, along with the steady progress in new urbanization, the demand of caustic soda on end product market will maintain rapid growth. The urbanization rate of China will exceed 60% in 2020, and the new urbanization and consumption upgrading will greatly pull the construction investment in infrastructure and supporting facilities and promote the demand increase in building materials, household appliances, clothing and articles for daily use, and then will pull the continuous increase in the demand of caustic soda product. China’s annual export volume of caustic soda was about 2,000,000t, basically covering the 64 countries of “the belt and road”. China has always been the net exporter of caustic soda, the main export flow direction is basically in line with the countries covered by “the belt and road”. Along with the development of economic construction of the countries belong to “the belt and road”, the demand on caustic soda will further increase, so the export volume of domestic caustic soda towards the countries of “the belt and road” will continue to be high. In the coming years, the demand on caustic soda products of Europe, India, Australia and Southeast Asia will continue to grow, therefore, the main future export regions of caustic soda will still be these countries, and the export volume will keep increasing at the same time.

(II) Development strategy of the Company

√Applicable Not applicable

Strategic thinking of the Company: based on the main battlefield, determined to go out, developing new business.

Based on the main battlefield —— take the main battlefield of chemical industrial zone as the support to optimize the operation capacity of units in service, raise the intrinsic safety degree of units through technological innovation and management innovation to create high-end products and improve the added value of products, so as to consolidate the main battlefield position of chemical industrial zone and lay the foundation for innovative development of the Company.

Determined to go out—— implement the strategy of “going out from the chlor-alkali industry, going out from Shanghai and going out from China”, to deepen the cooperation with well-known companies both at home and abroad and to explore the optimum allocation of production factors and the best combination of market, take advantage of corporate brand, management and other intangible assets to improve the core competitiveness of the Company.

Developing new business—— take “innovation, upgrading and transformation” as the main line to change the single structure of main products and to promote the Company to transfer to the technology-based enterprise in advanced material field, with chlor-alkali products as the base, with new materials and high value-added chemicals as the main body and with strong profitability. strengthen the opportunity research on field segments of special PVC resin and related downstream products of MDI/TDI.

(III) Operating plan

√Applicable Not applicable

Faced with the situation of coexistence between chances and challenges and between pressure and power, the Company will take advantage of the situation to adapt to the new status of the economic development, promote the optimization of economic structure, promote the steady growth of business performance, boost the reform into depth, make steady progress, accelerate the transformation of development, and strive to achieve more efficient and more sustainable development of higher quality.

1. Adhere to the green development as the premise to ensure safety and environmental protection controlled in all aspects. The Company will reshape the HSE management system to ensure system running effectively, strengthen the safety management measures and safety to enhance the intrinsic safety with great efforts, implement the responsibility, strengthen the examination with strict reward and penalty to enhance the HSE execution force, and improve the environmental management system to achieve green chemical industry and social caring with responsibility of caring.

2. Strive to remove the loss and get profit and ensure all the measures for reducing cost and enhancing efficiency implemented. The Company will stabilize the daily production and operation to ensure the high load operation of the profitable devices, optimize the sales structure to reduce procurement cost and seek to maximize the benefits, reduce the cost of public utilities costs to strengthen the efforts for implementing energy-saving and emission reducing projects and control strictly the three expenses and manufacturing cost to reduce the cost and improve the efficiency.

3. Speed up the industrialization of the key projects to lay a solid foundation for follow-up development. On the basis of completion of feasibility study report, the environmental impact assessment of 100,000t hydrogen chloride oxidation to chlorine project has been started; strengthen the technical upgrading of existing resin products, collect various PVC resins for analysis and evaluation, select 2 to 3 varieties according to different production characteristics and process for future development, furthermore, make improvement for the production process, line and technology for existing PVC products to improve the stability of PVC resin products.

4. Deepen the management to improve operation efficiency. Due to the sharp decrease in the staff of the Company, the organizational structure, business process, internal control system should be further organized and improved. The Company will optimize the organizational structure and personnel structure, establish reasonable incentive mechanism, to deepen the management and improve the efficiency.

5. Continue to explore the research on go out strategy to ensure the sustainable development. From the aspects of perfecting the existing industrial chain in Shanghai chemical industrial area, extending the existing product chain and looking for chemical new material product with high added value and technical content, in combination with the actual situation of the Company, strengthen the opportunity research on field segments of special PVC resin and related downstream products of MDI/TDI.

(IV) Possible risks

Applicable Not applicable

1) Risk of microeconomic fluctuation. The downward economic pressure will not decrease in 2017 and the economic situation is still grim.

2) Policy risk and industrial risk. Under the background of deepening the structural reform of supply side and cutting excessive industrial capacity of the state, there will be greater uncertainty on chlor-alkali products and its downstream products market in 2017.

3) Raw material risk. Impacted by cold chain transportation, the Company's main raw material ethylene is of the unique commercial attributes, high fluctuations in price, and being easy to rise and difficult to fall. This will deviate from the production cost and bring risk to the control of the production cost of the Company's product ethylene dichloride. The electricity needed for sodium hydroxide is made as part of the raw material, but it is difficult to get policy favor for the price of the electricity for electrolysis under the guidance of existing location economy.

2. Countermeasures

1) Except for the five points in business plan, the Company shall strengthen the pace of transformation of scientific research innovation into productivity, and accelerate the process of industrialization of new technology chlorine hydride catalytic oxidation to chlorine and the amplification technology research on dichloroethane oxychlorination to perchlorethylene.

2) Continue to explore the research on go-global strategy to look for resource and location advantages. Aim at the regions with cost advantages to create new production base, and extend the production chain of the company, so as to realize the transformation and upgrading.

3) take advantage of supply-marketing integrated platform of trade company to realize the “supply and marketing linkage, products linkage and main trade linkage” for comprehensive improvement of the marketing level.

(V) Other

Applicable Not applicable

IV. Note on the status and causes not disclosed as per criteria due to not being applicable to the provisions of the criteria or special causes

Applicable Not applicable

Section V Major Events

I. Proposal on profit distribution of ordinary shares or transfer of capital reserves

(I) The formulation, implementation or adjustment of the cash dividend policy

Applicable Not applicable

1. In 2012, the Company, according to relevant regulations of China Securities Regulatory Commission, Shanghai Securities Regulatory Bureau and Shanghai Stock Exchange, made amendment on relevant provisions related to profit distribution in the *Articles of Association*, further improved relevant decision-making process and mechanism, clarified the profit distribution form, the actual conditions and proportion of the cash dividend, the use principle of undistributed profit and other specific policies.

2. The cash dividend policy has not been adjusted in reporting period.

(II) The Company's profit distribution plan for ordinary shares or proposal and the plan for capital reserves transferred to share capital or proposal in recent 3 years (including the reporting period)

Unit: Yuan Currency: RMB

The year for dividend distribution	Bonus share for every 10 shares held	Issued dividend for every 10 shares held (RMB) (tax included)	Shares increased for every 10 shares held	Total amount of cash dividend issued (tax included)	Net profit attributable to shareholders of the listed Company in the consolidated statements in the year for dividend distribution	Ratio in the net profit attributable to shareholders of the listed Company in the consolidated statements (%)
2016	0	0	0	0	-328,091,761.80	0
2015	0	0		0	95,615,030.34	0
2014	0	0	0	0	-592,502,499.95	0

(III) Repurchase offer of shares in cash and included in cash dividends

Applicable Not applicable

(IV) If the profit is positive in the reporting period and the profit distributable to common shareholders by the parent company is positive but the Company does not lodge the proposal for profit distribution in cash for ordinary shares, the Company shall disclose in detail the reasons and the purpose and use plan of the undistributed profit

Applicable Not applicable

II. Fulfillment of commitments**(I) Commitments of the actual controller, shareholders, related parties, purchaser and the Company made to other related parties in the reporting period or left to the reporting period**Applicable Not applicable**(II) If there is earnings forecast for assets or project of the Company and the assets and project are still in forecasted earnings period during the reporting period, the Company shall explain whether the assets or project have reached the original earnings forecast and give the reasons** Reached Failing to reach Not applicable**III. Fund occupation and the liquidation in the reporting period** Applicable Not applicable**IV. Note of the Company on the “non-standard auditor’s report” of the public accounting firm** Applicable Not applicable**V. The analysis and explanation of the Company on the cause and influence of the changes in the accounting policy and accounting estimate or correction of significant accounting errors****(I) Analysis and explanation of the Company on the cause and influence of the changes in the accounting policy and accounting estimate** Applicable Not applicableFollow the *Provisions on Accounting Treatment Value-added Tax*

The Ministry of Finance published the *Provisions on Accounting Treatment Value-added Tax* (CK [2016] No. 22) Dec. 3, 2016 and the Provisions are applicable to the related transaction after May 1, 2016. The influences of the implementation of the provisions are as follows:

Contents and Reasons for the Changes of Accounting Policies	Approval Procedures	Name and Amount of the Affected Items
(1) Adjust the item “business tax and surcharges” in income statement to item “taxes and surcharges”.	Approved by the decision of the Board of Directors	Taxes and surcharges
(2) Reclassify the housing property tax, land use tax, vehicle and vessel usage tax and stamp duty arising from the business activities of the enterprise since May 1, 2016 in the item “administrative expenses” to the item “taxes and surcharges”, and the taxes incurred before May 5, 2016 shall not be adjusted. The comparative data shall not be adjusted.	Approved by the decision of the Board of Directors	The amount of taxes and surcharges of this year is increased by RMB 6,835,416.74 Yuan after adjustment, and the amount of administrative expenses of this year is decreased by RMB 6,663,499.58 Yuan after adjustment. The amount of sales expenses of this year is decreased by RMB

Contents and Reasons for the Changes of Accounting Policies	Approval Procedures	Name and Amount of the Affected Items
		171,917.16 Yuan after adjustment.
(3) Reclassify the value-added tax of income (or gains) which has been recognized without fulfillment of VAT obligations and should be recognized as output VAT from the item "tax payable" to the item "other current liabilities". The comparative data shall not be adjusted.	Approved by the decision of the Board of Directors	The adjusted increment in ending balance of other current liabilities is RMB 0 Yuan, the adjusted increment in other non-current liabilities is RMB 0 Yuan, and the adjusted decrement in ending balance of tax payable is RMB 0Yuan.
(4) Reclassify the credit balance of the classification items of "VAT payable", "unpaid VAT", "pending deduct VAT on purchase", "input VAT to be recognized" and "VAT retained" under the item "taxes payable" to the item "other current assets" (or "other non-current assets"). The comparative data shall not be adjusted.	Approved by the decision of the Board of Directors	The adjusted increment in ending balance of other current assets is RMB 0 Yuan, the adjusted increment in other non-current assets is RMB 0 Yuan, and the adjusted increment in ending balance of tax payable is RMB 0Yuan.

(II) Analysis and explanation of the Company on the cause and influence of the correction of significant accounting errors

Applicable Not applicable

(III) Communication with former CPA firm

Applicable Not applicable

(IV) Other information

Applicable Not applicable

VI. Engagement and dismissal of the public accounting firm

Unit: 10⁴ Yuan Currency: RMB

	Now engage
Name of the domestic public accounting firm	BDO China Shu Lun Pan Certified Public Accountants LLP
Reward of the domestic public accounting firm	88
Audit term of years of the domestic public	6

accounting firm	
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	Name	Reward
Public accounting firm for audit of internal control	BDO China Shu Lun Pan Certified Public Accountants LLP	35.2

Note on the engagement and dismissal of the public accounting firm

Applicable Not applicable

Note on reengagement of public accounting firm in audit period

Applicable Not applicable

VII. Risk of suspension of listing

(I) Cause for suspension of listing

Applicable Not applicable

(II) Countermeasures to be taken by the Company

Applicable Not applicable

VIII. Faced with the termination of listing and causes

Applicable Not applicable

IX. Events related to bankruptcy and reorganization

Applicable Not applicable

X. Significant lawsuits and arbitrations

Existence of significant lawsuits and arbitrations in the year

No significant lawsuits and arbitrations in this year

XI. Penalties to the listed Company, Directors, Supervisors, senior executives, controlling shareholder, actual controller and purchaser and the corrections

Applicable Not applicable

XII. Credit conditions of the Company and its controlling shareholder and actual controller in reporting period

Applicable Not applicable

XIII. The Company's equity incentive plan, employee stock ownership plan and other incentives to the employees and the influences

(I) Disclosure of related incentive matter in provisional announcement without subsequent progress or change

Applicable Not applicable

(II) Incentive matters not disclosed in provisional announcement or with subsequent progress

Equity incentive

Applicable Not applicable

Other information

Applicable Not applicable

Information about employee stock ownership plan

Applicable Not applicable

Other incentive measures
Applicable Not applicable

XIV. Significant related transactions

(I) Related transactions associated with routine operations

1. Events already disclosed in the provisional announcement and having no subsequent progress or change

Applicable Not applicable

Summary of events	Query Index
The 28 th meeting of the 8 th Board of Directors on Mar. 25, 2016 and 2015 Annual Shareholders' Meeting of Apr. 25, 2016 reviewed and passed the <i>Proposal on Daily Related Transactions of the Company</i> . The related transaction of the Company and related parties are normal business activities and largely support the day-to-day operations and development, conforming to the principle public, justice and fairness.	Reviewed and passed on the 28 th meeting of the 8 th Board of Directors and 2015 Annual Shareholders' Meeting www.sse.com.cn

2. Events already disclosed in the provisional announcement and having subsequent progress or change

Applicable Not applicable

3. Events not disclosed by provisional announcements

Applicable Not applicable

Unit: 10⁴ Yuan Currency: RMB

Related transaction party	Relationship	Type of related transaction	Content of related transaction	Pricing principle for related transaction	Amount of related transaction	Ratio in total amount of transaction of the same kind (%)
Shanghai Huayi Energy Chemical Co., Ltd.	Controlled subsidiary of parent company	Purchase goods	Material purchase	Settled through negotiated price	92.13	0.02
Shanghai Huayi Tianyuan Chemical Logistics Co., Ltd.	Controlled subsidiary of parent company	Purchase goods	Material purchase	Settled through negotiated price	84.24	0.02
Shanghai Chlor-Alkali Creation Co., Ltd.	Wholly-owned subsidiary of parent company	Purchase goods	Material purchase	Settled through negotiated price	140.30	0.03
Shanghai Huayi Group Equipment Engineering Co., Ltd.	Wholly-owned subsidiary of parent company	Purchase goods	Material purchase	Settled through negotiated price	44.17	0.01
Shanghai Chemical Supply and Marketing Co., Ltd.	Wholly-owned subsidiary of parent company	Purchase goods	Material purchase	Settled through negotiated price	10.21	0.00
Shanghai Chemical Supply and Marketing Co., Ltd.	Wholly-owned subsidiary of parent	Purchase goods	Material purchase	Settled through negotiated	86.25	0.02

	company			price		
Shanghai Huayi Information Technology Co., Ltd.	Controlled subsidiary of parent company	Purchase goods	Material purchase	Settled through negotiated price	147.01	0.04
Shanghai White Elephant & Swan Battery Co., Ltd.	Controlled subsidiary of parent company	Purchase goods	Material purchase	Settled through negotiated price	0.49	0.00
Huayi Group (Hong Kong) Co., Ltd.	Wholly-owned subsidiary of parent company	Purchase goods	Material purchase	Settled through negotiated price	12,285.10	3.06
Shanghai Tiantan Auxiliaries Co., Ltd	Controlled subsidiary of parent company	Purchase goods	Material purchase	Settled through negotiated price	608.89	0.15
Shanghai Chemical Industry Inspection & Detection Co., Ltd.	Wholly-owned subsidiary of parent company	Receive service	Receive service	Settled through negotiated price	288.42	0.07
Shanghai Huayi Tianyuan Chemical Logistics Co., Ltd.	Controlled subsidiary of parent company	Receive service	Receive service	Settled through negotiated price	2,474.87	0.62
Shanghai New Tianyuan Chemical Transport Co., Ltd.	Controlled subsidiary of parent company	Receive service	Receive service	Settled through negotiated price	524.80	0.13
Shanghai Chlor-Alkali Creation Co., Ltd.	Wholly-owned subsidiary of parent company	Receive service	Receive service	Settled through negotiated price	341.32	0.08
Shanghai Huayi Engineering Co., Ltd.	Wholly-owned subsidiary of parent company	Receive service	Receive service	Settled through negotiated price	846.86	0.21
Shanghai Huayi Information Technology Co., Ltd.	Controlled subsidiary of parent company	Receive service	Receive service	Settled through negotiated price	302.17	0.08
Shanghai Pacific Chemica Equipment Engineering Co., Ltd.	Controlled subsidiary of parent company	Receive service	Receive service	Settled through negotiated price	11.11	0.00
Shanghai Huayi Energy Chemical Co., Ltd.	Controlled subsidiary of parent company	Sell goods	Product sale	Settled through negotiated price	475.70	0.11
Shanghai 3F New Materials Co., Ltd.	Controlled subsidiary of parent company	Sell goods	Product sale	Settled through negotiated price	39.09	0.00
Shanghai Huayi Tianyuan Chemical Logistics Co., Ltd.	Controlled subsidiary of parent	Sell goods	Product sale	Settled through negotiated	293.68	0.07

	company			price		
Shanghai Chlor-Alkali Creation Co., Ltd.	Wholly-owned subsidiary of parent company	Sell goods	Product sale	Settled through negotiated price	119.84	0.03
Shanghai Tianyuan Group Shengde Plastics Co., Ltd.	Wholly-owned subsidiary of parent company	Sell goods	Product sale	Settled through negotiated price	880.50	0.21
Shanghai Resin Plant Co., Ltd.	Wholly-owned subsidiary of parent company	Sell goods	Product sale	Settled through negotiated price	37.76	0.01
Shanghai Huayi Acrylic Acid Co., Ltd.	Controlled subsidiary of parent company	Sell goods	Product sale	Settled through negotiated price	225.66	0.05
Shanghai Chemical Supply and Marketing Co., Ltd.	Wholly-owned subsidiary of parent company	Sell goods	Product sale	Settled through negotiated price	124.29	0.03
Shanghai Sanaisi Reagent Co., Ltd.	Wholly-owned subsidiary of parent company	Sell goods	Product sale	Settled through negotiated price	0.55	0.00
Shanghai Yiping Pigment Co., Ltd.	Controlled subsidiary of parent company	Sell goods	Product sale	Settled through negotiated price	191.59	0.05
Yixing Huayi Colourating Science and Technology Co., Ltd.	Controlled subsidiary of parent company	Sell goods	Product sale	Settled through negotiated price	644.31	0.15
Shanghai Tiantan Auxiliaries Co., Ltd	Controlled subsidiary of parent company	Sell goods	Product sale	Settled through negotiated price	71.44	0.02
Shanghai Huayi Tianyuan Chemical Logistics Co., Ltd.	Controlled subsidiary of parent company	Provide service	Provide service	Settled through negotiated price	0.87	0.00
Shanghai Huayi Engineering Co., Ltd.	Wholly-owned subsidiary of parent company	Provide service	Provide service	Settled through negotiated price	583.75	0.14
Shanghai Huayi Polymer Co., Ltd.	Wholly-owned subsidiary of parent company	Provide service	Provide service	Settled through negotiated price	46.20	0.01
Shanghai Pacific Chemical Equipment Engineering Co., Ltd.	Controlled subsidiary of parent company	Provide service	Provide service	Settled through negotiated price	5.19	0.00
Shanghai Coking Storage and Transportation Port	Controlled subsidiary of parent	Provide service	Provide service	Settled through negotiated	13.16	0.00

Co., Ltd	company		price		
Total			/	22,041.92	5.42
Particulars of big sale return					
Notes on related transactions					
			The transactions between the Company and the related parties is needed by the Company's routine operating activities for purchase of raw material and sale of products of the regular business activities, as well as the expenditures for payment of service and custody business produced from stripping the non recurring assets and non core business. These are necessary supplements for professional cooperations and mutual exchange of merits between the Company and the controlled shareholder and between partial subordinate enterprises, and such related transactions shall be continued in future.		

(II) Related transactions from acquisition and sale of assets or equity**1. Events already disclosed in the provisional announcement and having no subsequent progress or change**

Applicable Not applicable

2. Events already disclosed in the provisional announcement and having subsequent progress or change

Applicable Not applicable

3. Events not disclosed by provisional announcements

Applicable Not applicable

4. If performance agreement involved, the performance implementation situation in reporting period should be disclosed

Applicable Not applicable

(III) Significant related transactions of common investment**1. Events already disclosed in the provisional announcement and having no subsequent progress or change**

Applicable Not applicable

2. Events already disclosed in the provisional announcement and having subsequent progress or change

Applicable Not applicable

3. Events not disclosed by provisional announcements

Applicable Not applicable

(IV) Related creditor's rights and debts**1. Events already disclosed in the provisional announcement and having no subsequent progress or change**

□Applicable √Not applicable

2. Events already disclosed in the provisional announcement and having subsequent progress or change

□Applicable √Not applicable

3. Events not disclosed by provisional announcements

√Applicable □Not applicable

Unit: 10⁴Yuan Currency: RMB

Related party	Relationship	Provide fund to the related party			The related party provided fund to the listed Company		
		Beginning balance	Amount	Closing balance	Beginning balance	Amount	Closing balance
Shanghai Huayi Tianyuan Chemical Logistics Co., Ltd.	Controlled subsidiary of parent company	33.57	-0.09	33.48	6.35	7.75	14.10
Shanghai Chlor-Alkali Creation Co., Ltd.	Wholly-owned subsidiary of parent company	6.03	12.81	18.84	51.65	-39.40	12.25
Shanghai Resin Plant Co., Ltd.	Wholly-owned subsidiary of parent company	4.00	1.74	5.74			
Shanghai Tianyuan Group Shengde Plastics Co., Ltd.	Wholly-owned subsidiary of parent company	2,099.51	-1,174.00	925.51			
Shanghai Huayi Engineering Co., Ltd.	Wholly-owned subsidiary of parent company	28.51	271.04	299.55	11.42	187.21	198.63
Shanghai Huayi Acrylic Acid Co., Ltd.	Controlled subsidiary of parent company	88.84	-81.25	7.59			
Shanghai Huayi Fine Chemical Co. Ltd.	Wholly-owned subsidiary of parent company	0.47	72.65	73.12			
Shanghai Soap Making Co., Ltd.	Controlled subsidiary of parent company		0.00		0.54	0.00	0.54
Shanghai Huayi Energy Chemical Co., Ltd.	Controlled subsidiary of parent company	144.18	-4.96	139.22			
Shanghai 3F New Materials Co., Ltd.	Controlled subsidiary of parent company	21.88	-10.18	11.70			
Shanghai Huayi Polymer Co., Ltd.	Wholly-owned subsidiary of parent company	107.52	-107.52	0.00			
Shanghai Tiantan Auxiliaries Co., Ltd	Controlled subsidiary of parent company	0.81	-0.81	0.00	0.00	53.47	53.47
Shanghai Yiping Pigment Co., Ltd.	Controlled subsidiary of	6.75	8.82	15.57			

	parent company						
Yixing Huayi Colourating Science and Technology Co., Ltd.	Controlled subsidiary of parent company	303.40	-29.29	274.11			
Shanghai Huayi Information Technology Co., Ltd.	Controlled subsidiary of parent company	65.93	-65.93	0.00	8.71	3.98	12.69
Shanghai Pacific Chemical Equipment Engineering Co., Ltd.	Controlled subsidiary of parent company	0.00	6.07	6.07			
Shanghai Huayi New Materials Co., Ltd	Controlled subsidiary of parent company	0.00	6.37	6.37			
Shanghai New Tianyuan Chemical Transport Co., Ltd.	Controlled subsidiary of parent company				11.08	49.45	60.53
Shanghai Chemical Industry Inspection & Detection Co., Ltd.	Wholly-owned subsidiary of parent company				1.41	46.80	48.21
Shanghai Chemical Supply and Marketing Co., Ltd.	Wholly-owned subsidiary of parent company				10.36	-1.72	8.64
Shanghai Huayi Equipment Engineering Co., Ltd	Wholly-owned subsidiary of parent company				12.20	14.89	27.09
Huayi Group (Hong Kong) Co., Ltd.	Wholly-owned subsidiary of parent company				3,730.85	-2,145.85	1,585.00
Shanghai Huayi Fine Chemical Co. Ltd.	Wholly-owned subsidiary of parent company				0.00	27.77	27.77
Shanghai Huayi (Group) Company	Controlling shareholder	0.00	12.55	12.55	99,685.74	-82,683.89	17,001.85
Shanghai Shenyu Medicine Chemical Co., Ltd.	Controlled subsidiary of parent company				0.02	-0.02	0.00
Shanghai Huifeng Resin Plant	Wholly-owned subsidiary of parent company				5.14	0.00	5.14
Shanghai Huayi Group Huayuan Chemical Co., Ltd.	Controlled subsidiary of parent company				0.17	0.00	0.17
Shanghai Sanaisi Reagent Co., Ltd.	Controlled subsidiary of parent company				0.08	-0.01	0.07
Shanghai Peony Painting Ink Co., Ltd	Controlled subsidiary of parent company				0.14	0.00	0.14
Shanghai Huayi Group Finance Co., Ltd.	Affiliated company				7.04	1.99	9.03
Total		2,911.40	-1,081.98	1,829.42	103,542.90	-84,477.58	19,065.32
Cause for the related creditor's rights and debts	Caused by purchase and sale in regular production and operation						
Influence of the related creditor's rights and debts on the Company	No influence on the Company's operating results and financial status						

(V) Other

Applicable Not applicable

XV. Important contracts and the implementation**(I) Custody, contracting and leasing****1. Custody**

Applicable Not applicable

2. Contracting

Applicable Not applicable

3. Leasing

Applicable Not applicable

Unit: 10⁴Yuan Currency: RMB

Name of lessor	Name of lessee	Leased assets	Amount of leased assets	Starting date of leasing	End date of leasing	Income from leasing	Basis for setting leasing income	Related transaction or not	Related relation
Shanghai Chlor-Alkali Chemical Co., Ltd.	Shanghai Huayi Tianyuan Chemical Logistics Co., Ltd.	Fixed asset	3,466.16	01-01-2016	12-31-2016	1,384.68	Settled through negotiated price	Yes	Controlled subsidiary of parent company
Shanghai Chlor-Alkali Chemical Co., Ltd.	Shanghai Tianyuan Group Shengde Plastics Co., Ltd.	Fixed asset	633.35	01-01-2016	12-31-2016	365.08	Settled through negotiated price	Yes	Wholly-owned subsidiary of parent company

(II) Guarantee

Applicable Not applicable

(III) Management on cash assets made through committing others**1. Financing through commitment**

Applicable Not applicable

2. Loan through commitment

Applicable Not applicable

3. Other financing investment and derivative investment

Applicable Not applicable

(IV) Other important contracts

Applicable Not applicable

XVI. Notes to other major events

Applicable Not applicable

XVII. Fulfillment of social responsibility**(I) Poverty alleviation of listed company**

Applicable Not applicable

(II) Work on social responsibility

Applicable Not applicable

For details, see *2016 Social Responsibility Report of Shanghai Chlor-Alkali Chemical Co., Ltd. (Summary)* announced in the website of Shanghai Stock Exchange: www.sse.com.cn on March 30, 2017.

(III) Information about environmental protection of the company and its subsidiaries belonging to key pollutant discharging unit published by environmental protection department

Applicable Not applicable

- As for the environmental protection work in 2016, the Company has always adhered to the sustainable development path, strengthened the awareness of social responsibility, promoted the management and governance simultaneously based on the concept of green chemical industry, and the technical and economical indicators of environmental protection have been well fulfilled. The indicators of “three rates” for environmental protection have been completed, the running rate of environmental protection treatment facilities was 100%, the industrial wastewater treatment rate was 100 %, and the external monitoring qualification rate of the “three wastes” discharge was 100%. The environmental protection expenditures of the Company in 2016 was RMB 38,922,800 Yuan, including RMB 16,720,000Yuan operating expenses, RMB 7,412,300Yuan of environmental protection maintenance fee and RMB 14,790,500Yuan of effluent charge. The environmental protection completion acceptance of by-product hydrogen energy project, integrated wastewater operation project in industrial area and 500m³ finished-product sodium hypochlorite storage tank construction project have been completed. Through setting goals and targets, operation control and emergency plan, the environmental management system of the company ensured the control of key environmental factors throughout the year. After the adjustment of the organizational structure of the company in July, the environmental management system shall follow the newly adjusted organizational structure to modify relevant procedure documents and supporting documents, update and identify the environmental factors of the Company and key environmental factors and implemented the control means of key environmental factors, and passed the third-party supervision and examination organized by Shanghai Audit Center of Quality System on November 30 and December; the environmental management system of the company was in continuous and effective operation. After optimized operation of wastewater integrated project of the two plants in chemical area in 2016 and incorporating the organic wastewater of Tianyuan into the organic wastewater treatment system of Huasheng, the problem that the organic wastewater of Tianyuan exceeded the takeover standard had been solved in 2016 and the organic wastewater of Huasheng was basically stable and operated up to standard after operation optimization. 244.22 tons of hazardous wastes from the two plants in chemical area were treated according to relevant regulations; more than 200 tons of hazardous wastes generated from the removal of production unit have been packed and stored in accordance with regulations for incineration treatment.

Take the monitoring of environmental protection data of state-controlled enterprise as the basis to ensure the stability and reliability of the daily operation of environmental protection devices. The operating ratio and load rate of environmental protection device has reached the discharge standard specified by laws and regulations; the unplanned shutdown of environmental protection shall be managed as that of production unit, in case of shutdown for more than four hours, report to the quality, environmental protection and security department of the company to be put on records and implement the emergency plan of production unit at the same time to ensure the up-to-standard discharge of wastewater and waste gas. Organize technical force to strive to make technological breakthrough for environmental protection unit to ensure the effective operation of environmental protection device.

Since 2016, the comprehensive qualified rate of internal wastewater monitoring of the company has always been 100%; except for the VCM recovery flue of Tianyuan Chemical Plant, the flue

monitoring comprehensive qualified rate of others is 100%. The comprehensive qualified rate of rainwater discharge monitoring is 100%. The environmental protective on-line monitoring instrument for inorganic wastewater runs well, the qualification rate of on-line data transmission is 100% and the transmission rate is 98% (indicator > 80%).

Promoted the discharge reduction of VOCs, strengthened the management and control of startup and shutdown of production and the production site and reduced fugitive emission to further cut down the pollutant discharge from the source. As for VOCs discharge reduction, the Company has conducted leakage detection and repair (LDAR), quarterly detection and repair and EDC loading exhaust gas collection facility reconstruction, and the wastewater silo tail gas recovery project has been carried out as planned. On Dec. 14, 2016, Shanghai Academy of Environmental Sciences organized relevant technical experts to hold the technical verification and investigation meeting for special support funds of Shanghai Industrial VOCs emission reduction and enterprise pollution control project in Huasheng Chemical Plant and Tianyuan Chemical Plant of the Company. After one days' material examination and on-site inspection, the assessment of the Company for applying for special support fund for Shanghai industrial VOCs emission enterprises pollution control project passed.

(IV) Other information

Applicable Not applicable

XVIII. Convertible bond of the Company

(I) Convertible bond issuing

Applicable Not applicable

(II) Information about the convertible bond holder and guarantor in reporting period

Applicable Not applicable

(III) Changes of convertible bond in reporting period

Applicable Not applicable

Information about cumulative shares transfer of convertible bond in reporting period

Applicable Not applicable

(IV) Previous adjustments of conversion price

Applicable Not applicable

(V) Liabilities, credit change and cash arrangement for debt repayment in future years

Applicable Not applicable

(VI) Other information about convertible bond

Applicable Not applicable

Section VI Changes of Ordinary Shares and Particulars of Shareholders

I. Changes of ordinary shares

(I) Changes of ordinary shares

1. Changes of ordinary shares

In the reporting period, the total number and share structure of the ordinary share were not changed.

2. Description of the changes in ordinary shares

Applicable Not applicable

On July 28, 2016, to support and participate in the establishment of Shanghai state-owned assets flow platform, Shanghai Huayi (Group) Company purchased Shanghai state-owned enterprises ETF shares with 34,692,000 Chlor-Alkali shares (accounting for 5.16% of total equity of Huayi Group). After such exchange and purchase, the direct shareholding ratio of Shanghai Huayi (Group) Company reduced from 50.29% to 47.29%.

3. Impact of changes of ordinary shares on the earnings per share and net asset value per share in last year and the latest period (if any)

Applicable Not applicable

4. Other content deemed necessary by the Company to be disclosed or required by the securities regulatory institution to be disclosed

Applicable Not applicable

(II) Changes of the shares limited to be sold

Applicable Not applicable

II. Issuing and listing of securities**(I) Securities issuing in the reporting period**

Applicable Not applicable

Note on the securities issuing in the reporting period (for bonds with different interest rates, state respectively)

Applicable Not applicable

(II) Changes of the total number of the ordinary shares and structure of the shareholders and changes of the structure of the Company's assets and liabilities

Applicable Not applicable

(III) Existing internal staff shares

Applicable Not applicable

III. Particulars of the shareholders and the actual controller**(I) Total number of shareholders**

Total number of ordinary shareholders as of end of the reporting period	85,244
Total number of ordinary shareholders at end of the previous month before the disclosing date of the annual report	85,677

(II) Top 10 shareholders, top 10 holders of tradable shares (or shareholders not under restricted sales condition)

Unit: share

Top 10 shareholders							
Name of shareholder (in full)	Increase or decrease in the reporting period	Shares held at end of the reporting period	Proportion (%)	Shares with restricted sales condition	Pledged or frozen status		Nature of shareholder
					Share status	Number	
Shanghai Huayi (Group) Company	-34,691,900	546,900,447	47.29	0	None	0	State owned legal person
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	0	7,859,532	0.68	0	None	0	Overseas legal person
Central Huijin Asset Management Limited Liability Company	0	7,438,100	0.64	0	None	0	State owned legal person

Industrial and Commercial Bank of China Co., Ltd. — China Securities Shanghai State-owned Enterprises ETF	6,526,623	6,526,623	0.56	0	None	0	Unknown
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	668,901	4,921,701	0.43	0	None	0	Overseas legal person
Miao Guoqing	-730,000	3,000,000	0.26	0	None	0	Domestic natural person
TICO Trust Corporation Limited — Qingshan No. 1 structured securities investment assembled funds trust plan	2,956,790	2,956,790	0.26	0	None	0	Unknown
Fang Jianwei	-651,781	2,751,206	0.24	0	None	0	Domestic natural person
Bank of China Wuxi Branch	0	2,605,981	0.23	0	None	0	State owned legal person
ISHARES CORE MSCI EMERGING MARKETS ETF	1,157,500	2,441,900	0.21	0	None	0	Overseas legal person
Holdings of top 10 shareholders without restricted sales condition							
Name of shareholder	Number of shares without restricted sales condition	Type and number of shares					
		Type	Number				
Shanghai Huayi (Group) Company	546,900,447	A share	546,900,447				
SCBHK A/C BBH S/A VANGUARD EMERGING MARKETS STOCK INDEX FUND	7,859,532	B share	7,859,532				
Central Huijin Asset Management Limited Liability Company	7,438,100	A share	7,438,100				
Industrial and Commercial Bank of China Co., Ltd. — China Securities Shanghai State-owned Enterprises ETF	6,526,623	A share	6,526,623				
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	4,921,701	B share	4,921,701				
Miao Guoqing	3,000,000	B share	3,000,000				
TICO Trust Corporation Limited — Qingshan No. 1 structured securities investment assembled funds trust plan	2,956,790	A share	2,956,790				
Fang Jianwei	2,751,206	B share	2,751,206				
Bank of China Wuxi Branch	2,605,981	A share	2,605,981				
ISHARES CORE MSCI EMERGING MARKETS ETF	2,441,900	B share	2,441,900				
Note on the related relation or concerted actions for above shareholders	The Company's shares have all been tradable since November 12, 2009, and none of the shareholder is under restricted sales condition. It is unknown to the Company whether there is related relation or the concerted actor specified in the <i>Management Method on Information Disclosure for Shareholding Change of the Shareholders of Listed Companies</i> .						

Holdings of top 10 shareholders with restricted conditions and the restricted conditions

Applicable Not applicable

(III) Strategic investors or general legal person become top 10 shareholders due to rights issue

Applicable Not applicable

IV. Particulars of the controlling shareholder and the actual controller**(I) Particulars of the controlling shareholder****1 Legal person**

Applicable Not applicable

Name	Shanghai Huayi (Group) Company
Unit principal or legal representative	Liu Xunfeng
Date of establishment	Jan. 23, 1997
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.
Shares held in other domestic or overseas listed companies during the reporting period	During the reporting period, Shanghai Huayi (Group) Company held 69.79% equity interest of Shanghai Huayi Group Co., Ltd and 31.53% equity interest of Shanghai 3F New Material Co., Ltd.

2 Natural person

Applicable Not applicable

3 Special description of nonexistence of controlling shareholder in the Company

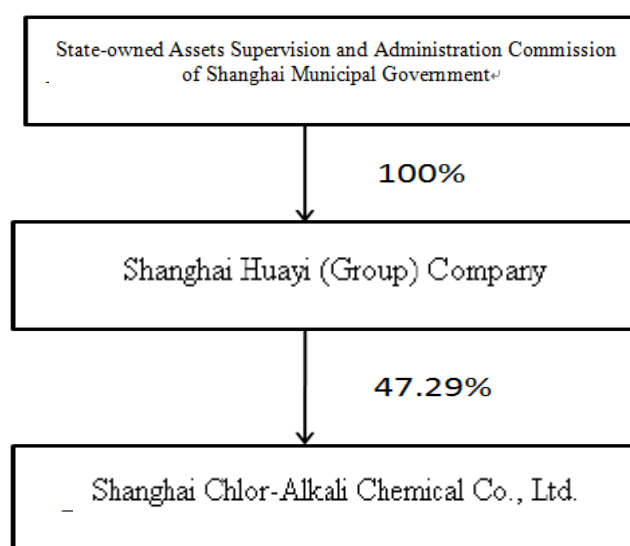
Applicable Not applicable

4 Index and dates of the changes of controlling shareholders in reporting period

Applicable Not applicable

5 Block diagram of property and control relations between the Company and controlling shareholder

Applicable Not applicable

**(II) Particulars of the actual controller****1 Legal person**

Applicable Not applicable

Name	State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government
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2 Natural person

Applicable Not applicable

3 Special description of nonexistence of actual controller in the Company

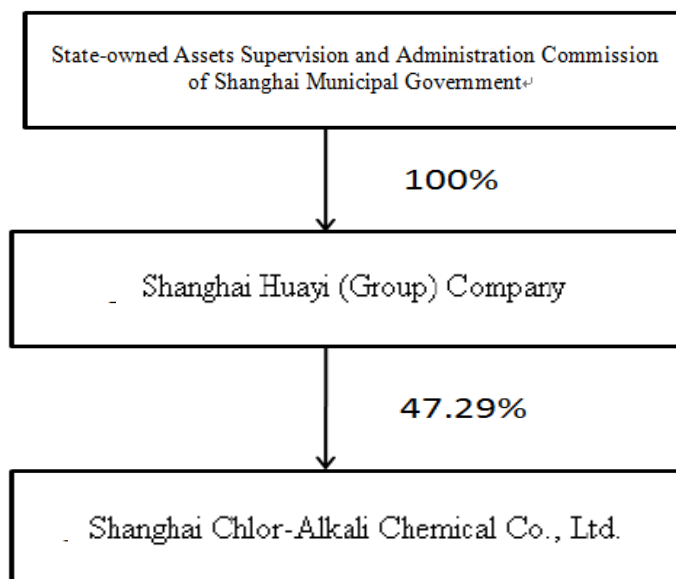
Applicable Not applicable

4 Index and dates of the changes of actual controller in reporting period

Applicable Not applicable

5 Block diagram of property and control relations between the Company and actual controller

Applicable Not applicable

**6 Actual controller controls the Company through trust or other assets management modes**

Applicable Not applicable

(III) Other information about the controlling shareholder and actual controller

Applicable Not applicable

V. Legal person shareholders with the holdings more than 10%

Applicable Not applicable

VI. Note on the limitation of shares for reduction

Applicable Not applicable

Section VII Particulars of Preferred Shares

Applicable Not applicable

Section VIII Particulars of the Directors, Supervisors, Senior Executives and Staff Members

I. Changes in shareholding and particulars of rewards

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

√Applicable □Not applicable

											Unit: share
Name	Position (note)	Gender	Age	Start date of office term	End date of office term	Shares held at the beginning of year	Shares held at the end of year	Increase or decrease	Reason of change	Reward got from the Company during the reporting period (RMB'0000) (before tax)	Get reward from the Company's related party or not
Huang Dailie	Chairman of the board	Male	58	04-25-2016	04-25-2019	1,000	1,000	0		0	Yes
Zhang Weimin	Director, general manager	Male	49	04-25-2016	04-25-2019	10,000	10,000	0		72.40	No
Wang Wei	Director, deputy party secretary	Male	48	04-25-2016	04-25-2019	0	0	0		61.50	No
Li Ning	Director	Female	49	04-25-2016	04-25-2019	0	0	0		0	Yes
Yu Zhaojun	Employee representative director	Male	58	04-25-2016	04-25-2019	2,000	2,000	0		53.90	No
Zhang Wenlei	Outside director	Male	46	04-25-2016	04-25-2019	1,000	0	-1,000	Sold 1000 shares on secondary market at RMB 15.72Yuan/share	10	No
Shao Zhengzhong	Independent director	Male	52	04-25-2016	04-25-2019	0	0	0		10	No
Wang Jinshan	Independent director	Male	55	04-25-2016	04-25-2019	0	0	0		5	No
Zhao Ziye	Independent	Male	37	04-25-2016	04-25-2019	0	0	0		5	No

	director										
Gu Lili	Chairman of supervisory committee	Male	45	04-25-2016	04-25-2019	0	0	0		0	Yes
Zhang Hu	Supervisor	Male	47	04-25-2016	04-25-2019	0	0	0		0	Yes
Tang Liang	Supervisor	Male	46	04-25-2016	04-25-2019	0	0	0		40.21	No
Zhou Mei	Employee representative supervisor	Female	48	04-25-2016	04-25-2019	0	0	0		34.92	No
Zhang Guohua	Employee representative supervisor	Male	48	04-25-2016	04-25-2019	0	0	0		37.21	No
Cao Jinrong	CFO	Male	41	04-25-2016	04-25-2019	1,000	1,000	0		48.32	No
Yuan Maoquan	Deputy general manager	Male	48	04-25-2016	04-25-2019	1,000	1,000	0		56.31	No
Dong Yan	Secretary of the board of directors	Female	44	04-25-2016	04-25-2019	1,000	1,000	0		47.03	No
Wang Linzao	General manager assistant	Male	54	04-25-2016	04-25-2019	1,000	1,000	0		64.43	No
Hu Yongkang	Former director, deputy Party secretary	Male	61	12-20-2012	04-25-2016	3,000	3,000			41.15	No
Wang Zengjin	Former director	Male	50	12-20-2012	04-25-2016	1,000	1,000			0	Yes
Li Zengquan	Former independent director	Male	42	12-20-2012	04-25-2016	0	0			5	No
Zhang Guoming	Former independent director	Male	54	12-30-2014	04-25-2016	0	0			5	No
Chen Yao	Former chairman of supervisory	Male	53	09-17-2013	04-25-2016	0	0			0	Yes

	committee										
Yu Bin	Former supervisor	Male	42	12-20-2012	04-25-2016	1,000	1,000			0	Yes
Wang Mingchun	Former supervisor	Female	55	12-20-2012	04-25-2016	10,000	2,000	-8,000	Sold 8000 shares on secondary market at RMB 13.56Yuan/share	21.94	No
Xu Peiwen	Former secretary of the board of directors	Male	60	12-20-2012	04-25-2016	7,000	7,000	0		44.58	No
Total	/	/	/	/	/				/	663.90	/

Name	Main work experience
Huang Dailie	He used to be the Deputy Party secretary, executive Director and general manager of Shanghai Huayi Group Enterprise Development Co., Ltd. and manager of Enterprise Adjustment Department of Huayi Group. Now he is the director and general manager of Shanghai Huayi (Group) Company; director, deputy secretary of CPC Committee and chairman of trade union of Shanghai Huayi Co., Ltd.; Chairman of the Board of Shanghai Chlor-Alkali Chemical Co., Ltd.
Zhang Weimin	He used to be the assistant of general manager and deputy general manager of Shanghai Huayi Acrylic Acid Co., Ltd., deputy general manager of economic operating department of Shanghai Huayi (Group) Company and general manager of safety & environmental protection department and chief of armed security department of Shanghai Huayi (Group) Company. Now he is the Director, general manager and deputy secretary of Party Committee of Shanghai Chlor-Alkali Chemical Co., Ltd.
Wang Wei	He used to be the deputy general manager of human resources department of Shanghai Huayi (Group) Company and the deputy general manager of Shanghai Huayi Investmetn Co., Ltd. Now he is the director and deputy secretary (executive) of Party Committee of Shanghai Chlor-Alkali Chemical Co., Ltd.
Li Ning	She used to be the general manager of financial department of Shanghai Huayi (Group) Company. Now she is the general manager of capital operation department of Shanghai Huayi Group Co., Ltd., the director of Shanghai 3F New Materials Co., Ltd and the director of Shanghai Chlor-Alkali Chemical Co., Ltd.
Yu Zhaojun	He used to be the Party secretary of PVC factory of Shanghai Chlor-Alkali Chemical Co., Ltd. Now he is the employee representative director, Deputy Party secretary, secretary of Party discipline committee, chairman of trade union and party secretary of department office 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 Tangshan Sanyou Chemical Group Co., Ltd. and outside Director of Shanghai Chlor-Alkali Chemical Co., Ltd.
Shao Zhengzhong	He used to be the lecturer of material science department of Fudan University, the lecturer, associate professor, subdean and professor of polymer science department of Fudan University and associate professor of biology research institute of Aarhus University in Denmark. Now he is the doctoral tutor in polymer science department of Fudan University. He is also the councilor of Shanghai Municipal Chemistry & Chemical Engineering Association, subeditor of Journal of Materials Chemistry-B of Britain Royal Society of Chemistry (RSC) and member of multiple academic committees and the Independent Director of Shanghai Chlor-Alkali Chemical Co., Ltd.
Wang Jinshan	He used to be the Vice Chairman of the Board of Directors and President of Nanjing First-O-Lite Co., Ltd.; Chairman of the Board of Directors and President of Nanjing First New Materials Co., Ltd. Now he is the director and general manager of Nanjing First-O-Lite Co., Ltd. He is the Independent Director of Shanghai Chlor-Alkali Chemical Co., Ltd.
Zhao Ziyue	He used to be the associate professor of Shanghai University of Finance and Economics, the Independent Director of Anshan No. 1 Engineering Co., Ltd and the Independent Director of Shanghai Jinshan Development Co., Ltd. as well as the Independent Director of Shanghai Chlor-Alkali Chemical Co., Ltd.
Gu Lili	He used to be the vice secretary of discipline inspection commission and general manager of supervision and examination department of Shanghai Huayi (Group) Company. Now he is the vice president of Shanghai Huayi Group Co., Ltd. and the Chairman of Supervisory Committee of Shanghai Chlor-Alkali Chemical Co., Ltd.
Zhang Hu	He used to be the CFO of Shanghai Huayi Acrylic Acid Co., Ltd. Now he is the deputy general manager of finance department of Shanghai Huayi Group Co., Ltd. and the supervisor of Shanghai Chlor-Alkali Chemical Co., Ltd.
Tang Liang	He used to be the manager of technical development department of Shanghai Chlor-Alkali Chemical Co., Ltd. Now he is the manager of investment planning department of Shanghai Chlor-Alkali Chemical Co., Ltd. and the supervisor of Shanghai Chlor-Alkali Chemical Co., Ltd.
Zhou Mei	She used to be the assistant manager of the supervision, examination and security department of Shanghai Chlor-Alkali Chemical Co., Ltd. Now she is the manager of armed security department and vice-chairman of trade union of Shanghai Chlor-Alkali Chemical Co., Ltd. as well as the supervisor of Shanghai Chlor-Alkali Chemical Co., Ltd.
Zhang Guohua	He used to be the director of party office and the deputy party secretary of department office of Shanghai Chlor-Alkali Chemical Co., Ltd. Now he is the regional secretary of party committee of Shanghai Chlor-Alkali Chemical Co., Ltd. in Caojing, and the supervisor 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 CFO of Shanghai Chlor-Alkali Chemical Co., Ltd.
Yuan Maoquan	He used to be the 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.
Dong Yan	She used to be assistant manager, manager, deputy chief economist of the human resource department of Shanghai Chlor-Alkali Chemical Co., Ltd. Now she is the Secretary of the Board of Directors and deputy chief economic engineer of Shanghai Chlor-Alkali Chemical Co., Ltd.
Wang Linzao	He used to be the manager of production director department of Shanghai Chlor-Alkali Chemical Co., Ltd., deputy general manager of Shanghai Tianyuan Huasheng Chemical Co., Ltd., secretary of CPC general branch and factory director of Huasheng Chemical Plant, and production controller of Shanghai Chlor-Alkali Chemical Co., Ltd. Now he is the employee representative Supervisor and assistant of general manager of Shanghai Chlor-Alkali Chemical Co., Ltd.
Hu Yongkang	He used to be general manager, Party secretary and Chairman of the Board of Shanghai Wujin Chemical Co., Ltd. and director, Party secretary and deputy general manager of Shanghai Chlor-Alkali Chemical Co., Ltd.
Wang Zengjin	He used to be the director of Shanghai Chlor-Alkali Chemical Co., Ltd.
Li Zengquan	He used to be the independent director of Shanghai Chlor-Alkali Chemical Co., Ltd.
Zhang Guoming	He used to be the independent director of Shanghai Chlor-Alkali Chemical Co., Ltd.
Chen Yao	He used to be the Chairman of Supervisory Committee of Shanghai Chlor-Alkali Chemical Co., Ltd.
Yu Bin	He used to be the supervisor of Shanghai Chlor-Alkali Chemical Co., Ltd.
Wang Mingchun	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., vice chairman of trade union of Shanghai Chlor-Alkali Chemical Co., Ltd. and secretary of CPC committee of PVC factory. Now he is the employee representative Supervisor of Shanghai Chlor-Alkali Chemical Co., Ltd.
Xu Peiwen	He used to be the Board Secretary of Shanghai Tianyuan (Group) Co., Ltd., and the Board Secretary and chief of the Board Secretary's office of Shanghai Chlor-Alkali Chemical Co., Ltd.

Presentation of other events

Applicable Not applicable

On March 25, 2016, the 28th Conference of the Eighth Board of Directors and the 19th Conference of the Eighth Board of Supervisors reviewed and passed the proposal for general selection of directors and supervisors, the selections had been conducted on 2015 Annual Shareholders' Meeting held on Apr. 25, 2016, and the employee directors, employee supervisor were selected on the joint conference of the congress of workers and staff of the Company. On Apr. 25, 2016, the Chairman of Board of Directors and Chairman of Supervisory Committee were elected on the first conference of the Ninth Board of Director and Board of Supervisors of the Company, the new session of senior executives were engaged; relevant announcements had been disclosed on the website (www.sse.com.cn) of Shanghai Stock Exchange on Apr. 26, 2016.

(II) Equity incentive awarded to the Director and senior executives during the reporting period

Applicable Not applicable

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

(I) Position in shareholder's unit

Applicable Not applicable

Name	Name of shareholder's unit	Position in shareholder's unit	Start date of office term
Huang Dailie	Shanghai Huayi (Group) Company	Director, general manager	12-02-2015

(II) Position in other unit

Applicable Not applicable

Name	Name of other unit	Position in other unit	Start date of office term
Zhang Weimin	Shanghai Huntsman Polyurethane Co., Ltd.	Director, Vice chairman of the board of directors	08-20-2015
Zhang Weimin	Shanghai Huayi Group Finance Co., Ltd.	Director	08-20-2015
Zhang Weimin	Shanghai Chlor-Alkali New Materials Trading Co., Ltd.	Executive director	02-18-2016
Wang Wei	Shanghai Chlor-Alkali Machinery Co., Ltd.	Inner Mongolia Junzheng Tianyuan chemical Co., Ltd.	12-18-2015
Wang Wei	Shanghai Tianyuan (Group) Co., Ltd.	Director	12-18-2015
Zhang Wenlei	Tangshan Sanyou Chemical Group Co., Ltd.	Independent director	09-15-2014
Wang Linzao	Shanghai Jinyuan Tap Water Co., Ltd.	Director	07-01-2011
Wang Linzao	Shanghai Lianheng Isocyanic Acid Grease Co., Ltd.	Director	01-10-2016
Cao Jinrong	Shanghai Ruisheng Enterprise Co. Ltd.	Executive director	03-01-2012
Cao Jinrong	Inner Mongolia Junzheng Tianyuan Chemical	Chief supervisor	12-14-2016

	Co., Ltd.		
Dong Yan	Inner Mongolia Junzheng Tianyuan Chemical Co., Ltd.	Director	12-14-2016
Dong Yan	Shanghai Huntsman Polyurethane Co., Ltd.	Director	01-11-2016
Dong Yan	Shanghai LvWei Plastics Co., Ltd.	Director	01-11-2016
Tang Liang	Inner Mongolia Junzheng Tianyuan Chemical Co., Ltd.	Director	12-14-2016

III. Rewards of the Directors, Supervisors and senior executives

√Applicable □Not applicable

Decision-making process for the rewards of the Directors, Supervisors and senior executives	The rewards of the Directors, Supervisors and senior executives shall be decided by the Company's salary & examination committee.
Basis for deciding the rewards of the Directors, Supervisors and senior executives	Issued according to the <i>Examination Measures for the Reward of the Directors, Supervisors and senior executives</i> .
Actual issuing of the rewards of the Directors, Supervisors and senior executives	The Board of Directors decided the reward standard for the Directors, Supervisors and Senior Executives getting salary from the Company this year and paid the rewards 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.
Total reward got actually by all the Directors, Supervisors and Senior Executives at end of the reporting period	RMB 6,639,000Yuan

IV. Changes of the Directors, Supervisors and senior executives

√Applicable □Not applicable

Name	Position	Change	Reason of change
Li Ning	Director	Elected	Mrs. Li Ning was elected as the director of the Company by voting on 2015 Annual Shareholders' Meeting On Apr. 25, 2016 and related announcement was disclosed on the website of Shanghai Stock Exchange on Apr. 26, 2016.
Wang Wei	Director	Elected	Mr. Wang Wei was elected as the director of the Company by voting on 2015 Annual Shareholders' Meeting On Apr. 25, 2016 and related announcement was disclosed on the website of Shanghai Stock Exchange on Apr. 26, 2016.
Wang Jinshan	Independent director	Elected	Mr. Wang Jinshan was elected as the independent director of the Company by voting on 2015 Annual Shareholders' Meeting On Apr. 25, 2016 and related announcement was disclosed on the website of

			Shanghai Stock Exchange on Apr. 26, 2016.
Zhao Ziye	Independent director	Elected	Mr. Zhao Ziye was elected as the independent director of the Company by voting on 2015 Annual Shareholders' Meeting On Apr. 25, 2016 and related announcement was disclosed on the website of Shanghai Stock Exchange on Apr. 26, 2016.
Gu Lili	Chairman of supervisory committee	Elected	Mr. Gu Lili was elected as the shareholder representative supervisor by voting on 2015 Annual Shareholders' Meeting On Apr. 25, 2016 and was elected as the Chairman of Supervisory Committee after examination and pass on the first meeting of the 9 th Board of Supervisors on Apr. 25, 2016. Related announcements was disclosed on the website of Shanghai Stock Exchange on Apr. 26, 2016.
Zhang Hu	Supervisor	Elected	Mr. Zhang Hu was elected as the supervisor of the Company by voting on 2015 Annual Shareholders' Meeting On Apr. 25, 2016, and related announcement was disclosed on the website of Shanghai Stock Exchange on Apr. 26, 2016.
Tang Liang	Supervisor	Elected	Mr. Tang Liang was elected as the supervisor of the Company by voting on 2015 Annual Shareholders' Meeting On Apr. 25, 2016, and related announcement was disclosed on the website of Shanghai Stock Exchange on Apr. 26, 2016.
Zhou Mei	Employee supervisor	Elected	Elected democratically by staff representatives on the 9 th meeting of the 3 rd Congress of Workers and Staff. Related announcement had been disclosed on the website of Shanghai Stock Exchange on Mar. 9, 2016.
Zhang Guohua	Employee supervisor	Elected	Elected democratically by staff representatives on the 9 th meeting of the 3 rd Congress of Workers and Staff. Related announcement had been disclosed on the website of Shanghai Stock Exchange on Mar. 9, 2016.
Dong Yan	Secretary of the board of directors	Engaged	Engaged by the first meeting of the 9 th Board of Directors of the Company on Apr. 25, 2016.
Wang Linzao	General manager assistant	Engaged	Engaged by the first meeting of the 9 th Board of Directors of the Company on Apr. 25, 2016.
Hu Yongkang	Director, deputy party secretary	Left the post	Expiration of the term of office.
Wang Zengjin	Director	Left the post	Expiration of the term of office.
Li Zengquan	Independent director	Left the post	Expiration of the term of office.
Zhang Guoming	Independent director	Left the post	Expiration of the term of office.
Chen Yao	Chairman of supervisory committee	Left the post	Expiration of the term of office.
Yu Bin	Supervisor	Left the post	Expiration of the term of office.
Wang Mingchun	Supervisor	Left the post	Expiration of the term of office.
Xu Peiwen	Secretary of the board of directors	Left the post	Expiration of the term of office.

V. Punishment by the securities regulatory authorities in recent 3 years

Applicable Not applicable

VI. Employees of the parent company and main subsidiaries**(I) Particulars of employees**

Number of in-service employees of the parent company	692
Number of in-service employees of the main subsidiaries	223
Total number of in-service employees	915
Number of retired employees borne by the parent company and main subsidiaries	4,255
Profession structure	
Type of profession	Number of people
Production personnel	569
Sales people	50
Technical personnel	72
Finance personnel	20
Administrative personnel	204
Total	915
Educational status	
Type of educational status	Number of people
Bachelor or higher	257
Junior college	345
Senior high school (technical secondary school)	260
Lower than senior high school	53
Total	915

(II) Salary policy

Applicable Not applicable

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

(III) Training plan

Applicable Not applicable

In 2016, the Company made employee training for 4797 men-times. The training includes 3987 men-times for front-line employees, accounting for 83.11% in total training. The main training content: post operation training (on-the-job training and job-transfer training), special work training (including the training for obtaining certificate of post), QHSE training, staff skill and skill level training (including skill level and training for employment with certificate), HSE entire staff training,

team leader training, series training of labor union, degree program training, professional qualification improvement training and young employee cultivation. The training includes 810 men-times for non front-line employees, accounting for 16.89% in total training. Main training content: professional technical training at the engineers advanced study and training base in party school, engineering training for professional technical personnel, special topic lecture, management and strategy course training, title and further education training, QHS training and HSE entire staff training.

(IV) Labor outsourcing

Applicable Not applicable

VII. Other

Applicable Not applicable

Section IX Company Governance

I. Introduction to Company governance

Applicable Not applicable

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.

1. About the shareholders and the shareholders' meeting

The Company convened the shareholders' meeting strictly according to relevant provisions and procedures in the Articles of Association and the Rules of Procedure of the Shareholders' Meeting. It can ensure the equal position and lawful rights and interests of all the shareholders, especially the middle and small shareholders, let them enjoy and exercise fully their rights. All of the Company's related transactions have been made strictly according to the principle of fair and equitable, the pricing principle are disclosed to the public, and the related Director and related shareholders avoided the voting.

2. Controlling shareholder and the listed Company

The controlling shareholder exercises its right and bears the obligation according to law, not intervening directly or indirectly the Company's decision-making and operating activities without the authority of the shareholders' meeting. The Company and the controlling shareholder make Five Independence, i.e. assets, business, organization, finance and personnel. The Company's Board of Directors, Supervisory Committee and the internal institutions can all make operation independently to ensure the Company making and implementing the significant decisions independently.

3. Directors and the Board of Directors

The Company elects the Directors strictly in accordance with the procedure specified in the *Company Law* and *Articles of Association*, the Board of Directors is of scientific composition, clear responsibilities and perfect systems. The Company establishes four special committees, i.e. strategy, audit, nomination and salary & checking, under the Board of Directors, and all these committees can work earnestly and diligently strictly in accordance with the *Articles of Association* and the *Work Enforcement Regulations of the Special Committees under the Board of Directors*. For the Company's significant decisions and investments all the Directors can well play their professional role, raise their professional opinions and proposals, provide great support to the Company's scientific policy-making, and perform their duties loyally, cautiously, earnestly and diligently.

4. Supervisors and the Supervisory Committee

The Company's Supervisory Committee elects the Supervisors strictly in accordance with the procedure specified in the *Company Law* and the *Articles of Association*, and the convening procedure conforms to the *Rules of Procedure of the Supervisory Committee* and has intact and true meeting record. The Company's Supervisors can perform earnestly their duties, make supervision independently on the Company's finance and operation status and the legitimacy and compliance of the Company's Directors, managers and other senior executives based on the manner of being responsible to all the shareholders, and safeguard the lawful rights and interests of the Company and the shareholders.

5. Performance appraisal and incentive and constraint mechanism

The Company has established and gradually improved the performance appraisal standard and incentive and constraint mechanism for the Directors, Supervisors and senior executives, and the engagement of the senior executives is open and transparent and meets the requirements of relevant laws and statutes.

6. Information disclosure and transparency

The Company has truly, accurately, completely and timely discloses relevant information strictly in accordance with the requirements of relevant laws and codes and its own Management System on the Information Disclosure Affairs and the internal report system on Significant Information, and ensure all the investors can obtain effective information equally. In the reporting period, the Company totally completed 4 periodic reports and 22 provisional announcements, making the investors can learn the status of the Company timely, fairly, accurately and completely.

7. Management on insider information

During the reporting period, the Company executed strictly the *Management on Registration of the Persons in the Know of Insider Information*, got down with the work on keeping secret of the insider information and required to fill in the record file of the person in the know of the insider information to safeguard the interest of the shareholders.

If there is significant difference between company governance and the requirements of relevant regulations of China Securities Regulatory Commission; if yes, give the reason

Applicable Not applicable

II. Briefing on the shareholders' meeting

The meeting	Convening date	Index on the website specified for carrying the resolutions	Date for disclosing the resolutions
2015 annual shareholders' meeting	04-25-2016	www.sse.com.cn	04-26-2016

Information about shareholders' meeting

Applicable Not applicable

III. Duty performance of the Directors**(I) Particulars of the Directors for attending the Board meetings and shareholders meeting**

Name of director	Independent Director or not	Particulars of attending the Board Meetings						Particulars of attending the shareholders' meeting
		Number of Board meetings in current year	Number of attendances in person	Number of attendances through communication	Number of attendances through commitment	Number of absence	Whether not attending in person the meeting consecutively for 2 times or not	Number of attendances in the shareholders' meeting
Huang Dailie	No	8	8	0	0	0	No	1
Li Ning	No	6	5	0	1	0	No	1
Zhang Weimin	No	8	8	0	0	0	No	1
Wang Wei	No	6	6	0	0	0	No	1
Yu Zhaojun	No	8	8	0	0	0	No	1
Zhang Wenlei	No	8	8	0	0	0	No	1
Shao Zhengzhong	Yes	8	8	0	0	0	No	1
Wang Jinshan	Yes	6	6	0	0	0	No	1
Zhao Ziye	Yes	6	6	0	0	0	No	1

Explanations for not attending the meeting in person consecutively for 2 times:

Applicable Not applicable

Number of Board meetings convened in current year	8
Incl.: Number of on-site meetings	2
Number of meetings convened through communication	6
Number of meetings convened on-site and through communication	0

(II) Objection of the Independent Directors on relevant events of the Company

Applicable Not applicable

(III) Other

Applicable Not applicable

IV. Important opinions and proposals raised by the special committees under the Board of Directors while performing their duties in the reporting period, and if any objection exists, the details shall be disclosed

Applicable Not applicable

In 2016, the special committee of the Company's Board of Directors, based on the provisions of the *Enforcement Regulations of Special Committees under the Board of Directors*, performed their duties earnestly, conducted work actively, gave full play to their own special skills and played active role on the decision-making of the Board of Directors for significant events. The audit committee could perform its duty earnestly in the work for annual report and relevant work, raised construction suggestions on the Company's periodic report, internal control systems, asset disposal and related transactions, and supervised the Company to make healthful, stable and rapid development furthermore. The salary & checking committee convened meeting to check the salary of the senior executives in 2015, and raised the checking plan on the salary of the senior executives in 2016. The nomination committee convened the meeting to discuss and make proposal for change of the Company's Directors. The Company lay stress on exerting the knowledge of the special committees under the Board of Directors in specialty and information to promote the decision-making of the Board of Directors more scientific and more effective.

V. Note of the Supervisory Committee on discovering the Company's risk

Applicable Not applicable

VI. Note of the Company on being unable to ensure independence and self operation capability in business, assets, organization and finance with the controlling shareholder

Applicable Not applicable

In case of the existence of horizontal competition, the corresponding solutions, job schedule and subsequent work plan of the Company

Applicable Not applicable

VII. Establishing and implementing the check mechanism and incentive mechanism for the senior executives in the reporting period

Applicable Not applicable

The Company implements the *Checking Method on the Salary of Senior Executives of the Company*, and the salary & checking committee under the Board of Directors made the annual performance review, decided the reward standard for the Directors, Supervisors and Senior Executives getting salary from the Company and paid the rewards monthly.

VIII. Whether disclose the internal control self-assessment report or not

Applicable Not applicable

For details of the *2016 Internal Control Self-assessment Report of Shanghai Chlor-Alkali Chemical Co., Ltd.*, see relevant announcement in the website of Shanghai Stock Exchange www.sse.com.cn on March 30, 2017.

Note on significant deficiencies in the internal control during the reporting period
Applicable Not applicable

IX. Note on relevant status of the auditor's report for internal control

Applicable Not applicable

For details of the Auditor's Report for Internal Control of Shanghai Chlor-Alkali Chemical Co., Ltd. in 2016, see relevant announcement in the website of Shanghai Stock Exchange www.sse.com.cn on March 30, 2017.

Whether disclose the auditor's report for internal control or not: yes

X. Other

Applicable Not applicable

Section X Particulars of the Company's Bonds

Applicable Not applicable

Section XI Financial Report

I. Auditor's report

Applicable Not applicable

XKSHBZ [2017] No. ZA11253

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

We have audited the attached financial statements of Shanghai Chlor-Alkali Chemical Co., Ltd. (hereafter referred to as Chlor-Alkali Chemical), including the consolidated and the Company's balance sheets as of Dec. 31, 2016, the consolidated and the Company's income statements in 2016, the consolidated and the Company's cash flow statements, the consolidated and the Company's statements of changes in owner's equity and the notes on the financial statements.

I. The responsibility of the management

To prepare the financial statements and make fair presentation in it is the responsibility of the management of the Company. Such responsibility shall include: (1) to prepare the financial statements and make fair presentation in them in accordance with the provisions of the enterprise accounting standard; (2) to design, execute and maintain necessary internal control to prevent the financial statements from making significant misreport caused by fraud or error.

II. Responsibility of the certified public accountants

Our responsibility is to express audit opinion to the financial statements based on the execution of the audit work. We have made the audit work in accordance with the provisions in the audit standard of China certified public accountant. The audit standard of China certified public accountant requires us to observe the code of professional ethics of China certified public accountants, plan and execute the audit work and obtain the reasonable assurance for not making significant misreport in the financial statements

The audit work involves the implementation of audit procedure to obtain the amount of financial statements and disclosed audit evidences. The selection of the audit procedure depends on the judgment of the certified public accountants, including the evaluation to the risk of significant misreport of the financial statements caused by the fraud or error. While making risk evaluation, the certified public accountant shall consider the internal control related to the preparing of the financial statements and the fair presentation to design proper audit procedure, but the purpose is not to express opinion for the effectiveness of the internal control. The audit work shall also include to evaluate the suitability of the accounting policy selected by the management and the reasonableness of the accounting estimate and to evaluate the general presentation of the financial statements.

We believe, the audit evidences we have obtained are adequate and proper and provide basis for expressing the audit opinion.

III. Audit opinion

We deem that, the financial statements of the Company have been prepared in accordance with the provisions of the enterprise accounting standard in all significant aspects, and have reflected the consolidated and the Company's financial status on Dec. 31, 2016 and the consolidated and the Company's operating results and cash flow in 2016

**BDO China Shu Lun Pan Certified
Public Accountants LLP**

**China certified public accountant:
Gu Xuefeng**

China certified public accountant: Chen Luying

Shanghai ·China

March 28, 2017

2. Financial Statement**Consolidated Balance Sheet**

December 31, 2016

Prepared by: SHANGHAI CHLOR-ALKAL CHEMICAL CO.,LTD

Unit: Yuan Currency: RMB

Item	Note	Closing balance	Opening balance
Current assets			
Cash and cash balances		433,999,695.91	240,425,945.13
Settlement reserve			
Lent to banks and other financial institutions			
Financial assets at fair value through profit or loss			

Item	Note	Closing balance	Opening balance
Derivative financial asset			
Notes receivable		448,822,006.32	336,221,352.79
Accounts receivable		202,272,347.66	259,044,580.24
Prepayments		50,056,591.51	136,446,799.31
Insurance Premium receivable			
reinsurance account Receivable			
Reserves for reinsurance contract Receivable			
Interest receivable			
Dividends receivable			
Other receivables		762,159.00	3,561,716.78
Financial assets purchased under resale agreements			
Inventories		159,466,728.86	384,885,265.71
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets			
Total current assets		1,295,379,529.26	1,360,585,659.96
Non-current assets:			
Loans and advances			

Item	Note	Closing balance	Opening balance
Available-for-sale financial assets		453,209,607.08	424,078,182.70
Investment held to maturity			
Long-term receivables			
Long-term equity investments		365,215,620.38	288,855,432.45
Investment properties			
Fixed assets		1,978,086,015.56	2,132,521,000.23
Construction in progress		97,570,414.69	305,408,986.91
Project materials		37,478.63	1,381,336.82
Disposal of fixed assets			
Productive biological assets			
Oil & gas assets			
Intangible assets		267,521,472.23	281,295,016.13
Development expenditure		17,364,046.98	30,247,277.15
Goodwill			
Long-term prepaid expenses		15,196,164.92	23,460,981.73
Deferred tax assets		35,696.33	20,529.71
Other non-current assets			
Total non-current assets:		3,194,236,516.80	3,487,268,743.83

Item	Note	Closing balance	Opening balance
Total assets		4,489,616,046.06	4,847,854,403.79
Current liabilities:			
Short-term borrowing		1,256,000,000.00	620,000,000.00
Borrowing from the central bank			
Customer deposits and deposits from banks and other financial institutions			
Interbank borrowing			
Financial assets measured with fair value and having its changes accounted in current income and loss			
Derivative financial assets			
Notes payable			
Accounts payable		358,647,789.59	376,955,805.82
Receipts in advance		243,595,103.99	253,175,587.07
Financial assets sold for repurchase			
Handling fees and commissions payable			
Employee benefits payable		131,471,648.00	780,802.00
Taxes payable		80,270,216.68	14,824,741.55
Interest payable		1,955,378.33	2,788,929.31

Item	Note	Closing balance	Opening balance
Dividends payable		2,724,553.75	2,724,553.75
Other payables		88,814,552.29	441,394,365.43
Reinsurance accounts payable			
Reserve for insurance contract			
Acting trading securities			
Acting underwriting securities			
Assets classified as available-for-sale assets			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		2,163,479,242.63	1,712,644,784.93
Non-current liabilities			
Long-term borrowing			
Bonds payable			
Including: Preferred stock			
Debt sustainability			
Long-term payables		170,000,000.00	645,000,000.00
Long-term employee benefits payable		181,130,000.00	190,880,000.00
Special payables		11,050,000.00	11,050,000.00

Item	Note	Closing balance	Opening balance
Provisions		1,238,255.07	
Deferred income		6,873,750.00	6,650,100.00
Deferred tax liabilities		14,562,645.00	11,653,477.05
Other non-current liabilities			
Total non-current liabilities		384,854,650.07	865,233,577.05
Total liabilities		2,548,333,892.70	2,577,878,361.98
Shareholders' equity:			
Share capital		1,156,399,976.00	1,156,399,976.00
Other equity instruments			
Including: Preferred stock			
Debt sustainability			
Capital reserve		1,674,270,987.60	1,674,270,987.60
Less :Treasury stock			
Other Comprehensive Income		20,585,420.26	12,317,916.44
Special reserve			
Surplus reserves		11,329,760.39	11,329,760.39
General risk reserve			
Retained earnings		-920,865,356.69	-592,773,594.89

Item	Note	Closing balance	Opening balance
Total shareholders' equity attributable to shareholders of the Company		1,941,720,787.56	2,261,545,045.54
Minority interests		-438,634.20	8,430,996.27
Total shareholders' equity		1,941,282,153.36	2,269,976,041.81
Total liabilities and shareholders' equities		4,489,616,046.06	4,847,854,403.79

Legal representative: Superintendent responsible for accounting: Superintendent for accountancy firm:

Balance Sheet of Parent Company

December 31, 2016

Prepared by: SHANGHAI CHLOR-ALKAL CHEMICAL CO.,LTD

Unit: Yuan Currency: RMB

Item	Note	Closing balance	Opening balance
Current assets:			
Cash and cash balances		371,434,054.50	212,133,296.30
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable		256,156,372.62	334,581,352.79
Accounts receivable		323,192,407.70	253,571,576.96
Prepayments		51,172,870.23	137,481,599.22
Interest receivable			
Dividend receivable			
Other receivables		4,509,657.46	10,766,735.59

Item	Note	Closing balance	Opening balance
Inventories		155,028,612.34	371,277,788.79
Assets classified as held for sale			
Non-current assets due within one year		20,000,000.00	
Other current assets			
Total current assets		1,181,493,974.85	1,319,812,349.65
Non-current assets:			
Available-for-sale financial assets		426,458,325.42	413,190,044.22
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		473,550,440.36	355,444,207.96
Investment properties			
Fixed assets		1,960,644,705.74	2,111,593,701.25
Construction in progress		91,697,502.44	302,075,871.66
Project materials		37,478.63	1,381,336.82
Disposal of fixed assets			
Productive biological assets			
Oil & gas assets			
Intangible assets		254,644,610.18	259,886,963.38
Development expenditure		17,364,046.98	30,247,277.15
Goodwill			
Long-term prepaid expenses		15,196,164.92	23,152,249.71
Deferred tax assets			
Other non-current assets			20,000,000.00
Total non-current assets		3,239,593,274.67	3,516,971,652.15
Total assets		4,421,087,249.52	4,836,784,001.80
Current liabilities:			
Short-term borrowing		1,256,000,000.00	620,000,000.00

Item	Note	Closing balance	Opening balance
Financial assets measured with fair value and having its changes accounted in current income and loss			
Derivative financial assets			
Notes payable			
Accounts payable		341,939,490.32	370,153,498.98
Receipts in advance		232,409,605.46	253,775,506.41
Employee benefits payable		121,407,244.00	513,377.00
Tax payable		75,506,168.49	12,682,879.20
Interest payable		1,955,378.33	2,788,929.31
Dividend payable		1,189,676.90	1,189,676.90
Other payables		81,786,755.91	457,108,038.56
Assets classified as available-for-sale assets			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		2,112,194,319.41	1,718,211,906.36
Non-current liabilities			
Long-term borrowing			
Bonds payable			
Including: Preferred stock			
Debt sustainability			
Long-term payables		170,000,000.00	645,000,000.00
Long-term employee benefits		181,130,000.00	190,880,000.00
Special payables		11,050,000.00	11,050,000.00
Provisions			
Deferred income		6,873,750.00	6,650,100.00
Deferred tax liabilities		9,728,506.05	10,785,123.90
Other non-current liabilities			

Item	Note	Closing balance	Opening balance
Total non-current liabilities		378,782,256.05	864,365,223.90
Total liabilities		2,490,976,575.46	2,582,577,130.26
Shareholders' equity:			
Share capital		1,156,399,976.00	1,156,399,976.00
Other equity instruments			
Including: Preferred stock			
Debt sustainability			
Capital reserve		1,690,068,638.82	1,690,068,638.82
Less: Treasury stock			
Other Comprehensive Income		7,715,149.28	11,345,002.84
Special reserve			
Surplus reserves		11,329,760.39	11,329,760.39
Retained earnings		-935,402,850.43	-614,936,506.51
Total shareholders' equity		1,930,110,674.06	2,254,206,871.54
Total liabilities and shareholders' equity		4,421,087,249.52	4,836,784,001.80

Legal representative: Superintendent responsible for accounting: Superintendent for accountancy firm:

Consolidated Income Statement

January-December 2016

Prepared by: SHANGHAI CHLOR-ALKAL CHEMICAL CO.,LTD

Unit: Yuan Currency: RMB

Item	Note	Amount incurred in current period	Amount of previous period
1. Total Operating income		6,754,397,061.69	6,170,874,223.67
Including: Operating income		6,754,397,061.69	6,170,874,223.67
Interest income			
Earned premium			

Item	Note	Amount incurred in current period	Amount of previous period
Fee and commission income			
2. Total Operating Cost		7,245,409,457.47	6,427,713,999.83
Including: Operating costs		6,128,517,218.57	5,559,439,778.97
Interest expenditure			
Fee and commission expense			
Returned premium			
Net compensation expenditure			
Withdrawn net insurance contract reserve			
Dividend expenditure on insurance policies			
Reinsurance expenses			
Business taxes and levies		28,916,705.72	19,193,727.90
Selling expenses		184,329,793.95	199,911,085.12
Administrative expenses		480,214,277.58	402,196,032.57
Financial expense		74,994,167.59	140,436,053.89
Asset impairment losses		348,437,294.06	106,537,321.38
Plus: Income from fair value changes (for loss, fill in "-")			
Investment profit (loss is expressed with "-")		131,189,596.30	147,125,155.93
Including: Income from investments in associates and JCEs		97,360,187.93	44,597,649.84
Exchange gain/loss (for loss, fill in "-")			
3. Operating Profit (Indicate Loss with "-")		-359,822,799.48	-109,714,620.23
Plus: Non-operating income		26,386,162.15	220,140,784.81
Including: Gains from disposal of non-current assets		823,415.34	175,597,261.11
Less: Non-operating expenses		1,377,001.45	864,280.61
Including: Losses from disposal of non-current assets		525,479.38	520,754.37
4. Total Profit (Indicate Total Loss with "-")		-334,813,638.78	109,561,883.97
Less: Income tax expenses		1,703,353.49	4,672,427.26

Item	Note	Amount incurred in current period	Amount of previous period
5. Net Profit (Indicate Loss with "-")		-336,516,992.27	104,889,456.71
Net profit attributable to shareholders of the Company		-328,091,761.80	95,615,030.34
Profit or loss attributable to minority interests		-8,425,230.47	9,274,426.37
6. Net amount of other comprehensive revenues after tax		8,267,503.82	10,397,536.07
Net amount of other comprehensive revenues after tax attributable to shareholders of parent company		8,267,503.82	10,397,536.07
(1) Other comprehensive income that will not be reclassified subsequently to profit or loss		-460,000.00	-13,980,000.00
1) Changes in net liabilities or net assets due to remeasurement of defined benefit plans		-460,000.00	-13,980,000.00
2) Other comprehensive income that will not be reclassified subsequently to profit or loss of invested entities under equity method			
(2) Other comprehensive income that may be reclassified subsequently to profit or loss		8,727,503.82	24,377,536.07
1) Other comprehensive income that may be reclassified subsequently to profit or loss of invested entities under equity method in future			
2) Changes in fair value of available-for-sale financial assets		8,727,503.82	24,377,536.07
3) Profit or loss of held-to-maturity investments that are reclassified as available-for-sale financial assets			
4) Effective part of profit or loss of cash flow hedge			
5) Exchange differences on translating foreign operations			
6) Other			
Other comprehensive income (loss) attributable to minority interests			
7. Total Comprehensive Income		-328,249,488.45	115,286,992.78
Total comprehensive income attributable to shareholders of the Company		-319,824,257.98	106,012,566.41
Total comprehensive income attributable to minority interests		-8,425,230.47	9,274,426.37
8. Earnings per Share			
(1) Basic earnings per share		-0.2837	0.0827

Item	Note	Amount incurred in current period	Amount of previous period
(2) Diluted earnings per share		-0.2837	0.0827

Legal representative: Superintendent responsible for accounting: Superintendent for accountancy firm:

Income Statement of Parent Company

January-December 2016

Prepared by: SHANGHAI CHLOR-ALKAL CHEMICAL CO.,LTD

Unit: Yuan Currency: RMB

Item	Note	Amount incurred in current period	Amount of previous period
1. Operating income		4,221,442,504.36	5,306,202,144.25
Less: Operating cost		3,635,572,923.53	4,779,946,815.88
Business taxes and levies		25,583,943.98	16,200,534.43
Sales expenses		166,289,797.50	184,902,755.30
Administrative expenses		444,945,382.58	352,189,770.28
Financial expense		74,847,579.48	139,259,008.16
Asset impairment losses		350,543,850.73	104,311,645.14
Plus: Income from fair value changes (for loss, fill in "-")			
Investment profit (loss is expressed with "-")		132,724,899.42	196,816,182.18
Including: Income from investments in associates and JCEs		97,360,187.93	44,597,649.84
2. Operating Profit (Indicate Loss with "-")		-343,616,074.02	-73,792,202.76
Plus: Non-operating income		24,394,366.15	217,277,438.15
Including: Gains from disposal of non-current assets		541,341.67	175,459,449.37
Less: Non-operating expenses		1,244,636.05	460,655.84
Including: Losses from disposal of non-current assets		512,438.97	376,422.17
3. Total Profit (Indicate Total Loss with "-")		-320,466,343.92	143,024,579.55
Less: Income tax expense			
4. Net Profit (Indicate Loss with "-")		-320,466,343.92	143,024,579.55

5. Net amount of other comprehensive revenues after tax		-3,629,853.56	10,389,083.82
(1) Other comprehensive income that will not be reclassified subsequently to profit or loss		-460,000.00	-13,980,000.00
1) Changes in net liabilities or net assets due to remeasurement of defined benefit plans		-460,000.00	-13,980,000.00
2) Other comprehensive income that will not be reclassified subsequently to profit or loss of invested entities under equity method			
(2) Other comprehensive income that may be reclassified subsequently to profit or loss		-3,169,853.56	24,369,083.82
1) Other comprehensive income that may be reclassified subsequently to profit or loss of invested entities under equity method in future			
2) Changes in fair value of available-for-sale financial assets		-3,169,853.56	24,369,083.82
3) Profit or loss of held-to-maturity investments that are reclassified as available-for-sale financial assets			
4) Effective part of profit or loss of cash flow hedge			
5) Exchange differences on translating foreign operations			
6) Other			
6. Total Comprehensive Income		-324,096,197.48	153,413,663.37
7. Earnings per Share:			
(1) Basic earnings per share			
(2) Diluted earnings per share			

Legal representative: Superintendent responsible for accounting: Superintendent for accountancy firm:

Consolidated Cash Flow Statement

January-December 2016

Prepared by: SHANGHAI CHLOR-ALKAL CHEMICAL CO.,LTD

Unit: Yuan Currency: RMB

Item	Note	Amount incurred in current period	Amount of previous period
1. Cash flow from operating activities:			

Item	Note	Amount incurred in current period	Amount of previous period
Cash received from sale of goods and rendering of services		7,509,526,827.49	7,510,561,650.86
Net increases in customer deposits and peer deposits			
Net increases in borrowing from central bank			
Net increases in interbank borrowing from other financial institutions			
Cash received from premiums on primary insurance contracts			
Net cash amount received from reinsurance business			
Net increase in deposits from policyholder			
Net increase from disposal of financial assets measured in fair value and having its changes accounted in current profit and loss			
Cash collected from interest, handling fees and commissions			
Net increases in interbank borrowing			
Net increase in repurchase business capital			
Receipts of tax refunds		807,011.37	1,550,381.55
Other cash received related to operating activities		101,174,531.77	176,962,786.84
Sub-total of cash inflow from operating activities		7,611,508,370.63	7,689,074,819.25
Cash payments for goods purchased and services received		6,460,589,082.43	6,546,749,918.62
Net increases in customer loans and advances			
Net increases in deposits with central bank and other financial institutions			
Original insurance contract claims paid			
Cash payments for interests, fees and commissions			
Policyholder dividend paid			
Cash payments to and on behalf of employees		372,744,973.77	392,633,278.07
Payments for various types of taxes		147,418,472.69	209,497,530.89
Other payments relating to operating activities		141,899,080.50	234,341,659.22
Sub-total of cash outflow relating to operating activities		7,122,651,609.39	7,383,222,386.80
Net cash flow from operating activities		488,856,761.24	305,852,432.45

Item	Note	Amount incurred in current period	Amount of previous period
2. Cash flow from investing activities			
Cash receipts from recovery of investments		14,750,893.88	
Cash receipts from investment income		40,900,561.88	50,188,256.22
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		1,895,801.68	366,988,374.84
Net cash paid for acquisition of subsidiaries and other business units			201,393,475.46
Other cash received related to investing activities		340,000.00	568,000.00
Sub-total of cash inflow from investing activities		57,887,257.44	619,138,106.52
Cash payment to acquire or construct fixed assets, intangible assets and other long-term assets		71,811,205.80	116,302,260.65
Cash payments to acquire investments		18,316,800.00	40,466,400.00
Net increase in pledge loans			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid related to investing activities			
Subtotal of cash outflow from investing activities		90,128,005.80	156,768,660.65
Net cash flow from investing activities		-32,240,748.36	462,369,445.87
3. Cash flow from financing activities			
Cash received from capital contributions			
Including: cash receipts from capital contributions from minority shareholders of subsidiaries			
Cash received from borrowings		1,718,900,000.00	2,487,739,713.32
Cash received from bond issue			
Other cash received related to financing activities			
Sub-total of cash inflow from financing activities		1,718,900,000.00	2,487,739,713.32
Cash repayments of borrowings		1,909,900,000.00	3,277,077,512.61
Cash payments for distribution of dividends or profits or settlement of interest expenses		75,227,416.76	140,724,441.68

Item	Note	Amount incurred in current period	Amount of previous period
Including: payments for distribution of dividends or profit to minority shareholders of subsidiaries			
Other cash payments relating to financing activities			
Sub-total of cash outflow relating to financing activities		1,985,127,416.76	3,417,801,954.29
Net cash flow from financing activities		-266,227,416.76	-930,062,240.97
4. Effect of foreign exchange rate changes on cash and cash equivalents		3,241,849.50	-325,298.50
5. Net increase in cash and cash equivalents		193,630,445.62	-162,165,661.15
Add: Opening balance of cash and cash equivalents		240,369,250.29	402,534,911.44
6. Closing balance balance of cash and cash equivalents		433,999,695.91	240,369,250.29

Legal representative: Superintendent responsible for accounting: Superintendent for accountancy firm:

Cash Flow Statement of Parent Company

January-December 2016

Prepared by: SHANGHAI CHLOR-ALKAL CHEMICAL CO.,LTD

Unit: Yuan Currency: RMB

Item	Note	Amount incurred in current period	Amount of previous period
1. Cash flow from operating activities:			
Cash receipts from the sale of goods and rendering of services		4,680,256,864.22	6,511,335,605.62
Tax rebate received		807,011.37	279,357.64
Other cash receipts relating to operating activities		83,844,488.95	156,904,899.36
Sub-total cash inflow from operating activities		4,764,908,364.54	6,668,519,862.62
Cash payments for goods purchased and services		3,674,822,963.70	5,714,454,512.78
Cash payments to and on behalf of employees		326,343,263.63	317,693,761.30
Payments for various types of taxes		135,326,338.40	182,897,891.76
Other payments relating to operating activities		129,019,340.43	198,804,795.65

Item	Note	Amount incurred in current period	Amount of previous period
Sub-total cash outflow relating to operating activities		4,265,511,906.16	6,413,850,961.49
Net cash flow from operating activities		499,396,458.38	254,668,901.13
2. Cash flow from investing activities			
Cash receipts from recovery of investments		14,750,893.88	
Cash receipts from investment income		42,435,865.00	75,126,857.37
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		1,520,827.72	366,829,419.15
Net cash paid for acquisition of subsidiaries and other business units			224,174,251.71
Other cash received related to investing activities		340,000.00	568,000.00
Sub-total cash flow from investing activities		59,047,586.60	666,698,528.23
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		68,748,453.09	75,105,899.49
Cash payments to acquire investments		68,316,800.00	40,466,400.00
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid related to investing activities			
Sub-total cash outflow relating to investing activities		137,065,253.09	115,572,299.49
Net cash flow from investing activities		-78,017,666.49	551,126,228.74
3. Cash flow from financing activities			
Cash received from capital contributions			
Cash received from borrowings		1,739,000,000.00	2,373,595,009.82
Cash received from bond issue			
Other cash receipts relating to financing activities			
Sub-total cash inflow from financing activities		1,739,000,000.00	2,373,595,009.82
Cash repayments of borrowings		1,930,000,000.00	3,189,876,409.11
Cash payments for distribution of dividends or profits or settlement of interest expenses		74,319,883.19	137,950,238.68
Other cash paid related to financing activities			
Sub-total cash outflow relating to financing activities		2,004,319,883.19	3,327,826,647.79
Net cash flow from financing activities		-265,319,883.19	-954,231,637.97

Item	Note	Amount incurred in current period	Amount of previous period
4. Effect of foreign exchange rate on cash and cash equivalents		3,241,849.50	-1,271,463.09
5. Net Increase in cash and cash equivalents		159,300,758.20	-149,707,971.19
Add: Opening balance of cash and cash equivalents		212,133,296.30	361,841,267.49
6. Closing Balance of cash and cash equivalents		371,434,054.50	212,133,296.30

Legal representative: Superintendent responsible for accounting: Superintendent for accountancy firm:

Consolidated Statement on Changes in Shareholders' Equity

January-December 2016

Item	Current period												
	shareholders's equity Attributable to the Parent Company											Minor shareholder s' equity	Total shareholde rs' equity
	Share capital	Other equity instruments			Capital reserve	Less: Share s in stock	Other Comprehe nsive Income	Special reserve	Surplus reserves	Common risk provision	Attributabl e profit		
Preferr ed stock		Sustain able debt	Other s										
1. Balance at the end of last year	1,156,399,9 76.00				1,674,270,9 87.60		12,317,916.4 4		11,329,76 0.39	-592,773,59 4.89	8,430,996.27	2,269,976,04 1.81	
Add: Change of accounting policy													
Correcting of previous errors													
Merger of entities under common control													
Others													
2. Balance at the beginning of this year	1,156,399,9 76.00				1,674,270,9 87.60		12,317,916.4 4		11,329,76 0.39	-592,773,59 4.89	8,430,996.27	2,269,976,04 1.81	
3. Increase/decrease at this term (for decrease, fill in "-")							8,267,503.82			-328,091,76 1.80	-8,869,630.47	-328,693,888 .45	

(1) Total Comprehensive Income							8,267,503.82					-328,091,761.80	-8,425,230.47	-328,249,488.45
(2) Capital injection and reduction by shareholders														
1) Total comprehensive income														
2) Investment or decreasing of capital by shareholders														
3) Amount of shares paid and accounted as shareholders' equity														
4) Others														
(3) Profit allotment													-444,400.00	-444,400.00
1) Providing of surplus reserves														
2) Providing of common risk provisions														
3) Allotment to the owners (or shareholders)													-444,400.00	-444,400.00
4) Others														
(4) Internal transferring of shareholders' equity														

1) Capitalizing of capital reserves (or to capital shares)														
2) Capitalizing of surplus reserves (or to capital shares)														
3) Making up losses by surplus reserves.														
4) Others														
(5) Special reserve														
1) Provided this term								13,368,608.56						13,368,608.56
2) Used this term								13,368,608.56						13,368,608.56
(6) Other														
4. Balance at the end of this term	1,156,399,976.00				1,674,270,987.60		20,585,420.26		11,329,760.39		-920,865,356.69	-438,634.20		1,941,282,153.36
Item	Previous period													
	Shareholders' equity Attributable to the Parent Company											Minor shareholder's equity	Total shareholders' equity	
	Share capital	Other equity instruments			Capital reserve	Less: Shares in stock	Other Comprehensive Income	Special reserve	Surplus reserves	Common risk provision	Attributable profit			
	Preferred stock	Sustainable debt	Others											
1. Balance at the end of last year	1,156,399,976.00				1,683,394,087.60		1,920,380.37		11,329,760.39		-688,388,666.69	91,606,113.20		2,256,261,620.36

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	76.00			15.86				0.39		25.23	33	.72
Add: Change of accounting policy												
Correcting of previous errors												
Merger of entities under common control												
Others												
2. Balance at the beginning of this year	1,156,399,976.00			1,683,394,015.86		1,920,380.37		11,329,760.39		-688,388,625.23	91,606,113.33	2,256,261,620.72
3. Increase/decrease at this term (for decrease, fill in "-")				-9,123,028.26		10,397,536.07				95,615,030.34	-83,175,117.06	13,714,421.09
(1) Total Comprehensive Income						10,397,536.07				95,615,030.34	9,274,426.37	115,286,992.78
(2) Capital injection and reduction by shareholders				-9,123,028.26							-89,649,543.43	-98,772,571.69
1) Total comprehensive income												
2) Investment or decreasing of capital by shareholders												
3) Amount of shares paid and accounted as shareholders' equity												
4) Others				-9,123,028.26							-89,649,543.43	-98,772,571.69

					26							43	9
(3) Profit allotment												-2,800,000.00	-2,800,000.00
1) Providing of surplus reserves													
2) Providing of common risk provisions													
3) Allotment to the owners (or shareholders)												-2,800,000.00	-2,800,000.00
4) Others													
(4) Internal transferring of shareholders' equity													
1) Capitalizing of capital reserves (or to capital shares)													
2) Capitalizing of surplus reserves (or to capital shares)													
3) Making up losses by surplus reserves.													
4) Others													
(5) Special reserve													
1) Provided this term												14,426,417.80	14,426,417.80
2) Used this term												14,426,417.80	14,426,417.80

								7.80				
(6) Other												
4. Balance at the end of this term	1,156,399,976.00			1,674,270,987.60		12,317,916.44		11,329,760.39		-592,773,594.89	8,430,996.27	2,269,976,041.81

Legal representative: Superintendent responsible for accounting: Superintendent for accountancy firm:

Statement on Changes in Shareholders' Equity of Parent Company

January-December 2016

Prepared by: SHANGHAI CHLOR-ALKAL CHEMICAL CO.,LTD

Unit: Yuan Currency: RMB

Item	Current period										
	Share capital	Other equity instruments			Capital reserve	Less: Shares in stock	Other Comprehensive Income	Special reserve	Surplus reserves	Attributable profit	Total shareholders' equity
		Preferred stock	Sustainable debt	Others							
1. Balance at the end of last year	1,156,399,976.00				1,690,068,638.82		11,345,002.84		11,329,760.39	-614,936,506.51	2,254,206,871.54
Add: Change of accounting policy											
Correcting of previous errors											
Others											

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2. Balance at the beginning of this year	1,156,399,976.00				1,690,068,638.82		11,345,002.84		11,329,760.39	-614,936,506.51	2,254,206,871.54
3. Increase/decrease at this term (for decrease, fill in "-")							-3,629,853.56			-320,466,343.92	-324,096,197.48
(1) Total Comprehensive Income							-3,629,853.56			-320,466,343.92	-324,096,197.48
(2) Capital injection and reduction by shareholders											
1) Total comprehensive income											
2) Investment or decreasing of capital by shareholders											
3) Amount of shares paid and accounted as shareholders' equity											
4) Others											
(3) Profit allotment											
1) Providing of surplus reserves											
2) Allotment to the owners (or shareholders)											
3) Others											
(4) Internal transferring of											

shareholders' equity											
1) Capitalizing of capital reserves (or to capital shares)											
2) Capitalizing of surplus reserves (or to capital shares)											
3) Making up losses by surplus reserves.											
4) Others											
(5) Special reserve											
1) Provided this term								13,368,608.56			13,368,608.56
2) Used this term								13,368,608.56			13,368,608.56
(6) Other											
4. Balance at the end of this term	1,156,399,976.00				1,690,068,638.82		7,715,149.28		11,329,760.39	-935,402,850.43	1,930,110,674.06

Item	Previous period										
	Share capital	Other equity instruments			Capital reserve	Less: Shares in stock	Other Comprehensive Income	Special reserve	Surplus reserves	Attributable profit	Total shareholders' equity
		Preferred stock	Sustainable debt	Others							

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1. Balance at the end of last year	1,156,399,97 6.00				1,690,068, 638.82		955,919.02		11,329,76 0.39	-757,961,08 6.06	2,100,793,2 08.17
Add: Change of accounting policy											
Correcting of previous errors											
Others											
2. Balance at the beginning of this year	1,156,399,97 6.00				1,690,068, 638.82		955,919.02		11,329,76 0.39	-757,961,08 6.06	2,100,793,2 08.17
3. Increase/decrease at this term (for decrease, fill in "-")							10,389,083.82			143,024,57 9.55	153,413,66 3.37
(1) Total Comprehensive Income							10,389,083.82			143,024,57 9.55	153,413,66 3.37
(2) Capital injection and reduction by shareholders											
1) Total comprehensive income											
2) Investment or decreasing of capital by shareholders											
3) Amount of shares paid and accounted as shareholders' equity											
4) Others											
(3) Profit allotment											

1) Providing of surplus reserves											
2) Allotment to the owners (or shareholders)											
3) Others											
(4) Internal transferring of shareholders' equity											
1) Capitalizing of capital reserves (or to capital shares)											
2) Capitalizing of surplus reserves (or to capital shares)											
3) Making up losses by surplus reserves.											
4) Others											
(5) Special reserve											
1) Provided this term								14,426,4 17.80			14,426,417. 80
2) Used this term								14,426,4 17.80			14,426,417. 80
(6) Other											
4. Balance at the end of this term	1,156,399,97 6.00				1,690,068, 638.82		11,345,002.84		11,329,76 0.39	-614,936,50 6.51	2,254,206,8 71.54

Legal representative: Superintendent responsible for accounting: Superintendent for accountancy firm:

Section XII Documents For Reference

Documents for reference	1.Financial statements signed and stamped by legal representative,principal in charge of accounting,CFO and head of accounting department;
Documents for reference	2.The original auditor's report stamped by the public accounting firm and signed and stamped by the certified public accountant;
Documents for reference	3.Articles of Association of Shanghai Chlor-Alkali Co.,Ltd. during the report period;
Documents for reference	4.The formal version of all files and originals of the announcements disclosed in the newspapers appointed by China Securities Regulatory Commission during the report period;
Documents for reference	5.The company shall furnish the above documents for reference while China Securities Regulatory Commission and the stock exchange request to provide them and the shareholders request to consult them according to the requirements of the statute or the Articles of Association.

Chairman of the Board :

Presenting date approved by the Board of Directors

March 30, 2017