



SANONDA
沙隆達

HUBEI SANONDA CO., LTD
ANNUAL REPORT 2009

April 2010

Important Notes

1. The Board of Directors and the Supervisory Board as well as Directors, Supervisors and Senior Executives of Hubei Sanonda Co., Ltd. (hereinafter referred to as the Company) hereby confirm that no omission, misstatement, or misleading information exists in this report, and accept, individually and collectively, the responsibilities for the authenticity, accuracy and completeness of the contents of this report.
2. All directors attended and voted at the 24th Meeting of the 5th Board of Directors of the Company.
3. Vocation International Certified Public Accountants Co., Ltd. has audited the 2009 Financial Reports of the Company and issued an unqualified Auditors' Report for the Company.
4. Mr. Li Zuorong, Chairman of the Board of the Company, Mr. He Xuesong, Chief Financial Officer and concurrently Person who is in Charge of Accounting Organ, hereby confirm that the Financial Report enclosed in this Annual Report is true and complete.

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Section I. Company Profile

1. Legal name of the Company:
 - In Chinese: 湖北沙隆达股份有限公司
 - Abbr. in Chinese: 沙隆达
 - In English: HUBEI SANONDA CO., LTD.
 - Abbr. in English: SANONDA
2. Legal Representative: Li Zuorong
3. Secretary of the Board of Directors: Li Zhongxi
 - Securities Affairs Representative: Liang Jiqin
 - Tel: (86) 0716-8208632, 8208632
 - Fax: (86) 0716-8321099
 - E-mail: sanonda@sanonda.cn
 - Contact Address: No. 93, Beijing East Road, Jingzhou, Hubei
4. Registered Address: No. 93, Beijing East Road, Jingzhou, Hubei
 - Office Address: No. 93, Beijing East Road, Jingzhou, Hubei
 - Post Code: 434001
 - Internet Website of the Company: <http://www.sanonda.cn>
 - E-mail of the Company: sld@chemchina.com.cn
5. Newspaper for Disclosing the Information Chosen by the Company:
 - China Securities Journal, Securities Times and Ta Kung Pao
 - Internet Website Designated by CSRC for Publishing the Annual Report of the Company: <http://www.cninfo.com.cn>
 - The Place Where the Annual Report is Prepared and Placed: Office of the Company
6. Stock Exchange Listed With: Shenzhen Stock Exchange
 - Short Form of the Stock: Sanonda A, Sanonda B
 - Stock Code: 000553, 200553
7. Other Relevant Information of the Company
 - Date of initial registration: Nov. 30, 1993
 - Initial registration organization: Hebei Province Administration Bureau for Industry and Commerce
 - Registration code of corporate business license: 420000400004491
 - Organization Code: 70696228-7
 - Registration code of taxation: 421001706962287
 - Name and office address of Certified Public Accountants engaged by the Company:
 - Domestic: Vocation International Certified Public Accountants Co., Ltd.
 - Office Address: Room 208, Building B of Huatong Mansion, No. 19, Chegongzhuang West Road Yi, Haidian District, Beijing, PRC

Section II. Summary of Accounting Highlight and Business Highlight

I. Accounting highlight in fiscal year of 2009

Unit: RMB Yuan

Operating profit	30,193,867.67
Total profit	30,791,072.35
Net profit attributable to shareholders of listed company	19,310,850.13
Net profit attributable to shareholders of listed company after deducting non-recurring gains and losses	832,707.17
Net cash flow from the operation activities	188,263,787.62

Note: Impact on net profit due from non-recurring gains and losses was RMB 18,478,142.96, the composing are as follows:

Unit: RMB Yuan

Items	Amount
Gains and losses on the disposal of non-current assets	16,888,527.43
Government subsidies recorded into current profit and loss (excluding government subsidies with close relationship with the Company's business and rationed government grants in line with the united standard)	1,489,959.41
Gains and losses on debts restructuring	143,753.20
Gains and losses on change in fair value from tradable financial assets and tradable financial liabilities, as well as investment income from disposal of tradable financial assets and tradable financial liabilities and financial assets available for sales except for effective hedging related with normal businesses of the Company	3,719,873.51
Net amount of other non-operating incomes and expenses except the above items	-1,078,673.33
Items of gains and losses being in compliance with definition of non-recurring gains and losses	-4,660,000.00
Amount impact on income tax	2,987,885.29
Amount impact on minority interests	-1,013,182.55
Total	18,478,142.96

II. Key accounting data and financial indexes in the recent 3 years

1. Main accounting data

Unit: RMB Yuan

	2009	2008	Increase/decrease year-on-year (%)	2007
Operating revenue	1,650,444,264.94	2,217,343,196.68	-25.57%	1,648,350,997.55
Total profit	30,791,072.35	220,160,318.39	-86.01%	51,726,808.08
Net profit attributable to shareholders of listed company	19,310,850.13	159,892,332.65	-87.92%	40,360,723.94
Net profit attributable to shareholders of listed company after deducting Extraordinary Gain and Loss	832,707.17	172,732,029.22	-99.52%	-9,743,848.53
Net cash flow arising from operation activities	188,263,787.62	352,801,347.00	-46.64%	271,646,576.89
	31 Dec. 2009	31 Dec. 2008	Increase/decrease year-on-year (%)	31 Dec. 2007
Total assets	2,039,070,607.41	2,049,481,852.69	-0.51%	1,740,712,079.90
Owners' equity attributable to shareholders of listed company	1,087,987,662.96	1,098,118,236.94	-0.92%	925,744,408.57
Share capital	593,923,220.00	593,923,220.00	0.00%	593,923,220.00

2. Major financial indexes

Unit: RMB Yuan

	2009	2008	Increase/decrease year-on-year (%)	2007
EPS-basic (RMB/share)	0.0325	0.2692	-87.93%	0.07
EPS-diluted (RMB/share)	0.0325	0.2692	-87.93%	0.07
Basis earnings per share after deducting non-recurring gain and loss (Yuan/share)	0.0014	0.2908	-99.52%	-0.02

Weighted average return on equity (%)	1.77%	15.91%	-14.14%	4.46%
Weighted average return on equity after deducting non-recurring gain and loss (%)	0.08%	17.18%	-17.10%	-1.08%
Net cash flow per share arising from operating activities (Yuan/share)	0.32	0.59	-45.76%	0.46
	31 Dec. 2009	31 Dec. 2008	Increase/decrease year-on-year (%)	31 Dec. 2007
Net assets per share attributable to shareholders of listed company (Yuan/share)	1.83	1.85	-1.08%	1.56

Section III. Changes in Capital Shares and Particulars about Shareholders

I. Changes in share capital

1. Statement on changes in share capital

Unit: Share

	Prior to the change		Increase/decrease (+,-)					Subsequent to the change	
	Number	Proportion	Issuance of new shares	Bonus	Capitalization of reserved fund	Other	Subtotal	Number	Proportion
I. Shares subject to trading moratorium	122,226,014	20.58				-122,183,302	-122,183,302	42,712	0.01
1. Shares held by state									
2. Shares held by state-owned corporations	118,887,202	20.02				-118,887,202	-118,887,202		
3. Shares held by other domestic investors	3,300,000	0.56				-3,300,000	-3,300,000		
Including: Shares held by domestic non-state-owned corporations	3,300,000	0.56				-3,300,000	-3,300,000		
Shares held by domestic natural person									
4. Shares held by overseas investors									
Including: Shares held by overseas corporations									
Shares held by overseas natural person									
5. Shares held by senior management	38,812	0.01				3,900	3,900	42,712	0.01
II. Shares not subject to trading moratorium	471,697,206	79.42				122,183,302	122,183,302	593,880,508	99.99
1. RMB ordinary shares	241,697,206	40.70				122,183,302	122,183,302	363,880,508	61.27
2. Domestically listed foreign shares	230,000,000	38.73						230,000,000	38.73
3. Overseas listed foreign shares									
4. Others									
III. Total number of shares	593,923,220	100.00						593,923,220	100.00

2. Change in shares subject to trading moratorium

Unit: Share

Name of shareholder	Number of shares subject to trading moratorium at year-begin	Number of shares released from trading moratorium in current year	Number of shares subject to trading moratorium increased in current year	Number of shares subject to trading moratorium at year-end	Reason	Date of releasing trading moratorium
Sanonda Group Corporation	118,887,202	118,887,202	0	0	Commitment made on share merger reform	18 Sep. 2009
Jingzhou Shashi District Union Rural Credit Cooperation	2,500,000	2,500,000	0	0	Commitment made on share merger reform	18 Sep. 2009
Jingzhou Sanonda	800,000	800,000	0	0	Commitment made on	18 Sep. 2009

Advertising Co., Ltd.					share merger reform	
Shares held by senior management staffs	38,812	1,300	5,200	42,712	Shares held by senior management were locked up	22 Jan. 2009
Total	122,226,014	122,188,502	5,200	42,712	—	—

Note: (1) State-owned corporate shares held by controlling shareholder were released from trading moratorium according to commitment made on share merger reform.
(2) Shares held by senior management staff were lock-up shares fixed according to rules in the report period.

3. Particulars about issuance and listing of shares

- (1) Over the previous three years as at the end of the reporting period, neither issuance of securities nor listing occurred in the Company.
(2) In the reporting period, the total shares and equity structure remained unchanged.
(3) There were no employ shares in the Company at present.

II. Particulars about the shareholders

1. Particulars about the shares held by the top ten shareholders and statement on shares not subject to trading moratorium held by the top ten shareholders

Unit: Share

Total number of shareholders		104,072			
Shares held by the top ten shareholders					
Name of shareholder	Nature	Shareholding ratio (%)	Total number of shareholding	Number of shares with conditions in sale	Number of pledged or frozen shares
SANONDA GROUP CORPORATION	State-owned corporation	20.02%	118,887,202	0	0
Construction Bank of China-ICBCCS Select Balanced Equity Fund	Domestic non-state-owned corporation	0.78%	4,619,580	0	0
STATE-OWNED ASSETS ADMINISTRATION BUREAU OF QICHUN COUNTY	State	0.76%	4,489,266	0	0
Dongguan Tenglan Shoes' Materials Trading Co., Ltd	Domestic non-state-owned corporation	0.55%	3,259,816	0	0
JINGZHOU SHASHI DISTRICT UNION RURAL CREDIT COOPERATION	Domestic non-state-owned corporation	0.42%	2,500,000	0	0
DEUTSCHE BANK AG LONDON	Foreign corporation	0.33%	1,930,583	0	0
NORGES BANK	Foreign corporation	0.22%	1,301,210	0	0
Yuan Haixiang	Domestic natural person	0.21%	1,272,030	0	0
Cai Shoupeng	Domestic natural person	0.19%	1,144,500	0	0
CLOUGH INVESTMENT PARTNERS I, L.P.	Foreign corporation	0.18%	1,061,990	0	0
Shares held by the top ten shareholders holding shares not subject to trading moratorium					
Name of shareholders	Number of shares not subject to trading moratorium		Type of shares		
SANONDA GROUP CORPORATION	118,887,202		RMB ordinary shares		
Construction Bank of China-ICBCCS Select Balanced Equity Fund	4,619,580		RMB ordinary shares		
STATE-OWNED ASSETS ADMINISTRATION BUREAU OF QICHUN COUNTY	4,489,266		RMB ordinary shares		
Dongguan Tenglan Shoes' Materials Trading Co., Ltd	3,259,816		RMB ordinary shares		
JINGZHOU SHASHI DISTRICT UNION RURAL CREDIT COOPERATION	2,500,000		RMB ordinary shares		
DEUTSCHE BANK AG LONDON	1,930,583		Domestically listed foreign share		
NORGES BANK	1,301,210		Domestically listed		

		foreign share
Yuan Haixiang	1,272,030	RMB ordinary shares
Cai Shoupeng	1,144,500	RMB ordinary shares
CLOUGH INVESTMENT PARTNERS I, L.P.	1,061,990	Domestically listed foreign share
Explanation on associated relationship among the top ten shareholders or acting-in-concert	State-owned Assets Administration Bureau of Qichun Country held shares of the Company on behalf of the state among the above shareholders; there was no relationship among state-owned shareholders and state-owned corporate shareholders as well as shareholders holding shares not subject to trading moratorium; the Company is not aware of whether there is any associated relationship among the above top ten shareholders; no strategic investors or ordinary corporate became one of the top ten shareholders due to allotment.	

Note: As at the end of reporting period, the Company has 104,072 shareholders in total, of which, 77,103 ones of A shares and 26,969 ones of B shares.

2. Brief to controlling shareholder and actual controller

(1) Particulars about the controlling shareholder

Name of the controlling shareholder: Sanonda Group Corporation

Legal representative: Li Zuorong

Registered capital: RMB 240.66 million

Date of foundation: 1994

Scope of business: manufacturing and sales of pesticide, chemical products and pharmaceutical products; import and export trade of pesticide, chemical products and its intermediate product, chemical mechanical equipments and fittings; manufacturing and sales of chemical mechanical equipments; production and fixing of steel construction; fixing of chemical engineering and lease of housing.

(2) Particulars about Actual controller

Name of the actual controller: China National Agrochemical Corporation

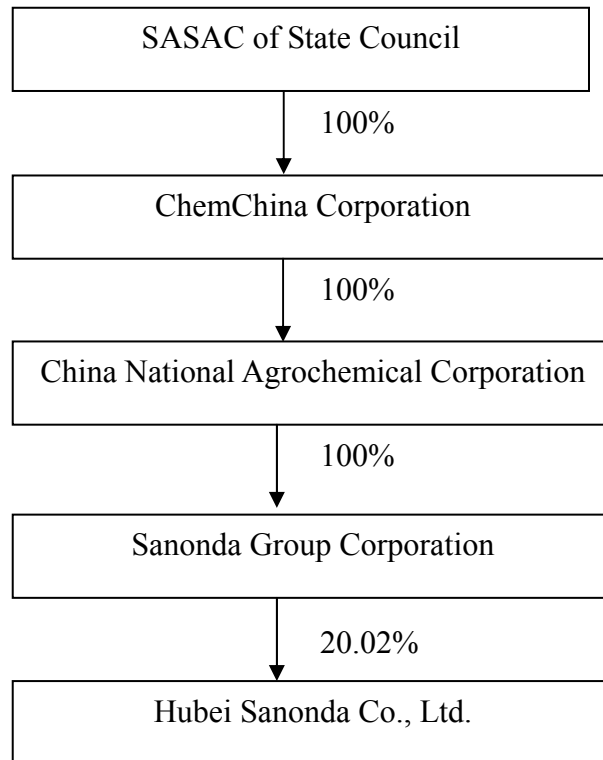
Registered capital: RMB 300 million

China National Agrochemical Corporation is a large-scale state-owned sole company subordinate to ChemChina Corporation, as well as the wholly-owned subsidiary of ChemChina Corporation and one of the specialized companies under ChemChina Corporation, who is engaged in investment, development, production and operation of pesticides, chemical fertilizers, fine chemical products and minerals products. ChemChina Corporation subordinates to SASAC of State Council, which is state-owned large-scale corporation established after approval by the State Council in 2004.

(3) Brief to change in controlling shareholder and actual controller

In the reporting period, controlling shareholder and actual controller remained unchanged.

(4) Relationship between the Company and its controlling shareholder:



3. There was no other corporate shareholder holding over 10% share of the Company in the reporting period.

IV. Particulars about Directors, Supervisors, Senior Management and Employees

I. Particulars about changes in shares held by directors, supervisors and senior management

1. Basic information of directors, supervisors and senior management and annual remuneration

Name	Title	Gender	Age	Beginning date of office term	Ending date of office term	Amount of shares held at the beginning of the year	Amount of shares held at the year-end	Reasons for change	Total remuneration received from the Company in the report period (RMB'0,000) (before tax)	Whether draw remuneration from shareholder entities or other related parties or not
Li Zuorong	Chairman of the Board	Male	59	30 Jun. 2006	30 Jun. 2009	5,490	10,690	Purchased from the secondary market	28.00	No
Liu Xingping	Director	Male	47	30 Jun. 2006	30 Jun. 2009	32,840	32,840		24.00	No
He Fuchun	Director, General Manager	Male	44	28 Aug. 2006	30 Jun. 2009	4,880	4,880		24.00	No
Liu Anping	Director, Standing Deputy General Manager	Male	42	30 Jun. 2006	30 Jun. 2009	0	0		22.00	No
He Xuesong	Director, CFO	Male	54	30 Jun. 2006	30 Jun. 2009	0	0		20.00	No
Deng Guobin	Director, Deputy General Manager	Male	42	30 Jun. 2006	30 Jun. 2009	4,880	4,880		20.00	No
Yin Hong	Director	Male	42	28 Aug. 2006	30 Jun. 2009	0	0		20.00	No
Yu Jingzhong	Independent Director	Male	45	30 Jun. 2006	30 Jun. 2009	0	0		4.80	No

Li Shouming	Independent Director	Male	64	30 Jun. 2006	30 Jun. 2009	0	0		4.80	No
Li Hui	Independent Director	Female	41	30 Jun. 2006	30 Jun. 2009	0	0		4.80	No
Yang Guang	Assistant to General Manager	Male	37	1 Feb. 2007	30 Jun. 2009	0	0		18.00	No
Xie Chengli	Assistant to General Manager	Male	42	10 Feb. 2009	30 Jun. 2009	0	0		18.00	No
Zhang Jianguo	Chairman of the Supervisory Committee	Male	56	30 Jun. 2006	30 Jun. 2009	3,660	3,660		20.00	No
Xu Baojian	Supervisor	Male	53	30 Jun. 2006	30 Jun. 2009	0	0		5.50	No
Liu Jun	Supervisor	Female	48	30 Jun. 2006	30 Jun. 2009	0	0		5.50	No
Jiang Chenggang	Supervisor	Male	35	30 Jun. 2006	30 Jun. 2009	0	0		5.50	No
Gong Shubin	Supervisor	Male	40	1 Feb. 2007	30 Jun. 2009	0	0		5.50	No
Li Zhongxi	Secretary of the Board	Male	39	30 Jun. 2006	30 Jun. 2009	0	0		15.00	No
Total	-	-	-	-	-	51,750	56,950	-	265.40	-

Note: During the report period, the Company didn't find the right candidates of independent directors, therefore, the 5th Board of Directors held over till now, and the 5th Supervisory Committee had been reelected on 26 Feb. 2010.

2. Particulars about the major work experiences of current directors, supervisors and senior executives:

Mr. Li Zuorong successively took the posts of workshop technician, workshop Director, Chief of Technology Section and Director of Design Office in Yuansha City Pesticide Plant. Later, he successively worked as Minister of project department, Deputy General Manager and Director of the Company. Now he acts as Chairman of the Board and Secretary of the CPC of the Company.

Mr. Liu Xingping successively took the posts of technician in Yuansha City Pesticide Plant, Director of Electrochemical Plant, as well as Director, Deputy General Manager, Vice Chairman of the Board and General Manager of the Company. Now he acts as Director of the Company.

Mr. He Fuchun successively took the posts of section monitor in Yuansha City Pesticide Plant, Vice Workshop Director of the Company and Director of the Pesticide 1st Plant, as well as Director, Deputy General Manager and Chief Engineer of the Company. Now he acts as Director and General Manager of the Company.

Mr. Liu Anping successively took the posts of Vice Director and Director of Energy Source Power Plant, Deputy Chief Engineer, Director and Assistant to General Manager of the Company. Now he acts as Director and Standing Deputy General Manager of the Company.

Mr. He Xuesong successively took the posts of section monitor of the Yuansha City Pesticide Plant, Chief of financing section of Sha City Fuel-chemical Bureau, Deputy Minister and Minister of finance department in Sanonda Group Corporation as well as Deputy Chief Accountant and Chief Accountant of the Company. Now he acts as Director and Chief Financial Officer of Company.

Mr. Deng Guobin successively took the posts of workshop Director of the Company, Director of the Pesticide 1st Plant, and Deputy Chief of technology division of the Company. Now he acts as Director and Deputy General Manager of the Company.

Mr. Yin Hong successively took the posts of Vice Director of Fine Chemical Factory, Manager of Keyuan Company, Deputy Chief Engineer of the Company, and Minister of development department of the Company. Now he acts as Director of the Company.

Mr. Yu Jingzhong was admitted by Accounting Department of South China Finance and Economics University through examination to study accounting in 1981. After graduation in 1985 he stayed at the school to teach. In 1991 he was sent to Huangshi as assistant to governor of Industrial and Commercial Bank of China, and was temporarily transferred into Shenzhen procuratorate in 1992. In 1993, he was sent back to teach in the University till now. Now he acts as Independent Director of the 5th Board of Directors of the Company.

Mr. Li Shouming worked in mathematics Department of Wuhan University since his graduation in the department in Jul.1970. Later, he studied abroad in University of Duisburg in Germany from 1983 to 1984. He had been in Georg-August-University Goettingen as senior visiting scholar in 1995 for a half year, researching on supporting system of financial decision-making. From 1989 to 1999, he acted as Chief of Financial and Accounting Department at the University. He is the professor and supervisor of postgraduate in Economics and Management Department of Wuhan University. He is also an expert enjoying a special subsidy from the State Council and the government. Apart from those titles, he is an evaluation expert in evaluation of Senior Professional Title for Accountants in Hubei Province and a technological consulting expert in Wuhhan, Hubei. Now he acts as Independent Director of 5th Board of Directors of the Company.

Ms. Li Hui is the lawyer in Wuhan Branch of Beijing Deheng Law Office and arbitrator of Wuhan Arbitrating Institute. Now she acts as Independent Director of 5th Board of Directors of the Company.

Mr. Yang Guang successively took the posts of Workshop Director of 2nd Pesticide Factory of the Company, Deputy Chief and Chief of the Production Scheduling Department, as well as Supervisor of the Company. Now he acts as Assistant to General Manager of the Company.

Mr. Xie Chengli successively took the posts of Vice Director, Director, Deputy Secretary and Secretary of Hubei Sanonda Co., Ltd the Pesticide 1st Plant, as well as General Manager and Chairman of the Board of Directors of Hubei Sanonda Tianmen Agrochemical Co., Ltd. Now he acts as Assistant to General Manager of the Company.

Mr. Zhang Jianguo, successively took the posts of Clerk of Organizing Cadres Section, Vice Secretary of the Party Branch of the Workshop, Deputy Director of Enterprise Management Department in the Yuansha City Pesticide Plant, as well as Deputy Director and Director of the Office, Secretary of the Board, Director, Vice Secretary of the CPC in the Company. Now he acts as Chairman of the Supervisory Committee, Vice Secretary of the CPC, Secretary of Discipline Committee and

Chairman of Labor Union in the Company.

Mr. Xu Baojian successively took the posts of Deputy Workshop Director of Yuansha City Pesticide Plant, Deputy Director of Energy Power Plant, Secretary of the Party Branch in Ministry of Works, Chairman of Labor Union of the Company as well as Manager in Industry Development Company's Headquarter. Now he acts as Supervisor and Vice Chairman of Labor Union of the Company.

Ms. Liu Jun successively took the posts of accountant of Financial Company, Chief Accountant of Sanonda Jingchun Company, Chief Accountant of Sanonda Jingzhou Agrochemical Company, and Chief of Accounting Department in Financial Company of the Company. Now she acts as Supervisor of the Company, Deputy General Manager of Financial Company of the Company as well as Chief of Capital Accounting Department.

Mr. Jiang Chenggang successively took the posts of Chief of Quality Check Department, Organizing Clerk of Political Work Department, Deputy Secretary of the Party Branch, and Vice Director of Phosphate Plant, Deputy Chief and Chief of Political Work Department. Now he acts as Supervisor of the Company, Deputy Director of the Office and Chief of Political Work Department of the Company.

Mr. Gong Shubin, successively took the posts of technician of the Company, Deputy General Manager of Sanonda Qichun Company, Deputy Director of Phosphate Plant, Deputy Director and Director of 1st Pesticide Factory. Now he acts as Supervisor of the Company and General Manager of Hubei Sanonda Tianmen Agrochemical Co., Ltd.

Mr. Li Zhongxi successively took the posts of Office Secretary of the Company, Manager of packaging company. Now he acts as Secretary of the Board and Office Director of the Company.

3. During the report period, there was no equities incentive entitled to the directors, supervisors and senior management staffs during the reporting period

4. Particulars about directors and supervisors holding posts in shareholding companies

Name	Name of the Shareholding Company	Post in the Shareholding Company	Office term
Li Zuorong	Sanonda Group Corporation	Chairman of the Board, Secretary of CPC	Dec. 2005 to now
Liu Xingping	Sanonda Group Corporation	Director, General Manager	Aug. 2006 to now
He Fuchun	Sanonda Group Corporation	Director	Dec. 2005 to now
Liu Anping	Sanonda Group Corporation	Director	Aug. 2006 to now
Yin Hong	Sanonda Group Corporation	Assistant to General Manager	Aug. 2006 to now

5. Changes in directors, supervisors and senior executives

On 10 Feb. 2010, the Company engaged Mr. Xie Chengli as Assistant to General Manager.

6. Particulars about the annual remuneration of directors, supervisors and senior executives

The Company formulated salary plan and implementation measures for Senior Executives. At the beginning of the year, the Company would decide the appraisal index of operation achievements or management duties for the Senior Executives,

according to the overall development strategy and annual operating target, while at the end of the year, the Board appraised Senior Executives based on the work report and business achievement of Senior Executives.

Annual remuneration for supervisors was paid according to their posts, and independent directors enjoyed allowance.

II. Particulars about employees

As at 31 Dec. 2009, the Company totally had 2948 employees in service. The Company executed overall labor contract system, and carried out relevant provisions stipulated by the state as well as local laws and statutes. Expenses for retirees were all paid by society.

Classification according to structures was as follows:

1. Classification based on specialty

Specialty category	Number
Production personnel	1940
Technical personnel	497
Financial personnel	47
Sales personnel	112
Administrative personnel	191

2. Classification based on education background

Education background	Number
Master	5
University diploma	227
Junior college	533
Others	2022

Section V. Corporate Governance Structure

I. Corporate governance of the Company

During the report period, in accordance with Notice on Relevant Work of Corporate Governance of Listed Company for 2009 with document No. SSBH [2009] 88 issued by CSRC and special requirements in Notice on Development of Work concerning Corporate Governance of Listed Company in 2009 released by CSRC Hubei Bureau and compared with recertification report on corporate governance in the last two year, especially Recertification Report on Opinion concerning on-the-spot Examination by CSRC Hubei Bureau in 2008, the Company carried out self-examination, roundly examined and summarized measure and effect of recertification on governance. During period of disclosing the annual report, the Company has completed recertification within the specified time and continuous improvement according to requirements of CSRC Hubei Bureau.

During the report period, the Company actively organized directors, supervisors and senior executives to take part in training and study organized by CSRC Huberi Bureau and Shenzhen Stock Exchange, and enhanced their diligent and responsible consciousness. In the report period, the Company continuously improved the legal

person corporate governance structure and standardized the operation of the Company, stringently according to requirements of relevant laws and regulations like the Company Law, Securities Law, Guidelines for the Corporate Governance of Listed Companies, as well as Guiding Opinions on Establishing the Independent Director System in Listed Companies. The actual situation of the legal person governance structure of the Company was basically consistent with the requirements of regulatory documents about corporate governance released by China Securities Regulatory Commission.

1. About shareholders and shareholders' general meeting: The Company earnestly executed relevant laws and statutes as well as Articles of Association and Rules for Procedure of the Shareholders' General Meeting, and procedure for convening, holding and voting of shareholders' general meeting was legitimate and valid; the Company full took over shareholders' interest and ensure that all shareholders, especially minority, enjoyed equal position and exercised shareholders' rights.

2. About directors and the Board of Directors: the Company earnestly executed relevant laws and statutes as well as Rules for Procedure of the Board of Directors, procedure for convening, holding and voting the Board Meeting were all strictly in accordance with the above rules; directors of the Company are honest, credit and diligent. With attitude of earnest and responsibility, they attended the Board Meeting and Shareholders' General Meeting, reviewed and examined relevant resolutions, and accepted inquiries from shareholders.

3. About supervisors and the Supervisory Committee: the Company earnestly executed relevant laws and statutes as well as Rules for Procedure of the Supervisory Committee, procedure for convening, holding and voting the Board Meeting were all strictly in accordance with the above rules; all the supervisors of the Company earnestly performed their duties, supervised on operating management, decision-making procedure and financial status as well as diligence and duty performance of directors and senior executives with attitude of being responsible to shareholders, and protected interest of the Company and shareholders.

4. About relationship between the Company and controlling shareholder: controlling shareholder of the Company standardized action, and never directly or indirectly intervened in decision-making and operation of the Company over shareholders' general meeting; the Company strictly separated in personnel, assets, finance, organization and business from the controlling shareholder, and the Board of Directors, the Supervisory Committee and operating management organization operated and ran independently.

5. About related transactions and guarantees: during the report period, the Company strictly executed regulations on related transactions and guarantees stipulated in Articles of Association, related transactions were fair and reasonable, decision-making procedure was legitimate and trading price was fair and reasonable. During the report period, the Company neither guaranteed for other units except for controlling subsidiaries, nor guaranteed violating regulations of Notice Concerning Some Issues on Regulating the Funds between Listed Companies and Related Parties and Listed Companies' Provision of Guaranty to Other Parties with document No. ZJFZ [2003] 56, or any action of cash flow with related parties violated regulations.

6. About information disclosure: The Board of Directors and managements paid more attention to information disclosure. The Company strictly in line with relevant laws and statutes as well as regulations stipulated in Rules for Listing Shares in Shenzhen Stock Exchange, Articles of Association and Administrative System on Information Disclosure, strengthened management on information disclosure affairs, performed

obligation of information disclosure, authentically, correctly, completely, fairly and timely disclosed relevant information, and ensured that all shareholders gained information equally.

II. Particulars about duty performance of independent directors

1. In the report period, all independent directors of the Company faithfully performed their duties with diligence according to Articles of Association and Work System of Independent Director, actively attended the Board meeting of the Company, carefully examined all meeting materials as well as made objective and fair judgment on them. Moreover, they issued independent opinions on relevant issues, as well as professional opinions on significant decision-making of the Company, making full use of their professional advantages, and as a result, they protected the interests of the Company and the small and medium shareholders.

2. In the report period, the Company totally held 8 Board meetings, one Annual Shareholders' General Meeting and one provisional shareholders' general meeting. Three Independent Directors did not raise any objection or disagreement on proposals of the meetings. Brief to their attendance at the meetings is as follow:

Independent directors	Meetings should be attended	Times of personal attendance	Times of entrusting attendance
Yu Jingzhong	10	10	0
Li Shouming	10	10	0
Li Hui	10	10	0

Note: the Board Meeting held by communication was included.

Separation between the Company and the controlling shareholder in business, personnel, assets, organization and finance

1. Independence of the Company's business: The Company possesses independent purchasing and sales system and operated independently. There is no horizontal competition between the Company and the controlling shareholder. The affiliated transactions between them are legal, transparent and fair, and the transaction price was reasonable.

2. Independence of the Company's personnel: The Company has established independent systems of labor, personnel and wage. The procedure that Senior Executives of the controlling shareholder concurrently act as Directors of the Company is legal. General Managers and other senior executives drew salary from the Company, and they didn't hold any post of administrative management in controlling shareholder.

3. Independence of the Company's assets: The Company possesses independent production system, auxiliary production system and supporting facilities. Industrial property, trademark as well as non-patent technology related with the operation all belongs to the Company. The assets of the Company and controlling shareholders are definite, and there was no free occupy or use.

4. Independence of the Company's organization: The Company has independent site for production and operations as well as independent offices.

5. Independence of the Company's finance: The Company has established independent financial and accounting department, normative and independent accounting system and financial management system, and it possesses independent bank account and pays tax independently.

IV. About standard on performance appraisal and incentive and restraint mechanism

Performance appraisal and incentive on senior executives were shaped routine

mechanism. The Company carried out appraisal according to Interim Measures on Appraisal of Operating Performance. At the period-beginning, the Board of Directors set annual operating goal in accordance with demand of income, profit and management, appraised and assessed periodically, and distributed annual remuneration to senior executives at the year-end according to complete of the goal and appraisal result.

V. Establishment and Improvement of Internal Control System of the Company

1. Report on Self-Appraisal of Internal Control System

Report on Self-Appraisal of Internal Control System of the Company was published in detail on <http://www.cninfo.com.cn/> at the same day.

2. Opinions on the Self-Appraisal

(1) Opinion of the Supervisory Committee Concerning Self-Appraisal of Internal Control

In accordance with relevant provisions stipulated by China Securities Regulatory Commission and Shenzhen Stock Exchange and based on the actuality, the Company followed the basic principles of internal control, established and improved the internal control system covering all sections of the Company, guaranteed normal production and operation of the Company and protected security and integrity of the Company's assets; the Company set up internal audit department and ensured effective implement of internal control activity. During the report period, there was no breach of relevant statutes concerning internal control or internal control system of the Company.

The Supervisory Committee believed that Self-Appraisal Report on Internal Control for 2009 authentically, factually and objectively reflected actuality of internal control of the Company.

(2) Opinion of the Independent Directors Concerning Self-Appraisal of Internal Control

In the report period, internal control system, which has been set up by the Company, was generally in line with relevant laws and statutes of the state as well as requirements from supervisory ministry, neither there were serious defaults in internal control system, nor no serious warp in actual progress of implement, and was able to fit for demand of operation and management as well development of the Company; the key control activities of the Company were launched stringently according to rules of various internal control systems of the Company. The internal control over shareholding subsidiaries, affiliated transactions, external guarantee, use of raised proceeds, significant investments and information disclosure was strict, sufficient and effective, which assured normal running of operation and management of the Company; preparation format and content of Self-Appraisal Report on Internal Control for 2009 are in line with requirements of documents and authentically and accurately reflected actuality of internal control of the Company.

VI. Particulars about setup of responsibility system on serious errors in disclosure of annual report and working system on annual report for independent directors

In order to improve operation and management level and risk prevention ability and in accordance with requirement of Public Notice on Do well in Disclosure of Annual Report and Relevant Work (document No. [2009] 34) from CSRC, the Company formulated Responsibility System on Serious Errors in Disclosure of Annual Report, Working System on Annual Report for Independent Directors, Administrative System

on Report and Submitting Information to Other Units and Administrative System on Significant Capital Flow and so on, and will executed the above systems when submit to the Board Meeting for review and approval dated 13 Apr. 2010.

Section VI. Brief Introduction to the Shareholders' General Meeting

The Company held the 1st Provisional Shareholders' General Meeting on 14 Mar. 2009, and public notice on resolution of the meeting was published on China Securities Journal, Securities Times and Ta Kung Pao, as well as <http://www.cninfo.com.cn> on 17 Mar. 2009.

The Company held the Annual Shareholders' General Meeting on 8 May 2009, and public notice on resolutions of the meeting was published on China Securities Journal, Securities Times and Ta Kung Pao, as well as <http://www.cninfo.com.cn> on 9 May 2009.

Section VII. Report of Board of Directors

I. Discussion and analysis by the management

(I) Operation overview

In 2009, the Company was greatly challenged in production and operation. Affected by the international financial crisis and over-capacity, the market of pesticides and chemicals was weak with a shrinking demand. Product prices remained at a low level and gross profit rates of main products dropped sharply. With the harsh economic situation, the Company carefully studied the situation and coped with it by taking measures such as strengthening organization and coordination of production so as to adapt to changes of the market demand; adjusting the marketing strategy in a timely manner so as to expand sales at home and abroad and enlarge market shares of main products; thoroughly carrying out fine management and improving the Company's management capability; paying close attention to market changes and trying to reduce purchase cost; carrying forward the expansion project and the technological reform project so as to further increase product competitiveness. After our efforts, all operating objectives set at the year-begin have been basically realized. For the report period, the Company achieved a main operation income of RMB 1.65 billion, down by 25.57% as compared with that of last year; a total profit of RMB 30.79 million, a year-on-year decrease of 86.01%; a net profit of RMB 19.19 million, down by 87.61% from that of last year; and a foreign exchange income through export of USD 102 million, representing a year-on-year decrease of 42.16%.

(II) Operation status of main businesses

1. Main businesses classified according to industries and products:

Unit: (RMB) Ten thousand

Main businesses classified according to industries						
Industries or products	Operating income	Operating cost	Gross profit ratio (%)	Increase/decrease of operating income compared with last year (%)	Increase/decrease of operating income compared with last year (%)	Increase/decrease of gross profit ratio compared with last year (%)
Chemical raw materials and chemical products manufacturing	159,218.30	136,010.42	14.58%	-26.47%	-13.46%	-12.84%
Main businesses classified according to products						
New chemical materials and special chemical products	1,044.25	711.92	31.82%	-23.90%	-32.45%	8.63%

Petro-chemicals and refined chemical products	5,856.87	4,452.73	23.97%	-13.21%	-22.64%	9.26%
Basic (chlorine alkali) chemical products	393.61	417.16	-5.98%			
Agrochemicals such as fertilizer and pesticide	151,923.57	130,428.62	14.15%	-27.11%	-13.25%	-13.71%
Total	159,218.30	136,010.42	14.58%	-26.47%	-13.46%	-12.84%

2. Main businesses classified according to regions

Unit: (RMB) Ten thousand

Region	Operating income	Increase/decrease over last year (%)
Overseas	69,998.66	-37.73%
Domestic	89,219.63	-14.32%
Total	159,218.30	-26.47%

3. Top five suppliers and customers:

Unit: (RMB) Ten thousand

Combined purchase amount from top five suppliers	40,256	Proportion in total purchase amount	28.57%
Combined sales amount to top five clients	29,016	Proportion in total sales amount	17.58%

4. Explanation on significant year-on-year changes in composition of assets and liabilities:

Unit: (RMB) Ten thousand

Item	31 Dec. 2009		31 Dec. 2008		Increase/decrease (%)
	Amount	Proportion in total assets (%)	Amount	Proportion in total assets (%)	
Monetary funds	47,446	23.27	56,283	27.46	-15.70%
Prepayment	2,402	1.18	1,592	0.78	50.88%
Inventory	19,876	9.75	34,655	16.91	-42.65%
Construction in progress	28,786	14.12	3,712	1.81	675.45%
Short-term borrowings	3,990	1.96	18,700	9.12	-78.66%
Accounts received in advance	3,073	1.51	11,233	5.48	-72.64%
Long-term borrowings	57,956	28.42	29,756	14.52	94.77%

Explanation:

① Monetary funds was down by 15.70% as compared with last year mainly because: A large sum was input for the thermal electricity co-generation project and the production line rebuilding and expansion. As such, cash outflows from investing activities exceeded cash inflows from operating and financing activities, which led to a decrease of monetary funds;

② Prepayment increased by 50.88% from last year mainly because prepayment for raw material—methyl alcohol—increased in this period;

③ Inventory decreased by 42.65% as compared with last year mainly because: Stock products decreased at the period-end. Moreover, equities of the subsidiary Sanonda Zhengzhou Pesticide Co., Ltd. held by the Company were transferred and the subsidiary's balance sheet as at the period-end was excluded from the consolidated statements, which resulted in corresponding decrease of inventory from that at the period-begin;

④ Construction in progress registered a year-on-year growth of 675.45% mainly because: The Company launched the thermal electricity co-generation project in this period. Up until the period-end, RMB 198.57 million had been input for the project and 55% of the project had been completed. As a result, closing construction in progress increased considerably than that at the period-begin;

⑤ Short-term borrowings decreased by 78.66% as compared with last year mainly because: Cash inflows from operating activities were sufficient to meet needs of daily operating activities. Considering that, most of the common loans for working capital were paid off in this period and a large sum of long-term borrowings was brought in for construction projects;

⑥ Accounts received in advance decreased by 72.64% from last year mainly because the Company transferred in this period equities of Sanonda Zhengzhou Pesticide Co., Ltd. held by it and the subsidiary's balance sheet as at the period-end was excluded from the consolidated statements, which resulted in the significant decrease of accounts received in advance;

⑦ Long-term borrowings registered a year-on-year growth of 94.77% mainly because: RMB 100 million from China Construction Bank was increased for the 20,000-ton/year glyphosate expansion project; a borrowing of RMB 32 million from Shenzhen Ping An Bank was increased for the thermal electricity co-generation project; and a borrowing of RMB 200 million from the Import-Export Bank of China was increased for working capital for the export of high-tech products.

5. Analysis on year-on-year changes in selling expenses, administrative expenses, financial expenses, etc.:

Unit: (RMB) Ten thousand

Items	2009	2008	Year-on-year changes (%)
Selling expenses	5,985	7,688	-22.15%
Administrative expenses	9,937	14,845	-33.06%
Financial expenses	4,140	4,616	-10.32%
Asset impairment loss	2,823	8,747	-67.73%
Investment income	2,096	1,422	47.43%
Non-business income	603	944	-36.13%
Non-business expenses	543	3,625	-85.01%
Income tax expenses	1,160	6,524	-82.22%

Explanation:

① Selling expenses registered a year-on-year decrease of 22.15% mainly because: Sales decreased, as well as transportation and export expenses. In addition, equities of the subsidiary Sanonda Zhengzhou Pesticide Co., Ltd. was transferred in the middle of 2009 and only the income statement of the subsidiary as of Jan.-Aug. 2009 was included in the consolidated statements;

② Administrative expenses decreased by 33.06% as compared with last year mainly because: Expenses on heavy repair decreased. Meanwhile, equities of the subsidiary Sanonda Zhengzhou Pesticide Co., Ltd. was transferred in the middle of 2009 and only the income statement of the subsidiary as of Jan.-Aug. 2009 was included in the consolidated statements;

③ Financial expenses were down by 10.32% from last year mainly because equities of the subsidiary Sanonda Zhengzhou Pesticide Co., Ltd. was transferred in the middle of 2009 and only the income statement of the subsidiary as of Jan.-Aug. 2009 was included in the consolidated statements;

④ Asset impairment loss decreased by 67.73% as compared with last year mainly because: Firstly, the falling trend of inventory prices tended to slow down at the period-end and the inventory falling price reserve withdrawn was much lower than that at the previous period-end; Secondly, a fixed asset impairment reserve had been withdrawn in the previous period due to the whole relocation of the former subsidiary Sanonda Zhengzhou Pesticide Co., Ltd.. And there were no such events in this period, which resulted in the considerable decrease of fixed asset impairment reserve withdrawn in this period;

⑤ Investment income registered a year-on-year growth of 47.43% mainly because equities of the subsidiary Sanonda Zhengzhou Pesticide Co., Ltd. held by the Company were transferred, which generated an investment transfer income of RMB 15.41 million;

⑥ Non-business income decreased by 36.13% from last year mainly because: In the previous period, the subsidiary Sanonda (Jingzhou) Pesticides and Chemicals Co., Ltd. signed a debt restructuring agreement with China Orient Asset Management Corporation, which generated a debt restructuring income of RMB 7.51 million. And there was no such non-business income in this period;

⑦ Non-business expenses registered a year-on-year decrease of 85.01% mainly because: The previous period had seen a large-sum loss from disposing idle fixed assets and expenses on that decreased considerably in this period;

⑧ Income tax expenses decreased by 82.22% as compared with last year mainly due to significant decrease of total profit.

6. Breakdown of cash flows in report period:

Unit: (RMB) Ten thousand

Items	2009	2008	Amount of increase/decrease	Ratio of increase/decrease
Net cash flows from operating activities	18,826	35,280	-16,454	-46.64%
Net cash flows from investing activities	-36,455	-42,090	5,635	
Net cash flows from financing activities	8,797	17,853	-9,056	-50.73%
Net increase in cash and cash equivalents	-8,837	11,043	-19,880	

Explanation:

① Net cash flows from operating activities registered a year-on-year decrease of RMB 164.54 million mainly due to decrease of sales income.

② Net cash flows from investing activities registered a year-on-year growth of RMB 56.35 million mainly due to less input for projects in the report period.

③ Net cash flows from financing activities registered a year-on-year decrease of RMB 90.56 million mainly due to more repayment of loans in the report period.

7. Analysis on operation status and business performance of main holding companies

Unit: (RMB) Ten thousand

Name of subsidiary	Nature of business	Registered capital	Shareholding ratio	Total assets	Net assets	Operating revenue	Net profit
Sanonda (Jingzhou) Pesticides and Chemicals Co., Ltd.	Production of pesticides and intermediates	3000	88.33%	4,805	236	9,339	44
Hubei Sanonda Foreign Trading Co., Ltd.	Import & Export of pesticides and intermediates	1000	90.00%	9,106	1,732	15,962	180
Hubei Sanonda Tianmen Agrochemical Co., Ltd.	Production and sales of pesticides	3000	98.50%	4,282	3,398	9,504	43
Jingzhou Longhua Petrochemical Co., Ltd.	Production and sales of chemical products	500	65.00%	2,667	1333	7,159	316
Jingzhou Sanonda Aifusi Chemical Industry Co., Ltd.	Research, development, production and sales of fine chemical products	600	95.10%	1,347	1,238	1,046	155
Jingzhou Lingxiang Chemical Co., Ltd.	Research, development, production and sale of chemicals	1000	51.00%	4479	937	505	-83

II. Outlook of future development of the Company

(I) Development trends in the industry

Along with slow recovery of the global economy, the pesticide market will recover to some degree in 2010 after the depression in 2009 and global sales of agrochemical products is expected to rise moderately; With more and more government policies to strengthen agriculture and benefit farmers, as well as more and more input for rural areas, agriculture and farmers, the domestic pesticide market will maintain a continuous growth; Standards for entering the pesticide industry are higher and higher and the industry will be more and more concentrated. Meanwhile, along with stricter requirements of environmental protection, efficient and safe will be more popular in the market. And all these will promote sales profit and strengthen competitiveness of superior agrochemical enterprises; Along with mass farming increasingly adopted in rural areas, brand agrochemical products will be more favored , which will promote development of brand enterprises of agrochemicals; relocation of pesticide production due to global cooperation and division, as well as resource allocation by transnational pesticide enterprises around the world, provides an excellent development opportunity for superior pesticide enterprises in countries with emerging markets. However, due to a global overcapacity of pesticide, prices for main pesticide products is not expected to grow significantly in 2010.

(II) Production and operation target for 2010

The Company's production and operation target for 2010: operating income at RMB 1.7 billion and foreign exchange income through export at USD 120 million.

(III) Capital need, usage plan and capital sources in order to realize the Company's future development strategies

In 2010, the Company intends to input a total about RMB 550 million for new construction and construction expansion projects, as well as technological innovations, of which RMB 285 million will be used for the thermal electricity co-generation

project, and around RMB 265 million will be used for technological innovations and expansion projects. The said funds will come from bank loans directly and self-owned capital of the Company.

(IV) The Company has not made any prediction of its profit in 2010.

(V) Competitive edges, risks faced and countermeasures

1. Competitive edges: Firstly, along with gradual operation of the thermal electricity co-generation project, the methanal project and other projects, the Company's range of products will be further completed; Secondly, with production expansion projects on products such as ion-exchange membrane caustic soda, spermine, glyphosate, paraquate, orthene and dichlorophos being accomplished and put into operation, the Company will achieve a better scale effect of main products and the product mix will be more rational; Thirdly, the Company has a stable customer network, flexible customer credit management mechanism and a mode of sale with production based on sales, which ensures effective control over accounts receivable and stock; Finally, with implementation of fine management and the basically sound internal control system, overall management capability of the Company has been significantly improved.

2. Risks faced and countermeasures adopted: Firstly, slow recovery of global economy and higher anticipation of RMB appreciation will have some impact on the Company's export business; Secondly, more and more domestic and international competitors lead to a fiercer market competition; Thirdly, there still exists some uncertainty in global economic recovery in 2010, which will also bring uncertainty to the Company's market sales with higher pressure on income increase. Fourthly, despite a gradual recovery of the pesticide industry, price rise of raw materials and energy (electricity, coal, steam, natural gas, etc.) and the lag of price transmission to downstream products create more cost pressure for the Company. In addition, overcapacity in the pesticide industry as a whole also forces selling prices of the Company's main products to rise; Finally, with higher government requirements of safety and environmental protection, the Company also face pressure in terms of safety and environmental protection.

Considering the risks above, the Company intends to adopt countermeasures as follows:

Firstly, to carry forward fine management and strengthen management basis. The Company will focus on strengthening executive force for the fine management mechanism so as to achieve fine management effect in specific operation. Meanwhile, it will also strengthen management over safety and environmental protection, improve production organization and quality management, strengthen expense control and energy conservation, improve management over purchase and supply and better management over cost reduction and human resources so as to thoroughly increase management capability of the Company. Secondly, to learn about instant market changes and cope with them. The Company will focus on management of main customers and sale of main products and at the same time actively promote new products and try to expand market at home and abroad. Thirdly, to continue strengthening project implementation and technological reforms so as to increase competitiveness. Fourthly, to continue strengthening management over various risks and ensure stable development of the Company.

III. Investments of the Company in report period

(I) Use of raised funds

In the report period, the Company did not raise any funds. Nor any application of funds raised in previous periods was carried down into the report period.

(II) Projects with non-raised funds

Unit: (RMB) Ten thousand

Name of project	Investment amount	Project progress	Project income
Thermal electricity co-generation	19,857.00	55%	Unfinished
2 nd phase of PMIDA	5,465.00	71%	Unfinished
Orthene expansion	2,778.00	79%	Unfinished
8000t/a paraquate expansion	2,489.00	50%	Unfinished
Methanal	2,414.00	97%	Unfinished
Total	33,003.00	-	-

IV. Reasons for and influence of changes in the Company's accounting policy, accounting estimates or correction of significant accounting errors

According to the Explanation No.3 of Enterprise Accounting Standards, the Company conducted retrospective adjustment on the production safety fee withdrawn, listing the fee separately as the item of "special reserve" under the item of shareholders' equity. And the 2009 annual comparative financial statements were thus changed.

Upon the said accounting policy change, special reserve in the consolidated balance sheet at the period-begin was up by RMB 22,451,964.08, surplus reserve down by RMB 17,289,232.41, retained profit down by RMB 5,603,366.50 and minority interests up by RMB 440,634.83 with no impact on total shareholders' equity; and special reserve in the consolidated balance sheet at the last period-begin was up by RMB 9,529,833.51, retained profit up by RMB 789,454.54, minority interests up by RMB 1,345,872.71 and total shareholders' equity up by RMB 11,665,160.76.

Administrative expenses in the consolidated income statement as of the previous period were up by RMB 14,193,313.95 and net profit as of the previous period was down by RMB 14,193,313.95, of which net profit attributable to parent company was down by RMB 12,922,130.55 and minority interests were down by RMB 1,271,183.40.

V. Daily work of Board of Directors during report period

(I) Board meetings and resolutions made

1. The 17th Meeting of the 5th Board of Directors was convened on 10 Feb. 2009 and resolutions made at the Meeting were disclosed on China Securities Journal, Securities Times, Ta Kung Pao and <http://www.cninfo.com.cn> dated 12 Feb. 2009.
2. The 18th Meeting of the 5th Board of Directors was convened on 8 Apr. 2009 and resolutions made at the Meeting were disclosed on China Securities Journal, Securities Times, Ta Kung Pao and <http://www.cninfo.com.cn> dated 10 Apr. 2009.
3. The 19th Meeting of the 5th Board of Directors was convened on 14 Apr. 2009 and resolutions made at the Meeting were disclosed on China Securities Journal, Securities Times, Ta Kung Pao and <http://www.cninfo.com.cn> dated 16 Apr. 2009.
4. A provisional meeting of the 5th Board of Directors was convened on 4 Jun. 2009

and resolutions made at the Meeting were disclosed on China Securities Journal, Securities Times, Ta Kung Pao and <http://www.cninfo.com.cn> dated 5 Jun. 2009.

5. The 20th Meeting of the 5th Board of Directors was convened on 12 Aug. 2009 and resolutions made at the Meeting were disclosed on China Securities Journal, Securities Times, Ta Kung Pao and <http://www.cninfo.com.cn> dated 14 Aug. 2009.

6. A provisional meeting of the 5th Board of Directors was convened on 23 Sept. 2009 and resolutions made at the Meeting were disclosed on China Securities Journal, Securities Times, Ta Kung Pao and <http://www.cninfo.com.cn> dated 25 Sept. 2009.

7. The 21st Meeting of the 5th Board of Directors was convened on 22 Oct. 2009 and resolutions made at the Meeting were disclosed on China Securities Journal, Securities Times, Ta Kung Pao and <http://www.cninfo.com.cn> dated 23 Oct. 2009.

8. The 22nd Meeting of the 5th Board of Directors was convened on 4 Dec. 2009 and resolutions made at the Meeting were disclosed on China Securities Journal, Securities Times, Ta Kung Pao and <http://www.cninfo.com.cn> dated 5 Dec. 2009.

(II) Execution by Board of Directors on resolutions made by Shareholders' General Meeting

During the report period, the Board of Directors faithfully executed all resolutions made by the Shareholders' General Meeting in compliance with the Company Law and the Company's Articles of Association.

VI. Preplan for profit distribution and turning capital reserve into share capital

As audited by Vocation International Certified Public Accounts Co., Ltd., the parent company achieved in 2009 a net profit of RMB 1,456,608.54. After 10% of the net profit, namely RMB 145,660.85, had been withdrawn as statutory surplus reserve, profit available for distribution for the year 2009 stood at RMB 1,310,947.69. After deducting cash dividends of RMB 29,799,572.97 distributed for the year 2008 and adding retained profit of RMB 137,748,431.24 at the year-begin, actual accumulative profit distributable to shareholders stood at RMB 109,259,805.96. Considering the high capital demand for the Company's construction in progress, the Company formulated the preplan for profit distribution and turning capital reserve into share capital for the year 2009, i.e. not to conduct profit distribution or turn capital reserve into share capital. The said preplan shall be submitted to and approved by the 2009 Annual Shareholders' General Meeting.

VII. Distribution of cash dividends in previous three years

Unit: (RMB) Yuan

Year	Amount of cash dividends (tax included)	Net profit attributable to shareholders of listed Company in consolidated statements for the year	Proportion in net profit attributable to shareholders of listed Company in consolidated statements for the year	Annual distributable profit
2008	29,799,572.97	159,892,332.65	18.64%	137,432,584.20
2007	0.00	0.00	0.00%	0.00
2006	0.00	0.00	0.00%	0.00
Proportion of accumulative cash dividends in recent three years in the latest average annual net profit (%)				13.58%

VIII. Duty performance of specialized committees under Board of Directors

(I) Duty performance of Audit Committee

The Audit Committee under the Board of Directors comprises 1 independent director and 2 directors, which is chaired by Independent Director Li Shouming with a professional accounting background. In the report period, according to relevant regulations of CSRC and Shenzhen Stock Exchange and the Specific Implementation Rules for Audit Committee under Board of Directors of the Company, as well as the Circular of CSRC on 2009 Annual Reports of Listed Companies and Relevant Work ([2009]No.34), the Company formulated the Rules of Procedure of Hubei Sanonda Co., Ltd. for Audit Committee under Board of Directors Concerning Annual Reports, which was to be implemented after being submitted to and approved by the board meeting on 13 Apr. 2010.

During the report period, adhering to the principle of diligence and responsibility, the Audit Committee carefully reviewed and examined annual, quarterly, semi-annual financial statements and reports; and conducted a thorough examination on the 2009 annual audit of the Company.

Before the entry of the registered accountants for the annual audit, the Audit Committee carefully reviewed the preliminary financial and accounting statements prepared by the Company. After the review, the Audit Committee believed that the statements basically presented the Company's operating results in 2009 and thus agreed that the annual audit would be conducted based on the said statements.

After the entry of the registered accountants for the annual audit, the Audit Committee discussed with them and arranged a schedule for the audit of the Company's 2009 Annual Financial Report. Meanwhile, the Audit Committee maintained close communication with the registered accounts, exchanging opinions on problems found in the audit process.

After the issuance of the preliminary audit opinion by the registered accountants, the Audit Committee once again reviewed the financial and accounting statements for fiscal year 2009. And the Audit Committee believed that the statements were prepared in accordance with the new Accounting Standards for Business Enterprises and the relevant financial rules of the Company, and that the preliminary audit conclusion produced by the registered accountants presented the Company's operation status in an objective, factual and complete manner, which was in line with the conclusion of the Company's accounting statements. As such, the Audit Committee agreed to the preliminary audit opinion produced by the registered accountants.

On 8 Apr. 2010, the Audit Committee convened a meeting to review the Company's 2009 annual financial statements audited by Beijing Vocation International Certified Public Accounts Co., Ltd. and the Audit Report produced by the CPA firm and agreed that the said financial statements and Audit Report were to be submitted to the Board of Directors for review.

(II) Summary report on duty performance of Remuneration Committee under Board of Directors

In the report period, the Remuneration Committee offered professional opinions and advices in regard to the Company's performance appraisal mechanism and incentive mechanism. It also conducted checks on the Company's performance assessment, the payment of wages and bonus, etc.. And the Committee held the opinion that the Company's existing remuneration system was established according to the stipulated decision-making procedure, and that the distribution standard of remuneration to the Company's directors, supervisors and other senior management personnel was in line with relevant regulations.

The Company has not established any stock incentive mechanism.

IX. Other matters

1. In the report period, China Securities Journal, Securities Times and Ta Kung Pao were designated as the newspapers for the Company's information disclosure, and <http://www.cninfo.com.cn> as the website for its information disclosure.
2. Special statement issued by Vocation International Certified Public Accounts Co., Ltd. regarding capital occupation by the Company's controlling shareholder and other related parties

Special Statement on Capital Occupation by Controlling
Shareholder and Other Related Parties of Hubei Sanonda Co., Ltd. in 2009
TZJS Zi No. 【2010】 1243-1

All shareholders of Hubei Sanonda Co., Ltd.,

As entrusted, we have, in accordance with the China's Auditing Standards for Registered Accountants, audited the balance sheet and consolidated balance sheet as at 31 Dec. 2009, the income statement and consolidated income statement, the shareholders' equity change statement and consolidated shareholders' equity change statement, and the cash flow statement and consolidated cash flow statement as of the year 2009 (collectively referred to as "the Financial Statement") of Hubei Sanonda Co., Ltd. (hereinafter referred to as "the Company"). And we issued the standard unqualified audit report dated 13 Apr. 2010.

According to the Circular on Relevant Issues Concerning Standardization of Fund Transfer between Listed Companies and Associated Parties and Provision of External Guaranty issued by the CSRC and the State-owned Assets Supervision and Administration Commission of the State Council, the Company prepared the summary statement on the capital occupation by the controlling shareholder and other related parties in 2009 (hereinafter referred to as "the Summary Statement"), which accompanied this special statement.

It is the Company's responsibility to prepare and disclose the Summary Statement, as well as to ensure its factuality, legitimacy and completeness. After collating the information provided in the Summary Statement with the examined accounting information and the audited financial statements acquired in the process of our auditing the Company's 2009 financial statements, we found no inconsistency in all major aspects. Except for the relevant auditing procedures conducted on the related transactions in the process of our auditing the Company's 2009 financial statements, we conducted no extra auditing procedures or other procedures on the information provided in the Summary Statement.

In order for a better understanding of capital occupation by the controlling shareholder and other related parties of the Company, the Summary Statement should be read together with the audited financial statements.

13 April 2010

(1) Summary statement of capital occupation by controlling shareholder and other related parties of the Company in 2009 (Unit: RMB)

Type of capital occupier	Name of capital occupier	Related-party relation between occupier and the Company	Accounting item of listed company	Balance of occupied capital at period-begin of 2009	Increase in 2009	Decrease in 2009	Balance of occupied capital at period-end of 2009	Reason for occupation	Nature of occupation
Controlling shareholder,	Jingzhou	Under the	Prepayment	1,874.50		1,874.50	-	Borrowing	Occupation

actual controller and their related parties	Chemical Material Trading Co., Ltd.	company							purposes
	Jingzhou Hengxiang Chemical Material Trading Co., Ltd.	Under the same parent company	Accounts receivable	-	2,403,741.22	2,403,741.22	-	Borrowing	Occupation for operating purposes
Subtotal				1,874.50	2,403,741.22	2,405,615.72	-		
Listed company's subsidiaries and their affiliated enterprises	Sanonda Zhengzhou Pesticide Co., Ltd.	The Company's subsidiary	Other receivables	10,000,000.00		10,000,000.00	-	Borrowing	Occupation for non-operating purposes
	Sanonda (Jingzhou) Pesticides and Chemicals Co., Ltd.	The Company's subsidiary	Other receivables	24,783,362.85		10,151,400.00	14,631,962.85	Borrowing	Occupation for non-operating purposes
	Hubei Fengyuan Chemical Co., Ltd.	The Company's subsidiary	Other receivables	139,020.00	1,131,150.00	1,270,170.00	-	Borrowing	Occupation for non-operating purposes
	Hubei Sanonda Tianmen Agrochemical Co., Ltd.	The Company's subsidiary	Other receivables	9,155,264.21	13,864,735.79	23,020,000.00	-	Borrowing	Occupation for non-operating purposes
	Jingzhou Sanonda Aifusi Chemical Industry Co., Ltd.	The Company's subsidiary	Other receivables	61,247.00	542,138.35	603,385.35	-	Borrowing	Occupation for non-operating purposes
	Jingzhou Lingxiang Chemical Co., Ltd.	The Company's subsidiary	Other receivables		37,166,787.05	6,910,011.00	30,256,776.05	Borrowing	Occupation for non-operating purposes
Subtotal				44,138,894.06	52,704,811.19	51,954,966.35	44,888,738.90		
Related natural persons and enterprises controlled by them									
Subtotal									
Other related parties and their affiliated enterprises	Hubei Jingzhou Huaxiang Chemical Co., Ltd.	Jointly-run enterprise of parent company	Accounts receivable		28,564,452.27	28,564,452.27	-	Borrowing	Occupation for operating purposes
Subtotal				-	28,564,452.27	28,564,452.27	-		
Total				44,140,768.56	83,673,004.68	82,925,034.34	44,888,738.90		

(2) At the end of the report period, the balance of capital occupied by the controlling shareholder and its subsidiaries for non-operating purposes was naught.

Section IX. Report of Supervisory Board

I. Work of Supervisory Board in report period

During the report period, 5 meetings were convened by the Supervisory Board of the Company, with details as follows:

1. The 11th Meeting of the 5th Supervisory Board was convened on 8 Apr. 2009, at which the following proposals were reviewed and approved: ① 2008 Annual Work Report of Supervisory Board; ② 2008 Annual Final Financial Report; ③ 2008 Annual Report and its Summary; ④ Preplan for Profit Distribution and Turning Capital Reserve into Share Capital for Year 2008; ⑤ Proposal on Guarantees Provided by the Company to Controlling Subsidiaries in 2009; and ⑥ Self-evaluation Report on Internal Control.
2. The 12th Meeting of the 5th Supervisory Board was convened on 14 Apr. 2009, at which the First Quarterly Report 2009 was reviewed and approved.
3. The 13th Meeting of the 5th Supervisory Board was convened on 12 Aug. 2009, at which the 2009 Semi-annual Report and its Summary was reviewed and approved.
4. The 14th Meeting of the 5th Supervisory Board was convened on 22 Oct. 2009, at which the Third Quarterly Report 2009 was reviewed and approved.
5. The 15th Meeting of the 5th Supervisory Board was convened on 4 Dec. 2009, at which the Proposal on Re-election of Supervisory Board was reviewed and approved.

II. Independent opinions of Supervisory Board concerning supervision on the Company

1. About the operation according to laws.

In the report period, members of the Supervisory Board attended the Shareholders' General Meeting and all the meetings of the Board of Directors. And the Supervisory Board conducted checks and supervision concerning the Company's operation according to laws. The Supervisory Board was of the opinion that: In the reporting period, the Company operated according to laws, with a legitimate procedure of decision-making. The Company enjoyed a sound internal control system. According to the Company's Articles of Association and other laws and regulations, the directors and other senior management personnel of the Company diligently and honestly performed their duties and executed the resolutions made at the Shareholders' General Meeting and the board meetings. And in the process of their carrying out responsibilities, they performed no acts in violation of laws, regulations or the Company's Articles of Association, or harmful to the interests of the Company.

2. About the supervision on the Company's financial status. Based on its supervision on the Company's financial operation, the Supervisory Board held the opinion that the quarterly, semi-yearly and annual financial reports of the Company factually and objectively presented the Company's financial status, as well as its production and operation results, and that Beijing Vocation International Certified Public Accounts Co., Ltd. issued an objective and factual unqualified opinion concerning the Company's financial report in 2009.

3. During the report period, members of the Supervisory Board attended all meetings convened by the Board of Directors to review sale of assets (equities). And the Supervisory Board was of the opinion that the Company conducted asset (equity) sale at rational transaction prices, without insider dealings, harm done to interests of all shareholders or asset loss of the Company.

4. About related-party transactions. In the report period, the Company conducted, with reasonable transaction prices, the related transactions on the principle of fairness, impartiality and transparency, which thus did no harm to the interests of the Company and all its shareholders.

Section X . Significant Events

I . Significant lawsuits and arbitrations

In the report period, there existed no significant lawsuits or arbitrations where the Company was involved.

II . Purchases and sales of assets as well as mergers in report period

1. Acquisition of assets

Unit: (RMB) Ten thousand

Transaction party or ultimate controller	Assets acquired	Date of acquisition	Transaction price	Net profit contributed to the Company from acquisition date to period-end (applicable for enterprise mergers not under same control)	Net profit contributed to the Company from period-begin to period-end (applicable for enterprise mergers under same control)	Related-party transaction or not	Pricing principle	Whether property rights of assets involved have all been transferred	Whether credits and liabilities involved have been all transferred	Related-party relation with transaction party (applicable for related-party transactions)
Insight Finechem Co., Ltd.	49% equity of Jingzhou Sanonda Aifusi Chemical Industry Co., Ltd.	28 Jun. 2009	573.00	0.00	76.00	No	Market price	Yes	Yes	None

2. Sale of assets

Unit: (RMB) Ten thousand

Transaction party	Assets sold	Date of sale	Transaction price	Net profit contributed to the Company from period-begin to date of sale	Gain/loss generated by asset sale transaction	Related-party transaction or not	Pricing principle	Whether property rights of assets involved have all been transferred	Whether credits and liabilities involved have been all transferred	Related-party relation with transaction party (applicable for related-party transactions)
Zhengzhou New World Agrochemical Co., Ltd.	70% equity of Sanonda Zhengzhou Pesticide Co., Ltd.	22 Sept. 2009	2,600.00	-583.00	1,541.00	No	Price upon negotiation	Yes	Yes	None
Hubei Tianyang Technology Co., Ltd.	48% equity of Jingzhou Tianyang Huibao Precision Chemicals Co., Ltd.	6 Jun. 2009	288.00	0.00	144.00	No	Market price	Yes	Yes	None

3. In the report period, there existed no consolidation by merger or other events.

III. Significant related-party transactions in report period

For details, please refer to “10. Relationship and Transactions with Related Parties” under “Notes to Financial Statement” in “Section X Financial Report”.

IV. Provision of guarantees

Unit: (RMB) Ten thousand

External guarantees provided by the Company (excluding those for subsidiaries)						
Name of guaranteed party	Date of occurrence (date of signing agreement)	Amount of guarantee	Type of guarantee	Term of guarantee	Accomplished or not	Guarantee for a related-party or not
Guangxi Hechi Chemical Co., Ltd.	21 Jan. 2008	10,000.00	Guarantee with joint responsibility	5 years	No	Yes
Total amount of guarantees in report period						0.00
Total guarantee balance at period-end						10,000.00

(A)	
Guarantees provided by the Company for its subsidiaries	
Total amount of guarantees provided for subsidiaries in report period	22,800.00
Total balance of guarantees provided for subsidiaries at period-end (B)	22,800.00
Total guarantees provided by the Company (including those for subsidiaries)	
Total guarantee amount (A+B)	32,800.00
Proportion of total guarantee amount in the Company's net assets	30.15%
Of which:	
Amount of guarantees provided for shareholders, actual controller and their related-parties (C)	10,000.00
Amount of debt guarantees directly or indirectly provided for parties with an asset-liability ratio over 70% (D)	22,800.00
Amount of total guarantee amount over 50% of net assets (E)	0.00
Total of three kinds of guarantees above (C+D+E)	32,800.00
Explanation on possibility of bearing joint liability for undue guarantees	Guarantees provided by the Company to its subsidiaries were all with joint liability and the guarantee for Guangxi Hechi Chemical Co., Ltd. was a mutual guarantee of RMB 100 million between related parties.

V. Trusteeship, leasing and other significant contracts

In the report period, there was no trusteeship, leasing or other significant contracts.

VI. In the report period, the Company, the Company's Board of Directors and its members received no investigation, administrative punishment, or notices of criticism from CSRC, as well as no open reprimand from the stock exchange.

VII. Visits and interviews received in report period

In the report period, the Company received phone calls from investors with open arms and answered their questions in details. The reception process was in strict compliance with the Guide of Shenzhen Stock Exchange on Fair Information Disclosure for Listed Companies. The Company provided callers with the publicly disclosed information, and objectively, factually, accurately and completely introduced to the callers the Company's actual production and operation status. And it leaked no significant information which was undisclosed. In the report period, the Company received more than 10 phone calls from investor with no institutions or individual investors paying on-site visits to the Company.

Time	Place	Way of reception	Caller	Inquiry and materials provided by the Company
2009	Location of the Company	By telephone	Individual investors	Inquiry about the Company's production and operation, as well as relevant matters on disclosure of public notices. No materials were provided by the Company.

VIII. Fulfillment of corporate social responsibilities in report period

1. Protection of the rights and interests of the shareholders and creditors: The Company fairly treated all its shareholders and creditors, and ensured that they could fully enjoy the legitimate rights and interests prescribed by laws, regulations.

2. Protection of the rights and interests of employees: In strict compliance with the Labor Law, the Company protected the legitimate rights and interests of its employees by establishing and improving the personnel system (including the remuneration system, incentive mechanism, etc..) and ensuring that the employees enjoyed their rights to work and performed their obligations according to laws.

3. Protection of the rights and interests of suppliers, customers and consumers: The Company adopted an honest manner in dealing with the suppliers, customers and consumers. And it never gave false publicity by advertisements for profits. Nor it ever infringed the intellectual property rights (including copyrights, trademark rights, patent rights, etc.) of its suppliers and customers.

4. Environmental protection and sustainable development: The Company followed a policy of environmental protection. Meanwhile, it established a special department to provide human resource, material and technological support for the implementation, maintenance and improvement of the Company's environmental protection system.

5. Public relationship and public welfare undertakings: The Company actively participated in the local social welfare activities such as environmental protection activities and activities for helping the poor and the needy, which contributed to the local development. Meanwhile, the Company voluntarily laid its operation open to the supervision and checks from government departments and regulatory authorities, while keeping an eye on the comments from the public and the press.

IX. Investments in shares and equities

1. Investments in shares

Unit: RMB

Serial No.	Type of securities	Stock code	Short form of stock	Initial investment amount (Yuan)	Number of shares held at period-end	Book value at period-end	Proportion in total securities investment at period-end (%)	Gain/loss in report period
1	Share	000707	Shuanghuan Science & Technology	495,000.00	0	0.00	0.00%	3,719,873.51

2. Investments in equities

Name of entity in which the Company holds equities	Initial investment amount (RMB)	Number of equities held	Proportion in total equities of the entity	Book value at period-end (RMB)	Gain/loss in report period (RMB)	Changes in owners' equity in report period	Accounting item	Equity source
Commercial Bank of Jingzhou City	20,000,000.00	20,000,000	5.15%	8,008,982.63	240000	0.00	Long-term equity investment	Purchase of primitive corporate stock
Total	20,000,000.00	20,000,000	-	8,008,982.63	240000	0.00	-	-

X. Other significant events in report period

The Company transferred 70% equity of Sanonda Zhengzhou Pesticide Co., Ltd. held by it with 31 Aug. 2009 as the base date. The subsidiary's balance sheet as at the period-end was excluded from the consolidated scope while its profit statement and cash flow statement as of Jan.-Aug. 2009 were consolidated.

In the report period, the Company and its parent company Sanonda Group Corporation jointly established Jingzhou Lingxiang Chemical Co., Ltd.. The Company holds 51% equity of the new subsidiary and the new subsidiary was included in the consolidation scope for the year 2009.

XI. Commitments made and execution thereof

On 18 Sept. 2009, the Company's shareholders holding shares subject to trading moratorium Sanonda Group Corporation, Jingzhou Shans Rural Credit Union and Jingzhou Sanonda Advertising Co., Ltd. had all accomplished fulfillment of commitments made by them in the share reform. And a total of 122,187,202 shares originally subject to trading moratorium (118,887,202 shares, 2,500,000 shares, and 800,000 shares respectively held by the aforesaid three shareholders) became tradable on the same date.

XII. Index of information disclosed

Public notice	Date of disclosure	Newspapers for disclosure	Website for disclosure
Revised Public Notice on Performance Prediction	20 Jan. 2009	China Securities Journal, Securities Times and Ta Kung Pao	www.cninfo.com.cn
Public Notice on 17 th Meeting of 5 th Board of Directors	12 Feb. 2009	China Securities Journal, Securities Times and Ta Kung Pao	www.cninfo.com.cn
Public Notice on Clarification and Preliminary Performance Estimate	19 Feb. 2009	China Securities Journal, Securities Times and Ta Kung Pao	www.cninfo.com.cn
Notice on Convening 1 st Provisional Shareholders' General Meeting in 2009 and other relevant public notices	26 Feb. 2009	China Securities Journal, Securities Times and Ta Kung Pao	www.cninfo.com.cn
Public Notice on Resolutions Made at 1 st Provisional Shareholders' General Meeting in 2009	17 Mar. 2009	China Securities Journal, Securities Times and Ta Kung Pao	www.cninfo.com.cn
Public Notice on Resolutions Made at 18 th Meeting of 5 th Board of Directors, Public Notice on Resolutions Made at 11 th Meeting of 5 th Supervisory Board, 2009 Annual Report and other relevant public notices	10 Apr. 2009	China Securities Journal, Securities Times and Ta Kung Pao	www.cninfo.com.cn
Public Notice on Resolutions Made at 19 th Meeting of 5 th Board of Directors, First Quarterly Report 2009, Notice on Convening 2008 Annual Shareholders' General Meeting, etc.	16 Apr. 2009	China Securities Journal, Securities Times and Ta Kung Pao	www.cninfo.com.cn
Public Notice on Adding Provisional Proposals of 2008 Annual Shareholders' General Meeting	30 Apr. 2009	China Securities Journal, Securities Times and Ta Kung Pao	www.cninfo.com.cn

Public Notice on Resolutions Made at 2008 Annual Shareholders' General Meeting	9 May 2009	China Securities Journal, Securities Times and Ta Kung Pao	www.cninfo.com.cn
Public Notice on Resolutions Made at Provisional Meeting of 5 th Board of Directors and Public Notice on Implementing Dividend Distribution for Year 2008	5 Jun. 2009	China Securities Journal, Securities Times and Ta Kung Pao	www.cninfo.com.cn
Public Notice on Resolutions Made at 20 th Meeting of 5 th Board of Directors, 2009 Semi-annual Report and other public notices	14 Aug. 2009	China Securities Journal, Securities Times and Ta Kung Pao	www.cninfo.com.cn
Suggestive Public Notice on Shares Subject to Trading Moratorium Becoming Tradable	16 Sept. 2009	China Securities Journal, Securities Times and Ta Kung Pao	www.cninfo.com.cn
Public Notice on Resolutions Made at Provisional Meeting of 5 th Board of Directors and relevant public notices	25 Sept. 2009	China Securities Journal, Securities Times and Ta Kung Pao	www.cninfo.com.cn
Third Quarterly Report 2009	23 Oct. 2009	China Securities Journal, Securities Times and Ta Kung Pao	www.cninfo.com.cn
Public Notice on Resolutions Made at 22 nd Meeting of 5 th Board of Directors, Public Notice on Resolutions Made at 11 th Meeting of 5 th Supervisory Board and other public notices	5 Dec. 2009	China Securities Journal, Securities Times and Ta Kung Pao	www.cninfo.com.cn
Public Notice on Voluntary Disclosure of Information	10 Dec. 2009	China Securities Journal, Securities Times and Ta Kung Pao	www.cninfo.com.cn

XI. Financial Report

(I) Auditor's Report

TZJS Zi [2010] No. 1243

TO THE SHAREHOLDERS OF HUBEI SANONDA CO., LTD.

We have audited the accompanying financial statements of Hubei Sanonda Co., Ltd. (the "Company"), which comprise the balance sheet and the consolidated balance sheet as at December 31 2009, the income statement, the consolidated income statement, the statement of change in equity, the consolidated statement of change in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a notes to the financial statements.

I. The management level's responsibility for the financial statements

Preparing financial statements in compliance with Accounting Standard for Business Enterprise (promulgated by the Ministry of Finance on 15 Feb. 2006) is the responsibility of the Company's management. This responsibility includes: (a) designing, implementing and maintaining internal controls relevant to the preparation of these financial statements to prevent these financial statements from material misstatement arising from fraud or error; (b) selecting and applying proper accounting policies; and (c) making reasonable accounting estimates.

II. Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Auditing Standards for CICPA. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing audit procedures, so as to obtain audit evidence to support the amounts and disclosures in the financial statements. Audit procedures are relied on the auditors' judgments, including assessment on the risk of material misstatement of these financial statements arising from fraud or error. In risk assessment procedures, we consider internal controls relating to the preparation of these financial statements to design appropriate audit procedures, but our objective is not to express our opinion on the effectiveness of internal controls. An audit also includes assessing the reasonability of accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation.

We believe that the audit evidence we have obtained is sufficient and effective, providing a reasonable basis for our opinion.

III Audit opinion

In our opinion, the financial statements comply with Accounting Standard for Business Enterprise (promulgated by the Ministry of Finance on 15 Feb. 2006), and present fairly in all material respects the financial position of the Company as of December 31 2009 and the results of its financial performance and its cash flows for the year then ended.

Vocation International Certified Public Accountants Co., Ltd.

Beijing • China

CPA of China Kuang Min

CPA of China Li Chongying

13 April 2010

(II) Financial statement

Balance Sheet

Prepared by Hubei Sanonda Co., Ltd.

31 Dec. 2009

Unit: RMB Yuan

Assets	Consolidation		Parent Company		Serial number for notes	
	Closing balance	Opening balance	Closing balance	Opening balance	Consolidation	Parent Company
Current assets:						
Monetary funds	474,460,623.29	562,832,319.76	424,584,953.40	490,154,426.30	VIII. 1	
Settlement fund reserve						
Dismantle fund						
Transaction financial asset	-	4,183,872.00	-	4,183,872.00	VIII. 2	
Notes receivable	10,746,710.09	8,620,358.99	2,714,810.09	6,982,848.99	VIII. 3	
Account receivable	65,857,262.23	82,676,725.12	9,940,149.67	7,589,321.37	VIII. 4	XIX. 1
Account paid in advance	24,018,481.41	15,918,504.32	25,138,734.64	11,598,028.21	VIII. 6	
Premium receivables						
Receivables from reinsurers						
Reinsurance contract reserve receivables						
Interest receivable						
Dividend receivable						
Other account receivable	19,220,669.32	15,914,988.01	97,072,583.33	117,681,311.43	VIII. 5	XIX. 2
Financial assets purchased under agreements to resell						
Inventories	198,762,663.23	346,551,634.75	146,279,805.97	233,367,834.29	VIII. 7	
Non-current assets due within 1 year						
Other current assets						
Total current assets	793,066,409.57	1,036,698,402.95	705,731,037.10	871,557,642.59		
Non-current assets:						
Loans and advance						
Available for sale financial assets						
Held to maturity investments						
Long-term account receivable						
Long-term equity investment	11,378,382.63	12,818,382.63	49,533,405.95	73,932,025.27	VIII. 8	XIX. 3
Investing property	5,116,012.50	5,356,412.50	5,116,012.50	5,356,412.50	VIII. 9	
Fixed asset	778,661,093.09	781,010,440.01	728,578,456.14	730,043,892.69	VIII. 10	
Project in construction	287,858,631.17	37,121,583.37	281,349,294.67	31,539,313.21	VIII. 11	
Engineering material	-	7,580.83	-	-		
Fixed asset disposal						
Bearer biological asset						

Oil assets						
Intangible assets	150,488,348.86	158,813,608.07	136,774,286.23	115,835,981.98	VIII. 12	
Development expense						
Goodwill						
Long-term expense to be apportioned	-	14,273.21	-	-		
Deferred income tax assets	12,501,729.59	17,641,169.12	10,146,664.99	14,049,527.17	VIII. 13	
Other non-current assets	-	-	-	-		
Total of non-current assets	1,246,004,197.84	1,012,783,449.74	1,211,498,120.48	970,757,152.82		
Total assets	2,039,070,607.41	2,049,481,852.69	1,917,229,157.58	1,842,314,795.41		

Legal Representative: Li Zuorong
Person in Charge of Accounting Activity: He Xuesong
Person in Charge of Accounting Organ: He Xuesong

Balance Sheet (Con.)

Prepared by Hubei Sanonda Co., Ltd.

31 Dec. 2009

Unit: RMB Yuan

Liabilities and shareholders' equity	Consolidation		Parent Company		Serial number for notes	
	Closing balance	Opening balance	Closing balance	Opening balance	Consolidation	Parent Company
Current liabilities:						
Short-term borrowings	39,899,274.54	187,000,000.00	35,000,000.00	170,000,000.00	VIII. 16	
Borrowings from Central Bank						
Deposits and due to banks and other financial institutions						
Borrowings from banks and other financial institutions						
Transactional financial liabilities						
Notes payable	5,000,000.00	19,040,000.00	5,000,000.00	15,000,000.00	VIII. 17	
Accounts payable	116,941,353.00	102,784,556.06	66,229,596.12	66,963,994.66	VIII. 18	
Accounts received in advance	30,731,258.63	112,330,681.17	18,309,739.93	30,364,281.48	VIII. 19	
Financial assets sold under agreements to repurchase						
Handling charges and commissions payable						
Employee's compensation payable	17,231,898.45	25,448,279.39	13,295,096.69	14,813,333.63	VIII. 20	
Taxes and fares payable	-4,458,696.03	51,639,246.20	2,208,088.91	54,951,662.72	VIII. 21	
Interest payable	-	-	-	-		
Dividend payable	349,463.30	-	349,463.30	-	VIII. 22	
Other accounts payable	39,413,834.96	43,139,725.39	27,182,609.39	16,757,176.12	VIII. 23	
Due to reinsurers						
Insurance contract reserve						
Amount payable for acting trading securities						
Amount payable for acting underwriting securities						
Non-current liabilities due within 1 year	95,000,000.00	70,000,000.00	95,000,000.00	70,000,000.00	VIII. 24	
Other current liabilities						
Total current liabilities	340,108,386.85	611,382,488.21	262,574,594.34	438,850,448.61		
Non-current liabilities:						
Long-term borrowings	579,560,000.00	297,560,000.00	579,560,000.00	297,560,000.00	VIII. 25	
Debentures payable						
Long-term payables	9,840,000.00	9,840,000.00	9,840,000.00	9,840,000.00	VIII. 26	
Specific-purpose account payables	-	2,761,170.00	-	-	VIII. 27	
Accrued liabilities						

Deferred income tax liabilities						
Other non-current liabilities	9,209,677.27	11,549,512.89	6,990,000.00	6,990,000.00	VIII. 28	
Total non-current liabilities	598,609,677.27	321,710,682.89	596,390,000.00	314,390,000.00		
Total liabilities	938,718,064.12	933,093,171.10	858,964,594.34	753,240,448.61		
Shareholders' equity						
Share capital	593,923,220.00	593,923,220.00	593,923,220.00	593,923,220.00	VIII. 29	
Capital surplus	271,591,478.35	271,719,841.74	268,447,075.77	268,447,075.77	VIII. 31	
Less: Treasury Stock	-	-	-	-		
Special reserve	20,689,819.99	22,451,964.08	13,898,173.74	16,364,992.87	VIII. 30	
Surplus reserve	72,736,287.77	72,590,626.92	72,736,287.77	72,590,626.92	VIII. 32	
General risk provision						
Retained earnings	129,046,856.85	137,432,584.20	109,259,805.96	137,748,431.24	VIII. 33	
Foreign exchange difference						
Total owners' equity attributable to holding company	1,087,987,662.96	1,098,118,236.94	1,058,264,563.24	1,089,074,346.80		
Minority interests	12,364,880.33	18,270,444.65	-	-		
Total owners' equity	1,100,352,543.29	1,116,388,681.59	1,058,264,563.24	1,089,074,346.80		
Total liabilities and owners' equity	2,039,070,607.41	2,049,481,852.69	1,917,229,157.58	1,842,314,795.41		

Legal Representative: Li Zuorong
Person in Charge of Accounting Activity: He Xuesong
Person in Charge of Accounting Organ: He Xuesong

Income Statement

Prepared by Hubei Sanonda Co., Ltd.

Jan.- Dec. 2009

Unit: RMB Yuan

Items	Consolidation		Parent Company		Serial number for notes	
	2009	2008	2009	2008	Consolidation	Parent Company
I. Total operating income	1,650,444,264.94	2,217,343,196.68	1,203,712,854.00	1,665,775,296.38		
Including: Sales	1,650,444,264.94	2,217,343,196.68	1,203,712,854.00	1,665,775,296.38	VIII. 34	XIX. 4
Interest income						
Premium income						
Handling charges and commission income						
II. Total operating cost	1,641,214,632.81	1,981,567,490.83	1,197,965,266.44	1,420,175,347.62		
Including: Cost of sales	1,409,017,869.89	1,616,017,584.32	1,038,056,451.91	1,165,488,408.18	VIII. 34	XIX. 4
Interest expenses						
Handling charges and commission expenses						
Surrender value						
Claim expenses-net						
Insurance contract reserve-net						
Policy dividend payment						
Amortized reinsurance expense						
Taxes and associate charges	3,346,947.50	6,592,083.18	1,909,769.14	4,930,428.00	VIII. 35	
Selling and distribution expenses	59,852,751.77	76,879,142.01	43,475,486.42	57,375,840.22		
Administrative expenses	99,374,972.70	148,452,853.97	64,733,449.68	101,233,728.98		
Financial expense	41,397,001.65	46,159,860.53	40,268,758.85	37,974,702.53	VIII. 36	
Asset impairment loss	28,225,089.30	87,465,966.82	9,521,350.44	53,172,239.71	VIII. 37	
Add: gain/(loss) from change in fair value ("-" means loss)	-	-3,025,868.96	-	-3,025,868.96	VIII. 38	
Gain/(loss) from investment ("-" means loss)	20,964,235.54	14,220,208.45	3,878,452.30	29,630,885.14	VIII. 39	XIX. 5
Including: income from investment on affiliated enterprises and jointly-run enterprise	-	-	-	-		
Foreign exchange difference ("-" means loss)						
III. Business profit ("-" means loss)	30,193,867.67	246,970,045.34	9,626,039.86	272,204,964.94		
Add: non-business income	6,029,679.66	9,440,022.39	264,771.22	90,767.78	VIII. 40	
Less: non-business expense	5,432,474.98	36,249,749.34	4,531,340.36	33,216,854.79	VIII. 41	
Including: loss on non-current asset disposal	4,003,075.49	32,039,441.84	3,583,452.84	30,315,865.36		
IV. Total profit ("-" means loss)	30,791,072.35	220,160,318.39	5,359,470.72	239,078,877.93		
Less: Income tax expense	11,599,154.02	65,242,864.05	3,902,862.18	58,534,300.82	VIII. 42	
V. Net profit ("-" means loss)	19,191,918.33	154,917,454.34	1,456,608.54	180,544,577.11		
Attributable to owners of parent company	19,310,850.13	159,892,332.65	1,456,608.54	180,544,577.11		
Minority interests	-118,931.80	-4,974,878.31	-	-		
VI. Earnings per share					XX. 1	
(I) basic earnings per share	0.0325	0.2692				
(II) diluted earnings per share	0.0325	0.2692				
VII. Other comprehensive income	-142,625.99	-	-	-	VIII. 43	

VIII. Total comprehensive income	19,049,292.34	154,917,454.34	1,456,608.54	180,544,577.11		
Attributable to owners of parent company	19,182,486.74	159,892,332.65	1,456,608.54	180,544,577.11		
Attributable to minority shareholders	-133,194.40	-4,974,878.31	-	-		

Legal Representative: Li Zuorong

Person in Charge of Accounting Activity: He Xuesong

Person in Charge of Accounting Organ: He Xuesong

Cash Flow Statement

Prepared by Hubei Sanonda Co., Ltd.

Jan.- Dec. 2009

Unit: RMB Yuan

Items	Consolidation		Parent Company		Serial number for notes	
	2009	2008	2009	2008	Consolidation	Parent Company
1. Cash flows from operating activities:						
Cash received from sales of goods or rendering of services	1,573,671,456.62	2,152,166,414.42	1,167,883,718.07	1,547,063,360.00		
Net increase in customer bank deposits and due to banks and other financial institutions						
Net increase in borrowings from central bank						
Net increase in borrowings from other financial institutions						
Premium received from original insurance contracts						
Net cash received from reinsurance						
Net increase in policy holder deposits and investment funds						
Net increase in disposal of held-for-trading financial assets						
Interest, handling charges and commissions received						
Net increase in borrowings from banks and other financial institutions						
Net increase in buy-back business						
Refund of taxes and fares received	22,494,693.64	22,937,733.69	14,867,937.73	13,776,089.55		
Other cash received relating to operating activities	51,915,693.96	65,514,681.87	59,234,631.50	45,927,386.91	VIII. 44	
Sub-total of cash inflows from operating activities	1,648,081,844.22	2,240,618,829.98	1,241,986,287.30	1,606,766,836.46		
Cash paid for goods and services	1,179,050,628.02	1,588,594,197.03	847,473,833.35	1,153,613,691.43		
Net increase in loans and advances to customers						
Net increase in deposits with central bank and other financial institutions						
Original insurance contract claims paid						
Cash paid for interest, fees and commissions						
Dividends paid to policyholders						
Cash paid to and on behalf of employees	126,673,115.70	125,759,324.72	95,242,668.46	79,078,230.73		
Taxes and fares paid	81,888,725.79	97,645,663.50	61,862,827.68	72,163,837.48		
Other cash paid relating to operating activities	72,205,587.09	75,818,297.73	42,588,293.95	22,885,242.56	VIII. 44	
Sub-total of cash outflows from operating activities	1,459,818,056.60	1,887,817,482.98	1,047,167,623.44	1,327,741,002.20		
Net cash flows from operating activities	188,263,787.62	352,801,347.00	194,818,663.86	279,025,834.26	VIII. 45	
2. Cash Flows from Investment Activities:						
Cash received from withdrawing investments	10,246,198.46	45,761,649.50	10,246,198.46	65,525,374.57		
Cash received from investment income	1,092,552.97	8,437,404.72	11,971,751.08	8,805,756.34		

Net cash received from disposal of fixed assets, intangible assets and other long-term assets	7,375,721.92	652,918.00	3,346,199.63	389,943.00		
Net proceeds from sale of subsidiaries and other operating units	6,111,428.39	-	16,000,000.00	-		
Other cash received relating to investment activities	2,219,677.27	-	-	-	VIII. 44	
Sub-total of cash inflows from investment activities	27,045,579.01	54,851,972.22	41,564,149.17	74,721,073.91		
Cash paid for acquiring fixed assets, intangible assets and other long-term assets	385,871,317.46	431,345,763.47	350,945,710.32	423,644,284.50		
Cash paid for investments	5,730,795.00	44,410,619.40	15,600,000.00	44,410,619.40		
Net increase in pledged loans						
Net cash used for acquiring subsidiaries and other operating units	-	-	-	-		
Other cash paid relating to investment activities	-	-	30,000,000.00	-		
Sub-total of cash outflows from investment activities	391,602,112.46	475,756,382.87	396,545,710.32	468,054,903.90		
Net cash flows from investing activities	-364,556,533.45	-420,904,410.65	-354,981,561.15	-393,333,829.99		
3. Cash Flows from Financing Activities:						
Cash received from absorbing investment	4,900,000.00	-	-	-		
Including: Cash received by subsidiaries from increase in minority interests	4,900,000.00	-	-	-		
Cash received from borrowings	616,000,000.00	645,560,000.00	595,000,000.00	628,560,000.00		
Cash received from issuing debentures						
Other proceeds relating to financing activities	-	31,743.85	-	-		
Sub-total of cash inflows from financing activities	620,900,000.00	645,591,743.85	595,000,000.00	628,560,000.00		
Cash paid for settling debts	453,000,000.00	419,600,000.00	423,000,000.00	366,000,000.00		
Cash paid for distribution of dividends or profit or reimbursing interest	74,384,738.22	47,382,125.25	71,914,822.10	42,793,509.47		
Including: dividends or profit paid by subsidiaries to minority interests	1,417,133.12	2,458,469.46	-	-		
Other cash payments relating to financing activities	5,545,530.39	79,939.52	5,492,795.89	-	VIII. 44	
Sub-total of cash outflows from financing activities	532,930,268.61	467,062,064.77	500,407,617.99	408,793,509.47		
Net cash flows from financing activities	87,969,731.39	178,529,679.08	94,592,382.01	219,766,490.53		
4. Effect of foreign exchange rate changes on cash and cash equivalents	-48,682.03	-	1,042.38	-		
5. Net increase in cash and cash equivalents	-88,371,696.47	110,426,615.43	-65,569,472.90	105,458,494.80		
Add : Cash and cash equivalents at year-begin	562,832,319.76	452,405,704.33	490,154,426.30	384,695,931.50		
6. Cash and cash equivalents at the end of the year	474,460,623.29	562,832,319.76	424,584,953.40	490,154,426.30	VIII. 45	

Legal Representative: Li Zuorong
Person in Charge of Accounting Activity: He Xuesong
Person in Charge of Accounting Organ: He Xuesong

Statement of Change in Shareholders' Equity of Parent Company

Prepared by Hubei Sanonda Co., Ltd.

Year 2009

Unit: RMB Yuan

Items	Amount in 2009								
	Share capital	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General Risk provision	Retained earnings	others	Total shareholders' equity
I. Balance at the end of the previous year	593,923,220.00	268,447,075.77	-	-	89,879,859.33		136,824,191.70		1,089,074,346.80
Plus: Change in accounting policies	-	-	-	16,364,992.87	-17,289,232.41	-	924,239.54	-	-0.00
Correction of errors in previous period	-	-	-		-	-	-	-	-
II. Balance at the beginning of this year	593,923,220.00	268,447,075.77	-	16,364,992.87	72,590,626.92	-	137,748,431.24	-	1,089,074,346.80
III. Increase/ decrease during the financial year ("-" for loss)	-	-	-	-2,466,819.13	145,660.85	-	-28,488,625.28	-	-30,809,783.56
(I) Net profit	-	-	-				1,456,608.54	-	1,456,608.54
(II) Other comprehensive incomes									-
Subtotal of (I) and (II)	-	-	-		-		1,456,608.54	-	1,456,608.54
(III) Contributions and decrease of capital	-	-	-		-	-	-	-	-
1. Contributions by shareholders	-	-	-		-	-	-	-	-
2. Amount of share-based payment included in shareholders'	-	-	-		-	-	-	-	-

equity									
3. Others	-	-	-	-	-	-	-	-	-
(IV) Profit distribution	-	-	-		145,660.85	-	-29,945,233.82	-	-29,799,572.97
1. Withdrawing surplus public reserve	-	-	-		145,660.85	-	-145,660.85	-	-
2. Withdrawing general risk reserve	-	-	-		-	-	-	-	-
3. Distribution to all shareholders	-	-	-		-	-	-29,799,572.97	-	-29,799,572.97
4. Other	-	-	-		-	-	-	-	-
(V) Internal transfer within shareholders' equity	-	-	-		-	-	-	-	-
1. Capital reserve transferred to capital (or share capital)	-	-	-		-	-	-	-	-
2. Surplus reserve transferred to capital (or share capital)	-	-	-		-	-	-	-	-
3. Surplus reserve offsetting losses	-	-	-		-	-	-	-	-
4. Others	-	-	-		-	-	-	-	-
(VI) Specific reserve				-2,466,819.13					-2,466,819.13
1. Withdrawn in this period				7,026,345.31					7,026,345.31
2. Used in this period				9,493,164.44					9,493,164.44
IV. Balance at the end of this period	593,923,220.00	268,447,075.77	-	13,898,173.74	72,736,287.77	-	109,259,805.96	-	1,058,264,563.24

Legal Representative: Li Zuorong

Person in Charge of Accounting Activity: He Xuesong

Person in Charge of Accounting Organ: He Xuesong

Statement of Change in Shareholders' Equity of Parent Company (Con.)

Prepared by Hubei Sanonda Co., Ltd.

Year 2009

Unit: RMB Yuan

Items	Amount in 2008								
	Share capital	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General Risk provision	Retained earnings	others	Total shareholders' equity
I. Balance at the end of the previous year	593,923,220.00	268,447,075.77	-	-	57,285,245.67		-27,490,764.62	-	892,164,776.82
Plus: Change in accounting policies	-	-	-	7,122,597.44	-	-		-	7,122,597.44
Correction of errors in previous period	-	-	-		-	-	-	-	-
II. Balance at the beginning of this year	593,923,220.00	268,447,075.77	-	7,122,597.44	57,285,245.67	-	-27,490,764.62	-	899,287,374.26
III. Increase/ decrease during the financial year ("-"for loss)	-	-	-	9,242,395.43	15,305,381.25	-	165,239,195.86	-	189,786,972.54
(I) Net profit	-	-	-		-		180,544,577.11	-	180,544,577.11
(II) Other comprehensive incomes									-
Subtotal of (I) and (II)	-	-	-		-		180,544,577.11	-	180,544,577.11
(III) Contributions and decrease of capital	-	-	-		-	-	-	-	-
1. Contributions by shareholders	-	-	-		-	-	-	-	-
2. Amount of share-based	-	-	-		-	-	-	-	-

payment included in shareholders' equity									
3. Others	-	-	-		-	-	-	-	-
(IV) Profit distribution	-	-	-		15,305,381.25	-	-15,305,381.25	-	-
1. Withdrawing surplus public reserve	-	-	-		15,305,381.25	-	-15,305,381.25	-	-
2. Withdrawing general risk reserve	-	-	-		-	-	-	-	-
3. Distribution to all shareholders	-	-	-		-	-	-	-	-
4. Other	-	-	-		-	-	-	-	-
(V) Internal transfer within shareholders' equity	-	-	-		-	-	-	-	-
1. Capital reserve transferred to capital (or share capital)	-	-	-		-	-	-	-	-
2. Surplus reserve transferred to capital (or share capital)	-	-	-		-	-	-	-	-
3. Surplus reserve offsetting losses	-	-	-		-	-	-	-	-
4. Others	-	-	-		-	-	-	-	-
(VI) Specific reserve				9,242,395.43					9,242,395.43
1. Withdrawn in this period				9,497,401.30					9,497,401.30
2. Used in this period				255,005.87					255,005.87
IV. Balance at the end of this period	593,923,220.00	268,447,075.77	-	16,364,992.87	72,590,626.92	-	137,748,431.24	-	1,089,074,346.80

Legal Representative: Li Zuorong

Person in Charge of Accounting Activity: He Xuesong

Person in Charge of Accounting Organ: He Xuesong

Consolidated Statement of Change in Owners' Equity

Prepared by Hubei Sanonda Co., Ltd.

Year 2009

Unit: RMB Yuan

Items	Amount in 2009									
	Shareholders' equity attributable to parent company								Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General Risk provision	Retained earnings	others		
I. Balance at the end of the previous year	593,923,220.00	271,719,841.74		-	89,879,859.33		143,035,950.70		17,829,809.82	1,116,388,681.59
Plus: Change in accounting policies	-	-		22,451,964.08	-17,289,232.41		-5,603,366.50		440,634.83	-0.00
Correction of errors in previous period	-	-			-		-		-	-
II. Balance at the beginning of this year	593,923,220.00	271,719,841.74		22,451,964.08	72,590,626.92		137,432,584.20		18,270,444.65	1,116,388,681.59
III. Increase/ decrease during the financial year ("-"for loss)	-	-128,363.39	-	-1,762,144.09	145,660.85	-	-8,385,727.35	-	-5,905,564.32	-16,036,138.30
(I) Net profit	-	-			-		19,310,850.13		-118,931.80	19,191,918.33
(II) Other comprehensive incomes		-128,363.39							-14,262.60	-142,625.99
Subtotal of (I) and (II)	-	-128,363.39			-		19,310,850.13		-133,194.40	19,049,292.34
(III) Contributions and decrease of capital	-	-	-	-3,660,462.28	-	-	2,248,656.34	-	-5,195,469.41	-6,607,275.35
1. Contributions by shareholders	-	-		-	-		-		-5,599,813.82	-5,599,813.82
2. Amount of share-based	-	-		-	-		-		-	-

payment included in shareholders' equity										
3. Others	-	-	-3,660,462.28	-	2,248,656.34	404,344.41	-1,007,461.53			
(IV) Profit distribution	-	-		145,660.85	-29,945,233.82	-1,417,133.12	-31,216,706.09			
1. Withdrawing surplus public reserve	-	-		145,660.85	-145,660.85	-	-			
2. Withdrawing general risk reserve	-	-		-	-	-	-			
3. Distribution to all shareholders	-	-		-	-29,799,572.97	-1,417,133.12	-31,216,706.09			
4. Other	-	-		-	-	-	-			
(V) Internal transfer within shareholders' equity	-	-		-	-	-	-			
1. Capital reserve transferred to capital (or share capital)	-	-		-	-	-	-			
2. Surplus reserve transferred to capital (or share capital)	-	-		-	-	-	-			
3. Surplus reserve offsetting losses	-	-		-	-	-	-			
4. Others	-	-		-	-	-	-			
(VI) Specific reserve			1,898,318.19			840,232.61	2,738,550.80			
1. Withdrawn in this period			13,553,404.98			885,777.79	14,439,182.77			
2. Used in this period			11,655,086.79			45,545.18	11,700,631.97			
IV. Balance at the end of this period	593,923,220.00	271,591,478.35	-	20,689,819.99	72,736,287.77	-	129,046,856.85	-	12,364,880.33	1,100,352,543.29

Consolidated Statement of Change in Owners' Equity (Con.)

Prepared by Hubei Sanonda Co., Ltd.

Year 2009

Unit: RMB Yuan

Items	Amount in 2008									
	Shareholders' equity attributable to parent company								Minority interests	Total shareholders' equity
	Share capital	Capital reserve	Less: treasury stock	Specific reserve	Surplus reserve	General Risk provision	Retained earnings	others		
I. Balance at the end of the previous year	593,923,220.00	271,719,841.74	-	-	57,285,245.67		-7,943,821.74	-	23,086,736.33	938,071,222.00
Plus: Change in accounting policies	-	-	-	9,529,833.51	-		789,454.54	-	1,345,872.71	11,665,160.76
Correction of errors in previous period	-	-	-		-		-	-	-	-
II. Balance at the beginning of this year	593,923,220.00	271,719,841.74	-	9,529,833.51	57,285,245.67	-	-7,154,367.20	-	24,432,609.04	949,736,382.76
III. Increase/ decrease during the financial year ("-"for loss)	-	-	-	12,922,130.57	15,305,381.25	-	144,586,951.40	-	-6,162,164.39	166,652,298.83
(I) Net profit	-	-	-		-		159,892,332.65	-	-4,974,878.31	154,917,454.34
(II) Other comprehensive incomes										-
Subtotal of (I) and (II)	-	-	-		-	-	159,892,332.65	-	-4,974,878.31	154,917,454.34
(III) Contributions and decrease of capital	-	-	-		-	-	-	-	-500,000.00	-500,000.00
1. Contributions by shareholders	-	-	-		-		-	-	-500,000.00	-500,000.00
2. Amount of share-based	-	-	-		-		-	-	-	-

payment included in shareholders' equity										
3. Others	-	-	-		-		-	-	-	-
(IV) Profit distribution	-	-	-		15,305,381.25	-	-15,305,381.25	-	-1,958,469.46	-1,958,469.46
1. Withdrawing surplus public reserve	-	-	-		15,305,381.25		-15,305,381.25	-	-	-
2. Withdrawing general risk reserve	-	-	-		-		-	-	-	-
3. Distribution to all shareholders	-	-	-		-		-	-	-1,958,469.46	-1,958,469.46
4. Other	-	-	-		-		-	-	-	-
(V) Internal transfer within shareholders' equity	-	-	-		-	-	-	-	-	-
1. Capital reserve transferred to capital (or share capital)	-	-	-		-		-	-	-	-
2. Surplus reserve transferred to capital (or share capital)	-	-	-		-		-	-	-	-
3. Surplus reserve offsetting losses	-	-	-		-		-	-	-	-
4. Others	-	-	-		-		-	-	-	-
(VI) Specific reserve				12,922,130.57					1,271,183.38	14,193,313.95
1. Withdrawn in this period				16,465,859.49					1,378,367.57	17,844,227.06
2. Used in this period				3,543,728.92					107,184.19	3,650,913.11
IV. Balance at the end of this period	593,923,220.00	271,719,841.74	-	22,451,964.08	72,590,626.92	-	137,432,584.20	-	18,270,444.65	1,116,388,681.59

(III) Notes to Financial Statement**Hubei Sanonda Co., Ltd****Notes to Financial Statement as of the Year 2009**

(The following amount is expressed in RMB unless otherwise special explanation)

I. Company profiles

The former Hubei Sanonda Co., Ltd. (hereinafter referred to "Company" or "the Company") is state operated Hubei Sha City Pesticides Factory, which was set up in 1958. In Aug. 1992, as approved by Hubei Commission for Economic System Reformation, the original enterprise was reorganized as Hubei Sanonda Co., Ltd., which turned into the first pioneer large state-operated industry enterprise in Hubei Province. On 8 Sep. 1992, on the basis of reorganization of the former enterprise, the Company was established formally. As approved by People's Government of Hubei Province and reviewed by CSRC, 30,000,000 RMB ordinary public shares ("A shares") of the Company have been issued since Oct. to 30 Nov. 1993. On 3 Dec. 1993, shares of the Company have been listed on Shenzhen Stock Exchange.

As approved by Securities Committee of the State Council with "ZF (1997) No. 23", its domestically listed foreign shares ("B shares") amounting to 100,000,000 shares have been issued at the par value of RMB 1 per share on 29 Apr. 1997 to 5 May 1997, such shares have been listed for trading on the Shenzhen Stock Exchange on 15 May 1997, and over-allotment option of 15,000,000 shares have been exercised since 15 May to 21 May 1997. The proposal on transferring capital reserve into share capital has been examined and approved at the Shareholders' General Meeting 2006 held in May 2007, which transferred capital reserve into share capital at the rate of 10 for 10, and has been implemented in July 2007. After transferring, the total share capital was RMB 593,920,000.

The registration address of the Company is located at No. 93, Beijing East Road, Jingzhou, Hubei. Legal representative is Li Zuorong. Share abbreviations are Sanonda A and Sanonda B with stock code of 000530 and 200530 respectively.

Parent company of the Company is Sanonda Group Corporation, as well as ChemChina Agrochemical Corporation as final parent company.

Main pesticide products include orthene, paraquate, glyphosate, trichlorphon, DDVP, omethoate, triazophos, imidacloprid and carbofuran. Main chemical products include spermine, liquid caustic soda, liquefied chlorine gas and hydrochloric acid. The Company has self-operated import & export right. The Company has passed ISO9002 Quality System Certification and ISO14001 Environment Management System Certification.

II. Statement for complying with the accounting standard for business enterprise

The financial statements of the Company are prepared based on the following preparation basis, which are in compliance with the requirements of the accounting standard for business enterprise (promulgated by the Ministry of Finance on 15 Feb. 2006) and reflect the Company's financial status, operating results and cash flows in true and complete.

III. Preparation basis of financial statement

With going-concern assumption as the basis, the Company prepares its financial statement in light of the actual transactions matters, as well as relevant provisions of the accounting standard for business enterprise promulgated by the Ministry of Finance of PRC on 15 Feb. 2006 and application guide, and the following primary accounting policies and accounting estimates.

IV. Major accounting policies and accounting estimates

1. Fiscal period

The Company's fiscal year is from Jan. 1 to Dec. 31 of the Gregorian calendar.

2. Bookkeeping base currency

The Company adopts Renminbi as a bookkeeping base currency.

3. Financial statement items that measurement attributes changed and measurement attributes adopted in the reporting period

Measurement attributes adopted by the Company shall include historical cost, replacement cost, net realizable value, present value and fair value.

The Company shall make accounting recognition, measurement and report by adopting accrual basis. Historical cost shall be adopted for measurement of financial statement items other than such items as tradable financial assets, financial assets available for sales, business combination not under the same control, nonmonetary assets exchange with commercial purpose, debts reorganization, nonmonetary assets invested by investors shall be measured by adopting fair value.

4. Recognition standard for cash equivalents

In cash flow statement, cash defines cash on hand and any deposit that can be used for cover, while cash equivalents are short-term (usually due within 3 months since the day of purchase) and high circulating investments, which are easily convertible into known amount of cash and whose risks in change of value are minimal.

5. Accounting methods for foreign currency

(1) As for a foreign currency transaction, the Company shall convert the amount in a foreign currency into amount in its bookkeeping base currency at the middle price of market exchange rate published by the People's Bank of China on the day the transaction is occurred. Of which, as for such transactions as foreign exchange or involving in foreign exchange, the Company shall converted into amount in the bookkeeping base currency at actual exchange rate the transaction is occurred.

(2) The Company shall, on the balance sheet date, converted the account balance of foreign currency monetary assets and liabilities into amount in its bookkeeping base currency at the middle price of market exchange rate published by the People's Bank of China on the balance sheet date. The balance arising from the difference between amount in the bookkeeping base currency converted at exchange rate on the balance sheet date and amount in the original bookkeeping base currency shall be recorded into the exchange gains and losses. Of which, the exchange gains and losses arising from foreign currency loans related to acquisition of fixed assets shall be treated at the principle of capitalization of borrowing costs, other balance of exchange shall be measured into the financial expense of the current period.

(3) The Company shall, on the balance sheet date, convert the foreign currency nonmonetary items measured at the historical cost into amount in its bookkeeping base currency at the middle price of market exchange rate published by the People's Bank of China on the day the transaction is occurred, not changing its original bookkeeping base currency. Where the foreign nonmonetary items measured at the fair value shall be converted into amount in its bookkeeping base currency at the middle price of market exchange rate published by the People's Bank of China on the day the fair value is recognized, the exchange gains and losses arising therefrom shall be recorded into the current period gains and losses as gains and losses on change in fair value.

6. Financial assets and financial liabilities

(1) Classification of Financial assets and financial liabilities

Financial assets shall be classified into the following four categories when they are initially recognized: (a) the financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period, including transactional financial assets and the financial assets which are measured at their fair values and of which the variation is included in the current profits and losses; (b) the investments which will be held to their maturity; (c) loans and the account receivables; and (d) financial assets available for sale.

Financial liabilities shall be classified into the following two categories when they are initially recognized: (a) the financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses, including transactional financial liabilities and the designated financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses; and (b) other financial liabilities.

(2) Recognition of financial assets and financial liabilities and measurement methods

When the Company becomes a party to a financial instrument, it shall recognize a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company shall be measured at their fair values. For the financial assets and liabilities measured at their fair values and of which the variation is recorded into the profits and losses of the current period, the transaction expenses thereof shall be directly recorded into the profits and losses of the current period; for other categories of financial

assets and financial liabilities, the transaction expenses thereof shall be included into the initially recognized amount.

The Company shall make subsequent measurement on its financial assets according to their fair values, and may not deduct the transaction expenses that may occur when it disposes of the said financial asset in the future. However, those under the following circumstances shall be excluded: (a) The investments held until their maturity, loans and accounts receivable shall be measured on the basis of the post-amortization costs by adopting the actual interest rate method; (b) The equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably, and the derivative financial assets which are connected with the said equity instrument and must be settled by delivering the said equity instrument shall be measured on the basis of their costs.

The Company shall make subsequent measurement on its financial liabilities on the basis of the post-amortization costs by adopting the actual interest rate method, with the exception of those under the following circumstances: (a) For the financial liabilities measured at their fair values and of which the variation is recorded into the profits and losses of the current period, they shall be measured at their fair values, and none of the transaction expenses may be deducted, which may occur when the financial liabilities are settled in the future; (b) For the derivative financial liabilities, which are connected to the equity instrument for which there is no quotation in the active market and whose fair value cannot be reliably measured, and which must be settled by delivering the equity instrument, they shall be measured on the basis of their costs; (c) For the financial guarantee contracts which are not designated as a financial liability measured at its fair value and the variation thereof is recorded into the profits and losses of the current period, and for the commitments to grant loans which are not designated to be measured at the fair value and of which the variation is recorded into the profits and losses of the current period and which will enjoy an interest rate lower than that of the market, a subsequent measurement shall be made after they are initially recognized according to the higher one of the following: i. the amount as determined according to the best estimate of the necessary expenses for the performance of the current obligation.; or ii. the surplus after accumulative amortization as determined according to the effective interest method is subtracted from the initially recognized amount.

(3) Recognition of transfer of financial assets

Where the Company has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall continue to recognize transferred financial assets, and the consideration received shall be recognized as a financial liabilities. Where the Company does not transfer or retain nearly all of the risks and rewards related to the ownership of a financial asset, it shall deal with it according to the circumstances as follows, respectively:

- (a) If it gives up its control over the financial asset, it shall stop recognizing the financial asset;
- (b) If it does not give up its control over the financial asset, it shall, according to the extent of its continuous involvement in the transferred financial asset, recognize the related financial asset and recognize the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following two items shall be recorded in the profits and losses of the current period:

- (a) The book value of the transferred financial asset;
- (b) The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owner's equities.

If the transfer of partial financial asset satisfies the conditions to stop the recognition, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped, be apportioned according to their respective relative fair value, and the difference between the amounts of the following two items shall be included into the profits and losses of the current period:

- (a) The book value of the portion whose recognition has been stopped;
- (b) The sum of consideration of the portion whose recognition has been stopped, and the portion of the accumulative amount of the changes in the fair value originally recorded in the owner's equities which are corresponding to the portion whose recognition has been stopped.

(4) Determination of the fair value of main financial assets and financial liabilities

As for the financial assets or financial liabilities for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques (including the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc.) to determine its fair value. As for the financial assets initially obtained or produced at source and the financial liabilities assumed, the fair value thereof shall be determined on the basis of the transaction price of the market.

(5) Impairment test of financial assets and withdrawal method of impairment provision

The Company shall carry out an impairment test, on the balance sheet day, on the carrying amount of the financial assets other than those measured at their fair values and of which the variation is recorded into the profits and losses of the current period. An impairment test shall be made on the financial assets with significant single amounts. With regard to the financial assets with insignificant single amounts, an independent

impairment test may be included in a combination of financial assets with similar credit risk features so as to carry out an impairment-related test. Where, upon independent test, the financial asset (including those financial assets with significant single amounts and those with insignificant amounts) has not been impaired, it shall be included in a combination of financial assets with similar risk features so as to conduct another impairment test.

As for a financial asset measured on the basis of post-amortization costs, where there is any objective evidence proving that such financial asset has been impaired, a loss on impairment shall be made in the light of the balance between the book value and the current value of the predicted future cash flow. Where there is a very small gap between the predicted future cash flow of a short-term account receivable item and the current value thereof, the predicted future cash flow is not required to be capitalized when determining the relevant impairment-related losses. Where an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or a derivative financial asset which is connected with the equity instrument and which must be settled by delivering the equity instrument, suffers from any impairment, the gap between the carrying amount of the equity instrument investment or the derivative financial asset and the current value of the future cash flow of similar financial assets capitalized according to the returns ratio of the market at the same time shall be recognized as impairment-related losses. Where the fair value of financial assets available for sales has decrease by a big margin and the expected downward trend belongs to non-transient, the losses on impairment shall be recognized, and the accumulative losses on the fair value of the owner's equity which was directly included shall be transferred out and recorded into the impairment-related losses.

(6) Termination recognition of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly.

7. Measurement of bad debts for accounts receivable

(1) Recognition of bad debts: the accounts receivable can not be recalled in line with the legal liquidation procedure because debtor has a great bankruptcy and insolvency; or the accounts receivable indeed can not be recalled due to the death of the debtor without leaving any property or there is no person to undertake the obligation; or accounts receivable can not be recalled where the debtor failed to perform obligation overdue and there are conclusive evidences which make it clear hat the accounts receivable can not be recalled.

(2) Allowance method shall be adopted by the company in the computation of the bad debts.

(3) Withdrawal method of provision for bad debt and proportion:

① An independent impairment test shall be carried out on the accounts receivable with significant single amounts (the balance is over RMB 5 million) and ones with insignificant singles amounts but with significant credit risk, and the losses on

impairment shall be made on the basis of the balance between the current values of the predicted future cash flow lower than book value so as to withdraw provision for bad debts.

② Other receivables other than the above two accounts receivable shall be divided into several combinations in the light of aging, and then the losses on impairment shall be made on the basis of a certain proportion of ending balance of such accounts receivable combination so as to withdraw provision for bad debts. The Company shall withdraw the provision for bad debts at a proportion of 5% of ending balance of accounts receivable for every aging and 100% of accounts receivable for aging with 5 years or over.

③ Where there are conclusive evidences shows that the accounts receivable can not be recalled, the Company shall, in accordance with administration authority, make a loss on bad debts after approval of the Shareholders' General Meeting or the Board of Directors, so as to write off the provision for bad debts withdrawn.

8. Measurement of inventories

(1) The inventories of the Company include raw materials, goods in process, merchandise on hand, consigned processing materials, goods in transit, packaging materials, low value consumables, etc.

(2) The inventories shall be initially measured in light of their cost. On the date of balance sheet, the inventories shall be measured whichever is lower in accordance with the cost and the net realizable value.

(3) Physical inventory at fixed periods shall be taken under perpetual inventory system.

(4) A bulk chemicals raw materials, good in process and finished products shall be priced at actual cost, while cost of sending out inventories shall be carried forward at the weighted average method. Auxiliary material and packaging materials shall be priced at actual cost and be measured by adopting planned cost; the difference between the actual cost and planned cost shall be recorded into materials cost variance when measurement, which materials cost variance allocable thereto shall be calculated based on materials cost difference rate at the end of month, and the planned cost of sending out materials shall be adjusted as actual cost. Low value consumables shall be recoded at actual cost and be amortized by employing the one-off write-off method when claiming.

(5) On the date of balance sheet, the inventories shall be measured whichever is lower in accordance with the cost and the net realizable value. If the cost of inventories is higher than the net realizable value, the provision for the loss on decline in value of inventories shall be made and be included in the current profits and losses. If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be resumed and be reversed from the provision for the loss on decline in value of inventories that has been made. The reverse amount shall be included in the current profits and losses. The net realizable value refers to in the daily business activity the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories.

9. Measurement of investment real estates

Investment real estates of the Company include the right to use any land which has already been rented; the right to use any land which is held and prepared for transfer after appreciation; and the right to use any building which has already been rented. Investment real estates shall be recognized when it meets the following requirements simultaneously: (a) the Company can get rental income related to the investment real estates or incremental return, and (b) the cost of the investment real estates can be reliably measured. The initial measurement shall be made at its actual cost when purchase or building.

The Company shall make a follow-up measurement to the investment real estates by employing the cost pattern on the date of the balance sheet. An accrual depreciation or amortization shall be made for the investment real estates in the light of the accounting policies of fixed assets and intangible assets.

When the Company changed the purpose of the real estate, such as becomes to be used for its own, it shall convert the investment real estate to other assets.

Measurement of impairment provision for investment real estates: on the balance sheet data, the Company shall make inspection to the investment real estates item by item; where there is any sign of impairment of the investment real estates, the recoverable amount shall be estimated in the light of the individual investment real estate item; with regard to the balance between recoverable amount lower than its book value, its provision for impairment of the investment real estate shall be withdrawn. The provision for impairment of the investment real estate shall be recognized on the basis of the balance between the book value of individual investment real estate item higher than its recoverable amount. Once any impairment provision of the investment real estate is recognized, it shall not be switched back in the future accounting periods.

10. Measurement of Fixed assets

(1) The term "fixed assets" refers to the tangible assets that simultaneously possess the features as follows: (a) They are held for the sake of producing commodities, rendering labor service, renting or business management; and (b) Their useful life is in excess of one fiscal year.

No fixed asset may be recognized unless it simultaneously meets the conditions as follows: (a) The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; and (b) The cost of the fixed asset can be measured reliably.

The initial measurement of a fixed asset shall be made at its cost.

(2) Depreciation of fixed assets: The Company shall make depreciation for all its fixed assets. However, the fixed assets that have been fully depreciated but are still in use and the land that is separately measured and included shall be excluded. The term "depreciable amount" refers to the amount of deducting its expected net salvage value from the original price of the fixed asset to be depreciated. For a fixed asset, the provision for depreciation has been made, it shall deduct the accumulative amount of the

provision for impairment of the depreciated fixed asset that has been already made shall be deducted. The "expected net salvage value" refers to the expected amount that an enterprise may obtain from the current disposal of a fixed asset after deducting the expected disposal expenses at the expiration of its expected useful life.

Depreciation of fixed assets shall be made by adopting the straight-line method. categories, expected useful life, expected residual ratio and yearly depreciation:

Categories	Depreciation life	Annual depreciation	Expected residual ratio
House & buildings	24 years	4.00%	4%
Special equipment	9 years	10.89%	2%
General-purpose equipment	18 years	5.33%	4%
Transportation vehicles	9 years	10.89%	2%

Productive fixed assets has a large amount under the production environment with a certain chemical corrosion, as a result, the residual value is the smaller.

(3) Measurement of provision for fixed asset impairment: on the balance sheet data, the Company shall make inspection to the fixed assets item by item; where there is any sign of impairment of the fixed assets, the recoverable amount shall be estimated in the light of the individual fixed assets item; with regard to the balance between recoverable amount lower than its book value, its provision for the fixed assets impairment shall be withdrawn. The provision for fixed assets impairment shall be recognized on the basis of the balance between the book value of individual fixed assets item higher than its recoverable amount. Once any impairment provision of the fixed assets is recognized, it shall not be switched back in the future accounting periods.

11. Measurement of construction in progress

(1) Construction in progress of the Company includes self-operating project and construction contracted.

(2) Initial measurement of the construction in progress: Cost of the construction in progress shall be recognized at its actual expenses incurred. Where interest on borrowing related to the construction in progress occurred before the fixed assets reached estimated usable status, it shall be capitalized.

(3) Time point of construction in progress being carried forward as fixed assets shall be recognized at the time point that the construction reaches estimated usable status.

(4) Measurement of provision for impairment of construction in progress: on the balance sheet data, the Company shall make inspection to the construction in progress item by item; where there is any sign of impairment of the construction in progress, the recoverable amount shall be estimated; with regard to the balance between recoverable amount lower than its book value, its provision for the construction in progress impairment shall be withdrawn. The provision for impairment of construction in progress shall be recognized on the basis of the balance between the book value of

individual construction in progress item higher than its recoverable amount. Once any impairment provision of the construction in progress is recognized, it shall not be switched back in the future accounting periods.

12. Confirmation and measurement of intangible assets

(1) Initial Measurement of intangible assets

The intangible assets are initially measured according to its actual cost when acquired.

(2) Classification criteria for research expenditures and development expenditures of the Company's internal research and development projects

The expenditures for the Company's internal research and development projects are classified into research expenditures and development expenditures for separate handling.

The research expenditures refer to the Company's expenses for the creative and planned investigations to acquire and understand new scientific or technological knowledge. The Company's research expenditures for its internal research and development projects are recorded into the profit or loss for the current period.

The development expenditures refer to the Company's expenses for the application of research achievement and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new material, device or product, or substantially improved material, device and product. And the development expenditures are confirmed as intangible assets when they satisfied the following conditions simultaneously: 1) It is technically feasible to finish the intangible assets for use or sale; 2) It is intended to finish and use or sell the intangible assets; 3) The usefulness of methods for intangible assets to generate economic benefits is proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or that there is a potential market for the intangible assets itself or that the intangible assets will be used internally; 4) It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and 5) The development expenditures of the intangible assets can be reliably measured.

Any other expenditure that the Company can not identify their belonging to research expenditures or development expenditures are recorded as management expenditures into the profit or loss for the current period.

(3) Subsequent measurement of intangible assets

① Estimate of the service life of intangible assets

As for the intangible assets that are possessed or controlled by the Company and that are derived from any contractual right or other statutory rights, their service lives do not exceed the term of the contractual right or other statutory rights; Where the contractual right or other statutory rights continue due to their renewal after expiration and it is proved that the Company does not need to pay a high cost for the renewal, the renewed

period is included in the service life of the intangible assets; where the service lives of the intangible assets are not stipulated in contracts or by law, they are determined by the Company's previous experience or professional opinions from relevant experts. After adoption of the aforesaid methods, if it is still unable to forecast the period when the intangible asset can bring economic benefits to the Company, it is regarded by the Company as an intangible assets with uncertain service life.

② Check on the service life of intangible assets

The Company checks the service life of intangible assets on the balance sheet date. Where there are evidences to prove that the service life of an intangible asset is different from before, the service life of the intangible asset will be changed and treated according to accounting estimate; where there are evidences to prove that the intangible assets with uncertain service life have limited service lives, they will be estimated of their service lives, and be treated according to the handling principles for intangible assets with limited service life.

③ Amortization of intangible assets with limited service lives

The Company's intangible assets with limited service lives are amortized on a straight-line basis within their expected service lives beginning from the month of their acquisition.

④ Subsequent measurement of intangible assets with uncertain service lives

Based on the relevant information available, if the service life of an intangible asset can not be reasonably estimated, the Company recognizes the intangible asset as an intangible asset with an uncertain service life. The intangible assets with uncertain service lives will not be amortized during the holding period, but the Company will conduct testing in every accounting period for the devaluation of intangible assets with uncertain service lives.

(4) Withdrawal method of reserve for intangible assets impairment

At the period-end, the Company checks its intangible assets item by item. Where there is a sign of asset impairment, the Company estimates the recoverable amount according to the single intangible asset. Where the recoverable amount of the asset is less than its book value, the book value is written down as the recoverable amount. The written-down amount is recognized as assets impairment loss, and the corresponding impairment reserve is withdrawn. Upon the recognition of the reserve for intangible assets impairment, it is not to be reversed in the following accounting periods.

13. Measurement of Long-term Equity Investments

(1) The initial measurement of long-term equity investment: the initial cost of the long-term equity investment, which is acquired by different means, shall be ascertained in the following ways:

① As for the long-term equity investment acquired by merger of enterprises under the same control, the share of the book value of the owner's equity of the merged enterprise,

on the date of merger, is regarded as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party, or the total face value of marketable securities issued shall be accounted into capital reserve; If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

② As for the long-term equity investment acquired by the merger under different control, the merger costs ascertained is regarded as the initial cost of the long-term equity investment. If the merger cost is larger than the fair value difference of the purchased party's net identifiable assets, it will be recorded as goodwill in the consolidated financial statement; if the merger cost is smaller than the fair value difference of the purchased party's net identifiable assets, it will be accounted into current profits and losses.

③ Beside the aforesaid long-term equity investment acquired by enterprises merger, with regard to the long-term investment acquired by payment in cash, non-monetary assets paid, or marketable securities issued, its fair value shall be regarded as the initial cost of the long-term equity investment; the initial cost of a long-term equity investment obtained by debt rephrasing will be the fair value of shares owned after debt-for-equity swap; as for long-term equity investment invested by investors, the valued ascertained in the investment contract or agreement shall be regarded as the initial cost, but if the value ascertained in the investment contract or agreement was not fair, the fair value of investment equity would be regarded as the initial cost. The cash profit included in the actual payment or consideration, which has been announced yet not drew, shall be independently calculated as account receivables.

(2) Subsequent Measurement of Long-term Equity Investments: for a long-term equity investment for which there is no offer in the active market and of which the fair value cannot be reliably measured, if the Company has not joint control or significant influence over the subsidiaries or the invested entities, the cost method shall be employed in the measurement; if the Company has joint control or significant influence over the invested entities, the equity method shall be employed.

The term "joint control" refers to the control over an economic activity in accordance with the contracts and agreements. Following situations shall be considered to decide whether it is joint control:

① No cooperative party can singly control the production and operation activities of the joint venture.

② Decisions involving basic business activities of the joint venture require consensus among the cooperative parties.

③ The cooperative parties can appoint one cooperative party by contract or agreement to conduct management over daily operation of the joint venture, but the appointed cooperative party shall exercise its administrative power within the scope of finance and business policy, which has been agreed by all cooperative parties.

The term “significant influences” refers to the power to participate in making decisions on the financial and operating policies of the invested entities, but not to control or do joint control together with other parties over the formulation of these policies. As for the Company, holding directly or indirectly through subsidiaries more than 20% but less than 50% voting shares is regarded as having significant influence over the invested entities, except for the situations where there is specific evidence proving it can not participate the decision making in operation and production of the invested entities, and thus cannot exert significant influence.

It’s generally considered by the Company that those entities which hold less than 20% voting shares of the invested entities have no significant influence over the invested entities except for the following situations:

- ① Having representative(s) in the Board of Directors or other similar authority of the invested entities.
- ② Participating in the process of formulating policies in the invested entities, including the formulation of dividend distribution policy etc.
- ③ Having important transactions with the invested entities.
- ④ Dispatching management personnel to the invested entities.
- ⑤ Providing key technology materials to the invested entities.

(3) Impairment for long-term equity investment: if there are signals for impairment, withdrawal in single items shall be conducted based on the difference between the receivable amount and the book value, so as to ascertain impairment losses. Once ascertained, the impairment for long-term equity investment will not be returned in the coming accounting period.

14. Measurement of Borrowing Cost

(1) The Range of Borrowing Costs

The Company’s borrowing costs include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance incurred by foreign currency borrowings etc..

(2) The Ascertain Principle of Borrowing Costs

Where the borrowing costs incurred to the Company can be directly attributable to the construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses.

(3) The Ascertain of Capitalization Period of Borrowing Costs

① The Ascertain of Beginning Capitalization

If the asset disbursements or the borrowing costs have already incurred, and the

construction or production activities which are necessary to prepare the asset for its intended use or sale have already started, the capitalization of borrowing costs begins.

② The Ascertain of Suspending Capitalization

Where the construction or production of asset eligible for capitalization is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period, till the construction or production of the asset restarts. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue.

③ The Ascertain of Ceasing Capitalization

When the asset eligible for capitalization under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. The borrowing costs incurred after the asset eligible for capitalization under acquisition and construction or production is ready for the intended use or sale shall be recognized as expenses at the incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period.

(4) The Ascertain of the To-Be-Capitalized Amount of Borrowing Costs

① The Ascertain of the To-Be-Capitalized Amount of Borrowing Interests

During the period of capitalization, the to-be-capitalized amount of interests (including the amortization of discounts or premiums) in each accounting period shall be determined according to the following provisions:

A: As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.

B: Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

C: Where there is any discount or premium, the amount of discounts or premiums that shall be amortized during each accounting period shall be determined by the real interest rate method, and an adjustment shall be made to the amount of interests in each period.

D: During the period of capitalization, the amount of interest capitalized during each

accounting period shall not exceed the amount of interest actually incurred by the relevant borrowings in the current period.

② The Ascertain of the To-Be-Capitalized Amount of Ancillary Expense

A: For the ancillary expense incurred to a specifically borrowed loan, those incurred before a qualified asset under acquisition, construction or production is ready for the intended use or sale shall be capitalized at the incurred amount when they are incurred, and shall be recorded into the costs of the asset eligible for capitalization; those incurred after a qualified asset under acquisition and construction or production is ready for the intended use or sale shall be recognized as expenses on the basis of the incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period.

B: The ancillary expenses arising from a general borrowing shall be recognized as expenses at their incurred amount when they are incurred, and shall be recorded into the profits and losses of the current period.

③ The Ascertain of the To-Be-Capitalized Amount of Exchange Balance

During the period of capitalization, the exchange balance on foreign currency borrowings shall be capitalized and shall be recorded into the cost of assets eligible for capitalization.

15. Measurement of Employee Compensation

(1) The employee compensation includes: wages, bonuses, allowances and subsidies for the employees; welfare benefits for the employees; endowment insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and other social insurances; housing accumulation fund; labor union expenditure and employee education expenses; non-monetary welfare; compensations for the cancellation of the labor relationship with the employees; and other relevant expenditures of services offered by the employees.

(2) During the accounting period of an employee's providing services to the Company, the employee compensation payable is recognized as liabilities. Except for the compensations for the cancellation of the labor relationship with the employee, the employee compensations are recorded, according to the beneficiaries of the services offered by the employee, respectively as costs of fixed assets, costs of intangible assets, product costs and service costs. Other employee compensations are directly included in the profit or loss for the current period.

16. Measurement of Government Subsidies

The government subsidies pertinent to incomes are treated respectively in accordance with the circumstances as follows: 1) Those subsidies used for compensating the related future expenses or losses of the Company are recognized as deferred income and are included in the current profits and losses during the period when the relevant expenses are recognized; or 2) Those subsidies used for compensating the related expenses or

losses incurred to the Company are directly included in the current profits and losses.

The government subsidies pertinent to assets are recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. But the government subsidies measured at their nominal amount are directly included in the current profits and losses.

17. Measurement of Projected Liabilities

(1) The obligation pertinent to a contingency is recognized as projected liabilities when the following conditions are satisfied simultaneously:

- ① That obligation is a current obligation of the Company;
- ② It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and
- ③ The amount of the obligation can be measured in a reliable way.

(2) Projected liabilities are initially measured in accordance with the best estimate of the necessary expenses for the performance of the relevant current obligation.

If there is a sequent range for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate is determined in accordance with the middle estimate within the range.

In other cases, the best estimate is conducted in accordance with the following situations, respectively:

- ① if the contingencies concern one single item, it is determined in the light of the most likely outcome.
- ② if the contingencies concern two or more items, the best estimate is calculated and determined in accordance with all possible outcomes and the relevant probabilities.

18. Recognition and Measurement of Revenues

(1) Recognition standards for revenues from selling goods

Revenues from selling goods are recognized when the following conditions are met simultaneously: 1) the significant risks and rewards of ownership of the goods have been transferred to the buyer by the Company; 2) the Company retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; 3) the relevant amount of revenues can be measured in a reliable way; 4) the relevant economic benefits may flow into the Company; and 5) the relevant costs incurred or to be incurred can be measured in a reliable way.

(2) Recognition standards of revenues from providing labor services

- ① Recognition standards of revenues from providing labor services on the condition that the Company can reliably estimate the outcome of a transaction concerning the labor services it provides

If the Company can, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the labor services it provides, it recognizes the revenues from providing services employing the percentage-of-completion method. And the outcome of a transaction concerning the providing of labor services can be measured in a reliable way when the following conditions are met simultaneously: 1) the amount of revenues can be measured in a reliable way; 2) the relevant economic benefits are likely to flow into the Company; 3) the schedule of completion under the transaction can be confirmed in a reliable way; and 4) the costs incurred or to be incurred in the transaction can be measured in a reliable way.

② Recognition standards of revenues from providing labor services on the condition that the Company can not reliably estimate the outcome of a transaction concerning the labor services it provides

If the Company can not, on the date of the balance sheet, measure the result of a transaction concerning the providing of labor services in a reliable way, it is to be conducted in accordance with the following circumstances, respectively:

A. If the cost of labor services incurred is expected to be fully compensated, the revenues from providing labor services are recognized in accordance with the amount received or expected to be received, and the cost of labor services incurred is carried forward;

B. If the cost of labor services incurred is expected to be partially compensated, the revenues from providing labor services are recognized in accordance with the compensated amount, and the cost of labor services incurred is carried forward;

C. If the cost of labor services incurred is expected to be fully uncompensated, the cost incurred is included in the current profits and losses, and no revenue from the providing of labor services may be recognized.

③ Method of determining the stage of completion when employing the percentage-of-completion method

The stage of completion is determined according to the proportion of the costs incurred against the estimated total costs.

19. Measurement of Income Tax

Income tax includes the current income tax and deferred income tax. The income tax of the current period and deferred income tax shall be treated as income tax expense and shall be recorded into the profits and losses of the current period except that goodwill incurred for business combination or deferred income tax related to the transactions or events directly recorded in the owner's equity should be recorded into the owner's equity.

The Company shall, on the balance sheet date, recognize deferred income tax in the light of temporary difference between the book amount of the assets or liabilities and its tax base by employing the balance sheet approach.

(1) Recognition of deferred income tax assets

As for any deductible temporary difference, deductible loss or tax deduction that can be carried forward to the next year, the Company shall recognize the corresponding deferred income tax assets arising from a deductible temporary difference, deductible loss or tax deduction to the extent that the amount of future taxable income to be offset by the deductible temporary difference, deductible loss or tax deduction to be likely obtained. The deductible temporary difference occurred during the following transactions shall not be recognized as deferred income tax assets:

- ① This transaction is not business combination, and at the time of transaction, the accounting profits will not be affected, nor will the taxable amount be affected.
- ② Where the deductible temporary difference related to the investments of the subsidiary companies, associated enterprises and joint enterprises can meet the following requirements simultaneously, the Company shall recognize the corresponding deferred income tax assets: a. the temporary differences are likely to be reversed in the expected future; and b. it is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.

(2) Recognition of deferred income tax liabilities

Except for the taxable temporary differences occurred during the following transactions, the Company shall recognize the deferred income tax liabilities arising from all taxable temporary differences:

- ① The initial recognition of business reputation, or the initial recognition of assets or liabilities arising from the following transactions which are simultaneously featured by the following: a. the transaction is not business combination; and b. at the time of transaction, the accounting profits will not be affected, nor will the taxable amount be affected.
- ② As for the taxable temporary differences related to the investment of subsidiary companies, associated enterprises and joint enterprises, the Company can control the time of the reverse of temporary difference and the temporary differences are unlikely to be reversed in the expected future.

On the balance sheet date, the deferred income tax assets and deferred income tax liabilities shall be at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled, and reflect the effect of the expected asset recovery or liability settlement method on the balance sheet date on the income taxes.

The book amount of deferred income tax assets shall be reexamined on the balance sheet date. If it is unlikely to obtain sufficient taxable income taxes to offset the benefit of the deferred income tax assets, the book amount of the deferred income tax assets shall be written down. When it is probable to obtain sufficient taxable income taxes, such write-down amount shall be subsequently reversed.

V. Business combination and consolidated financial statement

(I) Accounting treatment for business combination under the same control and under the different control

1. Business combination under the same control

As for the business combination under the same control, the assets and liabilities that the Company, as the combining party, obtains in a business combination shall be measured on the basis of their book amount in the combined party on the combining date. For long-term equity investment formed by acquisition of majority interest under the same control, its initial investment cost shall be measured on the basis of the Company's attributable share of the carrying value of the combined party's owner's equity on the combining date. For details of relevant accounting treatment, please refer to Note IV. 13. The assets and liabilities that the Company obtains in a consolidation by merger under the same control shall be recorded on the basis of their original book amount in the combined party. The balance between the carrying amount of the net assets obtained by the Company and the carrying amount of the consideration paid by the Company (or the total par value of the shares issued), the capital reserve shall be adjusted. If the capital reserve is not sufficient to be offset, the retained earnings shall be adjusted.

The direct cost occurred for the business combination of the Company, as the combining party, including the expenses for audit, assessment and legal services, shall be recorded into the profits and losses of the current period. The bonds issued for a business combination or the handling fees, commissions and other expenses for assuming other liabilities shall be recorded into the amount of initial measurement of the bonds or other debts. The handling fees, commissions and other expenses for the issuance of equity securities for the business combination shall be credited against the surplus of equity securities; if the surplus is not sufficient, the retained earnings shall be offset.

2. Business combination not under the same control

As for the business combination not under the same control, the combination costs shall be the summation of the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the Company in exchange for the control on the acquiree and all relevant direct costs.

For long-term equity investment formed by acquisition of majority interest not under the same control, the Company shall regard cost of business combination (excluding cash dividend and profit received by the acquiree) recognized on the acquisition date as its initial investment cost against the long-term equity investment of the acquiree. The identifiable assets and liabilities of the acquiree, which meet the recognition conditions and the Company obtains in a consolidation by merger not under the same control, shall be recognized as assets and liabilities of the Company on the acquisition date in the light of the fair value. Where the Company obtains the control right or all identifiable assets and liabilities of the acquiree with non-monetary assets as the consideration, the balance between the fair value of relevant non-monetary assets on the acquisition date and its book value shall be recognized as profits and losses from disposal of assets and recorded in the consolidated income statement of the current period.

In the business combination not under the same control, the positive balance between the combination costs and the fair value of the identifiable net assets the Company obtains from the acquiree shall be recognized as business reputation. Under the consolidation of merger, the said balance shall be recognized as business reputation in the separate financial statement of parent company; while under the acquisition of majority interest, the said balance shall be listed as business reputation in the consolidated financial statement.

The balance that the combination costs are less than the fair value of the identifiable net assets the Company obtains from the acquiree shall be recorded into the profits and losses of the current period (non-operating income). Under the consolidation of merger, the said balance shall be recorded in separate income statement of parent company at the current period; while under the acquisition of majority interest, the said balance shall be recorded in the consolidated income statement of the current period.

(II) Consolidated financial statement

1. Recognition principle of consolidation scope

The consolidation scope of consolidated financial statements shall be determined on the basis of control. The term “control” refers to the power of the Company to govern the financial and operating policies of investee entity so as to obtain benefits from its business activities. To determine whether or not it is able to control the investee entity, one shall take into account the investee entity’s current convertible corporate bonds and current executable warrants held by the Company, as well as other potential factors relating to the voting rights.

Where the Company holds half or more of the capital with voting rights of an investee entity, or holds less than 50% of the capital with voting rights of an investee entity but owns the actual control right, such investee entities are included in the consolidation scope of consolidated financial statements.

2. Preparation of consolidated financial statement

In accordance with the provision stipulated in Accounting Standard for Business Enterprise No. 33 – Consolidated Financial Statements, the consolidated financial statements shall, on the basis of the financial statements of the parent company and its subsidiaries included in the consolidation scope and other relevant information, be prepared by the parent company after the long term equity investments in the subsidiaries are adjusted through the equity method, and after equity capital investment of parent company and quota held by parent company in owner’s equity of subsidiaries, internal significant transactions and internal current within the Company are offset.

(III) Subsidiaries of the Company

1. The subsidiaries obtained by the Company through establishment or investment

Name of subsidiaries	Type	Registration Place	Business nature	Registered capital (RMB'0000)	Business scope	Actual amount of contribution at the period-end
Sanonda (Jingzhou) Pesticide & Chemical Co., Ltd.	Holding subsidiary	10 Xihuan Road, Jingzhou District	Manufacturing	3,000	Production of pesticide and intermediate	26,500,000.00
Hubei Sanonda Foreign Trading Co., Ltd.	Holding subsidiary	1 Beijing East Road, Jingzhou	Trading	1,000	Import and export of pesticide and intermediate	9,000,000.00
Hubei Sanonda Tianmen Agrochemical Co., Ltd.	Holding subsidiary	179 Gudu Av., Zaoshi, Tianmen	Manufacturing	3,000	Production and sale of pesticide	18,445,023.32
Jingzhou Longhua Petrochemicals Co., Ltd.	Holding subsidiary	95 Beijing East Road, Jingzhou	Manufacturing	500	Production and sale of chemical products	3,250,000.00
Jingzhou Sanonda Aifusi Chemical Industry Co., Ltd.	Holding subsidiary	93 Beijing East Road, Jingzhou	Manufacturing	600	R&D, production and sale of fine chemical products	8,864,700.30
Jingzhou Lingxiang Chemical Industry Co., Ltd.	Holding subsidiary	Nongji Road, Yaowan Branch, Sha City Farm, Jingzhou Development Zone	Manufacturing	1,000	R&D and sale of chemical products	5,100,000.00

(Con.)

Other essential investment	The proportion of holding shares	The proportion of voting rights	Included in consolidated statement	Minority interests	Deductible minority interests	Balance of parent company's equity after deducting the difference that loss of minority interests exceed equity obtained by minority shareholders
	88.33%	88.33%	Yes	257,127.16		
	90.00%	90.00%	Yes	1,732,237.20		
	98.50%	98.50%	Yes	509,709.17		
	65.00%	65.00%	Yes	4,666,366.12		
	95.10%	95.10%	Yes	606,781.54		
	51.00%	51.00%	Yes	4,592,659.14		

2. The subsidiaries obtained by the Company through business combination under the same control

There is no subsidiary through business combination under the same control.

3. The subsidiaries obtained by the Company through business combination not under the same control

There is no subsidiary through business combination not under the same control.

(IV) Explanation on change in consolidation scope

With 31 Aug. 2009 as base day, the Company transferred its 70% equities of Sanonda Zhengzhou Pesticide Co., Ltd., therefore, the end of period balance sheet of the said company failed to be included in the consolidation scope, but the income statement and cash flow statement from Jan. to Aug. 2009 were included in the consolidation scope.

In the reporting period, the Company and Sanona Group Corporation, parent company of the Company, jointly invested to establish Jingzhou Lingxiang Chemical Industry Co., Ltd.. The Company held 51% equity of Jingzhou Lingxiang Chemical Industry Co., Ltd., therefore, the said company was included in the consolidation scope at the current period.

(V) Main body that is newly included in the consolidation scope and is no longer included in the consolidation scope in the reporting period

1. Subsidiary, main body for special purpose and operation entity controlled by the Company through being entrusted to manage or rent that are newly included in the consolidation scope

Name	Closing net assets	Net profit as of the reporting period
Jingzhou Lingxiang Chemical Industry Co., Ltd.	9,372,773.77	-828,770.38

2. Subsidiary, main body for special purpose and operation entity controlled by the Company through being entrusted to manage or rent that are no longer included in the consolidation scope

Name	Net assets on the disposal date	Net profit from the period-begin to disposal date
Sanonda Zhengzhou Pesticide Co., Ltd.	15,133,768.53	-5,834,429.07

VI. Tax

1. Income tax

Income tax shall be paid in light of the amount of taxable income and tax rate applicable

to the current period. Income tax rate is 25%.

2. VAT

(1) VAT on sales for pesticides that are produced by the Company shall be measured at tax rate of 13%, such pesticides include orthene, paraquate, glyphosate, chlorofos, DDVP, triazophos and imidacloprid, ect.

(2) VAT on sales for chemical products of the Company shall be measured at tax rate of 17%, such chemical products include spermine, liquid caustic soda, liquefied chlorine gas and hydrochloric acid.

(3) VAT for export products shall be recorded in the light of the policy of “Tax exemption, tax deduction and tax rebate”.

3. Business tax

Business tax shall be paid at 5% of turnover.

4. City maintenance construction tax

City maintenance construction tax shall be paid at 7% or 5% of circulating tax payable of the current period.

5. Extra charges for education

Extra charges for education shall be paid at 3% of circulating tax payable of the current period.

6. Housing property tax

Housing property tax shall be paid at 1.2% of balance after deducting 10-30% of original value of property in lump. If there is property rental, housing property tax shall be paid at 12% of property rental.

VII. Explanation on change in accounting policies and accounting estimates and correction of prior-period accounting errors

1. Change in accounting policies

In accordance with the provisions of ASBE Interpretation No. 3, the Company made the retrospective adjustment to accrued costs on safety production, which is presented separately as “special reserve” under the shareholders’ equity, therefore, the comparative financial statement for the year 2009 was restated.

The change of such accounting policies result in, among the opening amount of the consolidated balance sheet, an increase of special reserve amounting to RMB 22,451,964.08, decrease of surplus reserve amounting to RMB 17,289,232.41, decrease of retained profit amounting to RMB 5,603,366.50, as well as increase of minority interest amounting to RMB 440,634.83, no influence on total shareholders’ equity;

among the opening amount of the consolidated balance sheet at the last period, an increase of special reserve amounting to RMB 9,529,833.51, increase of retained profit amounting to RMB 789,454.54, increase of minority interest amounting to RMB 1,345,872.71, as well as increase of total shareholders' equity amounting to RMB 11,665,160.76; among the amount of the consolidated income statement at the last period, increase of administrative expenses amounting to RMB 14,193,313.95, decrease of net profit amounting to RMB 14,193,313.95, decrease of net profit attributable to parent company amounting to RMB 12,922,130.55, as well as decrease of profits and losses of minority shareholders amounting to RMB 1,271,183.40.

2. Change in accounting estimates

The Company's accounting estimates remained unchanged in 2009.

3. Correction of prior-period accounting errors

There exists no correction of prior-period accounting errors in 2009.

VIII. Notes to main items of consolidated financial statements

Remark: The beginning of period (opening) refers to 1 Jan. 2009, the end of period (closing) refers to 31 Dec. 2009; last period refers to year 2008, current period refers to year 2009.

1. Monetary fund

(1) Listing by categories

Items	Closing balance			Opening balance		
	Amount in original currency	Rate of exchange	Amount converted into RMB	Amount in original currency	Rate of exchange	Amount converted into RMB
Cash			6,067.14			5,191.39
Of which:						
RMB	6,067.14	1.0000	6,067.14	5,191.39	1.0000	5,191.39
Bank deposit			474,454,556.15			555,786,579.95
Of which:						
RMB	472,852,325.78	1.0000	472,852,325.78	542,442,781.65	1.0000	542,442,781.65
USD	234,649.01	6.8282	1,602,230.37	1,952,497.59	6.8346	13,343,798.30
Other monetary fund						7,040,548.42
Of which:						
RMB				7,040,548.42	1.0000	7,040,548.42
Total			474,460,623.29			562,832,319.76

(2) With regard to monetary fund of the Company, there are no any payment mortgaged or frozen that there exists restrictions on the realization, or any payment deposited abroad or existing potential risk of collection.

(3) Closing monetary fund has decreased by 15.7% over the beginning of period, which is mainly because: In the year, the Company input a large sum in the thermoelectricity joint production project and rebuilding and expanding production lines. As a result, cash outflows from investing activities exceed cash inflows from operating and financing activities, which leads to the decrease of monetary funds.

2. Tradable financial assets

Items	Closing fair value	Opening fair value
Investment of tradable equity instrument		4,183,872.00
<u>Total</u>		4,183,872.00

Note: Tradable financial assets at the period-end decrease by 100% over that at the period-begin, which is mainly because the Company sold out all of its tradable financial assets in the year.

3. Notes receivable

(1) Listing by categories

Type of notes	Closing balance	Opening balance
Bank acceptance bill	10,746,710.09	8,556,358.99
Trade acceptance draft		64,000.00
<u>Total</u>	10,746,710.09	8,620,358.99

(2) As at the period-end, the Company has no pledged notes receivable

4. Accounts receivable

(1) Listing by category

Type	Closing balance				Opening balance			
	Amount	Proportion	Provision for bad debt	Withdrawal proportion	Amount	Proportion	Provision for bad debt	Withdrawal proportion
Significant single amounts	22,573,314.79	22.67%	8,609,306.60	38.14%	41,258,458.00	35.79%	9,543,563.76	23.13%
Insignificant single amounts but with significant credit risk	10,163,469.11	10.20%	10,163,469.11	100.00%	5,960,095.43	5.17%	5,960,095.43	100.00%

Type	Closing balance				Opening balance			
	Amount	Proportion	Provision for bad debt	Withdrawal proportion	Amount	Proportion	Provision for bad debt	Withdrawal proportion
Other insignificant	66,871,717.76	67.13%	14,978,463.72	22.40%	68,058,162.17	59.04%	17,096,331.29	25.12%
<u>Total</u>	<u>99,608,501.66</u>	<u>100.00%</u>	<u>33,751,239.43</u>	<u>33.88%</u>	<u>115,276,715.60</u>	<u>100.00%</u>	<u>32,599,990.48</u>	<u>28.28%</u>

Note: Accounts receivable with insignificant single amounts but with significant credit risk is accounts receivable with larger recoverable risk recognized in accordance with collection work of the Company to debtors and daily businesses occurred, and credit of debtors.

(2) Explanation on bad debt provisions for accounts receivable with significant single amounts or insignificant but being conducted an independent impairment test on

Contents of accounts receivable	Closing balance	Amount of bad debt	Withdrawal proportion	Reasons
1. Significant single amounts				
Goods payment receivable by Hubei Sanonda Foreign Trade Corporation from its customer	7,874,358.80	7,874,358.80	100.00%	The customer has applied for bankruptcy. Possibility of recovering the account is faint and a bad debt provision has thus been withdrawn in full.
Goods payment receivable by Hubei Sanonda Foreign Trade Corporation from its customer	14,698,955.99	734,947.80	5.00%	There existed abnormality in the customer's business. A bad debt provision has thus been withdrawn according to policies.
2. Insignificant single amounts but being conducted an independent impairment test on				
Goods payment receivable by the Company from its domestic customer	8,502,080.39	8,502,080.39	100%	There has been no business contact between the Company and the customer. And it has not been paid after several reminders. Possibility of recovering the account is estimatedly faint. And a bad debt provision has thus been withdrawn in full.
Goods payment receivable by Hubei Sanonda Tianmen Agrochemical Co., Ltd. from its domestic customer	1,661,388.72	1,661,388.72	100%	A case has been filed for the customer's employee running off with money. Possibility of recovering the account is estimatedly faint. And a bad debt

Contents of accounts receivable	Closing balance	Amount of bad debt	Withdrawal proportion	Reasons
				provision has thus been withdrawn in full.
<u>Total</u>	<u>32,736,783.90</u>	<u>18,772,775.71</u>		

(3) Classified according to credit risk (account ages)

Ages	Closing balance				Opening balance			
	Balance	Proportion	Provision for bad debt	Withdrawal proportion	Balance	Proportion	Provision for bad debt	Withdrawal proportion
Within 1 year (including 1 year)	67,290,403.71	67.56%	3,340,914.16	4.96%	83,343,000.31	72.30%	4,196,608.55	5.04%
1-2 years (including 2 years)	2,181,545.05	2.19%	737,929.95	33.83%	10,934,295.00	9.49%	8,397,093.21	76.80%
2-3 years (including 3 years)	9,735,825.76	9.77%	9,450,329.85	97.07%	5,066,362.40	4.39%	4,782,573.37	94.40%
3-4 years (including 4 years)	4,771,430.28	4.79%	4,671,644.57	97.91%	1,362,152.14	1.18%	789,196.35	57.94%
4-5 years (including 5 years)	1,331,271.74	1.34%	1,252,395.78	94.08%	156,776.09	0.14%	20,389.34	13.01%
Over 5 years	14,298,025.12	14.35%	14,298,025.12	100.00%	14,414,129.66	12.50%	14,414,129.66	100.00%
<u>Total</u>	<u>99,608,501.66</u>	<u>100.00%</u>	<u>33,751,239.43</u>	<u>33.88%</u>	<u>115,276,715.60</u>	<u>100.00%</u>	<u>32,599,990.48</u>	<u>28.28%</u>

(4) Recalled accounts receivable that bad debts provision is withdrawn in full in the previous year, the withdrawal proportion of bad debt provision is the larger, or it is recalled through other ways such as debt restructuring

Name of debtor	Amount	Reason for recalling payment	Reason for originally estimating withdrawal proportion of provision for bad debts
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I . Bad debt provision was fully withdrawn in the previous years

Name of debtor	Amount	Reason for recalling payment	Reason for originally estimating withdrawal proportion of provision for bad debts
1. Shandong Anqiu Xinsheng Pesticide Co., Ltd.	39,601.00	Debt repayment	With an age over 5 years, possibility of recalling the account is estimated to be remote.
2. Shaanxi Jingyang Agricultural Material Co., Ltd.	12,000.00	Debt repayment	With an age over 5 years, possibility of recalling the account is estimated to be remote.
3. Hubei Jingzhou Kangwei Agricultural Material Co., Ltd.	84,586.00	Debt repayment	With an age over 5 years, possibility of recalling the account is estimated to be remote.
4. Anhui Chuzhou Agricultural Material Co., Ltd.	4,000.00	Debt repayment	With an age over 5 years, possibility of recalling the account is estimated to be remote.
5. Penglai Agricultural Material Co., Ltd.	10,900.00	Debt repayment	With an age over 5 years, possibility of recalling the account is estimated to be remote.
II. Recalled in other ways such as debt restructuring			
1. Chongqing branch of Chongqing Hechuan Hengxing Agricultural Trade Co., Ltd.	246,126.20	Recollection through paying debt by vehicle	With an age over 5 years, possibility of recalling the account is estimated to be remote.

(5) Accounts receivable actually offset in 2009

Name	Amount	Nature	Reason for offset	Caused by related-party transaction or not
Guangxi Guilin Wanfang Plant Protection Co., Ltd.	141,290.02	Goods payment	Recognized as irrecoverable	No
Shangdong Shouguang Dadihonglin Agrochemical Co., Ltd.	141,430.01	Goods payment	Recognized as irrecoverable	No
Total of other small sums	121,632.96	Goods payment	Recognized as irrecoverable	No
<u>Total</u>	<u>404,352.99</u>			

(6) No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the accounts receivable.

(7) At the end of period, the top five accounts receivable totaled RMB 30,160,223.10, including RMB 22,285,864.30 within one year, RMB 7,874,358.80 within two to three years, taking up 30.28% of total accounts receivable.

(8) There are no accounts receivable from related parties.

5. Other receivables

(1) Listing by categories

Category	Closing balance				Opening balance			
	Amount	Proportion	Provision for bad debt	Withdrawal proportion	Amount	Proportion	Provision for bad debt	Withdrawal proportion
Significant single amounts	10,000,000.00	39.49%						
Insignificant single amounts but with significant credit risk	82,600.00	0.33%	82,600.00	100.00%				
Other insignificant	15,239,745.64	60.18%	6,019,076.32	39.50%	22,129,626.75	100.00%	6,214,638.74	28.08%
<u>Total</u>	<u>25,322,345.64</u>	<u>100.00%</u>	<u>6,101,676.32</u>	<u>24.10%</u>	<u>22,129,626.75</u>	<u>100.00%</u>	<u>6,214,638.74</u>	<u>28.08%</u>

Note: Accounts receivable with insignificant single amounts but with significant credit risk is accounts receivable with larger recoverable risk recognized in accordance with collection work of the Company to debtors and daily businesses occurred, and credit of debtors.

(2) Explanation on bad debt provisions for other receivables with significant single amounts or insignificant but being conducted an independent impairment test on

Contents of receivables	Closing balance	Amount of bad debt	Withdrawal proportion	Reasons
1. Significant single amounts				
Zhengzhou New World Agrochemical Co., Ltd.	10,000,000.00			Payment for subsidiary transfer. A guarantee has been provided by the land authority of Zhengzhou. And no sign of impairment was spotted when an impairment test was conducted on the account.
2. Insignificant single amounts but being conducted an independent impairment test on				
Individual arrears	82,600.00	82,600.00	100%	Considering an old account age, the account is estimated to be irrecoverable. And a full-amount provision has thus been withdrawn.
<u>Total</u>	<u>10,082,600.00</u>	<u>82,600.00</u>		

(3) Classified by credit risk (account ages)

Age	Closing balance				Opening balance			
	Balance	Proportion	Bad debt provision	Withdrawal proportion	Balance	Proportion	Bad debt provision	Withdrawal proportion
Within 1 year	17,794,831.78	70.27%	190,590.17	1.07%	10,128,450.50	45.77%	246,835.27	2.44%

Age	Closing balance				Opening balance			
	Balance	Proportion	Bad debt provision	Withdrawal proportion	Balance	Proportion	Bad debt provision	Withdrawal proportion
(including 1 year)								
1-2 years								
(including 2 years)	639,249.43	2.52%	31,962.47	5.00%	1,625,533.87	7.35%	81,359.14	5.01%
2-3 years								
(including 3 years)	202,668.80	0.80%	10,133.44	5.00%	2,845,333.73	12.86%	155,397.11	5.46%
3-4 years								
(including 4 years)	507,750.46	2.01%	29,187.53	5.75%	949,028.90	4.29%	134,300.35	14.15%
4-5 years								
(including 5 years)	434,434.17	1.72%	96,391.71	22.19%	1,100,881.77	4.97%	116,348.89	10.57%
Over 5 years	5,743,411.00	22.68%	5,743,411.00	100.00%	5,480,397.98	24.76%	5,480,397.98	100.00%
Total	<u>25,322,345.64</u>	<u>100.00%</u>	<u>6,101,676.32</u>	<u>24.10%</u>	<u>22,129,626.75</u>	<u>100.00%</u>	<u>6,214,638.74</u>	<u>28.08%</u>

(4) Recalled other receivables that bad debts provision is withdrawn in full in the previous year, the withdrawal proportion of bad debt provision is the larger, or it is recalled through other ways such as debt restructuring

Name of debtor	Amount	Reason for recalling payment	Reason for originally estimating withdrawal proportion of provision for bad debts
Bad debt provision was fully withdrawn in the previous years			
Hubei Fengyuan Chemicals Co., Ltd.	1,094,407.43	Liquidation	Seriously insolvent with a remote possibility of recovering the account

(5) Other receivables actually offset in 2009

Name of party	Amount	Nature	Reason for offset	Caused by related-party transaction or not
Jingzhou Petrochemical Factory	222,943.36	Incomings and outgoings	Bankruptcy	No
Total	<u>222,943.36</u>			

(6) No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the other receivables.

(7) Top five parties in other receivables as at period-end

Name of party	Relation with the Company	Amount	Age	Proportion in total other receivables
Hunan Zhengzhou New World Agrochemical Co., Ltd.	Non-related party	10,000,000.00	Within 1 year	39.49%
Jingzhou Office of SAT	Non-related party	5,873,780.01	Within 1 year	23.20%
Shantou Piyue Plastic Co., Ltd.	Non-related party	3,125,000.00	Over 5 years	12.34%
Hubei Jingzhou Shashi Agricultural Production Materials Co., Ltd.	Non-related party	548,500.00	Within 1 year	2.17%
Jingzhou Administration of Work Safety	Non-related party	300,000.00	4-5 years	1.18%
<u>Total</u>		<u>19,847,280.01</u>		<u>78.38%</u>

(8) There are no receivables from related parties in other receivables.

6. Prepayment

(1) Listing by ages

Age	Closing balance				Opening balance			
	Balance	Proportion	Bad debt provision	Withdrawal proportion	Balance	Proportion	Bad debt provision	Withdrawal proportion
Within 1 year (including 1 year)	24,151,872.17	95.30%	1,130,716.05	4.68%	14,772,848.90	85.63%	1,110,045.41	7.51%
1-2 years (including 2 years)	926,134.95	3.65%	46,306.75	5.00%	422,769.89	2.45%	12,800.23	3.03%
2-3 years (including 3 years)	39,220.20	0.15%	1,961.01	5.00%	249,306.27	1.45%	12,230.95	4.91%
3-4 years (including 4 years)	46,740.75	0.18%	26,581.80	56.87%	1,342,957.71	7.78%	66,547.89	4.96%
4-5 years (including 5 years)	63,241.00	0.25%	3,162.05	5.00%	349,732.66	2.03%	17,486.63	5.00%
Over 5 years	120,103.28	0.47%	120,103.28	100.00%	114,440.63	0.66%	114,440.63	100.00%
<u>Total</u>	<u>25,347,312.35</u>	<u>100.00%</u>	<u>1,328,830.94</u>	<u>5.24%</u>	<u>17,252,056.06</u>	<u>100.00%</u>	<u>1,333,551.74</u>	<u>7.73%</u>

(2) Top five parties in prepayment

Name of party	Relation with the Company	Amount	Age	Reason for unsettlement
Shaanxi Yulin Natural Gas Chemical Industry Co., Ltd.	Non-related supplier	6,465,664.23	Within 1 year	Goods have not been received.

Name of party	Relation with the Company	Amount	Age	Reason for unsettlement
Chongqing Unisplendour Chemical Co., Ltd.	Non-related supplier	5,085,876.25	Within 1 year	Goods have not been received.
Quzhou Hengshun Chemical Industrial Co., Ltd.	Non-related supplier	4,592,000.00	Within 1 year	Goods have not been received.
Hunan Haili Zhuzhou Fine Chemicals Co., Ltd.	Non-related supplier	1,273,200.00	Within 1 year	Goods have not been received.
Marketing Office of COFCO Biochemical Energy (Zhaodong) Co., Ltd.	Non-related supplier	698,127.45	Within 1 year	Goods have not been received.
<u>Total</u>		<u>18,114,867.93</u>		

(3) No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the prepayment.

(4) Closing balance of prepayment increases by 46.92% from that at the last period-end, which is mainly because: In this period, the Company brought in a new supplier of raw materials (methane)—Shaanxi Yulin Natural Gas Chemical Industry Co., Ltd.. Prepayments were required when the Company purchased raw materials from the said new supplier. Since the Company prepaid in Dec. 2009 for methane purchased and has not received the goods, the closing balance of prepayment increases.

7. Inventory

(1) Classification of inventory

Items	Closing balance			Opening balance		
	Book balance	Falling price reserve	Book value	Book balance	Falling price reserve	Book value
Raw materials	52,839,474.12	2,779,590.71	50,059,883.41	69,008,143.01	7,761,198.30	61,246,944.71
Goods in process	38,605,920.77		38,605,920.77	46,306,846.87		46,306,846.87
Stock commodities	118,457,217.78	13,238,476.96	105,218,740.82	276,939,864.59	49,359,382.37	227,580,482.22
Low-value fugitive goods	480,198.97		480,198.97	694,546.07		694,546.07
Packaging material	2,176,131.09	213,344.22	1,962,786.87	3,885,055.41	282,134.55	3,602,920.86

	Closing balance		Opening balance	
Consigned processing materials			8,872.00	8,872.00
Goods in transit	2,435,132.39	2,435,132.39	7,111,022.02	7,111,022.02
Total	<u>214,994,075.12</u>	<u>16,231,411.89</u>	<u>403,954,349.97</u>	<u>57,402,715.22</u>

(2) Changes of inventory in this period

Items	Book balance at	Increase in this	Decrease in this	Book balance at
	period-begin	period	period	period-end
Raw materials	69,008,143.01	842,879,004.07	859,047,672.96	52,839,474.12
Goods in process	46,306,846.87	2,035,282,229.69	2,042,983,155.79	38,605,920.77
Stock commodities	276,939,864.59	1,405,218,781.44	1,563,701,428.25	118,457,217.78
Low-value fugitive goods	694,546.07	911,669.79	1,126,016.89	480,198.97
Packaging material	3,885,055.41	93,151,838.67	94,860,762.99	2,176,131.09
Consigned processing materials	8,872.00		8,872.00	
Goods in transit	7,111,022.02	2,435,132.39	7,111,022.02	2,435,132.39
Total	<u>403,954,349.97</u>	<u>4,379,878,656.05</u>	<u>4,568,838,930.90</u>	<u>214,994,075.12</u>

(3) Provisions for price falling of inventory

Item	Opening balance	Provision in this period	Decrease in this period			Closing balance	
			Recovery	Write-off	Decrease due to other reasons		
Raw materials	7,761,198.30	2,403,777.37		7,385,384.96	7,385,384.96	2,779,590.71	
Stock commodities	49,359,382.37	19,475,056.74		46,002,153.68	9,593,808.47	55,595,962.15	13,238,476.96
Packaging materials	282,134.55	213,344.22		282,134.55		282,134.55	213,344.22
Total	<u>57,402,715.22</u>	<u>22,092,178.33</u>		<u>53,669,673.19</u>	<u>9,593,808.47</u>	<u>63,263,481.66</u>	<u>16,231,411.89</u>

Note: Decrease of inventory falling price provision due to other reasons is because: The Company transferred equities of Sanonda Zhengzhou Pesticide Co., Ltd. held by it in this period, which was excluded from the consolidated balance sheet as at the period-end. And inventory falling price provision is thus decreased.

(3) Particulars about provisions for inventory price falling

Items	Reason for withdrawing inventory price falling provision	Reason for recovery of inventory price falling provision in this period	Proportion of recovery amount in this period in closing balance of the inventory item (%)
Raw materials	Net realizable lower than cost		
Stock commodities	Net realizable lower than cost		
Packaging materials	Net realizable lower than cost		

(4) Closing balance of inventory decreases by RMB 188.96 million, i.e. a decrease of 46.78%, from the opening balance, which is mainly due to the two reasons below: Firstly, ① Products sold were more than those produced in this period, which resulted into a decrease of stock products at the period-end; and ② Unit cost of stock products decreased due to a considerable decrease of purchase prices of raw materials; Secondly, the Company transferred in this period equities of its subsidiary Sanonda Zhengzhou Pesticide Co., Ltd. held by it and the subsidiary was excluded from the consolidated balance sheet of the Company as at the period-end. And RMB 62.96 million was decreased in inventory correspondingly compared to the opening amount.

8. Long-term equity investment

(1) Listed by specific items

Investee entity	Accounting method	Initial investment	Opening book amount	Increase in this period	Decrease in this period	Closing book amount
Jingzhou City Commercial Bank Co., Ltd	Cost method	20,000,000.00	20,000,000.00			20,000,000.00
Jingzhou Tianyang Huibao Precision Chemicals Co., Ltd	Cost method	1,440,000.00	1,440,000.00		1,440,000.00	
Jingzhou Dali Industrial Co., Ltd	Cost method	1,674,600.00	1,674,600.00			1,674,600.00
Hubei Shendian Co., Ltd.	Cost method	564,000.00	564,000.00			564,000.00
Wangda Industrial Holding Co., Ltd	Cost method	550,000.00	550,000.00			550,000.00
Guangxi Zhongding Holding Co., Ltd	Cost method	580,800.00	580,800.00			580,800.00
<u>Total</u>		<u>24,809,400.00</u>	<u>24,809,400.00</u>		<u>1,440,000.00</u>	<u>23,369,400.00</u>

Up to the table above:

Shareholding ratio in investee entity	Voting shareholding ratio in investee entity	Explanation on disagreement between shareholding ratio and voting shareholding ratio in investee entity	Opening impairment reserve	Asset impairment reserve withdrawn in this period	Closing impairment reserve	Cash bonus
5.15%	5.15%		11,991,017.37		11,991,017.37	398,000.00
33.70%	33.70%					
0.60%	0.60%					
2.75%	2.75%					
1.41%	1.41%					
<u>Total</u>			<u>11,991,017.37</u>		<u>11,991,017.37</u>	<u>398,000.00</u>

(2) Concerning long-term equity investments, the Company's ability to transfer funds to investee entities is not restricted.

9. Investment real estates

(1) Investment real estates measured by cost method

Items	Opening balance	Increase in 2009	Decrease in 2009	Closing balance
I. Original price	6,010,000.00			6,010,000.00
House and building	6,010,000.00			6,010,000.00
II. Accumulative depreciation and amortization	653,587.50	240,400.00		893,987.50
House and building	653,587.50	240,400.00		893,987.50
III. Accumulative provision for impairment of investment real estates				
House and building				
IV. Total book value of investment real estate	5,356,412.50			5,116,012.50
House and building	5,356,412.50			5,116,012.50

Note: Depreciation of investment real estates in this period stands at RMB 240,400.00.

(2) Investment real estate of the Company is Hubei Building for hiring, located in Shenzhen. The relevant property certificate is a collative warrant, part of which belongs to the Company. Currently, the Company is unable to go through formalities for changes of the collective warrant.

10. Fixed assets

(1) Categories of fixed assets

Items	Opening balance	Increase in 2009	Decrease in 2009	Closing balance
I. Total original price	1,257,958,181.21	114,876,384.66	175,640,523.18	1,197,194,042.69
Including: House and building	332,295,134.86	23,519,423.79	29,733,326.21	326,081,232.44
General equipment	89,417,132.96	25,753.42	27,687,335.19	61,755,551.19
Special equipment	823,944,900.43	89,031,984.12	115,875,266.68	797,101,617.87
Transportation vehicle	12,301,012.96	2,299,223.33	2,344,595.10	12,255,641.19
II. Total accumulative depreciation	442,109,945.71	90,054,208.47	119,123,463.48	413,040,690.70
Including: House and building	106,763,516.08	12,667,949.08	21,266,529.92	98,164,935.24
General equipment	59,906,388.25	3,517,507.95	20,158,358.10	43,265,538.10
Special equipment	267,985,397.98	72,722,459.64	75,550,766.96	265,157,090.66
Transportation vehicle	7,454,643.40	1,146,291.80	2,147,808.50	6,453,126.70
III. Total accumulative amount of provision for impairment of fixed assets	34,837,795.49	2,537,685.58	31,883,222.17	5,492,258.90
Including: House and building	7,458,177.74		6,367,459.11	1,090,718.63
General equipment	3,962,381.16	82,995.62	3,962,381.16	82,995.62
Special equipment	23,417,236.59	2,454,689.96	21,553,381.90	4,318,544.65
Transportation vehicle				
IV. Total book value of fixed assets	781,010,440.01			778,661,093.09
Including: House and building	218,073,441.04			226,825,578.57
General equipment	25,548,363.55			18,407,017.47
Special equipment	532,542,265.86			527,625,982.56
Transportation vehicle	4,846,369.56			5,802,514.49

Note: Depreciation amount in 2009 stands at RMB 90,054,208.47, and the original price of construction in progress transferred into fixed assets in 2009 stands at RMB 102,249,545.57.

(2) Temporarily idle fixed assets

Type of fixed assets	Original price	Accumulative depreciation	Provision for impairment	Net book value	Remark
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Type of fixed assets	Original price	Accumulative depreciation	Provision for impairment	Net book value	Remark
Houses and buildings	790,446.86	140,544.18		649,902.68	

(3) Fixed assets with unfinished property certificates

Type of fixed assets	Original price	Reason for unfinished property certificate	Time when the property certificate will be obtained
Houses and buildings	116,958,457.29	Has been put into use only for a short period	Relevant materials are being collected and the Company is estimated to obtain the property certificate at the end of 2010.

11. Construction in progress

(1) Balance of construction in progress

Items	Closing amount			Opening amount		
	Book balance	Impairment provision	Net book value	Book balance	Impairment provision	Net book value
Extension and reformation of 40000-ton spermine				860,243.35		860,243.35
Bathouse				20,593.63		20,593.63
Extension of 8000t/a paraquat	545,236.46		545,236.46	5,507,966.09		5,507,966.09
The second phase of PMIDA	54,652,984.34		54,652,984.34	8,523,681.58		8,523,681.58
Improvement on synthesizing technology of trichlorphon	1,794,516.25		1,794,516.25			
Callback of mother liquor of fine trichlorphon	774,247.88		774,247.88			
Reformation of compressed air	1,892,489.63		1,892,489.63	1,105,958.47		1,105,958.47
Project on Circuitry 110KV from old area to new area	5,119,536.88		5,119,536.88			
Denitration by freezing				1,220,148.48		1,220,148.48
Alinating isocarbophos	411,897.23		411,897.23			
Cogeneration project	198,572,300.79		198,572,300.79	105,000.00		105,000.00
Reformation project of acid tank in acid-base station	472,029.19		472,029.19			
The 4 th phase of extension and reformation on sewage disposal	1,326,225.30		1,326,225.30	400,000.00		400,000.00
Extension and reformation on acephate project				9,428,247.83		9,428,247.83
Steam pipeline project	9,906,565.84		9,906,565.84			
Prepayment for contract project	5,881,264.88		5,881,264.88	4,367,473.78		4,367,473.78
New carbofuran project	517,604.98	517,604.98		517,604.98	517,604.98	

Methyl isocyanate and auxiliary manufacturing equipments for phosgene with 1000t/year	420,000.00	420,000.00				
Extension and Reformation on MTSC Project				6,271.70		6,271.70
Extension and Reformation project on T08	294,263.45	294,263.45				
Acetaldehyde Project	5,795,073.05	5,795,073.05				
Project on remove of Zhengzhou Pesticide Factory				2,054,898.50		2,054,898.50
Diphenyl ester				3,488,099.96		3,488,099.96
动力二配 10 千伏供电改造				33,000.00		33,000.00
Total	288,376,236.15	517,604.98	287,858,631.17	37,639,188.35	517,604.98	37,121,583.37

(2) Significant changes in construction in progress

Name of project	Budgeted amount	Opening balance	Increase in 2009	Transferring into fixed assets in 2009	Other decrease	Proportion of input in budgets
Total		<u>37,639,188.35</u>	<u>359,105,224.28</u>	<u>102,249,545.57</u>	<u>6,118,630.91</u>	
Of which:						
Extension of 8000t/a paraquat	49,880,000.00	5,507,966.09	19,386,683.61	24,349,413.24		49.91%
The second phase of PMIDA	77,500,000.00	8,523,681.58	46,129,302.76			70.52%
Project on Circuitry 110KV from old area to new area	4,190,000.00		5,119,536.88			122.18%
Cogeneration project	360,000,000.00	105,000.00	198,467,300.79			55.16%
Extension and reformation on acephate project	35,000,000.00	9,428,247.83	18,355,334.74	27,783,582.57		79.38%
Steam pipeline project	20,000,000.00		9,906,565.84			49.53%
Methanal project	25,000,000.00		24,141,193.71	24,141,193.71		96.56%
Acetaldehyde Project	20,000,000.00		5,795,073.05			28.98%

Con.:

Project progress	Capitalization of interest	Of which: capitalization of interest in 2009	Capitalization rate of interest in 2009	Capital resource	Closing amount
	<u>6,524,871.91</u>	<u>6,458,275.32</u>			<u>288,376,236.15</u>
48%	939,076.69	882,655.94	5.76%	Bank loans	545,236.46
71%	1,420,303.24	1,420,303.24	5.47%	Bank loans	54,652,984.34
99%				Self-raised	5,119,536.88
55%	2,489,130.00	2,489,130.00	4.86%	Bank loans	198,572,300.79
98%	1,050,778.09	1,040,602.25	5.76%	Bank loans	
50%				Self-raised	9,906,565.84
100%				Self-raised	
29%				Self-raised	5,795,073.05

(3) Impairment provisions of construction in progress

Project	Opening balance	Increase in 2009	Decrease in 2009	Closing balance	Reason
New carbofuran project	517,604.98			517,604.98	
<u>Total</u>	<u>517,604.98</u>			<u>517,604.98</u>	

(4) Closing amount of construction in progress increased RMB 250,740,000 over the opening amount, mainly because the Company started to invest to establish Sanonda cogeneration project in this period. As of the period-end, the Company has invested RMB 198,570,000, completing 55%, which made construction in progress at the period-end increased by a large margin than the period-begin.

12. Intangible assets

Items	Opening balance	Increase in 2009	Decrease in 2009	Closing balance
I. Total original price	224,181,378.53	31,885,741.00	45,476,000.00	210,591,119.53
1. Non-patent technology	7,503,700.00	2,200,000.00	130,000.00	9,573,700.00
2. Land use right	216,677,678.53	29,685,741.00	45,346,000.00	201,017,419.53
II. Total accumulative amortization	33,295,676.93	4,430,480.21	9,695,480.00	28,030,677.14
1. Non-patent technology	3,275,525.67	522,674.17	21,666.67	3,776,533.17
2. Land use right	30,020,151.26	3,907,806.04	9,673,813.33	24,254,143.97
III. Total accumulative amount of impairment provision of intangible assets	32,072,093.53			32,072,093.53
1. Non-patent technology				
2. Land use right	32,072,093.53			32,072,093.53
IV. Total carrying value of intangible assets	158,813,608.07			150,488,348.86
1. Non-patent technology	4,228,174.33			5,797,166.83
2. Land use right	154,585,433.74			144,691,182.03

Note 1: Amortization amount was RMB 4,430,480.21 in this period.

Note 2: Decrease in 2009 was because the Company has transferred equity of Sanonda Zhengzhou Pesticide Co., Ltd out, its balance sheet at the period-end didn't bring into consolidated statement and book intangible assets showed decrease in 2009.

13. Deferred income tax assets

(1) Fixed deferred income tax assets

Items	Closing balance	Opening balance
Provision for assets impairment	4,399,137.65	16,884,701.88
Deductible deficit	8,102,591.94	
Changes in fair value of tradable financial assets		756,467.24
Total	12,501,729.59	17,641,169.12

(2) Statement on unfixed deferred income tax assets

Items	Closing balance	Opening balance
Deductible temporary difference	32,680,993.43	38,776,193.43
Deductible deficit	207,192.60	
<u>Total</u>	<u>32,888,186.03</u>	<u>38,776,193.43</u>

(3) Deductible deficit of unfixed deferred income tax assets will be mature in the next year

Year	Closing balance	Opening balance	Remark
2014	-828,770.38		Deductible deficit arising from Jingzhou Lingxiang Chemical Industry Co., Ltd in 2009
<u>Total</u>	<u>-828,770.38</u>		

(4) Temporary difference caused by temporary different assets

Items	Closing amount of temporary difference	Opening amount of temporary difference
Provision for assets impairment	17,596,550.60	67,538,807.51
Deductible deficit	32,410,367.75	
Changes in fair value of tradable financial assets		3,025,868.96
<u>Total</u>	<u>50,006,918.35</u>	<u>70,564,676.47</u>

14. Provision for assets impairment

Items	Opening balance	Increase in 2009		Decrease in 2009			Closing balance
		Withdrawal	Other increase	Switching back	Writing-off	Other decrease	
Provision for bad debts	40,148,180.96	4,934,817.89	1,245,494.43	1,339,592.50	873,422.55	2,933,731.54	41,181,746.69
Provision for falling price of inventory	57,402,715.22	22,092,178.33			53,669,673.19	9,593,808.47	16,231,411.89
Provision for impairment of long-term equity investment	11,991,017.37						11,991,017.37
Provision for impairment of fixed assets	34,837,795.49	2,537,685.58			5,758,502.23	26,124,719.94	5,492,258.90
Provision for impairment of construction in progress	517,604.98						517,604.98
Provision for impairment of intangible assets	32,072,093.53						32,072,093.53
<u>Total</u>	<u>176,969,407.55</u>	<u>29,564,681.80</u>	<u>1,245,494.43</u>	<u>1,339,592.50</u>	<u>60,301,597.97</u>	<u>38,652,259.95</u>	<u>107,486,133.36</u>

Note 1: In increase of bad debt in 2009, increase due to other reasons is the accounts receivable recalled that it was offset in the previous years; switching back amount in

decrease in 2009 was provision for bad debt switched back due to receivable accounts collected from routine operating activities; writing-off amount in decrease in 2009 was provision for bad debt withdrawn.

Note 2: Other decrease in decrease in 2009 of provision for assets impairment was relative decrease of assets impairment because the Company transferred equity of Sanonda Zhengzhou Pesticide Co., Ltd and its balance sheet at the period-end didn't bring into consolidated statement.

15. Assets with restricted ownership

(1) Assets with restricted ownership

Assets with restricted ownership	Opening book value	Increase in 2009	Decrease in 2009	Closing book value
Assets for guarantee				
1. Receivable accounts		4,899,274.54		4,899,274.54
2. Fixed assets	278,124,176.46		185,180,625.96	92,943,550.50
3. Intangible assets	58,057,015.39		58,057,015.39	
<u>Total</u>	<u>336,181,191.85</u>	<u>4,899,274.54</u>	<u>243,237,641.35</u>	<u>97,842,825.04</u>

(2) Reason for assets ownership being restricted: receivable accounts was trade financing loans from bank which was documentary L/C of opened by foreign customers, then Hubei Sanonda Foreign Trade Corporation, subsidiary of the Company, pledged right of collecting payment for goods to bank; fixed assets with restricted ownership was because the Company mortgaged 69 production lines to Industrial and Commercial Bank of China for gaining short-term loans.

16. Short-term loans

(1) Category of loans

Type	Closing balance	Opening balance
Mortgage loan	10,000,000.00	91,000,000.00
Guaranteed loan	25,000,000.00	96,000,000.00
Secured borrowings	4,899,274.54	
<u>Total</u>	<u>39,899,274.54</u>	<u>187,000,000.00</u>

(2) There is no matured short-term loan unredeemed in the Company

(3) Guaranteed loan

Units	Amount	Way	Guarantor (object of pledge)
Industrial and Commercial Bank of China, Shashi Subbranch	10,000,000.00	Mortgage loan	69 production lines
Industrial and Commercial Bank of China, Shashi Subbranch	15,000,000.00	Guaranteed loan	Sanonda Group Corporation
Pudong Development Bank	10,000,000.00	Guaranteed loan	Sanonda Group Corporation
International Department of Bank of China	3,501,144.34	Pledged loan	Receivable accounts
Agricultural Bank of China Jingzhou Jiangjin Subbranch	1,398,130.20	Pledged loan	Receivable accounts
<u>Total</u>	<u>39,899,274.54</u>		

(4) Closing amount of short-term loan decreased 78.66% over the opening amount, mainly because cash inflow of operating activities was able to meet demand of routine operating activities, so the Company repaid most ordinary current capital loans in 2009 and borrowed large long-term loans for projects.

17. Notes payable

(1) Listing according to category

Type	Closing balance	Opening Balance
Bank acceptance bill	5,000,000.00	19,040,000.00
<u>Total</u>	<u>5,000,000.00</u>	<u>19,040,000.00</u>

Note: All above-mentioned notes will fall due in the next fiscal year.

(2) Closing amount of notes payable decrease 73.74% than opening amount, mainly because request on payment way for goods from suppliers of raw material was restrict influenced by financial crisis in 2009, and they required to settle with cash, which caused notes payable decreased.

18. Accounts payable

(1) Listing by ages

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year (including 1 year)	106,679,646.18	91.23%	89,268,439.22	86.85%
1-2 years (including 2 years)	4,908,266.24	4.20%	3,873,516.82	3.77%
2-3 years (including 3 years)	1,584,294.76	1.35%	2,594,736.36	2.52%
Over 3 years	3,769,145.82	3.22%	7,047,863.66	6.86%
<u>Total</u>	<u>116,941,353.00</u>	<u>100.00%</u>	<u>102,784,556.06</u>	<u>100.00%</u>

(2) No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the accounts payable.

(3) Accounts payable of large amount with aging over 1 year.

Enterprise name	Amount	Reason for unpaid or unsettlement	Repayment amount after balance sheet
Bluestar (Beijing) Chemical Machinery Co., Ltd	1,542,200.00	Unsettlement because the project has not finished yet	

(4) In accounts payable, the Company need to pay RMB 1,702,078.64 to related parties, accounting for 1.46% in total accounts payable.

19. Advance from customers

(1) Listing by aging

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion

Within 1 year (including 1 year)	28,029,729.38	91.21%	104,525,367.22	93.05%
1-2 years (including 2 years)	590,312.70	1.92%	4,546,918.16	4.05%
2-3 years (including 3 years)	227,914.84	0.74%	300,613.54	0.27%
Over 3 years	1,883,301.71	6.13%	2,957,782.25	2.63%
<u>Total</u>	<u>30,731,258.63</u>	<u>100.00%</u>	<u>112,330,681.17</u>	<u>100.00%</u>

(2) No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the advance from customers..

(3) In advance from customers, the Company received RMB 800.00 from related parties in advance, accounting for 0.003% in total accounts payable.

(4) There is no large item in the advance from customers with aging over 1 year.

(5) Closing amount of advance from customers was 72.64% less than the opening amount, mainly because the Company transferred equity of Sanonda Zhengzhou Pesticide Co., Ltd, its balance sheet didn't bring in consolidated statement no longer and advance from customers decreased by a large margin.

20. Payroll payable

Items	Opening balance	Increase in 2009	Payment in 2009	Closing balance
I. Wages, bonuses, allowance and subsidies for the employees	9,070,060.00	90,529,471.10	87,310,551.10	12,288,980.00
II. Welfare expenses for the employees		5,334,405.94	5,334,405.94	
III. Social insurances	3,294,020.73	22,487,675.49	25,221,696.22	560,000.00
Of which: 1. Medical insurance	244,914.68	2,708,051.90	2,952,966.58	
2. Endowment insurance	2,147,553.00	16,858,247.20	19,005,800.20	
3. Unemployment insurance	746,510.90	1,595,764.63	1,782,275.53	560,000.00
4. Work injury insurance	123,957.00	1,118,905.31	1,242,862.31	
5. Maternity insurance	31,085.15	206,706.45	237,791.60	
IV. Housing accumulation fund	421,245.26	6,218,964.68	6,619,620.15	20,589.79
V. Labor union expenditure	230,236.20	864,335.79	849,114.04	245,457.95
VI. Employee education expenses	63,097.88	41,418.71	82,587.00	21,929.59
VII. Compensations for the cancellation of the labor relationship with the employees	12,369,619.32	47,660.00	8,322,338.20	4,094,941.12
VIII. Other		2,184,095.66	2,184,095.66	
<u>Total</u>	<u>25,448,279.39</u>	<u>127,708,027.37</u>	<u>135,924,408.31</u>	<u>17,231,898.45</u>

Note: In payroll payable, year-end bonus of RMB 5,508,980.00, cash-in bonus for sales company of RMB 2,100,000.00 and year-end bonus of RMB 2,280,000.00 for middle-level cadres will be distributed before Mar. 2010, and bonus of RMB 2,400,000.00 for senior managements will be distributed before Jun. 2010.

21. Taxes and dues payable

(1) Listing by category

Taxes and dues	Closing balance	Opening balance
1. Corporate income tax	13,722,355.69	45,380,948.30
2. VAT	-21,328,286.43	-2,782,326.42

Taxes and dues	Closing balance		Opening balance	
3. Business tax	56,449.91		69,421.92	
4. Tax on resources	28,952.66		74,593.09	
5. Land holding tax	308,509.51		1,339,950.80	
6. Housing property tax	301,624.41		601,266.84	
7. Tax for municipal maintenance and construction	902,284.85		3,849,718.34	
8. Educational surcharges	517,318.91		2,139,110.87	
9. Individual income tax withheld and remitted	33,491.38		490,171.90	
10. Others	998,603.08		476,390.56	
<u>Total</u>	<u>-4,458,696.03</u>		<u>51,639,246.20</u>	

(2) Taxes and dues payable at the period-end decreases by 108.63% as compared with that at the period-begin, which is mainly due to the considerable decrease of corporate income tax and VAT. To be specific, the decrease of corporate income tax is resulted from the considerable decrease of total profit for 2009; and the decrease of VAT is mainly because: Decrease of unit prices of raw materials purchased was larger than that of selling prices of products in this period, which resulted in a higher input tax than the output tax and an increase of excess input tax.

22. Dividends payable

Name of investor	Closing balance	Opening amount	Reason for not paying dividends for more than 1 year
State-owned Assets Supervision and Administration Commission of Qichun	224,463.30		
Jingzhou Shashi Rural Credit Union	125,000.00		
<u>Total</u>	<u>349,463.30</u>		

23. Other payables

(1) Listing by ages

Age	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year (including 1 year)	26,831,621.91	68.08%	23,342,968.92	54.11%
1-2 years (including 2 years)	4,426,377.44	11.23%	14,284,383.32	33.11%
2-3 years (including 3 years)	4,317,106.00	10.95%	1,499,454.90	3.48%
Over 3 years	3,838,729.61	9.74%	4,012,918.25	9.30%

Creditor	Beginning date of loan	Ending date of loan	Interest rate	Closing balance			Interest rate	Opening balance		
				Currency	Amount in foreign currency	Amount in RMB		Currency	Amount in foreign currency	Amount in RMB
Construction Bank										
Wuhan Branch of Industrial Bank	21 Apr. 2008	21 Apr. 2013	5.760%	RMB		10,000,000.00				
Jingzhou Shashi Sub-branch of ICBC	28 Sept. 2003	26 Sept. 2009					7.560%	RMB		70,000,000.00
Shenzhen Ping An Bank	28 Apr. 2009	27 Apr. 2012	5.103%	RMB		45,000,000.00				

② No long-term borrowings due within one year of the Company are overdue.

③ Guaranteed loans

Creditor	Amount of loan	Way of guarantee	Guarantor
Shenzhen Ping An Bank	45,000,000.00	Guaranteed loan	China National Chemical Corporation (ChemChina)
Jingzhou Sanwan Sub-branch of Construction Bank	40,000,000.00	Guaranteed loan	China National Chemical Corporation (ChemChina)
Wuhan Branch of Industrial Bank	10,000,000.00	Guaranteed loan	Sanonda Group Co., Ltd.
<u>Total</u>	<u>95,000,000.00</u>		

25. Long-term borrowings

(1) Listing by category

Type of borrowing	Closing balance	Opening balance
Guaranteed borrowings	579,560,000.00	297,560,000.00
<u>Total</u>	<u>579,560,000.00</u>	<u>297,560,000.00</u>

(2) Top five long-term borrowings with the largest amount

Creditor	Beginning date of borrowing	Ending date of borrowing	Interest rate	Closing balance			Interest rate	Opening balance		
				Currency	Amount in fore	Amount in RMB		Currency	Amount in fore	Amount in RMB
Jingzhou Sanwan Sub-branch of	3 Feb. 2008	2 Feb. 2013	5.76%	RMB		97,560,000.00	5.76%	RMB		97,560,000.00

Creditor	Beginning	Ending	Interest rate	Closing balance			Interest rate	Opening balance		
	date of borrowing	date of borrowing		Currency	Amount in fore	Amount in RMB		Currency	Amount in fore	Amount in RMB
China Construction Bank Jingzhou Sanwan Sub-branch of China	29 Aug. 2008	28 Aug. 2013	5.76%	RMB		80,000,000.00	5.76%	RMB		100,000,000.00
China Construction Bank Jingzhou Sanwan Sub-branch of China	1 Feb. 2009	9 Feb. 2014	5.76%	RMB		80,000,000.00				
China Construction Bank Wuhan Branch of the Industrial Bank of Hubei	21 Apr. 2008	21 Apr. 2013	5.76%	RMB		90,000,000.00	5.76%	RMB		100,000,000.00
China Import-Export Bank of Hubei	31 Jul. 2009	31 Jul. 2011	3.51%	RMB		85,000,000.00				

(3) Guaranteed borrowings

Creditor	Amount of borrowing	Way of guarantee	Guarantor
Jingzhou Sanwan Sub-branch of China Construction Bank	257,560,000.00	Guaranteed borrowing	China National Chemical Corporation (ChemChina)
Wuhan Branch of Industrial Bank	90,000,000.00	Guaranteed borrowing	Sanonda Group Co., Ltd.
Hubei Branch of the Import-Export Bank of China	200,000,000.00	Guaranteed borrowing	China National Agrochemical Corporation
Shenzhen Ping An Bank	32,000,000.00	Guaranteed borrowing	China National Chemical Corporation (ChemChina)
<u>Total</u>	<u>579,560,000.00</u>		

(4) Long-term borrowings at the period-end increased by 94.77% as compared with that at the period-begin, among which a borrowing of RMB 100 million from China Construction Bank was increased for the 20,000-ton/year glyphosate expansion project; a borrowing of RMB 32 million from Shenzhen Ping An Bank was increased for the thermal electricity joint production project; and a borrowing of RMB 200 million from the Import-Export Bank of China was increased for working capital for the export of high-tech products.

26. Long-term payables

Type	Closing balance	Opening balance
Environmental protection special loan from Jingzhou Bureau of Finance	2,000,000.00	2,000,000.00
Loan for glyphosate project	490,000.00	490,000.00
Treatment funds from Environmental Protection Bureau of Hubei Province	200,000.00	200,000.00
Borrowing for the cooperation project with Guangzhou Chemical Industry Research Institute	160,000.00	160,000.00
Borrowing for highly toxic pesticide production line change from Jingzhou Bureau of Finance	6,990,000.00	6,990,000.00
<u>Total</u>	<u>9,840,000.00</u>	<u>9,840,000.00</u>

27. Special payables

(1) Listing by types

Type	Opening balance	Increase in 2009	Decrease in 2009	Closing balance
Appropriation for fenoxycarb project	2,400,000.00		2,400,000.00	
Payment for environmental protection treatment	361,170.00		361,170.00	
<u>Total</u>	<u>2,761,170.00</u>		<u>2,761,170.00</u>	

(2) Opening special payables all belonged to the former subsidiary Sanonda Zhengzhou Pesticide Co., Ltd.. In 2009, the Company transferred equities of the said subsidiary held by it. As such, the balance sheet of the subsidiary as at the period-end was excluded from the consolidated statements and special payables decreased correspondingly.

28. Other non-current liabilities

Project	Closing balance	Opening balance
Subsidy of treasury bonds financed projects (highly toxic pesticide alternate projects)	6,990,000.00	6,990,000.00
Appropriation to fenoxycarb project of Sanonda		4,559,512.89

Project	Closing balance	Opening balance
Zhengzhou Pesticide Co., Ltd.		
Appropriation to the CTC consumption elimination project of Sanonda (Jingzhou) Pesticides and Chemicals Co., Ltd.	2,219,677.27	
<u>Total</u>	<u>9,209,677.27</u>	<u>11,549,512.89</u>

Note: The newly increased other non-current liabilities in this period were the environmental protection special appropriates received by the subsidiary Sanonda (Jingzhou) Pesticides and Chemicals Co., Ltd. from the Foreign Economic Cooperation Leading Group Office under the Ministry of Environmental Protection, which were used for dismantling a former production line of methyl-isoleucine, so as to eliminate annual consumption of 29.49-ton CTC in the past.

29. Share capital

Items	Opening balance	Increase/decrease in 2009 (+/-)				Closing balance	
		New shares issued	Bonus shares from retained profit	Bonus shares from capital reserve	Others		
I. Shares subject to trading moratorium	122,226,014.00				-122,183,302.00	-122,183,302.00	42,712.00
1. Shares held by the State							
2. Shares held by state-owned corporation	118,887,202.00				-118,887,202.00	-118,887,202.00	
3. Shares held by other domestic investors	3,338,812.00				-3,296,100.00	-3,296,100.00	42,712.00
Of which: Shares held by domestic corporation	3,300,000.00				-3,300,000.00	-3,300,000.00	
Shares held by domestic natural person	38,812.00				3,900.00	3,900.00	42,712.00
4. Shares held by other foreign investors							
Of which: Shares held by foreign corporation							
Shares held by foreign natural person							
II. Shares not subject to trading moratorium	471,697,206.00				122,183,302.00	122,183,302.00	593,880,508.00

Items	Opening balance	New shares issued	Increase/decrease in 2009 (+/-)		Others	Total	Closing balance
			Bonus shares from retained profit	Bonus shares from capital reserve			
trading moratorium							
1. Renminbi common shares	241,697,206.00				122,183,302.00	122,183,302.00	363,880,508.00
2. Domestically listed foreign shares	230,000,000.00						230,000,000.00
3. Overseas listed foreign shares							
4. Other							
<u>Total shares</u>	<u>593,923,220.00</u>						<u>593,923,220.00</u>

Note: All of the Company's shares were released from trading moratorium in 2009. As such, shares subject to trading moratorium at the period-begin were transferred into tradable shares not subject to moratorium; and the increase of shares held by domestic natural persons was share increase of senior executives in this period and the increased shares were subject to trading moratorium temporarily.

30. Special reserve

Items	Opening balance	Increase in 2009	Decrease in 2009	Closing balance
Safe production fee	22,451,964.08	13,887,767.80	15,649,911.89	20,689,819.99
<u>Total</u>	<u>22,451,964.08</u>	<u>13,887,767.80</u>	<u>15,649,911.89</u>	<u>20,689,819.99</u>

31. Capital reserve

Items	Opening balance	Increase in 2009	Decrease in 2009	Closing balance
Capital premium (Premium on capital stock)	264,195,844.61		128,363.39	264,067,481.22
Other	7,523,997.13			7,523,997.13
<u>Total</u>	<u>271,719,841.74</u>		<u>128,363.39</u>	<u>271,591,478.35</u>

32. Surplus reserve

Items	Opening balance	Increase in 2009	Decrease in 2009	Closing balance
Statutory surplus reserve	68,775,541.27	145,660.85		68,921,202.12
Discretionary surplus reserve	3,815,085.65			3,815,085.65

Items	Opening balance	Increase in 2009	Decrease in 2009	Closing balance
<u>Total</u>	<u>72,590,626.92</u>	<u>145,660.85</u>		<u>72,736,287.77</u>

33. Retained profit

Items	Amount in 2009	Amount in 2008
Retained profit as at 31 Dec. 2008	143,035,950.70	-7,943,821.74
Total number of adjustment for retained profit as at 1 Jan. 2009 (“+” shows increase, “-” show decrease)	-5,603,366.50	789,454.54
Retained profit as at 1 Jan. 2009 after adjustment	137,432,584.20	-7,154,367.20
Add: Net profit attributable to owners of parent company in 2009	19,310,850.13	159,892,332.65
Other increase	2,248,656.34	
Less: Appropriating statutory surplus reserve	145,660.85	15,305,381.25
Appropriating discretionary surplus reserve		
Dividend of common share payable	29,799,572.97	
Dividend of common share transferred into share capital		
Retained profit as at 31 Dec. 2009	129,046,856.85	137,432,584.20

Note 1: Due to change in accounting policies, closing amount of retained profit has decreased by RMB 5,603,366.50 compared to opening amount, retained profit at the begin of last period has increased by RMB 789,454.54. For details, please refer to Note VII.1.

Note 2: At the end of reporting period, other increase under the item “Retained profit” is RMB 2,248,656.34, including:

(1) Sanonda Zhengzhou Pesticide Co., Ltd. was included in the consolidation scope at the beginning of period, among its opening special reserve, RMB 2,615,849.32 that is attributed to the Company was written back from retained profit in the consolidated statement at the beginning of period; during the reporting period, the Company transferred the equity of the said company, therefore, it was no longer included in the consolidation scope. Accordingly, the amount of special reserve written back from retained profit at the beginning of period was switched back to retained profit again, resulting in increase of retained profit amounting to RMB 2,615,849.32.

(2) Net assets of Sanonda (Jingzhou) Pesticide & Chemical Co., Ltd. is positive number in the reporting period, which because that exceeding loss that should be undertaken originally by the Company instead of minority shareholders was transferred to minority shareholder to undertake, transferring into minority interests from retained profit, resulting in increase of retained profit

amounting to RMB 709,286.52.

(3) During the reporting period, the Company increased additional capital of RMB 2 million to Sanonda (Jingzhou) Pesticide & Chemical Co., Ltd., resulting in registered capital changing into RMB 30 million, however, minority shareholders did not increase additional capital. Among the additional capital increased by the Company, RMB 233,400.00 should be attributed to minority shareholders, transferring into minority interest from retained profit, resulting in decrease of retained profit amounting to RMB 233,400.00.

(4) Among the additional capital increased by Hubei Sanonda Tianmen Agrochemical Co., Ltd., RMB 270,000.00 should be attributed to minority shareholders, transferring into minority interest from retained profit, resulting in decrease of retained profit amounting to RMB 270,000.00.

(5) During the report period, Hubei Sanonda Foreign Trading Co., Ltd., the holding subsidiary of the Company, acquired the equity of minority shareholders of Jingzhou Sanonda Aifusi Chemical Industry Co., Ltd. at the acquisition price of RMB 5,730,795.00. The Company holds 90% equities of Sanonda Foreign Trading Co., Ltd., another shareholders holding 10% equities of the said company should attribute 10% of acquisition price, namely RMB 573,079.50, transferring into minority interest from retained profit, resulting in decrease of retained profit amounting to RMB 573,079.50.

34. Operating revenue and operating cost

(1) Itemize

Items	Operating revenue		Operating cost	
	Amount in 2009	Amount in 2008	Amount in 2009	Amount in 2008
Main operation	1,592,182,957.99	2,165,402,404.25	1,360,104,198.70	1,571,659,506.94
Other	58,261,306.95	51,940,792.43	48,913,671.19	44,358,077.38
<u>Total</u>	<u>1,650,444,264.94</u>	<u>2,217,343,196.68</u>	<u>1,409,017,869.89</u>	<u>1,616,017,584.32</u>

(2) Main operation (classified by industries)

Name of industry	Income from main operation		Cost of main operation		Profit of main operation	
	Amount in 2009	Amount in 2008	Amount in 2009	Amount in 2008	Amount in 2009	Amount in 2008
Manufacturing of chemical raw material and chemicals	1,592,182,957.99	2,165,402,404.25	1,360,104,198.70	1,571,659,506.94	232,078,759.29	593,742,897.31
<u>Total</u>	<u>1,592,182,957.99</u>	<u>2,165,402,404.25</u>	<u>1,360,104,198.70</u>	<u>1,571,659,506.94</u>	<u>232,078,759.29</u>	<u>593,742,897.31</u>

(3) Main operation (classified by products)

Name of products	Income from main operation		Cost of main operation		Profit of main operation	
	Amount in 2009	Amount in 2008	Amount in 2009	Amount in 2008	Amount in 2009	Amount in 2008
New chemical materials and special chemicals	10,442,530.09	13,722,092.16	7,119,180.60	10,538,852.69	3,323,349.49	3,183,239.47
Petrochemicals and refining and chemical products	58,568,660.07	67,486,817.98	44,527,261.75	57,555,992.82	14,041,398.32	9,930,825.16
Basic (chlor-alkali) chemicals	3,936,065.29		4,171,592.24		-235,526.95	
Agrochemicals such as chemical fertilizer and pesticide	1,519,235,702.54	2,084,193,494.11	1,304,286,164.11	1,503,564,661.43	214,949,538.43	580,628,832.68
Total	<u>1,592,182,957.99</u>	<u>2,165,402,404.25</u>	<u>1,360,104,198.70</u>	<u>1,571,659,506.94</u>	<u>232,078,759.29</u>	<u>593,742,897.31</u>

(4) Main operation (classified by region)

Area	Income from main operation		Cost of main operation		Profit of main operation	
	Amount in 2009	Amount in 2008	Amount in 2009	Amount in 2008	Amount in 2009	Amount in 2008
Abroad	699,986,628.36	1,124,090,235.72	586,142,849.07	803,090,493.45	113,843,779.29	320,999,742.27
Home	892,196,329.63	1,041,312,168.53	773,961,349.63	768,569,013.49	118,234,980.00	272,743,155.04
Total	<u>1,592,182,957.99</u>	<u>2,165,402,404.25</u>	<u>1,360,104,198.70</u>	<u>1,571,659,506.94</u>	<u>232,078,759.29</u>	<u>593,742,897.31</u>

(5) Sales revenue from the top five clients of the Company is RMB 290,160,490.92 in total, accounting for 17.58% of total sales revenue.

(6) Operating revenue as of year 2009 has decreased by 25.57% over the last year, which caused by influence of economic crisis in 2009, resulting in a large margin drop in market price of products.

35. Business taxes and surcharges

(1) Itemize

Items	Amount in 2009	Amount in 2008	Standard
Business tax	240,800.12	367,029.87	5% of turnover
Tax on resources	1,445.88	7,541.15	RMB 2/ton for liquid salt, RMB 12/ton for solid salt
Tax for maintaining and building cities	2,135,852.22	4,304,035.30	7% or 5% of circulating tax
Educational surtax	931,710.84	1,856,337.17	3% of circulating tax
Other	37,138.44	57,139.69	
Total	<u>3,346,947.50</u>	<u>6,592,083.18</u>	

(2) Business taxes and surcharges as of year 2009 has decreased by 49.23% over the last year, which caused by drop of operating revenue in 2009, resulting in falling-off of surtax.

36. Financial expense

Items	Amount in 2009	Amount in 2008
Interest expense	43,897,023.47	50,510,631.83
Less: interest income	8,530,421.97	10,272,866.55
Exchange loss	215,478.85	3,141,947.80
Less: exchange gain	327,904.87	1,893,180.03
Guarantee fee for a loan	4,660,000.00	2,271,750.00
Other	1,482,826.17	2,401,577.48
<u>Total</u>	<u>41,397,001.65</u>	<u>46,159,860.53</u>

37. Loss on assets impairment

(1) Itemize

Items	Amount in 2009	Amount in 2008
1. Loss on bad debts	3,595,225.39	7,268,843.02
2. Loss on falling price of inventory	22,092,178.33	56,105,891.84
3. Loss on impairment of fixed assets	2,537,685.58	24,091,231.96
<u>Total</u>	<u>28,225,089.30</u>	<u>87,465,966.82</u>

(2) Loss on assets impairment in this period has decreased by a big margin over the last year, which was because that the downward trend of inventory's price slowed down, resulting in the withdrawn provision for falling price of inventory lower than the balance at the end of last year; and the provision for impairment of fixed assets was withdrawn at the last year due to integral removal of Sanonda Zhengzhou Pesticide Co., Ltd., the former subsidiary of the Company, however, no such matter occurred in the reporting period, resulting in a large decrease in withdrawn amount of provision of impairment of fixed assets.

38. Income from change in fair value

Resource of income from change in fair value	Amount in 2009	Amount in 2008
Transaction financial assets		-3,025,868.96
<u>Total</u>		<u>-3,025,868.96</u>

39. Investment income

(1) Itemize

Resource of investment income	Amount in 2009	Amount in 2008
-------------------------------	----------------	----------------

Resource of investment income	Amount in 2009	Amount in 2008
Income from long-term equity investment measured at cost method during the holding period	398,000.00	240,000.00
Income from disposal of long-term equity investment measured at cost method	16,846,362.03	3,150,457.50
Income form transaction financial assets	3,719,873.51	10,829,750.95
<u>Total</u>	<u>20,964,235.54</u>	<u>14,220,208.45</u>

(2) Long-term equity investments measured at cost method are listed according to investees

Investee	Amount in 2009	Amount in 2008	Reason for change of increase/decrease
Jingzhou City Commercial Bank Co., Ltd.	398,000.00	240,000.00	Increase of basic number for bonus distribution in this period
Jingzhou Tianyang Huibao Precision Chemicals Co., Ltd.	1,440,000.00		Transfer income in this period
Sanonda Zhengzhou Pesticide Co., Ltd.	15,406,362.03		Transfer income in this period
Jingzhou Sanonda Weixun Chemicals Co., Ltd.		-93,542.50	Transfer loss at the last period
Huafei Chemical Industry Co., Ltd.		10,000.00	Transfer income at the last period
Beijing Yingli Fine Chemical Technology Development Co., Ltd.		3,234,000.00	Transfer income at the last period
<u>Total</u>	<u>17,244,362.03</u>	<u>3,390,457.50</u>	

(3) There exists no major limitation to repatriation of investment income.

(4) Investment income for the year 2009 has increased by 47.43% over the last year, which caused by investment transfer income of RMB 15.41 million obtained through transferring equity of Sanonda Zhengzhou Pesticide Co., Ltd. in the reporting period, which are held by the Company.

40. Non-operating income

(1) Itemize

Items	Amount in 2009	Amount in 2008
1. Subtotal of profit from disposal of non-current assets	4,045,240.89	35,786.12
Of which: Profit from disposal of fixed assets	4,045,240.89	35,786.12
2. Profit from debt restructuring	143,753.20	7,516,851.11
3. Government grants	1,489,959.41	1,236,939.11
4. Inventory profit	1,231.61	12,714.36

Items	Amount in 2009	Amount in 2008
5. Other	349,494.55	637,731.69
<u>Total</u>	<u>6,029,679.66</u>	<u>9,440,022.39</u>

(2) Government grants for the year 2009

Name of project	Amount in 2009	Amount in 2008	Resource
Appropriation for fenoxycarb project of Sanonda Zhengzhou Pesticide Co., Ltd.	379,959.41	569,939.11	YFGGJ [2005] No. 1560
Fiscal discount for export made by Sanonda Foreign Trading Co., Ltd.	620,000.00	307,000.00	Naught
Subsidies for T08 reconstruction project of Jingzhou Sanonda Aifusi Chemical Industry Co., Ltd.	490,000.00	360,000.00	EFQC [2009] No. 77
<u>Total</u>	<u>1,489,959.41</u>	<u>1,236,939.11</u>	

(3) Non-operating income for the year 2009 has decreased by 36.13% over the last year, which caused by income from debt restructuring amounting to RMB 7.51 million obtained through Debt Restructuring Agreement signed between the Sanonda (Jingzhou) Pesticide & Chemical Co., Ltd. (a subsidiary of the Company) and China Orient Asset Management Corporation, moreover, no such non-operating income occurred in the reporting period.

41. Non-operating expense

(1) Itemize

Items	Amount in 2009	Amount in 2008
1. Total loss on disposal of non-current assets	4,003,075.49	32,039,441.84
Of which: Loss on disposal of fixed assets	4,003,075.49	31,552,002.75
Loss on disposal of construction in progress		487,439.09
2. Charitable donation expenditure		811,000.00
3. Extraordinary loss	112.50	100,891.00
4. Inventory loss	4,302.69	493,918.77
5. Transfer of financial assets	1,198,271.73	1,582,974.78
6. Other	226,712.57	1,221,522.95
<u>Total</u>	<u>5,432,474.98</u>	<u>36,249,749.34</u>

(2) non-operating expense for the year 2009 has a large drop over the last year, which caused by a large loss on disposal of fixed assets because the Company disposed idle fixed assets at the last year, moreover such expense has decrease by a big margin in the reporting period.

42. Income tax expense

(1) Itemize

Items	Amount in 2009	Amount in 2008
Income tax expense	11,599,154.02	65,242,864.05
Of which: current period income tax	6,459,714.49	80,821,675.43
Deferred income tax	5,139,439.53	-15,578,811.38

(2) Income tax expense for the year 2009 has decreased by a big margin over the last year, which caused by the large drop in total profit.

(3) Explanation on relationship between income tax expense and accounting profit

Items	Statement of calculation	Amount in 2009	Amount in 2008
Total profit	1	30,791,072.35	220,160,318.39
Income tax expense based on statutory/(applicable) tax rate	2=1*25%	7,697,768.09	55,040,079.60
Adjustment to current period income tax occurred in the prior period	3	68,311.31	
Profits and losses attributable to associated enterprise and affiliated enterprise	4		-3,760,581.27
Influence on income tax expense due from income without paying tax	5	-4,393,945.82	-286,820.34
Influence on income tax expense due from undeductible expense	6	2,339,013.04	5,077,018.32
Unconfirmed influence of deductible temporary difference and deductible loss	7	5,888,007.40	9,173,167.75
Income tax expense calculated based on actual tax rate of the Group	8=2+3+4+5+6+7	11,599,154.02	65,242,864.05

43. Other comprehensive income

Items	Amount in 2009	Amount in 2008
Other	-142,625.99	
Less: Effects of income tax generating from other recorded into other comprehensive income		
Net amount transferred into profit and loss in the current period that recorded into other comprehensive income in previous period		
<u>Subtotal</u>	<u>-142,625.99</u>	
<u>Total</u>	<u>-142,625.99</u>	

Note: The Company acquired equity of Jingzhou Sanonda Aifusi Chemical Industry Co., Ltd. (the

subsidiary of the Company) held by minority shareholders, from which the positive balance between the acquisition price and attributable share of net assets of the said subsidiary on the acquisition date shall be recognized as loss directly included in owner's equity and recorded in other comprehensive income.

44. Notes to cash flow statement

(1) Other cash received related to operating activities

Items	Amount in 2009	Amount in 2008
Current money of Jingzhou Huaxiang Chemical Co., Ltd.	18,010,460.92	29,490,786.80
Government grants	1,110,000.00	
Current money of Jingzhou Fude Foods General Factory		5,800,000.00
Current money of Jingzhou Xianghe Electrical Equipment Co., Ltd.		10,000,000.00
Current money of Jingzhou Sanjiang Construction Development Co., Ltd		2,000,000.00
Refunment of Hubei Datian Chemical Co., Ltd.		1,000,000.00
Current money of Zhengzhou New World Agrochemical Corporation	3,654,418.03	
Current money of Kangping Company	1,347,500.00	
Current money refunded by Sanonda Zhengzhou Pesticide Co., Ltd.	10,000,000.00	
Payment for building steam conduit paid Guodian Changyuan Jingzhou Thermoelectric Co., Ltd.	10,000,000.00	
Collected repayment for payroll credit, insurance and reserve funds	7,793,315.01	17,223,895.07
<u>Total</u>	<u>51,915,693.96</u>	<u>65,514,681.87</u>

(2) Other cash paid related to operating activities

Items	Amount in 2009	Amount in 2008
Packaging cost	1,863,828.25	1,732,525.07
Transport expenses	24,486,017.92	25,991,187.39
Handling charges	449,277.53	378,520.33
Warehousing charges	2,547,822.52	1,945,255.71
Advertising expenses	2,942,149.22	2,606,746.61
Operating fund	8,125,760.70	9,923,139.72
Export charges for products	11,116,288.65	18,534,382.95
Administrative expenses	3,211,534.69	3,126,276.17
Water and electricity charge	2,510,064.25	2,038,127.94
Travel charge	1,744,607.36	2,272,283.91
Using fare for vehicle	1,294,757.15	1,036,663.51

Items	Amount in 2009	Amount in 2008
Business entertainment	3,145,603.00	3,463,308.27
Premiums for property insurance	3,667,621.71	1,756,052.11
Current money of Kangping Company	1,347,500.00	
Transfer money of Huaxiang Company	3,000,000.00	
Other	752,754.14	1,013,828.04
<u>Total</u>	<u>72,205,587.09</u>	<u>75,818,297.73</u>

(3) Other cash received related to investing activities

Items	Amount in 2009	Amount in 2008
Appropriation for CTC consumption elimination project received by Sanonda (Jingzhou) Pesticide & Chemicals Co., Ltd.	2,219,677.27	
<u>Total</u>	<u>2,219,677.27</u>	

(4) Other cash paid related to financing activities

Items	Amount in 2009	Amount in 2008
Administration and commitment fees paid for bank loan	885,530.39	79,939.52
Security cost for loan paid to Sanonda Group Corporation	3,450,000.00	
Security cost for loan paid to China National Agrochemical Corporation	1,210,000.00	
<u>Total</u>	<u>5,545,530.39</u>	<u>79,939.52</u>

45. Supplementary information to cash flow statement

(1) Reconciliation of net profit to net cash flows generated from operating activities

Items	Amount in 2009	Amount in 2008
1. Reconciliation of net profit to net cash flows generated from operating activities		
Net profit	19,191,918.33	154,917,454.34
Add: Provision for impairment of assets	-25,444,583.89	87,465,966.82
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	90,294,608.47	69,969,315.54
Amortization of intangible assets	4,430,480.21	4,302,308.26
Amortization of long-term deferred expense	14,273.21	91,640.04
Losses on disposal of property, plant and equipment, intangible assets and other long-term assets (gains: negative)	-3,728,744.94	526,780.11
Loss on retirement of fixed assets (gains: negative)	3,686,579.54	31,476,875.61
Losses from variation of fair value (gains: negative)		3,025,868.96
Financial cost (gains: negative)	37,107,902.14	42,573,934.54
Investment loss (gains: negative)	-20,964,235.54	-14,220,208.45

Items	Amount in 2009	Amount in 2008
Decrease in deferred income tax assets (gains: negative)	5,139,439.53	-15,578,811.38
Increase in deferred income tax liabilities (decrease: negative)		
Decrease in inventory (gains: negative)	164,815,721.53	-101,019,328.54
Decrease in accounts receivable from operating activities (gains: negative)	-26,266,533.22	186,783,904.32
Increase in payables from operating activities (decrease: negative)	-60,013,037.75	-97,514,353.17
Other		
Net cash flows generated from operating activities	188,263,787.62	352,801,347.00

II. Investing and financing activities that do not involving cash receipts and payment:

- Conversion of debt into capital
- Convertible bond due within one year
- Fixed assets financed by finance leases

3. Net increase in cash and cash equivalents

Closing balance of cash	474,460,623.29	562,832,319.76
Less: Opening balance of cash	562,832,319.76	452,405,704.33
Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-88,371,696.47	110,426,615.43

(2) Relevant information on obtaining or disposing subsidiaries and other operation entities at the current period

Items	Amount in 2009	Amount in 2008
Relevant information on disposal of subsidiaries and other operation entities:		
1. Price of disposal of subsidiaries and other operation entities	26,000,000.00	
2. Cash and cash equivalents received from disposal of subsidiaries and other operation entities	16,000,000.00	
Less: Cash and cash equivalents held by subsidiaries and other operation entities	9,888,571.61	
3. Net cash received from disposal of subsidiaries and other operation entities	6,111,428.39	
4. Net assets of disposal of subsidiaries	17,103,733.93	21,959,694.53
Current assets	60,398,077.68	21,959,694.53
Non-current assets	61,747,435.22	
Current liabilities	98,101,055.49	

Items	Amount in 2009	Amount in 2008
Non-current liabilities	6,940,723.48	
(3) Cash and cash equivalents		
Items	Closing amount	Opening amount
I. Cash	474,460,623.29	562,832,319.76
Including: 1. Cash on hand	6,067.14	5,191.39
2. Bank deposit on demand	474,454,556.15	555,786,579.95
3. Other monetary funds on demand		7,040,548.42
4. Payment deposited in central bank on demand		
5. Due from banks		
6. Call loans to banks		
II. Cash equivalent		
Including: Bond investment due in three months		
III. Closing balance of cash and cash equivalents	474,460,623.29	562,832,319.76
Including: Restricted cash and cash equivalents used by parent company and subsidiaries of the Group		

IX. Related party and Related Transaction

1. Recognition standard for related parties: When a party controls, jointly controls or exercises significant influence over another party, or when two or more parties are under the control, joint control or significant influence of the same party, the affiliated party relationships are constituted.

2. Information related to parent company of the Company

Name of parent company	Type	Registration place	Legal representative	Business scope	Registered capital
Sanonda Corporation	Group State-owned enterprise	93 Beijing East Road, Jingzhou, Hubei Province	Li Zuerong	Production and operation of pesticide and chemicals products	240,661,000.00
China Agrochemical Corporation	National State-owned enterprise	62 North 4th Ring Road W., Haidian District, Beijing	Ren Jianxin	Constructional engineering, mineral products, fertilizer, chemical raw materials	459,710,634.02

Name of parent company	Type	Registration place	Legal representative	Business scope	Registered capital
ChemChina Corporation	State-owned enterprise	62 North 4th Ring Road W., Haidian District, Beijing	Ren Jianxin	Constructional engineering, mineral products, fertilizer, chemical raw materials	9,372,817,000.00
(Con.)					
Proportion of share held by parent company against the Company	Proportion of voting rights owned by parent company against the Company	Organization code	Remark		
20.02%	20.02%	178987789	Parent company		
		100011399	Parent company of parent company		
		710932515	Final controller		

3. Information on subsidiaries of the Company

Name of subsidiaries	Relationship with the Company	Type	Registration place	Legal representative
Sanonda (Jingzhou) Pesticide & Chemical Co., Ltd.	Holding subsidiary	State-holding enterprise	10 Xihuan Road, Jingzhou District	Deng Guobin
Hubei Sanonda Foreign Trading Co., Ltd.	Holding subsidiary	State-holding enterprise	1 Beijing East Road, Jingzhou	Li Zuorong
Hubei Sanonda Tianmen Agrochemical Co., Ltd.	Holding subsidiary	State-holding enterprise	179 Gudu Av., Zaoshi, Tianmen	Xie Chengli
Jingzhou Longhua Petrochemicals Co., Ltd.	Holding subsidiary	State-holding enterprise	95 Beijing East Road, Jingzhou	Liu Anping
Jingzhou Sanonda Aifusi Chemical Industry Co., Ltd.	Holding subsidiary	State-holding enterprise	93 Beijing East Road, Jingzhou	Li Zuorong
Jingzhou Lingxiang Chemical Industry Co., Ltd.	Holding subsidiary	State-holding enterprise	Nongji Road, Yaowan Branch, Sha City Farm, Jingzhou Development Zone	Yin Hong

(Con.)

Business scope	Registered capital (RMB'0000)	Proportion of holding share	Proportion of voting rights	Organization code
Production of pesticide and intermediate	3,000	88.33%	88.33%	181860033
Import and export of pesticide and intermediate	1,000	90.00%	90.00%	706963167
Production and sale of pesticide	3,000	98.50%	98.50%	181851778
Production and sale of chemical products	500	65.00%	65.00%	757019360
R&D, production and sale of fine chemical products	600	95.10%	95.10%	760683174
R&D and sale of chemical products	1,000	51.00%	51.00%	682687056

4. Information on other related parties

Name of other related parties	Relationship with the Company	Organization code
Jingzhou Sanonda Advertising Co., Ltd.	Same parent company	706967790
Jingzhou Hengxiang Material Trade Co., Ltd	Same parent company	790577401
Jingzhou Hongxiang Chemicals Co., Ltd	Same parent company	798771196
Jingzhou Fude Foods General Factory	Same parent company	178960447
Jingzhou Dali Industrial Co., Ltd	Joint stock company	17897655-3
Hubei Jingzhou Huaxiang Chemical Co., Ltd.	Affiliated enterprise of parent company	73713373X
Guangxi Hechi Chemicals Co., Ltd	Same final controller	200887558

5. Transaction of related parties

(1) Purchase and sale transaction, related transaction providing and receiving labor service (Unit: RMB'0000)

Name of enterprise	Type	Content	Principle of price	Occurred amount in		Occurred amount in	
				2009	2008	2009	2008
				Amount	Percentage to the same transaction	Amount	Percentage to the same transaction
China National Agrochemical Corporation	Purchase	Purchase of raw materials	Market price	5,501	8.06%	2,962	1.91%
Sanonda Group Corporation	Purchase	Purchase of raw materials	Market price	7,136	10.46%	26,906	17.37%
Jingzhou Sanonda Advertising Co., Ltd.	Purchase	Purchase of packaging	Market price	517	5.60%		

Name of enterprise	Type	Content	Principle of price	Occurred amount in		Occurred amount in	
				2009	2008	2009	2008
				Amount	Percentage to the same transaction	Amount	Percentage to the same transaction
Jingzhou Hengxiang Material Trade Co., Ltd	Purchase	Purchase of raw materials	Market price	1,874	2.75%	3,355	2.17%
Jingzhou Dali Industrial Co., Ltd	Purchase	Purchase of packaging	Market price	691	7.48%	638	7.04%
Jingzhou Fude Foods General Factory	Purchase	Purchase of packaging	Market price			601	6.62%
Jingzhou Hengxiang Material Trade Co., Ltd	Sale	Sale of pesticide and chemical products	Market price	335	0.20%	3,556	1.60%
Hubei Jingzhou Huaxiang Chemical Co., Ltd.	Sale	Sale of chemical products	Market price	2,432	1.47%	1,327	0.60%
China National Agrochemical Corporation	Sale	Sale of pesticide and chemical products	Market price			798	0.36%
Sanonda Group Corporation	Sale	Sale of raw materials	Market price			622	0.28%

(2) Related-party guarantee

Guarantor	Secured party	Amount secured	Start date	End date	Execution of not
Sanonda Group Corporation	The Company	15,000,000.00	2009.3.25	2012.3.23	No
Sanonda Group Corporation	The Company	10,000,000.00	2009.11.12	2012.11.12	No
Sanonda Group Corporation	The Company	100,000,000.00	2008.4.21	2015.4.21	No
ChemChina Corporation	The Company	77,000,000.00	2009.4.28	2014.4.28	No
ChemChina Corporation	The Company	100,000,000.00	2008.8.29	2015.8.28	No
ChemChina Corporation	The Company	100,000,000.00	2009.2.10	2016.2.9	No
ChemChina Corporation	The Company	97,560,000.00	2008.2.3	2015.2.2	No
China National Agrochemical Corporation	The Company	50,000,000.00	2009.5.18	2013.5.18	No
China National Agrochemical Corporation	The Company	65,000,000.00	2009.6.30	2013.6.30	No
China National Agrochemical Corporation	The Company	85,000,000.00	2009.7.31	2013.7.31	No
The Company	Guangxi Hechi Chemicals Co., Ltd.	100,000,000.00	2008.1.12	2013.1.12	No

(3) Assets transfer and debt restructuring of related parties

Name of enterprise	Type	Content	Principle of pricing	Occurred amount in 2009		Occurred amount in 2008	
				Amount	Percentage to the same transaction	Amount	Percentage to the same transaction
Sanonda Group Corporation	Purchase	Land use right	Market price	23,407,500.00	81.98%		
Jingzhou Hongxiang Chemicals Co., Ltd	Purchase	Land use right	Market price	5,144,300.00	18.02%		

(4) Other related transactions:

Name of enterprise	Type	Content	Principle of pricing	Occurred amount in 2009		Occurred amount in 2008	
				Amount	Percentage to the same transaction	Amount	Percentage to the same transaction
Sanonda Group Corporation	Guarantee	Guarantee fee paid	Negotiated prices	3,450,000.00	74.03%	2,271,750.00	100%
Sanonda Group Corporation	Occupation of capital	Occupation of capital received	Negotiated prices			1,864,239.99	100%
China National Agrochemical Corporation	Guarantee	Guarantee fee paid	Negotiated prices	1,210,000.00	25.97%		

6. Accounts receivable and payable of related parties

Name of project	Related parties	Closing amount	Opening amount
Advances from customers	Jingzhou Hengxiang Material Trade Co., Ltd	800.00	150,733.50
Accounts payable	Jingzhou Hengxiang Material Trade Co., Ltd	157,828.70	23,680.00
Advance to supplier	Jingzhou Hengxiang Material Trade Co., Ltd		1,874.50
Advances from customers	China National Agrochemical Corporation		23,069.96
Accounts payable	Jingzhou Dali Industrial Co., Ltd	1,165,733.44	292,123.60
Accounts payable	Jingzhou Fude Foods General Factory	378,516.50	274,669.89

X. Share-based payments

There are no share-based payments that need to be disclosed in the reporting period.

XI. Contingencies

1. Contingent events formed by external guarantee

Guarantor	Secured entities	Total guarantee amount	Overdue amount	Guarantee way	Guarantee type	Current status of secured entities
I. Guarantee for subsidiaries						
The Company	Hubei Sanonda Foreign Trading Co., Ltd.	228,000,000		Joint liability guarantee	Guarantee for trade financing loan	Business-as-usual
II. Guarantee for other entities						
The Company	Guangxi Hechi Chemicals Co., Ltd	100,000,000		Joint liability guarantee	Guarantee for project borrowing	Business-as-usual

Note: The guarantee provided for Hubei Sanonda Foreign Trading Co., Ltd. (the holding subsidiary of the Company) is that the Company provides maximum security of guaranty for its trade financing behaviors such as opening letter of credit and bill of exchange.

2. Other contingencies

The Company has no other contingencies that need to be disclosed.

XII. Commitment Events

The Company has no significant commitment events that need to be disclosed.

XIII. Balance-sheet-date Events

The Company has no balance-sheet-date event that needs to be disclosed.

XIV. Non-monetary exchange of assets

The Company has no non-monetary exchange of assets that needs to be disclosed.

XV. Debt Restructuring

1. During the reporting period, the Company received RMB 130,385.20 worth of a vehicle from customer Chongqing Hechuan Hengxing Agricultural Trade Co., Ltd. Chongqing Branch for compensating against debts of RMB 246,126.20 that the said company owed the Company, and the bad debt reserve of the said accounts receivable has been withdrawn over the previous years, RMB 3,832.00 occurred for taking back such payment for goods. The Company obtained income from debt restructuring amounting to RMB 126,553.20 through the said debt restructuring, and recorded in

non-operating income.

2. Sanonda (Jingzhou) Pesticide & Chemicals Co., Ltd., the subsidiary of the Company, in the reporting period, reached an agreement with Xiantao Fangyuan Package Printing Co., Ltd., a supplier, in which Xiantao Fangyuan package Printing Co., Ltd. no longer collected residue of RMB 17,200.00 if only payment for goods of RMB 12,000.00 could be paid off by Sanonda (Jingzhou) Pesticide & Chemicals Co., Ltd. once only. Sanonda (Jingzhou) Pesticide & Chemicals Co., Ltd. obtained income from debt restructuring amounting to RMB 17,200.00 through the said debt restructuring, and recorded in non-operating income.

XVI. Borrowing Costs

In the reporting period, the capitalization borrowing costs is RMB 6,458,275.32 at the capitalization rate of 4.86%~5.76%.

XVII. Assets and Liabilities Measured at Fair Value

Items	Opening amount	Profits and losses from variation in fair value in 2009	Accumulative variation in fair value recorded in the equity	Impairment withdrawn in 2009	Closing amount
Financial assets					
Financial assets measured at fair value and variation included in the profits and losses of current period (excluding derivative financial assets)	4,183,872.00				
<u>Subtotal of financial assets</u>	<u>4,183,872.00</u>				
<u>Total</u>	<u>4,183,872.00</u>				

XVIII. Segment Report

Business segment

Items	Specialty chemicals segment		Petrochemical industry segment		Pesticide segment	
	2009	2008	2009	2008	2009	2008
I. Operating revenue	10,442,530.09	13,722,092.16	65,670,236.13	76,521,788.94	1,519,669,013.73	2,085,242,034.92

Items	Specialty chemicals segment		Petrochemical industry segment		Pesticide segment	
	2009	2008	2009	2008	2009	2008
Of which: Income from foreign transaction	10,442,530.09	13,722,092.16	58,568,660.07	67,486,817.98	1,519,235,702.54	2,084,193,494.11
Income from transaction among the segments			7,101,576.06	9,034,970.96	433,311.19	1,048,540.81
II. Operating cost	7,310,784.55	10,822,877.77	48,894,907.53	61,637,492.76	1,362,926,613.65	1,582,670,361.60
III. Operating profit (loss)	3,131,745.54	2,899,214.39	16,775,328.60	14,884,296.18	156,742,400.08	502,571,673.32
IV. Total assets	13,471,695.51	54,396,678.83	26,666,969.95	21,319,863.02	1,954,143,533.52	1,973,765,310.84
V. Total liabilities	1,088,398.75	1,834,496.29	13,334,495.31	11,976,625.72	888,879,535.40	919,282,049.09
VI. Supplementary information						
1. Depreciation and amortization	650,244.72	585,837.18	626,590.89	731,990.08	92,629,776.12	72,820,662.58
2. Capital expenditure	1,806,606.43	1,334,977.53	486,247.37	556,577.00	366,107,388.81	504,406,269.96
3. Noncash charges other than depreciation and amortization						

(Con.)

Fundamentals of chemical industry segment		Other		Offset		Total	
2009	2008	2009	2008	2009	2008	2009	2008
5,038,603.74		58,261,306.95	51,940,792.43	8,637,425.70	10,083,511.77	1,650,444,264.94	2,217,343,196.68
3,936,065.29		58,261,306.95	51,940,792.43			1,650,444,264.94	2,217,343,196.68
1,102,538.45				8,637,425.70	10,083,511.77		
4,171,592.24		48,913,671.19	44,358,077.38			1,472,217,569.16	1,699,488,809.51
867,011.50		9,347,635.76	7,582,715.05	8,637,425.70	10,083,511.77	178,226,695.78	517,854,387.17
44,788,408.43						2,039,070,607.41	2,049,481,852.69
35,415,634.66						938,718,064.12	933,093,171.10
578,076.95		240,400.00	224,774.00			94,725,088.68	74,363,263.84
35,217,561.76						403,617,804.37	506,297,824.49

XIX. Notes to the Financial Statement of Parent Company

1. Accounts receivable

(1) Breakdown by category

Category	Closing balance				Opening balance			
	Amount	Proportion	Provision for bad debt	Withdrawal proportion	Amount	Proportion	Provision for bad debt	Withdrawal proportion
Significant single amounts								
Insignificant single amounts but with significant credit risk	8,502,080.39	39.99%	8,502,080.39	100.00%	5,078,592.01	28.86%	5,078,592.01	100.00%
Other insignificant	12,756,489.84	60.01%	2,816,340.17	22.08%	12,517,586.36	71.14%	4,928,264.99	39.37%
Total	21,258,570.23	100.00%	11,318,420.56	53.24%	17,596,178.37	100.00%	10,006,857.00	56.87%

Note: Accounts receivable with insignificant single amounts but with significant credit risk is accounts receivable with larger recoverable risk recognized in accordance with collection work of the Company to debtors and daily businesses occurred, and credit of debtors.

(2) Explanation on bad debt provisions for accounts receivable with significant single amounts or insignificant but being conducted an independent impairment test on

Contents of accounts receivable	Closing balance	Amount of bad debt	Withdrawal proportion	Reasons
Payment for goods receivable by parent company from its domestic customer	8,502,080.39	8,502,080.39	100%	There has been no business contact between parent company and the customer. And it has not been paid after several reminders. Possibility of recovering the account is estimatedly faint. And a bad debt provision has thus been withdrawn in full.
Total	8,502,080.39	8,502,080.39		

(3) Classified according to credit risk (age analysis)

Aging	Closing balance				Opening balance			
	Balance	Proportion	Provision for bad debt	Withdrawal proportion	Balance	Proportion	Provision for bad debt	Withdrawal proportion
Within 1 year	9,372,552.82	44.09%	376,097.12	4.01%	6,346,920.10	36.08%	297,842.42	4.69%

Aging	Closing balance				Opening balance			
	Balance	Proportion	Provision for bad debt	Withdrawal proportion	Balance	Proportion	Provision for bad debt	Withdrawal proportion
(including 1 year)								
1-2 years	894,701.27	4.21%	44,735.06	5.00%	1,109,217.15	6.30%	55,460.86	5.00%
(including 2 years)								
2-3 years	968,190.45	4.55%	874,462.69	90.32%	4,746,548.11	26.97%	4,679,125.66	98.58%
(including 3 years)								
3-4 years	4,629,632.68	21.78%	4,629,632.68	100.00%	1,163,748.76	6.61%	744,683.81	63.99%
(including 4 years)								
4-5 years	1,163,748.76	5.47%	1,163,748.76	100.00%				
(including 5 years)								
Over 5 years	4,229,744.25	19.90%	4,229,744.25	100.00%	4,229,744.25	24.04%	4,229,744.25	100.00%
Total	<u>21,258,570.23</u>	<u>100.00%</u>	<u>11,318,420.56</u>	<u>53.24%</u>	<u>17,596,178.37</u>	<u>100.00%</u>	<u>10,006,857.00</u>	<u>56.87%</u>

(4) Recalled accounts receivable that bad debts provision is withdrawn in full in the previous year, the withdrawal proportion of bad debt provision is the larger, or it is recalled through other ways such as debt restructuring

Name of debtor	Amount	Reason for recalling payment	Reason for originally estimating withdrawal proportion of provision for bad debts
I . Bad debt provision was fully withdrawn in the previous years			
1. Shandong Anqiu Xinsheng Pesticide Co., Ltd.	39,601.00	Debt repayment	With an age over 5 years, possibility of recalling the account is estimated to be remote.
2. Shaanxi Jingyang Agricultural Material Co., Ltd	12,000.00	Debt repayment	With an age over 5 years, possibility of recalling the account is estimated to be remote.
3. Hubei Jingzhou Kangwei Agricultural Material Co., Ltd.	84,586.00	Debt repayment	With an age over 5 years, possibility of recalling the account is estimated to be remote.
4. Anhui Chuzhou Agricultural Material Co., Ltd.	4,000.00	Debt repayment	With an age over 5 years, possibility of recalling the account is estimated to be remote.

Name of debtor	Amount	Reason for recalling payment	Reason for originally estimating withdrawal proportion of provision for bad debts
5. Penglai Agricultural Material Co., Ltd.	10,900.00	Debt repayment	With an age over 5 years, possibility of recalling the account is estimated to be remote.
II. Recalled in other ways such as debt restructuring			
Chongqing branch of Chongqing Hechuan Hengxing Agricultural Trade Co., Ltd.	246,126.20	Recollection through paying debt by vehicle	With an age over 5 years, possibility of recalling the account is estimated to be remote.

(5) Accounts receivable actually offset in 2009

Name	Amount	Nature	Reason for offset	Caused by related-party transaction or not
Guangxi Guilin Wanfang Plant Protection Co., Ltd.	141,290.02	Payment for goods	Recognized as irrecoverable	No
Shangdong Shouguang Dadihonglin Agrochemical Co., Ltd.	141,430.01	Payment for goods	Recognized as irrecoverable	No
Total of other small sums	89,361.17	Payment for goods	Recognized as irrecoverable	No
<u>Total</u>	<u>372,081.20</u>			

(6) No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the accounts receivable.

(7) At the end of period, the top five accounts receivable totaled RMB 10,441,153.22, including RMB 4,265,374.00 within one year, RMB 1,518,863.97 within three to four years, RMB 441,121.00 within four to five years, RMB 4,215,794.25 over five years, taking up 49.12% of total accounts receivable.

(8) Accounts receivable form related parties at the end of period

Name of enterprise	Relationship with the Company	Amount	Proportion to total accounts receivable
Hubei Sanonda Tianmen Agrochemical Co., Ltd.	Subsidiary	1,038,890.26	4.89%
Jingzhou Sanonda Aifusi Chemical Industry Co., Ltd.	Subsidiary	105,141.71	0.49%
<u>Total</u>		<u>1,144,031.97</u>	<u>5.38%</u>

2. Other receivables

(1) Listing by categories

Category	Closing balance				Opening balance			
	Amount	Proportion	Provision for bad debt	Withdrawal proportion	Amount	Proportion	Provision for bad debt	Withdrawal proportion
Significant single amounts	92,136,957.67	90.45%			113,559,042.42	93.06%		
Insignificant single amounts but with significant credit risk	82,600.00	0.08%	82,600.00	100.00%				
Other insignificant	9,643,446.06	9.47%	4,707,820.40	48.82%	8,468,648.75	6.94%	4,346,379.74	51.32%
Total	101,863,003.73	100.00%	4,790,420.40	4.70%	122,027,691.17	100.00%	4,346,379.74	3.56%

(2) Explanation on bad debt provisions for other receivables with significant single amounts or insignificant but being conducted an independent impairment test on

Contents of receivables	Closing balance	Amount of bad debt	Withdrawal proportion	Reasons
1. Significant single amounts				
Zhengzhou New World Agrochemical Co., Ltd.	10,000,000.00			Payment for subsidiary transfer. A guarantee has been provided by the land authority of Zhengzhou. And no sign of impairment was spotted when an impairment test was conducted on the account.
Jingzhou Lingxiang Chemical Industry Co., Ltd.	30,256,776.05			Payment for subsidiary, no impairment occurred when an impairment test was made singly
Hubei Sanonda Foreign Trading Co., Ltd.	37,248,218.77			Payment for subsidiary, no impairment occurred when an impairment test was made singly
Sanonda (Jingzhou) Pesticide Chemical Industry Co., Ltd.	14,631,962.85			Payment for subsidiary, no impairment occurred when an impairment test was made singly
2. Insignificant single amounts but being conducted an independent impairment test on				
Individual arrears	82,600.00	82,600.00	100%	Considering an old account age, the account is estimated to be irrecoverable. And a

Contents of receivables	Closing balance	Amount of bad debt	Withdrawal proportion	Reasons				
				full-amount	provision	has	thus	been
				withdrawn.				
<u>Total</u>	<u>92,219,557.67</u>	<u>82,600.00</u>						

(3) Classified by credit risk (aging analysis)

Aging	Closing balance				Opening balance			
	Balance	Proportion	Bad debt provision	Withdrawal proportion	Balance	Proportion	Bad debt provision	Withdrawal proportion
Within 1 year (including 1 year)	81,193,542.10	79.71%	183,228.99	0.23%	87,444,716.22	71.67%	73,851.72	0.08%
1-2 years (including 2 years)	4,146,951.78	4.07%	24,476.40	0.59%	17,245,679.61	14.13%	33,946.42	0.20%
2-3 years (including 3 years)	9,272,630.00	9.10%	8,631.50	0.09%	3,410,437.73	2.79%	37,027.31	1.09%
3-4 years (including 4 years)	2,366,133.61	2.32%	28,379.73	1.20%	9,358,647.54	7.67%	78,600.00	0.84%
4-5 years (including 5 years)	434,434.17	0.43%	96,391.71	22.19%	489,085.60	0.40%	43,829.82	8.96%
Over 5 years	4,449,312.07	4.37%	4,449,312.07	100.00%	4,079,124.47	3.34%	4,079,124.47	100.00%
<u>Total</u>	<u>101,863,003.73</u>	<u>100.00%</u>	<u>4,790,420.40</u>	<u>4.70%</u>	<u>122,027,691.17</u>	<u>100.00%</u>	<u>4,346,379.74</u>	<u>3.56%</u>

(4) Recalled other receivables that bad debts provision is withdrawn in full in the previous year, the withdrawal proportion of bad debt provision is the larger, or it is recalled through other ways such as debt restructuring

Name of debtor	Amount	Reason for recalling payment	Reason for originally estimating
			withdrawal proportion of provision for bad debts
Bad debt provision was fully withdrawn in the previous years			
Hubei Fengyuan Chemicals Co., Ltd.	1,094,407.43	Liquidation	Seriously insolvent with a remote possibility of recovering the account

(5) No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the other receivables.

(6) Other receivables with the larger amount at the end of reporting period

Name of enterprise	Nature or content	Amount
Zhengzhou New World Agrochemical Co., Ltd.	Payment for transferring subsidiary	10,000,000.00
Jingzhou Lingxiang Chemical Industry Co., Ltd	Borrowing	30,256,776.05
Hubei Sanonda Foreign Trading Co., Ltd.	Export proceeds	37,248,218.77
Sanonda (Jingzhou) Pesticide Chemical Industry Co., Ltd.	Borrowing	14,631,962.85

(7) Top five parties in other receivables as at period-end

Name of entity	Relation with the Company	Amount	Age	Proportion in total other receivables
Zhengzhou New World Agrochemical Co., Ltd.	Non-related party	10,000,000.00	Within 1 year	9.82%
Jingzhou Lingxiang Chemical Industry Co., Ltd	Subsidiary	30,256,776.05	Within 1 year	29.70%
Hubei Sanonda Foreign Trading Co., Ltd.	Subsidiary	37,248,218.77	Within 1 year	36.57%
Sanonda (Jingzhou) Pesticide Chemical Industry Co., Ltd.	Subsidiary	14,631,962.85	Within 4 year	14.36%
Shantou Biyue Plastic Co., Ltd.	Non-related party	3,125,000.00	Over 5 years	3.07%
<u>Total</u>		<u>95,261,957.67</u>		<u>93.52%</u>

(8) Other receivables form related parties at the end of period

Name of entity	Relation with the Company	Amount	Proportion in total other receivables
Jingzhou Lingxiang Chemical Industry Co., Ltd	Subsidiary	30,256,776.05	29.70%
Hubei Sanonda Foreign Trading Co., Ltd.	Subsidiary	37,248,218.77	36.57%
Sanonda (Jingzhou) Pesticide Chemical Industry Co., Ltd.	Subsidiary	14,631,962.85	14.36%
<u>Total</u>		<u>82,136,957.67</u>	<u>80.63%</u>

3. Long-term equity investment

1) Listed by specific items

Investee entities	Accounting method	Initial investment	Opening book amount	Increase in this period	Decrease in this period	Closing book amount
Sanonda Zhengzhou Pesticide Co., Ltd.	Cost method	38,558,619.32	38,558,619.32		38,558,619.32	
Sanonda (Jingzhou) Pesticide Chemical Industry Co., Ltd.	Cost method	24,500,000.00	24,500,000.00	2,000,000.00		26,500,000.00
Hubei Sanonda Foreign Trading Co., Ltd.	Cost method	9,000,000.00	9,000,000.00			9,000,000.00
Hubei Sanonda Tianmen Agrochemical Co., Ltd.	Cost method	7,245,023.32	7,245,023.32	8,500,000.00		15,745,023.32
Jingzhou Longhua Petrochemicals Co., Ltd.	Cost method	3,250,000.00	3,250,000.00			3,250,000.00
Jingzhou Sanonda Aifusi Chemical Industry Co., Ltd.	Cost method	3,060,000.00	3,060,000.00			3,060,000.00
Jingzhou Lingxiang Chemical Industry Co., Ltd.	Cost method	5,100,000.00		5,100,000.00		5,100,000.00
Jingzhou City Commercial Bank Co., Ltd	Cost method	20,000,000.00	20,000,000.00			20,000,000.00
Jingzhou Tianyang Huibao Precision Chemicals Co., Ltd	Cost method	1,440,000.00	1,440,000.00		1,440,000.00	
Jingzhou Dali Industrial Co., Ltd	Cost method	1,674,600.00	1,674,600.00			1,674,600.00
Hubei Shendian Co., Ltd.	Cost method	564,000.00	564,000.00			564,000.00
Wangda Industrial Holding Co., Ltd	Cost method	550,000.00	550,000.00			550,000.00
Guangxi Zhongding Holding Co., Ltd	Cost method	580,800.00	580,800.00			580,800.00
<u>Total</u>		<u>115,523,042.64</u>	<u>110,423,042.64</u>	<u>15,600,000.00</u>	<u>39,998,619.32</u>	<u>86,024,423.32</u>

(Con.)

Proportion of holding share in investee entity	Proportion of voting rights in investee entity	Explanation on disagreement between shareholding ratio and voting shareholding ratio in investee entity	Asset		Cash bonus
			Opening impairment reserve	Closing impairment reserve	
88.33%	88.33%		24,500,000.00	24,500,000.00	
90.00%	90.00%				10,391,698.11
98.50%	98.50%				
65.00%	65.00%				487,500.00
95.10%	95.10%				
51.00%	51.00%				
5.15%	5.15%		11,991,017.37	11,991,017.37	398,000.00
33.70%	33.70%				
0.60%	0.60%				
2.75%	2.75%				
1.41%	1.41%				
<u>Total</u>			<u>36,491,017.37</u>	<u>36,491,017.37</u>	<u>11,277,198.11</u>

(2) Concerning long-term equity investments, the Company's ability to transfer funds to investee entities is not restricted.

(3) Closing amount of long-term equity investment has decreased by 33.00% compared to the opening amount, which was caused by decrease of long-term equity investment because the Company transferred the equity of Sanonda Zhengzhou Pesticide Co., Ltd. that the Company held.

4. Operating revenue and operating cost

(1) Listed by categories

Items	Operating revenue		Operating cost	
	Occurred amount in 2009	Occurred amount in 2008	Occurred amount in 2009	Occurred amount in 2008
Main operation	1,166,646,615.03	1,637,979,106.09	1,006,070,748.27	1,142,824,595.48
Other	37,066,238.97	27,796,190.29	31,985,703.64	22,663,812.70
<u>Total</u>	<u>1,203,712,854.00</u>	<u>1,665,775,296.38</u>	<u>1,038,056,451.91</u>	<u>1,165,488,408.18</u>

(2) Main operation (classified by industries)

Name of industry	Amount in 2009		Amount in 2008	
	Operating revenue	Operating cost	Operating revenue	Operating cost

Name of industry	Amount in 2009		Amount in 2008	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Manufacturing of chemical raw material and chemicals	1,166,646,615.03	1,006,070,748.27	1,637,979,106.09	1,142,824,595.48
<u>Total</u>	<u>1,166,646,615.03</u>	<u>1,006,070,748.27</u>	<u>1,637,979,106.09</u>	<u>1,142,824,595.48</u>

(3) Main operation (classified by products)

Name of products	Amount in 2009		Amount in 2008	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Agrochemicals such as chemical fertilizer and pesticide	1,166,646,615.03	1,006,070,748.27	1,637,979,106.09	1,142,824,595.48
<u>Total</u>	<u>1,166,646,615.03</u>	<u>1,006,070,748.27</u>	<u>1,637,979,106.09</u>	<u>1,142,824,595.48</u>

(4) Main operation (classified by region)

Area	Amount in 2009		Amount in 2008	
	Operating revenue	Operating cost	Operating revenue	Operating cost
Abroad	630,142,513.14	527,911,394.37	1,058,489,642.38	746,941,673.61
Home	536,504,101.89	478,159,353.90	579,489,463.71	395,882,921.87
<u>Total</u>	<u>1,166,646,615.03</u>	<u>1,006,070,748.27</u>	<u>1,637,979,106.09</u>	<u>1,142,824,595.48</u>

(5) Sales revenue from the top five clients of the Company is RMB 290,160,490.92 in total, accounting for 24.11% of total sales revenue.

5. Investment income

(1) Listed by categories

Resource of investment income	Amount in 2009	Amount in 2008
Income from long-term equity investment measured at cost method	11,277,198.11	727,500.00
Income from disposal of long-term equity investment	-11,118,619.32	18,192,782.57
Investment income form transaction financial assets	3,719,873.51	10,710,602.57
<u>Total</u>	<u>3,878,452.30</u>	<u>29,630,885.14</u>

(2) Long-term equity investments measured at cost method are listed according to investees

Investee	Amount in 2009	Amount in 2008	Reason for change of increase/decrease
Hubei Sanonda Foreign Trading Co., Ltd.	10,391,698.11		Bonus dividend in this period, no bonus dividend at the last year

Investee	Amount in 2009	Amount in 2008	Reason for change of increase/decrease
Jingzhou City Commercial Bank Co., Ltd.	398,000.00	240,000.00	Increase of basic number for bonus distribution in this period
Jingzhou Longhua Petrochemicals Co., Ltd.	487,500.00	487,500.00	
Sanonda Zhengzhou Pesticide Co., Ltd.	-12,558,619.32		Transfer in this period
Jingzhou Financing Consulting Co., Ltd.		15,042,325.07	Liquidation at the last year
Jingzhou Tianyang Huibao Precision Chemicals Co., Ltd	1,440,000.00		Transfer in this period
Jingzhou Sanonda Weixun Chemicals Co., Ltd.		-93,542.50	Transfer at the last year
Huafei Chemical Industry Co., Ltd.		10,000.00	Disposal at the last year
Beijing Yingli Fine Chemical Technology Development Co., Ltd.		3,234,000.00	Transfer at the last year
Total	<u>158,578.79</u>	<u>18,920,282.57</u>	

6. Supplementary information to cash flow statement

Items	Amount in 2009	Amount in 2008
1. Reconciliation of net profit to net cash flows generated from operating activities		
Net profit	1,456,608.54	180,544,577.11
Add: Provision for impairment of assets	-36,253,550.02	53,172,239.71
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	84,874,856.30	57,805,018.39
Amortization of intangible assets	3,466,141.75	3,109,254.00
Amortization of long-term deferred expense		
Losses on disposal of property, plant and equipment, intangible assets and other long-term assets (gains: negative)		487,439.09
Loss on retirement of fixed assets (gains: negative)	3,500,599.84	29,828,426.27
Losses from variation of fair value (gains: negative)		3,025,868.96
Financial cost (gains: negative)	35,977,092.73	36,773,081.79
Investment loss (gains: negative)	-3,878,452.30	-29,630,885.14
Decrease in deferred income tax assets (gains: negative)	3,902,862.18	-14,049,527.17
Increase in deferred income tax liabilities (decrease: negative)		
Decrease in inventory (gains: negative)	124,686,636.58	-116,176,613.75
Decrease in accounts receivable from operating activities (gains: negative)	47,896,950.08	54,155,162.68
Increase in payables from operating activities (decrease: negative)	-70,811,081.82	19,981,792.32

Items	Amount in 2009	Amount in 2008
Other		
Net cash flows generated from operating activities	194,818,663.86	279,025,834.26
II. Investing and financing activities that do not involving cash receipts and payment:		
Conversion of debt into capital		
Convertible bond due within one year		
Fixed assets financed by finance leases		
3. Net increase in cash and cash equivalents		
Closing balance of cash	424,584,953.40	490154426.3
Less: Opening balance of cash	490,154,426.30	384695931.5
Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-65,569,472.90	105,458,494.80

XXI. Supplementary Information

1. Return on equity (ROE) and earnings per share (EPS)

(1) ROE and EPS

Profit as of reporting period	Weighted average ROE		EPS			
			Basic		Diluted	
	2009	2008	2009	2008	2009	2008
Net profit attributable to common shareholders of the Company	1.77%	15.91%	0.0325	0.2692	0.0325	0.2692
Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	0.08%	17.18%	0.0014	0.2908	0.0014	0.2908

(2) Explanation on counting process

Items	2009	2008
Net profit attributable to common shareholders of the Company	19,310,850.13	159,892,332.65
Non-recurring gains and losses attributable to parent company	18,478,142.96	-12,839,696.57
Net profit attributable to common shareholders of the	832,707.17	172,732,029.22

Items	2009	2008
Company after deduction of non-recurring profit and loss		
Opening net assets attributable to common shareholders of the Company	1,098,118,236.94	925,303,773.72
Ending net assets attributable to common shareholders of the Company	1,087,987,662.96	1,098,118,236.94
Net assets attributable to common shareholders of the Company after weighted average	1,092,809,693.83	1,005,249,940.05
Number of shares	593,923,220.00	593,923,220.00

Formulas for computing various indexes are as follows:

① Weighted average ROE

$$\text{Weighted average ROE} = P_0 / (E_0 + NP \div 2 + E_i \times M_i \div M_0 - E_j \times M_j \div M_0 \pm E_k \times M_k \div M_0)$$

Of which: P₀ refers to Net profit attributable to common shareholders of the Company or net profit attributable to common shareholders of the Company after deducting non-recurring gains and losses; NP refers net profit attributable to common shareholders of the Company; E₀ refers to opening net assets attributable to common shareholders of the Company; E_i refers to additional net assets attributable to common shareholders of the Company due to new share issuance or turning debts into shares in the report period; E_j refers to reduced net assets attributable to common shareholders of the Company due to buy-back business or cash dividends in the report period; M₀ refers to the number of months during the report period; M_i refers to the number of months from the next month when net assets increased to the end of the report period; M_j refers to the number of months from the next month when net assets decreased to the end of the report period; E_k refers to change of increase/decrease of net assets due to other transaction events; M_k refers to the number of months from the next month when other net assets changed the end of the report period.

In the reporting period, for the business combination under the same control, net assets of investee party shall be made weighting from the beginning of reporting period when calculating weighted average ROE; net assets of investee party shall be made weighting from the next month after combination date when calculating weighted average ROE after deducting non-recurring gains and losses. Net profit and net assets of investee party shall be made weighting from the beginning of comparison period when calculating weighted average ROE during the comparison period; net assets of investee party shall not be made weighting (weighting being zero) when calculating weighted average ROE after deducting non-recurring gains and losses during the comparison period.

② Basic EPS

$$\text{Basic EPS} = P_0 \div S$$

$$S = S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k$$

Of which: P0 refers to net profit attributable to shareholders holding ordinary shares or net profit attributable to shareholders holding ordinary shares after deducting non-recurring gains and losses; S weighted average number of ordinary shares issued out; S0 refers to total number of shares at the period-begin; S1 refers to the number of shares increased due to transferring capital reserve into share capital or dividend distribution of shares during the report period; Si refers to the number of shares increased due to issuance of new shares or debt for equity swap during the report period; Sj refers to the number of shares decreased due to stock repurchase during the report period; Sk refers to the number of split-share during the report period; M0 refers to the number of months during the report period; Mi refers to the number of months from the next month to the end of the report period for increase of shares; Mj refers to the number of months from the next month to the end of the report period for decrease of shares

③ Diluted EPS

Diluted EPS = $P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{weighted average amount of ordinary shares increased due to subscription warrant, stock options, convertible bonds, etc.})$

Of which, P1 refers to net profit attributable to shareholders holding ordinary shares or net profit attributable to shareholders holding ordinary shares after deducting non-recurring gains and losses. The Company considered all influence of dilutive potential ordinary share against net profit and made adjustment according to the provisions of Accounting Standard for Business Enterprise. When the Company calculated diluted EPS, it shall consider all influence of dilutive potential ordinary share against net profit attributable to shareholders holding ordinary shares or net profit attributable to shareholders holding ordinary shares after deducting non-recurring gains and losses, till to minimum diluted EPS.

④ The Company has no dilutional potential common share but possibly having dilution in the next period.

⑤ Number of common shares outstanding or number of potential common shares remained unchanged from the balance sheet date to reporting date of approval of the financial report.

2. Non-recurring gains and losses

Item	2009	2008	Illustration
(1) Gains on disposal of non-current assets including reversal of the impairment loss	16,888,527.43	-28,853,198.22	Note 1
(2) Government grant recognized in current year, except for those acquired in the ordinary course of business or granted continuously in certain standard quota according to relevant national laws and regulations	1,489,959.41	1,236,939.11	Note 2
(3) Included in current profit and loss against the non-financial enterprises occupation fee funds collected		1,864,239.99	
(4) Debt restructuring gains and losses	143,753.20	7,516,851.11	

Item	2009	2008	Illustration
(5) Gains and losses on change in fair value from tradable financial assets and tradable financial liabilities, as well as investment income from disposal of tradable financial assets and tradable financial liabilities and financial assets available for sales except for effective hedging related with normal businesses of the Company	3,719,873.51	7,803,881.99	Note 3
(6) Other non-operating income and expense other than abovementioned	-1,078,673.33	-3,559,861.45	
(7) Other non-recurring gains and losses in line with the definition of profit and loss items	-4,660,000.00	-2,271,750.00	Note 4
Total of non-recurring gains and losses	16,503,440.22	-16,262,897.47	
Less: non-recurring income tax effect of gains and losses	-2,987,885.29	-4,095,511.47	
Non-recurring gains and losses after deducting influence of income tax	19,491,325.51	-12,167,386.00	
Of which: Attributable to owners of parent company	18,478,142.96	-12,839,696.57	
Attributable to minority shareholders	1,013,182.55	672,310.57	

Note 1: Losses on disposal of non-current assets include earnings of RMB 42,165.40 arising from disposal and scrap of fixed assets made by the Company and its subsidiaries, and income from disposal of long-term equity investment amounting to RMB 16,846,362.03. (For details, please refer to Note VIII. 39)

Note 2: Government grants recorded in the profits and losses of the current period include: government grants related to assets obtained by Sanonda Zhengzhou Pesticide Co., Ltd. in the previous year, the holding subsidiary of the Company, namely appropriation for fenoxycarb project, started to make deferred into non-operating income amounting to RMB 379,959.41 in the reporting period, export fiscal discount of RMB 620,000.00 received by Hubei Sanonda Foreign Trading Co., Ltd. (the holding subsidiary of the Company) in the reporting period, and subsidies for T08 reconstruction project amounting to RMB 490,000.00 received by Jingzhou Sanonda Aifusi Chemical Industry Co., Ltd..

Note 3: Profits and losses from change in fair value of transaction financial assets and investment income is from earnings occurred due to stock investment in the reporting period.

Note 4: Other non-recurring gains and losses in line with the definition of profit and loss items include guarantee fee paid by the Company to Sanonda Group Corporation and China National Agrochemical Corporation.

XXI. Approval of Financial Report

The Company's financial report has been approved at the 24th Session of the 5th Board of Directors of the Company on 13 April 2010.

Section XI. Documents available for reference

(I) Financial statements with personal signatures and seals of legal representative and chief accountants;

(II) Original of the Auditor's Report with the seals of accounting firm and the signatures and seals of certified public accountants;

(III) In the report period, Originals of all documents of the Company ever disclosed publicly in media designated by China Securities Regulatory Commission as well as the originals of all the public notices.

Chairman of the Board: Li Zuorong
Hubei Sanonda Co., Ltd
13 Apr. 2010