HUBEI SANONDA CO., LTD.

2016 SEMI-ANNUAL REPORT

August 2016

Section I. Important Reminders, Contents & Explanation

The Board of Directors, the Supervisory Committee as well as all directors, supervisors and senior management staff of Hubei Sanonda Co., Ltd. (hereinafter referred to as "the Company") warrant that this report is factual, accurate and complete without any false record, misleading statement or material omission. And they shall be jointly and severally liable for that.

All directors attended the board session for reviewing this report.

The Company plans not to distribute cash dividends or bonus shares or turn capital reserve into share capital.

An Liru, company principal, Liu Anping, chief of the accounting work, and Tu Zhiwen, chief of the accounting organ (chief of accounting), hereby confirm that the Financial Report enclosed in this report is factual, accurate and complete.

This Report is prepared in both Chinese and English. Should there be any discrepancy between the two versions, the Chinese version shall prevail.

Contents

Explanation

Term	Refers to	Contents
Company/the Company	Refers to	Hubei Sanonda Co., Ltd.
CSRC Hubei	Refers to	The Hubei bureau of China Securities Regulatory Commission
CSRC	Refers to	China Securities Regulatory Commission
SSE	Refers to	Shenzhen Stock Exchange
Reporting Period/the Reporting Period	Refers to	1 Jan. 2016-30 Jun. 2016
CNAC	Refers to	China National Agrochemical Corporation (holding 100% equity of Sanonda Group, the Company's controlling shareholder)
Celsius	Refers to	ADAMA Celsius B.V., a company incorporated in the Netherlands according to its law, once called Celsius Property B.V., holding a stake of 10.6% in the Company
ADAMA	Refers to	ADAMA Agricultural Solutions LTD., a subsidiary indirectly controlled by CNAC, once called Makhteshim-Agan Industries Ltd., a company incorporated in Israel according to its law, indirectly holding the 100% equity of Celsius
Sanonda Holdings	Refers to	Jingzhou Sanonda Holdings Co., Ltd., once called Sanonda Group Co., Ltd., the controlling shareholder of the Company

Section II. Company Profile

I. Basic information of the Company

Stock abbreviation	Sanonda A (Sanonda B)	Stock code	000553 (200553)
Stock exchange listed with	Shenzhen Stock Exchange		
Chinese name of the Company	湖北沙隆达股份有限公司		
Abbr. of the Chinese name of the Company (if any)	沙隆达		
English name of the Company (if any)	HUBEI SANONDA CO., LTD.		
Abbr. of the English name of the Company (if any)	SANONDA		
Legal representative of the Company	An Liru		

II. Contact information

	Board Secretary	Securities Representative
Name	Li Zhongxi	Liang Jiqin
Contact address	No. 93, Beijing East Road, Jingzhou, Hubei Province, R.R.China	No. 93, Beijing East Road, Jingzhou, Hubei Province, R.R.China
Tel.	0716-8208632	0716-8208232
Fax	0716-8321099	0716-8321099
E-mail	lizhongxi@agr.chemchina.com	liangjiqin@agr.chemchina.com

III. Other information

1. Ways to contact the Company

Did any change occur to the registered address, office address and their postal codes, website address and email address of the Company during the Reporting Period?

□ Applicable √ Not applicable

The registered address, office address and their postal codes, website address and email address of the Company did not change during the Reporting Period. The said information can be found in the 2015 Annual Report.

2. About information disclosure and where this report is placed

Did any change occur to information disclosure media and where this report is placed during the Reporting Period?

□ Applicable √ Not applicable

The newspapers designated by the Company for information disclosure, the website designated by CSRC for disclosing this report and the location where this report is placed did not change during the Reporting Period. The said information can be found in the 2015 Annual Report.

3. Change of the registered information

Did any change occur to the registered information during the Reporting Period?

√ Applicable □ Not applicable

	Registration date	Registration place	Registration number of the business license	Tax registration number	Organization code
Registered at the period-begin	3 Aug. 2015	Hubei Administration for Industry & Commerce	420000400004491	421001706962287	70696228-7
Registered at the period-end	29 Mar. 2016	Hubei Administration for Industry & Commerce	91420000706962287Q	91420000706962287Q	91420000706962287Q

Section III. Highlights of Accounting Data & Financial Indicators

I. Major accounting data and financial indicators

Does the Company adjust retrospectively or restate accounting data of previous years due to change of the accounting policy or correction of any accounting error?

□ Yes √ No

	Reporting Period	Same period of last year	YoY +/- (%)
Operating revenues (RMB)	1,005,697,157.50	1,235,251,682.81	-18.58%
Net profit attributable to shareholders of the Company (RMB)	16,807,555.50	117,678,175.59	-85.72%
Net profit attributable to shareholders of the Company after excluding extraordinary gains and losses (RMB)	6,397,955.00	115,491,779.81	-94.46%
Net cash flows from operating activities (RMB)	46,718,918.62	-19,276,749.38	342.36%
Basic EPS (RMB/share)	0.0283	0.1981	-85.71%
Diluted EPS (RMB/share)	0.0283	0.1981	-85.71%
Weighted average ROE (%)	0.80%	5.74%	-4.94%
	As at the end of the Reporting Period	As at the end of last year	YoY +/- (%)
Total assets (RMB)	3,043,794,012.40	2,977,268,169.32	2.23%
Net assets attributable to shareholders of the Company (RMB)	2,102,588,613.57	2,097,382,469.60	0.25%

II. Differences between accounting data under domestic and overseas accounting standards

1. Differences of net profit and net assets disclosed in financial reports prepared under international and Chinese accounting standards

□ Applicable √ Not applicable

No difference.

2. Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards

□ Applicable √ Not applicable

No difference.

III. Items and amounts of extraordinary gains and losses

√ Applicable □ Not applicable

Unit: RMB

Item	Amount	Explanation
Gains/losses on the disposal of non-current assets (including the offset part of asset impairment provisions)	10,210,811.11	
Government grants recognized in the current period, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the country's unified standards	2,756,200.44	
Other non-operating income and expenses other than the above	912,455.78	
Less: Income tax effects	3,469,866.83	
Total	10,409,600.50	--

Explain the reasons if the Company classifies an item as an extraordinary gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Extraordinary Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item

□ Applicable √ Not applicable

No such cases.

Section IV. Report of the Board of Directors

I. Overview

In the first half of 2016, the pesticide market was still weak with severe overcapacity and cut-throat competition. Demand for the major products of the Company was sluggish and the selling prices maintained at a low level, which greatly affected the production and operation of the Company.

During the Reporting Period, the Company tightly embraced the center of "saving and potential tapping, cost decreasing and benefit increasing" to develop work, made great efforts to internal work practice, controlled the cost by all manner of means, reduced the expenses and optimized the operation. Solidified the progress, improve the mechanism, strengthened the assessment, consolidated the basis, deeply developed the energy saving and resources reducing as well as the benchmarking, extruded the improvement of the special projects and promoted the comprehensive level of the enterprise management. And the Company developed the energy saving and cost reducing, quality increasing and efficiency enhancing on the aspects such as the safety production, marketing sales, material logistics, scientific research and technical renovation, funds management and control as well as the human resources. , saving by every bit and reduced the cost with efficiency increased, which all of the above steps made the overall production and operation met with the anticipation basically.

For the Reporting Period, the Company achieved operating revenues of RMB1.006 billion, decreasing 18.58% over the same period of last year; total profit of RMB23.11 million, representing a drop of 85.61% from a year earlier. The main reasons: during the Reporting Period, the pesticide market was still weak, demand for the major products of the Company was sluggish and the selling prices maintained at a low level, resulting in a considerable fall in the gross profit margin, as well as a decrease in the sales revenue, on a year-on-year basis.

II. Main business analysis

YoY change of major financial data:

Unit: RMB

	Reporting Period	Same period of last year	YoY +/-%	Main reasons for change
Operating revenues	1,005,697,157.50	1,235,251,682.81	-18.58%	
Operating costs	859,188,101.99	941,767,629.71	-8.77%	
Selling expenses	45,242,941.76	36,541,875.51	23.81%	
Administrative expenses	69,143,939.29	48,923,908.29	41.33%	Mainly due to the YoY increase of the factory shutdown losses of the Reporting Period.
Financial expenses	3,943,997.08	13,893,016.49	-71.61%	Mainly due to the YoY increase of the exchange revenues of the Reporting Period.
Income tax expenses	6,298,975.02	42,899,361.41	-85.32%	Mainly due to the YoY

				decrease of the total profits of the Reporting Period.
R&D input	1,497,874.56	1,349,295.92	11.01%	
Net cash flows from operating activities	46,718,918.62	-19,276,749.38	342.36%	Mainly due to the YoY decrease of the cash of the taxes payment and that paid for the merchandises purchase of the Reporting Period.
Net cash flows from investing activities	-35,779,852.86	-152,808,985.39	76.59%	Mainly due to the YoY decrease of the projects investment of the Reporting Period.
Net cash flows from financing activities	19,473,916.83	181,047,673.31	-89.24%	Mainly due to the YoY decrease of the borrowings of the Reporting Period.
Net increase in cash and cash equivalents	31,952,006.72	8,999,355.64	255.05%	Mainly due to the YoY increase of the net operating activities of the Reporting Period.
Business tax and surcharges	3,853,275.19	8,887,120.84	-56.64%	Mainly due to the decrease of the withdrawn urban construction taxes and the surcharges owning to the YoY decline of the revenues of the Reporting Period.
Asset impairment loss	15,173,343.00	27,616,991.95	-45.06%	Mainly due to the YoY decrease of the inventory falling price reserves of the Reporting Period.
Non-operating income	13,882,859.98	2,937,379.44	372.63%	Mainly due to the YoY increase of the disposed intangible assets revenues of the Reporting Period.
Net profits attributed to the owners' of the	16,807,555.50	117,678,175.59	-85.72%	Mainly due to the YoY decrease of the sales revenues and the gross

Company				margin of the Reporting Period.
Notes receivable	14,785,699.71	34,433,010.97	-57.06%	Mainly due to the increase of the goods payment by the notes of the Reporting Period.
Accounts receivable	400,197,459.56	180,450,531.93	121.78%	Mainly due to the decrease of the sales outstanding of the Reporting Period.
Prepayments	28,224,389.49	20,413,365.68	38.26%	Mainly due to the increase of the accounts of the raw materials paid in advance.
Other accounts receivable	14,228,948.02	9,847,451.35	44.49%	Mainly due to the increase of the land amount receivable of the Reporting Period.
Inventories	190,399,721.64	287,824,164.30	-33.85%	Mainly due to the decrease of the merchandise inventory of the Reporting Period.
Short-term loans	0.00	20,000,000.00	-100.00%	Mainly due to the payment of the borrowings of the Reporting Period.
Notes payable	30,000,000.00	0.00		Mainly due to the newly increase of the managed bank acceptance of the Reporting Period.
Deposit received	8,077,224.97	26,666,138.22	-69.71%	Mainly due to the decrease of the customers' goods payment received in advance of the Reporting Period.
Payroll payment	14,552,544.21	30,308,341.73	-51.99%	Mainly due to the payment of the pending payments of the last period of the Reporting Period.

Interests payable	753,198.89	1,123,849.31	-32.98%	Mainly due to the payment of part of the long-term loans interests from the bank of the Reporting Period.
Long-term accounts payable	0.00	650,000.00	-100.00%	Mainly due to the disposal of part of funds of the Reporting Period.
Other non-current liabilities	120,800,000.00	0.00		Mainly due to the newly increased funds of the Reporting Period.

Major changes to the profit structure or sources of the Company during the Reporting Period:

□ Applicable √ Not applicable

No major changes occurred to the profit structure or sources of the Company during the Reporting Period.

Reporting Period progress of the future development planning in the disclosed documents of the Company such as share-soliciting prospectuses, offering prospectuses, asset reorganization reports, etc.:

□ Applicable √ Not applicable

The Company did not mention any future planning for the Reporting Period in its disclosed documents such as share-soliciting prospectuses, offering prospectuses, asset reorganization reports, etc.

Review the progress of the previously disclosed business plan in the Reporting Period:

The operating revenue goal of the Company for 2016 is RMB2.15 billion. And RMB1.006 billion has been accomplished for the Reporting Period, 46.77%% of the goal.

III. Breakdown of main business

Unit: RMB

	Operating revenues	Operating costs	Gross profit rate	Increase/decrease of operating revenues over the same period of last year	Increase/decrease of operating costs over the same period of last year	Increase/decrease of gross profit rate over the same period of last year
Classified by industry						
Industry of manufacturing chemical raw materials and chemical products	988,076,337.88	843,037,392.01	14.68%	-19.53%	-10.12%	-8.93%
Classified by product						
New chemical materials and	11,224,423.36	5,872,211.49	47.68%	-10.62%	-19.29%	5.62%

special chemicals						
Basic (chlor-alkali) chemical products	172,426,086.80	160,569,547.98	6.88%	66.41%	61.91%	2.59%
Agriculture-applied chemicals, such as fertilizer and pesticide	804,425,827.72	676,595,632.54	15.89%	-27.64%	-18.63%	-9.32%
Classified by region						
Domestic	474,368,316.48	418,058,248.48	11.87%	-13.04%	-4.33%	-8.03%
Overseas	513,708,021.40	424,979,143.53	17.27%	-24.72%	-15.17%	-9.32%

IV. Core competitiveness analysis

No significant changes occurred to the core competitiveness of the Company in the Reporting Period.

V. Investment analysis

1. Investments in equities of external parties

(1) Foreign investment

□ Applicable √ Not applicable

There was no foreign investment of the Company in the Reporting Period.

(2) Equity-holdings in financial enterprises

√ Applicable □ Not applicable

Enterprise name	Enterprise variety	Initial investment cost (RMB)	Opening equity-holdings (share)	Opening equity-holding ratio	Closing equity-holdings (share)	Closing equity-holding ratio	Closing book value (RMB)	Gain/loss in the Reporting Period (RMB)	Accounting title	Equity source
Hubei Bank	Commercial bank	20,000,000.00	23,481,067	0.71%	23,481,067	0.71%	8,008,982.63		Available-for-sale financial assets	Purchase of corporate stock
Total		20,000,000.00	23,481,067	--	23,481,067	--	8,008,982.63	0.00	--	--

(3) Investment in securities

□ Applicable √ Not applicable

There was no investment in securities by the Company in the Reporting Period.

(4) Shareholdings in other listed companies

□ Applicable √ Not applicable

No such cases in the Reporting Period.

2. Information of trust management, derivative investment and entrusted loan

(1) Trust management

□ Applicable √ Not applicable

There was no trust management of the Company in the Reporting Period.

(2) Derivative investment

□ Applicable √ Not applicable

There was no derivative investment of the Company in the Reporting Period.

(3) Entrusted loan

□ Applicable √ Not applicable

There was no entrusted loan of the Company in the Reporting Period.

3. Use of raised funds

□ Applicable √ Not applicable

No such cases in the Reporting Period.

4. Analysis to main subsidiaries and stock-participating companies

√ Applicable □ Not applicable

Main subsidiaries and stock-participating companies:

Unit: RMB

Company name	Company variety	Industry	Main products/services	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Sanonda (Jingzhou)	Subsidiary	Chemical raw	Production of	30000000.00	11,068,868.75	6,284,975.37		-646,370.33	8,203,633.06

Pesticides and Chemicals Co., Ltd.		material and chemical product manufacturing industry	pesticides and intermediates						
Hubei Sanonda Foreign Trading Co., Ltd.	Subsidiary	Trade industry	Import & export of pesticides and intermediates	10000000.00	364,112,993.81	43,530,082.39	102,702,058.14	-1,018,274.55	-764,152.77
Jingzhou Hongxiang Chemical Co., Ltd.	Subsidiary	Chemical raw material and chemical product manufacturing industry	Production and sale of chemical raw materials	40000000.00	211,876,715.27	-10,100,402.34	77,937,723.36	-2,491,921.97	-1,980,255.31

5. Significant projects of investments with non-raised funds

□ Applicable √ Not applicable

No such cases in the Reporting Period.

VI. Predict the operating results of January-September 2016

Warning of possible loss or considerable YoY change of the accumulated net profit made during the period-begin to the end of the next Reporting Period according to prediction, as well as explanations on the reasons:

□ Applicable √ Not applicable

VII. Explanation by the Board of Directors and the Supervisory Committee about the "non-standard audit report" issued by the CPAs firm for the Reporting Period

□ Applicable √ Not applicable

VIII. Explanation by the Board of Directors about the relevant situation of the "non-standard audit report" of the first half year

□ Applicable √ Not applicable

IX. Implementation of profit allocation during the Reporting Period

Profit allocation plan implemented during the Reporting Period, especially execution and adjustment of the cash dividend plan and the plan for turning capital reserve into share capital:

√ Applicable □ Not applicable

On 16 March 2016, the Company held the 8th Session of the 7th Board of Directors, which reviewed and approved the Preplan of the 2015 Profits Distribution that had reviewed and approved by the 2015 Annual General Meeting on 18 April. 2016. The 2015 profits distribution plan was: based on the total share capital of the Company on 31 December 2015, distributed the cash bonus of RMB0.25 (tax included) of every 10 shares for the whole shareholders with 0 shares of the bonus shares (tax included) and without any turning capital reserve into share capital. On 7 June 2016, the Company disclosed the Announcement on the Execution of the 2015 Equities Distribution on the appointed information disclosure media and the above cash bonus had completed the execution on 17 June 2016.

Special statement about the cash dividend policy	
In compliance with the Company's Articles of Association and the resolution of the general meeting	Yes
Specific and clear dividend standard and ratio	Yes. No. 155 of the Articles of Association explicitly stipulated the profits distribution policies, decision-making process as well as the conditions and proportion of the dividends and so on.
Complete decision-making procedure and mechanism	Yes
Independent directors fulfilled their responsibilities and played their due role.	Yes
Minority shareholders have the chance to fully express their opinion and desire and their legal rights and interests were fully protected.	Yes
In adjustment or alteration of the cash dividend policy, the conditions and procedure were in compliance with regulations and transparent.	Not applicable.

X. Preplan for profit distribution and turning capital reserve into share capital in the Reporting Period

□ Applicable √ Not applicable

The Company planed that no to distribute cash dividend, bonus shares and there was no turning of capital reserve into share capital.

XI. Particulars about researches, visits and interviews received in this Reporting Period

√ Applicable □ Not applicable

Time	Place	Way of reception	Visitor type	Visitor	Main discussion and materials provided by the Company
25 Mar. 2016	Jingzhou	Telephone communication	Individual	Medium and small investors	When will the Company's stocks resume listing?

					Materials offered: Announcement on the Progress of the Reorganization of the Significant Assets.
28 Mar. 2016	Jingzhouv	Telephone communication	Individual	Medium and small investors	When will the Company's stocks resume listing? Materials offered: Announcement on the Progress of the Reorganization of the Significant Assets.
18 Apr. 2016	Jingzhou	Telephone communication	Individual	Medium and small investors	When will the Company's stocks resume listing? Materials offered: Announcement on the Progress of the Reorganization of the Significant Assets.
7 Jun. 2016	Jingzhou	Telephone communication	Individual	Medium and small investors	When will the Company's stocks resume listing? Materials offered: Announcement on the Progress of the Reorganization of the Significant Assets.
8 Jun. 2016	Jingzhou	Telephone communication	Individual	Medium and small investors	When will the Company's stocks resume listing? Materials offered: Announcement on the Progress of the Reorganization of the Significant Assets.
29 Jun. 2016	Jingzhou	Telephone communication	Individual	Medium and small investors	When will the Company's stocks resume listing? Materials offered: Announcement on the Progress of the Reorganization of the Significant Assets.。

Section V. Significant Events

I. Corporate governance

The situation of the Company's governance did not differ in principle from the Company Law and the relevant CSRC requirements in the Reporting Period.

II. Litigations

Significant litigations and arbitrations

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Other litigations

□ Applicable √ Not applicable

III. Media query

□Applicable √Not applicable

The Company was not involved in any media query in the Reporting Period.

IV. Bankruptcy or Reorganization Events

□ Applicable √ Not applicable

There Company was not involved in any bankruptcy or reorganization events in the Reporting Period.

V. Transaction in Assets

1. Purchase of assets

□ Applicable √ Not applicable

There is no purchase of assets in the Company during the Reporting Period.

2. Sale of assets

□ Applicable √ Not applicable

There is no sale of assets in the Company during the Reporting Period.

3. Business combination

√ Applicable □ Not applicable

The Company had held the 12th Session of the 7th Board of Directros of the Company on 28 June 2016, which reviewed and approved the Proposal on Absorbing and Combining Jingzhou Hongxiang Chemical Co., Ltd. and the Proposal on Absorbing and Combining Sanonda (Jingzhou) Pesticides and Chemicals Co., Ltd.. Please refer to the www.cninfo.com.cn for the detailed content that disclosed on 29 June 2016. As for the above events about the merger were still waiting for the approval from Annual General Meeting for execution.

VI. Implementation and Influence of Equity Incentive Plan of the Company

□ Applicable √ Not applicable

There is no equity incentive plan and its implementation in the Company during the Reporting Period.

VII. Significant related-party transactions

1. Related-party transactions concerning routine operation

√ Applicable □ Not applicable

Related party	Relationship	Type of the related-party transaction	Content of the related-party transaction	Pricing principle of the related-party transaction	Transaction price	Transaction amount (RMB Ten thousand)	Proportion in same kind of transactions	Approved transaction line (RMB Ten thousand)	Over approved line or not	Settlement method of the related-party transaction	Similar Transaction market price receivable	Disclosure date	Disclosure index
Bluestar (Beijing) Chemical Machinery Co., Ltd.	Under the same ultimate controller	Purchase	Equipment expenses	Market price	Bluestar (Beijing) Chemical Machinery Co., Ltd.	0.3		100	No	Telegraphic transfer	0.3	18 Mar. 2016	Announcement No.: 2016-20 and the Announcement name: Announcement on Expected Routine Related-party Transactions for 2016; disclosed on http://www.cninfo.com.cn
Beijing Guangyuan AgroSciences	Under the same ultimate controller	Purchase	Purchase of raw materials	Market price	Market price	609		800	No	Telegraphic transfer	609	18 Mar. 2016	Ditto

Chemical Co., Ltd.													
ADAMA Agricultural Solutions LTD.	Under the same ultimate controller	Sales	Sales of pesticide	Market price	Market price	8,739		23,790	No	Telegraphic transfer	8,739	18 Mar. 2016	Ditto
Jiangsu Anpon Electrochemical Co. Ltd. China	Under the same ultimate controller	Sales	Sales of pesticide	Market price	Market price	22		300	No	Telegraphic transfer	22	18 Mar. 2016	Ditto
Total				--	--	9,370.3	--	24,990	--	--	--	--	--
Details about return of large-amount sales				N/A									
Where the Company classifies and estimates the total amount of routine related-party transactions for the Reporting Period, explain the actual implementation during the Reporting Period (if any)				The Company expected of the total amount of RMB250 million of the 2016 routine related transaction with the actual occurred amount of RMB83.703 million that had not exceeded the expected limit.									
Explain why the transaction price is greatly different from the market price (if applicable)				The company’s related transactions with related party shall be carried out in accordance with the principle of voluntary, equality and mutual benefit, fair, and will not harm the interests of the company.									

2. Related-party transactions arising from asset acquisition or sale

□ Applicable √ Not applicable

The Company was not involved in any related-party transactions arising from asset acquisition or sale during the Reporting Period.

3. Related-party transitions with joint investments

□ Applicable √ Not applicable

The Company was not involved in any related-party transaction with joint investments during the Reporting Period.

4. Credits and liabilities with related parties

√ Applicable □ Not applicable

Whether there were any non-current credits liabilities with related parties

□ Yes √ No

No such cases in the Reporting Period.

5. Other significant related-party transactions

√ Applicable □ Not applicable

1. The parent company of the Group—Jingzhou Sanonda Holdings Co., Ltd.—paid & gained wages and social security through the Company with a total of RMB148,392.6.

2. Balance of bank deposit of Chemchina Finance Co., Ltd. of the Company at the year-begin was of RMB140,000,000.00, period-end of the Period was of RMB100,958,989.89, and balance of short-term loan at the period- begin was of RMB0, period-end was of RMB0; Interest of bank deposit of this year was of RMB958,989.89.

3. In Reporting Period, the 7th floor of the Company's office building had rented to Jingzhou Sanonda Holdings Co., Ltd. for business operation in the Reporting Period with the annual rent of RMB120,000.

The website to disclose the interim announcements on significant related-party transactions

Name of the interim announcement	Disclosure date of the interim announcement	Website to disclose the interim announcement
Announcement on Expected Routine Related-party Transactions for 2016	18 Mar. 2016	www.cninfo.com.cn

VIII. Particulars about the non-operating occupation of funds by the controlling shareholder and other related parties of the Company

□ Applicable √ Not applicable

The Company was not involved in the non-operating occupation of funds by the controlling shareholder and other related parties during the Reporting Period.

IX. Particulars about significant contracts and their fulfillment

1. Particulars about trusteeship, contract and lease

(1) Trusteeship

□ Applicable √ Not applicable

There was no any trusteeship of the Company in the Reporting Period.

(2) Contract

□ Applicable √ Not applicable

There was no any contract of the Company in the Reporting Period.

(3) Lease

√ Applicable □ Not applicable

Explanation on the lease

The 7th floor of the Company's office building had rented to Jingzhou Sanonda Holdings Co., Ltd. for business operation in the Reporting Period with the annual rent of RMB120,000.

The lease whose profits reaching more than 10% of the total profits of the Company in the Reporting Period

□ Applicable √ Not applicable

There was no any lease whose profits reaching more than 10% of the total profits of the Company in the Reporting Period.

2. Guarantees provided by the company

√ Applicable □ Not applicable

Unit: RMB’0,000

Guarantees provided by the Company for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date on relevant announcement of guaranteed amount	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Guarantees provided by the Company for its subsidiaries								
Guaranteed party	Disclosure date on relevant announcement of guaranteed amount	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Hubei Sanonda Foreign Trading Co., Ltd.	18 Mar. 2016	30,900	18 Mar. 2016	6,400	Joint liability guarantee	1 year	No	Yes
Total guarantee line approved for the subsidiaries during the Reporting Period (B1)		30,900		Total actual occurred amount of guarantee for the subsidiaries during the Reporting Period (B2)				6,400
Total guarantee line that has been approved for the subsidiaries at the end of the Reporting Period (B3)		30,900		Total actual guarantee balance for the subsidiaries at the end of the Reporting Period (B4)				6,400
Guarantees provided by subsidiaries for subsidiaries								
Guaranteed party	Disclosure date on relevant announcement of	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not

<table>
<tr><td></td><td>guaranteed amount</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td colspan="9">Total guarantee amount provided by the Company (total of the above-mentioned three kinds of guarantees)</td></tr>
<tr><td colspan="2">Total guarantee line approved during the Reporting Period (A1+B1+C1)</td><td colspan="2">30,900</td><td colspan="2">Total actual occurred amount of guarantee during the Reporting Period (A2+B2+C2)</td><td colspan="3">6,400</td></tr>
<tr><td colspan="2">Total guarantee line that has been approved at the end of the Reporting Period (A3+B3+C3)</td><td colspan="2">30,900</td><td colspan="2">Total actual guarantee balance at the end of the Reporting Period (A4+B4+C4)</td><td colspan="3">6,400</td></tr>
<tr><td colspan="4">Proportion of total guarantee amount (A4+B4+C4) to the net assets of the Company</td><td colspan="5">3.04%</td></tr>
<tr><td colspan="9">Of which:</td></tr>
<tr><td colspan="4">Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (E)</td><td colspan="5">6,400</td></tr>
<tr><td colspan="4">Total amount of the above three guarantees (D+E+F)</td><td colspan="5">6,400</td></tr>
<tr><td colspan="4">Notes to the undue guarantee which may burden the related discharge duty (if any)</td><td colspan="5">N/A</td></tr>
<tr><td colspan="4">Notes to the external guarantee by violating the established procedures (if any)</td><td colspan="5">N/A</td></tr>
</table>

Explanation on guarantee that adopts complex method

(1) Particulars about illegal external guarantee

□ Applicable √ Not applicable

There was no particular about illegal external guarantee of the Company in the Reporting Period.

3. Other significant contracts

□ Applicable √ Not applicable

There was no other significant contract of the Company in the Reporting Period.

4. Other significant transactions

□ Applicable √ Not applicable

There was no other significant transaction of the Company in the Reporting Period.

X. Commitments made by the Company or shareholders holding over 5% of the Company's shares in the Reporting Period or such commitments carried down into the Reporting Period

√ Applicable □ Not applicable

Type of commitment	Commitment maker	Commitment contents	Time of commitment	Term of commitment	Execution
Commitment on share reform	-	-	-	-	-
Commitment in the acquisition report or the report on equity changes	ADAMA Celsius B.V.;ADAMA Agricultural Solutions Ltd.	I. Commitments on avoiding horizontal competition: 1. except for the Company proposed conducting transaction may lead to competition in domestic trade with Shenzhen NOPOSION Agrochemical Co., Ltd. disclosed in the B Shares Offer Acquisition Report of Hubei Sanonda CO., Ltd. The Company will take effective measures to avoid the Company and its controlling subsidiaries engaged in the same or similar business with Hubei Sanonda CO., Ltd. within the territory.2. If the Company or its controlling subsidiaries domestically conduct related business which form horizontal competition with Hubei Sanonda CO., Ltd. in future (including related business of the Company proposed conducting transaction may lead to competition in domestic trade with Shenzhen NOPOSION Agrochemical Co., Ltd. disclosed in the B Shares Offer Acquisition Report of Hubei Sanonda CO., Ltd.) The Company will according to the securities laws and regulations and industry policy within 7 years or when the management think the condition is ripe to actively take steps, gradually eliminate the competition, the concrete measures including but not limited to the following one or more: fight for internal assets reconstruction, (including putting the business into Hubei Sanonda CO., Ltd. or operated through Hubei Sanonda CO., Ltd.) to	2013-09-07	2020-09-06	The commitments were being carried out and the commitment makers abided by the above commitments.

		adjust the industrial plan and business structure, to transform technology and to upgrade products, to divide the market so as to make each corporation differ in the products and its ultimate users, thus to avoid and eliminate the current domestic horizontal competition between the Company's controlling subsidiaries and Sanonda.			
	ADAMA Celsius B.V.;ADAMA Agricultural Solutions Ltd.	II. Commitments on maintaining the Company's operation independence and specify the related transaction: 1. After the complement of the tender offer, Sanonda will continue to maintain complete purchase, production and sales system, and to gain the independent intellectual property. The Company and its direct or indirect controlling shareholders and Sanonda of which the personnel, assets, finance, business and institutions will be completely separated, and at the same time maintain the operation ability of Sanonda that independently face to the China agrochemical industry market. 2. The Company will avoid and reduce the related transactions with Sanonda according to the requirements stipulated by the laws, regulations and other normative documents; but for those related transactions that are inevitable or occur with reasonable cause, will have to obey the just, fair and open market principles. And to sign the agreement according to the law and to carry out legal program, and to make sure not to harm the legal interest of Sanonda and other shareholders by related transaction according to the Articles of Association of Sanonda, the relevant system about related transaction and to conduct the duty of	2013-09-07	9999-12-31	The commitments were being carried out and the commitment makers abided by the above commitments.

		information disclosure as well as the approval process which stipulated by the relevant regulations."			
	China National Chemical Corporation	I. Commitments on avoiding horizontal competition: 1. The business of the Company's subsidiaries-- Jiangsu Anpon Electrochemical Co., Ltd., Anhui Petroleum Chemical Group Co., Ltd., Shandong Dacheng Agrochemical Co., Ltd. and Jiamusi Heilong Agrochemicals Co., Ltd., and Hunan Haohua Chemical Co., Ltd. and its subsidiary had the same or similar situations with the main business of Sanonda, and aimed at the domestic horizontal competition, the Company committed to gradually eliminate such kind of horizontal competition in the future and to fight for the internal assets reconstruction, to adjust the industrial plan and business structure, to transform technology and to upgrade products, to divide the market so as to make each corporation differ in the products and its ultimate users according to the securities laws and regulations and industry policy within 7 years, thus to eliminate the current domestic horizontal competition between the Company's controlling subsidiaries and Sanonda. 2. Excepting the competition situation disclosed in the offer acquisition report, the Company take effective measures to avoid the Company and its controlling subsidiaries (excepting Commitments respectively made in acquisition report by Celsius Property B.V. and MAI)' new increased business engaged in the same or similar business with Hubei Sanonda CO., Ltd. within the territory in future. 3. If the Company or its	2013-09-07	2020-09-06	The commitments were being carried out and the commitment maker abided by the above commitments.

		controlling subsidiaries (excepting Commitments respectively made in acquisition report by Celsius Property B.V. and MAI) domestically conduct related business which form horizontal competition with Hubei Sanonda CO., Ltd. in future, the Company will actively take steps, gradually eliminate the competition, the concrete measures including but not limited to fight for internal assets reconstruction, (including putting the business into Hubei Sanonda CO., Ltd. or operated through Hubei Sanonda CO., Ltd.) to adjust the industrial plan and business structure, to transform technology and to upgrade products, to divide the market so as to make each corporation differ in the products and its ultimate users, thus to avoid and eliminate the current domestic horizontal competition between the Company's controlling subsidiaries and Sanonda.			
	China National Chemical Corporation	II. Commitments on maintaining the Company's operation independence and specify the related transaction: 1. After the complement of the tender offer, Sanonda will continue to maintain complete purchase, production and sales system, and to gain the independent intellectual property. The Company and its direct or indirect controlling shareholders and Sanonda of which the personnel, assets, finance, business and institutions will be completely separated, and at the same time maintain the operation ability of Sanonda that independently face to the China agrochemical industry market. 2. The Company will avoid and reduce the related transactions with Sanonda according to the	2013-09-07	9999-12-31	The commitments were being carried out and the commitment maker abided by the above commitments.

		requirements stipulated by the laws, regulations and other normative documents; but for those related transactions that are inevitable or occur with reasonable cause, will have to obey the just, fair and open market principles. And to sign the agreement according to the law and to carry out legal program, and to make sure not to harm the legal interest of Sanonda and other shareholders by related transaction according to the Articles of Association of Sanonda, the relevant system about related transaction and to conduct the duty of information disclosure as well as the approval process which stipulated by the relevant regulations.			
Commitments made at the time of assets reorganization					
Commitments made in the initial public offering or refinancing					
Other commitments made to minority shareholders	Mr. Jiang Chenggang; Mr. Li Zhongxi	"1. The Supervisory Board Chairman of the Company Mr. Jiang Chenggang planed to purchase the shares of the Company of over 5000 shares through the secondary market by the self-rising funds in the future 6 months (2015.7.13-2016.1.12); 2. The Board Secretary Mr. Li Zhongxi planed to purchase the shares of the Company of over 5000 shares through the secondary market by the self-rising funds in the future 6 months (2015.7.13-2016.1.12)".	13 Jul. 2015	2016-01-12	Mr. Jiang Chenggang had completed the execution of the commitments while owning to the suspension of the Company's shares from 5 August 2015 to the disclosure date, Mr. Li Zhongxi could not execute the commitments on increasing the shareholding.
Executed timely or not?	Yes				

If the commitments failed to complete the execution when expired, should specifically explain the reasons of unfulfillment and the net stage of the working plan	Not applicable.

XI. Particulars about engagement and disengagement of CPAs firm

Whether the semi-annual financial report had been audited?

□ Yes √ No

This semi-annual report is un-audited.

XII. Punishment and Rectification

□ Applicable √ Not applicable

There was no any punishment and rectification of the Company in the Reporting Period.

XIII. Reveal of the delisting risks of illegal or violation

□ Applicable √ Not applicable

There was no any delisting risk of illegal or violation of the Company in the Reporting Period.

XIV. Explanation about other significant matters

√ Applicable □ Not applicable

Owning to the Company was planning the significant events reorganization project, the Company’s stocks delist since the market opening on 5 Aug. 2015. During the Reporting Period, the details of the progress of the reorganization events was on the Announcement on the Progress of the Significant Assets Reorganization all previously disclosed.

XV. Related situation of the corporate bonds

Whether there was any public issuance of the corporate bonds which listed on the securities exchange that had not due on the approved presentation date of the half-annual report or failed to pay in full amount.

No

Section VI. Change in Shares & Shareholders

I. Changes in share capital

Unit: Share

	Before this change		Increase/decrease (+, -)					After the change	
	Amount	Proportion	Issuance of new shares	Bonus share	Capitalization of public reserve fund	Other	Subtotal	Amount	Proportion
I. Shares subject to trading moratorium	20,531	0.00%						20,531	0.00%
3. Other domestic shares	20,531	0.00%						20,531	0.00%
Shares held by domestic individuals	20,531	0.00%						20,531	0.00%
II. Shares not subject to trading moratorium	593,902,689	100.00%						593,902,689	100.00%
1. Ordinary shares denominated in RMB	363,902,689	61.27%						363,902,689	61.27%
2. Domestically listed foreign shares	230,000,000	38.73%						230,000,000	38.73%
III. Total of shares	593,923,220	100.00%						593,923,220	100.00%

Reasons for changes in share

□ Applicable √ Not applicable

Approval of share changes

□ Applicable √ Not applicable

Transfers in share changes

□ Applicable √ Not applicable

Influence of share changes towards financial indexes in the latest year and latest period such as basic EPS and diluted EPS, and net assets per share belonging to shareholder with ordinary share

□ Applicable √ Not applicable

Other contents that the Company thinks necessary or is asked by securities regulators to be disclosed

□ Applicable √ Not applicable

Explanation of the changes in the sum of the shares and the structure of the shareholders and the structure of the assets as well as the liabilities of the Company

□ Applicable √ Not applicable

II. Number of shareholders and shareholding

Unit: Share

Total number of common shareholders at the end of the Reporting Period	63,170 (of which the Share A shareholders were of 44,474)	Total number of preferred shareholders that had restored the voting right at the end of the Reporting Period (if any) (note 8)	0

Shareholding of common shareholders holding more than 5% shares or the top 10 of common shareholders								
Name of shareholder	Nature of shareholder	Holding percentage (%)	Number of shareholding at the end of the Reporting Period	Increase and decrease of shares during Reporting Period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Pledged or frozen shares	
							Status of shares	Number of shares
Jingzhou Sanonda Shareholding Co., Ltd.	State-owned legal person	20.15%	119,687,202	-	-	-	-	-
ADAMA Celsius B.V.	Foreign legal person	10.60%	62,950,659	-	-	-	-	-
Chen Lichun	Domestic natural person	1.14%	6,790,954	-	-	-	-	-
State-owned Assets Administration Bureau of Qichun County	State	0.70%	4,169,266	-	-	-	-	-
Jiang Jian	Domestic natural person	0.61%	3,595,123	-	-	-	-	-
China Securities Finance Corporation Limited	Other	0.47%	2,817,300	-	-	-	-	-
NORGES BANK	Foreign legal person	0.44%	2,634,504	-	-	-	-	-
ICBC - Lion Medium-and-small-cap Selected Stock Securities Investment Fund	Other	0.42%	2,480,384	-	-	-	-	-
Bank of China Limited —	Other	0.38%	2,252,947	-	-	-	-	-

Manulife Teda Jili Debt Securities Investment Funds								
ICBC - JT Tianfu Reform New Power Flexible Configuration of Hybrid Securities Investment Funds	Other	0.36%	2,160,078	-	-	-	-	-

Strategic investors or the general legal person due to the placement of new shares become the top 10 shareholders (if any) (note 3)	Not applicable
Explanation on associated relationship or/and persons	Jingzhou Sanonda Shareholding Co., Ltd. and ADAMA Celsius B.V. are related parties, and under the same control of China National Chemical Agrochemical Corporation, and are acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies. It is unknown whether the other shareholders are related parties or acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies.

Particulars about shares held by top 10 common shareholders not subject to trading moratorium			
Name of shareholder	Number of shares held not subject to trading moratorium at the end of the Period	Type of share	
		Type of share	Number
Jingzhou Sanonda Shareholding Co., Ltd.	119,687,202	RMB ordinary share	119,687,202
ADAMA Celsius B.V.	62,950,659	Domestically listed foreign share	62,950,659
Chen Lichun	6,790,954	RMB ordinary share	6,790,954
State-owned Assets Administration Bureau of Qichun County	4,169,266	RMB ordinary share	4,169,266
Jiang Jian	3,595,123	RMB ordinary share	3,595,123
China Securities Finance Corporation Limited	2,817,300	RMB ordinary share	2,817,300
NORGES BANK	2,634,504	Domestically listed foreign share	2,634,504
ICBC - Lion Medium-and-small-Cap Selected Stock Securities Investment	2,480,384	RMB ordinary share	2,480,384

Fund			
Bank of China Limited － Manulife Teda Jili Debt Securities Investment Funds	2,252,947	RMB ordinary share	2,252,947
ICBC - JT Tianfu Reform New Power Flexible Configuration of Hybrid Securities Investment Funds	2,160,078	RMB ordinary share	2,160,078
Explanation on associated relationship among the top ten shareholders of tradable share not subject to trading moratorium, as well as among the top ten shareholders of tradable share not subject to trading moratorium and top ten shareholders, or explanation on acting-in-concert	STATE-OWNED ASSETS ADMINISTRATION BUREAU OF QICHUN COUNTY held the shares of the Company on behalf of the country. Jingzhou Sanonda Shareholding Co., Ltd. and ADAMA Celsius B.V. are related parties, and under the same control of China National Chemical Agrochemical Corporation, and are acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies. It is unknown whether the other shareholders are related parties or acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies.		
Particular about shareholder participate in the securities lending and borrowing business (if any) (note 4)	1. Shareholder Chen Lichun held 6,309,732 shares of the Company through a credit collateral securities trading account and held shares of the Company through a common securities account, who thus held 6,790,954 shares of the Company in total. 2. Shareholder Jiang Jian held 3,415,123 shares of the Company through a credit collateral securities trading account and held 180,000 shares of the Company through a common securities account, who thus held 3,595,123 shares of the Company in total.		

Did any top 10 common shareholders or the top 10 common shareholders not subject to trading moratorium of the Company carry out an agreed buy-back in the Reporting Period?

□ Yes √ No

The top 10 common shareholders or the top 10 common shareholders not subject to trading moratorium of the Company had not carried out any agreed buy-back in the Reporting Period.

III. Change of the controlling shareholder or the actual controller

Change of the controlling shareholder in the Reporting Period

□ Applicable √ Not applicable

There was no any change of the controlling shareholder of the Company in the Reporting Period.

Change of the actual controller in the Reporting Period

□ Applicable √ Not applicable

There was no any change of the actual controller of the Company in the Reporting Period.

IV. Particulars on shareholding increase scheme during the Reporting Period proposed or implemented by the shareholders and act-in-concert persons

□ Applicable √ Not applicable

Within the scope known to the Company, there was no any shareholding increase scheme during the Reporting Period proposed or implemented by the shareholders and act-in-concert persons.

Section VII. Preferred Shares

□ Applicable √ Not applicable

There was no any preferred share of the Company during the Reporting Period.

Section VIII. Directors, Supervisors, Senior Management Staffs

I. Changes in shareholding of Directors, Supervisors and Senior Management Staffs

□ Applicable √ Not applicable

There was no change in shareholding of Directors, Supervisors and Senior Management staffs, for the specific information please refer to the 2015 Annual Report.

II. Changes in Directors, Supervisors and Senior Management Staffs

□ Applicable √ Not applicable

There was no change in Directors, Supervisors and Senior Management staffs, for the specific information please refer to the 2015 Annual Report.

IX. Financial Report

I. Audit report

Has this semi-annual report been audited?

□ Yes √ No

The semi-annual financial report has not been audited.

II. Financial statements

Currency unit for the statements in the notes to these financial statements: RMB

1. Consolidated balance sheet

Prepared by Hubei Sanonda Co., Ltd.

30 June 2016

Unit: RMB

Item	Closing balance	Opening balance
Current Assets:		
Monetary funds	447,050,215.44	406,098,208.72
Settlement reserves		
Intra-group lendings		
Financial assets measured by fair value with the changes be included in the current gains and losses		
Derivative financial assets		
Notes receivable	14,785,699.71	34,433,010.97
Accounts receivable	400,197,459.56	180,450,531.93
Accounts paid in advance	28,224,389.49	20,413,365.68
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract reserves		
Interest receivable		
Dividend receivable		
Other accounts receivable	14,228,948.02	9,847,451.35
Financial assets purchased under		

agreements to resell		
Inventories	190,399,721.64	287,824,164.30
Assets divided available for sale		
Non-current assets due within 1 year		
Other current assets	11,406,283.03	14,685,220.14
Total current assets	1,106,292,716.89	953,751,953.09
Non-current assets:		
Loans by mandate and advances granted		
Available-for-sale financial assets	9,153,782.63	9,153,782.63
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investment		
Investing property	4,879,635.66	5,036,745.54
Fixed assets	1,573,495,793.14	1,684,051,200.09
Construction in progress	171,601,549.18	143,683,545.15
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	160,317,671.35	165,569,924.44
R&D expense		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	13,052,863.55	11,021,018.38
Other non-current assets	5,000,000.00	5,000,000.00
Total of non-current assets	1,937,501,295.51	2,023,516,216.23
Total assets	3,043,794,012.40	2,977,268,169.32
Current liabilities:		
Short-term borrowings	0.00	20,000,000.00
Borrowings from Central Bank		
Customer bank deposits and due to banks and other financial institutions		
Intra-group borrowings		
Financial liabilities measured by fair		

value with the changes be included in the current gains and losses		
Derivative financial liabilities		
Notes payable	30,000,000.00	0.00
Accounts payable	144,021,775.40	134,357,481.77
Accounts received in advance	8,077,224.97	26,666,138.22
Financial assets sold for repurchase		
Handling charges and commissions payable		
Employee’s compensation payable	14,552,544.21	30,308,341.73
Tax payable	22,141,868.93	26,858,466.27
Interest payable	753,198.89	1,123,849.31
Dividend payable	250,000.00	250,000.00
Other accounts payable	31,950,298.26	25,511,333.81
Reinsurance premiums payable		
Insurance contract reserves		
Payables for acting trading of securities		
Payables for acting underwriting of securities		
Liabilities divided available for sale		
Non-current liabilities due within 1 year	254,000,000.00	244,000,000.00
Other current liabilities		
Total current liabilities	505,746,910.66	509,075,611.11
Non-current liabilities:		
Long-term borrowings	290,090,000.00	343,590,000.00
Bonds payable		
Of which: preferred shares		
Perpetual capital securities		
Long-term payables	0.00	650,000.00
Long-term payroll payables		
Specific payables		
Estimated liabilities		
Deferred income	24,568,488.17	26,570,088.61

Deferred income tax liabilities		
Other non-current liabilities	120,800,000.00	
Total non-current liabilities	435,458,488.17	370,810,088.61
Total liabilities	941,205,398.83	879,885,699.72
Owners' equity		
Share capital	593,923,220.00	593,923,220.00
Other equity instruments		
Of which: preferred shares		
Perpetual capital securities		
Capital reserves	263,063,461.97	263,063,461.97
Less: Treasury stock		
Other comprehensive income		
Specific reserves	26,095,528.12	22,848,859.15
Surplus reserves	190,699,248.11	190,699,248.11
Provisions for general risks		
Retained profits	1,028,807,155.37	1,026,847,680.37
Total equity attributable to owners of the Company	2,102,588,613.57	2,097,382,469.60
Minority interests		
Total owners' equity	2,102,588,613.57	2,097,382,469.60
Total liabilities and owners' equity	3,043,794,012.40	2,977,268,169.32

Legal representative: An Liru Person-in-charge of the accounting work: Liu Anping

Chief of the accounting division: Tu Zhiwen

2. Balance sheet of the Company

Unit: RMB

Item	Closing balance	Opening balance
Current Assets:		
Monetary funds	358,933,954.44	378,450,204.94
Financial assets measured by fair value with the changes be included in the current gains and losses		
Derivative financial assets		
Notes receivable	12,665,699.71	32,331,010.97

Accounts receivable	618,514,974.18	352,274,073.40
Accounts paid in advance	24,421,745.06	19,218,775.50
Interest receivable		
Dividend receivable		
Other accounts receivable	745,265.13	1,535,805.55
Inventories	178,346,271.24	275,057,647.64
Assets divided available for sale		
Non-current assets due within 1 year		
Other current assets	0.00	387,633.86
Total current assets	1,193,627,909.76	1,059,255,151.86
Non-current assets:		
Available-for-sale financial assets	9,153,782.63	9,153,782.63
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investment	55,526,635.41	55,526,635.41
Investing property	4,879,635.66	5,036,745.54
Fixed assets	1,440,503,812.01	1,543,099,613.97
Construction in progress	166,343,880.83	139,297,997.97
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	148,108,007.83	150,253,232.11
R&D expense		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	9,156,073.08	8,855,180.95
Other non-current assets	5,000,000.00	5,000,000.00
Total of non-current assets	1,838,671,827.45	1,916,223,188.58
Total assets	3,032,299,737.21	2,975,478,340.44
Current liabilities:		
Short-term borrowings	0.00	20,000,000.00
Financial liabilities measured by fair value with the changes be included in the current gains and losses		

Derivative financial liabilities		
Notes payable	30,000,000.00	0.00
Accounts payable	133,698,895.59	129,017,385.70
Accounts received in advance	5,958,025.00	24,885,411.49
Employee’s compensation payable	13,102,544.21	28,311,263.93
Tax payable	16,348,734.19	21,773,193.24
Interest payable	753,198.89	1,123,849.31
Dividend payable	250,000.00	250,000.00
Other accounts payable	30,720,924.29	23,536,806.94
Liabilities divided available for sale		
Non-current liabilities due within 1 year	254,000,000.00	244,000,000.00
Other current liabilities		
Total current liabilities	484,832,322.17	492,897,910.61
Non-current liabilities:		
Long-term borrowings	290,090,000.00	343,590,000.00
Bonds payable		
Of which: preferred shares		
Perpetual capital securities		
Long-term payables	0.00	650,000.00
Long-term payroll payables		
Specific payables		
Estimated liabilities		
Deferred income	18,176,821.48	19,686,755.26
Deferred income tax liabilities		
Other non-current liabilities	120,800,000.00	
Total non-current liabilities	429,066,821.48	363,926,755.26
Total liabilities	913,899,143.65	856,824,665.87
Owners’ equity:		
Share capital	593,923,220.00	593,923,220.00
Other equity instruments		
Of which: preferred shares		
Perpetual capital securities		
Capital reserves	263,799,837.18	263,799,837.18

Less: Treasury stock		
Other comprehensive income		
Specific reserves	21,126,415.81	17,879,746.84
Surplus reserves	190,699,248.11	190,699,248.11
Retained profits	1,048,851,872.46	1,052,351,622.44
Total owners' equity	2,118,400,593.56	2,118,653,674.57
Total liabilities and owners' equity	3,032,299,737.21	2,975,478,340.44

3. Consolidated income statement

Unit: RMB

Item	Jan.-Jun. 2016	Jan.-Jun 2015
I. Total operating revenues	1,005,697,157.50	1,235,251,682.81
Including: Sales income	1,005,697,157.50	1,235,251,682.81
Interest income		
Premium income		
Handling charge and commission income		
II. Total operating cost	996,545,598.31	1,077,630,542.79
Including: Cost of sales	859,188,101.99	941,767,629.71
Interest expenses		
Handling charge and commission expenses		
Surrenders		
Net claims paid		
Net amount withdrawn for the insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium		
Taxes and associate charges	3,853,275.19	8,887,120.84
Selling and distribution expenses	45,242,941.76	36,541,875.51
Administrative expenses	69,143,939.29	48,923,908.29
Financial expenses	3,943,997.08	13,893,016.49
Asset impairment loss	15,173,343.00	27,616,991.95
Add: Gain/(loss) from change in fair value ("-" means loss)		

Gain/(loss) from investment ("-" means loss)	75,504.00	
Including: share of profits in associates and joint ventures		
Foreign exchange gains ("-" means loss)		
III. Business profit ("-" means loss)	9,227,063.19	157,621,140.02
Add: non-operating income	13,882,859.98	2,937,379.44
Of which: gains from non-current asset disposal	10,214,203.76	
Less: non-operating expense	3,392.65	14,810.07
Of which: losses from non-current asset disposal	3,392.65	7,689.72
IV. Total profit ("-" means loss)	23,106,530.52	160,543,709.39
Less: Income tax expense	6,298,975.02	42,899,361.41
V. Net profit ("-" means loss)	16,807,555.50	117,644,347.98
Attributable to owners of the Company	16,807,555.50	117,678,175.59
Minority shareholders' income		-33,827.61
VI. After-tax net amount of other comprehensive incomes		
After-tax net amount of other comprehensive incomes attributable to owners of the Company		
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses		
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses		

under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets		
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference		
6. Other		
After-tax net amount of other comprehensive incomes attributable to minority shareholders		
VII. Total comprehensive incomes	16,807,555.50	117,644,347.98
Attributable to owners of the Company	16,807,555.50	117,678,175.59
Attributable to minority shareholders		-33,827.61
VIII. Earnings per share		
(I) Basic earnings per share	0.0283	0.1981
(II) Diluted earnings per share	0.0283	0.1981

For the business combination under the same control of the current period, the net profits realized before the combination of the combined party were of RMB000 and the net profits realized of the combined party of the last period were of RMB000.

Legal representative: An Liru　　Person-in-charge of the accounting work: Liu Anping

Chief of the accounting division: Tu Zhiwen

4. Income statement of the Company

Unit: RMB

Item	Jan.-Jun. 2016	Jan.-Jun 2015
I. Total sales	996,889,002.00	1,259,980,812.07
Less: cost of sales	856,424,336.31	971,392,111.37
Business taxes and surcharges	3,825,486.63	8,814,691.54
Distribution expenses	42,430,625.01	35,037,747.08

Administrative expenses	66,110,552.46	45,633,925.73
Financial costs	7,357,642.37	14,472,806.78
Impairment loss	7,432,233.18	22,368,460.63
Add: gain/(loss) from change in fair value ("-" means loss)		
Gain/(loss) from investment ("-" means loss)	75,504.00	
Of which: income form investment on associates and joint ventures		
II. Business profit ("-" means loss)	13,383,630.04	162,261,068.94
Add: non-business income	2,989,711.67	2,445,712.78
Of which: gains from non-current asset disposal	22,722.11	
Less: non-business expense	3,392.65	14,810.07
Of which: losses from non-current asset disposal	3,392.65	7,689.72
III. Total profit ("-" means loss)	16,369,949.06	164,691,971.65
Less: income tax expense	5,021,618.54	43,289,877.98
IV. Net profit ("-" means loss)	11,348,330.52	121,402,093.67
V. After-tax net amount of other comprehensive incomes		
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses		
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		

2. Gains and losses on fair value changes of available-for-sale financial assets		
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference		
6. Other		
VI. Total comprehensive incomes	11,348,330.52	121,402,093.67
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

5. Consolidated cash flow statement

Unit: RMB

Item	Jan.-Jun. 2016	Jan.-Jun 2015
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	635,526,388.02	869,451,160.69
Net increase of deposits from customers and dues from banks		
Net increase of loans from the central bank		
Net increase of funds borrowed from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase of deposits of policy holders and investment fund		
Net increase of dispose of the financial assets measured by fair value with the changes be included in the		

current gains and losses		
Cash received from interest, handling charges and commissions		
Net increase of intra-group borrowings		
Net increase of funds in repurchase business		
Tax refunds received	12,746,757.98	32,330,521.58
Other cash received relating to operating activities	4,535,590.18	10,268,808.84
Subtotal of cash inflows from operating activities	652,808,736.18	912,050,491.11
Cash paid for goods and services	416,655,530.64	673,264,052.99
Net increase of customer lendings and advances		
Net increase of funds deposited in the central bank and amount due from banks		
Cash for paying claims of the original insurance contracts		
Cash for paying interest, handling charges and commissions		
Cash for paying policy dividends		
Cash paid to and for employees	101,289,757.17	114,545,148.43
Various taxes paid	42,706,274.95	110,521,878.34
Other cash payment relating to operating activities	45,438,254.80	32,996,160.73
Subtotal of cash outflows from operating activities	606,089,817.56	931,327,240.49
Net cash flows from operating activities	46,718,918.62	-19,276,749.38
II. Cash flows from investing activities:		
Cash received from withdrawal of investments		
Cash received from return on investments	75,504.00	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	4,021,964.00	

Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investing activities		
Subtotal of cash inflows from investing activities	4,097,468.00	
Cash paid to acquire fixed assets, intangible assets and other long-term assets	39,877,320.86	152,808,985.39
Cash paid for investment		
Net increase of pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities		
Subtotal of cash outflows from investing activities	39,877,320.86	152,808,985.39
Net cash flows from investing activities	-35,779,852.86	-152,808,985.39
III. Cash Flows from Financing Activities:		
Cash received from capital contributions		
Including: Cash received from minority shareholder investments by subsidiaries		
Cash received from borrowings		309,340,800.00
Cash received from issuance of bonds		
Other cash received relating to financing activities	120,800,000.00	
Subtotal of cash inflows from financing activities	120,800,000.00	309,340,800.00
Repayment of borrowings	63,500,000.00	50,500,000.00
Cash paid for interest expenses and distribution of dividends or profit	28,826,083.17	76,293,126.69
Including: dividends or profit paid by subsidiaries to minority shareholders		
Other cash payments relating to	9,000,000.00	1,500,000.00

financing activities		
Sub-total of cash outflows from financing activities	101,326,083.17	128,293,126.69
Net cash flows from financing activities	19,473,916.83	181,047,673.31
IV. Effect of foreign exchange rate changes on cash and cash equivalents	1,539,024.13	37,417.10
V. Net increase in cash and cash equivalents	31,952,006.72	8,999,355.64
Add: Opening balance of cash and cash equivalents	406,098,208.72	418,847,736.46
VI. Closing balance of cash and cash equivalents	438,050,215.44	427,847,092.10

6. Cash flow statement of the Company

Unit: RMB

Item	Jan.-Jun. 2016	Jan.-Jun 2015
I. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	539,504,213.22	846,655,883.96
Tax refunds received	168,260.60	16,386,842.52
Other cash received relating to operating activities	5,693,015.46	10,191,599.35
Subtotal of cash inflows from operating activities	545,365,489.28	873,234,325.83
Cash paid for goods and services	380,402,622.34	592,571,978.73
Cash paid to and for employees	97,588,936.88	105,873,091.71
Various taxes paid	36,133,647.98	107,107,308.86
Other cash payment relating to operating activities	40,373,743.83	29,470,327.61
Subtotal of cash outflows from operating activities	554,498,951.03	835,022,706.91
Net cash flows from operating activities	-9,133,461.75	38,211,618.92
II. Cash flows from investing activities:		
Cash received from retraction of investments		
Cash received from return on investments	75,504.00	

Net cash received from disposal of fixed assets, intangible assets and other long-term assets	221,964.00	
Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investing activities		
Subtotal of cash inflows from investing activities	297,468.00	
Cash paid to acquire fixed assets, intangible assets and other long-term assets	39,164,697.86	152,808,985.39
Cash paid for investment		
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investing activities		
Subtotal of cash outflows from investing activities	39,164,697.86	152,808,985.39
Net cash flows from investing activities	-38,867,229.86	-152,808,985.39
III. Cash Flows from Financing Activities:		
Cash received from capital contributions		
Cash received from borrowings		291,000,000.00
Cash received from issuance of bonds		
Other cash received relating to financing activities	120,800,000.00	
Subtotal of cash inflows from financing activities	120,800,000.00	291,000,000.00
Repayment of borrowings	63,500,000.00	50,500,000.00
Cash paid for interest expenses and distribution of dividends or profit	28,826,083.17	76,293,126.69
Other cash payments relating to financing activities	9,000,000.00	1,500,000.00
Sub-total of cash outflows from financing activities	101,326,083.17	128,293,126.69

Net cash flows from financing activities	19,473,916.83	162,706,873.31
IV. Effect of foreign exchange rate changes on cash and cash equivalents	10,524.28	-278,150.43
V. Net increase in cash and cash equivalents	-28,516,250.50	47,831,356.41
Add: Opening balance of cash and cash equivalents	378,450,204.94	344,750,284.42
VI. Closing balance of cash and cash equivalents	349,933,954.44	392,581,640.83

7. Consolidated Statement of Changes in Owners' Equity

January-June 2016

Unit: RMB

Item	Jan.-Jun. 2016												
	Equity attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained profit		
		Preferred shares	Perpetual capital securities	Other									
I. Balance at the end of the previous year	593,923,220.00				263,063,461.97			22,848,859.15	190,699,248.11		1,026,847,680.37		2,097,382,469.60
Add: change of accounting policy													
Correction of errors in previous periods													
Business combination under the same control													
Other													
II. Balance at the period-begin	593,923,220.00				263,063,461.97			22,848,859.15	190,699,248.11		1,026,847,680.37		2,097,382,469.60

III. Increase/ decrease in the period ("-" means decrease)								3,246,668.97			1,959,475.00		5,206,143.97
(I) Total amount of the comprehensive income											16,807,555.50		16,807,555.50
(II) Capital paid in and reduced by owners													
1. Common shares invested by the shareholders													
2. Capital invested by the owners of other equity instruments													
3. Amounts of share-based payments recognized in owners' equity													
4. Others													
(III) Profit distribution											-14,848,080.50		-14,848,080.50
1. Appropriations to surplus reserves													
2. Appropriations to general risk provisions													
3. Appropriations to owners (or shareholders)											-14,848,080.50		-14,848,080.50
4. Other													
(IV) Internal carry-forward of owners' equity													
1. New increase of capital (or share													

capital) from capital public reserves													
2. New increase of capital (or share capital) from surplus reserves													
3. Surplus reserves for making up losses													
4. Other													
(V) Specific reserve								3,246,668.97					3,246,668.97
1. Withdrawn for the period								4,403,580.42					4,403,580.42
2. Used in the period								1,156,911.45					1,156,911.45
(VI) Other													
IV. Closing balance	593,923,220.00				263,063,461.97			26,095,528.12	190,699,248.11		1,028,807,155.37		2,102,588,613.57

January-June 2015

Unit: RMB

Item	Jan.-Jun. 2015												
	Equity attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained profit		
		Preferred shares	Perpetual capital securities	Other									
I. Balance at the end of the previous year	593,923,220.00				263,184,043.66			15,425,099.43	178,048,385.86		957,050,401.65	-235,716.61	2,007,395,433.99
Add: change of accounting policy													
Correction of													

errors in previous periods													
Business combination under the same control													
Other													
II. Balance at the period-begin	593,923,220.00				263,184,043.66			15,425,099.43	178,048,385.86		957,050,401.65	-235,716.61	2,007,395,433.99
III. Increase/ decrease in the period ("-" means decrease)								5,198,734.41			58,285,853.59	-33,827.61	63,450,760.39
(I) Total amount of the comprehensive income											117,678,175.59	-33,827.61	117,644,347.98
(II) Capital paid in and reduced by owners													
1. Common shares invested by the shareholders													
2. Capital invested by the owners of other equity instruments													
3. Amounts of share-based payments recognized in owners' equity													
4. Others													
(III) Profit distribution											-59,392,322.00		-59,392,322.00
1. Appropriations to surplus reserves													
2. Appropriations to general risk provisions													

3. Appropriations to owners (or shareholders)											-59,392,322.00		-59,392,322.00
4. Other													
(IV) Internal carry-forward of owners' equity													
1. New increase of capital (or share capital) from capital public reserves													
2. New increase of capital (or share capital) from surplus reserves													
3. Surplus reserves for making up losses													
4. Other													
(V) Specific reserve								5,198,734.41					5,198,734.41
1. Withdrawn for the period								5,396,847.50					5,396,847.50
2. Used in the period								198,113.09					198,113.09
(VI) Other													
IV. Closing balance	593,923,220.00				263,184,043.66			20,623,833.84	178,048,385.86		1,015,336,255.24	-269,544.22	2,070,846,194.38

8. Statement of changes in owners' equity of the Company

January-June 2016

Unit: RMB

Item	Jan.-Jun. 2016										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Specific reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred shares	Perpetual capital	Other							

			securities								
I. Balance at the end of the previous year	593,923,220.00				263,799,837.18			17,879,746.84	190,699,248.11	1,052,351,622.44	2,118,653,674.57
Add: change of accounting policy											
Correction of errors in previous periods											
Other											
II. Balance at the period-begin	593,923,220.00				263,799,837.18			17,879,746.84	190,699,248.11	1,052,351,622.44	2,118,653,674.57
III. Increase/ decrease in the period (“-” means decrease)								3,246,668.97		-3,499,749.98	-253,081.01
(I) Total amount of the comprehensive income										11,348,330.52	11,348,330.52
(II) Capital paid in and reduced by owners											
1. Common shares invested by the shareholders											
2. Capital invested by the owners of other equity instruments											
3. Amounts of share-based payments recognized in owners’ equity											
4. Others											
(III) Profit distribution										-14,848,080.50	-14,848,080.50

1. Appropriations to surplus reserves											
2. Appropriations to general risk provisions										-14,848,080.50	-14,848,080.50
3. Appropriations to owners (or shareholders)											
4. Other											
(IV) Internal carry-forward of owners' equity											
1. New increase of capital (or share capital) from capital public reserves											
2. New increase of capital (or share capital) from surplus reserves											
3. Surplus reserves for making up losses											
4. Other								3,246,668.97			3,246,668.97
(V) Specific reserve								4,403,580.42			4,403,580.42
1. Withdrawn for the period								1,156,911.45			1,156,911.45
2. Used in the period											
(VI) Other	593,923,220.00				263,799,837.18			21,126,415.81	190,699,248.11	1,048,851,872.46	2,118,400,593.56

January-June 2015

Unit: RMB

Item	Jan.-Jun. 2015										
	Share	Other equity instruments			Capital	Less:	Other	Specific	Surplus	Retaine	Total

	capital	Preferred shares	Perpetual capital securities	Other	reserve	treasury stock	comprehensive income	reserve	reserve	d profit	owners' equity
I. Balance at the end of the previous year	593,923,220.00				263,799,837.18			10,455,987.12	178,048,385.86	997,886,184.22	2,044,113,614.38
Add: change of accounting policy											
Correction of errors in previous periods											
Other											
II. Balance at the period-begin	593,923,220.00				263,799,837.18			10,455,987.12	178,048,385.86	997,886,184.22	2,044,113,614.38
III. Increase/ decrease in the period ("-" means decrease)								5,198,734.41		62,009,771.67	67,208,506.08
(I) Total amount of the comprehensive income										121,402,093.67	121,402,093.67
(II) Capital paid in and reduced by owners											
1. Common shares invested by the shareholders											
2. Capital invested by the owners of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Others											

(III) Profit distribution										-59,392,322.00	-59,392,322.00
1. Appropriations to surplus reserves											
2. Appropriations to general risk provisions										-59,392,322.00	-59,392,322.00
3. Appropriations to owners (or shareholders)											
4. Other											
(IV) Internal carry-forward of owners' equity											
1. New increase of capital (or share capital) from capital public reserves											
2. New increase of capital (or share capital) from surplus reserves											
3. Surplus reserves for making up losses											
4. Other								5,198,734.41			5,198,734.41
(V) Specific reserve								5,396,847.50			5,396,847.50
1. Withdrawn for the period								198,113.09			198,113.09
2. Used in the period											
(VI) Other	593,923,220.00				263,799,837.18			15,654,721.53	178,048,385.86	1,059,895,955.89	2,111,322,120.46

III. Company profile

Hubei Sanonda Co., Ltd. (hereinafter referred to as "Company" or "the Company") is formerly known as Hubei Sha City Pesticides Factory, a state-run enterprise set up in 1958. As approved by the Hubei Commission for Economic System Reformation and other authorities, Hubei Sha City Pesticides Factory was reorganized as Hubei Sanonda Co., Ltd., which marked Hubei's first large state-run industrial enterprise to adopt the stock system. On 8 September 1992, upon the said reorganization, the Company was formally established. Later, as approved by the People's Government of Hubei Province and the China Securities Regulatory Commission ("CSRC"), the Company issued 30,000,000 RMB-denominated ordinary shares ("A shares") to the public in November 1993. And the total share capital of the Company was 104,933,900 shares after the public offering. The Sha City Bureau for State-owned Assets Supervision and Administration is the first majority shareholder of the Company, with a capital contribution of RMB57,467,900, accounting for 54.77% of the Company's total share capital. On 3 December 1993, shares of the Company were listed in the Shenzhen Stock Exchange.

In April 1994, a dividend distribution plan was reviewed and approved at the 1993 Annual Shareholders' General Meeting. RMB2.00 was distributed in cash for every 10 shares held by the state and two bonus shares for every 10 shares held by individuals. The bonus shares were listed in 3 May 1994. And the Company's total share capital rose to 113,988,000 shares after distribution of the said bonus shares, with shares held by the first majority shareholder accounting for 50.42% of the Company's total shares.

In 1994, Jingzhou City and Sha City were combined and renamed as "Jingsha City", Jiangling County as "Jiangling District of Jingsha City", and the Sha City Bureau for State-owned Assets Supervision and Administration and the Jiangling County Bureau for State-owned Assets Supervision and Administration (originally two shareholders of the Company) as "the Jingsha City Bureau for State-owned Assets Supervision and Administration". As such, the 50.42% and 1.93% equity interests of the Company formerly held by the Sha City Bureau for State-owned Assets Supervision and Administration and the Jiangling County Bureau for State-owned Assets Supervision and Administration respectively were transferred to the Jingsha City Bureau for State-owned Assets Supervision and Administration, which held 52.35% of the Company's total shares.

On 9 August 1995, as approved at the Company's 1994 Annual Shareholders' General Meeting, the Jingsha City Bureau for State-owned Assets Supervision and Administration transferred 3,002,700 shares it held in the Company (2.14% of the Company's total shares) to the Qichun County Bureau for State-owned Assets Supervision and Administration. After the said transfer, the Jingsha City Bureau for State-owned Assets Supervision and Administration (the Company's first majority shareholder) held 50.21% of the Company's total shares.

In Jul. 1995, the Company held the 1994 Annual Shareholders' General Meeting, at which a share allotment plan (three shares being allotted for every ten shares) was reviewed and approved. After the said share allotment, the Company's total number of shares rose to 139,970,500, with the Jingsha City Bureau for State-owned Assets Supervision and Administration holding 44.66%.

In November 1996, as approved by the "Document Zheng-Jian-Shang-Zi [1996] No.13" issued by CSRC, the Company carried out the share allotment plan (three shares being allotted for every ten shares) for the year 1996. A total of 41,991,100 shares of the Company were allotted, of which 19,552,900 shares were allotted for state-held shares and 22,438,200 shares for individual-held shares. After the said share allotment, the Company's total number of shares rose to 181,969,600. And the shareholding ratio of every shareholder remained unchanged after the allotment.

In 1996, pursuant to the "E-Zheng-Ban-Han [1995] No.92 Reply of People's Government of Hubei Province on Authorizing Sanonda Group to Operate State-owned Assets", in order to safeguard the state-owned shares of the Company held by it, the Jingsha City Bureau for State-owned Assets Supervision and Administration incorporated Sanonda Group and transferred the Company's equity interests it held to Sanonda Group. As such, Sanonda Group became the Company's first majority shareholder, holding 44.66% of the Company's total shares.

From 29 April to 5 May 1997, as approved by the "Zheng-Fa (1997) No.23 Document" issued by the Securities Commission under the State Council, the Company issued 0.1 billion domestically-listed foreign shares (B shares) of RMB1.00 par value, which were listed in the Shenzhen Stock Exchange for trading on 15 May 1997. And the Company exercised the over-allotment options of 15 million shares from 15 May to 21 May in the same year. After issuance of the said B shares, the Company's total number of shares rose to 296,961,600 shares, and the shareholding ratio of Sanonda Group-the Company's first majority shareholder-was changed to 27.52%.

On 20 May 2005, the Jingzhou City Bureau for State-owned Assets Supervision and Administration and China National Agrochemical Corporation (a wholly-owned subsidiary under China National Chemical Corporation) signed the "Agreement on Transferring Assets of Sanonda Group". The State-Owned Assets Supervision and Administration Commission of the People's Government of Hubei Province issued the "E-Guo-Zi-Chan-Quan [2005] No.177 Reply on Transferring State-owned Assets of Sanonda Group with Compensation". As a result, the People's Government of Jingzhou City was approved to transfer all state-owned assets of Sanonda Group to China National Agrochemical Corporation with compensation, with the transfer base date on 31 December 2004. After the said transfer, Sanonda Group became a wholly-owned subsidiary under China National Agrochemical Corporation.

In 2006, pursuant to the "Guo-Zi-Chan-Quan [2006] No.767 Reply of State-owned Assets Supervision and Administration Commission under the State Council on Affairs Related to Share Reform of Hubei Sanonda Co., Ltd.", the "Share Reform Plan of Hubei Sanonda Co., Ltd." was reviewed and approved at the shareholders' general meeting held on 8 Jul. 2006. And the share reform was completed in Aug. 2006. With the base of 296,961,600 tradable shares, 2.2 shares were paid to tradable A-share holders by non-tradable share holders as consideration for every 10 tradable A-shares, with the total number of shares paid by non-tradable share holders to tradable share holders reaching 21,391,100,000 shares. After the share reform, the total number of the Company's shares remained unchanged, of which Sanonda Group held 61093,600 shares, accounting for 20.57% of the Company's total shares.

In November 2006 and March 2007, due to a dispute case concerning the provision of a loan guarantee by the Company's first majority shareholder-Sanonda Group-for an other company, 1.25 million and 0.40 million state-owned corporate shares of the Company held by Sanonda Group were forcibly transferred and auctioned by the court. After the auctions, shares of the Company held by Sanonda Group were reduced to 59,443,600 shares, accounting for 20.02% of the Company's total shares.

In May 2007, the Company held the 2006 Annual Shareholders' General Meeting, at which the plan for turning capital reserve to share capital was reviewed and approved. As a result, 10 shares were increased for every 10 shares held by all shareholders in Jul. 2007. After the increase, the Company's total number of shares rose to 593,923,200 shares. The first majority shareholder-Sanonda Group-held 118,887,200 shares, which accounting for 20.02% of the Company's total shares. And for the period up to 30 June 2012, the share capital of the Company remained unchanged.

On 16 November 2012, Sanonda Group Co., Ltd. acquired 800,000 shares of the Company held by the to-be-cancelled subsidiary-Jingzhou Sanonda Advertising Co., Ltd. through the block trading market, then it held a total of 119,687,200 shares of the Company, accounting for 20.15% of the Company's total share capital, and up to 31 December 2013, the share capital of the Company remained unchanged. On 8 April 2014, Sanonda Group renamed as Jingzhou Sanonda Shareholding Co., Ltd.

As at the balance sheet date, Legal representative of the Company: An Liru; business license registration number 420000400004491; registered address: No.93, Beijing East Road, Jingzhou, Hubei Province, PRC; Stock abbreviation: Sanonda A/Sanonda B; and Stock code: 000553/200553.

The main pesticide products of the Company and its subsidiaries (were called by a joint name as "the Company") are triazophos, methomyl, paraquate, DDVP, orthene, glyphosate, trichlorphon, imidacloprid; chemical products such as liquid caustic soda, ionic membrane caustic soda, spermine, pmida, pyridine, trimethyl and hydrochloric acid. The Company has the rights of handling import and export business. And the Company has passed ISO9002 Quality System Certification and ISO14001 Environment Management System Certification.

The parent company of the Company is Jingzhou Sanonda Holdings Co., Ltd. and the ultimate control party is China National Chemical Corporation.

The financial statements for the six months ended 30 June 2016 have been authorized for issue by a resolution made by the Board of Directors of the Company on 17 August 2016.

There was 3 subsidiaries included in the consolidated scope at the month-end of July in 2016 while the consolidated scops of the Company remained unchanged over the last period during the Reporting Period.

IV. Basis for the preparation of financial statements

1. Basis for the preparation

With the going-concern assumption as the basis and based on transactions and other events that actually occurred, the Company prepared financial statements in accordance with the ASBE-Basic Standard (No. 33 issued decreed by Ministry of Finance and No. 76 revised decreed by Ministry of Finance), the 41 specific standards of Accounting Standards for Business Enterprises issued by Ministry of Finance of the PRC on 15 Feb 2006 and revised thereafter, Application Guidance of Accounting Standard for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other regulations(hereinafter referred to as "the Accounting Standards for Business Enterprises", "China Accounting Standards" or "CAS"), Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

In accordance with relevant provisions of the Accounting Standards for Business Enterprises, the Company adopted the accrual basis in accounting. Except for some financial instruments, where impairment occurred on an asset, an impairment reserve was withdrawn accordingly pursuant to relevant requirements.

2. Continuing operations

There was no any event or situation caused major concerns on the continuing operation ability of the Company within 12 months from the period-end.

V. Significant accounting policies and estimates

Reminder of the specific accounting policies and estimates:

Naught

1. Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company are in compliance with in compliance with the Accounting Standards for Business Enterprises, which factually and completely present the Company's, and the Company's financial positions as at 30 June 2016, business results and cash flows for the first half year of 2016, and other relevant information. In addition, the Company's and the Company's financial statements meet the requirements of disclosing financial statements and notes thereto stated in the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

2. Fiscal period

The Group's fiscal periods include fiscal years and fiscal periods shorter than a complete fiscal year. The Group's fiscal year starts on 1 January and ends on 31 December of every year according to the Gregorian calendar. The fiscal period of Reporting Period was from 1 January to 30 June.

3. Operating cycle

A normal operating cycle refers to a period from the Group purchasing assets for processing to realizing cash or cash equivalents. An operating cycle for the Group is 12 months, which are also the classification criteria for the liquidity of its assets and liabilities.

4. Recording currency

Renminbi is the dominant currency used in the economic circumstances where the Group and its domestic subsidiaries are involved. Therefore, the Group and its domestic subsidiaries use Renminbi as their bookkeeping base currency. And the Group adopted Renminbi as the bookkeeping base currency when preparing the financial statements for the reporting year.

5. Accounting treatment methods for business combinations under the same control or not under the same control

Business combinations, it is refer to two or more separate enterprises merge to form a reporting entity transactions or events. Business combination is divided into under the same control and those non under the same control.

(1) Business combinations under the same control

A business combination under the same control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or the same parties both before and after the business combination and on which the control is not temporary. In a business combination under the same control, the party which obtains control of other combining enterprise(s) on the combining date is the combining party, the other combining enterprise(s) is (are) the combined party. The "combining date" refers to the date on which the combining party actually obtains control on the combined party.

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amount in the combined party on the combining date. As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional paid-in capital (share premium) shall be adjusted. If the additional paid-in capital (share premium) is not sufficient to be offset, the retained earnings shall be adjusted.

The direct cost for the business combination of the combining party shall be recorded into the profits and losses at the current period.

(2) Business combinations not under the same control

A business combination not under the same control is a business combination in which the combining enterprises are not ultimately controlled by the same party or the same parties both before and after the business combination. In a business combination not under the same control, the party which obtains the control on other combining enterprise(s) on the purchase date is the acquirer, and other combining enterprise(s) is (are) the acquiree.

For a business combination not under the same control, the combination costs shall include the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree, the expenses for audit, legal services and assessment, and other administrative expenses, which are recorded into the profits and losses in the current period. The trading expenses for the equity securities or debt securities issued by the acquirer as the combination consideration shall be recorded into the amount of initial measurement of the equity securities or debt securities. The involved contingent consideration shall be recorded into the combination costs at its fair value on the acquiring date. Where new or further evidences emerge, within 12 months since the acquiring date, against the existing circumstances on the acquiring date and the contingent consideration thus needs to be adjusted, the combined goodwill shall be adjusted accordingly. The combination costs of the acquirer and the identifiable net assets obtained by it in the combination shall be measured according to their fair values at the acquiring date. The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. Where the combination costs are less then the fair value of the identifiable net assets it obtains from the acquiree, the acquirer shall re-examine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs. If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, the acquirer shall record the balance into the profits and losses of the current period.

As for the deductible temporary differences the acquirer obtains from the acquiree which are not recognized into deferred income tax liabilities due to their not meeting the recognition standards, if new or further information shows that the relevant situation has existed on the acquiring date and the economic benefits brought by the deductible temporary differences the acquirer obtains from the acquiree on the acquiring date can be realized, they shall be recognized into deferred income tax assets and the relevant goodwill shall be reduced. Where the goodwill is not sufficient to be offset, the difference shall be recognized into the profits and losses in the current period. In other circumstances than the above, where the deductible temporary differences are recognized into deferred income tax assets on the acquiring date, they shall be recorded into the profits and losses in the current period.

In a business combination not under same control realized by two or more transactions of exchange, according to about the 5th Notice about the Treasury Issuing the Accounting Standards for Enterprises (Finance accounting) [2012] No. 19 Criterion about the " package deal" (see note 4, 4 (2)), Whether the deals are "package deal" or not, belong to the "package deal", see the previous paragraphs described in this section and note 4, 10 “long term equity investment transaction” and conduct accounting treatment, those not belong to the "package deal" distinguish between the individual financial statements and the consolidated financial statements and conduct relevant accounting treatment.

In the individual financial statements, the sum of the book value and new investment cost of the Group holds in the acquiree before the acquiring date shall be considered as initial cost of the investment. Other related comprehensive gains in relation to the equity interests that the Group holds in the acquiree before the acquiring date shall be treated on the same basis as the acquiree directly disposes the related assets or liabilities when disposing the investment (that is, except for the corresponding share in the changes in the net liabilities or assets with a defined benefit plan measured at the equity method arising from the acquiree's re-measurement, the others shall be transferred into current investment gains).

In the Group's consolidated financial statements, as for the equity interests that the Group holds in the acquiree before the acquiring date, they shall be re-measured according to their fair values at the acquiring date; the positive difference between their fair values and carrying amounts shall be recorded into the investment gains for the period including the acquiring date. Other related comprehensive gains in relation to the equity interests that the Group holds in the acquiree before the acquiring date shall be treated on the same basis as the acquiree directly disposes the related assets or liabilities when disposing the investment (that is, except for the corresponding share in the changes in the net liabilities or assets with a defined benefit plan measured at the equity method arising from the acquiree's re-measurement, the others shall be transferred into current investment gains on the acquiring date).

6. Methods for preparing consolidated financial statements

(1) Principle for determining the consolidation scope

The consolidation scope for financial statements is determined on the basis of control. The term "control" is the power of the Group upon an investee, with which it can take part in relevant activities of the investee to obtain variable returns and is able to influence the amount of returns. The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. A subsidiary is an enterprise or entity controlled by the Group.

(2) Methods for preparing the consolidated financial statements

Subsidiaries are fully consolidated from the date on which the Group obtains control on their net assets and operation decision-making and are de-consolidated from the date when such control ceases. As for a disposed subsidiary, its operating results and cash flows before the disposal date has been appropriately included in the consolidated income statement and cash flow statement; and as for subsidiaries disposed in the current period, the opening items in the consolidated balance sheet are not adjusted. For a subsidiary acquired in a business combination not under the same control, its operating results and cash flows after the acquiring date have been appropriately included in the consolidated income statement and cash flow statement, and the opening items and comparative items in the consolidated financial statements are not adjusted. For a subsidiary acquired in a business combination under the same control or a combined party obtained in a takeover, its operating results and cash flows from the beginning of the Reporting Period of the combination to the combination date have been appropriately included in the consolidated income statement and cash flow statement, and the comparative items in the consolidated financial statements are adjusted at the same time.

The financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Group during the preparation of the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Group and subsidiaries. For a subsidiary acquired from a business combination not under the same control, the individual financial statements of the subsidiary are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant inter-group balances, transactions and unrealized profits are offset in the consolidated financial statements.

The portion of a subsidiary's shareholders' equity and the portion of a subsidiary's net profits and losses for the period not held by the Group are recognized as minority interests and minority shareholder profits and losses respectively and presented separately under shareholders' equity and net profits in the consolidation financial statements. The portion of a subsidiary's net profits and losses for the period that belong to minority interests is presented as the item of "minority shareholder profits and losses" under the bigger item of net profits in the consolidated financial statements. Where the loss of a subsidiary shared by minority shareholders exceeds the portion enjoyed by minority shareholders in the subsidiary's opening owners' equity, minority interests are offset.

Where the Group losses control on its original subsidiaries due to disposal of some equity investments or other reasons, the residual equity interests are re-measured according to the fair value on the date when such control ceases. The summation of the consideration obtained from the disposal of equity interests and the fair value of the residual equity interests, minus the portion in the original subsidiary's net assets measured on a continuous basis from the acquisition date that is enjoyable by the Group according to the original shareholding percentage in the subsidiary, is recorded in investment gains for the period when the Group's control on the subsidiary ceases. Other comprehensive incomes in relation to the equity investment in the original subsidiary are treated on the same accounting basis as the acquiree directly disposes the relevant assets or liabilities (that is, except for the changes in the net liabilities or assets with a defined benefit plan resulted from re-measurement of the original subsidiary, the rest shall all be transferred into current investment gains) when such control ceases. And subsequent measurement is conducted on the residual equity interests according to the No.2 Accounting Standard for Business Enterprises —Long-term Equity Investments or the No.22 Accounting Standard for Business Enterprises—Recognition and Measurement of Financial Instruments. For details, see the "long term equity investment" or "financial instruments" of this note.

Where the Group losses control on its original subsidiaries due to step by step disposal of equity investments through multiple transactions, it need to distinguish the Group losses control on its subsidiaries due to disposal of equity investments whether belongs to a package deal. All the transaction terms, conditions and economic impact of the disposal of subsidiaries' equity investment are in accordance with one or more of the following conditions, which usually indicate the multiple transactions, should be considered as a package deal for accounting treatment. ① These deals are at the same time or under the condition of considering the influence of each other to concluded; ② These transactions only be as a whole can achieve a complete business result; ③ The occurrence of a deal depends on at least one other transactions; ④ A deal alone is not economical, it is economical with other trading together. Those not belong to a package deal, each of them a deal depends on circumstances respectively conduct accounting treatment in accordance with the applicable principles of "part disposal of subsidiaries of a long-term equity investment under the condition of not losing control on its subsidiaries" and "Where the Group losses control on its original subsidiaries due to disposal of some equity investments or other reasons" (See the front paragraph) relevant transactions of the Group losses control on its subsidiaries due to disposal of equity investments belonging to a package deal, considered as a transaction and conduct accounting treatment. However, Before losing control, every disposal cost and corresponding net assets balance of subsidiary of disposal investment are confirmed as other comprehensive income in consolidated financial statements, which together transferred into the current profits and losses in the loss of control , when the Group losing control on its subsidiary.

7. Classification of joint arrangements and accounting treatment of joint operations

A joint arrangement refers to an arrangement jointly controlled by two participants or above. The Group classifies joint arrangements into joint operations and joint ventures according to its rights and duties in the joint arrangements. A joint operation refers to a joint arrangement where the Group enjoys assets and has to bear liabilities related to the arrangement. A joint venture refers to a joint arrangement where the Group is only entitled to the net assets of the arrangement.

The Group's investments in joint ventures are measured at the equity method according to the accounting policies mentioned in "Long-term equity investments measured at the equity method" of this note.

For a joint operation, the Group, as a joint operator, recognizes the assets and liabilities that it holds and bears in the joint operation, and recognizes the jointly-held assets and jointly-borne liabilities according to the Group's stake in the joint operation; recognizes the income from sale of the Group's share in the output of the joint operation; recognizes the income from sale of the joint operation's outputs according to the Group's stake in it; and recognizes the expense solely incurred to the Group and the expense incurred to the joint operation according to the Group's stake in it.

When the Group, as a joint operator, transfers or sells assets (the assets not constituting business, the same below) to the joint operation, or purchases assets from the joint operation, before the assets are sold to a third party, the Group only recognizes the share of the other joint operators in the gains and losses arising from the sale. Where impairment occurs to the assets as prescribed in <The

Accounting Standard No. 8 for Business Enterprises—Asset Impairment>, the Group shall fully recognizes the loss for a transfer or sale of assets to a joint operation; and shall recognize the loss according to its stake in the joint operation for a purchase of assets from the joint operation.

8. Recognition standard for cash and cash equivalents

In the Group's understanding, cash and cash equivalents include cash on hand, any deposit that can be used for cover, and 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.

9. Foreign currency businesses and translation of foreign currency financial statements

(1) Accounting treatments for translation of foreign currency transactions

As for a foreign currency transaction, the Company shall convert the amount in a foreign currency into amount in its bookkeeping base at the spot exchange rate (usually referring to the central parity rate announced by the People's Bank of China, the same below) of the transaction date, while 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) Accounting treatments for translation of foreign currency monetary items and non-monetary items

On the balance sheet date, the foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. The exchange difference arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior to the balance sheet date shall be recorded in the profits and losses in the current period, excluding the following situations: ① the exchange difference arising from foreign currency loans related to acquisition of fixed assets shall be treated at the principle of capitalization of borrowing costs; ② the exchange difference arising from the hedging instruments used for effective hedging of net overseas operation investments shall be recorded into other comprehensive incomes, and shall be recognized into current gains and losses when the net investments are disposed; and ③ the exchange difference arising from change in the book balance of foreign currency monetary items available for sale except the amortized costs shall be recorded into other comprehensive gains and losses.

When it involves overseas business in preparing the consolidated financial statement, for the translation difference of foreign currency monetary items of net investment in overseas business arising from the change in exchange rate, it shall be recorded into other comprehensive incomes; and be recorded into disposal gains and losses at current period when disposing overseas business.

A foreign currency non-monetary item measured at the historical costs shall still be translated at the spot exchange rate on the transaction date. Where the foreign non-monetary items measured at the fair value shall be converted into amount in its bookkeeping base currency at spot exchange rate, the exchange gains and losses arising thereof shall be treated as change in fair value, and recorded into the current period gains and losses or as other comprehensive incomes.

(3) Translation of foreign currency financial statements

When it involves overseas business in preparing the consolidated financial statement, for the translation difference of foreign currency monetary items of net investment in overseas business arising from the change in exchange rate, it shall be recorded into the item of "difference of foreign currency financial statement translation" under the owners' equity; and be recorded into disposal gains and losses at current period when disposing overseas business.

The foreign currency financial statement of overseas business should be translated in to RMB financial statement by the following methods: The asset and liability items in the balance sheets shall be translated at a spot exchange rate on the balance sheet date. Among the owner's equity items, except for the items as "undistributed profits", other items shall be translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statements shall be translated at the spot exchange rate of the transaction date. The undistributed profits at year-begin is the undistributed profits at the end of last year after the translation; undistributed profits at year-end shall be listed as various distribution items after the translation; after the translation, the balance between assets and the sum of liabilities and owners' equities shall be recorded into other comprehensive gains and losses as difference of foreign currency translation. Where an enterprise disposes of an overseas business without the control right, it shall shift the differences, which is presented under the items of the owner's equities in the balance sheet and which arises from the translation of foreign currency financial statements relating to this overseas business, into the disposal profits and losses of the current period by all or proportion of the disposed overseas business.

Foreign cash flow shall be translated at the spot exchange rate of the date of cash flow incurred. The influence of exchange rate on the cash flow shall be adjustment item and individually listed in the cash flow statement.

And the opening balance and the actual balance of last year shall be listed at the amounts after translation of foreign currency financial statement in last year.

Where the control of the Group over an overseas operation ceases due to disposal of all or some of the Group's owner's equity in the overseas operation or other reasons, the foreign-currency statement translation difference belonging to the parent company's owner's equity in relation to the overseas operation which is stated under the shareholders' equity in the balance sheet shall be all restated as gains and losses of the disposal period.

Where the Group's equity in an overseas operation decreases due to disposal of some equity investment or other reasons but the Group still has control over the overseas operation, the foreign-currency statement translation difference in relation to the disposed part of the overseas operation shall be recorded into minority interests instead of current gains and losses. If what's disposed is some equity in an overseas associated enterprise or joint venture, the foreign-currency statement translation difference related to the overseas operation shall be recorded into the gains and losses of the current period of the disposal according to the disposal ratio.

10. Financial instruments

The Group recognizes a financial asset or liability when it becomes a party of the relevant financial instrument contract. Financial assets and liabilities are measured at fair value in initial recognition. As for the financial assets and liabilities measured at fair value of which changes are recorded into current gains and losses, the relevant dealing expenses are directly recorded into gains and losses; and the dealing expenses on other kinds of financial assets and liabilities are included in the amounts initially recognized.

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

Fair value refers to the price that a market participant shall receive for selling an asset or shall pay for transferring a liability in an orderly transaction on the measurement date. 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. The quoted prices in the active market refers to the prices available from stock exchange, broker's agencies, guilds, pricing organization and etc., which represent the actual trading price under equal transaction. 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.

(2) Classification, recognition and measurement of financial assets

The purchase and sale of financial assets under the normal ways shall be recognized and stopped to be recognized respectively at the price of transaction date. 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, (b) the investments which will be held to their maturity; (c) loans and the account receivables; and (d) financial assets available for sale.

① 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 designated to be measured at their fair value when they are initially recognized and of which the variation is recorded into the profits and losses of the current period;

The financial assets meeting any of the following requirements shall be classified as transactional financial assets：A. The purpose to acquire the said financial assets is mainly for selling them in the near future; B. Forming a part of the identifiable combination of financial instruments which are managed in a centralized way and for which there are objective evidences proving that the enterprise may manage the combination by way of short-term profit making in the near future; C. Being a derivative instrument, excluding the designated derivative instruments which are effective hedging instruments, or derivative instruments to financial guarantee contracts, and the derivative instruments which are connected with the equity instrument investments for which there is no quoted price in the active market, whose fair value cannot be reliably measured, and which shall be settled by delivering the said equity instruments.

The financial assets meeting any of the following requirements shall be designated as 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 for initial recognition: A. the designation can eliminate or significantly reduce the difference of relevant gains and losses between recognition and measurement causing from different bases for measurement of financial assets; B. The official written documents for risk management and investment strategies of the enterprise have clearly stated that it shall ,manage, evaluate and report to important management personnel based on the fair value, about the financial assets group or the group of financial assets & liabilities which the financial assets are belong to.

For 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 shall continue to be measured by fair value, gains and losses of change in fair value, dividends and interest related with these financial assets should be recorded into gains and losses of current period.

② Held-to-maturity investment

The term "held-to-maturity investment" refers to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of repo price and which the enterprise holds for a definite purpose or the enterprise is able to hold until its maturity.

For the held-to-maturity investment adopting actual interest rate method, which is measured at the post-amortization costs, the profits and losses that arise when such financial assets or financial liabilities are terminated from recognition, or are impaired or amortized, shall be recorded into the profits and losses of the current period.

The actual interest rate method refers to the method by which the post-amortization costs and the interest incomes of different installments or interest expenses are calculated in light of the actual interest rates of the financial assets or financial liabilities (including a set of financial assets or financial liabilities). The actual interest rate refers to the interest rate adopted to cash the future cash flow of a financial asset or financial liability within the predicted term of existence or within a shorter applicable term into the current carrying amount of the financial asset or financial liability.

When the actual interest rate is determined, the future cash flow shall be predicted on the basis of taking into account all the contractual provisions concerning the financial asset or financial liability (the future credit losses shall not be taken into account).and also the various fee charges, trading expenses, premiums or reduced values, etc., which are paid or collected by the parties to a financial asset or financial liability contract and which form a part of the actual interest rate.

③ Loans and the accounts receivables

Loans and the accounts receivables refer to non-derivative financial assets, which there is no quotation in the active market, with fixed recovery cost or recognizable.

Financial assets that are defined as loans and the accounts receivables by the Group including notes receivables, accounts receivables, interest receivable, dividends receivable and other receivables etc..

Loans and the accounts receivables are made follow-up measurement on the basis of post-amortization costs employing the effective interest method. Gains or loss arising from the termination recognition, impairment occurs or amortization shall be recorded into the profits and losses of the current period.

④ Assets available for sales

Assets available for sales including non-derivative financial asset that has been assigned as assets available for sales on the initial recognition and financial assets excluded those measured at fair value and of which the variation into profits and losses of the current period, they are some financial assets, loans and accounts receivables, held-to-maturity investment.

The cost at the period-end of the available-for-sale liabilities instruments should be confirmed according to its amortized cost method, that is the initially recognized amount which deduct the principal that had been repaid, to plus or minus the accumulative amortization amount formed by the amortization between the difference of the initially recognized amount and the amount on the due date that adopted the actual interest rate method, and at the same time deduct the amount after the impairment loss happened. The cost at the period-end of the available-for-sale liabilities instruments is its initial cost.

Financial assets available-for-trade are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, and be carried forward when the said financial assets stopped recognition, then it shall be recorded into the profits and losses of the current period. But, the equity instrument investment which neither have quotation in the active market nor its fair value could not be reliable measured, as well as the derivative financial assets that concern with the equity instruments and should be settled through handing over to its equity instruments, should take the follow-up measurement according to the cost.

Interest receive during the holding of assets available for sales and cash dividends with distribution announcement by invested companies, it shall be recorded into the profits and losses of the current period.

(3) Impairment of financial assets

The Group assesses at the balance sheet date the carrying amount of every financial asset except for the financial assets that measured by the fair value. If there is objective evidence indicating a financial asset may be impaired, a provision is provided for the impairment.

The Group carries out a separate impairment test for every financial asset which is individually significant. As for a financial asset which is individually insignificant, an impairment test is carried out separately or in the financial asset group with similar credit risk. Where the financial asset (individually significant or insignificant) is found not impaired after the separate impairment test, it is included in the financial asset group with similar credit risk and tested again on the group basis. Where the impairment loss is recognized for an individual financial asset, it is not included in the financial asset group with similar credit risk for an impairment test.

① Impairment on held-to maturity investment, loans and receivables

The financial assets measured by cost or amortized cost write down their carrying value by the estimated present value of future cash flow. The difference is recorded as impairment loss. If there is objective evidence to indicate the recovery of value of financial assets after impairment, and it is related with subsequent event after recognition of loss, the impairment loss recorded originally can be reversed. The carrying value of financial assets after impairment loss reversed shall not exceed the amortized cost of the financial assets without provisions of impairment loss on the reserving date.

② Impairment of available-for-sale financial assets

When it judged that the decrease of fair value of the available-for-sale equity instrument investment is serious and not temporarily after comprehensive considering relevant factors, it reflected that the available-for-sale equity instrument investment occurred impairment. Of which, the “serious decline” refers to the accumulative decline range of the fair value over 20%; while the “non-temporary decline” refers to the consecutive decline time of the fair value over 12 months.

Where an available-for-sale financial asset is impaired, the accumulative losses arising from the decrease of the fair value of the capital reserve which is directly included are transferred out and recorded in the profits and losses for the current period. The accumulative losses transferred out are the balance obtained from the initially obtained cost of the said financial asset after deducting the principals as taken back, the amortized amount, the current fair value and the impairment loss originally recorded in the profits and losses.

Where the impairment loss has been recognized for an available-for-sale financial asset, if, within the accounting periods thereafter, there is any objective evidence proving that the value of the said financial asset has been restored and the restoration is objectively related to the events that occur after the impairment loss was recognized, the originally recognized impairment loss is reversed. The impairment losses on the available-for-sale equity instrument investments are reversed and recognized as other comprehensive incomes, and the impairment losses on the available-for-sale liability instruments are reversed and recorded in the profits and losses for the current period.

The impairment loss incurred to an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or incurred to a derivative financial asset which is connected with the said equity instrument investment and which must be settled by delivering the said equity investment, is not reversed.

(4) Recognition and measurement of financial asset transfers

Where a financial asset satisfies any of the following requirements, the recognition of it is terminated: ① The contractual rights for collecting the cash flow of the said financial asset are terminated; ② The said financial asset has been transferred and nearly all of the risks and rewards related to the ownership of the financial asset to the transferee; or ③ The said financial asset has been transferred. And the Group has ceased its control on the said financial asset though it neither transfers nor retains nearly all of the risks and rewards related to the ownership of the financial asset.

Where the Group neither transfers nor retains nearly all of the risks and rewards related to the ownership of a financial asset, and it does not cease its control on the said financial asset, it recognizes the relevant financial asset and liability accordingly according to the extent of its continuous involvement in the transferred financial asset. The term "continuous involvement in the transferred financial asset" refers to the risk level that the enterprise faces resulting from the change of the value of the financial asset.

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following 2 items is recorded in the profits and losses of the current period: (1) The book value of the transferred financial asset; and (2) The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in other comprehensive incomes.

If the transfer of partial financial asset satisfies the conditions to stop the recognition, the book value of the transferred financial asset is apportioned between the portion whose recognition has been stopped and the portion whose recognition has not been stopped according to their respective relative fair value, and the difference between the amounts of the following 2 items is included into the profits and losses of the current period: (1) The summation of the consideration received from the transfer and the portion of the accumulative amount of changes in the fair value originally recorded in other comprehensive incomes which corresponds to the portion whose recognition has been stopped; and (2) The amortized carrying amounts of the aforesaid amounts.

In respect of the assets using recourse to sell or using endorsement to transfer, the Group needs to determine whether almost all of the risks and rewards of the financial asset ownership are transferred. If almost all of the risks and rewards of the financial asset ownership had been transferred to the transferee, derecognize the financial assets. For almost all of the risks and rewards of the financial asset ownership retained, do not end to recognize the financial assets. For which neither transfer or retain almost all of the risks and rewards of the financial asset ownership, continuously judge whether the Company retain the control of the assets, and conduct accounting treatment according to the principle of mentioned in the previous paragraphs.

(5) Classification and measurement of financial liabilities

In the initial recognition, financial liabilities are divided into the financial liabilities measured at fair values and whose changes are recorded in current gains and losses and other financial liabilities. Financial liabilities are initially recognized at their fair values. As for a financial liability measured at fair value and whose changes are recorded in current gains and losses, the relevant trading expense is directly recorded in the profits and losses for the current period. As for other financial liabilities, the relevant trading expenses are recorded in the initially recognized amounts.

① Financial liabilities measured at fair values and whose changes are recorded in current gains and losses

Such financial liabilities are divided into transactional financial liabilities and financial liabilities designated to be measured at fair values and whose changes are recorded in current gains and losses in the initial recognition under the same conditions where such financial assets are divided into transactional financial assets and financial assets designated to be measured at fair values and whose changes are recorded in current gains and losses in the initial recognition.

Financial liabilities measured at fair values and whose changes are recorded in current gains and losses are subsequently measured at their fair values. Gains or losses arising from the fair value changes, as well as the dividend and interest expenses in relation to the said financial liabilities, are recorded in the profits and losses for the current period.

② Other financial liabilities

As for a derivative financial liability connected to an equity instrument for which there is not quoted price in an active market and whose fair value cannot be reliably measured and which must be settled by delivering the equity instrument, it is subsequently measured on the basis of costs. Other financial liabilities are subsequently measured according to the amortized cost using the actual interest rate method. Gains or losses arising from de-recognition or amortization of the said financial liabilities is recorded in the profits and losses for the current period.

③ Financial guarantee contract and loan commitment

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, or the loan commitment which is not designated as a financial liability measured at its fair value and the variation thereof is recorded into the gains and losses that will be loaned lower than the market interest rate, which shall be initially recognized by fair value, and the subsequent measurement shall be made after they are initially recognized according to the higher one of the following: a. the amount as determined according to the Accounting Standards for Enterprises No. 13 – Contingencies; b. the surplus after accumulative amortization as determined according to the principles of the Accounting Standards for Enterprises No. 14 - Revenues is subtracted from the initially recognized amount.

(6) De-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. Where the Group (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it terminates the recognition of the existing financial liability, and at the same time recognizes the new financial liability.

Where the recognition of a financial liability is totally or partially terminated, the enterprise concerned shall include into the profits and losses of the current period for the gap between the book value which has been terminated from recognition and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed)

(7) Derivatives and embedded derivatives

Derivative financial instruments include derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are substantially re-measured at fair value. The resulting gain and loss is recognized in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value though profit or loss, and the treated as a standalone derivative if (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Company is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

(8) Offsetting financial assets and financial liabilities

When the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

(9) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Group issues (including refinancing), re-purchases, sells or written-offs the equity instrument as the disposing of the changes of the equity. The Group not recognized the changes of the fair value of the equity instrument. The transaction expenses related to the equity transaction would be deducted from the equity.

All types of distribution (excluding stock dividends) made by the Group to holders of equity instruments are deducted from shareholders' equity. The Group does not recognize any changes in the fair value of equity instruments.

11. Receivables

(1) Accounts receivable with significant single amount for which the bad debt provision is made individually

Judgment basis or monetary standards of provision for bad debts of the individually significant accounts receivable	Receivables with the amount of RMB5 million or more than RMB5 million should recognize as the receivables with significant single amount.
Method of individual provision for bad debts of the individually significant accounts receivable	The Company made an independent impairment test on receivables with significant single amounts; the financial assets without impairment by independent impairment test should be included in financial assets portfolio with similar credit risk to take the impairment test. Receivables was recognized with impairment should no longer be included in receivables portfolio with similar credit risk to take the impairment test.

(2) Accounts receivable which the bad debt provision is withdrawn by credit risk characteristics

Name of portfolios	Bad debt provision method
Related party portfolios	Other method
Risk-free portfolios	Other method
Age portfolios	Aging analysis

In the groups, adopting aging analysis method to withdraw bad debt provision:

√ Applicable □ Not applicable

Age	Withdrawal proportion for accounts receivable (%)	Withdrawal proportion for other accounts receivable (%)
Within 1 year (including 1 year)	5.00%	5.00%
1-2 years	10.00%	10.00%
2-3 years	30.00%	30.00%
3-4 years	50.00%	50.00%

4-5 years	50.00%	50.00%
Over 5 years	100.00%	100.00%

In the groups, adopting balance percentage method to withdraw bad debt provision:

□ Applicable √ Not applicable

In the groups, adopting other methods to withdraw bad debt provision:

□ Applicable √ Not applicable

(3) Accounts receivable with an insignificant single amount but for which the bad debt provision is made individually

Reason of individually withdrawing bad debt provision	The Group made independent impairment test on receivables with insignificant amount but with the following characteristics (for example: receivables have dispute with the other parties or involving lawsuit and arbitration; receivables have obvious indication showing that the debtors are likely to fail to perform the duty of repayment, etc.).
Withdrawal method for bad debt provision	The Group made independent impairment test on receivables with insignificant amount but with the following characteristics, if any objective evidence shows that the accounts receivable has been impaired, impairment loss shall be recognized on the basis of the gap between the current values of the future cash flow lower than its book value so as to withdraw provision for bad debts (for example: receivables have dispute with the other parties or involving lawsuit and arbitration; receivables have obvious indication showing that the debtors are likely to fail to perform the duty of repayment, etc.).

12. Inventory

(1) Classification

Inventories mainly include raw materials, work-in-progress and self-made semi-manufactured goods, revolving materials, finished products as well as stock products etc.

(2) Valuation method of inventories acquiring and issuing

The inventories should be measured by the actual cost when acquired, and the cost of the inventories including the procurement cost, processing cost and other cost. Bulk chemical raw materials, work-in-progress goods and finished products should be measured by the actual cost and should carry forward the cost by weighted average method when issuing; auxiliary materials, packing materials should be measured by actual cost and adopt the planned cost for accounting as well as included the difference between the actual cost and the planned cost into the material cost variance and according the material cost variance rate, work out the material cost variance which should be shared at the end of the month, and to adjust the planned cost that had issued the materials as the actual cost; low priced and easily worn articles should be recorded by actual cost and should adopt the one-time amortization method for accounting when consuming.

(3) Basis for determining net realizable value of inventories and provision methods for decline in value of inventories

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purpose of holding inventories and effect of post balance sheet events.

At the balance sheet date, inventories are measured at the lower of the cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. The provision for inventories decline in value is determined normally by the difference of the cost of individual item less its realizable value. For large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end users or purposes, and cannot be practicably evaluated separately from other items in that product line provision for decline in value is determined on an aggregate basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

(4) The perpetual inventory system is maintained for stock system.

13. Divided as assets held for sale

If a non-current assets could be immediately sold only according to the usual terms of selling this kind of assets under current situation, and the Group has made a decision on disposing a non-current asset, entered into an irreversible transfer agreement with the transferee and the transfer is likely to be completed within one year, the non-current asset is measured as a non-current asset held for sale, which shall not be depreciated or amortized since the date held for sale but shall be measured at the lower one of the net amounts of the book value and the fair value after deducting the disposal expense. Non-current assets held for sale include single-item assets and disposal groups. Where a disposal group is an asset group and the goodwill obtained in the business combination is apportioned to the asset group according to the “Accounting Standard No. 8 for Business Enterprises—Asset Impairment”, or a disposal group is an operation in such an asset group, the disposal group shall include the goodwill in the business combination.

The non-current assets of single amount and the assets among the disposing group that both be divided as assets held for sale, should be listed alone of the current assets on the balance sheet; liabilities related to the assets transfer among the disposing group which be divided as assets held for sale, should be listed alone of the current assets on the balance sheet.

An asset or an disposal group was classified as held for sale before, but if it couldn’t meet the recognition conditions for held-for-sale non-current asset later, the Company shall cease to classify it as held for sale, and measure it by the lower amount of the followings: (1) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or impairment before the asset (or disposal group) being classified as held for sale; or (2) its recoverable amount on the date of the subsequent decision not to sell.

14. Long-term equity investments

The long-term equity investments of this part refer to the long-term equity investments that the Group has control, joint control or significant influence over the investees. The long-term equity investment that the Group does not have control, joint control or significant influence over the investees, should be recognized as available-for-sale financial assets or be measured by fair value with the changes should be included in the financial assets accounting of the current gains and losses, and please refer the details of the accounting policies to “financial instrument” of this note.

Joint control, refers to the control jointly owned according to the relevant agreement on an arrangement by the Group and the relevant activities of the arrangement should be decided only after the participants which share the control right make consensus.

Significant influence refers to the power of the Group which could anticipate in the finance and the operation polices of the investees, but could not control or jointly control the formulation of the policies with the other parties.

(1) Recognition of investment costs

As for long-term equity investments acquired by enterprise merger, if the merger is 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 shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of the book value of the shareholder's equity of the merged enterprise on the consolidated financial statement of the ultimate control party as the initial cost of the long-term equity investment. The total face value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. The equities of the combined party which respectively acquired through multiple transaction under the same control that ultimately form into the combination of the enterprises under the same control, should be disposed according whether belongs to package deal; if belongs to package deal, each transaction would be executed accounting treatment by the Company as a transaction of acquiring the control right. If not belongs to package deal, it shall, on the date of merger, regard the enjoyed share of the book value of the shareholder's equity of the merged enterprise on the consolidated financial statement of the ultimate control party as the initial cost of the long-term equity investment, and as for the difference between the initial investment cost of the long-term equity investment and sum of the book value of the long-term equity investment before the combination and the book value of the consideration of the new payment that further required on the combination date, should adjust the capital reserve; if the capital reserve is insufficient to dilute, the retained earnings shall be adjusted. The equity investment held before the combination date which adopted the equity method for accounting, or the other comprehensive income confirmed for the available-for-sale financial assets, should not have any accounting disposal for the moment.

For the long-term investment required from the business combination under different control, the initial investment cost regarded as long-term equity investment on the purchasing date according to the combination cost, the combination costs shall be the sum of the fair values of the assets paid, the liabilities incurred or assumed and the equity securities issued by the Company. The equities of the acquirees which respectively acquired through multiple transaction that ultimately form into the combination of the enterprises under the different control, should be disposed according whether belongs to package deal; if belongs to package deal, each transaction would be executed accounting treatment by the Company as a transaction of acquiring the control right. If not belongs to package deal, the sum of the book value of the original held equity investment of the acquirees and the newly added investment cost should be regarded as the initial investment cost of the long-term equity investment that changed to be accounted by cost method. If the original held equity is calculated by cost method, the other relevant comprehensive income would not have any accounting disposal for the moment. If the original held equity investment is the financial assets available for sale, its difference between the fair value and the book value as well as the accumulative changes of the fair value that include in the other comprehensive income, should transfer into the current gains and losses.

The commission fees for audit, law services, assessment and consultancy services and other relevant expenses occurred in the business combination by the combining party or the purchase party, shall be recorded into current profits and losses upon their occurrence; the transaction expense from the issuance of equity securities or bonds securities which are as consideration for combination by the combining party, should be recorded as the initial amount of equity securities and bonds securities.

Besides the long-term equity investments formed by business combination, the other long-term equity investments shall be initially measured by cost, the cost is fixed in accordance with the ways of gaining, such as actual cash payment paid by the Group, the fair value of equity securities issued by the Group, the agreed value of the investment contract or agreement, the fair value or original carrying amount of exchanged assets from non-monetary assets exchange transaction, the fair value of the long-term equity investments, etc. The expenses, taxes and other necessary expenditures directly related with gaining the long-term equity investments shall also be recorded into investment cost. The long-term equity investment cost for those could execute significant influences on the investees because of appending the investment or could execute joint control but not form as control, should be as the sum of the fair value of the original held equity investment and the newly added investment cost recognized according to the No.22 of Accounting Standards for Business Enterprises—Recognition and Measurement of Financial Instrument.

(2) Subsequent measurement and recognition of gains or losses

A long-term equity investment where the investing enterprise has joint control (except for which forms into common operators) or significant influence over the investors should be measured by equity method. Moreover, long-term equity investment adopting the cost method in the financial statements, and which the Company has control on invested entity.

① Long-term equity investment measured by adopting cost method

The price of a long-term equity investment measured by adopting the cost method shall be included at its initial investment cost and append as well as withdraw the cost of investing and adjusting the long-term equity investment. The return on investment at current period shall be recognized in accordance with the cash dividend or profit announced to distribute by the invested entity, except the announced but not distributed cash dividend or profit included in the actual payment or consideration upon gaining the investment.

② Long-term equity investment measured by adopting equity method

If the initial cost of a long-term equity investment is more than the Company's attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long-term equity investment is less than the Company's attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

When measured by adopting equity method, respectively recognize investment income and other comprehensive income according to the net gains and losses as well as the portion of other comprehensive income which should be enjoyed or be shared, and at the same time adjust the book value of the long-term equity investment; corresponding reduce the book value of the long-term equity investment according to profits which be declared to distribute by the investees or the portion of the calculation of cash dividends which should be enjoyed; for the other changes except for the net gains and losses, other comprehensive income and the owners' equity except for the profits distribution of the investees, should adjust the book value of the long-term equity investment as well as include in the capital reserve. The investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting policies adopted by the investees are not accord with that of the Group, should be adjusted according to the accounting policies of the Group and the financial statement of the investees during the accounting period and according which to recognize the investment income as well as other comprehensive income. For the transaction happened between the Group and associated enterprises as well as joint ventures, if the assets launched or sold not form into business, the portion of the unrealized gains and losses of the internal transaction, which belongs to the Group according to the calculation of the enjoyed proportion, should recognize the investment gains and losses on the basis. But the losses of the unrealized internal transaction happened between the Group and the investees which belongs to the impairment losses of the transferred assets, should not be neutralized. The assets launched by the Group to the associated enterprises or the joint ventures if could form into business, the long-term equity investment without control right which acquired by the investors, should regard the fair value of the launched business as the initial investment cost the newly added long-term equity investment, and for the difference between the initial investment cost and the book value of the launched business, should be included into the current gains and losses with full amount. The assets sold by the Group to the associated enterprises or the joint ventures if could form into business, the difference between the acquired consideration and the book value of the business should be included in the current gains and losses with full amount. The assets purchased by the Group to the associated enterprises or the joint ventures if could form into business, should be accounting disposed according to the regulations of No. 20 of ASBE—Business Combination, and should be recognized gains or losses related to the transaction with full amount.

The Group shall recognize the net losses of the invested enterprise until the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero. However, if the Group has the obligation to undertake extra losses, it shall be recognized as the estimated liabilities in accordance with the estimated duties and then recorded into investment losses at current period. If the invested entity realizes any net profits later, the Group shall, after the amount of its attributable share of profits offsets against its attributable share of the un-recognized losses, resume recognizing its attributable share of profits.

For the long-term equity investment held by the Group before the first execution of the new accounting criterion on 1 Jan. 2008 of the associated enterprises and joint ventures, if there is debit difference of the equity investment related to the investment, should be included in the current gains and losses according to the amount of the straight-line amortization during the original remained period.

③ Acquiring shares of minority interest

In the preparation for the financial statements, the balance existed between the long-term equity investment increased by acquiring shares of minority interest and the attributable net assets on the subsidiary calculated by the increased shares held since the purchase date (or combination date), the capital reserves shall be adjusted, if the capital reserves are not sufficient to offset, the retained profits shall be adjusted.

④ Disposal of long-term equity investment

In the preparation of financial statements, the Company disposed part of the long-term equity investment on subsidiaries without losing its controlling right on them, the balance between the disposed price and attributable net assets of subsidiaries by disposing the long-term equity investment shall be recorded into owners' equity; where the Company losses the controlling right by disposing part of long-term equity investment on such subsidiaries, it shall treated in accordance with the relevant accounting policies in Method on preparation of combined financial statements of this note.

For other ways on disposal of long-term equity investment, the balance between the book value of the disposed equity and its actual payment gained shall be recorded into current profits and losses.

For the long-term equity investment measured by adopting equity method, if the remained equity after disposal still adopts the equity method for measurement, the other comprehensive income originally recorded into owners' equity should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees according to the corresponding proportion. The owners' equity recognized owning to the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution of the investees, should be transferred into the current gains and losses according to the proportion.

For the long-term equity investment which adopts the cost method of measurement, if the remained equity still adopt the cost method, the other comprehensive income recognized owning to adopting the equity method for measurement or the recognition and measurement standards of financial instrument before acquiring the control of the investees, should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees and should be carried forward into the current gains and losses according to the proportion; the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion.

For those the Group lost the control of the investees by disposing part of the equity investment as well as the remained equity after disposal could execute joint control or significant influences on the investees, should change to measure by equity method when compiling the individual financial statement and should adjust the measurement of the remained equity to equity method as adopted since the time acquired; if the remained equity after disposal could not execute joint control or significant influences on the investees, should change the accounting disposal according to the relevant regulations of the recognition and measurement standards of financial instrument, and its difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized by adopting equity method for measurement or the recognition and measurement standards of financial instrument before the Group acquired the control of the investees, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when lose the control of them, while the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion. Of which, for the disposed remained equity which adopted the equity method for measurement, the other comprehensive income and the other owners' equity should be carried forward according to the proportion; for the disposed remained equity which changed to execute the accounting disposal according to the recognition and measurement standards of financial instrument, the other comprehensive income and the other owners' equity should be carried forward in full amount.

For those the Group lost the control of the investees by disposing part of the equity investment, the disposed remained equity should change to calculate according to the recognition and measurement standards of financial instrument, and difference between the fair value and book value on the date lose the control right should be included in the current gains and losses. For the other comprehensive income recognized from the original equity investment by adopting the equity method, should execute the accounting disposal by adopting the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees when terminate the equity method for measurement, while for the owners' equity recognized owning to the changes of the other owner's equity except for the net gains and losses, other comprehensive income and the profits distribution of the investees, should be transferred into the current investment income with full amount when terminate adopting the equity method.

The Group respectively disposes the equity investment of the subsidiaries through multiple transactions until lose the control right, if the above transactions belongs to the package deal, should execute the accounting disposal by regarding each transaction as a deal of disposing the equity investment of the subsidiaries until lose the control right, while the difference between each expenses of the disposal and the book value of the long-term equity investment in accord with the disposed equity before losing the control right, should firstly be recognized as other comprehensive income then be transferred into the current gains and losses of losing the control right along until the time when lose it.

15. Investment real estates

Measurement mode of investment real estates

Measurement of cost method

Depreciation or amortization method

The term "investment real estates" refers to the real estates held for generating rent and/or capital appreciation. Investment real estates of the Group 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.

The initial measurement of the investment real estate shall be made at its cost. Subsequent expenditures incurred for an investment real estate is included in the cost of the investment real estate when it is probable that economic benefits associated with the investment real estate will flow to the Group and the cost can be reliably measured, otherwise the expenditure is recognized in profit or loss in the period in which they are incurred.

The Group 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 the use right of buildings or lands.

For details of impairment test method and withdrawal method of impairment provision of investment real estates, please refer to Note IV. 16. Impairment of Non-current Non-financial Assets.

When owner-occupied real estate or inventories are changed into investment real estate or investment real estate is changed into owner-occupied real estate, of which book value prior to the change shall be the entry value after the change.

When an investment real estate is changed to an owner-occupied real estate, it would be transferred to fixed assets or intangible assets at the date of such change. When an owner-occupied real estate is changed to be held to earn rental or for capital appreciation, the fixed asset or intangible asset is transferred to investment real estate at the date of such change. If the fixed asset or intangible asset is changed into investment real estate measured by adopting the cost pattern, whose book value prior to the change shall be the entry value after the change; if the fixed asset or intangible asset is changed into investment real estate measured by adopting the fair value pattern, whose fair value on the date of such change shall be the entry value after the change

An investment real estate is derecognized on disposal or when the investment real estate is permanently withdrawn from use and no future economic benefits are expected from its disposal. The amount of proceeds on sale, transfer, retirement or damage of an investment real estate less its carrying amount and related taxes and expenses is recognized in profit or loss in the period in which it is incurred.

16. Fixed assets

(1) Conditions for recognition

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. The fixed assets are only recognized when the relevant economic benefits probably flow in the Group and its cost could be reliable measured. The fixed assets should take the initial measurement according to the cost and at the same time consider the influences of the factors of the estimated discard expenses.

(2) Depreciation methods

Category of fixed assets	Method	Useful life	Expected net salvage value	Annual deprecation
Housing and building	Average method of useful life	15-24	2%-4%	4%--6.53%
Machinery equipment	Average method of useful life	3-15	2%-4%	6.4%--32.67%
Electronic equipment	Average method of useful life	9-18	4.00%	5.33%--10.67%
Transportation equipment	Average method of useful life	9	2.00%	10.89%

(3) Recognition basis, pricing and depreciation method of fixed assets by finance lease

The "finance lease" shall refer to a lease that has transferred in substance all the risks and rewards related to the ownership of an asset. Its ownership may or may not eventually be transferred. The fixed assets by finance lease shall adopt the same depreciation policy for self-owned fixed assets. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

17. Construction in progress

Construction in process is measured at actual cost. Actual cost comprises construction costs, borrowing costs that are eligible for capitalization before the fixed assets being ready for their intended us and other relevant costs. Construction in process is transferred to fixed assets when the assets are ready for their intended use.

18. Borrowing costs

The borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings. When the borrowing costs can be directly attributable to the construction or production of assets eligible for capitalization, and 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. 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. Other borrowing costs shall be recognized as expenses when incurred.

The to-be-capitalized amount of interests shall be determined in light of the actual interests 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; the enterprise shall calculate and determine the to-be-capitalized amount 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.

During the period of capitalization, the exchange balance on foreign currency special borrowings shall be capitalized; the exchange balance on foreign currency general borrowings shall be recorded into current profits and losses.

The term “assets eligible for capitalization” refers to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended.

19. Biological assets

20. Oil-gas assets

21. Intangible assets

(1) Pricing method, useful life and impairment test

The term "intangible asset" refers to the identifiable non-monetary assets possessed or controlled by enterprises which have no physical shape.

The intangible assets shall be initially measured according to its cost. The costs related with the intangible assets, if the economic benefits related to intangible assets are likely to flow into the enterprise and the cost of intangible assets can be measured reliably, shall be recorded into the costs of intangible assets; otherwise, it shall be recorded into current profits and losses upon the occurrence.

The use right of land gained is usually measured as intangible assets. For the self-developed and constructed factories and other constructions, the related expenditures on use right of land and construction costs shall be respectively measured as intangible assets and fixed assets. For the purchased houses and buildings, the related payment shall be distributed into the payment for use right of land and the payment for buildings, if it is difficult to be distributed, the whole payment shall be treated as fixed assets.

For intangible assets with a finite service life, from the time when it is available for use, the cost after deducting the sum of the expected salvage value and the accumulated impairment provision shall be amortized by straight line method during the service life. While the intangible assets without certain service life shall not be amortized.

At the end of period, the Group shall check the service life and amortization method of intangible assets with finite service life, if there is any change, it shall be regarded as a change of the accounting estimates. Besides, the Group shall check the service life of intangible assets without certain service life, if there is any evidence showing that the period of intangible assets to bring the economic benefits to the enterprise can be prospected, it shall be estimated the service life and amortized in accordance with the amortization policies for intangible assets with finite service life.

(2) Accounting policies of internal R & D expenses

The expenditures for internal research and development projects of an enterprise shall be classified into research expenditures and development expenditures.

The research expenditures shall be recorded into the profit or loss for the current period.

The development expenditures shall be confirmed as intangible assets when they satisfy the following conditions simultaneously, and shall be recorded into profit or loss for the current period when they don’t satisfy the following conditions.

① It is feasible technically to finish 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 shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or 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;

⑤ The development expenditures of the intangible assets can be reliably measured.

As for expenses that can’t be identified as research expenditures or development expenditures, the occurred R & D expenses shall be all included in current profits and losses.

22. Impairment of long-term assets

For non-current financial Assets of fixed Assets, projects under construction, intangible Assets with limited service life, investing real estate with cost model, long-term equity investment of subsidiaries, cooperative enterprises and joint ventures, the Group should judge whether decrease in value exists on the date of balance sheet. Recoverable amounts should be tested for decrease in value if it exists. Other intangible Assets of reputation and uncertain service life and other non-accessible intangible assets should be tested for decrease in value no matter whether it exists.

If the recoverable amount is less than book value in impairment test results, the provision for impairment of differences should include in impairment loss. Recoverable amounts would be the higher of net value of asset fair value deducting disposal charges or present value of predicted cash flow. Asset fair value should be determined according to negotiated sales price of fair trade. If no sales agreement exists but with asset active market, fair value should be determined according to the Buyer’s price of the asset. If no sales agreement or asset active market exists, asset fair value could be acquired on the basis of best information available. Disposal expenses include legal fees, taxes, cartage or other direct expenses of merchantable Assets related to asset disposal. Present value of predicted asset cash flow should be determined by the proper discount rate according to Assets in service and predicted cash flow of final disposal. Asset depreciation reserves should be calculated on the basis of single Assets. If it is difficult to predict the recoverable amounts for single Assets, recoverable amounts should be determined according to the belonging asset group. Asset group is the minimum asset combination producing cash flow independently.

In impairment test, book value of the business reputation in financial report should be shared to beneficial asset group and asset group combination in collaboration of business merger. It is shown in the test that if recoverable amounts of shared business reputation asset group or asset group combination are lower than book value, it should determine the impairment loss. Impairment loss amount should firstly be deducted and shared to the book value of business reputation of asset group or asset group combination, then deduct book value of all assets according to proportions of other book value of above assets in asset group or asset group combination except business reputation.

After the asset impairment loss is determined, recoverable value amounts would not be returned in future.

23. Amortization method of long-term deferred expenses

Long-term deferred expenses refer to general expenses with the apportioned period over one year (one year excluded) that have occurred but attributable to the current and future periods.

24. Payroll

(1) Accounting treatment of short-term compensation

Short-term compensation mainly including salary, bonus, allowances and subsidies, employee services and benefits, medical insurance premiums, birth insurance premium, industrial injury insurance premium, housing fund, labor union expenditure and personnel education fund, non-monetary benefits etc. The short-term compensation actually happened during the accounting period when the active staff offering the service for the Group should be recognized as liabilities and is included in the current gains and losses or relevant assets cost. Of which the non-monetary benefits should be measured according to the fair value.

(2) Accounting treatment of the welfare after demission

Welfare after demission mainly includes setting drawing plan. Of which setting the drawing plan mainly includes basic endowment insurance, unemployment insurance and annuity etc, and the corresponding payable and deposit amount should be included into the relevant assets cost or the current gains and losses when happen.

If an enterprise cancels the labor relationship with any employee prior to the expiration of the relevant labor contract or brings forward any compensation proposal for the purpose of encouraging the employee to accept a layoff, and should recognize the payroll liabilities occurred from the demission welfare base on the earlier date between the time when the Group could not one-sided withdraw the demission welfare which offered by the plan or layoff proposal owning to relieve the labor relationship and the date the Group recognizes the cost related to the reorganization of the payment of the demission welfare and at the same time includes which into the current gains and losses. But if the demission welfare is estimated that could not totally pay after the end of the annual report within 12 months, should be disposed according to other long-term payroll payment.

(3) Accounting treatment of the demission welfare

The inside employee retirement plan is treated by adopting the same principle with the above dismiss ion welfare. The group would recorded the salary and the social security insurance fees paid and so on from the employee’s service terminative date to normal retirement date into current profits and losses (dismiss ion welfare) under the condition that they meet the recognition conditions of estimated liabilities.

(4) Accounting treatment of the welfare of other long-term staffs

The other long-term welfare that the Group offers to the staffs, if met with the setting drawing plan, should be accounting disposed according to the setting drawing plan, while the rest should be disposed according to the setting revenue plan.

25. Estimated liabilities

The company should recognize the related obligation as a provision for liability when the obligation meets the following conditions: (1) That obligation is a present obligation of the enterprise; (2) It is probable that an outflow of economic benefits from the enterprise will be required to settle the obligation; (3) A reliable estimate can be made of the amount of the obligation.

On the balance sheet date, an enterprise shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the Contingencies to measure the estimated liabilities in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

When all or some of the expenses necessary for the liquidation of an estimated liabilities of an enterprise is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. Besides, the amount recognized for the reimbursement should not exceed the book value of the estimated liabilities.

(1) Loss contract

The term "loss contract" refers to a contract whose performance of the contractual obligations will inevitably incur costs in excess of the expected economic benefits. Where an executory contract turns to be a loss contract, and the obligations occur from the loss contact meet with the above recognition conditions of the estimated liabilities, should recognize the confirmed part of the impairment losses (if any) which estimated to loss exceed the underlying assets of the contract as the estimated liabilities.

(2) Reorganization obligations

For the reorganization plan which is specific, formal as well as had been public announced, if meet with the above recognition conditions of the estimated liabilities, should recognize the amount of the estimated liabilities according to the direct expense related to the reorganization. For the reorganization obligations of the selling business, only when the Group commits to sell partly of the business (the time signed the restricted selling agreement), could recognize the relevant business of the reorganization.

26. Share-based payment

(1) Accounting treatment of share-based payment

Share-based payment refers to the transaction in order to require the service offered by the employees and other parties that grants the equity instruments or responsible for the liabilities recognized on the basis of the equity instruments. Share-based payment divided into equity-settled share-based payment and cash-settled share-based payment.

①Equity-settled share-based payment

It is a share-based payment settled by equity used for exchange the service offered by the staffs and be measured by the fair value on the grant date of granting the equity instrument for the staffs. When the services are fully rendered during vesting period or specified performance targets are met, based on the best estimate of the number of the vesting equity instruments during vesting period and according to the straight-line method to calculate and to include into the relevant cost or expenses/when using the vesting power immediately after the granting, should include the relevant cost or expenses on the grant date and correspondingly increase the capital reserve.

On each balance sheet date within the vesting period, the Group makes the best estimate base on the subsequent information newly required such as the changes of the vesting staffs' number to modify the number of the estimated vesting equity instrument. The above influences of the estimation should be included into the current relevant cost or expenses and correspondingly adjust the capital surplus.

For equity-settled share-based payment made in return of other parties' services and the fair value of the other parties' services can be reliably measured, it will be measured based on the fair value of the other parties' services on the date of grant; if the fair value of the other parties' services cannot be reliably measured but the fair value of equity instruments can be reliably measured, it will be recognized in relevant costs or expenses and the capital reserves shall be adjusted accordingly at the fair value of such instruments on the date of the grant.

② Cash-settled share-based payment

The cash-settled share-based payment should be measured according to the fair value of the liabilities recognized based on the shares or other equity instrument undertaken by the Group. For the cash-settled share-based payment made in return for the rendering of employee services that may be exercised immediately after the grant, the fair value of the liability incurred by the Group shall, on the date of the grant, be recognized in relevant costs or expenses and the liabilities shall be increased accordingly. For cash-settled share-based payment made in return for the rendering of employee services that cannot be exercised until the services are fully provided during the vesting period or specified performance targets are met, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the number of exercisable instruments, be recognized in relevant costs or expenses and the corresponding liabilities at the fair value of the liability incurred by the Group.

On each balance sheet date and the settlement date before the settlement of the relevant liabilities, the Group should re-measure the fair value of the liabilities and its changes should be included in the current gains and losses.

(2) Relevant accounting treatment about revision and termination of share-based payment plans

As to the revision on the share-based payment plan made by the Group, if the fair value of the granted equity instrument increases after the revision, it shall recognize the increase of the service gained according to the increase of the fair value of equity instrument. The increase of the fair value of equity instrument refers to the balance between the fair value on the revising date of the equity instruments before and after the revision. If the total fair value of share-base payment decreases after the revision or adopting other ways against the staffs in the revision, it shall continue to conduct accounting treatment on the service gained as if the revision never happens, only if the Group cancel partial or total granted equity instrument.

During the vesting period, if the Group cancels the granted equity instrument, the Group shall treat the cancel of granted equity instrument as accelerating the vesting, and includes the amount shall be recognized during the remained vesting period into current profit and loss, and also recognize the capital reserves. If staffs or other party can choose to meet the non-vesting conditions but not meets with them during the vesting period, which will be treated as the cancel of granted equity instrument by the Group.

(3) Accounting treatment of the share-based payment transactions involved with the Group, the shareholders of the Group or the actual controllers

The share-based equity payment transaction which involved with the Group, the shareholders or actual controllers of the Group, if one between the settlement enterprises and the service accepted enterprises are within the Group and the others are not, should be accounting disposed according to the following regulations in the consolidation financial statement of the Group:

① For the settlement enterprises settle by the equity instruments of itself, should dispose the share-based payment transaction as the share payment of the equity settlement; besides the rest should be disposed as the cash-settled share-based payment.

If the settlement enterprises accept the investor of the service enterprise, should recognize as the long-term equity investment on the enterprises which accept service according to the fair value of the equity instruments on the granted date or the fair value which should undertake the liabilities and at the same time be recognized as capital reserve (other capital reserve) or liabilities.

② For the enterprises accept the service without settlement obligations or the equity instruments granted for the staffs of the enterprises are its own instruments, the share-based payment transaction should be disposed as the equity-settled share-based payment; for the enterprises accept the service with the settlement obligations and the equity instruments are not its own instruments, the share-based payment transaction should be disposed as the cash-settled share-based payment.

The share-based payment transaction occur among each enterprise of the Group, if the enterprises accept service and the settlement enterprises are not the same enterprises, the recognition and the measurement of the share-based payment transaction among each individual financial statement of the service accepting enterprises and the settlement enterprises according to the above principles.

27. Other financial instruments such as preferred shares and perpetual capital securities

(1) Distinguish between perpetual capital securities and preferred shares etc.

The financial instruments such as perpetual capital securities and preferred shares issued by the Group that meet with the following conditions at the same time are regarded as equity instruments:

① the financial instruments not including the contact obligations such as pay for the cash or other financial assets to other parties, or to exchange the financial assets or financial liabilities under the potential disadvantages;

② if in the future have to use or could use the own equity instruments of the enterprises to settle the financial instruments, for example, the financial instruments are non-derivative instruments, there would be no contact obligations for delivering the variable own equity instruments for settlement; if they are derivative instruments, the Group could only settle the financial instruments through exchange its own equity instruments with a fixed number for the cash or other financial assets with fixed amount.

The other financial instruments issued by the Group should be classified into financial liabilities except for the financial instruments which could be classified into equity instruments according to the above conditions.

For the financial instruments issued by the Group which are complex financial instruments, should be recognized as an item of liabilities according to the fair value of the liabilities and at the same time be recognized as “other equity instruments” according to the amount that the actual received amount deduct the fair value of the liabilities. The transaction expenses occur when issuing the complex financial instruments should be shared according each proportion of the total issue price between the liabilities and the equities.

(2) Accounting treatment of perpetual capital securities and preferred shares etc.

The financial instruments such as the perpetual capital securities and preferred shares which be classified as financial liabilities, its relevant interests, dividends (or stock dividends), profits or losses, and the profits or losses occur from the redemption or the re-financing, should both be included in the current gains and losses except for the borrowing expenses that meet with the capitalization conditions (see details to Notes VI 17 “Borrowing expenses”).

For the financial instruments such as the perpetual capital securities and preferred shares which be classified as equity instruments, their issuance (including re-financing), re-purchase, selling or logout, the Group dispose them as the changes of the equities and the relevant transaction expenses are also minus from the equities. The Group disposes the distribution of the holder of the equity instruments as the profits distribution.

The Group not confirms the changes of the fair value of the equity instruments.

28. Revenue

No revenue from selling goods may be recognized unless the following conditions are met simultaneously: the significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise; the enterprise retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; the relevant amount of revenue can be measured in a reliable way; the relevant economic benefits may flow into the enterprise; and the relevant costs incurred or to be incurred can be measured in a reliable way.

(2) Providing labor services

If the Group can reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the percentage-of-completion method on the date of the balance sheet. The completed proportion of a transaction concerning the providing of labor services shall be decided by the proportion of the labor service already provided to the total labor service to provide.

The outcome of a transaction concerning the providing of labor services can be measured in a reliable way, means that the following conditions shall be met simultaneously: ① The amount of revenue can be measured in a reliable way; ② The relevant economic benefits are likely to flow into the enterprise; 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.

If the outcome of a transaction concerning the providing of labor services can not be measured in a reliable way, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred and expected to be compensated, and make the cost of labor services incurred as the current expenses. If it is predicted that the cost of labor services incurred couldn’t be compensated, thus no revenue shall be recognized.

Where a contract or agreement signed between Group and other enterprises concerns selling goods and providing of labor services, if the part of sale of goods and the part of providing labor services can be distinguished from each other and can be measured respectively, the part of sale of goods and the part of providing labor services shall be treated respectively. If the part of selling goods and the part of providing labor services can not be distinguished from each other, or if the part of sale of goods and the part of providing labor services can be distinguished from each other but can not be measured respectively, both parts shall be conducted as selling goods.

(3) Construction contract revenue

If the Group can reliably estimate the outcome of a construction contact, the contact revenue and the expenses should be recognized according to the percentage of completion method on the balance sheet date. The completion progress of the contact should be recognized according to the proportion of the accumulative actual occurred contact cost among the estimated total cost of the contact.

If the result of the construction contact is reliable for estimate refers to meet the following conditions at the same time: ① the total revenue of the contact could be reliable measured; ② the economic benefits related to the contact probably flow into the enterprises;③ the contact cost actual occurred could be clearly distinguish as well as reliable measured; ④ the completion progress of the contact and cost which would still occur for completing the contact could be reliable confirmed.

If the result of the construction contact could not be reliable estimated while the contact cost could be returned, the contact revenue should be recognized according to the returnable actual contact cost, and the contact cost should be recognized as contact expenses as the period it occurs; if the contact cost could not be returned, should recognized as contact expenses immediately when it occurs and not be confirmed as contact revenue. For the disadvantage factor no longer exist which lead the result of the construction contact could not be reliable estimated, the revenue and expenses related to the construction contact should be recognized according to the completion percentage method.

If the estimated total cost of the contact exceeds the total revenue, the estimated losses should be recognized as current expenses.

The accumulatively occurred cost of the contact under construction and the accumulative confirmed gross margin (losses) as well as the settled price should be listed as the written-off net amount among the balance sheet. The amount the sum of the accumulatively occurred cost of the contact under construction and the accumulative confirmed gross margin (losses) which exceed the settled price should be listed as inventory; the part the settled price of the contact under construction exceeds the sum of the accumulatively occurred cost of the contact under construction and the accumulative confirmed gross margin (losses) should be listed as prepayments.

(4) Royalty revenue

In accordance with relevant contract or agreement, the amount of royalty revenue should be recognized as revenue on accrual basis.

(5) Interest revenue

The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the Group’s monetary fund is used by others and the agreed interest rate.

29. Government subsidies

(1) Judgment basis and accounting treatment of government subsidies related to assets

The Company defines the government subsidies formed as the long-term assets which acquired for purchasing and constructing or by other methods as the government subsidies related to assets and confirms which as the deferred income and executes the average distribution as well as includes in the current gains and losses within the service life of the relevant assets.

(2) Judgment basis and accounting treatment of government subsidies related to profits

The Company defines the government subsidies formed as the long-term assets which acquired for purchasing and constructing or by other methods as the government subsidies related to assets while the rest of which as the government subsidies related to profits. The government subsidies related to profits used for supplementing the relevant expenses and losses during the follow-up period should be regarded as the deferred income, and be included in the current gains and losses during the period of confirming the related expenses; as those used for supplementing the occurred relevant expenses and losses, should be directly included in the current gains and losses.

30. Deferred income tax assets/deferred income tax liabilities

(1) Income tax of the current period

On the balance sheet date, for the current income tax liabilities (or assets) of the current period as well as the part formed during the previous period, should be measured by the income tax of the estimated payable (returnable) amount which be calculated according to the regulations of the tax law. The amount of the income tax payable which is based by the calculation of the current income tax expenses, are according to the result measured from the corresponding adjustment of the pre-tax accounting profit of 2015 which in accord to the relevant regulations of the tax law.

(2) Deferred income tax assets and deferred income tax liabilities

The difference between the book value of certain assets and liabilities and their tax assessment basis, as well as the temporary difference occurs from the difference between the book value of the items which not be recognized as assets and liabilities but could confirm their tax assessment basis according to the regulations of the tax law, the deferred income tax assets and the deferred income tax liabilities should be recognized by adopting liabilities law of the balance sheet.

No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill, the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). Besides, no deferred tax assets is recognized for the taxable temporary differences related to the investments of subsidiary companies, associated enterprises and joint enterprises, and the investing enterprise can control the time of the reverse of temporary differences as well as the temporary differences are unlikely to be reversed in the excepted future. Otherwise, the Company should recognize the deferred income tax liabilities arising form other taxable temporary difference.

No deferred taxable assets should be recognized for the deductible temporary difference of initial recognition of assets and liabilities arising from the transaction which is not business combination, the accounting profits will not be affected, nor will the taxable amount or deductible loss be affected at the time of transaction. Besides, no deferred taxable assets should be recognized for the deductible temporary difference related to the investments of the subsidiary companies, associated enterprises and joint enterprises, which are not likely to be reversed in the expected future or is not likely to acquire any amount of taxable income tax that may be used for making up such deductible temporary differences. Otherwise, the Company shall recognize the deferred income tax assets arising from a deductible temporary difference basing on the extent of the amount of the taxable income that is likely to be acquired to make up such deductible temporary differences

For any deductible loss or tax deduction that can be carried forward to the next year, the corresponding deferred income tax asset shall be determined to the extent that the amount of future taxable income to be offset by the deductible loss or tax deduction to be likely obtained.

On the balance sheet date, the deferred income tax assets and the deferred income tax liabilities shall be measured 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.

The book value of deferred income tax assets shall be reviewed at each balance sheet date. If it is unlikely to obtain sufficient taxable income to offset against the benefit of the deferred income tax asset, the book value of the deferred income tax assets shall be written down. Any such write-down should be subsequently reversed where it becomes probable that sufficient taxable income will be available.

(3) Income tax expenses

Income tax expenses include current income tax and deferred income tax.

The rest current income tax and the deferred income tax expenses or revenue should be included into current gains and losses except for the current income tax and the deferred income tax related to the transaction and events that be confirmed as other comprehensive income or be directly included in the shareholders' equity which should be included in other comprehensive income or shareholders' equity as well as the book value for adjusting the goodwill of the deferred income tax occurs from the business combination.

(4) Offset of income tax

The current income tax assets and liabilities of the Company should be listed by the written-off net amount which intend to executes the net amount settlement as well as the assets acquiring and liabilities liquidation at the same time while owns the legal rights of settling the net amount.

The deferred income tax assets and liabilities of the Company should be listed as written-off net amount when having the legal rights of settling the current income tax assets and liabilities by net amount and the deferred income tax and liabilities is relevant to the income tax which be collected from the same taxpaying bodies by the same tax collection and administration department or is relevant to the different taxpaying bodies but during each period which there is significant reverse of the deferred income assets and liabilities in the future and among which the involved taxpaying bodies intend to settle the current income tax and liabilities by net amount or are at the same time acquire the asset as well as liquidate the liabilities.

31. Lease

(1) Accounting treatment of operating lease

Business of operating leases recorded by the Group as the lessee

The rent expenses from operating leases shall be recorded by the lessee in the relevant asset costs or the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs shall be recognized as the profits and losses of the current period. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

Business of operating leases recorded by the Company as the lessor

The rent incomes from operating leases shall be recognized as the profits and losses of the current period by using the straight-line method over each period of the lease term. The initial direct costs of great amount shall be capitalized when incurred, and be recorded into current profits and losses in accordance with the same basis for recognition of rent incomes over the whole lease term. The initial direct costs of small amount shall be recorded into current profits and losses when incurred. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

(2) Accounting treatments of financial lease

Business of finance leases recorded by the Company as the lessee

On the lease beginning date, the Company shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. Besides, the initial direct costs directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value of the current period. The balance through deducting unrecognized financing charges from the minimum lease payments shall be respectively stated in long-term liabilities and long-term liabilities due within 1 year.

Unrecognized financing charges shall be adopted by the effective interest rate method in the lease term, so as to calculate and recognize current financing charges. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

Business of finance leases recorded by the Company as the lessor

On the beginning date of the lease term, the Company shall recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the financing lease values receivable, and record the unguaranteed residual value at the same time. The balance between the sum of the minimum lease receipts, the initial direct costs and the unguaranteed residual value and the sum of their present values shall be recognized as unrealized financing income. The balance through deducting unrealized financing incomes from the finance lease accounts receivable shall be respectively stated in long-term claims and long-term claims due within 1 year.

Unrecognized financing incomes shall be adopted by the effective interest rate method in the lease term, so as to calculate and recognize current financing revenues. The contingent rents shall be recorded into the profits and losses of the current period in which they actually arise.

32. Other significant accounting policies and estimates

Operation termination refers to the compose part that meet with one of the following conditions which had been disposed by the Company or be classified to held-to-sold as well as could be individually distinguished in operating and compiling the financial statement: ① the compose part represents an individual main business or a main operation area; ② the compose part is a part intends to dispose and plan an individual main business or a main operation area; ③ the compose part is a subsidiary which be acquired only for resold.

For the details of the accounting treatment of the operation termination, please refer to the relevant description in “Divided as held-to-sold assets” of this note.

33. Changes in main accounting policies and estimates

(1) Change of accounting policies

□ Applicable √ Not applicable

(2) Change of main accounting estimates

□ Applicable √ Not applicable

34. Other

VI. Taxation

1. Main taxes and tax rate

Category of taxes	Tax basis	Tax rate
VAT	Taxable income	13% 17%
Business tax	Taxable income	5%
Urban maintenance and construction tax	Turnover tax payable	7%
Enterprise income tax	Income tax payable	25%
Education surtax	Turnover tax payable	3%

Notes of the disclosure situation of the taxpaying bodies with different enterprises income tax rate

Name	Income tax rate

2. Tax preference

3. Other

VII. Notes on major items in consolidated financial statements of the Company

1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Bank deposits	438,050,215.44	406,098,208.72
Other monetary funds	9,000,000.00	
Total	447,050,215.44	406,098,208.72

Other notes

Other monetary fund was the guarantee fund of bank acceptance.

2. Financial assets measured by fair value and the changes be included in the current gains and losses

Naught

3. Derivative financial assets

□ Applicable √ Not applicable

4. Notes receivable

(1) Notes receivable listed by category

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bill	14,785,699.71	34,433,010.97
Total	14,785,699.71	34,433,010.97

(2) Notes receivable pledged by the Company at the period-end

Not applicable

(3) Notes receivable which had endorsed by the Company or had discounted and had not due on the balance sheet date at the period-end

Unit: RMB

Item	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period-end
Bank acceptance bill	51,205,793.98	
Total	51,205,793.98	

(4) Notes transferred to accounts receivable because drawer of the notes fails to executed the contract or agreement

Not applicable

5. Accounts receivable

(1) Accounts receivable disclosed by category

Unit: RMB

<table>
<tr><th rowspan="3">Category</th><th colspan="5">Closing balance</th><th colspan="5">Opening balance</th></tr>
<tr><th colspan="2">Book balance</th><th colspan="2">Bad debt provision</th><th rowspan="2">Book value</th><th colspan="2">Book balance</th><th colspan="2">Bad debt provision</th><th rowspan="2">Book value</th></tr>
<tr><th>Amount</th><th>Proportion</th><th>Amount</th><th>Withdrawal proportion</th><th>Amount</th><th>Proportion</th><th>Amount</th><th>Withdrawal proportion</th></tr>
<tr><td>Accounts receivable withdrawn bad debt provision according</td><td>430,330,911.35</td><td>99.86%</td><td>30,133,451.79</td><td>7.00%</td><td>400,197,459.56</td><td>198,651,132.62</td><td>99.71%</td><td>18,200,600.69</td><td>9.16%</td><td>180,450,531.93</td></tr>
</table>

to credit risks characteristics										
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	584,457.52	0.14%	584,457.52	100.00%		584,457.52	0.29%	584,457.52	100.00%	
Total	430,915,368.87	100.00%	30,717,909.31		400,197,459.56	199,235,590.14	100.00%	18,785,058.21		180,450,531.93

Accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end

□ Applicable √ Not applicable

In the groups, accounts receivable adopting aging analysis method to accrue bad debt provision:

√ Applicable □ Not applicable

Unit: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Subitem within 1 year			
Within 1 year	417,212,733.32	20,860,636.67	5.00%
Subtotal within 1 year	417,212,733.32	20,860,636.67	5.00%
1 to 2 years	3,791,826.94	379,182.69	10.00%
Over 3 years	539,492.20	161,847.66	30.00%
3 to 4 years	8,786,858.89	8,731,784.77	99.37%
4 to 5 years	110,148.25	55,074.13	50.00%
Over 5 years	8,676,710.64	8,676,710.64	100.00%
Total	430,330,911.35	30,133,451.79	7.00%

Notes of the basis of recognizing the group:

In the groups, accounts receivable adopting balance percentage method to withdraw bad debt provision

□ Applicable √ Not applicable

In the groups, accounts receivable adopting other methods to accrue bad debt provision:

Accounts receivable (classified by units)	Year end balance			
Total	584,457.52	584,457.52	—	—

(2) Accounts receivable withdraw, reversed or collected during the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB11, 932,851.10; the amount of the reversed or collected part during the Reporting Period was of RMB0.00.

Of which the significant amount of the reversed or collected part during the Reporting Period

Not applicable

(3) The actual write-off accounts receivable

Not applicable

(4) Top 5 of the closing balance of the accounts receivable collected according to the arrears party

Name of units	Year end balance	Aging	Proportion of the total year end balance of the accounts receivable (%)	Bad debt provision
Customer receivable A	63,422,060.48	Within 1 year	14.72%	3,171,103.02
Customer receivable B	33,146,112.29	Within 1 year	7.69%	1,657,305.61
Customer receivable C	32,964,089.18	Within 1 year	7.65%	1,648,204.46
Customer receivable D	22,068,647.76	Within 1 year	5.12%	1,103,432.39
Customer receivable E	17,555,700.00	Within 1 year	4.07%	877,785.00
Total	169,156,609.71		39.25%	8,457,830.48

(5) Account receivable which terminate the recognition owning to the transfer of the financial assets

(6) The amount of the assets and liabilities formed by the transfer and the continues involvement of accounts receivable

Not applicable

6. Prepayment

(1) List by aging analysis:

Unit: RMB

Aging	Closing balance	Opening balance

	Amount	Proportion	Amount	Proportion
Within 1 year	27,493,117.65	97.41%	19,657,116.96	96.30%
1 to 2 years	670,854.15	2.38%	695,831.03	3.40%
2 to 3 years			60,417.69	0.30%
Over 3 years	60,417.69	0.21%		
Total	28,224,389.49	--	20,413,365.68	--

Notes of the reasons of the prepayment ages over 1 year with significant amount but failed settled in time:

(2) Top 5 of the closing balance of the prepayment collected according to the prepayment target

Name of units	Year end balance	Aging	Proportion of the total year end balance of the accounts receivable (%)
Supplier A	15,309,738.92	Within 1 year	54.24%
Supplier B	2,133,008.73	Within 1 year	7.56%
Supplier C	1,399,200.00	Within 1 year	4.96%
Supplier D	1,320,000.00	Within 1 year	4.68%
Supplier E	1,257,144.43	Within 1 year	4.45%
Total	21,419,092.08		75.89%

Other notes:

7. Interest receivable

Not applicable

8. Dividend receivable

Not applicable

9. Other accounts receivable

(1) Other accounts receivable disclosed by category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	

Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	20,068,460.17	100.00%	5,839,512.15	29.10%	14,228,948.02	15,211,442.84	100.00%	5,363,991.49	35.26%	9,847,451.35
Total	20,068,460.17	100.00%	5,839,512.15	29.10%	14,228,948.02	15,211,442.84	100.00%	5,363,991.49	35.26%	9,847,451.35

Other accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end

□ Applicable √ Not applicable

In the groups, other accounts receivable adopting aging analysis method to accrue bad debt provision:

√Applicable □ Not applicable

Unit: RMB

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Subitem within 1 year			
Within 1 year	9,796,103.68	489,805.18	5.00%
Subtotal within 1 year	9,796,103.68	489,805.18	5.00%
2 to 3 years	29,513.72	2,951.37	10.00%
Over 3 years	5,490,647.88	5,346,755.60	97.38%
3 to 4 years	20,000.00	10,000.00	50.00%
4 to 5 years	267,784.57	133,892.29	50.00%
Over 5 years	5,202,863.31	5,202,863.31	100.00%
Total	15,316,265.28	5,839,512.15	38.13%

Notes of the basis of recognizing the group:

In the groups, other accounts receivable adopting balance percentage method to withdraw bad debt provision

□ Applicable √ Not applicable

In the groups, other accounts receivable adopting other methods to accrue bad debt provision:

√ Applicable □ Not applicable

Name of group	Year end balance		
Total	4,752,194.89		

Notes: the content of the non-risk group is the export tax refunds receivable.

(2) Accounts receivable withdraw, reversed or collected during the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB475, 520.66; the amount of the reversed or collected part during the Reporting Period was of RMB000.

Of which the significant amount of the reversed or collected part during the Reporting Period

Not applicable.

(3) The actual write-off other accounts receivable

Not applicable.

(4) Other account receivable classified by account nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Export rebates	4,752,194.89	9,241,792.16
Liquidation amount of investment fund	3,398,275.80	3,398,275.80
Cash pledge	720,000.00	700,000.00
Pretty cash	830,635.53	728,854.26
Liquidation amount of goods payment	548,500.00	548,500.00
Payment for land	8,945,000.00	
Others	873,853.95	594,020.62
Total	20,068,460.17	15,211,442.84

(5) Top 5 of the closing balance of the other accounts receivable collected according to the arrears party

Unit: RMB

Name of the entity	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
Jingzhou Urban Construction Investment Development Co., Ltd.	Payment for land	8,945,000.00	Below1 year	44.57%	447,250.00
Jingzhou Center Subtreasury of State Treasury	Export rebates	4,752,194.89	Below1 year	23.68%	
Shantou Biyue Plastic Co., Ltd.	Liquidation amount of investment fund	3,125,000.00	Over 5 years	15.57%	3,125,000.00
Hubei Jingzhou Shashi Agricultural Production Materials Co., Ltd.	Liquidation amount of goods payment	548,500.00	Over 5 years	2.73%	548,500.00

Jingzhou Production Safety Supervision Bureau	Cash pledge	300,000.00	Over 5 years	1.50%	300,000.00
Total	--	17,670,694.89	--	88.05%	4,420,750.00

(6) Account receivable involving government subsidies

Not applicable

(7) Other account receivable derecognized due to the transfer of financial assets

(8) Amount of transfer other account receivable and assets and liabilities formed by its continuous involvement

Other notes:

10. Inventory

(1) Category of inventory

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw materials	27,653,903.21	88,820.89	27,565,082.32	39,185,122.07	941,716.73	38,243,405.34
Goods in process	56,875,884.18	181,539.41	56,694,344.77	60,066,222.32	687,819.54	59,378,402.78
Inventory goods	108,634,905.49	2,494,610.94	106,140,294.55	194,848,529.59	4,646,173.41	190,202,356.18
Total	193,164,692.88	2,764,971.24	190,399,721.64	294,099,873.98	6,275,709.68	287,824,164.30

(2) Impairment of inventories

Unit: RMB

Item	Opening balance	Increase		Decrease		Closing balance
		Withdrawal	Others	Reverse or write-off	Others	
Raw materials	941,716.73	88,820.89		941,716.73		88,820.89
Goods in process	687,819.54	181,539.41		687,819.54		181,539.41
Inventory goods	4,646,173.41	2,494,610.94		4,646,173.41		2,494,610.94
Total	6,275,709.68	2,764,971.24		6,275,709.68		2,764,971.24

Item	Specific basis of withdrawal of falling	Reasons for reversal	Reasons for write-off

	price reserves of inventory		
Raw materials	The realizable net value was lower than the cost		Consumed
Goods in process	The realizable net value was lower than the cost		Consumed
Inventory goods	The realizable net value was lower than the cost		Sold
Turnover materials			

(3) Notes of the closing balance of the inventory which includes capitalized borrowing expenses

(4) Completed unsettled assets formed from the construction contact at the period-end

Not applicable

11. Assets divided as held-to-sold

Not applicable

12. Non-current assets due within 1 year

Not applicable

13. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Input tax to be deducted	11,406,283.03	14,297,586.28
Tax prepayments		387,633.86
Total	11,406,283.03	14,685,220.14

Other notes:

14. Available-for-sale financial assets

(1) List of available-for-sale financial assets

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale equity	21,144,800.00	11,991,017.37	9,153,782.63	21,144,800.00	11,991,017.37	9,153,782.63

instruments						
Measured by cost	21,144,800.00	11,991,017.37	9,153,782.63	21,144,800.00	11,991,017.37	9,153,782.63
Total	21,144,800.00	11,991,017.37	9,153,782.63	21,144,800.00	11,991,017.37	9,153,782.63

(2) Available-for-sale financial assets measured by fair value at the period-end

Not applicable

(3) Available-for-sale financial assets measured by cost at the period-end

Unit: RMB

Investee	Book balance				Impairment provision				Shareholding proportion among the investees	Cash bonus of the Reporting Period
	Opening period	Increase	Decrease	Closing period	Opening period	Increase	Decrease	Closing period		
Hubei Bank	20,000,000.00			20,000,000.00	11,991,017.37			11,991,017.37	0.71%	
Guangxi Zhongding Co., Ltd.	580,800.00			580,800.00					1.41%	75,504.00
Hubei Shendian Auto Motor Co., Ltd.	564,000.00			564,000.00					0.60%	
Total	21,144,800.00			21,144,800.00	11,991,017.37			11,991,017.37	--	75,504.00

(4) Changes of the impairment of the available-for-sale financial assets during the Reporting Period

Not applicable

(5) Relevant notes of the fair value of the available-for-sale equity instruments which seriously fell or temporarily fell but not withdrawn the impairment provision

Not applicable

15. Investment held-to-maturity

Not applicable

16. Long-term accounts receivable

Not applicable

17. Long-term equity investment

Not applicable

18. Investment property

(1) Investment property adopted the cost measurement mode

√ Applicable □ Not applicable

Unit: RMB

Item	Houses and buildings	Land use right	Construction in progress	Total
I. Original book value				
1. Opening balance	7,934,843.00			7,934,843.00
2. Increased amount of the period				
(1) Outsourcing				
(2) Transfer of inventory\fixed assets\project under construction				
(3) Increased from enterprise merger				
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Closing balance	7,934,843.00			7,934,843.00
II. Accumulative depreciation and accumulative amortization				
1. Opening balance	2,898,097.46			2,898,097.46
2. Increased amount of the period	157,109.88			157,109.88

(1) Withdrawal or amortization	157,109.88			157,109.88
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Closing balance	3,055,207.34			3,055,207.34
III. Depreciation reserves				
1. Opening balance				
2. Increased amount of the period				
(1) Withdrawal				
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Closing balance				
IV. Book value				
1. Closing book value	4,879,635.66			4,879,635.66
2. Opening book value	5,036,745.54			5,036,745.54

(2) Investment property adopted fair value measurement mode

□ Applicable √ Not applicable

(3) Details of investment property failed to accomplish certification of property

Not applicable

19. Fixed assets

(1) List of fixed assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Total
I. Original book value				
1. Opening balance	843,883,536.24	1,962,958,375.53	10,815,874.17	2,817,657,785.94
2. Increased amount of the period	125,827.00	5,547,677.62	244,628.21	5,918,132.83
(1) Purchase		4,954,048.60	244,628.21	5,198,676.81
(2) Transfer of project under construction	125,827.00	593,629.02		719,456.02
(3) Increased from enterprise merger				
3. Decreased amount of the period	0.00	151,992.86	2,541,149.79	2,693,142.65
(1) Disposal or Scrap		151,992.86	2,541,149.79	2,693,142.65
4. Closing balance	844,009,363.24	1,968,354,060.29	8,519,352.59	2,820,882,776.12
II. Accumulative depreciation				
1. Opening balance	236,818,332.30	875,850,494.55	6,127,008.34	1,118,795,835.19
2. Increased amount of the period	17,768,569.74	98,063,160.43	444,707.27	116,276,437.44
(1) Withdrawal	17,768,569.74	98,063,160.43	444,707.27	116,276,437.44
3. Decreased amount of the period		148,600.21	2,347,440.10	2,496,040.31
(1) Disposal or Scrap		148,600.21	2,347,440.10	2,496,040.31
4. Closing balance	254,586,902.04	973,765,054.77	4,224,275.51	1,232,576,232.32
III. Depreciation reserves				

1. Opening balance	2,848,203.34	11,962,547.32		14,810,750.66
2. Increased amount of the period				
(1) Withdrawal				
3. Decreased amount of the period				
(1) Disposal or Scrap				
4. Closing balance	2,848,203.34	11,962,547.32		14,810,750.66
IV. Book value				
1. Closing book value	586,574,257.86	982,626,458.20	4,295,077.08	1,573,495,793.14
2. Opening book value	604,217,000.60	1,075,145,333.66	4,688,865.83	1,684,051,200.09

(2) List of temporarily idle fixed assets

Unit: RMB

Item	Original book value	Accumulative depreciation	Impairment provision	Book value	Notes
Houses and buildings	8,736,063.10	6,927,877.30	1,757,484.71	50,701.09	
Machinery equipment	813,358.79	813,358.79			

(3) Fixed assets leased in from financing lease

Not applicable

(4) Fixed assets leased out from operation lease

Not applicable

(5) Details of fixed assets failed to accomplish certification of property

Not applicable

20. Construction in progress

(1) List of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Mating Sewage Treatment Project	78,332,353.28		78,332,353.28	66,464,190.24		66,464,190.24
Modification of the 110KV transformer substation	38,133,049.11		38,133,049.11	38,133,049.11		38,133,049.11
Saline wastewater incineration project such as sewage N-phosphonomethyliminadiacetic acid and glyphosate	35,047,476.15		35,047,476.15	27,058,639.76		27,058,639.76
Optimization of the pyridine engineering technology and the safety modification	5,257,668.35		5,257,668.35	4,385,547.18		4,385,547.18
Dynamic 110KV ionic membrane substation access system	4,241,328.73		4,241,328.73	4,240,933.05		4,240,933.05
116 acres public engineering projects in Sanonda new area southeast corner	3,481,331.13		3,481,331.13	2,289,680.28		2,289,680.28
Pesticide Plant II III chloroacetaldehyde stepwise chloride	1,843,108.85		1,843,108.85	181,715.29		181,715.29

technological upgrading projects						
Dynamic Sha city farm heating pipeline projects				430,536.15		430,536.15
Chlor-alkali logistic Xinxiangrui outer tube projects	1,163,214.36		1,163,214.36	499,254.09		499,254.09
Herbicide factory PMIDA Alkaline hydrolysis continuous pilot project	1,105,898.47		1,105,898.47			
Others	2,996,120.75		2,996,120.75			
Total	171,601,549.18		171,601,549.18	143,683,545.15		143,683,545.15

(2) Changes of significant construction in progress

Unit: RMB

Name o f item	Estimated number	Opening balance	Increase	Amount that transferred to fixed assets of the period	Other decreased amount of the period	Closing balance	Proportion estimated of the project accumulative input	Project progress	Accumulative amount of capitalized interests	Of which: the amount of the capitalized interests of the period	Capitalization rate of the interests of the period	Capital resources
Mating Sewage Treatment Project	108,500,000.00	66,464,190.24	11,868,163.04			78,332,353.28	72.20%	72.20%				Others
Modification of the 110KV transformer	45,000,000.00	38,133,049.11				38,133,049.11	86.55%	86.55%				Others

substation												
Saline wastewater incineration project such as sewage N-phosphonomethyliminadiacetic acid and glyphosate	35,300,000.00	27,058,639.76	7,988,836.39			35,047,476.15	99.28%	99.28%				Others
Optimization of the pyridine engineering technology and the safety modification	3,910,000.00	4,385,547.18	872,121.17			5,257,668.35	134.47%	99%				Others
Dynamic 110KV ionic membrane substation access system	4,900,000.00	4,240,933.05	395.68			4,241,328.73	86.56%	86.56%				Others
116 acres public engineering projects	6,500,000.00	2,289,680.28	1,191,650.85			3,481,331.13	53.56%	53.56%				Others

in Sanonda new area southeast corner												
Total	204,110,000.00	142,572,039.62	21,921,167.13			164,493,206.75	--	--				--

(3) List of the withdrawal of the impairment provision of the construction in progress

Not applicable

21. Engineering material

Not applicable

22. Liquidation of fixed assets

Not applicable

23. Productive biological assets

(1) Productive biological assets adopted cost measurement mode

□ Applicable √ Not applicable

(2) Productive biological assets adopted fair value measurement mode

□ Applicable √ Not applicable

24. Oil and gas assets

□ Applicable √ Not applicable

25. Intangible assets

(1) List of intangible assets

Unit: RMB

Item	Land use right	Patent right	Non-patent right	Others	Total
I. Original book value					
1. Opening	231,343,514.07		18,743,699.96	2,500.00	250,089,714.03

balance					
2. Increased amount of the period					
(1) Purchase					
(2) Internal R &D					
(3) Increased from enterprise merger					
3. Decreased amount of the period	4,428,080.00				4,428,080.00
(1) Disposal	4,428,080.00				4,428,080.00
4. Closing balance	226,915,434.07		18,743,699.96	2,500.00	245,661,634.03
II. Total accrued amortization					
1. Opening balance	44,212,611.83		8,232,584.23	2,500.00	52,447,696.06
2. Increased amount of the period	1,969,748.30		728,986.44		2,698,734.74
(1) Withdrawal	1,969,748.30		728,986.44		2,698,734.74
3. Decreased amount of the period	1,874,561.65				1,874,561.65
(1) Disposal	1,874,561.65				1,874,561.65
4. Closing balance	44,307,798.48		8,961,570.67	2,500.00	53,271,869.15
III. Depreciation reserves					
1. Opening balance	32,072,093.53				32,072,093.53
2. Increased amount of the period					
(1)					

Withdrawal					
3. Decreased amount of the period					
(1) Disposal					
4. Closing balance	32,072,093.53				32,072,093.53
IV. Book value					
1. Closing book value	150,535,542.06		9,782,129.29		160,317,671.35
2. Opening book value	155,058,808.71		10,511,115.73		165,569,924.44

The proportion the intangible assets formed from the internal R&D through the Company amount the balance of the intangible assets at the period-end.

(2) Details of fixed assets failed to accomplish certification of land use right

Not applicable

26. R&D expenses

Not applicable

27. Goodwill

Not applicable

28. Long-term unamortized expenses

Not applicable

29. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets had not been off-set

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets impairment	52,211,454.19	13,052,863.55	44,084,073.52	11,021,018.38

provision				
Total	52,211,454.19	13,052,863.55	44,084,073.52	11,021,018.38

(2) Deferred income tax liabilities had not been off-set

Not applicable

(3) Deferred income tax assets or liabilities listed by net amount after off-set

Unit: RMB

Item	Mutual set-off amount of deferred income tax assets and liabilities at the period-end	Amount of deferred income tax assets or liabilities after off-set at the period-end	Mutual set-off amount of deferred income tax assets and liabilities	Amount of deferred income tax assets or liabilities after off-set at the period-begin
Deferred income tax assets		13,052,863.55		11,021,018.38

(4) List of unrecognized deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	45,984,800.07	45,214,547.42
Deductible losses	38,692,159.11	43,388,031.90
Total	84,676,959.18	88,602,579.32

(5) Deductible losses of unrecognized deferred income tax assets will due the following years

Unit: RMB

Years	Closing balance	Opening balance	Notes
Y 2016	0.00	0.00	
Y 2017	0.00	615,390.77	
Y 2018	7,866,998.43	10,520,149.83	
Y 2019	30,825,160.68	31,712,691.47	
Y 2020	0.00	539,799.83	
Total	38,692,159.11	43,388,031.90	--

Other notes:

30. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Land compensation prepayments	5,000,000.00	5,000,000.00
Total	5,000,000.00	5,000,000.00

Other notes:

31. Short-term loans

(1) Category of short-term loans

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed loan		20,000,000.00
Total	0.00	20,000,000.00

Notes of short-term loans category

(2) List of the short-term loans overdue but not return

Not applicable

32. Financial liabilities measured by fair value and the changes included in the current gains and losses

Not applicable

33. Derivative financial liabilities

□ Applicable √ Not applicable

34. Notes payable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance bill	30,000,000.00	
Total	30,000,000.00	0.00

The total amount of the due but not pay notes payable at the period-end was of RMB000.

35. Accounts payable

(1) List of accounts payable

Unit: RMB

Item	Closing balance	Opening balance

Within 1 year (including 1 year)	129,957,898.50	95,743,429.46
1 to 2 years (including 2 years)	7,878,699.46	32,840,902.38
2-3years (including 3 years)	1,902,808.47	3,416,655.30
Over 3 years	4,282,368.97	2,356,494.63
Total	144,021,775.40	134,357,481.77

(2) Notes of the accounts payable aging over one year

Unit: RMB

Item	Closing balance	Unpaid/ Un-carry-over reason
Bluestar (Beijing) Chemical Machinery Co., Ltd.	2,580,000.00	Unsettled
Jiangsu Leke Energy-saving Technology Co., Ltd.	1,990,000.00	Unsettled
Jizhou Zhongyi Composite Material Co., Ltd	531,600.00	Unsettled
Shanghai Yu Long Mo Separation Equipment Co., Ltd.	448,000.00	Unsettled
Wuxi Haichang Machinery Equipment Co., Ltd.	340,000.00	Unsettled
Total	5,889,600.00	--

Other notes:

36. Advance from customers

(1) List of advance from customers

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year (including 1 year)	5,924,160.52	24,854,970.29
1 to 2 years (including 2 years)	390,663.88	99,517.70
2-3years (including 3 years)	95,073.84	58,832.56
Over 3 years	1,667,326.73	1,652,817.67
Total	8,077,224.97	26,666,138.22

(2) Significant advance from customers aging over one year

Unit: RMB

Item	Closing balance	Unpaid/ Un-carry-over reason
Retailer A	129,250.00	Unsettled
Retailer B	111,800.00	Unsettled
Retailer C	100,000.00	Unsettled
Retailer D	100,000.00	Unsettled
Retailer E	93,720.00	Unsettled
Total	534,770.00	--

(3) Particulars of settled but unfinished projects formed by construction contract at period-end.

Not applicable

37. Payroll payable

(1) List of Payroll payable

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term salary	23,608,851.88	79,148,067.43	94,588,841.12	8,168,078.19
II. Post-employment benefit-defined contribution plans	6,699,489.85	18,894,465.61	19,209,489.44	6,384,466.02
III. Termination benefits		199,170.00	199,170.00	
Total	30,308,341.73	98,241,703.04	113,997,500.56	14,552,544.21

(2) List of Short-term salary

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, subsidy	15,945,567.00	56,403,256.20	67,384,407.56	4,964,415.64
2. Employee welfare		3,211,670.50	3,211,670.50	0.00
3. Social insurance	1,434,398.33	6,355,811.23	6,503,979.47	1,286,230.09
Of which: 1. Medical insurance premiums	1,034,297.19	5,095,888.80	5,568,923.84	561,262.15
Work-related injury insurance	311,868.39	1,004,557.78	725,725.36	590,700.81
Maternity insurance	88,232.75	255,364.65	209,330.27	134,267.13

4. Housing fund	6,228,886.55	12,835,373.00	17,246,827.09	1,817,432.46
5. Labor union budget and employee education budget		341,956.50	241,956.50	100,000.00
Total	23,608,851.88	79,148,067.43	94,588,841.12	8,168,078.19

(3) List of drawing scheme

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic pension benefits	4,654,726.30	14,258,501.06	14,919,563.26	3,993,664.10
2. Unemployment insurance	1,176,207.24	1,517,740.28	1,089,333.03	1,604,614.49
Annuity	868,556.31	3,118,224.27	3,200,593.15	786,187.43
Total	6,699,489.85	18,894,465.61	19,209,489.44	6,384,466.02

Other notes:

38. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
VAT	15,016,332.53	9,039,619.15
Business tax		12,430.71
Corporate income tax	5,942,688.41	13,798,269.67
Personal income tax	302,489.61	265,402.33
Urban maintenance and construction tax	9,712.61	1,995,399.58
Resource tax	87,506.59	86,809.90
Property tax	417,742.34	67,652.33
Land use tax	201,682.42	31,682.42
Education Surcharge	4,162.57	1,022,110.33
Others	159,551.85	539,089.85
Total	22,141,868.93	26,858,466.27

Other notes:

39. Interest payable

Unit: RMB

Item	Closing balance	Opening balance

Long-term loan interest of installment payment of interest and repay the due capital	753,198.89	1,123,849.31
Total	753,198.89	1,123,849.31

Particulars of significant overdue unpaid interest:

Not applicable

40. Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
Common stock dividends	250,000.00	250,000.00
Total	250,000.00	250,000.00

Note: Including significant unpaid dividends payable over one year, the unpaid reason shall be disclosed:

41. Other accounts payable

(1) Other accounts payable listed by nature of the account

Unit: RMB

Item	Closing balance	Opening balance
Carriage	10,557,275.48	6,835,291.65
Energy charge		4,080,486.80
Commission	747,013.63	2,340,403.65
Sewage charge	5,299,186.00	1,763,989.00
Local charge	3,623,874.70	1,430,886.11
Cash pledge	1,919,163.11	1,338,163.11
Export price difference	969,501.53	1,028,363.50
Margin	812,500.00	835,800.00
Repair charge	1,101,275.73	527,757.71
Others	6,920,508.08	5,330,192.28
Total	31,950,298.26	25,511,333.81

(2) Other significant accounts payable with aging over one year

Unit: RMB

Item	Closing balance	Unpaid/ Un-carry-over reason
Hubei Haozhou Yunsheng Co., Ltd.	600,000.00	Cash pledge

Qichun County Bureau for State-owned Assets	300,270.90	Unsettled
Jingzhou Xintaida Logistics Co., Ltd.	300,000.00	Cash pledge
Total	1,200,270.90	--

Other notes:

42. Liabilities classified as holding for sale

Not applicable

43. Non-current liabilities due within 1 year

Unit: RMB

Item	Closing balance	Opening balance
Long-term loans due within 1 year	254,000,000.00	244,000,000.00
Total	254,000,000.00	244,000,000.00

Other notes:

44. Other current-liabilities

Not applicable

45. Long-term loan

(1) Category of long-term loan

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed loan	544,090,000.00	587,590,000.00
Less: Long-term loans due within 1 year	-254,000,000.00	-244,000,000.00
Total	290,090,000.00	343,590,000.00

Notes of short-term loans category:

Other notes including interest rate range:

46. Bonds payable

Not applicable

47. Long-term payable

(1) Long-term payable listed by nature of the account

Unit: RMB

Item	Closing balance	Opening balance
Loan for glyphosate project	0.00	490,000.00
Borrowing for the cooperation project with Guangzhou Chemical Industry Research Institute	0.00	160,000.00
Total	0.00	650,000.00

Other notes:

48. Long-term payroll payable

Not applicable

49. Payable

Not applicable

50. Estimated liabilities

Not applicable

51. Deferred revenue

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance	Formed reason
Government subsidies	26,570,088.61		2,001,600.44	24,568,488.17	
Total	26,570,088.61		2,001,600.44	24,568,488.17	--

Item involving government subsidies:

Unit: RMB

Item	Opening balance	Amount of newly subsidy	Amount recorded into non-operating income in report period	Other changes	Closing balance	Related to assets/related income
Pyridine project subsidies	6,883,333.35		491,666.66		6,391,666.69	Related to the assets

Special fund for industry clean production	5,509,259.26		388,888.88		5,120,370.38	Related to the assets
Appropriation for CTC consuming and eliminating project	2,916,666.67		500,000.00		2,416,666.67	Related to the assets
Government Subsidy for Highly toxic pesticide	2,330,000.00		388,333.34		1,941,666.66	Related to the assets
Special fund for management of source of pollution	733,333.31		122,222.22		611,111.09	Related to the assets
Special fund for transferring environmental protection deferred	533,333.35		33,333.34		500,000.01	Related to the assets
Land compensates	7,664,162.67		77,156.00		7,587,006.67	Related to the assets
Total	26,570,088.61		2,001,600.44		24,568,488.17	--

Other notes:

52. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Agricultural Development Bank New District Construction Funds	120,800,000.00	
Total	120,800,000.00	

Other notes:

53. Share capital

Unit: RMB

	Opening balance	Increase/decrease (+/-)					Closing balance
		New shares issued	Bonus shares	Capitalized Capital	Others	Subtotal	

				reserves			
The sum of shares	593,923,220.00						593,923,220.00

Other notes:

54. Other equity instruments

Not applicable

55. Capital surplus

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium	254,568,370.25			254,568,370.25
Other capital reserves	8,495,091.72			8,495,091.72
Total	263,063,461.97			263,063,461.97

Other notes, including changes and reason of change:

56. Treasury stock

Not applicable

57. Other comprehensive income

Not applicable

58. Special reserves

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Safety production cost	22,848,859.15	4,403,580.42	1,156,911.45	26,095,528.12
Total	22,848,859.15	4,403,580.42	1,156,911.45	26,095,528.12

Other notes, including changes and reason of change:

59. Surplus reserves

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	186,884,162.46			186,884,162.46

Discretionary surplus reserves	3,815,085.65			3,815,085.65
Total	190,699,248.11			190,699,248.11

Other note, including changes and reason of change

60. Retained earnings

Unit: RMB

Item	Reporting Period	Last period
Opening balance of retained profits before adjustments	1,026,847,680.37	957,050,401.65
Opening balance of retained profits after adjustments	1,026,847,680.37	957,050,401.65
Add: Net profit attributable to owners of the Company	16,807,555.50	117,678,175.59
Dividend of common stock payable	14,848,080.50	59,392,322.00
Closing retained profits	1,028,807,155.37	1,015,336,255.24

List of adjustment of opening retained profits:

1) RMB0 opening retained profits was affected by retrospective adjustment conducted according to the Accounting Standards for Business Enterprises and relevant new regulations.

2) RMB0 opening retained profits was affected by changes on accounting policies.

3) RMB0 opening retained profits was affected by correction of significant accounting errors.

4) RMB0 opening retained profits was affected by changes in combination scope arising from same control.

5) RMB0 opening retained profits was affected totally by other adjustments.

61. Revenues and operating costs

Unit: RMB

Item	Reporting Period		Same period of last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Main operations	988,076,337.88	843,037,392.01	1,227,923,283.93	937,967,817.10
Other operations	17,620,819.62	16,150,709.98	7,328,398.88	3,799,812.61
Total	1,005,697,157.50	859,188,101.99	1,235,251,682.81	941,767,629.71

62. Business tax and surcharges

Unit: RMB

Item	Reporting Period	Same period of last year
Business tax	33,784.15	70,084.09

Urban maintenance and construction tax	2,228,193.13	4,834,274.92
Education Surcharge	955,073.55	2,071,832.10
Local education surtax	636,224.36	1,381,221.42
Others		529,708.31
Total	3,853,275.19	8,887,120.84

Other notes:

63. Sale expenses

Unit: RMB

Item	Reporting Period	Same period of last year
Transport fees	22,966,420.71	14,734,431.08
Export fees	14,602,368.29	13,559,127.57
Employee’s remuneration	1,441,738.11	3,340,894.15
Business travel charges	429,631.00	527,680.10
Handling charges	2,333,120.54	1,309,472.58
Advertising and general publicity expense	263,118.74	265,010.60
Premium	282,610.60	146,304.81
Others	2,923,933.77	2,658,954.62
Total	45,242,941.76	36,541,875.51

Other notes:

64. Administration expenses

Unit: RMB

Item	Reporting Period	Same period of last year
Employee’s remuneration	22,260,863.72	21,524,335.60
Tax expenses	3,663,047.81	4,800,588.89
Depreciation charge	3,772,945.90	3,383,428.40
Amortization of intangible assets	2,698,734.74	2,237,488.08
Business entertainment fees	786,854.26	930,935.70
Asset insurance fees	1,889,026.78	1,650,150.85
Water & electricity fees	783,891.98	1,010,581.92
Office expenses	935,883.71	849,115.95
Amortization of low-price consumables	964,702.64	1,362,828.63
Business travel charges	492,985.72	322,395.70

Vehicle costs	149,420.39	198,507.31
Repair charge	573,175.06	537,629.99
Rental fee	550,048.00	433,548.00
Loss on work stoppages	26,150,123.83	6,241,343.86
Others	3,472,234.75	3,441,029.41
Total	69,143,939.29	48,923,908.29

Other notes:

65. Financial expenses

Unit: RMB

Item	Reporting Period	Same period of last year
Interest expenses	13,239,292.71	12,148,231.97
Interest income	-2,195,939.30	-2,421,475.63
Exchange gains and losses	-8,178,880.68	2,332,330.66
Others	1,079,524.35	1,833,929.49
Total	3,943,997.08	13,893,016.49

Other notes:

The financial expenses had a YOY decrease of 71.61%, mainly was the influence of exchange rate, the exchange rate revenue had a YOY increase in the Reporting Period

66. Asset impairment loss

Unit: RMB

Item	Reporting Period	Same period of last year
I. Bad debt loss	12,408,371.76	9,103,636.37
II. Inventory falling price loss	2,764,971.24	18,513,355.58
Total	15,173,343.00	27,616,991.95

Other notes:

67. Gains and losses from changes in fair value

Not applicable

68. Investment income

Unit: RMB

Item	Reporting Period	Same period of last year

Investment income received from holding of available-for-sale financial assets	75,504.00	
Total	75,504.00	

Other notes:

69. Non-operating gains

Unit: RMB

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Total gains from disposal of non-current assets	10,214,203.76		10,214,203.76
Including: Gains from disposal of fixed assets	22,722.11		22,722.11
Gains from disposal of intangible assets	10,191,481.65		10,191,481.65
Government subsidies	2,756,200.44	2,909,544.44	2,756,200.44
Others	912,455.78	27,835.00	912,455.78
Total	13,882,859.98	2,937,379.44	13,882,859.98

Government subsidies recorded into current profits and losses

Unit: RMB

Item	Distribution entity	Distribution reason	Nature	Whether subsidies influence the current profits and losses or not	Special subsidy or not	Reporting Period	Same period of last year	Related to assets/related income
Government Subsidy for Highly toxic pesticide	Hubei Department of Finance	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	388,333.34	388,333.34	Related to the assets
Special fund for management	Jingzhou Environmental Protection	Subsidy	Subsidy gained due to confirming with local government	Yes	No	122,222.22	122,222.22	Related to the assets

of source of pollution	Agency		attracting investment and local supportive policy etc.					
Sewage disposal subsidy	Jingzhou Environmental Protection Agency	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	33,333.34	33,333.34	Related to the assets
The subsidies income of pesticides federal reserve	China National Agricultural Means of Production Group Co., Ltd.	Award	Subsidy gained due to undertaking the state protecting one public utility or social necessary products supply or price controlling	Yes	No	654,600.00	785,100.00	Related to the income
Appropriation for CTC consuming and eliminating project	China National Chemical Corporation	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	500,000.00	500,000.00	Related to the assets
Special fund for industry clean production	China National Chemical Corporation	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	388,888.88	388,888.88	Related to the assets
Pyridine project	China National Chemical Corporation	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the	Yes	No	491,666.66	491,666.66	Related to the assets

			regulations of national policy)					
Special fund appropriation for safety production of 2014 received from Jingzhou city	FINANCE BUREAU OF WUXI	Award	Subsidy from R&D Technical updating and transformation, etc.	Yes	No		200,000.00	Related to the income
Land compensates	Financial Bureau development zone of Jingzhou	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	77,156.00		Related to the assets
Industrial enterprise award capital	Financial Bureau development zone of Jingzhou	Award		Yes	No	100,000.00		Related to the income
Total	--	--	--	--	--	2,756,200.44	2,909,544.44	--

Other notes:

70. Non-operating expenses

Unit: RMB

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Loss on disposal of non-current assets	3,392.65	7,689.72	3,392.65
Including: Loss on disposal of fixed assets	3,392.65	7,689.72	3,392.65
Others		7,120.35	
Total	3,392.65	14,810.07	3,392.65

Other notes:

71. Income tax expense

(1) Lists of income tax expense

Unit: RMB

Item	Reporting Period	Same period of last year
Current income tax expense	8,330,820.19	44,300,841.29
Deferred income tax expense	-2,031,845.17	-1,401,479.88
Total	6,298,975.02	42,899,361.41

(2) Adjustment process of accounting profit and income tax expense

Unit: RMB

Item	Reporting Period
Total profits	23,106,530.52
Current income tax expense accounted by tax and relevant regulations	5,776,632.63
Influence of income tax before adjustment	134,955.00
Influence of not deductable costs, expenses and losses	1,049,037.13
Influence of deductible losses of unrecognized deferred income tax assets used in previous years	-1,156,713.57
Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in Reporting Period.	495,063.83
Income tax expense	6,298,975.02

Other notes:

72. Other comprehensive income

See note.

73. Supplementary information to cash flow statement

(1) Other cash received relevant to operating activities:

Unit: RMB

Item	Reporting Period	Same period of last year
Interest income	2,195,939.30	2,421,475.63
Finance subsidies	754,600.00	985,100.00
Allowance for payment and others, etc.	1,370,463.47	2,651,426.93

Collect A/B shares withholding individual income tax	214,587.41	4,210,806.28
Total	4,535,590.18	10,268,808.84

Note to other cash received relevant to operating activities:

(2) Other cash paid relevant to operating activities:

Unit: RMB

Item	Reporting Period	Same period of last year
Transport fees	22,966,420.71	14,734,431.08
Export fees	11,335,628.67	8,496,297.26
Handling charges	2,333,120.54	1,309,472.58
Business entertainment fees	1,291,244.83	930,935.70
Water & electricity fees	810,719.18	1,010,581.92
Office expenses	1,436,928.17	849,115.95
Premium	2,171,637.38	1,796,455.66
Business travel charges	954,517.82	875,240.56
Advertising and general publicity expense	263,118.74	265,010.60
Others	1,874,918.76	2,728,619.42
Total	45,438,254.80	32,996,160.73

Note to other cash paid relevant to operating activities:

(3) Other cash received relevant to investment activities

Not applicable

(4) Other cash paid relevant to investment activity

Not applicable

(5) Other cash received relevant to financing activities

Unit: RMB

Item	Reporting Period	Same period of last year
Agricultural Development Bank New District Construction Funds	120,800,000.00	
Total	120,800,000.00	

Note to other cash received relevant to financing activities:

(6) Other cash paid relevant to financing activities

Unit: RMB

Item	Reporting Period	Same period of last year
Freeze of margin notes	9,000,000.00	1,500,000.00
Total	9,000,000.00	1,500,000.00

Note to other cash paid relevant to financing activities:

74. Supplemental information for Cash Flow Statement

(1) Supplemental information for Cash Flow Statement

Unit: RMB

Supplemental information	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	16,807,555.50	117,644,347.98
Add: Provision for impairment of assets	15,173,343.00	27,616,991.95
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	116,433,547.32	94,263,333.78
Amortization of intangible assets	2,698,734.74	2,237,488.08
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains: negative)	-10,210,811.11	7,689.72
Financial cost (gains: negative)	13,239,292.71	12,148,231.97
Investment loss (gains: negative)	-75,504.00	
Decrease in deferred income tax assets (gains: negative)	-2,031,845.17	-1,401,479.88
Decrease in inventory (gains: negative)	100,935,181.10	-31,611,280.98
Decrease in accounts receivable from operating activities (gains: negative)	-212,292,136.85	-195,550,207.80
Increase in payables from operating activities (decrease: negative)	6,041,561.38	-44,631,864.20
Net cash flows generated from operating activities	46,718,918.62	-19,276,749.38
2. Significant investing and financing activities without involvement of cash receipts and payments	--	--

3. Net increase in cash and cash equivalents:	--	--
Closing balance of cash	438,050,215.44	427,847,092.10
Less: Opening balance of cash	406,098,208.72	418,847,736.46
Net increase in cash and cash equivalents	31,952,006.72	8,999,355.64

(2) Net Cash paid of obtaining the subsidiary

Not applicable

(3) Net Cash receive from disposal of the subsidiary

Not applicable

(4) Cash and cash equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	438,050,215.44	406,098,208.72
Bank deposit on demand	438,050,215.44	406,098,208.72
III. Closing balance of cash and cash equivalents	438,050,215.44	406,098,208.72

Other notes:

75. Notes to items of changes in owner's equity

Not applicable

76. The assets with the ownership or use right restricted

Unit: RMB

Item	Closing book value	Restricted reason
Monetary capital	9,000,000.00	Cash deposit of bank acceptance
Total	9,000,000.00	--

Other notes:

77. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Monetary capital	--	--	64,929,986.32
Including: USD	9,789,817.61	6.6324	64,929,986.32
Account receivable	--	--	277,408,823.09
Including: USD	41,826,310.70	6.6324	277,408,823.09

Other notes:

(2) Note to oversea entities including: for significant oversea entities, shall disclose main operating place, recording currency and selection basis, if there are changes into recording currency, shall also disclose the reason.

□ Applicable √ Not applicable

78. Arbitrage

Not applicable.

79. Other

VIII. Changes of merge scope

1. Business combination not under the same control

(1) Business combination under the same control during the Reporting Period

Not applicable.

(2) Combination cost and goodwill

Not applicable.

(3) The identifiable assets and liabilities of acquiree at purchase date

Not applicable.

(4) The profit or loss from equity held by the date before acquisition in accordance with the fair value measured again

Whether there is a transaction that through multiple transaction step by step to realize enterprises merger and gaining the control during the Reporting Period

□ Yes √ No

(5) Note to merger could not be determined reasonable consideration or Identifiable assets, Fair value of liabilities of the acquiree at acquisition date or closing period of the merge

Not applicable.

(6) Other notes

2. Business combination under the same control

(1) Business combination under the same control during the Reporting Period

Not applicable.

(2) Combination cost

Not applicable.

(3) The book value of the assets and liabilities of the combined party at combining date

Not applicable.

3. Counter purchase

Not applicable.

4. The disposal of subsidiary

Whether there is a single disposal of the investment to subsidiary and lost control

□ Yes √ No

Whether there are multiple transactions step by step dispose the investment to subsidiary and lost control in Reporting Period

□ Yes √ No

5. Other reasons for the changes in combination scope

Not applicable.

6. Other

IX. Equity in other entities

1. Equity in subsidiary

(1) The structure of the enterprise group

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of gaining
				Directly	Indirectly	
Sanonda (Jingzhou) Pesticide Chemical Co., Ltd.	Jingzhou	Jingzhou	Manufacturing industry	100.00%		Investment
Hubei Sanonda Foreign Trading Co., Ltd.	Jingzhou	Jingzhou	Trading	100.00%		Investment
Jingzhou Hongxiang Chemicals Co., Ltd.	Jingzhou	Jingzhou	Manufacturing industry	100.00%		Under the same control business combination

Notes: holding proportion in subsidiary different from voting proportion:

Basis of holding half or less voting rights but still been controlled investee and holding more than half of the voting rights not been controlled investee:

Significant structure entities and controlling basis in the scope of combination:

Basis of determine whether the Company is the agent or the principal:

Other notes:

(2) Significant not wholly owned subsidiary

Not applicable.

(3) The main financial information of significant not wholly owned subsidiary

Not applicable.

(4) Significant restrictions of using enterprise group assets and pay off enterprise group debt

Not applicable.

(5) Provide financial support or other support for structure entities incorporate into the scope of consolidated financial statements

Not applicable.

2. The transaction of the Company with its owner’s equity share changed but still controlling the subsidiary

Not applicable.

3. Equity in joint venture arrangement or associated enterprise

Not applicable.

4. Significant common operation

Not applicable.

5. Equity of structure entity not including in the scope of consolidated financial statements

Not applicable.

6. Other

X. The risk related financial instruments

Main financial instruments of the Company included: Equity investment, loans, accounts receivable, accounts payable, etc., all the details of the financial instruments, see related projects of “Note.VI". Risks related to financial instruments and risk management policies to reduce risks are as follows. The management should control and monitor the risk exposure to ensure all risks within defined scope.

The Company use sensitivity analysis technology to analyze the reasonable of risk variables, influence of probable changes to the current profits and Stockholders' equity. Because rarely any risk variables change in isolation, and the correlation between variables for the eventual impact of the change of a risk variables will have a significant effect, thus, the aforesaid content was processing under the assumption of the change of each variable was conducted independently.

(I) Risk management objectives and policies

The goals of Company engaged in the risk management is to achieve the proper balance between the risks and benefits, reduced the negative impact to the Company operating performance risk to a minimum, maximized the profits of shareholders and other equity investors. Based on the risk management goal, the basic strategy of the Company's risk management is determine and analyze the various risks faced by the Company, set up the bottom line of risk and conducted appropriate risk management, and timely supervised various risks in a reliable way and controlled the risk within the range of limit.

1. Market risk

(1) Foreign exchange risk

Foreign exchange risk is referred to the risk incurred due to loss of changes in exchange rate. The Company’s foreign exchange risk was mainly related to USD, excepting the Company’s export sale business settled by USD, in USD, the other main business settled by RMB. On 30 June 2016, in addition to the following assets or liabilities in statement was USD, the Company’s assets or liabilities was RMB balance. The foreign exchange risk incurred by assets and liabilities of foreign balance may have impact to the operation results of the Company.

Item	Closing amount	Opening amount
Cash and cash equivalents	64,929,986.32	11,972,040.83
Account receivable	277,408,823.09	139,665,775.45

Sensitive analysis of foreign exchange risk:

Assumption of sensitive analysis of foreign exchange risk: all net investment arbitrage in overseas operation and cash flow arbitrage were highly effective. Base on the aforesaid assumption and remain no change in other variables, influence of change of exchange rate to current profits and losses and equity of shareholders was followed:

Item	Change	Reporting Period		Same period of last year	

The Company pay close attention to influence of change in exchange rate to the foreign exchange rate of the Company The Company recently is according to the Forex Sale and Purchase Business Management and Operation Method of China National Chemical Financial Corporation issued by the Financial Assets Company authorized by China National Chemical Corporation.

(2) Interest rate risk- cash flow change risk

Cash flow change risk caused by financial instruments due to interest rate change is related to floating interest rate of bank loan. The policy of the Company is to maintain the floating rate of the loan

Sensitive analysis of interest rate risk:

Sensitive analysis of interest rate risk basing on the following assumption: the change of market interest rate influences interest income and cost of variable rate of financial instruments;

Base on the aforesaid assumption and remain no change in other variables, influence of change of interest rate to current profits and losses and equity of shareholders was followed:

Item	Change	Reporting Period		Same period of last year	

2. Credit risk

On 30 June 2016, the largest credit risk exposure what may lead to the financial losses was the other party of the contract failed to fulfill the obligations and causes loss of the Company’s financial assets and financial guarantee, which including:

book value of financial assets recognized in consolidated balance sheet; as for the financial instruments measured at fair value, the book value reflect its risk exposure, but not the largest one, the largest risk exposure will change when the future fair value changed.

In order the reduce the credit risk, the Company establish credit assessment group response for recognizing line of credit, conducting credit approval and other monitor procedures to ensure that the necessary measures were used to recycle expired claims. In addition, the Company at each balance sheet date, review every single receivables recycling situation, to ensure that the money unable to recycle withdrawn provision for bad debt fully. Thus, the Company management believed that have assume the credit risk the Company shouldered had been greatly reduced.

The company's working capital was in bank with higher credit rating, so credit risk of working capital was low.

On balance sheet date, the single recognition of impairment, the amount of Jiangxi Nanchang Red Valley Plant Protection Center, through multiple collection failed, the Company had fully withrawn bad debt provision,

Due to the risk exposure of the Company distributed at multiple contract parties and multiple clients, there was no significant concentration of credit risk in the Company.

3. Liquidity Risk

When managing liquidity risk, the Company maintained the management's believe that supervising the sufficient cash and cash equivalents to meet the operating demand of the Company and reduce the influence of the fluctuation of cash flow. The management of the Company supervises the usage situation of the bank loan and ensures the loan agreement.

The Company considered the bank loan as the capital resource. On 30 June 2016, the unused bank loan of the Company was RMB1295.91 million.

The analysis of financial liabilities according to the maturity of un-discounted remaining contract obligation was as following:

Item	Within 1 year (including 1 year)	1-3years (including 3 years)	3-5years (including 5 years)	Over 5 years
Short-term loans				
Long-term borrowings	254,000,000.00	290,090,000.00		

(II) Financial assets transfer

No such cases during Reporting Period.

XI. The disclosure of the fair value

Not applicable.

XII. Related party and related Transaction

1. Information related to parent company of the Company

Name of parent company	Registration place	Nature of business	Registered capital	Proportion of share held by parent company against the Company (%)	Proportion of voting rights owned by parent company against the Company (%)
Jingzhou Sanonda Co., Ltd.	Jingzhou, Hubei	Production and operation of pesticide and chemicals products	240,661,000.00	20.15%	20.15%

Notes: Information on the parent company:

Note: The finial control of the Company was China National Chemical Corporation China National Chemical Corporation (hereinafter referred to as Chemical Corporation) held 100.00% equity of China National Agrochemical Corporation, while China National Agrochemical Corporation held 100.00% equity of Sanonda Group Corporation, and China National Chemical Corporation is a central enterprise under the management of State-owned Assets Supervision and Administration Commission of the State Council.

The finial control of the Company was China National Chemical Corporation

Other notes:

2. Subsidiaries of the Company

See details to Notes IV.

3. Information on the joint ventures and associated enterprises of the Company

The details of significant joint venture and associated enterprise of the Company

4. Information on other related parties of the Company

Name	Relationship
China National Chemical Corporation	The finial control party
Jiamusi Heilong Agrochemicals Co., Ltd.	Under the same control of China National Chemical Corporation
Beijing Grand AgroChem., Ltd.	Under the same control of China National Chemical Corporation
Bluestar (Beijing) Chemical Machinery Co., Ltd.	Under the same control of China National Chemical Corporation
China National Agrochemical Corporation	Under the same control of China National Chemical Corporation
Jiangsu Anpon Electrochemical Co., Ltd.	Under the same control of China National Chemical Corporation
Shangdong Dacheng Agrochemical Co., Ltd.	Under the same control of China National Chemical Corporation
China National Chemical Financial Corporation	Under the same control of China National Chemical Corporation
Bluestar Environmental Engineering Co., Ltd.	Under the same control of China National Chemical Corporation
Haohua Engineering Co., Ltd.	Under the same control of China National Chemical Corporation
ADAMA Agricultural Solutions Ltd.	Under the same control of China National Chemical Corporation

Other notes:

5. List of related-party transactions

(1) Information on acquisition of goods and reception of labor service (unit: ten thousand Yuan)

Information on acquisition of goods and reception of labor service

Unit: RMB

Related-party	Content	Reporting Period	The approval trade credit	Whether exceed trade credit or not	Same period of last year
Bluestar (Beijing) Chemical Machinery Co., Ltd.	Equipment cost	2,777.78		No	31,538.46
Beijing Grand AgroChem.,Ltd.	Purchase of raw material	6,094,017.09		No	
Haohua Engineering Co., Ltd.	Engineering materials and services				2,586,371.59

Information of sales of goods and provision of labor service

Unit: RMB

Related-party	Content	Reporting Period	Same period of last year
ADAMA Agricultural Solutions LTD.	Sales of pesticides	87,387,039.04	56,580,674.73
Jiangsu Anpon Electrochemical Co., Ltd.	Sales of pesticides	223,008.85	

Notes:

(2) Related trusteeship/contract

Not applicable.

(3) Information of related lease

Not applicable.

(4) Related-party guarantee

The Company was guarantor:

Unit: RMB

Secured party	Guarantee amount	Start date	End date	Execution accomplished or not
Hubei Sanonda Foreign Trading Co., Ltd.	120,000,000.00	23 June2013	22 June 2017	Yes
Hubei Sanonda Foreign Trading Co., Ltd.	65,000,000.00	26 January 2014	26 January 2017	Yes
Hubei Sanonda Foreign Trading Co., Ltd.	64,000,000.00	11 December 2013	10 December 2018	No
Hubei Sanonda Foreign	60,000,000.00	29 April 2014	28 April 2017	Yes

Trading Co., Ltd.				
Hubei Sanonda Foreign Trading Co., Ltd.	60,000,000.00	29 April 2015	28 April 2018	Yes
Hubei Sanonda Foreign Trading Co., Ltd.	50,000,000.00	22 January 2013	21 January 2017	Yes

The Company was Secured party

Unit: RMB

Guarantor:	Guarantee amount	Start date	End date	Execution accomplished or not
Jingzhou Sanonda Co., Ltd.	170,000,000.00	26 December 2014	25 December 2019	No
Jingzhou Sanonda Co., Ltd.	140,000,000.00	1 February 2015	1 January 2018	Yes
Jingzhou Sanonda Co., Ltd.	140,000,000.00	1 February 2016	31 January 2019	No
Jingzhou Sanonda Co., Ltd.	50,000,000.00	13 March 2015	13 March 2018	Yes
China National Agrochemical Corporation	300,000,000.00	19 November 2014	17 November 2019	No
China National Agrochemical Corporation	150,000,000.00	10 September 2013	10 September 2018	No
China National Agrochemical Corporation	50,000,000.00	19 March 2015	19 March 2019	No
China National Chemical Corporation	200,000,000.00	25 September 2013	25 September 2020	No
China National Chemical Corporation	160,000,000.00	10 June 2014	9 June 2021	No
China National Chemical Corporation	150,000,000.00	14 October 2013	13 October 2020	No

Notes:

(5) Inter-bank lending of capital of related parties：

Not applicable.

(6) Related party asset transfer and debt restructuring

Not applicable.

(7) Rewards for the key management personnel

Unit: RMB

Item	Reporting Period	Same period of last year
Rewards for the key management personnel	850,000.00	840,791.00

(8) Other related-party transactions

1. The parent company of the Group—Sanonda Group Corporation paid & gained wages and social security through the Group with a total of RMB148, 392.6

2. Balance of bank deposit of Chemchina Finance Co., Ltd. of the Group at the period- begin was of RMB140,000,000.00, period-end was of RMB 100,958,989.89, and balance of short-term loan at the period-begin was of RMB 0, period-end was of RMB0; Interest of bank deposit of this year was of RMB958,989.89.

6. Receivables and payables of related parties

(1) Receivables

Unit: RMB

Name o f item	Related-party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivable	ADAMA Agricultural Solutions Ltd	63,422,060.48	3,171,103.02	19,683,913.31	984,195.67

(2) Payables

Unit: RMB

Name o f item	Related-party	Closing book balance	Opening book balance
Accounts payable	Bluestar (Beijing) Chemical Machinery Co., Ltd.	2,580,000.00	6,094,350.00
Accounts payable	Haohua Engineering Co., Ltd.	0.00	171,940.88
Accounts payable	Beijing Grand AgroChem.,Ltd.	709,260.00	79,260.00
Accounts received in advance	Jiamusi Heilong Agrochemicals Co., Ltd.	10,020.00	10,020.00
Accounts received in advance	Shangdong Dacheng	1,500.00	1,500.00

	Agrochemical Co., Ltd.		

7. Related party commitment

Not applicable.

8. Other

XIII. Stock payment

1. The Stock payment overall situation

□ Applicable √ Not applicable

2. The Stock payment settled by equity

□ Applicable √ Not applicable

3. The Stock payment settled by cash

□ Applicable √ Not applicable

4. Modification and termination of the stock payment

Not applicable.

5. Other

XIV. Commitments

1. Significant commitments

As of 30 June 2016, there were no significant commitments to be disclosed.

2. Contingency

(1) Significant contingency at balance sheet date

As of 30 June 2016, there were no significant contingency to be disclosed.

(2) The Company have no significant contingency to disclose, also should be stated

There was no significant contingency in the Company.

3. Other

XV. Events after balance sheet date

1. Significant events had not adjusted

Not applicable.

2. Profit distribution

Not applicable.

3. Sales return

Not applicable.

4. Notes of other significant events

As of 30 June 2016, there was no other significant event after balance sheet date.

XVI. Other significant events

1. The accounting errors correction in previous period

Not applicable.

2. Debt restructuring

Not applicable.

3. Replacement of assets

Not applicable.

4. Pension plan

Not applicable.

5. Discontinuing operation

Not applicable.

6. Segment information

Not applicable.

7. Other important transactions and events have an impact on investors decision-making

Not applicable.

XVII. Notes of main items in the financial statements of the Company

1. Accounts receivable

(1) Accounts receivable classified by category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics:	633,023,385.70	99.91%	14,508,411.52	2.29%	618,514,974.18	361,912,727.20	99.84%	9,638,653.80	2.66%	352,274,073.40
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	584,457.52	0.09%	584,457.52	100.00%		584,457.52	0.16%	584,457.52	100.00%	
Total	633,607,843.22	100.00%	15,092,869.04	2.38%	618,514,974.18	362,497,184.72	100.00%	10,223,111.32	2.82%	352,274,073.40

Accounts receivable with single significant amount and withdrawal bad debt provision separately at end of period

□ Applicable √ Not applicable

In the groups, accounts receivable adopting aging analysis method to withdraw bad debt provision:

√ Applicable □ Not applicable

Unit: RMB

Aging	Closing balance		
	Account receivable	Bad debt provision	Withdrawal proportion
Subentry within 1 year			
Within 1 year	131,629,920.04	6,581,496.00	5.00%
Subtotal of within 1 year	131,629,920.04	6,581,496.00	5.00%

1 to 2 years	3,791,826.94	379,182.69	10.00%
2 to 3 years	539,492.20	161,847.66	30.00%
Over 3 years	7,440,959.29	7,385,885.17	99.26%
4 to 5 years	110,148.25	55,074.13	50.00%
Over 5 years	7,330,811.04	7,330,811.04	100.00%
Total	143,402,198.47	14,508,411.52	

Notes:

In the groups, accounts receivable adopting balance percentage method to withdraw bad debt provision:

□ Applicable √ Not applicable

In the groups, accounts receivable adopting other methods to withdraw bad debt provision:

Name of the group	Closing balance		

Accounts receivable with significant single amount and individually withdrawn bad debt provision at the end of the year

Account receivable	Closing balance			

(2) Accounts receivable withdraw, reversed or collected during the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB4,869,757.72; the amount of the reversed or collected part during the Reporting Period was of RMB000.

Significant amount of reversed or recovered bad debt provision: not applicable.

(3) Particulars of the actual verification of accounts receivable during the Reporting Period

Not applicable.

(4) Top five of account receivable of closing balance collected by arrears party

The total amount of top five of account receivable of closing balance collected by arrears party was RMB547,242,999.52, 86.37% of total closing balance of account receivable, the relevant closing balance of bad debt provision withdrawn was RMB2,881,090.61.

(5) Derecogniziton of account receivable due to the transfer of financial assets

(6) The amount of the assets and liabilities formed by the transfer and the continues involvement of accounts receivable

Not applicable.

2. Other accounts receivable

(1) Other account receivable classified by category

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	6,020,149.56	100.00%	5,274,884.43	87.62%	745,265.13	6,784,721.32	100.00%	5,248,915.77	77.36%	1,535,805.55
Total	6,020,149.56	100.00%	5,274,884.43	87.62%	745,265.13	6,784,721.32	100.00%	5,248,915.77	77.36%	1,535,805.55

Other receivable with single significant amount and withdrawal bad debt provision separately at end of period：

□ Applicable √ Not applicable

In the groups, other accounts receivable adopting aging analysis method to withdraw bad debt provision:

√ Applicable □ Not applicable

Unit: RMB

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Subentry within 1 year			
Within 1 year	605,063.68	30,253.18	5.00%
Subtotal of within 1 year	605,063.68	30,253.18	5.00%
1 to 2 years	29,513.72	2,951.37	10.00%
Over 3 years	5,385,572.16	5,241,679.88	97.33%
3 to 4 years	20,000.00	10,000.00	50.00%
4 to 5 years	267,784.57	133,892.29	50.00%

Over 5 years	5,097,787.59	5,097,787.59	100.00%
Total	6,020,149.56	5,274,884.43	

Notes:

In the groups, other accounts receivable adopting balance percentage method to withdraw bad debt provision

□ Applicable √ Not applicable

In the groups, other accounts receivable adopting other methods to withdraw bad debt provision:

□ Applicable √ Not applicable

(2) Accounts receivable withdraw, reversed or collected during the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB25,968.66; the amount of the reversed or collected part during the Reporting Period was of RMB000.

Of which the significant amount of the reversed or collected part during the Reporting Period: not applicable.

(3) Particulars of the actual verification of other accounts receivable during the Reporting Period

(4) Other account receivable classified by account nature

Unit: RMB

Nature	Closing book balance	Opening book balance
Liquidation amount of investment fund	3,398,275.80	3,398,275.80
Turnover accounts with the subsidiary	0.00	1,120,146.36
Pretty cash	771,957.64	714,944.37
Cash pledge	520,000.00	500,000.00
Liquidation amount of goods payment	548,500.00	548,500.00
Others	781,416.12	502,854.79
Total	6,020,149.56	6,784,721.32

(5) The top five other account receivable classified by debtor at period-end

Unit: RMB

Name of the entity	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
Shantou Biyue Plastic Co., Ltd.	Liquidation amount of investment fund	3,125,000.00	Over 5 years	51.91%	3,125,000.00
Hubei Jingzhou Shashi Agricultural Production Materials Co., Ltd.	Liquidation amount of goods payment	548,500.00	Over 5 years	9.11%	548,500.00

Jingzhou Production Safety Supervision Bureau	Cash pledge	300,000.00	Over 5 years	4.98%	300,000.00
Jingzhou Real Estate Administration	House renewal fund	237,784.57	4-5 years	3.95%	118,892.29
Zhuhai Chuchang International Development Co., Ltd.	Liquidation amount of investment fund	144,288.80	Over 5 years	2.40%	144,288.80
Total	--	4,355,573.37	--	72.35%	4,236,681.09

(6) Account receivable involving government subsidies

Not applicable.

(7) Other account receivable derecognized due to the transfer of financial assets

Not applicable.

(8) Amount of transfer other account receivable and assets and liabilities formed by its continuous involvement

Not applicable.

3. Long-term equity investment

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment to the subsidiary	80,026,635.41	24,500,000.00	55,526,635.41	80,026,635.41	24,500,000.00	55,526,635.41
Total	80,026,635.41	24,500,000.00	55,526,635.41	80,026,635.41	24,500,000.00	55,526,635.41

(1) Investment to the subsidiary

Unit: RMB

Investee	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the Reporting Period	Closing balance of impairment provision

Jingzhou Hongxiang Chemicals Co., Ltd.	37,619,905.41			37,619,905.41		
Sanonda (Jingzhou) Pesticide Chemical Co., Ltd.	30,413,700.00			30,413,700.00		24,500,000.00
Hubei Sanonda Foreign Trading Co., Ltd.	11,993,030.00			11,993,030.00		
Total	80,026,635.41			80,026,635.41		24,500,000.00

(2) Investment to joint ventures and associated enterprises

Not applicable.

(3) Other notes

4. Revenues and operating costs

Unit: RMB

Item	Reporting Period		Same period of last year	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Main operations	917,457,017.85	778,462,461.80	1,189,551,459.81	903,197,965.34
Other operations	79,431,984.15	77,961,874.51	70,429,352.26	68,194,146.03
Total	996,889,002.00	856,424,336.31	1,259,980,812.07	971,392,111.37

Other notes:

5. Investment income

Unit: RMB

Item	Reporting Period	Same period of last year
Investment income received from holding of available-for-sale financial assets	75,504.00	
Total	75,504.00	

6. Other

XVIII. Supplementary materials

1. Items and amounts of extraordinary gains and losses

√ Applicable □ Not applicable

Unit: RMB

Item	Amount	Explanation
Gains/losses on the disposal of non-current assets	10,210,811.11	
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents	2,756,200.44	
Other non-operating income and expenses other than the above	912,455.78	
Less: Income tax effects	3,469,866.83	
Total	10,409,600.50	--

Explain the reasons if the Company classifies an item as an extraordinary gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Extraordinary Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item.

□ Applicable √ Not applicable

2. Return on equity and earnings per share

Profit as of Reporting Period	Weighted average ROE (%)	EPS（Yuan/share）	
		EPS-basic	EPS-diluted
Net profit attributable to common shareholders of the Company	0.80%	0.0283	0.0283
Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	0.30%	0.0108	0.0108

3. Differences between accounting data under domestic and overseas accounting standards

(1) Differences of net profit and net assets disclosed in financial reports prepared under international and Chinese accounting standards

□ Applicable √ Not applicable

(2) Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards

□ Applicable √ Not applicable

(3) Explain reasons for the differences between accounting data under domestic and overseas accounting standards, for audit data adjusting differences had been foreign audited, should indicate the name of the foreign institutions

4. Other

Section X. Documents Available For Reference

(I) Financial Statements carried with signatures and seals of Legal Representative and Accounting Principal, as well as Head of the Accounting Organ;

(II) In the Reporting 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 were deposited in the office of the Company.

Hubei Sanonda Co., Ltd.

Legal Representative: An Liru

17 August 2016