

HUBEI SANONDA CO., LTD.**THE FIRST QUARTERLY REPORT 2010****§1 Important Notes**

1.1 The Board of Directors, the Supervisory Committee as well as directors, supervisors and senior executives of Hubei Sanonda Co., Ltd (hereinafter referred to as “the Company”) individually and jointly accepted responsibility for the correctness, accuracy and completeness of the contents of this report and confirmed that there was no false information, misleading statement or material omissions.

1.2 The Financial Report of the first quarterly report has not been audited.

1.3 Mr. Li Zuorong, Chairman of the Board of the Company, Mr. He Xuesong, person in charge of accounting firm (chief accountant) and accounting work, hereby confirmed that the Financial Report enclosed in the quarterly report is true and complete.

§ 2 Company Profile**2.1 Main accounting data and financial indices**

Unit: RMB Yuan

	At the end of the reporting period	At the end of last year	Increase/decrease (%)
Total assets (RMB Yuan)	2,228,422,409.56	2,039,070,607.41	9.29%
Owner's equity attributable to shareholders of listed company (RMB Yuan)	1,093,517,902.67	1,087,987,662.96	0.51%
Share capital (Share)	593,923,220.00	593,923,220.00	0.00%
Net asset per share attributable to shareholders of listed company (RMB Yuan/share)	1.84	1.83	0.55%
	Reporting period	Same period of last year	Increase/decrease (%)
Sales turnover (RMB Yuan)	377,247,000.51	521,912,403.83	-27.72%
Net profit attributable to shareholders of listed company (RMB Yuan)	7,109,506.88	31,314,745.64	-77.30%
Net cash flow arising from operating activities (RMB Yuan)	-118,185,339.00	5,800,411.66	-2,137.53%
Net cash flow per share arising from operating activities (RMB Yuan/share)	-0.20	0.01	-2,100.00%
Basic earnings per share (RMB Yuan/share)	0.0120	0.0527	-77.23%
Diluted earnings per share (RMB Yuan/share)	0.0120	0.0527	-77.23%
Weighted average return on equity (%)	0.65%	2.77%	-2.12%
Weighted average return on equity after deducting extraordinary gains and losses (%)	0.64%	2.66%	-2.02%

Items of extraordinary gains and losses	Amount from 1 Jan. to 31 Mar. 2010
Other non-operating income and expense other than abovementioned	215,174.70
Influence of minority interest	12,008.19
Influence of income tax	-53,793.67
Total	173,389.22

Explanation on important items of extraordinary gains and losses:

N/A

2.2 Statement on total number of shareholders and shares held by the top ten shareholders not subject to trading moratorium

Unit: share

Total number of shareholders	80,200 (including 54321 ones of A-share and 25879 ones of B-share)	
Shares held by the top ten shareholders not subject to trading moratorium		
Full name of shareholders	Shares not subject to trading moratorium held at the period-end	Type of share
Sanonda Group Corporation	118,887,202	RMB common shares
Qichun County of State-Owned Assets Management Bureau	4,489,266	RMB common shares
Huang Hua	3,390,002	RMB common shares
Chen Qiaoling	3,385,000	RMB common shares
Li Dongliang	3,105,223	RMB common shares
Yuan Haixiang	3,002,349	RMB common shares
Liu Yingjie	2,720,181	RMB common shares
Huang Yangsheng	2,678,950	RMB common shares
Hu Yunjiang	2,676,331	RMB common shares
Jingzhou Shashi District Rural Credit Cooperative	2,500,000	RMB common shares

§ 3 Significant Events

3.1 Significant changes in major accounting data, financial highlights and reasons for these changes.

 Applicable Non-applicable

Items	Amount in the reporting period (Amount in the reporting period)	Opening amount	Increase/ decrease %	Reason for change
		(Amount at the same period of last year)		
Notes receivable	3,211	1,075	198.79%	Increase in acceptance settlement
Accounts receivable	15,576	6,586	136.51%	Trade receivable within normal credit period
Inventory	26,201	19,876	31.82%	Increase in finished goods
Short-term borrowing	21,596	3,990	441.26%	Increase in demand of funds for technological innovation for production
Tax payable	-3,216	-446	621.29%	Increase in pending deduct VAT on purchase
Sale expense	1,043	1,889	-44.79%	Decrease in freight charges and export charges, and the data of Sanonda Zhengzhou Pesticide Co., Ltd. was excluded in it in this year because the equities of the said company were transferred out.
Administrative expense	1,425	2,970	-52.01%	The data of Sanonda Zhengzhou Pesticide Co., Ltd. was excluded in it in this year because the equities of the said company were transferred out.
Total profit	952	4,314	-77.94%	Decrease in sales revenue and gross profit

3.2 Process of significant events and influence, as well as analysis and explanation on resolving proposal

Applicable Inapplicable

3.3 Special commitments made by the company, shareholders and actual controllers

Applicable Inapplicable

3.4 Warnings of possible loss or large-margin change of the accumulated net profit made during the period from the beginning of the year to the end of the next report period compared with the same period of the last year according to prediction, as well as explanations on the reasons

Applicable Inapplicable

3.5 Other significant events need to be explained

3.5.1 Securities investment

Applicable Non-applicable

3.5.2 Reception of research, interviews and visits in the reporting period

Reception time	Reception place	Reception way	Reception object	Major discussion content and the information provided by the Company
2 Mar. 2010	The Company	Telephone communication	Individual investor	Consultation of production and operation without providing information

3.5.3 Explanation on other significant events

Applicable Inapplicable

3.6 Derivative Investment

Applicable Inapplicable

3.6.1 Derivatives held as at the end of the report period

Applicable Inapplicable

§4 Attachment

4.1 Balance sheet

Prepared by Hubei Sanonda Co., Ltd

31 Mar. 2010

Unit: RMB Yuan

Items	Closing Amount		Opening amount	
	Consolidation	Parent Company	Consolidation	Parent Company
Current assets:				
Monetary funds	450,055,754.77	414,291,970.35	474,460,623.29	424,584,953.40
Settlement fund reserve				
Dismantle fund				
Transaction financial asset				
Notes receivable	32,109,921.45	26,382,408.24	10,746,710.09	2,714,810.09
Account receivable	155,760,643.35	35,669,046.39	65,857,262.23	9,940,149.67
Account paid in advance	25,172,714.90	23,421,365.84	24,018,481.41	25,138,734.64
Premium receivables				
Receivables from reinsurers				

Reinsurance contract reserve receivables				
Interest receivable				
Dividend receivable				
Other account receivable	21,833,360.12	115,913,813.00	19,220,669.32	97,072,583.33
Financial assets purchased under agreements to resell				
Inventories	262,013,163.52	215,615,643.01	198,762,663.23	146,279,805.97
Non-current assets due within 1 year				
Other current assets				
Total current assets	946,945,558.11	831,294,246.83	793,066,409.57	705,731,037.10
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	49,533,405.95	11,378,382.63	49,533,405.95
Investing property	5,116,012.50	5,116,012.50	5,116,012.50	5,116,012.50
Fixed asset	771,829,930.52	722,753,425.68	778,661,093.09	728,578,456.14
Project in construction	331,139,970.35	325,281,324.41	287,858,631.17	281,349,294.67
Engineering material				
Fixed asset disposal	30,625.25	30,625.25		
Bearer biological asset				
Oil assets				
Intangible assets	149,480,200.61	135,890,515.16	150,488,348.86	136,774,286.23
Development expense				
Goodwill				
Long-term expense to be apportioned				
Deferred income tax assets	12,501,729.59	10,146,664.99	12,501,729.59	10,146,664.99
Other non-current assets				
Total of non-current assets	1,281,476,851.45	1,248,751,973.94	1,246,004,197.84	1,211,498,120.48
Total assets	2,228,422,409.56	2,080,046,220.77	2,039,070,607.41	1,917,229,157.58
Current liabilities:				
Short-term borrowings	215,958,646.43	180,000,000.00	39,899,274.54	35,000,000.00
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	25,000,000.00	25,000,000.00	5,000,000.00	5,000,000.00
Accounts payable	89,592,219.20	60,372,134.42	116,941,353.00	66,229,596.12
Accounts received in advance	47,969,561.26	33,351,309.52	30,731,258.63	18,309,739.93
Financial assets sold under agreements to repurchase				
Handling charges and				

commissions payable				
Employee's compensation payable	15,359,728.54	12,430,614.04	17,231,898.45	13,295,096.69
Taxes and fares payable	-32,159,931.94	-21,666,480.16	-4,458,696.03	2,208,088.91
Interest payable				
Dividend payable	349,463.30	349,463.30	349,463.30	349,463.30
Other accounts payable	57,058,230.28	27,180,319.64	39,413,834.96	27,182,609.39
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	95,000,000.00	95,000,000.00	95,000,000.00
Other current liabilities				
Total current liabilities	514,127,917.07	412,017,360.76	340,108,386.85	262,574,594.34
Non-current liabilities:				
Long-term borrowings	589,560,000.00	589,560,000.00	579,560,000.00	579,560,000.00
Debentures payable				
Long-term payables	9,840,000.00	9,840,000.00	9,840,000.00	9,840,000.00
Specific-purpose account payables				
Accrued liabilities				
Deferred income tax liabilities				
Other non-current liabilities	9,209,677.27	6,990,000.00	9,209,677.27	6,990,000.00
Total non-current liabilities	608,609,677.27	606,390,000.00	598,609,677.27	596,390,000.00
Total liabilities	1,122,737,594.34	1,018,407,360.76	938,718,064.12	858,964,594.34
Shareholders' equity				
Share capital	593,923,220.00	593,923,220.00	593,923,220.00	593,923,220.00
Capital surplus	271,591,478.35	268,447,075.77	271,591,478.35	268,447,075.77
Less: Treasury Stock				
Special reserve	19,110,552.81	11,710,872.82	20,689,819.99	13,898,173.74
Surplus reserve	72,736,287.77	72,736,287.77	72,736,287.77	72,736,287.77
General risk provision				
Retained earnings	136,156,363.74	114,821,403.65	129,046,856.85	109,259,805.96
Foreign exchange difference				
Total owners' equity attributable to holding company	1,093,517,902.67	1,061,638,860.01	1,087,987,662.96	1,058,264,563.24
Minority interests	12,166,912.55		12,364,880.33	
Total owners' equity	1,105,684,815.22	1,061,638,860.01	1,100,352,543.29	1,058,264,563.24
Total liabilities and owners' equity	2,228,422,409.56	2,080,046,220.77	2,039,070,607.41	1,917,229,157.58

4.2 Income Statement

Prepared by Hubei Sanonda Co., Ltd

Jan.-Mar. 2010

Unit: RMB Yuan

Items	Amount from Jan.-Mar. 2010		Amount from Jan.-Mar. 2009	
	Consolidation	Parent Company	Consolidation	Parent Company

I. Total operating revenue	377,247,000.51	276,938,206.08	521,912,403.83	352,237,239.91
Including: Sales	377,247,000.51	276,938,206.08	521,912,403.83	352,237,239.91
Interest income				
Premium income				
Handling charges and commission income				
II. Total operating cost	367,946,268.49	269,530,342.49	481,083,194.32	314,954,643.90
Including: Cost of sales	332,895,862.20	246,626,061.74	421,242,622.40	273,861,359.11
Interest expenses				
Handling charges and commission expenses				
Surrender value				
Claim expenses-net				
Insurance contract reserve-net				
Policy dividend payment				
Amortized reinsurance expense				
Taxes and surcharges	578,381.01	353,549.67	248,463.05	9,764.56
Selling and distribution expenses	10,426,761.12	5,795,978.06	18,886,329.21	10,487,184.29
Administrative expenses	14,254,874.63	7,348,573.44	29,701,306.49	20,470,287.28
Financial expense	9,790,389.53	9,406,179.58	11,004,473.17	10,126,048.66
Asset impairment loss	0.00	0.00		
Add: gain/(loss) from change in fair value (“-” means loss)	0.00	0.00		
Gain/(loss) from investment (“-” means loss)	0.00	0.00		
Including: income form investment on affiliated enterprises and jointly-run enterprise				
Foreign exchange difference (“-” means loss)				
III. Business profit (“-” means loss)	9,300,732.02	7,407,863.59	40,829,209.51	37,282,596.01
Add: non-business income	420,553.67	7,600.00	2,537,604.61	93,469.34
Less: non-business expense	205,378.97	0.00	223,174.61	191,889.71
Including: loss on non-current asset disposal				
IV. Total profit (“-” means loss)	9,515,906.72	7,415,463.59	43,143,639.51	37,184,175.64
Less: Income tax expense	2,723,440.80	1,853,865.90	10,996,124.25	9,296,043.91
V. Net profit (“-” means loss)	6,792,465.92	5,561,597.69	32,147,515.26	27,888,131.73
Attributable to owners of parent company	7,109,506.88	5,561,597.69	31,314,745.64	27,888,131.73
Minority interests	-317,040.96	0.00	832,769.62	
VI. Earnings per share				
(I) basic earnings per share	0.0120		0.0527	
(II) diluted earnings per share	0.0120		0.0527	
VII. Other comprehensive income				
VIII. Total comprehensive income	6,792,465.92	5,561,597.69	32,147,515.26	27,888,131.73
Attributable to owners of parent company	7,109,506.88	5,561,597.69	31,314,745.64	27,888,131.73
Attributable to minority shareholders	-317,040.96	0.00	832,769.62	0.00

4.3 Cash Flow Statement

Prepared by Hubei Sanonda Co., Ltd

Jan.-Mar. 2010

Unit: RMB Yuan

Items	Amount from Jan.-Mar. 2010		Amount from Jan.-Mar. 2009	
	Consolidation	Parent Company	Consolidation	Parent Company
1. Cash flows from operating activities:				
Cash received from sales of goods or rendering of services	255,075,991.51	188,607,604.01	376,908,926.51	309,942,640.55
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	4,357,301.43	1,919,719.19	1,816,790.64	0.00
Other cash received relating to operating activities	18,839,351.58	7,996,483.53	15,177,553.06	14,900,815.86
Sub-total of cash inflows from operating activities	278,272,644.52	198,523,806.73	393,903,270.21	324,843,456.41
Cash paid for goods and services	334,005,625.53	249,407,442.80	252,554,160.67	193,883,743.72
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	23,076,475.49	17,598,536.82	22,895,737.23	16,333,589.53
Taxes and fares paid	2,897,733.13	62,077.72	26,098,825.20	22,539,994.33
Other cash paid relating to operating activities	36,478,149.37	23,533,034.35	86,554,135.45	85,774,867.08
Sub-total of cash outflows from operating activities	396,457,983.52	290,601,091.69	388,102,858.55	318,532,194.66

Net cash flows from operating activities	-118,185,339.00	-92,077,284.96	5,800,411.66	6,311,261.75
2. Cash Flows from Investment Activities:				
Cash received from withdrawing investments			0.00	0.00
Cash received from investment income			0.00	0.00
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	50,114.00	15,450.00	31,853.00	29,853.00
Net proceeds from sale of subsidiaries and other operating units			0.00	0.00
Other cash received relating to investment activities	238,473.04	238,473.04		
Sub-total of cash inflows from investment activities	288,587.04	253,923.04	31,853.00	29,853.00
Cash paid for acquiring fixed assets, intangible assets and other long-term assets	69,181,101.82	61,920,715.51	106,675,124.60	106,575,124.60
Cash paid for investments			5,100,000.00	5,100,000.00
Net increase in pledged loans				
Net cash used for acquiring subsidiaries and other operating units				
Other cash paid relating to investment activities	158,901.51	158,901.51		
Sub-total of cash outflows from investment activities	69,340,003.33	62,079,617.02	111,775,124.60	111,675,124.60
Net cash flows from investing activities	-69,051,416.29	-61,825,693.98	-111,743,271.60	-111,645,271.60
3. Cash Flows from Financing Activities:				
Cash received from absorbing investment			0.00	0.00
Including: Cash received by subsidiaries from increase in minority interests				
Cash received from borrowings	250,865,127.14	230,000,000.00	326,000,000.00	305,000,000.00
Cash received from issuing debentures				
Other proceeds relating to financing activities			2,119,172.32	1,952,325.66
Sub-total of cash inflows from financing activities	250,865,127.14	230,000,000.00	328,119,172.32	306,952,325.66
Cash paid for settling debts	75,743,172.95	75,000,000.00	102,000,000.00	85,000,000.00
Cash paid for distribution of dividends or profit or reimbursing interest	12,041,097.79	11,251,662.49	10,658,349.60	10,039,816.00
Including: dividends or profit paid by subsidiaries to minority interests				
Other cash payments relating to financing activities	248,969.63	138,341.62	426,365.58	180,177.93

Sub-total of cash outflows from financing activities	88,033,240.37	86,390,004.11	113,084,715.18	95,219,993.93
Net cash flows from financing activities	162,831,886.77	143,609,995.89	215,034,457.14	211,732,331.73
4. Effect of foreign exchange rate changes on cash and cash equivalents				
5. Net increase in cash and cash equivalents	-24,404,868.52	-10,292,983.05	109,091,597.20	106,398,321.88
Add : Cash and cash equivalents at year-begin	474,460,623.29	424,584,953.40	562,832,319.76	490,154,426.30
6. Cash and cash equivalents at the end of the year	450,055,754.77	414,291,970.35	671,923,916.96	596,552,748.18

4.4 Auditor's report

Auditor's opinion: un-audited