



# **HUBEI SANONDA CO., LTD.**

## **SEMI-ANNUAL REPORT 2017**

**August 2017**

## **Section I Important Statements, Contents and Definitions**

**The board of directors (the “Board”), the supervisory board (the “Supervisory Board”) as well as the directors, supervisors and senior management of Hubei Sanonda Co., Ltd. (the “Company”) hereby guarantee the factuality, accuracy and completeness of the contents of this Report, and shall be jointly and severally liable for any false representation, misleading statements or material omissions in this Report.**

**An Liru, head of the Company, Liu Anping, accounting head for this Report, and Tu Zhiwen, head of the accounting department (head of accounting), hereby guarantee that the Financial Report carried in this Report is factual, accurate and complete.**

**All the directors attended the board meeting for the review of this Report.**

**The Company has described the risks facing it in “X Risks Facing the Company and Countermeasures” under Section IV herein. China Securities Journal, Securities Times, Ta Kung Pao (HK) and [www.cninfo.com.cn](http://www.cninfo.com.cn) have been designated by the Company for its information disclosure in 2017. And all information about the Company shall be subject to what’s disclosed on the aforesaid media. Investors are kindly reminded to pay attention to possible risks.**

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

**This Report has been prepared in both Chinese and English. Should there be any discrepancies or misunderstandings between the two versions, the Chinese version shall prevail.**

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## Definitions

Term		Definition
Company/the Company		Hubei Sanonda Co., Ltd.
CSRC Hubei		The Hubei bureau of China Securities Regulatory Commission
CSRC		China Securities Regulatory Commission
SSE		Shenzhen Stock Exchange
Reporting Period		January 1, 2017-June 30, 2017
ChemChina		China National Chemical Corporation
CNAC		China National Agrochemical Corporation, the controlling shareholder of the Company, a wholly-owned subsidiary of ChemChina
Celsius		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		ADAMA Agricultural Solutions LTD., a wholly-owned subsidiary of the Company, once called Makhteshim-Agan Industries Ltd., a company incorporated in Israel according to its law, indirectly holding the 100% equity of Celsius
Sanonda Holdings		Jingzhou Sanonda Holdings Co., Ltd., once called Sanonda Group Co., Ltd.
CNAC International		CNAC International Company Limited

## Section II Corporate Profile and Key Operating Results

### I Corporate Information

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

### II Contact Information

	Board Secretary
Name	Li Zhongxi
Address	No. 93, Beijing East Road, Jingzhou, Hubei Province, P.R.China
Tel.	0716-8208632
Fax	0716-8321099
E-mail	lizhongxi@agr.chemchina.com

### III Other Information

#### 1. Ways to Contact the Company

Indicate by tick mark whether any changes 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

No changes occurred to the said information during the Reporting Period, which can be found in the 2016 Annual Report.

#### 2. Information Disclosure Media and Place where this Report is Kept

Indicate by tick mark whether any changes occurred to the information disclosure media and the place where this

Report was kept during the Reporting Period.

☐ Applicable ☒ Not applicable

The newspapers designated by the Company for information disclosure, the website designated by the CSRC for disclosing this Report and the location where this Report was placed did not change during the Reporting Period.

The said information can be found in the 2016 Annual Report.

## IV Key Operating Results

Indicate by tick mark whether the Company needs to retroactively restate any of its accounting data.

☐ Yes ☒ No

	Reporting Period	Same period of last year	+/- (%)
Operating revenues (RMB)	1,465,703,190.32	1,005,697,157.50	45.74%
Net profit attributable to shareholders of the Company (RMB)	169,191,443.71	16,807,555.50	906.64%
Net profit attributable to shareholders of the Company before exceptional profit and loss (RMB)	167,053,737.85	6,397,955.00	2,511.05%
Net cash generated by operating activities (RMB)	221,243,538.84	46,718,918.62	373.56%
Basic earnings per share (RMB/share)	0.2849	0.0283	906.71%
Diluted earnings per share (RMB/share)	0.2849	0.0283	906.71%
Weighted average return on equity (%)	8.09%	0.80%	7.29%
	End of Reporting Period	End of last year	+/- (%)
Total assets (RMB)	3,086,403,736.41	2,984,883,798.79	3.40%
Net assets attributable to shareholders of the Company (RMB)	2,175,306,925.19	2,005,058,006.75	8.49%

## V Differences in Accounting Data under Domestic and Foreign Accounting Standards

### 1. Differences in Net Profit and Net Assets Disclosed in Financial Reports Prepared under Chinese and International Accounting Standards

☐ Applicable ☒ Not applicable

No such differences for the Reporting Period.

### 2. Differences in Net Profit and Net Assets Disclosed in Financial Reports Prepared under Chinese and Foreign Accounting Standards

☐ Applicable ☒ Not applicable

No such differences for the Reporting Period.

## VI Exceptional Profit/Loss

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Reporting Period	Note
Profit/loss on disposal of non-current assets (including offset asset impairment provisions)	-409,813.84	
Government subsidies charged to profit/loss for Reporting Period (except for government grants closely related to business of the Company and given at a fixed quota or amount in accordance with government's uniform standards)	3,726,500.44	
Non-operating income and expense other than above	-630,301.00	
Less: Income tax effects	548,679.74	
Total	2,137,705.86	--

Explanation of why the Company classified an item as exceptional profit/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Profit and Loss, or reclassified any exceptional profit/loss item given as an example in the said explanatory announcement to recurrent profit/loss

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

## Section III Business Profile

### I Main Business Scope for the Reporting Period

Is the Company subject to any disclosure requirements for special industries?

No.

The Company is a large chemical enterprise with salt chemical engineering of its basis, agricultural chemical engineering of its main part, and fine chemical engineering of its characteristic. It mainly works on manufacturing and selling pesticides, chemical products and their intermediates and works on import and export trade. Main products of the Company are chemical products for plant protection. Herbicide series includes glyphosate, paraquat, 2,4-D and so on. Pesticide series includes acephate, dichlorvos, dipterex, carbofuran, methomyl, triazophos and so on. Intermediate series includes spermine, PMIDA, pyridine and so on. Main chemical products include caustic soda, liquid chlorine, hydrochloric acid, formaldehyde and so on. During Reporting Period, mode of production and management of the Company did not change largely. Performance of the Company is greatly subject to the prosperity degree of the agro-chemical industry, as well as the prices of raw materials and pesticides.

The farm chemical industry where the Company is engaged is characteristic of obvious periodicity. In the Reporting Period, China's stricter environment protection policies and the pickup of the global economy resulted in a recovery in the pesticide industry, with rising demand and prices for certain pesticides. Acephate, paraquat, spermine and PMIDA, some of the Company's main products, were among them. This has resulted in a significant increase in the Company's operating results of the Reporting Period.

### II Significant Changes in Main Assets

#### 1. Significant Changes in Main Assets

Main assets	Reason for significant change
Equity assets	No significant changes
Fixed assets	No significant changes
Intangible assets	No significant changes
Construction in progress	No significant changes
Accounts receivable	Up 101.95% from the opening amount manly because of increased sales revenue and account periods



**2. Main Assets Overseas**

☐ Applicable ☒ Not applicable

**III Core Competitiveness Analysis**

Is the Company subject to any disclosure requirements for special industries?

No.

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

## Section IV Performance Discussion and Analysis

### I Summary

In the Reporting Period, keeping in mind “Cost Reduction and Efficiency Increase, Restructuring and Corporate Ecology” in mind, the Company focused on “Cost Control and Potential Exploitation”. In a practical manner, the Company tried to identify its weaknesses in production, supply, distribution, finance and inventories, as well as its weaknesses associated with safety and environment protection, production control, technological advancement, internal control and the supply chain, and to work out and carry out corresponding solutions. These efforts have been rewarded by an apparent result in cost reduction and efficiency increase. Meanwhile, adhering to the strategic positioning of a “Production Base for Pesticides and Other Chemicals”, the Company continued to promote organizational reform, optimize its product structure, increase the attractiveness of its products and restructure labor resources, which helped improve the Company’s operating efficiency. The Company adopted a people-oriented strategy and gave full play to its employees’ activeness, encouraging them to contribute to the Company. In the meantime, relying on communist party members, young people and workers with their respective characteristics, the Company was able to adopt new ways of thinking and new methods to increase efficiency and develop a corporate culture emphasizing “Responsibility, Pragmatism and Hard Work”. To sum up, the first half of 2017 saw smooth production and operation, as well as a good overall performance, of the Company, with key operating objectives overachieved.

For the Reporting Period, the Company achieved, on a consolidated basis, operating revenues of RMB1.466 billion, increasing 45.74% over the same period of last year; and total profit of RMB217.5 million, representing a sharp rise of 841.28% from a year earlier. The significant increase in profitability was mainly resulted from the year-on-year increases in both the sales volumes and prices of some of the Company’s main products, as well as an apparent result of cost reduction and efficiency increase.

### II Analysis of Main Business

See “I Summary” above.

Year-on-year changes of key financial data:

Unit: RMB

	Reporting Period	Same period of last year	+/-%	Reason for change
Operating revenues	1,465,703,190.32	1,005,697,157.50	45.74%	Increased sales volumes and prices of the Company’s main products
Operating costs	1,101,184,740.87	859,188,101.99	28.17%	Sales increased

Selling expense	46,571,732.05	45,242,941.76	2.94%	
Administrative expense	56,026,584.48	69,143,939.29	-18.97%	Decreased factory shutdown losses
Finance costs	23,074,053.26	3,943,997.08	485.04%	Increased exchange losses
Income taxes	48,306,074.65	6,298,975.02	666.89%	Total profit increased
R&D expenses	5,585,837.28	1,497,874.56	272.92%	Greater R&D investment
Net cash generated by operating activities	221,243,538.84	46,718,918.62	373.56%	Increased payments from customers
Net cash generated by investing activities	-50,423,104.56	-35,779,852.86	-40.93%	Increased engineering expenditure
Net cash generated by financing activities	-105,708,278.14	19,473,916.83	-642.82%	Security deposits for previous financings were paid in Reporting Period
Net increase in cash and cash equivalents	54,222,706.55	31,952,006.72	69.70%	Increased net cash generated by operating activities
Taxes and surtaxes	8,909,838.94	3,853,275.19	131.23%	More types of taxes were included
Non-operating income	3,763,540.44	13,882,859.98	-72.89%	Income from land disposal in same period of last year while no such income in Reporting Period
Non-operating expenses	1,077,154.84	3,392.65	31,649.66%	Losses on disposal of certain assets
Net profit attributable to owners of the Company (as parent company)	169,191,443.71	16,807,555.50	906.64%	Increased sales revenue and gross profit margin
Notes receivable	34,000,716.79	91,784,604.58	-62.96%	Notes were adopted more often in payment for raw materials
Accounts receivable	421,276,828.44	208,608,355.93	101.95%	Increased sales revenue and account period effects
Accounts paid in advance	24,721,414.90	42,012,434.98	-41.16%	Decreased prepayments for certain raw materials
Other accounts receivable	5,047,793.16	12,749,493.85	-60.41%	Export tax rebates for previous periods were

				received in Reporting Period
Other current assets	5,100,897.99	15,518,223.25	-67.13%	Decreased deductible input tax and prepaid taxes
Deferred income tax assets	25,559,788.07	39,518,542.98	-35.32%	Decreased deferred assets recognized on deductible losses
Other non-current assets	13,823,207.46	7,123,207.46	94.06%	New prepayments for land
Short-term borrowings	50,000,000.00	0.00		New borrowings secured
Accounts received in advance	18,646,901.36	32,665,597.65	-42.92%	Decreased advances from customers
Notes payable	34,100,000.00	26,000,000.00	31.15%	New notes payable
Payroll payable	16,107,308.96	30,169,378.08	-46.61%	Employees' compensations for last year were paid in Reporting Period
Taxes and fares payable	40,739,288.26	18,472,322.61	120.54%	Increased income taxes
Other accounts payable	84,251,742.37	165,158,645.93	-48.99%	Some security deposits were returned

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

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

Breakdown of main business:

Unit: RMB

	Operating revenue	Operating cost	Gross profit margin	Operating revenue: YoY +/-%	Operating cost: YoY +/-%	Gross profit margin: YoY +/-%
By business segment						
Industry of manufacturing chemical raw materials and chemical products	1,441,525,223.01	1,078,264,538.46	25.20%	45.89%	27.90%	10.52%
By product						
Chemical new materials and	13,256,414.82	6,255,989.71	52.81%	18.10%	6.54%	5.12%

specialty chemicals						
Basis (chlor-alkali) chemical products	202,813,730.27	144,395,107.23	28.80%	17.62%	-10.07%	21.92%
Agrochemicals such as fertilizers and pesticides	1,225,455,077.92	927,613,441.52	24.30%	52.34%	37.10%	8.41%
By geographic segment						
Domestic	717,140,196.06	485,369,738.27	32.32%	51.18%	16.10%	20.45%
Overseas	724,385,026.95	592,894,800.19	18.15%	41.01%	39.51%	0.88%

### III Non-Core Business Analysis

☐ Applicable ☒ Not applicable

### IV Analysis of Assets and Liabilities

#### 1. Significant Changes in Asset Composition

Unit: RMB

	End of Reporting Period		End of same period of last year		Change in percentage (%)	Reason for significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Monetary funds	600,512,771.30	19.46%	447,050,215.44	14.69%	4.77%	Decreased investment expenditure
Accounts receivable	421,276,828.44	13.65%	400,197,459.56	13.15%	0.50%	
Inventories	196,100,879.57	6.35%	190,399,721.64	6.26%	0.09%	
Investment property	4,565,415.90	0.15%	4,879,635.66	0.16%	-0.01%	
Fixed assets	1,519,601,724.49	49.24%	1,573,495,793.14	51.70%	-2.46%	
Construction in progress	22,526,508.36	0.73%	171,601,549.18	5.64%	-4.91%	Carry-forward of construction

Short-term borrowings	50,000,000.00	1.62%	0.00	0.00%	1.62%	New short-term borrowings were secured
Long-term borrowings	152,000,000.00	4.92%	290,090,000.00	9.53%	-4.61%	Part of long-term borrowings were repaid and there were no new long-term borrowings secured in Reporting Period

## 2. Assets and Liabilities Measured at Fair Value

☒ Applicable ☐ Not applicable

Unit: RMB

Item	Opening balance	Profit/loss on fair value changes in the Reporting Period	Cumulative fair value changes charged to equity	Impairment provided in the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Closing balance
Financial assets							
Other	696,123.68	-205,804.20					490,319.48
Total of above	696,123.68	-205,804.20					490,319.48
Financial liabilities	0.00	0.00					0.00

Significant changes in the measurement attributes of the main assets in the Reporting Period:

☐ Yes ☒ No

## 3. Restricted Asset Rights as of End of the Reporting Period

As of the end of the Reporting Period, there were monetary capital of RMB6,820,000.00 of which the Company's ownership was restricted. Most of the monetary capital was security deposits for bank notes, which were limited in use.

## V Investments Made

### 1. Total Investments Made

☐ Applicable ☒ Not applicable

### 2. Significant Equity Investments Made in the Reporting Period

☐ Applicable ☒ Not applicable

**3. Significant Non-Equity Investments Ongoing in the Reporting Period**

☐ Applicable ☒ Not applicable

**4. Financial Investments****(1) Securities Investments**

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

**(2) Investments in Derivative Financial Instruments**

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

**VI Sale of Major Assets and Equity Interests****1. Sale of Major Assets**

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

**2. Sale of Major Equity Interests**

☐ Applicable ☒ Not applicable

**VII Main Controlled and Joint Stock Companies**

☒ Applicable ☐ Not applicable

List of the stock-participating companies influenced over 10% of the net profits on the major subsidiaries and the Company

Unit: RMB

Name	Type	Main services	Industry	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Sanonda (Jingzhou) Pesticides and Chemicals Co., Ltd.	Subsidiary	Chemical raw materials and chemical products manufacturing industry	30000000.00	30000000.00	9,856,219.74	6,419,457.12		-171,067.66	-171,219.91

Hubei Sanonda Foreign Trading Co., Ltd.	Subsidiary	Trading industry	10000000.00	10000000.00	834,196,405.47	52,053,754.89	206,424,181.25	-6,353,274.87	-4,895,984.71
Jingzhou Hongxiang Chemical Co., Ltd.	Subsidiary	Chemical raw materials and chemical products manufacturing industry	40000000.00	40000000.00	216,437,111.82	3,644,723.63	125,781,739.27	25,879,919.91	26,371,586.57

Subsidiaries acquired or disposed during the Reporting Period

☐ Applicable ☒ Not applicable

Notes of the list of the major controlling and stock-participating companies

## VIII Structured Bodies Controlled by the Company

☐ Applicable ☒ Not applicable

## IX Performance Forecast for January-September 2017

Warning of possible loss or considerable YoY change in the accumulative net profit made during the period-beginning to the end of the next reporting period, as well as the reasons:

☐ Applicable ☒ Not applicable

## X Risks Facing the Company and Countermeasures

The Company mainly works on manufacturing and selling chemurgy products. According to the characteristics of the industry and the Company, the following risks may exist:

The first is policy risk. Main product of the Company is pesticide and its main markets spread all over the world. International and domestic industrial policy will exert certain influence on production and operation of the Company.

The second is the risk of safe production. The Company belongs to the industry of hazardous chemicals. In the process of production, some raw materials, semi-finished products and finished products are inflammables, explosives, corrosivity or toxic substances. Some technologies involve high temperature or high pressure, which has high requirement on operation. Accidents may be caused by improper equipment operation or unreasonable technology or storage. The Company will conscientiously carry forward the construction of SHE system, strengthen the inspection on potential safety hazards and decrease the risks of safe production.

The third is the risk of environmental protection. Waste gas, waste water and industrial residue can be produced in the process of production. The Company will strengthen the cooperation with scientific research institutions, improve technologies in essence, increase investment in environmental protection, strengthen comprehensive



treatment, strictly implement the new *Environmental Protection Law* and guarantee the standard of discharge. At the same time, the Company will pay for environmental protection facilities and the treatment on waste gas, waste water and industrial residue. Therefore, profit-making level of the Company will be influenced.

The fourth is the risk of exchange rate. Export proportion of the Company rises and the fluctuation of exchange rate exerts more influence on the Company. While signing trade contract with customers, the Company will well consider the risk of exchange rate, timely settle accounts and shorten account settlement interval. At the same time, the structure of exported products will be adjusted to cope with the risk of the adjustment of tax refund policy.

The fifth is the risk of technology. The Company will contribute more to research and development, cultivate mature products, construct project of new products in strict accordance with the decision-making procedures of China National Chemical Corporation and reduce the technical risks in the research and development of new products.

The sixth is market risk. Pesticide industry features periodicity. Market competition is fierce. The Company will carry out work focusing on technical progress, exploiting the potential of saving, lowering cost and enhancing effect. Control cost, decrease expense, optimize operation and reduce market risks as far as possible.

## Section V Significant Events

### I Annual and Special Meetings of Shareholders Convened during the Reporting Period

#### 1. Meetings of Shareholders Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to disclosed information
The First Special Meeting of Shareholders in 2017	Special Meeting of Shareholders	7.90%	03/27/2017	03/28/2017	Announcement No.: 2017-20; Announcement name: Resolution Announcement about the First Special Meeting of Shareholders in 2017; disclosed on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
2016 Annual Meeting of Shareholders	Annual Meeting of Shareholders	21.08%	05/05/2017	05/06/2017	Announcement No.: 2017-35; Announcement name: Resolution Announcement about 2016 Annual Meeting of Shareholders; disclosed on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

#### 2. Special Meetings of Shareholders Convened at Request of Preference Shareholders with Resumed Voting

##### Rights

☐ Applicable ☒ Not applicable

### II Proposal for Profit Distribution and Converting Capital Reserve into Share Capital for the Reporting Period

☐ Applicable ☒ Not applicable

For the Reporting Period, the Company plans not to distribute cash dividends or bonus shares or convert capital reserve into share capital.

### **III Commitments of the Company's Actual Controller, Shareholders, Related Parties and Acquirer, as well as the Company and Other Commitment Makers, Fulfilled in the Reporting Period or still Ongoing at Period-End**

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

### **IV Engagement and Disengagement of CPAs Firm**

Has the semi-annual financial report been audited?

☐ Yes ☒ No

This Semi-Annual Report is unaudited.

### **V Explanations Given by Board of Directors and Supervisory Board Regarding "Modified Auditor's Report" Issued by CPAs Firm for the Reporting Period**

☐ Applicable ☒ Not applicable

### **VI Explanations Given by Board of Directors Regarding "Modified Auditor's Report" Issued for Last Year**

☐ Applicable ☒ Not applicable

### **VII Bankruptcy and Restructuring**

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

### **VIII Legal Matters**

Significant lawsuits or arbitrations:

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

Other legal matters:

☐ Applicable ☒ Not applicable

### **IX Punishments and Rectifications**

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

## X Credit Conditions of the Company as well as its Controlling Shareholder and Actual Controller

☐ Applicable ☒ Not applicable

## XI Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

## XII Significant Related Transactions

### 1. Related Transactions Relevant to Routine Operations

☒ 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 d)	Proportion in same kind of transactions (%)	Approved transaction line (RMB Ten thousand d)	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	Purchase of the raw materials	Market price	Market price	274.32		450	No	Telegraphic transfer	274.32	04/06/2017	Announcement NO.: 2017-24; Name of the announcement: Announcement on 2017 Routine Related Transa

													ctions; inform ation disclos ed on http:// www.c ninfo.c om.cn
Beijing Grand AgroCh em Ltd.	Under the same ultimate controll er	Purchas e	Purchas e of the raw material s	Market price	Market price	485.81		1,200	No	Accepta nce	485.81	04/06/2 017	Ditto
Haohua Enginee ring Co., Ltd.	Under the same ultimate controll er	Purchas e	Purchas e of the raw material s	Market price	Market price	1.54		50	No	Telegrap hic transfer	1.54	04/06/2 017	Ditto
ADAM A(Beijin g) Agricult ural Technol ogy Co., Ltd.	Under the same ultimate controll er	Purchas e	Labor service	Agreem ent price	Agreem ent price	456.24		1,000	No	Telegrap hic transfer	456.24	04/06/2 017	Ditto
ADAM A Agricult ural Solution s LTD.	Under the same ultimate controll er	Sales	Sales of the pesticid es	Market price	Market price	19,616.4 3		23,200	No	Telegrap hic transfer	19616.3 8	04/06/2 017	Ditto
China National Chemic al Informat ion Center	Under the same ultimate controll er	Purchas e	OA value - added service	Market price	Market price	14.53			Yes	Telegrap hic transfer	14.53		
Total				--	--	20,848.8 7	--	25,900	--	--	--	--	--

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 expects the total amount of daily connected transactions in 2017 is RMB 260million, and the actual amount incurred in the year is RMB 208,488,700, which does not exceed the expected amount.
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 Transactions Regarding Purchase or Sales of Assets or Equity Interests

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

## 3. Related Transactions Regarding Joint Investments in Third Parties

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

## 4. Credits and Liabilities with Related Parties

☒ Applicable ☐ Not applicable

Whether exist non-operating credits and liabilities with related parties or not?

☐ 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 Group with a total of RMB 141,928.48.

(2). The Company borrowed RMB 171,770,450 from the parent company of the Group-Jingzhou Sanonda Holdings Co., Ltd. for the construction of new projects.

(3). In the Reporting Period, the 7<sup>th</sup> floor of the Company's office building had rented to Jingzhou Sanonda Holdings Co., Ltd. for business operation with the annual rent of RMB 120,000(tax included).

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 2017 Routine Related Transactions	04/06/2017	www.cninfo.com.cn
Announcement about Related Transactions of EPC General Contracting Project Signed with Related-party Haohua Engineering	04/25/2017	www.cninfo.com.cn

### **XIII. 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.

### **XIV. Significant Contracts and Execution**

#### **1. Entrustment, Contracting and Leasing**

##### **(1) Entrustment**

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

##### **(2) Contracting**

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

##### **(3) Leasing**

☒ Applicable ☐ Not applicable

Explanation on the lease

The 7<sup>th</sup> 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 RMB 120,000.

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. Significant Guarantees**

☒ Applicable ☐ Not applicable

**(1) List of guarantees**

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.	04/06/2017	21,900	04/06/2017	0				
Total guarantee line approved for the subsidiaries during the reporting period (B1)		21,900		Total actual occurred amount of guarantee for the subsidiaries during the reporting period (B2)				
Total guarantee line that has been approved for the subsidiaries at the end of the reporting period (B3)		21,900		Total actual guarantee balance for the subsidiaries at the end of the reporting period (B4)				
Guarantees provided by subsidiaries 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
Total guarantee amount provided by the Company (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during the reporting period		21,900		Total actual occurred amount of guarantee during the				



(A1+B1+C1)		reporting period (A2+B2+C2)	
Total guarantee line that has been approved at the end of the reporting period (A3+B3+C3)	21,900	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)	
Of which:			
Joint liquidated liability may be undertaken for undue guarantee (if any)	No		
Regulated procedures are violated to offer guarantee (if any)	No		

Explanation on guarantee that adopts complex method

## (2) Illegal Provision of Guarantees for External Parties

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

## 3. Other Significant Contracts

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

## XV. Social Responsibilities

### 1. Targeted Measures Taken to Help People Lift Themselves Out of Poverty

#### (1) Outline of Targeted Measures in the Reporting Period

According to the targeted poverty document of poverty alleviation leading group in Jingzhou City, the corresponding poverty alleviation unit of Sanonda was Sanzhou Village, Guanyindang Town. The Company thought much highly of it, designating General Affairs Department to take charge of the routine work of corresponding poverty alleviation. During the Reporting Period, the Company communicated the conditions of economic development, the number of households in poverty and its situations with corresponding unit, and paid RMB50,000 poverty alleviation funds to special financial households of Sanzhou Village according to its situations. At the same time, site visit led by deputy secretary of CPC to 20 poor households in Sanzhou Village was conducted, offering RMB300 consolation money to each household.

#### (2) List of Targeted Measures of Listed Companies in the Reporting Period

Indicator	Measurement unit	Number/Progress
I. General condition	—	—

Of which: 1. capital	RMB'0,000	5.6
II. Itemized investment	—	—
1. Out of poverty by industrial development	—	—
Of which: 1.1 type of industrial development out of poverty	—	Poverty alleviation for agroforestry industry
1.2 number of industrial development out of poverty	Unit	1
1.3 investment amount of industrial development out of poverty	RMB'0,000	5.6
1.4 the number of people out of poverty who were helped to establish card for archives	Number	60
2. Out of poverty by transferring employment	—	—
3. Out of poverty by relocating	—	—
4. Out of poverty by education	—	—
5. Out of poverty by improving health	—	—
6. Out of poverty by protecting ecological environment	—	—
7. Subsidy for the poorest	—	—
8. Social poverty alleviation	—	—
9. Other items	—	—
III. Received awards(contents and rank)	—	—

### (3) Subsequent Targeted Measure Plans

Carrying forward and implementing steadily the poverty alleviation to corresponding units according to the office document of poverty alleviation leading group in Jingzhou City and Discipline Inspection Commission in Jingzhou.

## 2. Significant Environmental Protection

Indicate by tick mark whether the Company or any of its subsidiaries is a heavily polluting business identified by the environmental protection authorities of China

Yes

Name of the Company or its subsidiaries	Name of main pollutants and characteristics	Emission method	Number of discharge outlet	Distribution of discharge outlet	Emission concentration	Carried emission standard of pollutants	Total emission	Verified total emission	Excessive emission
Hubei Sanonda Co., Ltd	COD, Ammonia nitrogen	Discharged directly into Yangtze	2	One in new district, one in old	COD85mg/L, Ammonia	COD100mg/L, Ammonia	COD500t, Ammonia nitrogen 50t	COD500t, Ammonia nitrogen 50t	No

		River		district	nitrogen 8mg/L	nitrogen 15mg/L			
Hubei Sanonda Co., Ltd	SO <sub>2</sub> , NO <sub>x</sub> , particulate matter	200 meters chimney	1	One in owned power plant	SO <sub>2</sub> 150mg/L, NO <sub>x</sub> 170mg/ L, particulate matter 25mg/L	SO <sub>2</sub> 200mg/L, NO <sub>x</sub> 200mg/ L, particulate matter 30mg/L	SO <sub>2</sub> 380t NO <sub>x</sub> 564.7t particulate matter 80t	SO <sub>2</sub> 380t NO <sub>x</sub> 564.7t particulate matter 80t	No

#### Construction and operation of anti-pollution installations

All construction projects of the Company have experienced environment influence evaluation, passed the inspection of provincial and urban environmental protection bureau and got the approval file for construction. “Three synchronizations” in environmental protection will be strictly implemented: main projects and facilities of pollution prevention will be synchronously designed, synchronously constructed and synchronously operated.

The Company takes the lead in implementing ISO14001 international system of environment management standard in the industry and gets authentication certificate. This plays important role in raising environment management level and improving environment appearance of the enterprise. The Company will invest more in environmental protection and guarantee the standards of pollution discharge. It has passed the examination and check on cleaning production. Any environment pollution accident does not happen in the latest years. In annual conformity review report on the laws and regulations about environmental protection, the Company’s compliance with law and discipline has passed the review of certification authority (the third party).

“Environment Influence Report for the Whole Project of Pesticide Series and Herbicide Series Relocation, Upgrade and Reform” of the Company has passed environmental protection examination and approval. In the principle “environmental protection goes ahead for new zone construction”, sewage treatment devices will be constructed in advance for the strategic relocation of the old factory, which lays foundation of environmental protection for the whole relocation.

## XVI. Other Significant Events

☒ Applicable ☐ Not applicable

For details of the progress of significant assets restructuring of the Company, see relevant announcement disclosed on [www.cninfo.com.cn](http://www.cninfo.com.cn) during the Reporting Period.

## XVII. Significant Events of Subsidiaries

☐ Applicable ☒ Not applicable

## Section VI Share Changes and Shareholders' Profile

### I. Share Changes

#### 1. Share Changes

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

## 2. Changes in Restricted Shares

☐ Applicable ☒ Not applicable

## II. Issuance and Listing of Securities

☐ Applicable ☒ Not applicable

## III. Total Number of Shareholders and Their Shareholdings

Unit: share

Total number of common shareholders at the end of the Reporting Period	59,811(of which the Share A shareholders were of 42,789)			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 shareholdi ng 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			119,687,202		
ADAMA Celsius B.V.	Foreign legal person	10.60%	62,950,659			62,950,659		
Xie Qingjun	Domestic natural person	0.75%	4,458,233			4,458,233		
State-owned Assets Administration Bureau of Qichun County	State	0.70%	4,169,266			4,169,266		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.62%	3,652,899			3,652,899		

Shi Yun	Domestic natural person	0.57%	3,367,606	-222,411		3,367,606		
China Construction Bank limited—Rongtong Leading Growth Hybrid Securities Investment Funds(LOF)	Other	0.37%	2,202,363	2,202,363		2,202,363		
Zhou Qiping	Domestic natural person	0.32%	1,926,245	1,925,445		1,926,245		
Hu Chunwan	Domestic natural person	0.22%	1,300,444			1,300,444		
Zhongjiang International Trust Co., Ltd	Domestic non-state legal person	0.19%	1,150,000	500,000		1,150,000		
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	
Xie Qingjun	4,458,233					Domestically listed foreign share	4,458,233	
State-owned Assets Administration	4,169,266					RMB ordinary	4,169,266	

Bureau of Qichun County		share	
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	3,652,899	Domestically listed foreign share	3,652,899
Shi Yun	3,367,606	RMB ordinary share	3,367,606
China Construction Bank limited— Rongtong Leading Growth Hybrid Securities Investment Funds(LOF)	2,202,363	RMB ordinary share	2,202,363
Zhou Qiping	1,926,245	RMB ordinary share	1,926,245
Hu Chunwan	1,300,444	Domestically listed foreign share	1,300,444
Zhongjiang International Trust Co., Ltd	1,150,000	RMB ordinary share	1,150,000
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)	<p>1. Shareholder Shi Yun held 3,367,606 shares of the Company through a credit collateral securities trading account and held 0 share of the Company through a common securities account, who thus held 3,367,606 shares of the Company in total.</p> <p>2. Shareholder Zhou Qiping held 170,100 shares of the Company through a credit collateral securities trading account and held 1,756,145 shares of the Company through a common securities account, who thus held 1,926,245 shares of the Company in total.</p>		

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.

#### IV. 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.



## **Section VII Preference Shares**

☐ Applicable ☒ Not applicable

No preference shares in the Reporting Period.

## Section VIII Directors, Supervisors and Senior Management

### I Changes in Shareholdings of Directors, Supervisors and Senior Management

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period. For details, see Annual Report 2016.

### II Changes in Directors, Supervisors and Senior Management

☒ Applicable ☐ Not applicable

Name	Office title	Type of change	Date	Reason
She Zhili	Director	Outgoing	06/16/2017	Voluntary turnover

## **Section IX Corporate Bonds**

Are there any corporate bonds publicly offered and listed on the stock exchange, which were undue before the approval date of this Report or were due but could not be redeemed in full?

No

## Section X 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.

June 30, 2017

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	600,512,771.30	547,270,064.75
Settlement reserve		
Interbank lendings		
Financial assets at fair value through profit/loss		
Derivative financial assets		
Notes receivable	34,000,716.79	91,784,604.58
Accounts receivable	421,276,828.44	208,608,355.93
Accounts paid in advance	24,721,414.90	42,012,434.98
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract reserve		
Interest receivable		
Dividends receivable		
Other accounts receivable	5,047,793.16	12,749,493.85
Financial assets purchased under agreements to resell		
Inventories	196,100,879.57	173,640,807.03

Assets held for sale		
Non-current assets due within one year		
Other current assets	5,100,897.99	15,518,223.25
Total current assets	1,286,761,302.15	1,091,583,984.37
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	8,572,982.63	8,572,982.63
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investments		
Investment property	4,565,415.90	4,722,525.78
Fixed assets	1,519,601,724.49	1,604,373,212.55
Construction in progress	22,526,508.36	21,225,256.37
Engineering materials		
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	204,992,807.35	207,764,086.65
R&D expenses		
Goodwill		
Long-term deferred expense		
Deferred income tax assets	25,559,788.07	39,518,542.98
Other non-current assets	13,823,207.46	7,123,207.46
Total non-current assets	1,799,642,434.26	1,893,299,814.42
Total assets	3,086,403,736.41	2,984,883,798.79
Current liabilities:		
Short-term borrowings	50,000,000.00	0.00
Borrowings from the Central Bank		
Money deposits accepted and inter-bank deposits		
Interbank borrowings		
Financial liabilities at fair value through profit/loss		
Derivative financial liabilities		

Notes payable	34,100,000.00	26,000,000.00
Accounts payable	183,575,832.98	169,182,510.04
Accounts received in advance	18,646,901.36	32,665,597.65
Financial assets sold for repurchase		
Fees and commissions payable		
Payroll payable	16,107,308.96	30,169,378.08
Taxes payable	40,739,288.26	18,472,322.61
Interest payable		
Dividends payable	250,000.00	250,000.00
Other accounts payable	84,251,742.37	165,158,645.93
Reinsurance premiums payable		
Insurance contract reserve		
Payables for acting trading of securities		
Payables for acting underwriting of securities		
Liabilities held for sale		
Non-current liabilities due within one year	139,090,000.00	147,000,000.00
Other current liabilities		
Total current liabilities	566,761,073.93	588,898,454.31
Non-current liabilities:		
Long-term borrowings	152,000,000.00	196,590,000.00
Bonds payable		
Of which: Preference shares		
Perpetual bonds		
Long-term accounts payable		
Long-term payroll payable		
Special payables		
Provisions		
Deferred income	20,565,287.29	22,566,887.73
Deferred income tax liabilities		
Other non-current liabilities	171,770,450.00	171,770,450.00
Total non-current liabilities	344,335,737.29	390,927,337.73
Total liabilities	911,096,811.22	979,825,792.04

Owners' equity:		
Share capital	593,923,220.00	593,923,220.00
Other equity instruments		
Of which: Preference shares		
Perpetual bonds		
Capital reserve	263,063,461.97	263,063,461.97
Less: Treasury shares		
Other comprehensive income		
Special reserve	20,919,938.07	19,862,463.34
Surplus reserve	190,699,248.11	190,699,248.11
Provisions for general risks		
Retained earnings	1,106,701,057.04	937,509,613.33
Equity attributable to owners of the Company	2,175,306,925.19	2,005,058,006.75
Minority interests		
Total owners' equity	2,175,306,925.19	2,005,058,006.75
Total liabilities and owners' equity	3,086,403,736.41	2,984,883,798.79

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	59,581,473.63	257,540,892.07
Financial assets at fair value through profit/loss		
Derivative financial assets		
Notes receivable	31,351,716.79	88,457,302.58
Accounts receivable	1,050,543,303.39	611,495,344.80
Accounts paid in advance	21,226,827.42	35,684,527.41
Interest receivable		
Dividends receivable		
Other accounts receivable	614,437.10	3,082,682.97
Inventories	179,121,692.83	168,497,335.12
Assets held for sale		

Non-current assets due within one year		
Other current assets	490,319.48	5,738,347.99
Total current assets	1,342,929,770.64	1,170,496,432.94
Non-current assets:		
Available-for-sale financial assets	8,572,982.63	8,572,982.63
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investments	55,526,635.41	55,526,635.41
Investment property	4,565,415.90	4,722,525.78
Fixed assets	1,399,371,205.39	1,475,229,079.55
Construction in progress	22,526,508.36	21,225,256.37
Engineering materials		
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	193,860,644.23	196,093,173.33
R&D expenses		
Goodwill		
Long-term deferred expense		
Deferred income tax assets	21,409,102.21	36,980,749.19
Other non-current assets	13,823,207.46	7,123,207.46
Total non-current assets	1,719,655,701.59	1,805,473,609.72
Total assets	3,062,585,472.23	2,975,970,042.66
Current liabilities:		
Short-term borrowings	50,000,000.00	
Financial liabilities at fair value through profit/loss		
Derivative financial liabilities		
Notes payable	34,100,000.00	26,000,000.00
Accounts payable	177,172,223.63	162,150,878.66
Accounts received in advance	12,221,292.70	26,358,193.29
Payroll payable	14,019,523.63	26,352,607.70
Taxes payable	37,705,202.42	10,661,550.02
Interest payable		



Dividends payable	250,000.00	250,000.00
Other accounts payable	90,384,200.97	172,324,381.38
Liabilities held for sale		
Non-current liabilities due within one year	139,090,000.00	147,000,000.00
Other current liabilities		
Total current liabilities	554,942,443.35	571,097,611.05
Non-current liabilities:		
Long-term borrowings	152,000,000.00	196,590,000.00
Bonds payable		
Of which: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payable		
Special payables		
Provisions		
Deferred income	15,156,953.92	16,666,887.70
Deferred income tax liabilities		
Other non-current liabilities	171,770,450.00	171,770,450.00
Total non-current liabilities	338,927,403.92	385,027,337.70
Total liabilities	893,869,847.27	956,124,948.75
Owners' equity:		
Share capital	593,923,220.00	593,923,220.00
Other equity instruments		
Of which: Preference shares		
Perpetual bonds		
Capital reserve	263,799,837.18	263,799,837.18
Less: Treasury shares		
Other comprehensive income		
Special reserve	15,950,825.76	14,893,351.03
Surplus reserve	190,699,248.11	190,699,248.11
Retained earnings	1,104,342,493.91	956,529,437.59
Total owners' equity	2,168,715,624.96	2,019,845,093.91
Total liabilities and owners' equity	3,062,585,472.23	2,975,970,042.66

### 3. Consolidated Income Statement

Unit: RMB

Item	Jan.-Jun. 2017	Jan.-Jun 2016
I. Operating revenues	1,465,703,190.32	1,005,697,157.50
Including: Sales income	1,465,703,190.32	1,005,697,157.50
Interest income		
Premium income		
Fee and commission income		
II. Operating costs	1,250,686,253.36	996,545,598.31
Including: Cost of sales	1,101,184,740.87	859,188,101.99
Interest expenses		
Fee and commission expenses		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserve		
Expenditure on policy dividends		
Reinsurance premium		
Taxes and surtaxes	8,909,838.94	3,853,275.19
Selling expenses	46,571,732.05	45,242,941.76
Administrative expenses	56,026,584.48	69,143,939.29
Finance costs	23,074,053.26	3,943,997.08
Asset impairment loss	14,919,303.76	15,173,343.00
Add: Profit on fair value changes ("-" means loss)	-205,804.20	
Investment income ("-" means loss)		75,504.00
Including: Share of profit/loss of associates and joint ventures		
Exchange gains ("-" means loss)		
Other gains		
III. Operating profit ("-" means loss)	214,811,132.76	9,227,063.19
Add: Non-operating income	3,763,540.44	13,882,859.98
Including: Profit on disposal of non-current assets		10,214,203.76
Less: Non-operating expense	1,077,154.84	3,392.65

Including: Loss on disposal of non-current assets	409,813.84	3,392.65
IV. Total profit (“-” means loss)	217,497,518.36	23,106,530.52
Less: Corporate income tax	48,306,074.65	6,298,975.02
V. Net profit (“-” means loss)	169,191,443.71	16,807,555.50
Net profit attributable to owners of the Company	169,191,443.71	16,807,555.50
Minority interests’ income		
VI. Other comprehensive income net of tax		
Other comprehensive income net of tax attributable to owners of the Company		
(I) Other comprehensive income that will not be reclassified into profit/loss		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2 Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method		
(II) Other comprehensive income to be subsequently reclassified into profit/loss		
1 Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method		
2. Profit/loss on fair value changes of available-for-sale financial assets		
3. Profit/loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective profit/loss on cash flow hedges		
5. Currency translation differences		
6. Other		
Other comprehensive income net of		

tax attributable to minority interests		
VII. Total comprehensive income	169,191,443.71	16,807,555.50
Attributable to owners of the Company	169,191,443.71	16,807,555.50
Attributable to minority interests		
VIII. Earnings per share		
(I) Basic earnings per share	0.2849	0.0283
(II) Diluted earnings per share	0.2849	0.0283

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. 2017	Jan.-Jun 2016
I. Operating revenues	1,442,064,917.29	996,889,002.00
Less: Operating costs	1,120,773,387.39	856,424,336.31
Taxes and surtaxes	8,565,797.54	3,825,486.63
Selling expenses	42,425,381.62	42,430,625.01
Administrative expenses	54,469,856.57	66,110,552.46
Finance costs	12,191,745.82	7,357,642.37
Asset impairment loss	8,051,394.21	7,432,233.18
Add: profit on fair value changes (“-” means loss)	-205,804.20	
Investment income (“-” means loss)		75,504.00
Including: Share of profit/loss of associates and joint ventures		
Other gains		
II. Operating profit (“-” means loss)	195,381,549.94	13,383,630.04
Add: Non-operating income	3,271,873.78	2,989,711.67
Including: Profit on disposal of non-current assets		22,722.11
Less: Non-operating expense	1,077,154.84	3,392.65
Including: Loss on disposal of non-current assets	409,813.84	3,392.65
III. Total profit (“-” means loss)	197,576,268.88	16,369,949.06

Less: Corporate income tax	49,763,212.56	5,021,618.54
IV. Net profit (“-” means loss)	147,813,056.32	11,348,330.52
V. Other comprehensive income net of tax		
(I) Other comprehensive income that will not be reclassified into profit and loss		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method		
(II) Other comprehensive income to be subsequently reclassified into profit/loss		
1. Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method		
2. Profit/loss on fair value changes of available-for-sale financial assets		
3. Profit/loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective profit/loss on cash flow hedges		
5. Currency translation differences		
6. Other		
VI. Total comprehensive income	147,813,056.32	11,348,330.52
VII. Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

## 5. Consolidated Cash Flow Statement

Unit: RMB

Item	Jan.-Jun. 2017	Jan.-Jun 2016
I. Cash flows associated with operating activities:		

Cash received from sale of commodities and rendering of service	894,684,670.27	635,526,388.02
Net increase in money deposits from customers and interbank placements		
Net increase in loans from the Central Bank		
Net increase in funds borrowed from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits of policy holders and investment fund		
Net increase in disposal of financial assets at fair value through profit/loss		
Interest, fees and commissions received		
Net increase in interbank borrowings		
Net increase in funds in repurchase business		
Tax refunds received	20,704,608.00	12,746,757.98
Cash generated by other operating activities	4,396,889.50	4,535,590.18
Subtotal of cash generated by operating activities	919,786,167.77	652,808,736.18
Cash paid for goods and services	485,447,078.38	416,655,530.64
Net increase in loans and advances to customers		
Net increase in funds deposited in the Central Bank and interbank placements		
Cash paid for claims of original insurance contracts		
Interest, fees and commissions paid		
Cash paid as policy dividends		
Cash paid to and for employees	97,756,805.70	101,289,757.17
Taxes paid	49,084,706.43	42,706,274.95
Cash used in other operating activities	66,254,038.42	45,438,254.80
Subtotal of cash used in operating activities	698,542,628.93	606,089,817.56

Net cash generated by operating activities	221,243,538.84	46,718,918.62
II. Cash flows associated with investing activities:		
Cash received from retraction of investments		
Cash received as investment income		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		
Cash generated by other investing activities		
Subtotal of cash generated by investing activities		4,097,468.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	50,423,104.56	39,877,320.86
Cash paid for investment		
Net increase in pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	50,423,104.56	39,877,320.86
Net cash generated by investing activities	-50,423,104.56	-35,779,852.86
III. Cash flows associated with financing activities:		
Cash received from capital contributions		
Including: Cash received from minority shareholder investments by subsidiaries		
Cash received as borrowings	105,000,000.00	
Cash received from issuance of bonds		
Cash generated by other financing activities	7,800,000.00	120,800,000.00
Subtotal of cash generated by financing	112,800,000.00	120,800,000.00

activities		
Repayment of borrowings	102,500,000.00	63,500,000.00
Cash paid for interest expenses and distribution of dividends or profit	9,188,278.14	28,826,083.17
Including: dividends or profit paid by subsidiaries to minority interests		
Cash used in other financing activities	106,820,000.00	9,000,000.00
Sub-total of cash used in financing activities	218,508,278.14	101,326,083.17
Net cash generated by financing activities	-105,708,278.14	19,473,916.83
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-10,889,449.59	1,539,024.13
V. Net increase in cash and cash equivalents	54,222,706.55	31,952,006.72
Add: Opening balance of cash and cash equivalents	539,470,064.75	406,098,208.72
VI. Closing balance of cash and cash equivalents	593,692,771.30	438,050,215.44

## 6. Cash Flow Statement of the Company

Unit: RMB

Item	Jan.-Jun. 2017	Jan.-Jun 2016
I. Cash flows associated with operating activities:		
Cash received from sale of commodities and rendering of service	597,838,990.78	539,504,213.22
Tax refunds received	2,883,660.70	168,260.60
Cash generated by other operating activities	3,487,531.06	5,693,015.46
Subtotal of cash generated by operating activities	604,210,182.54	545,365,489.28
Cash paid for goods and services	448,790,559.88	380,402,622.34
Cash paid to and for employees	93,885,884.82	97,588,936.88
Taxes paid	42,281,675.40	36,133,647.98
Cash used in other operating activities	60,775,456.65	40,373,743.83
Subtotal of cash used in operating activities	645,733,576.75	554,498,951.03
Net cash generated by operating	-41,523,394.21	-9,133,461.75



activities		
II. Cash flows associated with investing activities:		
Cash received from retraction of investments		
Cash received as investment income		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		
Cash generated by other investing activities		
Subtotal of cash generated by investing activities		297,468.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets	50,423,104.56	39,164,697.86
Cash paid for investment		
Net cash paid to acquire subsidiaries and other business units		
Cash used in other investing activities		
Subtotal of cash used in investing activities	50,423,104.56	39,164,697.86
Net cash generated by investing activities	-50,423,104.56	-38,867,229.86
III. Cash flows associated with financing activities:		
Cash received from capital contributions		
Cash received as borrowings	55,000,000.00	
Cash received from issuance of bonds		
Cash generated by other financing activities	7,800,000.00	120,800,000.00
Subtotal of cash generated by financing activities	62,800,000.00	120,800,000.00
Repayment of borrowings	52,500,000.00	63,500,000.00
Cash paid for interest expenses and distribution of dividends or profit	8,497,633.69	28,826,083.17
Cash used in other financing	106,820,000.00	9,000,000.00

activities		
Sub-total of cash used in financing activities	167,817,633.69	101,326,083.17
Net cash generated by financing activities	-105,017,633.69	19,473,916.83
IV. Effect of foreign exchange rate changes on cash and cash equivalents	-15,285.98	10,524.28
V. Net increase in cash and cash equivalents	-196,979,418.44	-28,516,250.50
Add: Opening balance of cash and cash equivalents	249,740,892.07	378,450,204.94
VI. Closing balance of cash and cash equivalents	52,761,473.63	349,933,954.44

## 7. Consolidated Statement of Changes in Owners' Equity

January-June 2017

Unit: RMB

Item	January-June 2017												
	Equity attributable to owners of the Company											Minorit y interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasur y shares	Other compre hensive income	Special reserve	Surplus reserve	General risk reserve	Retaine d earning s		
		Prefer ence shares	Perpet ual bonds	Other									
I. Balance at the end of the prior year	593,92 3,220. 00				263,063 ,461.97			19,862, 463.34	190,699 ,248.11		937,509 ,613.33		2,005,0 58,006. 75
Add: Changes in accounting policies													
Correction of errors in prior periods													
Business mergers under the same control													
Other													
II. Balance at the beginning of the year	593,92 3,220. 00				263,063 ,461.97			19,862, 463.34	190,699 ,248.11		937,509 ,613.33		2,005,0 58,006. 75
III. Increase/								1,057,4			169,191		170,248

decrease in the period (“-” means decrease)							74.73				,443.71		,918.44
(I) Total comprehensive income											169,191,443.71		169,191,443.71
(II) Capital increased and reduced by owners													
1. Ordinary shares increased by shareholders													
2. Capital increased by holders of other equity instruments													
3. Amounts of share-based payments charged to owners’ equity													
4. Other													
(III) Profit distribution													
1. Appropriation to surplus reserve													
2. Appropriation to general risk provisions													
3. Appropriation to owners (or shareholders)													
4. Other													
(IV) Internal carry-forward of owners’ equity													
1. New increase of capital (or share capital) from capital reserve													

2. New increase of capital (or share capital) from surplus reserve													
3. Surplus reserve for making up loss													
4. Other													
(V) Special reserve							1,057,474.73						1,057,474.73
1. Withdrawn for the period							4,180,114.32						4,180,114.32
2. Used in the period							3,122,639.59						3,122,639.59
(VI) Other													
IV. Closing balance	593,923,220.00				263,063,461.97		20,919,938.07	190,699,248.11			1,106,701,057.04		2,175,306,925.19

January-June 2016

Unit: RMB

Item	January-June 2016												
	Equity attributable to owners of the Company											Minorit y interest s	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasur y shares	Other compre hensive income	Specific reserve	Surplus reserve	General risk reserve	Retaine d earnings		
		Prefer ence shares	Perpet ual bonds	Other									
I. Balance at the end of the prior year	593,92 3,220. 00				263,063 ,461.97			22,848, 859.15	190,699 ,248.11		1,026,8 47,680. 37		2,097,3 82,469. 60
Add: Changes in accounting policies													
Correction of errors in prior periods													
Business mergers under the same control													

Other													
II. Balance at the beginning of the 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
III. Increase/decrease in the period (“-” means decrease)								3,246,668.97			1,959,475.00		5,206,143.97
(I) Total comprehensive income											16,807,555.50		16,807,555.50
(II) Capital increased and reduced by owners													
1. Ordinary shares increased by shareholders													
2. Capital increased by holders of other equity instruments													
3. Amounts of share-based payments charged to owners’ equity													
4. Other													
(III) Profit distribution											-14,848,080.50		-14,848,080.50
1. Appropriation to surplus reserve													
2. Appropriation to general risk provisions													
3. Appropriation 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 reserve													
2. New increase of capital (or share capital) from surplus reserve													
3. Surplus reserve for making up loss													
4. Other													
(V) Special 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

## 8. Statement of Changes in Owners' Equity of the Company

January-June 2017

Unit: RMB

Item	January-June 2017										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owners' equity
		Preference shares	Perpetual bonds	Other							
I. Balance at the end of the prior year	593,923,220.00				263,799,837.18			14,893,351.03	190,699,248.11	956,529,437.59	2,019,845,093.91
Add: Changes in accounting policies											

Correction of errors in prior periods											
Other											
II. Balance at the beginning of the year	593,923,220.00				263,799,837.18			14,893,351.03	190,699,248.11	956,529,437.59	2,019,845,093.91
III. Increase/decrease in the period (“-” means decrease)								1,057,474.73		147,813,056.32	148,870,531.05
(I) Total comprehensive income										147,813,056.32	147,813,056.32
(II) Capital increased and reduced by owners											
1. Ordinary shares increased by shareholders											
2. Capital increased by holders of other equity instruments											
3. Amounts of share-based payments charged to owners’ equity											
4. Other											
(III) Profit distribution											
1. Appropriation to surplus reserve											
2. Appropriation to owners (or shareholders)											
3. Other											
(IV) Internal carry-forward of owners’ equity											
1. New											

increase of capital (or share capital) from capital reserve											
2. New increase of capital (or share capital) from surplus reserve											
3. Surplus reserve for making up loss											
4. Other											
(V) Special reserve								1,057,474 .73			1,057,474 .73
1. Withdrawn for the period								4,180,114 .32			4,180,114 .32
2. Used in the period								3,122,639 .59			3,122,639 .59
(VI) Other											
IV. Closing balance	593,923, 220.00				263,799,8 37.18			15,950,82 5.76	190,699,2 48.11	1,104,3 42,493. 91	2,168,715 ,624.96

January-June 2016

Unit: RMB

Item	January-June 2016										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehe nsive income	Special reserve	Surplus reserve	Retaine d earnings	Total owners' equity
		Prefere nce shares	Perpetu al bonds	Other							
I. Balance at the end of the prior year	593,923, 220.00				263,799,8 37.18			17,879,74 6.84	190,699,2 48.11	1,052,3 51,622. 44	2,118,653 ,674.57
Add: Changes in accounting policies											
Correction of errors in prior periods											
Other											



II. Balance at the beginning of the 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
III. Increase/decrease in the period (“-” means decrease)								3,246,668.97		-3,499,749.98	-253,081.01
(I) Total comprehensive income										11,348,330.52	11,348,330.52
(II) Capital increased and reduced by owners											
1. Ordinary shares increased by shareholders											
2. Capital increased by holders of other equity instruments											
3. Amounts of share-based payments charged to owners’ equity											
4. Other											
(III) Profit distribution										-14,848,080.50	-14,848,080.50
1. Appropriation to surplus reserve											
2. Appropriation to owners (or shareholders)										-14,848,080.50	-14,848,080.50
3. Other											
(IV) Internal carry-forward of owners’ equity											
1. New increase of capital (or share capital) from capital reserve											

2. New increase of capital (or share capital) from surplus reserve											
3. Surplus reserve for making up loss											
4. Other											
(V) Special 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				263,799,837.18		21,126,415.81	190,699,248.11	1,048,851,872.46		2,118,400,593.56

### 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 September 8, 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 December 3, 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 May 3, 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 August 9, 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 July 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 April 29 to May 5, 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 May 15, 1997. And the Company exercised the over-allotment options of 15 million shares from May 15 to May 21 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 May 20, 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 December 31, 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 July 8, 2006. And the share reform was completed in August 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 July 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 November 16, 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 December 31, 2013, the share capital of the Company remained unchanged. On April 8, 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 herein have been authorized for issuance by the Board of Directors of the Company on August 17, 2017.

There were 3 subsidiaries included in the consolidated scope at the month-end of June in 2017 while the consolidated scope of the Company remained unchanged over the last period during the Reporting Period.

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## **IV. Basis for the preparation of financial statements**

### **1. Preparation basis**

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 Accounting Standards for Business Enterprises—Basic Standard> issued by the Ministry of Finance with Decree No. 33 and revised with Decree No. 76, the 41 specific accounting standards, the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other regulations issued and revised from 15 Feb. 2006 onwards (hereinafter jointly referred to as “the Accounting Standards for Business Enterprises”, “China Accounting Standards” or “CAS”), as well as 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.

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. Continuation**

There will be no such events or situations in the 12 months from the end of the reporting period that will cause material doubts as to the continuation capability of the Company.

## **V. Significant accounting policies and estimates**

Reminder of the specific accounting policies and estimates:

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### **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 2017, business results and cash flows for the first half year of 2017, 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 January 1 and ends on December 31 of every year according to the Gregorian calendar. The fiscal period of Reporting Period was from January 1 to June 30.

### **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.

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#### **4. Recording currency**

Renminbi is the dominant currency used in the economic circumstances where the Company and its domestic subsidiaries are involved. Therefore, the Company and its domestic subsidiaries use Renminbi as their bookkeeping base currency. And the Company 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 than 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

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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 5<sup>th</sup> 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 Company 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 Company 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 Company's consolidated financial statements, as for the equity interests that the Company 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 Company 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 Company 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 Company and its subsidiaries. A subsidiary is an enterprise or entity controlled by the Company.

Once any changed facts or situations result in any changes to the elements involved in the aforesaid definition of "control", the Company shall carry out a review.

### **(2) Methods for preparing the consolidated financial statements**

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Subsidiaries are fully consolidated from the date on which the Company 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 Company during the preparation of the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company 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 Company 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 Company 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 Company according to the original shareholding percentage in the subsidiary, is recorded in investment gains for the period when the Company'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 Company losses control on its original subsidiaries due to step by step disposal of equity investments through multiple transactions, it need to distinguish the Company 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

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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 Company loses control on its original subsidiaries due to disposal of some equity investments or other reasons” (See the front paragraph) relevant transactions of the Company loses 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 Company 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 Company 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 Company enjoys assets and has to bear liabilities related to the arrangement. A joint venture refers to a joint arrangement where the Company is only entitled to the net assets of the arrangement.

The Company’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 Company, 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 Company’s stake in the joint operation; recognizes the income from sale of the Company’s share in the output of the joint operation; recognizes the income from sale of the joint operation’s outputs according to the Company’s stake in it; and recognizes the expense solely incurred to the Company and the expense incurred to the joint operation according to the Company’s stake in it.

When the Company, 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 Company 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 Company shall fully recognize 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 Company’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



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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 Company over an overseas operation ceases due to disposal of all or some of the Company’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 Company’s equity in an overseas operation decreases due to disposal of some equity investment or other reasons but the Company 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.

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## 10. Financial instruments

The Company 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 Company's financial assets measured at fair value through profit/loss are all transactional financial assets.

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.

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.

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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 Company 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 Company 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 Company 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 Company 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.

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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 Company 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 Company 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

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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 Company 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 Company (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) Offsetting financial assets and financial liabilities

When the Company 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.

(8) 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 Company issues (including refinancing), re-purchases, sells or written-offs the equity instrument as the disposing of the changes of the equity. The Company 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 Company to holders of equity instruments are deducted from shareholders' equity. The Company 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

Judgement 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 (%)
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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**

Is the Company subject to any disclosure requirements for special industries?

No.

### **(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

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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 Company 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.



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## 14. Long-term equity investments

The long-term equity investments of this part refer to the long-term equity investments that the Company has control, joint control or significant influence over the investees. The long-term equity investment that the Company 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 Company 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 Company which could anticipate in the finance and the operation policies 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.

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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.

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 Company, the fair value of equity securities issued by the Company, 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 is not accord with that of the Company, should be adjusted according to the accounting policies of the Company 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 Company 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 Company 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 Company and the investees which belongs to the impairment losses of the transferred assets, should not be neutralized. The assets launched by the Company to the associated enterprises or the joint ventures if

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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 Company 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 Company 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 Company 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 Company 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 Company 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 Company before the first execution of the new accounting criterion on January 1, 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 owing 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.

## 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 Company include the right to use any land which has already been rented; the right to use any land which is held and prepared for transfer after appreciation; and the right to use any building which has already been rented.

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 Company 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 Company shall make a follow-up measurement to the investment real estates by employing the cost pattern on the date of the balance sheet. An accrual depreciation or amortization shall be made for the investment real estates in the light of the accounting policies of the use right of buildings or lands.

Impairment test method and withdrawal method of impairment provision of investment real estates. The Company, on the day of balance sheet, made a judgment on whether there is any sign of possible assets impairment. If any evidence shows that there is possible assets impairment, the recoverable amount of the assets shall be estimated and impairment test shall be conducted. If impairment test result indicates that an asset's recoverable amount is lower than its carrying value, impairment provision shall be made according to its difference and recognized as the impairment loss.

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 Company 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	Depreciation method	Useful year	Salvage ratio	Annual deprecation ratio
Housing and building	Average method of useful life	15-24	2%-4%	4%--6.53%
Special equipment	Average method of	3-15	2%-4%	6.4%--32.67%

	useful life			
General 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 use 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.

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## **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 Company 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 Company 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.

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## **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 Company 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.

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 Company 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 and defined benefit plans. 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 Company 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 Company 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

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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 Company 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 Company 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 contract 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 Company 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.



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① Equity-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 Company 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 Company. 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 Company 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 Company.

On each balance sheet date and the settlement date before the settlement of the relevant liabilities, the Company 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 Company, 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 Company cancel partial or total granted equity instrument.

During the vesting period, if the Company cancels the granted equity instrument, the Company 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 Company.

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

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

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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 Company, 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 Company 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 Company 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 Company 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 Company 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 Company dispose them as the changes of the equities and the relevant transaction expenses are also minus from the equities. The Company disposes the distribution of the holder of the equity instruments as the profits distribution.

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

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## 28. Revenue

Is the Company subject to any disclosure requirements for special industries?

No.

### (1) Revenue from sale of goods

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.

The Company mainly sells paraquat, acephate, glyphosate and other pesticide products as well as sodium hydroxide, ionic membrane caustic soda, pmida and other chemical products. Domestic sales business takes the date of delivering the goods and issuing the invoice as the confirmation time for income; the export business takes the date of loading the goods on board and receiving the bill of lading issued by the carrier as the confirmation time for income.

### (2) Providing labor services

If the Company 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) Royalty revenue

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

### (4) Interest revenue

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

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## **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

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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 Company 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.

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## **(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. Taxes

### 1. Main taxes and tax rates

Category of taxes	Tax basis	Tax rate
VAT	Taxable income	13% 17%
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
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### 2. Tax preference

### 3. Other

Ministry of Finance and State Administration of Taxation have recently issued the Notice about Relevant Policy of simplifying and consolidating VAT Rates (CS [2017] No. 37) that VAT rates structure would be simplified and consolidated and 13% VAT rate would be cancelled from July 1, 2017. The VAT rate of pesticide products of the Company will drop from original 13% to 11% from July 1, 2017.

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

### 1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Bank deposits	593,692,771.30	539,470,064.75
Other monetary funds	6,820,000.00	7,800,000.00
Total	600,512,771.30	547,270,064.75

Other notes:

On June 30, 2017, the Company's monetary fund whose ownership was limited is RMB6,820,000.00. All are the margin for bank acceptance bills.

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

Unit: RMB

Item	Closing balance	Opening balance
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Other notes:

### 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	34,000,716.79	91,784,604.58
Total	34,000,716.79	91,784,604.58

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

Unit: RMB

Item	Amount
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#### (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	335,888,576.86	
Total	335,888,576.86	

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

Unit: RMB

Item	Amount of the notes transferred to accounts receivable at the period-end
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Other notes

### 5. Accounts receivable

#### (1) Accounts receivable disclosed by category

Unit: RMB

Category	Closing balance	Opening balance
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	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 withdrawn bad debt provision according to credit risks characteristics	453,083,778.02	99.87%	31,806,949.58	7.02%	421,276,828.44	228,550,726.13	99.74%	19,942,370.20	8.73%	208,608,355.93
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	584,457.52	0.13%	584,457.52	100.00%		584,457.52	0.26%	584,457.52	100.00%	
Total	453,668,235.54	100.00%	32,391,407.10		421,276,828.44	229,135,183.65	100.00%	20,526,827.72		208,608,355.93

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
Sub-item within 1 year			
Within 1 year	438,362,789.92	21,918,139.51	5.00%
Subtotal within 1 year	438,362,789.92	21,918,139.51	5.00%
1 to 2 years	3,908,930.09	390,893.01	10.00%
2 to 3 years	1,507,706.92	452,312.07	30.00%
3 to 4 years	517,492.20	258,746.10	50.00%
Over 5 years	8,786,858.89	8,786,858.89	100.00%
Total	453,083,778.02	31,806,949.58	7.02%

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)	Year end balance
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units)	Accounts receivable	Bad debt provision	Withdraw proportion	Withdraw reason
Jiangxi Nanchang Red Valley Plant Protection Center	584,457.52	584,457.52	100.00%	No result after multiple collection and estimate to be unable to take back
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 RMB 11,864,579.38; 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:

Unit: RMB

Name of the units	Reversed or collected amount	Method
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## (3) The actual write-off accounts receivable

Unit: RMB

Item	Amount
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Of which the significant actual write-off accounts receivable:

Unit: RMB

Name of the units	Nature	Amount	Reason	Process	Whether occurred from the related transactions
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Notes of the write-off the accounts receivable:

## (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 end balance of the accounts receivable (%)	Bad debt provision
Customer receivable A	36,741,513.90	Within 1 year	8.10%	1,837,075.70
Customer receivable B	34,181,383.50	Within 1 year	7.53%	1,709,069.18
Customer receivable C	27,741,168.00	Within 1 year	6.11%	1,387,058.40
Customer receivable D	16,907,547.52	Within 1 year	3.73%	845,377.38
Customer receivable E	15,780,206.07	Within 1 year	3.48%	789,010.30
Total	131,351,818.99		28.95%	6,567,590.95

(5) Account receivable which terminate the recognition owing 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

Other notes:

## 6. Prepayment

(1) List by aging analysis:

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	24,660,997.21	99.69%	41,952,017.29	99.86%
Over 3 years	60,417.69	0.31%	60,417.69	0.14%
Total	24,721,414.90	--	42,012,434.98	--

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	5,084,014.82	Within 1 year	20.57%
Supplier B	5,000,000.00	Within 1 year	20.23%
Supplier C	2,736,000.00	Within 1 year	11.07%
Supplier D	2,308,799.83	Within 1 year	9.34%
Supplier E	1,355,408.98	Within 1 year	5.48%
Total	16,484,223.63		66.68%

Other notes:

## 7. Interest receivable

(1) Category of interest receivable

Unit: RMB

Item	Closing balance	Opening balance
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## (2) Significant overdue interest

Borrower	Closing balance	Overdue time	Reason	Whether occurred impairment and its judgment basis
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Other notes:

## 8. Dividend receivable

### (1) Dividend receivable

Unit: RMB

Item (or investees)	Closing balance	Opening balance
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### (2) Significant dividend receivable aged over 1 year

Unit: RMB

Item (or investees)	Closing balance	Aging	Reason	Whether occurred impairment and its judgment basis
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Other notes:

## 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	10,689,158.60	100.00%	5,641,365.44	52.78%	5,047,793.16	18,292,811.73	100.00%	5,543,317.88	30.30%	12,749,493.85
Total	10,689,158.60	100.00%	5,641,365.44	52.78%	5,047,793.16	18,292,811.73	100.00%	5,543,317.88	30.30%	12,749,493.85

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
Sub-item within 1 year			
Within 1 year	767,352.96	38,367.65	5.00%
Subtotal within 1 year	767,352.96	38,367.65	5.00%
1 to 2 years	2,681,272.00	268,127.20	10.00%
4 to 5 years	267,784.57	133,892.28	50.00%
Over 5 years	5,200,978.31	5,200,978.31	100.00%
Total	8,917,387.84	5,641,365.44	63.26%

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		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Non-risk group(Export tax refunds)	1,771,770.76		
Total	1,771,770.76		

## (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 RMB 98,047.56; 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:

Unit: RMB

Name of units	Reversed or collected amount	Method
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## (3) The actual write-off other accounts receivable

Unit: RMB

Item	Amount
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Of which the significant write-off other accounts receivable:

Unit: RMB

Name of units	Nature	Amount	Reason	Process	Whether occurred from the related transactions
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Notes of write-off other accounts receivable:

**(4) Other accounts receivable classified by the nature of accounts**

Unit: RMB

Nature	Closing book balance	Opening book balance
Export tax refunds	1,771,770.76	8,761,418.15
Liquidation amount of investment fund	3,398,275.80	3,398,275.80
Cash pledge	3,370,000.00	3,370,000.00
Pretty cash	855,392.18	1,454,504.18
Liquidation amount of loans	548,500.00	548,500.00
Other	745,219.86	760,113.60
Total	10,689,158.60	18,292,811.73

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

Unit: RMB

Name of units	Nature	Closing balance	Aging	Proportion of the total end balance of the accounts receivable	Closing balance of bad debt provision
Shantou Biyue Plastic Co., Ltd.	Settlement payment for investment accounts	3,125,000.00	Over 5 years	29.24%	3,125,000.00
Shanghai COSCO Logistics Co., Ltd	Cash pledge	2,670,000.00	1 to 2 years	24.98%	267,000.00
Jingzhou Center Subtreasury of State Treasury	Export rebates	1,771,770.76	Within 1 year	16.58%	
Hubei Jingzhou Shashi Agricultural Production Materials Co., Ltd.	Settlement payment for goods	548,500.00	Over 5 years	5.13%	548,500.00
Jingzhou Safety Production	Cash pledge	300,000.00	Over 5 years	2.81%	300,000.00

Supervision Bureau					
Total	--	8,415,270.76	--	78.74%	4,240,500.00

**(6) Accounts receivable involved with government subsidies**

Unit: RMB

Name of units	Project of government subsidies	Closing balance	Closing age	Estimated received time, amount and basis
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**(7) Other account receivable which terminate the recognition owing to the transfer of the financial assets**

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

Other notes:

**10. Inventory**

Whether does the Company need to abide by the disclosure requirement in special industry?

No

**(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	47,381,034.36	1,283,210.67	46,097,823.69	42,586,367.82	1,606,405.33	40,979,962.49
Goods in process	78,808,683.48	130,107.14	78,678,576.34	49,702,198.94	1,642,456.76	48,059,742.18
Inventory goods	72,867,838.55	1,543,359.01	71,324,479.54	85,851,536.06	1,250,433.70	84,601,102.36
Total	199,057,556.39	2,956,676.82	196,100,879.57	178,140,102.82	4,499,295.79	173,640,807.03

Whether the Company is required to comply with the *Shenzhen Stock Exchange Industry Information Disclosure Guidelines No. 4 - Listed Companies Engaged In Seed Industry, Planting Business* disclosure requirements

No

**(2) Falling price reserves of inventory**

Unit: RMB

Item	Opening balance	Increased amount		Decreased amount		Closing balance
		Withdrawal	Other	Reverse or write-off	Other	

Raw materials	1,606,405.33	1,283,210.67		1,606,405.33		1,283,210.67
Goods in process	1,642,456.76	130,107.14		1,642,456.76		130,107.14
Inventory goods	1,250,433.70	1,543,359.01		1,250,433.70		1,543,359.01
Total	4,499,295.79	2,956,676.82		4,499,295.79		2,956,676.82
Item	Specific basis of withdrawal of falling price reserves of inventory		Reasons for reversal		Reasons for write-off	
Raw materials	The net realizable value lower than the cost				Consumed	
Goods in process	The net realizable value lower than the cost				Consumed	
Inventory goods	The net realizable value lower than the cost				Sold	

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

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

Unit: RMB

Item	Amount
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Other notes:

**11. Assets divided as held-to-sold**

Unit: RMB

Item	Closing book value	Fair value	Estimated disposal expense	Estimated disposal time
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Other notes:

**12. Non-current assets due within 1 year**

Unit: RMB

Item	Closing balance	Opening balance
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Other notes:

**13. Other current assets**

Unit: RMB

Item	Closing balance	Opening balance
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Input tax to be deducted	4,205,149.22	9,779,875.26
Tax prepayments	405,429.29	5,042,224.31
Carbon emission right	490,319.48	696,123.68
Total	5,100,897.99	15,518,223.25

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	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Available-for-sale equity instruments	20,564,000.00	11,991,017.37	8,572,982.63	20,564,000.00	11,991,017.37	8,572,982.63
Measured by cost	20,564,000.00	11,991,017.37	8,572,982.63	20,564,000.00	11,991,017.37	8,572,982.63
Total	20,564,000.00	11,991,017.37	8,572,982.63	20,564,000.00	11,991,017.37	8,572,982.63

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

Unit: RMB

Category of the available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale liabilities instruments		Total
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##### (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
	Period-beg in	Increase	Decrease	Period-end	Period-beg in	Increase	Decrease	Period-end		
Hubei Bank	20,000,000.00			20,000,000.00	11,991,017.37			11,991,017.37	0.71%	
Hubei Shendian Auto Motor Co.,	564,000.00			564,000.00					0.60%	

Ltd.										
Total	20,564,000.00			20,564,000.00	11,991,017.37			11,991,017.37	--	

#### (4) Changes of the Impairment of the Available-for-sale Financial Assets during the Reporting Period

Unit: RMB

Category of available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale debt instruments		Total
Opening impairment balance that has been accrued	11,991,017.37			11,991,017.37
Closing impairment balance that has been accrued	11,991,017.37			11,991,017.37

#### (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

Unit: RMB

Item of available-for-sale equity instruments	Cost of investment	Closing fair value	The falling range of fair value relative to the cost	How long it is falling continuously (month)	Impairment balance that has been accrued	Reason for no provision for impairment
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Other notes

### 15. Investment Held-to-maturity

#### (1) List of Investment Held-to-maturity

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value

#### (2) Significant Investment Held-to-maturity at the End of the Reporting Period

Unit: RMB

Item	Book value	Coupon rate	Actual interest rate	Due date
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### (3) The Current Reclassified Investment Held-to-maturity

Other notes

## 16. Long-term Accounts Receivable

### (1) List of Long-term Accounts Receivable

Unit: RMB

Item	Closing balance			Opening balance			Interval of discount rate
	Book balance	Bad-debt provision	Book value	Book balance	Bad-debt provision	Book value	

### (2) Long-term Accounts Receivable derecognized for the transfer of financial assets

### (3) Amount of Assets and Liabilities Generated from the Transfer of Long-term Accounts Receivable and Continuous involvement

Other notes

## 17. Long-term Equity Investment

Unit: RMB

Investees	Opening balance	Increase/decrease								Closing balance	Closing balance of impairment provision
		Additional investment	Reduced investment	Gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
I. Joint ventures											
II. Associated enterprises											

Other notes

## 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	3,212,317.22			3,212,317.22
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	3,369,427.10			3,369,427.10
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	4,565,415.90			4,565,415.90
2. Opening book value	4,722,525.78			4,722,525.78

## (2) Investment Property Adopted Fair Value Measurement Mode

☐ Applicable ☒ Not applicable

## (3) Details of Investment Property Failed to Accomplish Certification of Property

Unit: RMB

Item	Book value	Reason
A set of housing in Hubei Building of Shenzhen	3,312,483.62	Built from raised funds with collective property certificate

Other notes

## 19. Fixed Assets

### (1) List of Fixed Assets

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Total	Item
I. Original book value					
1. Opening balance	933,884,424.75	1,967,850,673.56	9,270,190.30	35,171,605.41	2,946,176,894.02
2. Increased amount of the period	1,647,295.28	24,728,652.39			26,375,947.67
(1) Purchase	1,647,295.28	6,907,530.19			8,554,825.47
(2) Transfer of		17,821,122.20			17,821,122.20

project under construction					
(3) Increased from enterprise merger					
3. Decreased amount of the period		1,162,170.19			
(1) Disposal or Scrap		1,162,170.19			
4. Closing balance	935,531,720.03	1,991,417,155.76	9,270,190.30	35,171,605.41	2,971,390,671.50
II. Accumulative depreciation					
1. Opening balance	269,190,698.86	969,815,184.97	6,495,244.48	33,380,133.90	1,278,881,262.21
2. Increased amount of the period	19,462,116.04	90,590,337.96	355,409.10	318,830.54	110,726,693.64
(1) Withdrawal	19,462,116.04	90,590,337.96	355,409.10	318,830.54	110,726,693.64
3. Decreased amount of the period		741,428.10			741,428.10
(1) Disposal or Scrap		741,428.10			741,428.10
4. Closing balance	288,652,814.90	1,059,664,094.83	6,850,653.58	33,698,964.44	1,388,866,527.75
III. Depreciation reserves					
1. Opening balance	2,848,203.34	59,991,220.30		82,995.62	62,922,419.26
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	59,991,220.30		82,995.62	62,922,419.26
IV. Book value					
1. Closing book value	644,030,701.79	871,761,840.63	2,419,536.72	1,389,645.35	1,519,601,724.49
2. Opening book value	661,845,522.55	938,044,268.29	2,774,945.82	1,708,475.89	1,604,373,212.55

## (2) List of Temporarily Idle Fixed Assets

Unit: RMB

Item	Original book value	Accumulative depreciation	Impairment provision	Book value	Notes
Houses and buildings	5,531,028.88	3,722,843.08	1,757,484.71	50,701.09	

## (3) Fixed Assets Leased in from Financing Lease

Unit: RMB

Item	Original book value	Accumulative depreciation	Impairment provision	Book value
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## (4) Fixed Assets Leased out from Operation Lease

Unit: RMB

Item	Closing book value
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## (5) Details of Fixed Assets Failed to Accomplish Certification of Property

Unit: RMB

Item	Book value	Reason
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Other notes

## 20. Construction in Progress

### (1) List of Construction in Progress

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value

		provision			provision	
Relocation of ion film electrolyser of electrochemical plant				10,391,878.97		10,391,878.97
116 acres public engineering projects in Sanonda new area southeast corner	3,544,791.85		3,544,791.85	3,482,421.95		3,482,421.95
Herbicide factory PMIDA Alkaline hydrolysis continuous pilot project				2,098,889.42		2,098,889.42
Project of interval moving, upgrading and transformation of pesticide products	3,129,857.53		3,129,857.53	1,972,012.90		1,972,012.90
Pilot project of continuous oxidation of glyphosate in herbicide factories	1,830,815.14		1,830,815.14	1,338,675.84		1,338,675.84
Sewage disposal project which is the supporting project of ion membrane	5,499,906.56		5,499,906.56	438,777.48		438,777.48
Project of 5000 tons newly developed pesticide products	795,159.35		795,159.35			
Overhaul of the salted salt mine No. 9-10 and upgrading and transformation of brine pumps	2,106,855.03		2,106,855.03			



Project of pretreatment of 1000 cubic meters water due to increased pyroelectricity	2,560,137.55		2,560,137.55			
Other	3,058,985.35		3,058,985.35	1,502,599.81		1,502,599.81
Total	22,526,508.36		22,526,508.36	21,225,256.37		21,225,256.37

## (2) Changes of Significant Construction in Progress

Unit: RMB

Name of item	Estimated number	Opening balance	Increase	Amount that transferred to fixed assets of the period	Other decrease d amount of the period	Closing balance	Proportion estimate d 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
Project of interval moving, upgrading and transformation of pesticide products	1,509,420,000.00	1,972,012.90	1,157,844.63			3,129,857.53	0.21%	0.21%	758,271.37	754,956.06	1.20%	Loans from financial institutions
Project of 5000 tons newly developed pesticide products	131,900,000.00	244,339.62	550,819.73			795,159.35	0.60%	0.60%	415.28			Loans from financial institutions
Sewage	5,390,00	438,777.	5,061,12			5,499,90	102.04%	98%				Other

disposal project which is the supporting project of ion membrane	0.00	48	9.08			6.56						
Overhaul of the salted salt mine No. 9-10 and upgrading and transformation of brine pumps	2,500,000.00		2,106,855.03			2,106,855.03	84.27%	84.27%				Other
Project of pretreatment of 1000 cubic meters water due to increased pyroelectricity	4,900,000.00		2,560,137.55			2,560,137.55	52.25%	52.25%				Other
Relocation of ion film electrolyser of electrochemical plant	14,000,000.00	10,391,878.97	4,514,250.12	14,906,129.09			106.47%	100%	17,662.22			Loans from financial institutions

116 acres public engineeri ng projects in Sanonda new area southeast corner	6,500,00 0.00	3,482,42 1.95	62,369.9 0			3,544,79 1.85	54.54%	54.54%				Other
Chlorine liquefact ion safe renovati on on SIS system in chlor-alk ali plants	1,190,00 0.00	700,721. 16	102,761. 17	803,482. 33			67.52%	100%				Other
Pilot project of continuo us oxidatio n of glyphosa te in herbicide factories	3,810,00 0.00	1,338,67 5.84	492,139. 30			1,830,81 5.14	48.05%	48.05%				Other
Herbicid e factory PMIDA Alkaline hydrolys is continuo us pilot project	1,820,00 0.00	2,098,88 9.42	12,621.3 6	2,111,51 0.78			116.02%	100%				Other
Total	1,681,43 0,000.00	20,667,7 17.34	16,620,9 27.87	17,821,1 22.20		19,467,5 23.01	--	--	776,348. 87	754,956. 06		--

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**(3) List of the Withdrawal of the Impairment Provision of the Construction in Progress**

Unit: RMB

Item	Amount of provision	Reason of provision
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Other notes

**21. Engineering Material**

Unit: RMB

Item	Closing balance	Opening balance
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Other notes:

**22. Liquidation of Fixed Assets**

Unit: RMB

Item	Closing balance	Opening balance
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Other notes:

**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 balance	277,213,484.07		18,743,699.96	2,500.00	295,959,684.03

2. Increased amount of the period	342,342.34				342,342.34
(1) Purchase	342,342.34				342,342.34
(2) Internal R & D					
(3) Increased from enterprise merger					
3. Decreased amount of the period					
(1) Disposal					
4. Closing balance	277,555,826.41		18,743,699.96	2,500.00	296,302,026.37
II. Total accrued amortization					
1. Opening balance	46,430,446.71		9,690,557.14	2,500.00	56,123,503.85
2. Increased amount of the period	2,457,968.58		655,653.06		3,113,621.64
(1) Withdrawal	2,457,968.58		655,653.06		3,113,621.64
3. Decreased amount of the period					
(1) Disposal					
4. Closing balance	48,888,415.29		10,346,210.20	2,500.00	59,237,125.49
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	196,595,317.59		8,397,489.76		204,992,807.35
2. Opening book value	198,710,943.83		9,053,142.82		207,764,086.65

The proportion of the intangible assets formed from the internal R&D through the Company among the balance of the intangible assets at the period-end is 000%.

## (2) Details of Fixed Assets Failed to Accomplish Certification of Land Use Right

Unit: RMB

Item	Book value	Reason
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Other notes:

## 26. R&D Expenses

Unit: RMB

Item	Opening balance	Current increased amount	Current decreased amount	Closing balance
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Other notes

## 27. Goodwill

### (1) Original Book Value of Goodwill

Unit: RMB

Name of the invested units or events generating goodwill	Opening balance	Increase	Decrease	Closing balance
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### (2) Impairment Provision of Goodwill

Unit: RMB

Name of the invested units or events generating goodwill	Opening balance	Increase	Decrease	Closing balance
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Notes to the recognition methods of the goodwill impairment test process, parameters and goodwill impairment losses:

Other notes

## 28. Long-term Unamortized Expenses

Unit: RMB

Item	Opening balance	Increased amount	Amortization amount	Decreased amount	Closing balance
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Other notes

## 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 provision	102,239,152.30	25,559,788.07	92,213,844.52	23,053,461.13
Deductible losses			65,860,327.38	16,465,081.85
Total	102,239,152.30	25,559,788.07	158,074,171.90	39,518,542.98

### (2) Deferred Income Tax Liabilities Had Not Been Off-set

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities

### (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
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Deferred income tax assets		25,559,788.07		39,518,542.98
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#### (4) List of unrecognized deferred income tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary difference	45,735,826.97	45,341,127.03
Deductible losses	26,784,883.88	53,156,470.45
Total	72,520,710.85	98,497,597.48

#### (5) Deductible Losses of Unrecognized Deferred Income Tax Assets Will Due the Following Years

Unit: RMB

Years	Closing balance	Opening balance	Notes
Y 2018		7,749,910.75	
Y 2019	12,203,484.86	30,825,160.68	
Y 2020			
Y 2021	14,581,399.02	14,581,399.02	
Total	26,784,883.88	53,156,470.45	--

Other notes:

### 30. Other Non-current Assets

Unit: RMB

Item	Closing balance	Opening balance
Land prepayments	11,000,000.00	5,000,000.00
Prepayment for sewage disposal technology	2,823,207.46	2,123,207.46
Total	13,823,207.46	7,123,207.46

Other notes:

### 31. Short-term Loans

#### (1) Category of Short-term Loans

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed loan	50,000,000.00	



Total	50,000,000.00	0.00
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Notes of short-term loans category:

The Company guaranteed that the loans were acquired after being secured by Jingzhou Sanonda Co., Ltd., China National Agrochemical Corporation and China National Chemical Corporation.

## (2) List of the Short-term Loans Overdue but Not Return

The amount of the overdue unpaid short-term loans at the period-end was of RMB000, of which the significant overdue unpaid short-term loans are as follows:

Unit: RMB

Borrower	Closing balance	Lending rate	Overdue time	Overdue rate
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Other notes:

## 32. Financial Liabilities Measured by Fair Value and the Changes Included in the Current Gains and Losses

Unit: RMB

Item	Closing balance	Opening balance
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Other notes:

## 33. Derivative Financial Liabilities

☐ Applicable ☒ Not applicable

## 34. Notes Payable

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance bill	34,100,000.00	26,000,000.00
Total	34,100,000.00	26,000,000.00

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	168,206,753.38	130,311,746.47
1 to 2 years	9,132,422.69	11,630,966.51

2-3years	1,021,616.37	21,934,800.22
Over 3 years	5,215,040.54	5,304,996.84
Total	183,575,832.98	169,182,510.04

## (2) Notes of the Accounts Payable Aging over One Year

Unit: RMB

Item	Closing balance	Unpaid/ Un-carry-over reason
Dalian Haiyeet Heavy Industry Co., Ltd.	7,200,000.00	Unsettled
Jiangsu Leke Energy-saving Technology Co., Ltd.	390,000.00	Unsettled
Yueyang Zhongnan Chemical Engineering Construction Co., Ltd.	449,065.00	Unsettled
Total	8,039,065.00	--

Other notes:

## 36. Advance from Customers

### (1) List of Advance from Customers

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	16,020,102.37	29,775,692.05
1 to 2 years	618,012.16	1,133,842.23
2-3years	256,691.03	97,504.64
Over 3 years	1,752,095.80	1,658,558.73
Total	18,646,901.36	32,665,597.65

### (2) Significant Advance from Customers Aging over One Year

Unit: RMB

Item	Closing balance	Unpaid/ Un-carry-over reason
Retailer A	144,647.00	Unsettled
Retailer B	136,150.52	Unsettled
Retailer C	129,250.00	Unsettled
Retailer D	111,800.00	Unsettled
Retailer E	100,000.00	Unsettled
Total	621,847.52	--

**(3) Particulars of Settled but Unfinished Projects Formed by Construction Contract at Period-end.**

Unit: RMB

Item	Amount
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Other notes:

**37. Payroll Payable****(1) List of Payroll Payable**

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term salary	24,693,516.37	74,602,716.98	86,766,093.13	12,530,140.22
II. Post-employment benefit-defined contribution plans	5,475,861.71	12,677,387.53	14,576,080.50	3,577,168.74
III. Termination benefits		204,335.50	204,335.50	
Total	30,169,378.08	87,484,440.01	101,546,509.13	16,107,308.96

**(2) List of Short-term Salary**

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, subsidy	20,308,241.70	59,036,419.94	69,417,219.67	9,927,441.97
2. Employee welfare		3,694,339.91	3,694,339.91	
3. Social insurance	2,061,992.23	4,949,525.87	5,698,089.49	1,313,428.61
Of which: Medical insurance premiums	1,763,857.90	4,090,282.50	4,819,085.20	1,035,055.20
Work-related injury insurance	227,580.03	657,199.10	672,275.86	212,503.27
Maternity insurance	70,554.30	202,044.27	206,728.43	65,870.14
4. Housing fund	2,223,282.44	6,622,431.26	7,656,444.06	1,189,269.64
5. Labor union budget and employee education budget	100,000.00	300,000.00	300,000.00	100,000.00
Total	24,693,516.37	74,602,716.98	86,766,093.13	12,530,140.22

### (3) List of Drawing Scheme

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Basic pension benefits	4,762,416.33	9,775,712.56	11,437,980.84	3,100,148.05
2. Unemployment insurance	176,384.83	364,734.45	421,858.87	119,260.41
3. Annuity	537,060.55	2,536,940.52	2,716,240.79	357,760.28
Total	5,475,861.71	12,677,387.53	14,576,080.50	3,577,168.74

Other notes:

### 38. Taxes Payable

Unit: RMB

Item	Closing balance	Opening balance
VAT	22,368,026.09	8,450,218.33
Corporate income tax	16,938,388.80	7,659,102.97
Personal income tax	140,205.05	66,040.48
Urban maintenance and construction tax	190,879.27	581,774.73
Resource tax	70,456.17	50,494.23
Property tax	511,845.33	1,205,340.94
Land use tax	251,682.42	31,682.42
Education Surcharge	81,805.42	249,332.03
Others	185,999.71	178,336.48
Total	40,739,288.26	18,472,322.61

Other notes:

### 39. Interest Payable

Unit: RMB

Item	Closing balance	Opening balance
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List of the significant overdue unpaid interest:

Unit: RMB

Borrower	Overdue amount	Overdue reasons
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Other notes:

#### 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
Margin	822,200.00	100,741,400.00
Agency fee	43,302,376.35	45,874,730.25
Carriage	8,852,456.42	6,245,490.86
Sewage charge	5,315,955.00	1,763,989.00
Local charge	4,225,501.35	1,657,798.55
Cash pledge	2,251,800.11	1,636,263.11
Export price difference	1,246,035.32	1,190,027.40
Commission	2,009,315.51	692,702.44
Others	16,226,102.31	5,356,244.32
Total	84,251,742.37	165,158,645.93

##### (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
Jingzhou Xintaida Logistics Co., Ltd.	300,000.00	Cash pledge
Qichun County Bureau for State-owned Assets	300,270.90	Unsettled
Jingzhou Agricultural & Technology Co., Ltd.	300,000.00	Cash pledge
Total	1,500,270.90	--

Other notes

## 42. Liabilities Classified as Holding for Sale

Unit: RMB

Item	Closing balance	Opening balance
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Other notes:

## 43. Non-current Liabilities Due within 1 Year

Unit: RMB

Item	Closing balance	Opening balance
Long-term loans due within 1 year	139,090,000.00	147,000,000.00
Total	139,090,000.00	147,000,000.00

Other notes:

## 44. Other Current Liabilities

Unit: RMB

Item	Closing balance	Opening balance
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Increase/decrease of the short-term bonds payable:

Unit: RMB

Bonds name	Face value	Issuing date	Bonds maturity	Amount	Opening balance	The current issue	Withdraw interest by face value	Overflow discount amortization	Pay in current period		Closing balance
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Other notes:

## 45. Long-term Loan

### (1) Category of Long-term Loan

Unit: RMB

Item	Closing balance	Opening balance
Guaranteed loan	291,090,000.00	343,590,000.00
Less: Long-term loans due within 1 year	-139,090,000.00	-147,000,000.00
Total	152,000,000.00	196,590,000.00

Notes of short-term loans category:

Other notes including interest rate range:

## 46. Bonds Payable

### (1) Bonds Payable

Unit: RMB

Item	Closing balance	Opening balance
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### (2) Increase/Decrease of Bonds Payable (Excluding the Other Financial Instruments Classified as the Preference Shares, Perpetual Capital Securities of the Financial Liabilities)

Unit: RMB

### (3) Notes to the Conditions and Time of the Shares Transfer of the Convertible Corporate Bonds

### (4) Notes to the Other Financial Instruments Classified as Financial Liabilities

Basic situation of outstanding preferred stock, perpetual capital securities and other financial instrument at the period-end

Change in outstanding preferred stock, perpetual capital securities and other financial instrument at the period-end

Unit: RMB

Outstanding financial instrument	Opening period		Increase		Decrease		Closing period	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value

Notes to judgment of other financial instrument classified as financial liabilities

Other notes:

## 47. Long-term Payable

### (1) Long-term Payable

Unit: RMB

Item	Closing balance	Opening balance
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Other notes:

## 48. Long-term Payroll Payable

### (1) Long-term Payroll Payable Chart

Unit: RMB

Item	Closing balance	Opening balance
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### (2) List of the Changes of Defined Benefit Plans

Obligation present value of defined benefit plans:

Unit: RMB

Item	Reporting period	Same period of last year
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Plan assets:

Unit: RMB

Item	Reporting period	Same period of last year
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Liabilities (net assets) of defined benefit plans:

Unit: RMB

Item	Reporting period	Same period of last year
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Notes of influence of content of defined benefit plans and its relevant risks to the future cash flow, time and uncertainty of the Company:

Notes to the results of significant actuarial assumptions and sensitivity analysis of defined benefit plans:

Other notes:

#### 49. Special Payable

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance	Reasons
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Other notes:

#### 50. Accrued Liabilities

Unit: RMB

Item	Closing balance	Opening balance	Reasons
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Other notes, including significant assumptions, valuation explanation related to significant estimated liabilities:

#### 51. Deferred Revenue

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance	Reason
Government subsidies	22,566,887.73		2,001,600.44	20,565,287.29	
Total	22,566,887.73		2,001,600.44	20,565,287.29	--

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
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Land compensates	7,509,850.67		77,156.00		7,432,694.67	Related to the assets
Pyridine project subsidies	5,900,000.03		491,666.66		5,408,333.37	Related to the assets
Special fund for industry clean production	4,731,481.48		388,888.88		4,342,592.60	Related to the assets
Appropriation for CTC consuming and eliminating project	1,916,666.67		500,000.00		1,416,666.67	Related to the assets
Government Subsidy for Highly toxic pesticide	1,553,333.33		388,333.34		1,164,999.99	Related to the assets
Special fund for management of source of pollution	488,888.86		122,222.22		366,666.64	Related to the assets
Special fund for transferring environmental protection deferred	466,666.69		33,333.34		433,333.35	Related to the assets
Total	22,566,887.73		2,001,600.44		20,565,287.29	--

Other notes:

## 52. Other Non-current Liabilities

Unit: RMB

Item	Closing balance	Opening balance
Project Construction Funds of New District	171,770,450.00	171,770,450.00
Total	171,770,450.00	171,770,450.00

Other notes:

The money was project loans to the Company by Jingzhou Sanonda Co., Ltd. for the Company's project of overall relocation, upgrading and reconstruction of the old plant.

## 53. Share Capital

Unit: RMB

	Opening balance	Increase/decrease (+/-)					Closing balance
		New shares issued	Bonus shares	Capitalized Capital reserves	Others	Subtotal	
The sum of shares	593,923,220.00						593,923,220.00

Other notes:

## 54. Other Equity Instruments

**(1) The Basic Information of Other Financial Instruments such as Preferred Stock and Perpetual Bond Outstanding at the End of the Period**

**(2) The Statement of Changes in Financial Instruments such as Preferred Stock and Perpetual Bond Outstanding at the End of the Period**

Unit: RMB

Outstanding financial instruments	The beginning of the period		Increase		Decrease		The end of the period	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value

The current changes in other equity instruments and the corresponding reasons and the basis of the relevant accounting treatment

Other notes:

## 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

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
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Other notes, including changes and reason of change:

## 57. Other Comprehensive Income

Unit: RMB

Item	Opening balance	Reporting period					Closing balance
		Amount before income tax in current period	Less: recorded in other comprehensive income in prior period and transferred to profit or loss in current period	Less: Income tax expense	Attributable to owners of the Company after tax	Attributable to minority shareholders after tax	

Other explanation, including the active part of the hedging gains/losses of cash flow transferred to initial reorganization adjustment for the arbitrated items:

## 58. Special Reserves

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Safety production cost	19,862,463.34	4,180,114.32	3,122,639.59	20,919,938.07
Total	19,862,463.34	4,180,114.32	3,122,639.59	20,919,938.07

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	937,509,613.33	1,026,847,680.37
Opening balance of retained profits after	937,509,613.33	1,026,847,680.37

adjustments		
Add: Net profit attributable to owners of the Company	169,191,443.71	16,807,555.50
Dividend of common stock payable		14,848,080.50
Closing retained profits	1,106,701,057.04	1,028,807,155.37

List of adjustment of opening retained profits:

- 1) RMB000 opening retained profits was affected by retrospective adjustment conducted according to the Accounting Standards for Business Enterprises and relevant new regulations.
- 2) RMB000 opening retained profits was affected by changes on accounting policies.
- 3) RMB000 opening retained profits was affected by correction of significant accounting errors.
- 4) RMB000 opening retained profits was affected by changes in combination scope arising from same control.
- 5) RMB000 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	1,441,525,223.01	1,078,264,538.46	988,076,337.88	843,037,392.01
Other operations	24,177,967.31	22,920,202.41	17,620,819.62	16,150,709.98
Total	1,465,703,190.32	1,101,184,740.87	1,005,697,157.50	859,188,101.99

## 62. Business Tax and Surcharges

Unit: RMB

Item	Reporting Period	Same period of last year
Urban maintenance and construction tax	2,696,165.03	2,228,193.13
Education Surcharge	1,155,499.32	955,073.55
Property tax	2,651,474.93	
Land use tax	1,386,777.28	
Stamp duty	442,172.70	
Business tax		33,784.15
Local education surtax	577,749.68	636,224.36
Total	8,909,838.94	3,853,275.19

Other notes:

### 63. Sale Expenses

Unit: RMB

Item	Reporting Period	Same period of last year
Transport fees	25,332,755.59	22,966,420.71
Export fees	12,765,495.88	14,602,368.29
Employee's remuneration	506,967.64	1,441,738.11
Handling charges	1,458,819.47	2,333,120.54
Advertising and general publicity expense	358,490.57	263,118.74
Premium	900,950.07	282,610.60
Three certificates fees	570,837.98	201,787.23
Others	4,677,414.85	3,151,777.54
Total	46,571,732.05	45,242,941.76

Other notes:

### 64. Administration Expenses

Unit: RMB

Item	Reporting Period	Same period of last year
Employee's remuneration	22,238,067.47	22,260,863.72
Agency fees	2,235,945.58	1,219,026.73
Depreciation charge	3,268,218.46	3,772,945.90
Amortization of intangible assets	2,637,968.58	2,698,734.74
Business entertainment fees	735,689.78	786,854.26
Asset insurance fees	1,858,783.89	1,889,026.78
Water & electricity fees	450,819.96	783,891.98
Office expenses	604,499.30	935,883.71
Amortization of low-price consumables	433,537.25	964,702.64
Business travel charges	706,986.29	492,985.72
Repair charge	898,267.33	573,175.06
Rental fee	827,548.00	550,048.00
Loss on work stoppages	11,110,295.82	26,150,123.83
Others	8,019,956.77	6,065,676.22
Total	56,026,584.48	69,143,939.29

Other notes:

## 65. Financial Expenses

Unit: RMB

Item	Reporting Period	Same period of last year
Interest expenses	8,968,102.57	13,239,292.71
Less: interest income	1,443,872.67	2,195,939.30
Exchange gains and losses	15,004,542.22	-8,178,880.68
Others	545,281.14	1,079,524.35
Total	23,074,053.26	3,943,997.08

Other notes:

## 66. Asset Impairment Loss

Unit: RMB

Item	Reporting Period	Same period of last year
I. Bad debt loss	11,962,626.94	12,408,371.76
II. Inventory falling price loss	2,956,676.82	2,764,971.24
Total	14,919,303.76	15,173,343.00

Other notes:

## 67. Gains and Losses from Changes in Fair Value

Unit: RMB

Sources of changes in fair value gains	Reporting period	Same period of last year
Changes in fair value of carbon emission permit	-205,804.20	
Total	-205,804.20	

Other notes:

## 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. Other Income

Unit: RMB

Sources of other income	Reporting period	Same period of last year
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## 70. 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	
Including: Gains from disposal of fixed assets		22,722.11	
Gains from disposal of intangible assets		10,191,481.65	
Government subsidies	3,726,500.44	2,756,200.44	3,726,500.44
Others	37,040.00	912,455.78	37,040.00
Total	3,763,540.44	13,882,859.98	3,763,540.44

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	Yes	No	388,333.34	388,333.34	Related to the assets

			national policy)					
Special fund for management of source of pollution	Jingzhou Environmental Protection Agency	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	122,222.22	122,222.22	Related to the assets
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	574,900.00	654,600.00	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,	Yes	No	500,000.00	500,000.00	Related to the assets



			gained subsidy (obtaining in line with the law and the regulations of national policy)					
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 regulations of national policy)	Yes	No	491,666.66	491,666.66	Related to the assets
Land compensates	Financial Bureau development	Subsidy	Subsidy gained due to confirming	Yes	No	77,156.00	77,156.00	Related to the assets

	zone of Jingzhou		with local government attracting investment and local supportive policy etc.					
Industrial enterprise award capital	Financial Bureau development zone of Jingzhou	Award	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	150,000.00	100,000.00	Related to the income
Fixed assets investment award capital	Financial Bureau development zone of Jingzhou	Award	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	1,000,000.00		Related to the income
Total	--	--	--	--	--	3,726,500.44	2,756,200.44	--

Other notes:

## 71. 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	409,813.84	3,392.65	
Including: Loss on disposal of fixed assets	409,813.84	3,392.65	409,813.84
Others	667,341.00		667,341.00
Total	1,077,154.84	3,392.65	1,077,154.84

Other notes:

## 72. Income Tax Expense

### (1) Lists of Income Tax Expense

Unit: RMB

Item	Reporting Period	Same period of last year
Current income tax expense	34,347,319.74	8,330,820.19
Deferred income tax expense	13,958,754.91	-2,031,845.17
Total	48,306,074.65	6,298,975.02

### (2) Adjustment Process of Accounting Profit and Income Tax Expense

Unit: RMB

Item	Reporting Period
Total profits	217,497,518.36
Current income tax expense accounted by tax and relevant regulations	54,374,379.59
Influence of income tax before adjustment	61,183.45
Influence of not deductible costs, expenses and losses	420,641.33
Influence of deductible losses of unrecognized deferred income tax assets used in previous years	-6,592,896.64
Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in Reporting Period.	42,766.92
Income tax expense	48,306,074.65

Other notes

## 73. Other Comprehensive Income

See note.

## 74. Information of Cash Flow Statement

### (1) Other Cash Received Relevant to Operating Activities:

Unit: RMB

Item	Reporting Period	Same period of last year
Interest income	1,443,872.67	2,195,939.30
Allowance payment and others	1,228,116.83	1,585,050.88
Government subsidy	1,724,900.00	754,600.00

Total	4,396,889.50	4,535,590.18
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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	32,287,435.27	22,966,420.71
Export fees	2,201,871.17	1,881,284.03
Handling charges	1,458,819.47	2,333,120.54
Business entertainment fees	1,178,558.92	1,291,244.83
Office expenses	1,078,253.74	1,436,928.17
Premium	1,925,521.82	2,171,637.38
Business travel charges	791,318.91	954,517.82
Rental fees	1,218,163.09	1,355,804.98
Sewage charge	5,748,034.00	5,764,803.00
Brokerage fee	4,603,267.20	1,050,000.00
Agency fees	3,836,618.96	0.00
Others	9,926,175.87	4,232,493.34
Total	66,254,038.42	45,438,254.80

Note to other cash paid relevant to operating activities:

## (3) Other Cash Received Relevant to Investment Activities

Unit: RMB

Item	Reporting Period	Same period of last year
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Note to other cash received relevant to investment activities:

## (4) Other Cash Paid Relevant to Investment Activity

Unit: RMB

Item	Reporting Period	Same period of last year
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Note to other cash paid relevant to investment activities:

## (5) Other Cash Received Relevant to Financing Activities

Unit: RMB

Item	Reporting Period	Same period of last year
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Agricultural Development Bank New District Construction Funds		120,800,000.00
Unfreeze and turn back of cash deposit of note	7,800,000.00	
Total	7,800,000.00	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 cash deposit of note	6,820,000.00	9,000,000.00
Refund of cash deposit	100,000,000.00	
Total	106,820,000.00	9,000,000.00

Note to other cash paid relevant to financing activities:

## 75. 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	169,191,443.71	16,807,555.50
Add: Provision for impairment of assets	14,919,303.76	15,173,343.00
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	110,726,693.64	116,433,547.32
Amortization of intangible assets	3,113,621.64	2,698,734.74
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains: negative)	409,813.84	-10,210,811.11
Losses on changes in fair value (gains: negative)	205,804.20	
Financial cost (gains: negative)	8,968,102.57	13,239,292.71
Investment loss (gains: negative)		-75,504.00
Decrease in deferred income tax assets (gains: negative)	13,958,754.91	-2,031,845.17

Decrease in inventory (gains: negative)	-20,917,453.57	100,935,181.10
Decrease in accounts receivable from operating activities (gains: negative)	-129,891,863.95	-212,292,136.85
Increase in payables from operating activities (decrease: negative)	50,559,318.09	6,041,561.38
Net cash flows generated from operating activities	221,243,538.84	46,718,918.62
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	593,692,771.30	438,050,215.44
Less: Opening balance of cash	539,470,064.75	406,098,208.72
Net increase in cash and cash equivalents	54,222,706.55	31,952,006.72

## (2) Net Cash Paid of Obtaining the Subsidiary

Unit: RMB

	Amount
Including:	--
Including:	--
Including:	--

Other notes:

## (3) Net Cash Receive from Disposal of the Subsidiary

Unit: RMB

	Amount
Including:	--
Including:	--
Including:	--

Other notes:

## (4) Cash and Cash Equivalents

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	593,692,771.30	539,470,064.75

II. Bank deposit on demand	593,692,771.30	539,470,064.75
III. Closing balance of cash and cash equivalents	593,692,771.30	539,470,064.75

Other notes:

## 76. Note to Items in the Statement of Change in Equity

Particulars about the name of the item of “Other” adjusting last closing balance and the adjustment amount:

## 77. Assets with Restricted Ownership and Right to Use

Unit: RMB

Item	Closing book value	Restricted reason
Monetary capital	6,820,000.00	Cash deposit of bank acceptance
Total	6,820,000.00	--

Other notes:

## 78. Foreign Currency Monetary Items

### (1) Foreign Currency Monetary Items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Including: USD	74,299,986.31	6.7744	503,337,827.26
HKD	0.42	0.8679	0.36
Including: USD	40,565,302.17	6.7744	274,805,583.02

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

## 79. Arbitrage

Disclosure of arbitrage items according to the category of arbitrage and the qualitative and quantitative information of related arbitrage tools and hedging risk:

## 80. Other

### VIII. Change of Consolidation Scope

#### 1. Business Combination Not under the Same Control

##### (1) Business Combination Not under the Same Control during the Reporting Period

Unit: RMB

Name of the acquiree	Time of the acquisition of the stock	Cost of the acquisition of the stock	Proportion of the acquisition of the stock	Way of the acquisition of the stock	Date of acquisition	The determination basis of acquisition date	The income of the acquiree from the acquisition date to the end of the period	The net profit of the acquiree from the acquisition date to the end of the period
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Other notes:

##### (2) Combination Cost and Goodwill

Unit: RMB

Cost of business combination	
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The explanations on the contingent consideration and its changes as well as the determination method of the fair value of the cost of business combination:

The main reason for the formation of large goodwill:

Other notes:

##### (3) The Identifiable Assets and Liabilities of Acquiree at Purchase Date

Unit: RMB

	<table><tr><th>The fair value of the Purchase date</th><th>The book value of the purchase date</th></tr></table>	The fair value of the Purchase date	The book value of the purchase date
The fair value of the Purchase date	The book value of the purchase date		

The determination method of the fair value of the recognizable assets and liabilities:

The contingent liabilities of the acquiree undertaken in business combination:

Other notes:

##### (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) The Explanations on the Situation in which the Merger Price Cannot Be determined Rationally at the Date of Acquisition or the End of the Period of Merger and Explanations on the Fair Value of the Acquiree's Recognizable Assets and Liabilities**

**(6) Other Notes**

**2. Business Combination under the Same Control**

**(1) Business Combination under the Same Control during the Reporting Period**

Unit: RMB

Name of the merged party	Proportion of equity acquired in business combination	Basis of the enterprise merger under the same control	Date of merger	Determination basis of the date of merger	Income of the merged party from the beginning of the period of merger to the date of merger	Net profits of the merged party from the beginning of the period of merger to the date of merger	Income of the merged party during the period of comparison	Net profits of the merged party during the period of comparison
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Other notes:

**(2) Combination Cost**

Unit: RMB

Combination cost	
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Explanations on contingent consideration and its changes:

Other notes:

**(3) The Book Value of the Assets and Liabilities of the Combined Party at Combining Date**

Unit: RMB

	At combining date	At the end of last period

The contingent liabilities of the merged party undertaken in enterprise merger:

Other notes:

**3. Counter Purchase**

The basic information of transactions, the constitutive basis of counter purchase, whether the retained assets and liabilities of listed companies constitute the business or not and the relevant basis, the determination of the cost of merger, the amount and accounting of the equity adjusted when treated as equity transaction:

#### 4. The Disposal of Subsidiary

Whether there is such a situation where the control power of the subsidiary is lost for a single disposal of the investment to the subsidiary

☐ Applicable ☒ Not applicable

Whether there is such a situation where many transactions are made to dispose the investment to the subsidiary in phases losing the control power of it during the report period

☐ Applicable ☒ Not applicable

#### 5. Other Reasons for the Changes in Combination Scope

Explanations on changes in consolidation scope caused by other reasons (such as the establishment of new subsidiary and liquidation of subsidiary) and the relevant information:

#### 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

Unit: RMB

Name	Shareholding proportion of minority shareholder	The profits and losses arbitrate to the minority shareholders	Declaring dividends distribute to minority shareholder	Balance of minority shareholder at closing period
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Holding proportion of minority shareholder in subsidiary different from voting proportion:

Other notes:

## (3) The Main Financial Information of Significant Not Wholly Owned Subsidiary

Unit: RMB

Name	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities

Unit: RMB

Name	Reporting period				The same period of last year			
	Operation revenue	Net profit	Total consolidated income	Cash flow from operating activities	Operation revenue	Net profit	Total consolidated income	Cash flow from operating activities

Other notes:

## (4) Significant Restrictions of Using Enterprise Group Assets and Paying Off Enterprise Group Debt

## (5) Provide Financial Support or Other Support for Structure Entities Incorporate into the Scope of Consolidated Financial Statements

Other notes:

## 2. The Transaction of the Company with Its Owner's Equity Share Changed but Still Controlling the Subsidiary

### (1) Explanations on Changes of Owner's Equity in the Subsidiary

### (2) The Effects of Transactions on Minority Equity and Owner's Equity Attributable to the Parent Company

Unit: RMB

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Other notes

### 3. Equity in Joint Venture Arrangement or Associated Enterprise

#### (1) List of Significant Joint Ventures or Associated Enterprises

Name of the joint venture or associated enterprise	Main place of business	Place of registration	Nature of business	Proportion of shareholding (%)		Accounting treatment method of the investment to the joint venture or associated enterprise
				Directly	Indirectly	

Explanations on the difference between the shareholding proportion and the proportion of voting right in the joint venture or the associated enterprise:

The basis of holding 20% or less of voting right with significant influence and the basis of holding 20% or more of voting right without great impacts:

#### (2) The Main Financial Information of Significant Joint Ventures

Unit: RMB

	Closing balance/amount incurred in the current period	Opening balance/amount incurred in last period

Other notes

#### (3) The Main Financial Information of Significant Associated Enterprises

Unit: RMB

	Closing balance/amount incurred in the current period	Opening balance/amount incurred in last period

Other notes

#### (4) The Summarized Financial Information of Unimportant Joint Ventures and Associated Enterprises

Unit: RMB

	Closing balance/amount incurred in the current period	Opening balance/amount incurred in last period
Joint ventures:	--	--
The total of the following items calculated on the basis of shareholding proportion	--	--
Associated enterprises:	--	--

The total of the following items calculated on the basis of shareholding proportion	--	--
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Other notes

#### **(5) Explanations on Great Limitation of the Ability to Transfer Funds to the Company by Joint Ventures or Associated Enterprises**

#### **(6) Excess Loss Incurred in Joint Ventures or Associated Enterprises**

Unit: RMB

Name of joint venture of associated enterprise	The accumulated unconfirmed losses before the report period	The unconfirmed losses of the report period (or the net profits shared by the current period)	The accumulated unconfirmed losses at the end of the report period
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Other notes

#### **(7) The Unrecognized Commitment Related to the Investment of Joint Ventures**

#### **(8) The Contingent Liabilities Related to the Investment of Joint Ventures or Associated Enterprises**

### **4. Significant Joint Operation**

Name of joint operation	Main places of business	Registration	Nature of business	Proportion of shareholding/shares possessed (%)	
				Directly	Indirectly

Explanations on the difference between the proportion of shareholding or shares possessed and the proportion of voting right in joint operation:

The basis of the classification as joint operation when the joint operation performs as a separated subject:

Other notes

### **5. Equity of Structure Entity Not Including in the Scope of Consolidated Financial Statements**

Explanations on the structured entity not included in the scope of the consolidated financial statements:

### **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 2017, 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	503,337,827.26	256,540,761.65
Account receivable	274,805,583.02	139,549,742.14

The Company keeps an eye on the influence of changes in exchange rate on the Company's foreign exchange risk. At present, the Company does not take any methods to avoid foreign exchange risk.

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 of exchange rate	Reporting Period		Same period of last year	
		Influence on the profits	Influence on equity of shareholders	Influence on the profits	Influence on equity of shareholders
Cash, cash equivalents and account receivable	Up 1% against RMB	-1,148,652.88	-1,148,652.88	-516,161.28	-516,161.28
Cash, cash equivalents and account receivable	Down 1% against RMB	1,148,652.88	1,148,652.88	516,161.28	516,161.28

#### (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	
		Influence on the profits	Influence on equity of shareholders	Influence on the profits	Influence on equity of shareholders
Long-term borrowings	Increase 1%	-3,410,900.00	-3,410,900.00	-5,440,900.00	-5,440,900.00
Long-term borrowings	Decrease 1%	3,410,900.00	3,410,900.00	5,440,900.00	5,440,900.00

## 2. Credit Risk

On 30 June 2017, 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 collections failed, the Company had fully withdrawn 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 2017, the unused bank loan of the Company was RMB883.90 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
Long-term borrowings	139,090,000.00	152,000,000.00		
Short-term borrowings	50,000,000.00			

## (II) Financial Assets Transfer

No such cases during Reporting Period.

## XI. The Disclosure of the Fair Value

### 1. Closing Fair Value of Assets and Liabilities Calculated by Fair Value

Unit: RMB

Item	Fair value at the end of the reporting period			
	First level Fair value measurement	Second level Fair value measurement	Third level Fair value measurement	Total
I. Sustaining fair value measurement	--	--	--	--
Other current assets-carbon emission permit	490,319.48			490,319.48
Total assets continuously measured at fair value	490,319.48			490,319.48
II. Non-Sustaining fair value measurement	--	--	--	--

### 2. Market Price Recognition Basis for Consistent and Inconsistent Fair Value Measurement Items at Level 1

The fair value of carbon emission permit was determined by the transaction price of carbon emission permit of Hubei province on China Carbon Emission Trading Network on the latest trading day before the balance sheet date.



**3. Consistent and Inconsistent Fair value Measurement Items at Level 2, Valuation Techniques Adopted, the Qualitative and Quantitative Information of Important Parameters**

**4. Consistent and Inconsistent Fair Value Measurement Items at Level 3, Valuation Techniques Adopted, the Qualitative and Quantitative Information of Important Parameters**

**5. Consistent Fair Value Measurement Items at Level 3, the Adjustment Information of the Opening and Closing Book Value, and the Sensitivity Analysis of Unobservable Parameters**

**6. Consistent Fair Value Measurement Items, Conversion between All Levels during the Reporting Period, the Reasons for Conversion and Policies at the Time of Determination of Conversion**

**7. Change and Change Reason of Valuation Techniques in the Reporting Period**

**8. Particulars about the Fair Value of the Financial Assets and Financial Liabilities Not Measured at Fair Value**

**9. Other**

## **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 final 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 final control of the Company was China National Chemical Corporation

Other notes:

## 2. Subsidiaries of the Company

For more details, please refer to Note IX.

## 3. Information on the Joint Ventures and Associated Enterprises of the Company

Information of the major joint ventures or associated enterprises of the Company refers to note

List of other joint ventures and associated enterprises that made related-party transactions with the Company generating balance during or before the report period:

Name of the joint venture or associated enterprise	Relationship with the Company
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Other notes

## 4. Information on Other Related Parties of the Company

Name	Relationship
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
Jiangsu Anpon Electrochemical Co., Ltd.	Under the same control of China National Chemical Corporation
Shandong 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
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
ADAMA (Beijing) Agricultural Technology Co., Ltd.	Under the same control of China National Chemical Corporation
China National Chemical Information Center	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.	Engineering materials	2,743,153.85		No	2,777.78
Beijing Grand	Purchase of raw	4,858,119.66		No	6,094,017.09

Agrochemical Co., Ltd.	materials				
Haohua Engineering Co., Ltd.	Engineering materials	15,384.61		No	
China National Chemical Information Center	OA Value-added services	145,283.02		Yes	
ADAMA (Beijing) Agricultural Technology Co., Ltd.	Labor service	4,562,446.76		No	

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	196,164,258.06	87,387,039.04
Jiangsu Anpon Electrochemical Co., Ltd.	Sales of pesticides		223,008.85

Information on related-party transactions of sales of goods and provision and reception of labor service

## (2) Relating Commissioned Management/Contract and Entrusted Management/Outsourcing

List of commissioned management/contract of the Company:

Unit: RMB

Name of the entrusting party/contract-out party	Name of the commissioned party/contractor	Type of the commissioned/contracted assets	Start date of commissioned management/contract	End date of commissioned management/contract	Pricing basis of commissioned management revenue/contract revenue	Revenue from commissioned management/contract confirmed in the report period
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Explanations on relating commissioned management/contract

List of entrusted management/outsourcing:

Unit: RMB

Name of the entrusting party/contract-out party	Name of the commissioned party/contractor	Type of the entrusted/outsourced assets	Start date of entrusted management/outsourcing	End date of entrusted management/outsourcing	Pricing basis of trustee fee/expense on outsourcing	Trustee fee/expense on outsourcing confirmed in the report period
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Explanations on relating management/outsourcing

### (3) Information of Related Lease

The Company serves as the lessor:

Unit: RMB

Name of lessee	Type of leased assets	Rental income confirmed in the Report period	Rental income confirmed in the same period of last year
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The Company serves as the lessee:

Unit: RMB

Name of lessor	Type of leased assets	Rental expense confirmed in the report period	Rental expense confirmed in the same period of last year
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Explanations on related-party lease

### (4) Related-party Guarantee

The Company serves as the guarantee

Unit: RMB

Secured party	Amount	Start date	Maturity date	Fulfill or not
Hubei Sanonda Foreign Trading Co., Ltd.	70,000,000.00	11/29/2016	04/18/2019	Yes

The Company serves as the secured party

Unit: RMB

Guarantee	Amount	Start date	Maturity date	Fulfill or not
Jingzhou Sanonda Co., Ltd.	170,000,000.00	12/26/2014	12/25/2019	No
Jingzhou Sanonda Co., Ltd.	140,000,000.00	02/01/2016	01/31/2019	Yes
Jingzhou Sanonda Co., Ltd.	303,000,000.00	02/20/2017	02/19/2020	No
China National Agrochemical Corporation	300,000,000.00	11/19/2014	11/17/2019	Yes
China National Agrochemical Corporation	50,000,000.00	03/19/2015	03/19/2019	Yes
China National Agrochemical Corporation	50,000,000.00	01/10/2017	01/10/2020	No
China National Chemical Corporation	200,000,000.00	09/25/2013	09/25/2020	No

China National Chemical Corporation	160,000,000.00	06/10/2014	06/09/2021	No
China National Chemical Corporation	150,000,000.00	10/14/2013	10/13/2020	No

Explanations on related-party guarantee

## (5) Borrowing and Lending of Related Parties

Unit: RMB

Related party	Amount	Start date	Maturity date	notes
Borrowing				
Jingzhou Sanonda Co., Ltd.	171,770,450.00	02/22/2016	12/19/2021	
Lending				

## (6) Related Party Asset Transfer and Debt Restructuring

Unit: RMB

Related party	Contents of related-party transactions	Reporting period	Same period of last year
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## (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	850,000.00

## (8) Other Related-party Transactions

The parent company of the Company Jingzhou Sanonda Co., Ltd. paid & gained wages and social security through the Company with a total of RMB141,928.48.

## 6. Receivables and Payables of Related Parties

### (1) Receivables

Unit: RMB

Name of item	Related-party	Closing balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision

Accounts receivable	ADAMA Agricultural Solutions Ltd	74,638,115.18	3,731,905.76	30,274,782.99	1,513,739.15
Prepayment	Haohua Engineering Co., Ltd.	5,000,000.00			

## (2) Payables

Unit: RMB

Name of item	Related-party	Closing book balance	Opening book balance
Accounts payable	Bluestar (Beijing) Chemical Machinery Co., Ltd.	698,890.00	483,700.00
Accounts payable	Haohua Engineering Co., Ltd.	0.00	298,500.00
Accounts payable	Beijing Grand AgroChem.,Ltd.	1,584,000.00	
Notes payable	Beijing Grand AgroChem.,Ltd.	0.00	1,000,000.00
Accounts received in advance	Jiamusi Heilong Agrochemicals Co., Ltd.	10,020.00	10,020.00
Accounts received in advance	Shandong Dacheng Agrochemical Co., Ltd.	1,500.00	1,500.00

## 7. Related Party Commitment

## 8. Other

## XIII. Share-based Payment

### 1. General Share-based Payment

☐ Applicable ☒ Not applicable

### 2. Shared-based Payment Settled by Equity

☐ Applicable ☒ Not applicable

### 3. Shared-based Payment Settled by Cash

☐ Applicable ☒ Not applicable

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#### **4. Modification and Termination on Share-based Payment**

#### **5. Other**

### **XIV. Commitments and Contingencies**

#### **1. Significant Commitments**

Significant commitments at balance sheet date

As of June 30, 2017, there were no significant commitments to be disclosed.

#### **2. Contingencies**

##### **(1) Significant Contingencies at Balance Sheet Date**

As of June 30, 2017, there were no contingencies to be disclosed.

##### **(2) If the Company Has No Significant Contingency to Disclose, Relevant Explanations Should Also Be Given**

The company has no significant contingency to disclose.

#### **3. Other**

### **XV. Events after Balance Sheet Date**

#### **1. Significant Non-adjusting Events**

Unit: RMB

Item	Content	Effects on financial condition and operating result	Reason for inability to estimate the influence number
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#### **2. Profit Distribution**

Unit: RMB

#### **3. Sales Return**

#### **4. Notes of Other Events after Balance Sheet Date**

As of June 30, 2017, the Company has no other events after balance sheet date to disclose.

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## **XVI. Other Significant Events**

### **1. The Accounting Errors Correction in Previous Period**

#### **(1) Retroactive Restatement**

Unit: RMB

Contents of the correction of accounting errors	Procedures of processing	Name of each affected item of statement during the period of comparison	Cumulative effects
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#### **(2) Prospective Application**

Contents of the correction of accounting errors	Procedures of approval	Reason for adopting method of prospective application
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### **2. Debt Restructuring**

### **3. Assets Replacement**

#### **(1) Exchange of Non-monetary Assets**

#### **(2) Replacement of Other Assets**

### **4. Annuity Plan**

### **5. Discontinued Operation**

Unit: RMB

Item	Income	Expense	Total profits	Income tax expense	Net profits	Profits generated from discontinued operation attributable to owners' of the Company
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Other notes



## 6. Segment Information

### (1) Recognition Basis and Accounting Policies of Reportable Segment

### (2) The Financial Information of Reportable Segment

Unit: RMB

Item		Offset between segments	Total
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### (3) If There Is No Reportable Segment, or the Total Amount of Assets and Liabilities of Each Part of Reportable Segment Cannot Be Disclosed, the Relevant Reasons Should Be Given

### (4) Other Notes

## 7. Other Important Transactions and Events that Have an Impact on Investors' Decision-making

### 8. Other

## 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:	1,065,551,264.50	99.95%	15,007,961.11	1.41%	1,050,543,303.39	621,371,453.23	99.91%	9,876,108.43	1.59%	611,495,344.80
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	584,457.52	0.05%	584,457.52	100.00%		584,457.52	0.09%	584,457.52	100.00%	

Total	1,066,135,722.02	100.00%	15,592,418.63	1.46%	1,050,543,303.39	621,955,910.75	100.00%	10,460,565.95	1.68%	611,495,344.80
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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	129,397,159.50	6,469,857.98	5.00%
Subtotal of within 1 year	129,397,159.50	6,469,857.98	5.00%
1 to 2 years	3,860,856.69	386,085.67	10.00%
2 to 3 years	1,507,706.92	452,312.07	30.00%
3 to 4 years	517,492.20	258,746.10	50.00%
Over 5 years	7,440,959.29	7,440,959.29	100.00%
Total	142,724,174.60	15,007,961.11	

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		
	Account receivable	Bad debt provision	Withdrawal reason
Risk-free groups	922,827,089.90		Internal account of the Company
Total	922,827,089.90		

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

Account receivable	Closing balance			
	Account receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Jiangxi Nanchang Red Valley Plant Protection Center	584,457.52	584,457.52	100.00%	Multiple collection failed, not expected to recover
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 RMB5,131,852.68; the amount of the reversed or collected part during the Reporting Period was of RMB000.

Significant amount of reversed or recovered bad debt provision:

Unit: RMB

Name of unit	Collected or reversed amount	Way
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**(3) Particulars about Other Accounts Receivable Actually Verified during the Reporting Period**

Unit: RMB

Item	Amount of verification
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The verification of significant other accounts receivable:

Unit: RMB

Name of unit	Nature of other accounts receivable	Amount of verification	Reason for verification	Procedures of verification performed	Whether the accounts are generated from related-party transactions or not
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Notes of the verification of other accounts receivable:

**(4) Accounts Receivable of the Top 5 of the Closing Balance Collected According to the Arrears Party**

The total amount of top five of account receivable of closing balance collected by arrears party was RMB980,302,232.20, 91.95% of total closing balance of account receivable, the relevant closing balance of bad debt provision withdrawn was RMB2,873,757.12.

**(5) Accounts Receivable Derecognized for the Transfer of Financial Assets****(6) Amount of Assets and Liabilities Generated from the Transfer of Accounts Receivable and Continued Involvement**

Other notes:

**2. Other Accounts Receivable****(1) Other 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	
Other accounts receivable withdrawn	5,870,050.12	100.00%	5,255,613.02	89.53%	614,437.10	8,375,431.28	100.00%	5,292,748.31	63.19%	3,082,682.97

according to credit risks characteristics										
Total	5,870,050.12	100.00%	5,255,613.02	89.53%	614,437.10	8,375,431.28	100.00%	5,292,748.31	63.19%	3,082,682.97

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	496,362.96	24,818.15	5.00%
Subtotal of within 1 year	496,362.96	24,818.15	5.00%
1 to 2 years	10,000.00	1,000.00	10.00%
4 to 5 years	267,784.57	133,892.28	50.00%
Over 5 years	5,095,902.59	5,095,902.59	100.00%
Total	5,870,050.12	5,255,613.02	

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) The Bad-debt Provision Withdrew, Reversed or Collected during the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB000; the amount of the reversed or collected part during the Reporting Period was of RMB37,135.29.

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

Unit: RMB

Name of unit	Collected or reversed amount	Way
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## (3) Other Accounts Receivable Actually Verified during the Reporting Period

Unit: RMB

Item	Amount of verification
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The verification of significant other accounts receivable:

Unit: RMB

Name of unit	Nature of other accounts receivable	Amount of verification	Reason for verification	Procedures of verification performed	Whether the accounts are generated from related-party transactions or not
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Notes of the verification of other accounts receivable:

#### (4) Other Accounts Receivable Classified by Account Nature

Unit: RMB

Nature of accounts	Closing book balance	Opening book balance
Liquidation amount of investment fund	3,398,275.80	3,398,275.80
Export rebates	0.00	1,858,990.42
Petty cash	804,970.29	1,401,989.29
Liquidation amount of loans	548,500.00	548,500.00
Cash pledge	500,000.00	500,000.00
Others	618,304.03	667,675.77
Total	5,870,050.12	8,375,431.28

#### (5) The Top Five Other Account Receivable Classified by Debtor at Period-end

Unit: RMB

Name of unit	Nature of accounts	Closing balance	Account-age at the end of the period	Proportion to the total of closing balance of other accounts receivable	Closing balance of bad-debt provision
Shantou Biyue Plastic Co., Ltd.	Investment fund	3,125,000.00	Over 5 years	53.24%	3,125,000.00
Hubei Jingzhou Shashi Agricultural Production Materials Co., Ltd.	Liquidation amount of loans	548,500.00	Over 5 years	9.34%	548,500.00
Jingzhou Production Safety Supervision Bureau	Cash deposit	300,000.00	Over 5 years	5.11%	300,000.00
Jingzhou Real Estate Administration	House renewal fund	237,784.57	4 to 5 years	4.05%	118,892.28
Xiong Wen	Petty cash	194,000.00	Within 1 year	3.30%	9,700.00
Total	--	4,405,284.57	--	75.04%	4,102,092.28

**(6) Account Receivable Involving Government Subsidies**

Unit: RMB

Name of unit	Name of the government subsidy item	Closing balance	Account-age at the end of the period	Estimated time, amount and basis of charge
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**(7) Other Account Receivable Derecognized Due To the Transfer of Financial Assets****(8) Amount of Assets and Liabilities Generated from the Transfer of Other Accounts Receivable and Continued Involvement**

Other notes:

**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
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## (2) Investment to Joint Ventures and Associated Enterprises

Unit: RMB

The investor	Opening balance	Increase/decrease								Closing balance	Closing balance for impairment provision
		Additional investments	Reduced investments	Profit and loss on investments confirmed according to equity law	Adjustment of other comprehensive income	Changes in other equity	Cash, dividends and profits declared to issue	Impairment provisions	Others		
I. Joint ventures											
II. Associated enterprises											

## (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	1,325,666,015.70	1,005,632,250.70	917,457,017.85	778,462,461.80
Other operations	116,398,901.59	115,141,136.69	79,431,984.15	77,961,874.51
Total	1,442,064,917.29	1,120,773,387.39	996,889,002.00	856,424,336.31

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	-409,813.84	
Government subsidies recorded into the current gains and losses (excluding the government subsidies that are closely relative to business and enjoyed in normed way or quantitatively in accordance with the national standards)	3,726,500.44	
Other non-operating income and expenses other than the above	-630,301.00	
Less: amount affected by income tax	548,679.74	
Total	2,137,705.86	--

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 Net 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	8.09%	0.2849	0.2849
Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	7.99%	0.2813	0.2813



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### **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**

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## **Section XI 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

August 15, 2017