



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

## **ANNUAL REPORT 2016**

**March 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 executive officers 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 directors attended the board meeting for the review of this Report.**

**This Report involves futures plans and some other forward-looking statements, which shall not be considered as virtual promises to investors. Investors and people concerned shall fully understand the risk as well as the difference between plans, forecasts and promises. Investors are kindly reminded to pay attention to possible risks. The Company has described its future development strategies, work plan for 2017 and possible risks in “IX. Outlook of future development of the Company” in Section IV. 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 Annual Report and its abstract have 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, this period, current year	Year 2016
ChemChina	China National Chemical Corporation
CNAC	China National Agrochemical Corporation, the indirect 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 CNAC, once called Makhteshim-Agan Industries Ltd., a company incorporated in Israel according to its law, indirectly holding the 100% equity of Celsius
Sanonda Holdings	Jingzhou Sanonda Holdings Co., Ltd., once called Sanonda Group Co., Ltd., the controlling shareholder of the Company
CNAC International	CNAC International Company Limited

## Section II Corporate Profile and Financial 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.	沙隆达		
Company name in English (if any)	HUBEI SANONDA CO., LTD.		
Abbr. (if any)	SANONDA		
Legal representative	An Liru		
Registered address	No. 93, Beijing East Road, Jingzhou, Hubei		
Zip code	434001		
Office address	No. 93, Beijing East Road, Jingzhou, Hubei		
Zip code	434001		
Company website	<a href="http://www.sanonda.cn">http://www.sanonda.cn</a>		
Email	sld@agr.chemchina.com		

### II Contact information

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

### III Information disclosure and place where this Report is kept

Newspapers designated by the Company for information disclosure	China Securities Journal, Securities Times and Ta Kung Pao
Website designated by the China Securities Regulatory Commission (CSRC) for the publication of this Report	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

Place where this Report is kept	Securities Office of the Company
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#### IV Company registration and alteration

Credibility code	91420000706962287Q
Changes in main business activities of the Company after going public (if any)	No changes
Changes of controlling shareholder (if any)	No changes

#### V Other information

The CPAs firm hired by the Company

Name	Ruihua Certified Public Accountants (LLP)
Office address	5-11F, West Tower, China Overseas Property Plaza, Building No. 7, Compound No. 8, Xibinhe Road, Yongding Men, Dongcheng District, Beijing, P.R.C.
Accountants writing signatures	Tang Qiyong, Xie Panying

Sponsor engaged by the Company to continuously perform its supervisory function during this Reporting Period

Applicable  Not applicable

Financial advisor engaged by the Company to continuously perform its supervisory function during this Reporting Period

Applicable  Not applicable

#### VI Accounting and financial results

Indicate by tick mark whether the Company performed any retroactive adjustments to or restatement of its accounting data due to changes of accounting policies or correction of accounting errors

Yes  No

	2016	2015	+/-%	2014
Operating revenues (RMB)	1,854,732,684.88	2,169,936,637.07	-14.53%	3,131,186,300.05
Net profit attributable to shareholders of the Company (RMB)	-74,489,986.54	141,840,462.97	-152.52%	491,771,929.22
Net profit attributable to shareholders of the Company before exceptional profit and loss (RMB)	-92,325,645.47	137,328,557.39	-167.23%	490,238,498.19
Net cash flows from operating activities (RMB)	268,365,045.35	276,090,052.80	-2.80%	699,173,855.92
Basic earnings per share (RMB/share)	-0.1254	0.2388	-152.51%	0.8280

Diluted earnings per share (RMB/share)	-0.1254	0.2388	-152.51%	0.8280
Weighted average return on equity (%)	-3.63%	6.90%	-10.53%	27.68%
	December 31, 2016	December 31, 2015	+/-%	December 31, 2014
Total assets (RMB)	2,984,883,798.79	2,977,268,169.32	0.26%	2,934,299,657.47
Net assets attributable to shareholders of the Company (RMB)	2,005,058,006.75	2,097,382,469.60	-4.40%	2,007,631,150.60

## VII Differences in accounting data under domestic and foreign accounting standards

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

Applicable  Not applicable

No such differences for this Reporting Period.

### 2. Differences in the net profit and the net assets disclosed in the financial reports prepared under Chinese and foreign accounting standards

Applicable  Not applicable

No such differences for this Reporting Period.

## VIII Financial results by quarter

Unit: RMB

	1Q	2Q	3Q	4Q
Operating revenues	478,019,086.56	527,678,070.94	431,962,833.14	417,072,694.24
Net profit attributable to shareholders of the Company	8,016,805.81	8,790,749.69	3,692,704.99	-94,990,247.03
Net profit attributable to shareholders of the Company before exceptional profit and loss	-1,097,269.16	7,495,224.16	2,871,974.22	-104,615,979.48
Net cash flows from operating activities	-14,737,785.00	61,456,703.62	133,379,863.03	88,266,263.70

Indicate by tick mark whether there are any material differences between the financial indicators above or their summations and those which have been disclosed in quarterly or semi-annual reports

Yes  No

**IX Exceptional profit/loss**

√ Applicable □ Not applicable

Unit: RMB

Item	2016	2015	2014	Note
Profit/loss on disposal of non-current assets (including offset asset impairment provisions)	17,682,729.41	32,021.74	54,813.19	
Government grants charged to the profit/loss for this Reporting Period (except for the government grants closely related to the business of the Company and given at a fixed quota or amount in accordance with the State's uniform standards)	5,417,800.88	5,585,426.21	4,574,874.07	
Profit/loss on debt restructuring			-6,000.00	
Non-operating income and expense other than the above	345,903.84	85,398.38	-2,876,432.21	
Less: Corporate income tax	5,610,775.20	1,179,878.25	199,524.02	
Minority interests (after tax)		11,062.50	14,300.00	
Total	17,835,658.93	4,511,905.58	1,533,431.03	--

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 this Reporting Period.



## Section III Business Profile

### I. Main businesses of the Company during Reporting Period

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

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. Owing to depressing economy, excessive productivity and deteriorative environment, global pesticide industry was stagnant in 2016. Pesticide products were oversupplied; price was low and price rise was unfrequent; operation revenue and profit of enterprises decreased; import & export quantity and salerom of pesticide decreased for more than 10%.

With the implementation of *Safety Production Law* and *Environmental Protection Law*, the supervision and management to safety and environmental protection of chemical enterprises becomes stricter and stricter. Central department especially intensifies the supervision and inspection on environmental protection and the enterprises without taking standard measures of environmental protection have been suspended or stopped. From the fourth season of 2016, market gradually recovered; both price and salerom of main products and intermediates acephate, paraquat, spermine, PMIDA and so on of the Company rose, which might significantly influence future enhancement of achievements of the Company.

### II. Significant change of main assets

#### 1. Significant change of main assets

Main assets	Significant change
Stock rights	No Significant change
Fixed assets	No Significant change
Intangible assets	Rises for 25.48% because of land increase during this Reporting Period
Construction in progress	Declines for 85.23% because matching ionic membrane engineering is transferred to fixed assets during this Reporting Period
Goods in stock	Declines for 39.67% because the goods in stock decrease during this Reporting Period

#### 2. Main overseas assets

Applicable  Not applicable

### III. Core competitiveness analysis

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

No

The Company consistently insists on technical progress, strengthens industry-university-research cooperation, optimizes manufacturing technique, raises production level and pushes forward energy conservation and emission reduction. During this Reporting Period, more than 30 projects of scientific research have been completed. The Company further raised the level of safe operation and environmental protection of production devices, lowered costs of products and enhanced competitiveness of products. Spermene and acephate continued to keep their leading status in the industry; the cost of paraquat declined further; key breakthrough was got in the research on the alkaline hydrolysis serialization of PMIDA and the oxidation serialization of glyphosate. In the aspect of patent application, the Company applied for 6 patents for invention and 4 patents were authorized in main products pesticide and herbicide of the Company in 2016. By the end of 2016, the Company owned 24 patents for invention.

In the aspect of market, the Company entered international market early with prominent export superiority. Its products have been exported to dozens of countries and regions, such as Europe, America, Brazil, Southeast Asia and Taiwan. Main customers include famous chemurgy enterprises in the industry and the Company has established long-term stable cooperation relation with them. Quality of products and service of the Company have won good reputation from customers. The market share of its first product spermene is more than 60% in international market; the international market share of acephate is more than 40%; paraquat and other products of the Company are also competitive in international market.

The Company plans to relocate and upgrade the old plant area within 3~5 years. Up to now, land with area 1000 acres in new zone has been acquired. Another land with area 700 acres will be acquired to develop new products. The Company will capture the opportunity of recombining itself with ADAMA to make chemurgy bigger and stronger, enhance innovation ability and strengthen core competitiveness. In the process of relocation, upgrade and reform, the varieties with long life cycle, good performance of growth and advanced technology in the industry will be maintained; the varieties with low market share, low technical level and weak competitiveness will be eliminated; a batch of high-end pesticide products with good performance and wide market prospect will be developed and supplemented. Some varieties have been practically manufactured. After reaching standard in quality and quantity, the varieties will become new growth points of the Company.

## Section IV Performance Discussion and Analysis

### I. Overview

During this Reporting Period, pesticide products were oversupplied; prices remained low; operating income and profit of enterprises decreased. In face of these adverse factors, the Company conscientiously analyzed the situation, strictly followed the new requirement on safety and environmental protection, actively coped with internal and external complex and changeable economic environment, pushed forward the construction of system, actively opened up market, strengthened operation management, insisted on technical progress and maintained stable operation of production.

For this Reporting Period, the Company achieved operating revenues of RMB 1.855 billion with a 14.53% decline from last year, of which USD 0.14 billion was earned through export with a 27.05% decrease from last year. Operating costs were RMB 1.98 billion with a 0.43% drop from last year. Operating profit stood at RMB -0.12 billion with a year-on-year decline of 165.69%. Total profit was RMB -0.097 billion with a fall of 151.31% on the year-on-year basis. The net profit attributable to the shareholders of the Company was RMB -74.49 million with a decline of 152.52% from last year. The revenues and profit decreased mainly because market of pesticides remained weak during this Reporting Period and the sales prices of the Company's main products also remained low, causing a considerable year-on-year fall in the gross profit margin; in addition, as the Company carried forward the significant asset restructuring, a large amount of intermediary expenses was paid for that.

Main work done in 2016:

The first was to carry forward the construction of SHE system and consolidate and enhance the level of management. The Company carried forward the construction of SHE management system, strengthened contractor management, perfected the procedures of contractor risks assessment, assisted contractor to build the mechanism of self supervision, evaluated and assessed contractor, raised the requirement on environment management, strictly implemented "three synchronizations" of environmental protection, guaranteed the normal operation of environment protection devices, strengthened the assessment on process management of environment, carried forward the construction of TPM and 5S management system, constantly perfected three-grade maintenance and repair mechanism following the indexes of TPM management system, gradually perfected 5S management system, enhanced employees' attainment, carried forward the construction of TQM management system and comprehensively enhanced the level of enterprise quality management. The Company has got *Grading Certificate of Quality Inspection Agency for Petroleum and Chemical Enterprises* and been graded to be A.

The second was to actively coordinate and take various measures to expand sale and stimulate production. The Company focused on the core of raising actual profit rate, closely monitored market, chased customers, strove for orders, strictly controlled line of credit, strictly managed contracts, actively cooperated with ADAMA, made every effort to expand market and strove for expanding the sale of products. In American market, paraquat with weight more than 9000 tons (material objects) had been sold; export amount of sale was near 20 million dollars. In India, acephate, imidacloprid and glyphosate had been successfully registered and sold effectively.

The third was to strengthen the coordination between production and sale and raise production efficiency. The Company organized elaborately, operated in entirety, reasonably blended raw materials for production, closely tailed after the dynamic state of production and sale, guaranteed the safe and stable operation of production, integrated production factories, formed two parts of pesticide production and herbicide production, set up pesticide factory and herbicide factory, integrated internal management agencies, implemented "straight line" vertical management, achieved flat management and laid foundation for future construction of new chemical production zone.

The fourth was to insist on technical progress and enhance core competitiveness of the enterprise. In 2016, the Company utilized the opportunity of relocation, upgrade and reform to decrease cost, enhance effectiveness, maintain safety, energy conservation and environment protection, comprehensively utilize resources and raise the level of production technology. It implemented and had

completed several engineering and technical reform projects, carried out several programs of product research and technical research and development, further enhanced core competitiveness of products and development aftereffect of the enterprise, completed 10 key projects, 19 technical reform projects, completed investment near RMB 40 million in accumulation and completed more than 30 scientific research projects in the whole year.

The fifth was to enhance the ability of management and control and raise the efficiency of operation. The Company optimized structure of personnel, strictly assessed performance of employees, raised the efficiency of labor, strengthened financial management, comprehensively applied the means of budget management, fund management, financial accounting, financial reporting, internal control and risk management, strictly controlled cost of fund and operation process, mastered the state of production and operation, prevented fund risk and raised fund efficiency. *Trial Method of Foreign Exchange Management* was formulated and exchange earning RMB 25040 thousand increased in 2016. The Company normalized suppliers management, actively carried out e-commerce purchase, achieved on-line purchase of chemical raw materials and decreased cost of purchase. All raw materials, spare parts and accessories and daily supplies were purchased by special department. Energy-saving and cost-reducing measures were continuously taken to decrease production cost and RMB 18560 thousand was saved in 2016. The Company strengthened storage management, normalized materials and goods transport, maintained expedite and high-efficiency logistics, strengthened the construction of internal control system, effectively prevented risks, carried forward informatization construction, strengthened the operation and management of OA platform and developed the platform of production data management.

The sixth was to carry out learning and education activity “two learnings and one action” and carry forward the construction of enterprise culture. According to the requirement of superior Party committee and local Party committee, the Company actively carried out learning and education activity “two learnings and one action”, continuously carried out investigation and interview on first production line, held the activity of reasonable suggestions and brought the functions of groups and organizations into full play in the aspects of agglomerating people’s will and passing positive energy.

Inventory decreased for 57.25%, which was mainly caused by fluctuation of market. The market of pesticide was persistently depressing; market competition was very fierce. The price of main products of the Company was low all the time. In 2016, the Company decreased production load, inventory and funds occupation.

## II. Main business analysis

### 1. Overview

See details on the relevant contents of “I. Overview” of “Management Discussion and Analysis”.

### 2. Revenues and costs

#### (1) Operating income form

Unit: RMB

	2016		2015		YoY +/-%
	Amount	Ratio of the operating income	Amount	Ratio of the operating income	
Total of the operating income	1,854,732,684.88	100%	2,169,936,637.07	100%	-14.53%
Classified by industries					
Industry of	1,818,148,570.51	98.03%	2,151,827,875.83	99.16%	-15.51%

manufacturing chemical raw materials and chemical products					
Other	36,584,114.37	1.97%	18,108,761.24	0.84%	102.02%
Classified by products					
Chemical new materials and specialty chemicals	18,821,650.95	1.02%	18,242,056.49	0.84%	3.18%
Basis (chlor-alkali) chemical products	305,139,757.36	16.45%	211,401,177.36	9.74%	44.34%
Agrochemicals such as fertilizers and pesticides	1,494,187,162.20	80.56%	1,922,184,641.98	88.58%	-22.27%
Other	36,584,114.37	1.97%	18,108,761.24	0.84%	102.02%
Classified by regions					
Domestic	953,548,757.76	51.41%	1,000,324,018.60	46.10%	-4.68%
Foreign countries	901,183,927.12	48.59%	1,169,612,618.47	53.90%	-22.95%

**(2) List of the industries, products or regions exceed 10% of the operating income or operating profits of the Company**

√ Applicable □ Not applicable

Unit: RMB

	Operating income	Operating cost	Gross margin	YoY increase/decrease of the operating income	YoY increase/decrease of the operating cost	YoY increase/decrease of the gross margin
Classified by industries						
Industry of manufacturing chemical raw materials and chemical products	1,818,148,570.51	1,569,811,874.39	13.66%	-15.51%	-8.47%	-6.63%
Classified by products						
Chemical new materials and specialty chemicals	18,821,650.95	10,055,194.79	46.58%	3.18%	-9.52%	7.50%

Basis (chlor-alkali) chemical products	305,139,757.36	299,429,858.81	1.87%	44.34%	47.79%	-2.29%
Agrochemicals such as fertilizers and pesticides	1,494,187,162.20	1,260,326,820.79	15.65%	-22.27%	-16.06%	-6.24%
Classified by regions						
Domestic	916,964,643.39	813,645,321.27	11.27%	-6.64%	4.91%	-9.77%
Foreign countries	901,183,927.12	756,166,553.12	16.09%	-22.95%	-19.52%	-3.58%

Under the circumstances that the statistical standards for the Company's main business data adjusted in the Reporting Period, the Company's main business data in the recent year is calculated based on adjusted statistical standards at the end of the Reporting Period

Applicable  Not applicable

### (3) Whether the Company's goods selling revenue higher than the service revenue

Yes  No

Industries	Items	Units	2016	2015	YoY +/--%
Industry of manufacturing chemical raw materials and chemical products	Sales volume	Ton	99,242	111,138	-10.70%
	Output	Ton	92,379	108,223	-14.64%
	Stock	Ton	5,124	11,987	-57.25%

Reasons for any over -30% YoY movement of the data above:

Applicable  Not applicable

Inventory decreased for 57.25%, which was mainly caused by fluctuation of market. The market of pesticide was persistently depressing; market competition was very fierce. The price of main products of the Company was low all the time. In 2016, the Company decreased production load, inventory and funds occupation.

### (4) Execution of the significant sales contracts signed by the Company up to the reporting period

Applicable  Not applicable

### (5) Operating cost form

Category of the industries

Unit: RMB

Industries	Items	2016		2015		YoY +/--%
		Amount	Ratio of the	Amount	Ratio of the	

			operating income		operating income	
Industry of manufacturing chemical raw materials and chemical products	Cost of materials (procurement costs)	1,120,917,193.63	71.40%	1,222,076,407.77	71.25%	
Industry of manufacturing chemical raw materials and chemical products	Labor cost	93,948,277.40	5.98%	85,623,688.08	4.99%	
Industry of manufacturing chemical raw materials and chemical products	Depreciation expense	159,852,753.97	10.18%	120,958,121.09	7.05%	

Notes

**(6) Whether the consolidated scope changed during the reporting period** Yes  No**(7) List of the significant changes or adjustment of the industries, products or services of the Company during the reporting period** Applicable  Not applicable**(8) List of the major trade debtors and major suppliers**

List of the major trade debtors of the Company

Total sales to the top 5 customers (RMB)	565,582,509.95
Ratio of the total sales to the top 5 customers to the annual total sales	30.49%

Information of the top 5 customers of the Company

Serial No.	Name of customer	Sales amount (RMB)	Proportion in annual total sales
1	Foreign customer A	181,006,818.24	9.76%
2	Foreign customer B	156,436,914.30	8.43%
3	Domestic customer C	101,922,776.27	5.50%

4	Foreign customer D	64,164,543.74	3.46%
5	Domestic customer E	62,051,457.40	3.34%
Total	--	565,582,509.95	30.49%

Notes of other situation of the major customers

Applicable  Not applicable

List of the major suppliers of the Company

Total purchase to the top 5 suppliers (RMB)	403,335,327.77
Ratio of the total purchase to the top 5 suppliers to the annual total purchase	36.10%

Information of the top 5 suppliers of the Company

No.	Name of supplier	Purchase amount (RMB)	Ratio to the annual purchase amount
1	Supplier A	155,911,044.27	13.96%
2	Supplier B	84,906,545.21	7.60%
3	Supplier C	61,783,560.68	5.53%
4	Supplier D	51,774,683.76	4.63%
5	Supplier E	48,959,493.85	4.38%
Total	--	403,335,327.77	36.10%

Notes of the other situation of the major suppliers

Applicable  Not applicable

### 3. Expenses

Unit: RMB

	2016	2015	YoY +/-%	Notes of the significant changes
Selling expenses	89,529,647.08	84,149,115.89	6.39%	Mainly due to the YoY decrease of the export expenses during the reporting period.
Management expenses	224,179,459.44	116,918,295.25	91.74%	No significant change.
Financial expenses	-4,344,892.92	14,207,495.95	-130.58%	Mainly due to the YoY increase of the foreign exchange profits during the reporting period.

### 4. R&D investment

Applicable  Not applicable

The Company successively completed 4 items of pilot-scale research and 6 items of small-scale research in 2016, including the pilot-scale research on the technology of phenol continuous catalyzing and chlorination, the development of and pilot-scale research on the new technology of PMIDA cleaning production serialization and the pilot-scale research on the new technology of glyphosate continuous oxidation. At the same time, the Company developed the technology of integrating metamitron and diflufenican; the



development progressed smoothly. Investigation and analysis on imidacloprid, metamidron, diflufenican, quinmerac and s-metolachlor was especially carried out. This was for improving quality of products, lowering production cost and enhancing market competitiveness and the ability of making profit.

#### List of the R&D investment of the Company

	2016	2015	Varied ratio
Number of the R&D personnel (person)	20	20	0.00%
Ratio to the R&D personnel	1.16%	1.07%	0.09%
Investment amount of the R&D (RMB)	8,741,538.25	7,404,961.06	18.05%
Ratio of the R&D investment to the operating income	0.47%	0.34%	0.13%
Amount of the capitalized R&D investment (RMB)	0.00	0.00	0.00%
Ratio of the capitalized R&D investment to the R&D investment	0.00%	0.00%	0.00%

Reason of remarkable changes over the last year of the ratio of the total R&D investment amount to the operating income

Applicable  Not applicable

Reason of the greatly change of the ratio of the R&D investment capitalization and its reasonable explanation

Applicable  Not applicable

## 5. Cash flow

Unit: RMB

Item	2016	2015	YoY +/-%
Subtotal of cash inflows from operating activities	1,656,338,978.57	1,888,673,768.10	-12.30%
Subtotal of cash outflows from operating activities	1,387,973,933.22	1,612,583,715.30	-13.93%
Net cash flows from operating activities	268,365,045.35	276,090,052.80	-2.80%
Subtotal of cash inflows from investing activities	25,430,850.95	1,667,155.76	1,425.40%
Subtotal of cash outflows from investing activities	130,845,949.03	299,433,155.03	-56.30%

Net cash flows from investing activities	-105,415,098.08	-297,765,999.27	64.60%
Subtotal of cash inflows from financing activities	271,770,450.00	416,105,350.00	-34.69%
Subtotal of cash outflows from financing activities	312,685,025.16	407,615,334.27	-23.29%
Net cash flows from financing activities	-40,914,575.16	8,490,015.73	-581.91%
Net increase in cash and cash equivalents	133,371,856.03	-12,749,527.74	1,146.09%

Notes of the major effects on the YoY significant changes occurred of the data above

Applicable  Not applicable

(1) The YoY cash inflows from investment activities increase of 1425.4%, mainly due to the YoY increase of the sales equipment and subsidiary land of the reporting period.

(2) The YoY cash outflows from investment activities decreased of 56.3%, mainly due to the YoY decrease of the fixed assets investment of the reporting period.

(3) The YoY net amount of the cash flow from investment activities increase of 64.6%, mainly due to the YoY decrease of the projects investment and sales equipment and subsidiary land of the reporting period.

(5) The YoY cash inflow of financing activities decreased of 34.69%, mainly due to the YoY decrease of no bank borrowings payment of the reporting period.

(6) The YoY cash outflow of financing activities decreased of 23.29%, mainly due to the YoY decrease of the bank borrowings payment and distributes dividends of the reporting period.

(6) The YoY net amount of the cash flow from financing activities decreased of 581.91%, mainly due to the YoY decrease of no bank borrowings of the reporting period.

(7) The YoY net added amount of the cash and cash equivalents increase of 1146.09%, mainly due to the YoY decrease of the net amount of the cash flow from investment activities of the reporting period.

Notes to the reason of the significant differences between the net cash flow from the operating activities and the net profits of 2015 of the Company during the reporting period

Applicable  Not applicable

The net amount of the cash flow from operating activities during the reporting period of the Company was of RMB0.268 billion with the net profits of 2016 of RMB-0.074 billion of the differentiated amount of RMB0.343 billion, mainly because the depreciation and amortization of the reporting period increase the influences of RMB0.238 billion, the influences of the provision for impairment of property of RMB55 million, the decreased influences of the inventories of RMB0.116 billion.

### III. Analysis of the non-core business

Applicable  Not applicable

Unit: RMB

	Amount	Proportion in total profit	Reason explanation	Existence of sustainability

<b>Impairment of asset</b>	54,532,060.29	56.23%	Allowance for depreciation reserves in this period	No sustainability
<b>Non-business income</b>	23,471,692.36	24.20%	Subsidy of government, land sale of subsidiary company and assets disposal of the Company in this period	No sustainability

#### IV. List of the assets and liabilities

##### 1. List of the significant changes of the assets form

Unit: RMB

	As at 31 Dec. 2016		As at 31 Dec. 2015		Proportion change	Explain any major change
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary funds	547,270,064.75	18.33%	406,098,208.72	13.64%	4.69%	Due to the project expenditure reduced of the reporting period.
Accounts receivable	208,608,355.93	6.99%	180,450,531.93	6.06%	0.93%	N/A
Inventories	173,640,807.03	5.82%	287,824,164.30	9.67%	-3.85%	Due to the stock reduced of the reporting period.
Investing real estate	4,722,525.78	0.16%	5,036,745.54	0.17%	-0.01%	N/A
Fixed assets	1,604,373,212.55	53.75%	1,684,051,200.09	56.56%	-2.81%	
Construction in progress	21,225,256.37	0.71%	143,683,545.15	4.83%	-4.12%	Due to the ionic membrane project transferred into the fixed assets.
Short-term loans		0.00%	20,000,000.00	0.67%	-0.67%	Due to the payment of the short-term loans of the reporting period.
Long-term loans	196,590,000.00	6.59%	343,590,000.00	11.54%	-4.95%	Due to part of the long-term loans transferred into the long-term loans due in 1 year of the reporting period.

##### 2. Assets and liabilities measured at fair value

 Applicable  Not applicable

Unit: RMB

Item	Opening balance	Variable profit and loss of fair	Accumulative fair value	Summing and drawing	Purchase amount in this	Sale amount in this period	Amount at the end of
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		value in this period	variation with rights and interests	impairment in this period	period		the period
<b>Financial asset</b>							
<b>Others</b>	0.00	93,030.85			603,092.83		696,123.68
<b>Total</b>	0.00	93,030.85			603,092.83		696,123.68
<b>Financial liability</b>	0.00						0.00

### 3. As at the end of the reporting period, the asset rights were limited

At the end of this Reporting Period, monetary capital RMB 7,800,000.00 of the Company was limited. Most of the monetary capital was bank bill cash deposit. The deposit was limited in use.

## V. List of the investment

### 1. Overall condition

Applicable  Not applicable

### 2. List of the significant equity investment acquired from the reporting period

Applicable  Not applicable

### 3. List of the significant non-equity investment has been executing during the reporting period

Applicable  Not applicable

### 4. Investment on the financial assets

#### (1) List of the securities investment

Applicable  Not applicable

The Company was not involved with such situation during the reporting period.

#### (2) List of the derivative investment

Applicable  Not applicable

The Company was not involved with such situation during the reporting period.

### 5. Use of raised funds

Applicable  Not applicable

The Company was not involved with such situation during the reporting period.

## VI. Selling of the significant assets and the equities

### 1. List of the selling of the significant assets

Applicable  Not applicable

The Company was not involved with such situation during the reporting period.

### 2. List of the selling of the significant equities

Applicable  Not applicable

## VII. Analysis of the major controlling and stock-participating 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	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Sanonda (Jingzhou) Pesticides and Chemicals Co., Ltd.	Subsidiary	Production of pesticides and intermediates	30000000.00	11,327,387.63	6,590,677.03		-367,851.45	8,509,334.72
Hubei Sanonda Foreign Trading Co., Ltd.	Subsidiary	Import & export of pesticides and intermediates	10000000.00	467,066,051.86	56,949,739.60	266,783,852.40	16,804,263.04	12,655,504.44
Jingzhou Hongxiang Chemical Co., Ltd.	Subsidiary	Production and sale of chemical raw materials	40000000.00	206,375,701.58	-22,726,862.94	144,895,228.00	-15,610,049.23	-14,606,715.91

Subsidiaries acquired or disposed during the reporting period

Applicable  Not applicable

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

## VIII. List of the structured main bodies controlled by the Company

Applicable  Not applicable

## IX. Outlook of the Company's future development

### (I) Competition structure and development trend of the industry

#### 1. The competition structure of pesticide industry

##### (1) The competition structure of global pesticide industry

The value chain of pesticide industry includes product research and development, production of intermediates, active compound and preparations, channel network and so on. The typical feature of industrial value chain is "small middle part and two large sides". In other words, the additional value of middle production link is low; technology research and development and product innovation at front end and the brands and channels at rear end have high additional value. Pesticide industry highly relies on technology and brands. Technical level, brand influence and channels are the key factors of competition in industry. At present, the international division of labor in global pesticide industry has formed. International chemurgy magnate has the superiority of technology, brands and channels. It mainly focuses on the research, development and production of pesticide products with new active ingredients and the construction of sale channels. Developing countries, represented by China, will gradually become the production base of pesticide products in post-patent period.

##### (2) The competition structure of pesticide industry in our country

At present, pesticide enterprises of our country can be divided into enterprise of active compound, preparations enterprise and the enterprise integrating active compound and preparations. Domestic competition in pesticide industry is mainly the competition among the three kinds of enterprise. Because active compound and preparations are different in their position on pesticide industrial chain, technical characteristics, customer group and sale mode, competition strategy of above three kinds of enterprise is different. The sub-industry of active compound is intensive in technology; the enterprises with technology superiority get much more benefits. In the sub-industry of preparations, competition can be reflected in marketing strength and brand influence of enterprise. The enterprises with complete marketing channel and brand superiority will become the final winners.

The competition among the enterprises of active compound is the competition in quality and cost of products. Customers of active compound enterprises are the enterprises of pesticide preparations. The number of the customers is small and their discrimination ability is strong. In addition, domestic enterprises of active compound are mimicking pesticide production enterprises. It is difficult for them to get competition superiority through the strategy of product differentiation. Therefore, market competition is the competition of the quality and cost of products. Only the enterprises with stable quality and cost superiority can be outstanding in competition. Core technology of active compound production is the technology of compounds synthesis. The level of synthesis technology determines the quality and profit rate of products and directly influences cost of products. In addition, the investment of active compound enterprise in fixed asset is large. Scale superiority can effectively decrease cost of products. Therefore, technology and scale superiority is the key factor determining active compound enterprises' failure or victory in competition.

The competition among the enterprises of preparations is the competition in sale channels and level of service. Customers of preparations enterprises are pesticide dealers. The terminal customers are farmers. The number of the customers is large and their discrimination ability is weak. Domestic brands of pesticide preparations are in large number and their types are complex. Terminal users tend to lack professional knowledge about pesticide. They usually purchase pesticide depending on their experience and their purchase is easily guided by the propaganda of pesticide dealers. Therefore, sale channel is the competition focus of preparations enterprises.

As for the enterprises integrating active compound and preparations, the market competition characteristics of active compound and preparations shall be considered synchronously. In one aspect, the business of active compound needs the superiority of quality and

cost; in the other aspect, the business of preparations needs the superiority of service and channels. Comparing with simplex pesticide enterprises or preparations enterprises, the enterprises with integrated development have the superiority of industrial chain. Profit-making space is expanded through preparations development; industrial initiative is enhanced through active compound development. Eventually, anti-risk ability of enterprises is enhanced and the opportunities of making profit are increased. The higher the degree of industrial chain integration is the stronger competition superiority of enterprises will be.

## 2. The development trend of pesticide industry

Firstly, industrial integration will accelerate. In industrial development, intensification and scale development is the only way for pesticide enterprises to become larger and stronger. With fierce industrial competition and heavy pressure of environmental protection, the recombination of industries will be inevitable. Pesticide industry of our country is in its new round of integration. This will bring new development opportunities to superior chemurgy enterprises and stimulate healthy and rapid development of the industry. Secondly, production process will be green. Low toxicity and high effectiveness of products will become development direction of the industry. Thirdly, active compound and preparations will develop in integration. Fourthly, production technology will be optimized and the level of preparations innovation will rise. Fifthly, downstream centralized pesticide use will be a tendency.

### (II) Development strategy of the Company

As the subordinate enterprise of China National Chemical Corporation, the Company is a leading enterprise in its chemurgy field. Accompanying its combination with ADAMA, Sanonda is facing precious development opportunities.

Development emphases of the Company in the subsequent several years: The first is to protect and intensify the key technologies of core products of the Company. In the process of relocating, upgrading and reforming the old factory, select the superior and eliminate the inferior on industrial chain; perfect three industrial chains: organophosphorus series, phosgene series and pyridine series; further enhance the competitiveness of main products. The second is to develop new products and actively carry forward the relocation, upgrade and reform of the old factory. Up to now, 2 new products of pesticide have been developed and put into engineering implementation. Subsequently, following the combination of the Company with ADAMA, more new varieties of pesticide will be generated in Sanonda.

### (III) Operation plan for 2017

2017 is the first year of essential operation after Sanonda reformed its organization structure. The Company will actively adapt to new change and new requirement, firm confidence, energetically take actions and well complete the following 11 items of work aiming at “lower cost and enhance effectiveness, structure adjustment, enterprise ecology”:

1. Put five key links into practice and make efforts to lower cost and enhance effectiveness. With the key point “exploit the potential of saving”, the Company considers its operation reality and the operation management in production, supply, sale, finance and logistics, puts the five key links (safety and environmental protection, production control, technical progress, internal control management and supply chain) into practice, strives for finding the weakness of production and operation, formulates solutions, intensifies practical implementation of work and makes efforts to lower cost and enhance effectiveness. Firstly, comprehensively deepen the construction of SHE management system and try to get benefit from safety and environmental protection. Secondly, enhance the scientificity and effectiveness of plan and benchmarking and try to get profit from production control. Thirdly, insist on scientific and technological innovation and try to get impetus from technical progress. Fourthly, strengthen financial management and audit and try to get cost from internal control. Fifthly, strengthen the coordination among supply, production and sale and try to get space from supply chain.

2. Do a good job in 3 points of strength and persistently carry forward structure adjustment. Centering on the strategic positioning “chemurgy products manufacture base” of the enterprise, the Company will constantly carry forward organization reform, optimize products’ structure, adjust the structure of human resource, strengthen operation efficacy, expand products’ market superiority, activate the vitality of human resource and offer organization guarantee and firm backup to healthy and rapid development of the Company. The first is to intensify duties of department and raise operation efficiency. The second is to strengthen industry-university-research cooperation and persistently optimize products’ structure. The third is to push forward the structure

adjustment of human resource and motivate subjective initiative in work.

3. Insist on human-orientation and create promising enterprise culture. Insist on human-orientation and give full play to employees' subjective initiative, create the vigorous atmosphere of wanting to do, being willing to do and accomplishing work, pay close attention to the three groups of party members, youths and employees and distinguish their characteristics and requirements, innovate train of thought, improve methods, enhance actual effect and create promising enterprise culture "responsible, pragmatic and aggressive" led by the enterprise spirit "create top-ranking products and be the winner in competition". Firstly, strengthen party construction and intensify the leading function of party members and cadres. Secondly, encourage innovation and exploit youths' intelligence and wisdom. Thirdly, rely on the masses and motivate employees' sense of ownership.

(IV) The Company's plan of fund demand

According to production and operation of the Company and the projects which are being constructed, to be constructed and to be expanded, RMB 2 billion will be demanded in 2017. Source of fund: bank loan, self-owned fund of the Company and possible added shares for collecting fund.

(V) The risks faced by the Company and countermeasures

Sanonda is a company which 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. With the combination with ADAMA, 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.



## X. List of the received researches, visits and interviews

### 1. Particulars about researches, visits and interviews received in this reporting period

√ Applicable □ Not applicable

Reception time	Reception mode	Type of reception object	Index of investigation information
25 Mar. 2016	Telephone communication	Individual	When would shares of the Company be in resumption? Material supplied: announcement of the progress of significant assets reorganization
28 Mar. 2016	Telephone communication	Individual	When would shares of the Company be in resumption? Material supplied: announcement of the progress of significant assets reorganization
1 18 Apr. 2016	Telephone communication	Individual	When would shares of the Company be in resumption? Material supplied: announcement of the progress of significant assets reorganization
Jun. 2016	Telephone communication	Individual	When would shares of the Company be in resumption? Material supplied: announcement of the progress of significant assets reorganization
8 Jun. 2016	Telephone communication	Individual	When would shares of the Company be in resumption? Material supplied: announcement of the progress of significant assets reorganization
29 Jun. 2016	Telephone communication	Individual	When would shares of the Company be in resumption? Material supplied: announcement of the progress of significant assets reorganization
23 Aug. 2016	Telephone communication	Individual	What's the reason of suspension? What's the time of resumption? Written reply is not supplied.
14 Sept. 2016	Telephone communication	Individual	What's the time of resumption? Written reply is not supplied.
13 Oct. 2016	Telephone communication	Individual	When will the inquiry letter of Shenzhen Stock Exchange arrive? What's the time of resumption? Does large change exist in the scheme? Written reply is not supplied.
14 Oct. 2016	Telephone communication	Individual	What's the time of resumption? Does

			large change exist in the scheme?
November 7, 2016	Telephone communication	Individual	When will the formal recombination scheme be disclosed? Written reply is not supplied.
December 15, 2016	Telephone communication	Individual	When will the formal recombination scheme be disclosed? Written reply is not supplied.
December 28 Dec. 2016	Telephone communication	Individual	When will general meeting of stockholders be held for review? Written reply is not supplied.
Times of reception	13		
The number of agencies in reception	0		
The number of individuals in reception	13		
The number of other objects in reception	0		
Whether undisclosed significant information is disclosed, revealed or divulged?	No		

## Section V Significant Events

### I. List of the profits distribution of the common shares and turning capital reserve into share capital of the Company

Common profits distribution policies especially the formulation, execution or the adjustment of the cash dividend policies during the reporting period

Applicable  Not applicable

During the reporting period, the Company actively done well of the execution of the profits distribution proposal strictly abide by the regulations and the requirements of the relevant systems such as the Articles of Association. And fully protected the legal interests of the medium and small investors with the profits distribution proposal met with the relevant regulations of the Articles of Associations. The 8<sup>th</sup> Session of the 7<sup>th</sup> Board of Directors held on 16 Mar. 2016 reviewed and approved the Preplan of the 2015 Profits Distribution and had been approved by the 2015 Annual General Meeting held on 18 Apr. 2016. On 7 Jun. 2016, the Company disclosed the Announcement of the Exaction of the 2015 Interests Distribution.

Special explanation of the cash dividend policy	
Whether conformed with the regulations of the Articles of association or the requirements of the resolutions of the shareholders' meeting:	Yes
Whether the dividend standard and the proportion were definite and clear:	Yes
Whether the relevant decision-making process and the system were complete:	Yes
Whether the independent director acted dutifully and exerted the proper function:	Yes
Whether the medium and small shareholders had the chances to fully express their suggestions and appeals, of which their legal interest had gained fully protection:	Yes
Whether the conditions and the process met the regulations and was transparent of the adjustment or altered of the cash dividend policy:	Not applicable

List of the dividend distribution proposal (preplan) of the common shares and the proposal (preplan) of turning capital reserve into share capital of the Company of the recent 3 years:

2014 profits distribution proposal: based on the total share capital on 31 Dec. 2014, the Company distributed a cash dividend of RMB1.0 (tax included) for every 10 shares to the whole shareholders, with 0 share of the bonus shares (tax included), and there was no turn from capital reserve to share capital.

2015 profits distribution proposal: based on the total share capital on 31 Dec. 2015, the Company distributed a cash dividend of RMB0.25 (tax included) for every 10 shares to the whole shareholders, with 0 share of the bonus shares (tax included), and there was no turn from capital reserve to share capital.

2016 profits distribution proposal: not allocated, not transferred.

Cash dividend distribution of the common shares of the Company of the recent 3 years (including the reporting period)

Unit: RMB

Dividend year	Amount of cash dividend (including tax)	Net profit belonging to shareholders of the listed company in consolidated statement of dividend year	The ratio accounting in net profit which belongs to shareholders of the listed company in consolidated statement	Amount of the cash dividend by other methods	Ratio of the cash dividend by other methods
2016	0.00	-74,489,986.54	0.00%	0.00	0.00%
2016	14,848,080.50	141,840,462.97	10.47%	0.00	0.00%
2014	59,392,322.00	491,771,929.22	12.08%	0.00	0.00%

The Company (including its subsidiaries) made profit in the reporting period and the profits distribution of the common shares held by the shareholders of the Company (without subsidiaries) was positive, but it did not put forward a preplan for cash dividend distribution of the common shares:

Applicable  Not applicable

## II. Pre-plan for profit allocation and turning capital reserve into share capital for the reporting period

Applicable  Not applicable

The Company plans not to send cash dividends for the year, do not send bonus shares, not to increase the share capital.

## III. Performance of commitments

### 1. Commitments completed by the Company, the shareholders, the actual controllers, the purchasers, the Directors, the Supervisors and the Senior Executives or the other related parties during the reporting period and those hadn't been completed execution up to the period-end

Applicable  Not applicable

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitment on share reform						
Commitment in the acquisition report or the report on equity	ADAMA Celsius B.V.; ADAMA	Commitments on the horizontal competition,	I. Commitments on avoiding horizontal competition: 1. except for the Company proposed conducting transaction may lead to competition in domestic trade	2013-09-07	2020-09-06	The commitments were being carried out

changes	Agricultural Solutions Ltd.	the related transaction and the capital occupation	with Shenzhen NOPOSITION Agrochemical Co., Ltd. disclosed in the B Shares Offer Acquisition Report of Hubei Sanonda Co., Ltd. The Company will take effective measures to avoid the Company and its controlling subsidiaries engaged in the same or similar business with Hubei Sanonda Co., Ltd. within the territory.2. If the Company or its controlling subsidiaries domestically conduct related business which form horizontal competition with Hubei Sanonda Co., Ltd. in future (including related business of the Company proposed conducting transaction may lead to competition in domestic trade with Shenzhen NOPOSITION Agrochemical Co., Ltd. disclosed in the B Shares Offer Acquisition Report of Hubei Sanonda Co., Ltd.) The Company will according to the securities laws and regulations and industry policy within 7 years or when the management think the condition is ripe to actively take steps, gradually eliminate the competition, the concrete measures including but not limited to the following one or more: fight for internal assets reconstruction, (including putting the business into Hubei Sanonda Co., Ltd. or operated through Hubei Sanonda Co., Ltd. ) to adjust the industrial plan and business structure, to transform technology and to upgrade products, to divide the market so as to make each corporation differ in the products and its ultimate users, thus to avoid and eliminate the current domestic horizontal competition between the Company’s controlling subsidiaries and Sanonda.			and the commitment makers abided by the above commitments.
	ADAMA Celsius B.V.;	Commitments on the horizontal	II. Commitments on maintaining the Company’s operation independence and specify the related transaction: 1. After	2013-09-07	9999-12-31	The commitments were being

	ADAMA Agricultural Solutions Ltd.	competition, the related transaction and the capital occupation	<p>the complement of the tender offer, Sanonda will continue to maintain complete purchase, production and sales system, and to gain the independent intellectual property. The Company and its direct or indirect controlling shareholders and Sanonda of which the personnel, assets, finance, business and institutions will be completely separated, and at the same time maintain the operation ability of Sanonda that independently face to the China agrochemical industry market. 2. The Company will avoid and reduce the related transactions with Sanonda according to the requirements stipulated by the laws, regulations and other normative documents; but for those related transactions that are inevitable or occur with reasonable cause, will have to obey the just, fair and open market principles. And to sign the agreement according to the law and to carry out legal program, and to make sure not to harm the legal interest of Sanonda and other shareholders by related transaction according to the Articles of Association of Sanonda, the relevant system about related transaction and to conduct the duty of information disclosure as well as the approval process which stipulated by the relevant regulations."</p>			carried out and the commitment makers abided by the above commitments.
	China National Chemical Corporation	Commitments on the horizontal competition, the related transaction and the capital occupation	<p>I. Commitments on avoiding horizontal competition: 1. The business of the Company's subsidiaries-- Jiangsu Anpon Electrochemical Co., Ltd., Anhui Petroleum Chemical Group Co., Ltd., Shangdong Dacheng Agrochemical Co., Ltd. and Jiamusi Heilong Agrochemicals Co., Ltd., and Hunan Haohua Chemical Co., Ltd. and its subsidiary had the same or similar situations with the main business of</p>	2013-09-07	2020-09-06	The commitments were being carried out and the commitment maker abided by the above commitments.

			<p>Sanonda, and aimed at the domestic horizontal competition, the Company committed to gradually eliminate such kind of horizontal competition in the future and to fight for the internal assets reconstruction, to adjust the industrial plan and business structure, to transform technology and to upgrade products, to divide the market so as to make each corporation differ in the products and its ultimate users according to the securities laws and regulations and industry policy within 7 years, thus to eliminate the current domestic horizontal competition between the Company's controlling subsidiaries and Sanonda.</p> <p>2. Excepting the competition situation disclosed in the offer acquisition report, the Company take effective measures to avoid the Company and its controlling subsidiaries ( excepting Commitments respectively made in acquisition report by Celsius Property B.V. and MAI )' new increased business engaged in the same or similar business with Hubei Sanonda Co., Ltd. within the territory in future.</p> <p>3. If the Company or its controlling subsidiaries (excepting Commitments respectively made in acquisition report by Celsius Property B.V. and MAI) domestically conduct related business which form horizontal competition with Hubei Sanonda Co., Ltd. in future, the Company will actively take steps, gradually eliminate the competition, the concrete measures including but not limited to fight for internal assets reconstruction, (including putting the business into Hubei Sanonda Co., Ltd. or operated through Hubei Sanonda Co., Ltd.) to adjust the industrial plan and business structure, to transform technology and to upgrade</p>			
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			products, to divide the market so as to make each corporation differ in the products and its ultimate users, thus to avoid and eliminate the current domestic horizontal competition between the Company's controlling subsidiaries and Sanonda.			
	China National Chemical Corporation	Commitments on the horizontal competition, the related transaction and the capital occupation	<p>II. Commitments on maintaining the Company's operation independence and specify the related transaction: 1. After the complement of the tender offer, Sanonda will continue to maintain complete purchase, production and sales system, and to gain the independent intellectual property. The Company and its direct or indirect controlling shareholders and Sanonda of which the personnel, assets, finance, business and institutions will be completely separated, and at the same time maintain the operation ability of Sanonda that independently face to the China agrochemical industry market. 2. The Company will avoid and reduce the related transactions with Sanonda according to the requirements stipulated by the laws, regulations and other normative documents; but for those related transactions that are inevitable or occur with reasonable cause, will have to obey the just, fair and open market principles. And to sign the agreement according to the law and to carry out legal program, and to make sure not to harm the legal interest of Sanonda and other shareholders by related transaction according to the Articles of Association of Sanonda, the relevant system about related transaction and to conduct the duty of information disclosure as well as the approval process which stipulated by the relevant regulations.</p>	2013-09-07	9999-12-31	The commitments were being carried out and the commitment maker abided by the above commitments.



Commitments made at the time of assets reorganization						
Commitments made in the initial public offering or refinancing						
Commitment on equity incentive						
Other commitments made to minority shareholders						
Executed timely or not?	Yes					

**2. The assets or projects existing profit forecast, which were still in the profit forecast period, the Company made note and explain to the assets or project arrived at original profit forecast**

Applicable  Not applicable

**IV. Occupation of the Company's capital by the controlling shareholder or its related parties for non-operating purposes**

Applicable  Not applicable

The Company was not involved with such situation during the reporting period.

**V. Explanation by the Board of Directors and the Supervisory Committee about the "non-standard audit report" issued by the CPAs firm for the reporting period**

Applicable  Not applicable

**VI. Explanation of the changes of the accounting policy, the accounting estimates and the accounting methods compared to the last financial report**

Applicable  Not applicable

No such cases in the reporting period.

**VII. Explain retrospective restatement due to correction of significant accounting errors in the reporting period**

Applicable  Not applicable

No such cases in the reporting period.

### VIII. Explain change of the consolidation scope as compared with the financial reporting of last year

Applicable  Not applicable

No such cases in the reporting period.

### IX. Particulars about engagement and disengagement of CPAs firm

CPAs firm engaged at present

Name of domestic CPAs firm	Ruihua CPAs (LLP)
Remuneration for domestic CPAs firm for the reporting period (RMB Ten Thousand Yuan)	85
Consecutive years of the audit services provided by domestic CPAs firm	7
Name of domestic CPAs firm	Tang Qiyong, Xie Panying

Reengage the CPAs firm at current period or not?

Yes  No

Particulars on engaging the audit firm for the internal control, financial adviser or sponsor

Applicable  Not applicable

The 8<sup>th</sup> Session of the 7<sup>th</sup> Board of Directors held on 16 Mar. 2016 engaged for the internal control and audit of the reporting period: Ruihua CPAs (LLP). No financial consultant and sponsor.

### X. Particulars about trading suspension and termination faced after the disclosure of annual report

Applicable  Not applicable

### XI. Bankruptcy and reorganization

Applicable  Not applicable

No such cases in the reporting period.

### XII. Significant lawsuit or arbitration

Applicable  Not applicable

No such cases in the reporting period.

### XIII. Punishment and rectification

Applicable  Not applicable

No such cases in the reporting period.

#### XIV. The honesty situations of the Company, its controlling shareholders and actual controller

Applicable  Not applicable

During reporting period, there was no effective judgment of a court and large amount of debt maturity that the Company, its controlling shareholders and actual controller failed to perform or pay off.

#### XV. The actual implementation of the stock incentive plan, ESOP, or other Staff incentives

Applicable  Not applicable

No such cases in the reporting period.

#### XVI. Significant related-party transactions

##### 1. Related-party transactions relevant to routine operation

Applicable  Not applicable

Related party	Relationship	Type of the related-party transaction	Content of the related-party transaction	Pricing principle of the related-party transaction	Transaction price	Transaction amount (RMB Ten thousand)	Proportion in same kind of transactions (%)	Approved transaction line (RMB Ten thousand)	Over approved line or not	Settlement method of the related-party transaction	Similar Transaction market price receivable	Disclosure date	Disclosure index
Beijing Grand AgroChem Ltd.	Under the same ultimate controller	Purchase	Purchase of the raw materials	Market price	Market price	956.41		800	Yes	Acceptance	-	18 Mar. 2016	Announcement NO.: 2016-20; Name of the announcement: Announcement on 2016 Routine Related Transactions; information disclosed on <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Bluestar	Under	Purchase	Purchase	Market	Market	255.29		100	No	Cash		18	Ditto

(Beijing) Chemical Machinery Co., Ltd.	the same ultimate controller		of the raw materials	price	price					remittance		Mar. 2016	
Haohua Engineering Co., Ltd.	Under the same ultimate controller	Purchase	Equipment and service	Market price	Market price	72.86			No	Cash remittance			
China National Chemical Information Center	Under the same ultimate controller	Purchase	OA value-added service	Market price	Market price	14.72			Yes	Cash remittance			
ADAMA(Beijing) Agricultural Technology Co., Ltd.	Under the same ultimate controller	Purchase	Labor service	Agreement price	Agreement price	362.15			Yes	Cash remittance			
ADAMA Agricultural Solutions Ltd.	Under the same ultimate controller	Sales	Sales of the pesticides	Market price	Market price	15,643.69		23,790	No	Cash remittance		18 Mar. 2016	Ditto
Jiangsu Anpon Electrochemical Co., Ltd	Under the same ultimate controller	Sales	Sales of the pesticides	Market price	Market price	22.3		300	No	Cash remittance		18 Mar. 2016	Ditto
Total				--	--	11,405.43	--	36,000	--	--	--	--	--
Details about return of large-amount sales				N/A									
Where the Company classifies and				The Company expects the total amount of daily connected transactions in 2016 is RMB 250									

estimates the total amount of routine related-party transactions for the reporting period, explain the actual implementation during the reporting period (if any)	million, and the actual amount incurred in the year is RMB 1,322,242,000, 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-party transactions arising from asset acquisition or sale

Applicable  Not applicable

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

## 3. Related-party transactions with joint investments

Applicable  Not applicable

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

## 4. Credits and liabilities with related parties

Applicable  Not applicable

Whether there was non-operating credit and liability with related parties

Yes  No

The Company was not involved in any non-operating credit and liability with related parties.

## 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 306,225.65.

2. Balance of bank deposit of Chemchina Finance Co., Ltd. of the Group at the period- begin was of RMB140,000,000.00 period-end was of RMB 0.00; interest of bank deposit of this year was of RMB 1,176,907.21.

3. In 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 in the reporting period with the annual rent of RMB 120,000.

4. During the reporting period, 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.

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
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## XVII. Particulars about significant contracts and their fulfillment

### 1. Particulars about trusteeship, contract and lease

#### (1) Trusteeship

Applicable  Not applicable

There was no any trusteeship of the Company in the reporting period.

#### (2) Contract

Applicable  Not applicable

There was no any contract of the Company in the reporting period.

#### (3) Lease

Applicable  Not applicable

Explanation on the lease

The 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 Ten Thousand Yuan

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	Amount for guarantee	Actual occurrence date (date of	Actual guarantee	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related

	announcem ent of guaranteed amount		agreement)	amount				party or not
Hubei Sanonda Foreign Trading Co., Ltd.	18 Mar. 2016	30,900	18 Mar. 2016	7,000	Joint Liability Guarantee	1 year	No	Yes
Total guarantee line approved for the subsidiaries during the reporting period (B1)		30,900		Total actual occurred amount of guarantee for the subsidiaries during the reporting period (B2)		7,000		
Total guarantee line that has been approved for the subsidiaries at the end of the reporting period (B3)		30,900		Total actual guarantee balance for the subsidiaries at the end of the reporting period (B4)		7,000		
Guarantees provided by subsidiaries for subsidiaries								
Guaranteed party	Disclosure date on relevant announcem ent of guaranteed amount	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarante e 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 (A1+B1+C1)		30,900		Total actual occurred amount of guarantee during the reporting period (A2+B2+C2)		7,000		
Total guarantee line that has been approved at the end of the reporting period (A3+B3+C3)		30,900		Total actual guarantee balance at the end of the reporting period (A4+B4+C4)		7,000		
Proportion of total guarantee amount (A4+B4+C4) to the net assets of the Company				3.49%				
Of which:								
Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (E)				7,000				
Total amount of the above three guarantees (D+E+F)				7,000				
As for undue guarantee, liability to guarantee has happened or				No				

joint liquidated liability may be undertaken during this Reporting Period (if existing)	
Regulated procedures are violated to offer guarantee (if existing)	No

Explanation on guarantee that adopts complex method

## (2) Particulars about illegal external guarantee

Applicable  Not applicable

There was no particular about illegal external guarantee of the Company in the reporting period.

## 3. Cash assets management entrustment

### (1) Wealth management entrustment

Applicable  Not applicable

No such cases in the reporting period.

### (2) Entrustment loans

Applicable  Not applicable

No such cases in the reporting period.

### (4) Other significant contracts

Applicable  Not applicable

No such cases in the reporting period.

## XVIII. Social responsibilities

### 1. Perform the social responsibility of targeted poverty alleviation

The Company responds to the national call “targeted poverty alleviation” for many consecutive years and performs the social responsibility of targeted poverty alleviation. In 2016, the Company dispatched specially-assigned person to participate in poverty alleviation in Shuangzha Team, Lingjiaohu Management Zone, Jingzhou District, Jingzhou City. Through the poverty alleviation of specially-assigned person on the spot, the “targeted poverty alleviation and targeted poverty removal” place—Shuangzha Team, Lingjiaohu Management Zone, Jingzhou District the Company was responsible for had achieved preliminary effect. Measures of poverty alleviation had been propagandized accurately and implemented. Project of poverty alleviation was acknowledged by the government and got necessary fund support. The Company actively participated in the activities of public welfare and charity, led the development of local economy with its own development and promoted the coordinated and harmonious development of the Company, society and nature.

### 2. Perform other social responsibilities

The Company insists on the policy “safety, quality, environmental protection, efficiency”, carries out production and operation in strict accordance with OHSAS18001 occupational health and safety management system, ISO14001 environment management system, ISO9001 quality management system and national cleaning production standards, carries forward the construction of SHE



system, technically reforms production devices, technologies and tail gas treatment, enhances the safety of production devices, carries forward lean production, reduces the consumption of energy and materials and carries forward energy conservation and emission reduction. For output value per ten thousand yuan, the overall energy consumption and water consumption decrease year by year. The Company will invest more in environmental protection, carry forward comprehensive treatment on environment and persistently improve the performance of environmental protection.

The Company lays emphasis on employees training and education and constantly improves their comprehensive quality. On the premise of sustainable development and incremental benefits of enterprise, the Company will increase employees' salary stably, invest more in safety protection for employees and constantly improve the work environment and living environment of employees.

The Company practically protects consumers' rights and interests through constantly improving products' quality and severely striking forged and fake commodities, strengthens the communication with customers, suppliers and other stakeholders, active responds to the demand of customers, makes efforts to achieve win-win result, lays emphasis on its sustainable development and attaches importance to the return for investors. Cash dividend was distributed to investors in the past years.

Whether the listed company and its subsidiary companies are the key pollution discharge units promulgated by environmental protection department?

Yes  No

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.

Whether social responsibility report will be released?

Yes  No

## **XIX. Other significant events**

Applicable  Not applicable

The Company disclosed the report of major assets restructuring and relevant contents on 10 Jan. 2017. In addition, the Company revised the scheme of issuing shares, purchasing assets and collecting matching funds & related transactions according to *Enforcement Regulations for Listed Companies' Non-Public Shares Issue* and *Issue Supervision Questioning—the Requirements on Guiding and Normalizing the Financing Behaviors of Listed Companies* issued and revised by China Securities Regulatory Commission on 17 Feb. 2017.

## **XX. Significant events of subsidiaries**

Applicable  Not applicable

## Section VI. Change in Shares & Shareholders

### I. Changes in shares

#### I. Changes in shares

Unit: share

	Before the change		Increase/decrease (+/-)					After the change	
	Amount	Proportion	Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	Amount	Proportion
I. Restricted shares	20,531	0.00%						20,531	0.00%
3. Shares held by domestic investors	20,531	0.00%						20,531	0.00%
Shares held by domestic natural person	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. RMB ordinary shares	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 shares	593,923,220	100.00%						593,923,220	100.00%

Reason for the change in shares

 Applicable  Not applicable

Approval of the change in shares

 Applicable  Not applicable

Reason for the change in shares

 Applicable  Not applicable

Effects of the change in shares on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes over the last year and last period

 Applicable  Not applicable

Other contents that the Company considered necessary or were required by the securities regulatory authorities to disclose

 Applicable  Not applicable

## 2. Changes in restricted shares

Applicable  Not applicable

## II. Issuance and listing of securities

### 1. Issuance of securities (excluding preferred stock) in reporting period

Applicable  Not applicable

### 2. Explanation on changes in share capital & the structure of shareholders, the structure of assets and liabilities

Applicable  Not applicable

### 3. Existent shares held by internal staffs of the Company

Applicable  Not applicable

## III. Particulars about the shareholders and actual controller

### 1. Total number of shareholders and their shareholding

Unit: share

Total number of shareholders at the reporting period	67,149	Total number of shareholders on the 30th trading day before the disclosure date of the annual report	61,070	Total number of preferred stockholder with vote right restored( if any)	0	Total number of preferred stockholder with vote right restored on the 30th trading day before the disclosure date of the annual report( note 8)	0	
Shareholding of shareholders holding more than 5% shares								
Name of shareholder	Nature of shareholder	Holding percentage (%)	Number of shareholding at the end of the reporting period	Increase and decrease of shares during reporting period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Pledged or frozen shares	
							Status of shares	Amount

Jingzhou Sanonda Holdings Co., Ltd.	State-owned corporation	20.15%	119,687,202			119,687,202		
ADAMA Celsius B.V.	Foreign corporation	10.60%	62,950,659			62,950,659		
Qichun County State-owned Assets Administration	On behalf of the government	0.70%	4,169,266			4,169,266		
Shi Yun	Domestic individual	0.60%	3,590,017	3590017		3,590,017		
Xie Qingjun	Domestic individual	0.58%	3,458,780			3,458,780		
Guotai Junan Securities(Hong Kong) Limited	Foreign corporation	0.56%	3,318,799			3,318,799		
Huizhou Deheng Industrial Co., Ltd.	Domestic non-state-owned corporation	0.18%	1,074,100	1,024,100		1,074,100		
Hu Chunwan	Domestic individual	0.17%	1,013,228			1,013,228		
KGI Asia Limited	Foreign corporation	0.17%	1,008,271			1,008,271		
Ye Zhencheng	Domestic individual	0.16%	975,830			975,830		
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 Holdings Co., Ltd. and Celsius Property B.V. are related parties 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 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	Amount				
Jingzhou Sanonda Holdings Co., Ltd.	119,687,202		RMB ordinary shares	119,687,202				
ADAMA Celsius B.V.	62,950,659		Domestically	62,950,659				

		listed foreign shares	
Qichun County State-owned Assets Administration	4,169,266	RMB ordinary shares	4,169,266
Shi Yun	3,590,017	RMB ordinary shares	3,590,017
Xie Qingjun	3,458,780	Domestically listed foreign shares	3,458,780
Guotai Junan Securities(Hong Kong) Limited	3,318,799	Domestically listed foreign shares	3,318,799
Huizhou Deheng Industrial Co., Ltd	1,074,100	RMB ordinary shares	1,074,100
Hu Chunwan	1,013,228	Domestically listed foreign shares	1,013,228
KGI Asia Limited	1,008,271	Domestically listed foreign shares	1,008,271
Ye Zhencheng	975,830	Domestically listed foreign shares	975,830
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	Qichun County Administration of State-Owned Assets held shares of the Company on behalf of the state. Jingzhou Sanonda Holdings Co., Ltd. and Celsius Property B.V. are related parties 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)	Shareholder Shi Yun held 3,590,017 shares of the Company through a credit collateral securities trading account and held 0 shares of the Company through a common securities account, who thus held 3,590,017 shares of the Company in total.		

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

Yes  No

The shareholders of a company did not conducted the transaction of repurchase under the agreement during the reporting period

## 2. Particulars about the controlling shareholder

Nature of controlling shareholder: The central state-owned

Type of controlling shareholder: legal person

Name of controlling shareholder	Legal representative / company principal	Date of establishment	Organization code	Business scope
Jingzhou Sanonda Holdings Co., Ltd.	An Liru	22 Jun. 1994	17898778-9	Pesticides and chemicals, chemical fertilizer, veterinary drug, feedstuff and chemical products; production and operation of thermoelectricity; medical product, circulation of agricultural product, development of real estate, agent and import & export of goods and technology (excluding goods or technology banned or limited to be imported and exported by the country)
Shares held by the controlling shareholder in other listed companies by holding or shareholding during the reporting period	Not applicable			

Change of the controlling shareholder during the reporting period

Applicable  Not applicable

The controlling shareholder did not change during the reporting period

## 3. Particulars about actual controller

Nature of actual controller: State-owned Assets Supervision and Administration Commission

Type of actual controller: nature person

Name of the actual controller	Legal representative / company principal	Date of establishment	Organization code	Business scope
State-owned Assets Supervision and Administration Commission of the State Council	-	16 Mar. 2003	-	-
Shares held by the actual	Not applicable			

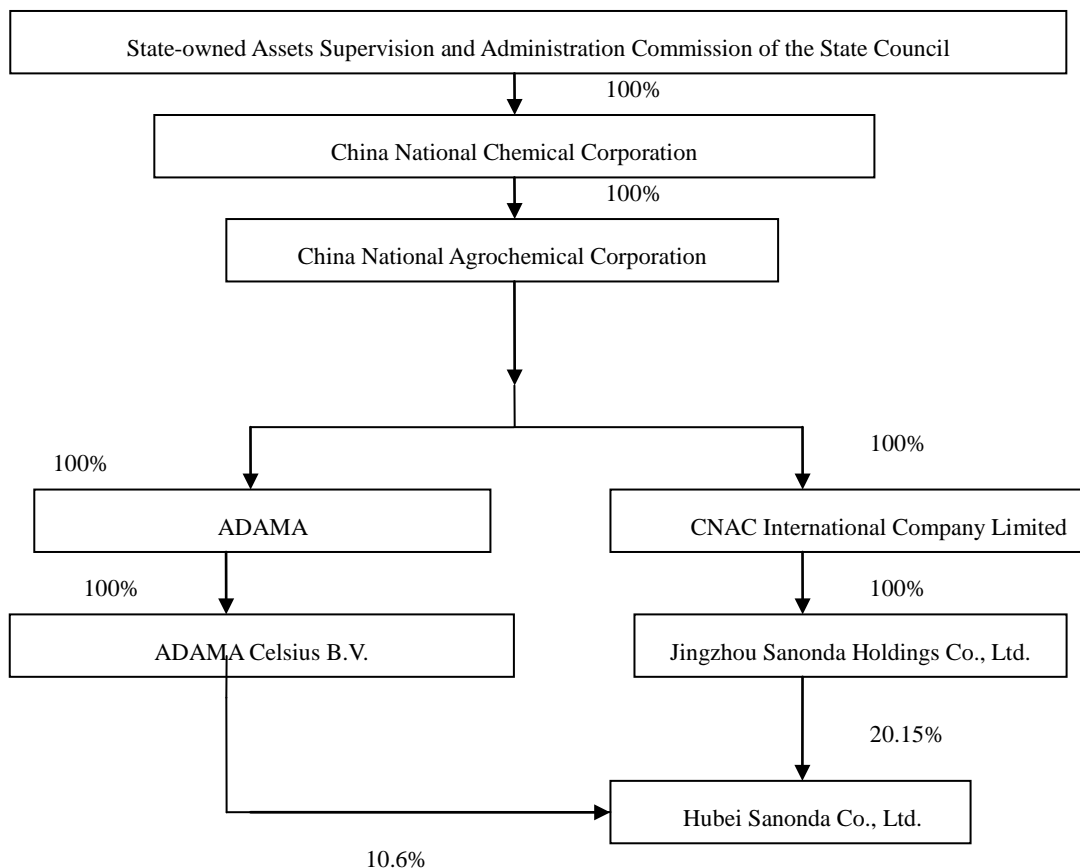
controller in other listed companies by holding or shareholding during the reporting period	
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Change of the actual controller during the reporting period

Applicable  Not applicable

The actual controller did not change during the reporting period

Block diagram of equity and control relationship between the Company and actual controller:



The actual controller controls the Company via trust or other ways of asset management

Applicable  Not applicable

**4. Particulars about other corporate shareholders with shareholding proportion over 10%**

Applicable  Not applicable

Name of corporate shareholder	Legal representative / company principal	Date of establishment	Registered capital	Main business or management activity
ADAMA Celsius B.V.	Not applicable	24 Dec. 1987	EUR18,045.45	Basic and industrial agricultural chemical



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				products wholesale
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**5. Particulars about restriction of reducing holding-shares of controlling shareholders, actual controller, restructuring parties and other commitment entities**

Applicable  Not applicable

## **Section VII. Preferred stock**

Applicable  Not applicable

There was no preferred stock during reporting period.

## Section VIII. Directors, Supervisors, Senior Management Staff & Employees

### I. Changes in shareholding of directors, supervisors and senior management staff

Name	Position	Current/former	Gender	Age	Beginning date of office term	Ending date of office term	Shares held at the year-begin (share)	Amount of shares increased at the reporting period (share)	Amount of shares decreased at the reporting period (share)	Other changes increase/decrease	Shares held at the year-begin (share)
An Liru	Chairman of the Board	Engaged	Male	47	29 Apr. 2015		0	0	0	0	0
Guo Hui	Director	Engaged	Male	53	29 Apr. 2015		0	0	0	0	0
She Zhili	Director	Engaged	Female	52	29 Apr. 2015		0	0	0	0	0
Shiri Ailon	Director	Engaged	Female	41	29 Apr. 2015		0	0	0	0	0
Ai Qihong	Independent director	Engaged	Male	48	26 Feb. 2010		0	0	0	0	0
Zhang Huide	Independent director	Engaged	Female	52	9 Jul. 2010		0	0	0	0	0
Li Dejun	Independent director	Engaged	Male	59	9 Jul. 2010		0	0	0	0	0
Liu Anping	GM	Engaged	Male	49	11 May 2012		0	0	0	0	0
Yin Hong	Vice GM	Engaged	Male	49	6 Jan. 2013		0	0	0	0	0
Xie Chengli	Vice GM	Engaged	Male	49	6 Jan. 2013		0	0	0	0	0
Liu	GM	Engaged	Male	41	6 Jan.		21,375	0	0	0	21,375

Zhiming					2013						
Jiang Chenggan	Chairman of the Supervisor	Engaged	Male	42	6 Jan. 2013		6,000	0	0	0	6,000
Fu Liping	Supervisor	Engaged	Male	51	6 Jan. 2013		0	0	0	0	0
Ding Shaojun	Supervisor	Engaged	Male	54	24 Jan. 2013		0	0	0	0	0
Dong Chunji	Supervisor	Engaged	Male	48	29 Apr. 2015		0	0	0	0	0
Xu Yan	Supervisor	Engaged	Female	44	29 Apr. 2015		0	0	0	0	0
Li Zhongxi	Chairman Secretary	Engaged	Male	46	9 Feb. 2000		0	0	0	0	0
Total	--	--	--	--	--	--	27,375	0	0	0	27,375

## II. Particulars about changes of Directors, Supervisors and Senior Executives

Name	Position	Type	Date	Reason
Xie Chengli	Vice GM	Left as serve term expired	18 Aug. 2016	Voluntary demission

## III. Resumes of important personnel

Main working experience of current directors, supervisors and senior management staff

Mr. An Liru, Master of chemical engineering and MBA, senior engineering, senior economist, worked since 1991. He successively acted as Assistant of GM, Vice GM, GM, Deputy Party Secretary of Jiangsu Anpon Electrochemical Co., Ltd. Chairman of Directors, Party Secretary of Jiangsu Huaihe Chemicals Co., Ltd. Since Apr. 2014, he acts as Chairman and Party Secretary of China National Agrochemical Corporation and Executive Directors (Legal representative) of Jiangsu Maida Agrochemical Co., Ltd. Since 29 Apr. 2015, he acts as the Chairman of Directors of the Company.

Mr. Guo Hui, Master of Chemical Engineering, Professor Level Senior Engineer, work since 1985. He successively acted as Deputy Director of Chemical Investment Planning Department, Development Plan of SINOPEC, Senior GM of Dapeng Securities Investment Bank, Deputy Director of Enterprise Reform Department of China Haohua Chemical Group Co., Ltd. Deputy Director of Asset Operation Department of China National Chemical Corporation Since Dec. 2004; he acts as Deputy GM of China National Agrochemical Corporation. Since 29 Apr. 2015, he acts as Directors of the Company.

Ms. She Zhili, master of commercial economy, Senior Accountant, works since 1983; she successively acted as GM of Financial Department, Audit Department of China National Pharmaceutical Corporation and Deputy Chief Accountant and Director of Financial Department. Since Apr. 2014, she acts as Deputy Chief Accountant of China National Agrochemical Corporation and Director of Financial Department and Supervisor of Jingzhou Sanonda Holdings Co., Ltd. Since 29 Apr. 2015, she acts as Director of

the Company.

Ms. Shiri Ailon, Israeli Citizenship, Lawyer of Israel Certification MBA of Saïd Business School, she acted as Assistant Lawyer of Erdinast Ben-Nathan & Co., Executive Assistant of CEO and Strategy and Business Development Senior Assistant in ADAMA Agricultural Solutions Ltd., the Head of Executive Director, Development and Integration of China in ADAMA Agricultural Solutions Company Development and M&A. Since May 2014, she acts as Deputy CEO of Agricultural Solutions Company. Since 29 Apr. 2015, he acts as Director of the Company.

Mr. Ai Qihong, he has been a teacher of Xiangtan University since 2003. From Sep. 2005 to Jun. 2008, he was a doctor scholar in Xiangtan University majored in chemical engineering and received doctor degree in Jun. 2008. He has been acted as Independent Director of the Company since Feb. 2010.

Ms. Zhang Huide, associate professor of Zhongnan University of Economics and Law, supervisor of postgraduate, a CPA, member of Accounting Society of China, committee of Accounting Computerization Commission of Department of Finance of Hubei Province, training teacher for primary and intermediate accounting computerization. She is a teacher for Auditing skill applied in accounting computerization in national tax and local tax and has been involving in accounting computerization, teaching and research of ERP accounting information system as well as its actual application for many years. Now she acts as independent director of Golden Laser Co., Ltd. Fubon Stock, TECH Stock. She has been acted as Independent Director of the Company since Jul. 2010.

Mr. Li Dejun, born in 1957, Doctor degree, he successively acted as Chief Officer, Deputy Chief, Chief of CCNU and Research Institute of Wuhan Province Commission for Restructuring Economic System and Editor in Chief of Overview of Private Economy, Secretary General of Research Institute of Hubei Province Commission for Restructuring Economic System and Hubei Province Culture and Economy Research Society, Chief of Hubei Regional Economic Development Research Center as well as Independent Director of Chutian High-speed, Angel Yeast, Xingfu Industry and so on. He has been acted as Independent Director of the Company since Jul. 2010.

Mr. Liu Anping, he acted as the Company's Director, Assistant of GM from Dec. 2005 to Aug. 2006; Director, Deputy General Manager of the Company from Aug. 2006 to May 2012; Director and GM of the Company from May 2012 to Apr. 2015; He acted as GM of the Company since 29 Apr. 2015.

Mr. Yin Hong, acted as the Director of the Company from Aug. 2006 to Apr. 2015; and he has been the Vice GM of the Company since Jan. 2013.

Mr. Xie Chengli, acted as General Manager and Chairman of the Board of Directors of Hubei Sanonda Tianmen Agrochemical Co., Ltd from Jan. 2006 to Feb. 2009; worked as Assistant to General Manager of the Company from Feb. 2009 to Jan. 2013; and he has been the Director and Vice GM of the Company from Jan. 2013 to Apr. 2015. He has been the Vice GM of the Company since 29 Apr. 2015.

Mr. Liu Zhiming, acted as the Factory Director and Party Branch Secretary of the Pesticide 1st Plant of the Company from Jan. 2007 to Dec. 2012; and he has been the Assistant to GM of the Company since Jan. 2013.

Mr. Jiang Chenggang, acted as the Supervisor, Deputy Director of the Office and Deputy Secretaries of the Discipline Inspection Commission of the Company from Jun. 2006 to Jun. 2012; acted as the Chairman of the Labor Union, Supervisor, Deputy Director of the Office and Deputy Secretaries of the Discipline Inspection Commission of the Company from Jun. 2012 to Dec. 2012; has been acting as the Deputy Party Committee Secretary of Jingzhou Sanonda Holdings Co., Ltd. and the Chief of the Company's Party Committee Work Department since January 2017; and he has been the Chairman of the Labor Union, Supervisor and Secretaries of the Discipline Inspection Commission of the Company since Jan. 2013.

Mr. Fu Liping, acted as the Vice Factory Director and Factory Director of the Pesticide 3rd Plant of the Company from Jan. 2007 to Dec. 2012; and he has been the Employee Supervisor and Factory Director of the Pesticide 4<sup>th</sup> Plant of the Company since Jan. 2013 and employee Supervisor and Factory Director of the Pesticide 3rd Plant of the Company since Jan. 2014.

Mr. Ding Shaojun, acted as the Vice GM and GM of the Sales Company of the Company from Jul. 2001 to Jun. 2009; and acted as the GM and Secretary of Party Branch of the Thermoelectricity Company of the Company from Jul. 2009 to Dec. 2012; and he has been the Supervisor of the Company, GM and Secretary of Party Branch of the Thermoelectricity Company of the Company since

Jan. 2013.

Mr. Dong Chunji, Engineer. He acted as Deputy Plant Manager, Plant Manager of Energy Power Plant of the Company from Jan 2000 to Dec. 2012, and Minister of Audit Department since Jan. 2013. Since 29 Apr. 2015, he acts as Supervisor of the Company.

Ms. Xu Yan, Senior Accountant, she worked since 1991, successively acted as Financial Director of Fine Chemical Factory of Hubei Sanonda Co., Ltd. and Sanonda Jiangnan Pharmacy Factory, Financial Section Chief of Jingzhou Coal Chemical Industry Co., Ltd., Financial Executive, and Assistant of Finance Minister of Sanonda Group Co., Ltd. She acts as Deputy Finance Minister of Sanonda Group Co., Ltd. Since 29 Apr. 2015, acts as Supervisor of the Company.

Mr. Li Zhongxi, he has been the Secretary to the Board of Directors and the Office Chief of the Company since Feb. 2000.

Post-holding in shareholder units

√ Applicable □ Not applicable

Name of the person holding any post in any shareholder unit	Name of the shareholder unit	Position in the shareholder unit	Beginning date of office term	Ending date of office term	Receives payment from the shareholder unit?
An Liru	Jingzhou Sanonda Holdings Co., Ltd.	Executive director, GM	1 May 2012		No
Liu Anping	Jingzhou Sanonda Holdings Co., Ltd.	Party Secretary	7 Apr. 2015		No
She Zhili	Jingzhou Sanonda Holdings Co., Ltd.	Supervisor	1 Apr. 2014		No

Post-holding in other units

√ Applicable □ Not applicable

Name of the person holding any post in any shareholder unit	Name of other unit	Position in other unit	Beginning date of office term	Ending date of office term	Receives payment from the shareholder unit?
An Liru	China National Chemical Corporation	Party secretary, chairman	1 Apr. 2014		Yes
Guo Hui	China National Chemical Corporation	Vice GM	1 Dec. 2004		Yes
She Zhili	China National Chemical Corporation	Deputy chief accountant, director of finance department	1 Apr. 2014		Yes
Shiri Ailon	ADAMA	Vice president	1 May 2014		Yes
Liu Anping	Hubei Sanonda Foreign Trading Co., Ltd.	Executive director	1 Dec. 2005		No
Yin Hong	Jingzhou Hongxiang Chemicals Co., Ltd.	Chairman	1 Apr. 2007		No
Ai Qihong	Xiangtan University	Professor	1 Jan. 2003		Yes
Zhang Huide	Zhongnan University of Economics	Associate	1 Oct. 2002		Yes

		Professor			
Zhang Huide	Wuhan Golden Laser Co., Ltd.	Independent director	1 Apr. 2009		Yes
Zhang Huide	Hubei Fubon Technology Co., Ltd.	Independent director	1 Feb. 2011		Yes
Zhang Huide	TECH Semiconductors Co., Ltd	Independent director	6 Jan. 2015		Yes
Li Dejun	The Economic System Reform Institute of Hubei Province	Secretary general	1 Dec. 2009		No
Li Dejun	Angel Yeast Co., Ltd.	Independent director	18 Apr. 2013		Yes
Li Dejun	Chutian Expressway Co., Ltd.	Independent director	1 Jun. 2010		Yes

Particulars about the Company's current directors, supervisors and senior punishments from Securities Regulatory Institution of recent three years in reporting period

Applicable  Not applicable

#### IV. Remuneration for directors, supervisors and senior management

Decision-making procedure, determining basis and actual payment for the remuneration of directors, supervisors and senior management

In line with the Appraisal Scheme for Implementing Remuneration of Directors and Senior Management Staffs and the annual operating target, the remuneration of Management Staffs was recognized and the Board appraised Senior management staffs based on the work report and business achievement of Senior management staffs.

Independent directors would not enjoy salary in the Company while the Company would drop annual allowance (after tax) of RMB 50,000 to independent directors respectively. Independent directors would present relevant meetings, perform responsibilities according to Articles of Association and apply for allowance factually.

Annual salary for supervisors was paid according to their posts.

Remuneration of the directors, supervisors and senior management of the Company during the reporting period is as follow:

Unit: RMB Thousand Yuan

Name	Position	Gender	Age	Current/former	Total before-tax remuneration gained from the Company	Whether gained remuneration from the related parties of the Company
An Liru	Chairman of the Board	Male	47	Current	0	Yes
Guo Hui	Director	Male	53	Current	0	Yes
She Zhili	Director	Female	52	Current	0	Yes
Shiri Ailon	Director	Female	41	Current	0	Yes
Ai Qihong	Independent director	Male	48	Current	5	No

Zhang Huide	Independent director	Female	52	Current	5	No
Li Dejun	Independent director	Male	59	Current	5	No
Liu Anping	GM	Male	49	Current	38	No
Yin Hong	Vice GM	Male	49	Current	34	No
Xie Chengli	Vice GM	Male	49	Current	15	No
Liu Zhiming	Assistant GM	Male	41	Current	31	No
Jiang Chenggang	Chairman of the Supervisor	Male	42	Current	28	No
Fu Liping	Supervisor	Male	51	Current	13	No
Ding Shaojun	Supervisor	Male	54	Current	13	No
Dong Chunji	Supervisor	Male	48	Current	13	No
Xu Yan	Supervisor	Female	44	Current	13	No
Li Zhongxi	Chairman Secretary	Male	46	Current	28	No
Total	--	--	--	--	241	--

Situations of equity incentives awarded to the directors, supervisors and senior management of the Company during the reporting period

Applicable  Not applicable

## V. About employees

### 1. The number of employees and their specialty structure and educational background

The number of on-duty employees in parent company (person)	1,645
The number of on-duty employees in main subsidiary companies (person)	83
The total number of on-duty employees (person)	1,728
The total number of employees who get salary in the period (person)	1,728
The number of retired employees who need to pay expense in parent company and main subsidiary companies (person)	1,531
Specialty classification	
Specialty category	Number
Production personnel	1,347
Sales personnel	57



Technicians	117
Financial personnel	23
Administrative personnel	184
Total	1,728
Education classification	
Education category	Number
Doctor	2
Master	11
Bachelor	308
College	418
Others	989
total	1,728

## 2. Employee's remuneration policy and training plan

Firstly, the Company anew confirmed posts and personnel at the beginning of 2016, anew adjusted allowance release, strengthened performance assessment and released salary after assessing employees' performance.

Secondly, the Company established legal holiday overtime management regulations, according to the standard prescribed by the national legal holiday overtime pay.

## 3. Employee's training plan and relevant situation

### (1) Retrain on-duty employees

During this Reporting Period, the Company actively carried out the work of retraining on-duty employees. 14470 person-time had been retrained and retrain for 2420 class hours had been completed. In addition, the retraining was inspected monthly.

### (2) Training on new employees and rotational training

The Company organized pre-job training for the current year's graduates, including theoretical knowledge and practical operation training, especially safety training. During this Reporting Period, 91 people participated in rotational training.

### (3) Remote training of class leaders and group leaders

Participated in Tsinghua University remote training of class leaders and group leaders: 41 people in the seventh remote learning class for class leaders and group leaders had attended examination according to plan; 37 people in the eighth remote learning class for class leaders and group leaders had learnt according to plan.

## 4. Labor outsourcing

Applicable  Not applicable

Total number of hours of service outsourcing (hours)	567,936
Total remuneration paid for service outsourcing (RMB)	16,188,316.00

## Section IX. Corporate Governance

### I. Basic details of corporate governance

During the reporting period, the Company continuously improved the awareness of corporate governance and corporate governance structure and perfected the corporate system as well as standardized the operation of the Company, promoted internal control activities, and constantly improve the Company's management levels stringently according to requirements of relevant laws and regulations like the Company Law, Securities Law, and Corporate Governance Principle of Listed Company, as well as Rules for Listing Shares in Shenzhen Stock Exchange.

During this Reporting Period, according to the spirit of Advices About Insisting on the Lead of Party and Strengthening the Construction of Party in the Process of Deepening the Reform of State-Owned Enterprises issued by the Central Committee of the Communist Party of China and Notification About Accelerating Involvement of General Requirement on the Work of Party Building of Central Enterprises into Articles of the Company (G-Z-D-W-D-J [2017] No.1) issued by State-owned Assets Supervision and Administration Commission of the State Council and the requirement of Guidance to the Articles of Listed Companies (revised in 2016) issued by China Securities Regulatory Commission, the Company revised Articles and involved the general requirement on the work of party building into articles of the Company. Whether it exists any difference between the corporate governance and the Company Law and relevant rules of CSRC or not?

Yes  No

There is no difference between the corporate governance and the Company Law and relevant rules of CSRC.

### II. Particulars about the Company's separation from the controlling shareholder in respect of business, personnel, assets, organization and financial affairs

1. In the aspect of personnel: the Company and controlling shareholder are mutually independent in the labor, personnel and salary management, the Company general manager, deputy general manager and other senior management personnel get the salary in the Company, and not perform administrative work in the controlling shareholder unit.
2. In respect of assets: the Company's production system, auxiliary systems and facilities property rights belong to the Company and have registered trademark and other intangible assets in law; the Company has independent procurement and sales system, The Company's assets relationship between the controlling shareholder and the Company was clear, there was no such thing as a free possession or usage.
3. In respect of financing, the Company owned independent financial department, established independent accounting system and financial management system, opened independent bank account, paid tax in line with laws.
4. In respect of organization, the Company has set up the organization that was independent from the controlling shareholder completely, the Board of Directors, the Supervisory Committee and internal organization could operate independently.
5. In respect of business: the Company had a complete business system and independent operation. There was no competition between the controlling shareholders.

### III. Horizontal competition

Applicable  Not applicable

#### IV. Particulars about the annual shareholders' general meeting and special shareholders' general meetings held during the reporting period

##### 1. Particulars about the shareholders' general meeting in reporting period

Session	Type	Proportion of investors' participation	Convening date	Disclosure date	Index to the disclosed
The First Special Shareholders' General Meeting for 2016	Special Shareholders' General Meeting	2.96%	4 Feb. 2016	5 Feb. 2016	Announcement on First Special Shareholders' General Meeting (Announcement No.: 2016-12) was published on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
The Annual Shareholders' General Meeting of 2015	The Annual Shareholders' General Meeting	32.72%	18 Apr. 2016	19 Apr. 2016	Announcement on Resolutions Made at the 2015 Annual Shareholders' General Meeting (Announcement No.: 2016-34) was published on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
The Second Special Shareholders' General Meeting for 2016	Special Shareholders' General Meeting	4.10%	4 May 2016	5 May 2016	Announcement on First Special Shareholders' General Meeting (Announcement No.: 2016-40) was published on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
The Third Special Shareholders' General Meeting for 2016	Special Shareholders' General Meeting	1.53%	20 Jun. 2016	21 Jun. 2016	Announcement on Second Special Shareholders' General Meeting (Announcement No.: 2016-53) was published on <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>

Particulars about institutional investors

Name of institutional investors	Numbers of directors	Participation times
---------------------------------	----------------------	---------------------

## 2. Special Shareholders' General Meeting applied by the preferred stockholder with restitution of voting right

Applicable  Not applicable

## V. Performance of the Independent Directors

### 1. Particulars about the independent directors attending the board sessions and the shareholders' general meetings

1. Particulars about the independent directors attending the board sessions						
Independent director	Sessions required to attend during the reporting period	Attendance in person	Attendance by way of telecommunication	Entrusted presence (times)	Absence rate	Non-attendance in person for two consecutive times
Li Dejun	11	6	5	0	0	No
Zhang Huide	11	6	5	0	0	No
Ai Qihong	11	6	5	0	0	No
General meetings sat in on by independent directors		3				

Note to non-attendance in person for two consecutive times

### 2. Particulars about independent directors proposing objection on relevant events

Whether independent directors propose objection on relevant events or not?

Yes  No

During the reporting period, no independent directors proposed any objection on relevant events of the Company.

### 3. Other explanations about the duty performance of independent directors

Whether advices to the Company from independent directors were adopted or not

Yes  No

Explanation on the advices of independent directors for the Company being adopted or not adopted

During the reporting period, the Company independent director according to the Company Law, the Listed Corporate Governance Standards, "Articles of Association" and "Company of the Independent Director System" focused on the Company operation actively, independently perform their duties, put forward lot of valuable professional suggestions to the Company's information disclosure, complete system and daily management decision-making, etc. issue the independent and impartial advice to related transaction, hiring annual audit institutions, guaranty matters and other events need advice of the independent director, play a proper role in improving the supervision of company safeguard the legitimate rights and interests of company and all shareholders. The Company especially paid attention to its operation state, dynamic state of the industry, public opinion and dynamic state report about the

Company, progress of major assets restructuring and so on. It actively and effectively performed the duties of independent directors and well maintained overall benefits of the Company and the legal interests of all shareholders, especially the middle and small shareholders. This played positive functions for normalized, stable and healthy development of the Company.

## **VI. Performance of the Special Committees under the Board during the reporting period**

### **(I) Performance of the Audit Committee of the Board**

According to regulations of CSRC and Shenzhen Stock Exchange, The Annual Work System of Independent Director and Detailed Rules for the Implementation of the Audit Committee of the Board of the Company, and based on the principle of faithfulness, the Company give full play to the supervisory function, during the reporting period mainly fulfill the duties.

Through communicating with auditor and accountant, making annual audit plan and participating in and supervising the whole process, smooth annual audit work was guaranteed. The audit summary report of audit institution and the suggestions on employing audit institution were submitted to board of directors. This well played the function of examination and supervision.

(II) Duty performance of the Remuneration & Appraisal Committee under the Board: During the reporting period, the Remuneration & Appraisal Committee of the Company examined Proposal of the Remuneration of the Directors, Supervisors and Senior Management Staffs of the Company in 2015, evaluate annual performance of their duties of the directors, supervisors and senior management staffs of the Company, put forward the Company senior management staffs performance incentives and submitted to the board of directors of the Company.

(III) Duty performance of the Nomination Committee under the Board: During this Reporting Period, one senior manager resigned and other senior managers did not change.

### **(IV) Duty performance of Strategy Committee under the Board:**

During the reporting period, Strategy committee, in accordance with the Company the implementation details the strategy committee of the board to perform his duties; to enhance the competitiveness; the Strategy Committee studied long-term development strategic planning and put forward suggestions for the Company.

## **VII. Performance of the Supervisory Committee**

During the reporting period, the Supervisory Committee found whether there was risk in the Company in the supervisory activity

Yes  No

The Supervisory Committee has no objection on the supervised events during the reporting period.

## **VIII. Performance Evaluation and Incentive Mechanism for Senior Management Staff**

In respect of the appraisal for senior management staffs, the Company is mainly in accordance with the annual business performance and performance of personal duties to realize annual remuneration to senior management staffs. And the Company hasn't conducted any equity incentive plan recently. The Company will, in line with market-oriented principles, constantly perfect appraisal and incentive mechanism, closely link remuneration of senior management staffs with administration level and business performance, fully arouse and motivate enthusiasm and creativity of senior management staffs, and maximize shareholder's value as a result.

## IX. Internal Control

### 1. Particulars about significant defects found in the internal control during reporting period

Yes  No

### 2. Self-appraisal report on internal control

Disclosure date of the Self-appraisal Report on Internal Control	7 Apr. 2017	
Disclosure index of the Self-appraisal Report on Internal Control	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>	
The proportion of total assets included in evaluation scope entities in the Company's total assets of the consolidated financial statements	100.00%	
The proportion of operation revenue included in evaluation scope entities in the Company's operation revenue of the consolidated financial statements	100.00%	
Defect judging standards		
Category	Financial Report	Non-Financial Report
Qualitative criteria	Great defect was referred to one or several defect groups may badly influence the effectiveness of overall internal control which lead to the Company cannot avoid or find the consequence badly deviate from the overall control objectives.	Great defect was referred to one or several defect groups may badly influence the effectiveness of overall internal control which lead to the Company cannot avoid or find the consequence badly deviate from the overall control objectives.
Quantitative criteria	Great defect was referred to one or several defect groups may lead to the Company badly deviate from the control objectives which arrived at 0.5% or above of total operating revenue in consolidated financial statements.	Great defect was referred to one or several defect groups may lead to the Company badly deviate from the control objectives which arrived at 0.5% or above of total operating revenue in consolidated financial statements.
Number of significant defects of financial report (Piece)	0	
Number of significant defects of non-financial report (Piece)	0	
Number of important defects of financial report (Piece)	0	

Number of important defects of non-financial report (Piece)	0
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## X. Audit report on internal control

Applicable  Not applicable

Audit opinion paragraphs in the Audit Report on Internal Control	
We believe that the Company has maintained effective internal control on financial report in all significant respects according to the Basic Rules for Enterprise Internal Control and relevant regulations on 31 Dec. 2016.	
Particulars about Audit Report on Internal Control	Disclosure
Disclosure date of the Audit Report on Internal Control	7 Apr. 2017
Disclosure index of the Audit Report on Internal Control	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Type of Audit Report on Internal Control	Unqualified auditor's report
Whether there is significant defect in non-financial report	No

Whether the CPAs firm issues an Audit Report on Internal Control with non-standard opinion or not?

Yes  No

Whether the Audit Report on Internal Control from the CPAs firm is in consistent with the Self-appraisal Report from the Board or not?

Yes  No

## **Section X 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 XI Financial Report

### I Auditor's report

Type of auditor's opinion	Standard unqualified opinion
Name of the auditor	Ruihua Certified Public Accountants (LLP)
Name of CPA	Tang Qiyong, Xie Panying

Text of the Auditor's Report

## Auditor's Report

Ruihua Audit Report [2017] No. 02160043

### All shareholders of Hubei Sanonda Co., Ltd.,

We have audited the accompanying financial statements of Hubei Sanonda Co., Ltd. (the "Company"), which comprise the Company's and consolidated balance sheets as at December 31, 2016, the Company's and consolidated income statements, the Company's and consolidated cash flow statements, the Company's and consolidated statements of changes in shareholders' equity for the year then ended, as well as the notes to the financial statements.

#### 1. The management's responsibility for the financial statements

The management of the Company is responsible for the preparation and fair presentation of these financial statements. Such a responsibility includes: (1) preparing financial statements according to the Accounting Standards for Business Enterprises and make them a fair presentation; and (2) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### 2. Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the Audit Standards for Chinese Registered Accountants, which require that we comply with ethical requirements and plan and perform the

audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers the internal control related to the preparation of the financial statements so as to design proper audit procedures. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate, which provides a basis for us to express auditing opinion.

### **3. Auditor's opinion**

In our opinion, the financial statements of the Company have been prepared according to the Accounting Standards for Business Enterprises in all material aspects, which give a fair view of the Company's and consolidated financial positions as at December 31, 2016 and the Company's and consolidated operating results and cash flows for the year then ended.

Ruihua Certified Public Accountants (LLP)  
Beijing·China

CPA of China: Tang Qiyong  
CPA of China: Xie Panying  
March 31, 2017

## **II Financial statements**

Currency unit for the financial statements: RMB

### **1. Consolidated balance sheet**

Prepared by Hubei Sanonda Co., Ltd.

December 31, 2016

Unit: RMB

Item	December 31, 2016	December 31, 2015
Current assets:		
Monetary funds	547,270,064.75	406,098,208.72
Settlement reserve		
Interbank lendings		
Financial assets at fair value through profit/loss		
Derivative financial assets		
Notes receivable	91,784,604.58	34,433,010.97
Accounts receivable	208,608,355.93	180,450,531.93
Accounts paid in advance	42,012,434.98	20,413,365.68
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract reserve		
Interest receivable		
Dividends receivable		
Other accounts receivable	12,749,493.85	9,847,451.35
Financial assets purchased under agreements to resell		
Inventories	173,640,807.03	287,824,164.30
Assets held for sale		
Non-current assets due within one year		
Other current assets	15,518,223.25	14,685,220.14
Total current assets	1,091,583,984.37	953,751,953.09
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	8,572,982.63	9,153,782.63
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investments		
Investment property	4,722,525.78	5,036,745.54
Fixed assets	1,604,373,212.55	1,684,051,200.09
Construction in progress	21,225,256.37	143,683,545.15
Engineering materials		

Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	207,764,086.65	165,569,924.44
R&D expenses		
Goodwill		
Long-term deferred expenses		
Deferred tax assets	39,518,542.98	11,021,018.38
Other non-current assets	7,123,207.46	5,000,000.00
Total non-current assets	1,893,299,814.42	2,023,516,216.23
Total assets	2,984,883,798.79	2,977,268,169.32
Current liabilities:		
Short-term borrowings		20,000,000.00
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	26,000,000.00	
Accounts payable	169,182,510.04	134,357,481.77
Accounts received in advance	32,665,597.65	26,666,138.22
Financial assets sold for repurchase		
Fees and commissions payable		
Payroll payable	30,169,378.08	30,308,341.73
Taxes payable	18,472,322.61	26,858,466.27
Interest payable		1,123,849.31
Dividends payable	250,000.00	250,000.00
Other accounts payable	165,158,645.93	25,511,333.81
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	147,000,000.00	244,000,000.00
Other current liabilities		
Total current liabilities	588,898,454.31	509,075,611.11
Non-current liabilities:		
Long-term borrowings	196,590,000.00	343,590,000.00
Bonds payable		
Of which: Preference shares		
Perpetual bonds		
Long-term accounts payable		650,000.00
Long-term payroll payable		
Special payables		
Provisions		
Deferred income	22,566,887.73	26,570,088.61
Deferred tax liabilities		
Other non-current liabilities	171,770,450.00	
Total non-current liabilities	390,927,337.73	370,810,088.61
Total liabilities	979,825,792.04	879,885,699.72
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	19,862,463.34	22,848,859.15
Surplus reserve	190,699,248.11	190,699,248.11
Provisions for general risks		
Retained earnings	937,509,613.33	1,026,847,680.37
Equity attributable to owners of the Company	2,005,058,006.75	2,097,382,469.60
Minority interests		
Total owners' equity	2,005,058,006.75	2,097,382,469.60

Total liabilities and owners' equity	2,984,883,798.79	2,977,268,169.32
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Legal representative: An Liru

Accounting head for this Report: Liu Anping

Head of the accounting department: Tu Zhiwen

## 2. Balance sheet of the Company

Unit: RMB

Item	December 31, 2016	December 31, 2015
Current assets:		
Monetary funds	257,540,892.07	378,450,204.94
Financial assets at fair value through profit/loss		
Derivative financial assets		
Notes receivable	88,457,302.58	32,331,010.97
Accounts receivable	611,495,344.80	352,274,073.40
Accounts paid in advance	35,684,527.41	19,218,775.50
Interest receivable		
Dividends receivable		
Other accounts receivable	3,082,682.97	1,535,805.55
Inventories	168,497,335.12	275,057,647.64
Assets held for sale		
Non-current assets due within one year		
Other current assets	5,738,347.99	387,633.86
Total current assets	1,170,496,432.94	1,059,255,151.86
Non-current assets:		
Available-for-sale financial assets	8,572,982.63	9,153,782.63
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investments	55,526,635.41	55,526,635.41
Investment property	4,722,525.78	5,036,745.54
Fixed assets	1,475,229,079.55	1,543,099,613.97
Construction in progress	21,225,256.37	139,297,997.97
Engineering materials		
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		

Intangible assets	196,093,173.33	150,253,232.11
R&D expenses		
Goodwill		
Long-term deferred expenses		
Deferred tax assets	36,980,749.19	8,855,180.95
Other non-current assets	7,123,207.46	5,000,000.00
Total non-current assets	1,805,473,609.72	1,916,223,188.58
Total assets	2,975,970,042.66	2,975,478,340.44
Current liabilities:		
Short-term borrowings		20,000,000.00
Financial liabilities at fair value through profit/loss		
Derivative financial liabilities		
Notes payable	26,000,000.00	
Accounts payable	162,150,878.66	129,017,385.70
Accounts received in advance	26,358,193.29	24,885,411.49
Payroll payable	26,352,607.70	28,311,263.93
Taxes payable	10,661,550.02	21,773,193.24
Interest payable		1,123,849.31
Dividends payable	250,000.00	250,000.00
Other accounts payable	172,324,381.38	23,536,806.94
Liabilities held for sale		
Non-current liabilities due within one year	147,000,000.00	244,000,000.00
Other current liabilities		
Total current liabilities	571,097,611.05	492,897,910.61
Non-current liabilities:		
Long-term borrowings	196,590,000.00	343,590,000.00
Bonds payable		
Of which: Preference shares		
Perpetual bonds		
Long-term payables		650,000.00
Long-term payroll payable		
Special payables		
Provisions		

Deferred income	16,666,887.70	19,686,755.26
Deferred tax liabilities		
Other non-current liabilities	171,770,450.00	
Total non-current liabilities	385,027,337.70	363,926,755.26
Total liabilities	956,124,948.75	856,824,665.87
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	14,893,351.03	17,879,746.84
Surplus reserve	190,699,248.11	190,699,248.11
Retained earnings	956,529,437.59	1,052,351,622.44
Total owners' equity	2,019,845,093.91	2,118,653,674.57
Total liabilities and owners' equity	2,975,970,042.66	2,975,478,340.44

### 3. Consolidated income statement

Unit: RMB

Item	2016	2015
1. Operating revenues	1,854,732,684.88	2,169,936,637.07
Including: Sales income	1,854,732,684.88	2,169,936,637.07
Interest income		
Premium income		
Fee and commission income		
2. Operating costs	1,979,661,838.85	1,988,281,269.45
Including: Cost of sales	1,601,168,048.36	1,729,416,788.12
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	14,597,516.60	15,426,595.52
Selling expenses	89,529,647.08	84,149,115.89
Administrative expenses	224,179,459.44	116,918,295.25
Finance costs	-4,344,892.92	14,207,495.95
Asset impairment loss	54,532,060.29	28,162,978.72
Add: Profit on fair value changes (“-” means loss)	93,030.85	
Investment income (“-” means loss)	4,407,188.29	1,667,155.76
Including: Share of profit/loss of associates and joint ventures		
Exchange gains (“-” means loss)		
3. Operating profit (“-” means loss)	-120,428,934.83	183,322,523.38
Add: Non-operating income	23,471,692.36	5,774,583.49
Including: Profit on disposal of non-current assets	17,687,987.64	80,003.28
Less: Non-operating expense	25,258.23	71,737.16
Including: Loss on disposal of non-current assets	5,258.23	47,981.54
4. Total profit (“-” means loss)	-96,982,500.70	189,025,369.71
Less: Corporate income tax	-22,492,514.16	47,069,771.82
5. Net profit (“-” means loss)	-74,489,986.54	141,955,597.89
Net profit attributable to owners of the Company	-74,489,986.54	141,840,462.97
Minority interests' income		115,134.92
6. Other comprehensive income net of tax		
Other comprehensive income net of tax attributable to owners of the Company		
6.1 Other comprehensive income that will not be reclassified into profit/loss		
6.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
6.1.2 Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method		

6.2 Other comprehensive income to be subsequently reclassified into profit/loss		
6.2.1 Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method		
6.2.2 Profit/loss on fair value changes of available-for-sale financial assets		
6.2.3 Profit/loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
6.2.4 Effective profit/loss on cash flow hedges		
6.2.5 Currency translation differences		
6.2.6 Other		
Other comprehensive income net of tax attributable to minority interests		
7. Total comprehensive income	-74,489,986.54	141,955,597.89
Attributable to owners of the Company	-74,489,986.54	141,840,462.97
Attributable to minority interests		115,134.92
8. Earnings per share		
8.1 Basic earnings per share	-0.1254	0.2388
8.2 Diluted earnings per share	-0.1254	0.2388

Where business mergers under the same control occurred in this Reporting Period, the net profit achieved by the merged parties before the business mergers was RMB , with the corresponding amount for the last period being RMB .

Legal representative: An Liru

Accounting head for this Report: Liu Anping

Head of the accounting department: Tu Zhiwen

#### 4. Income statement of the Company

Unit: RMB

Item	2016	2015
1. Operating revenues	1,830,114,361.21	2,210,096,588.36
Less: Operating costs	1,582,723,043.16	1,793,926,045.78
Taxes and surtaxes	14,158,163.70	15,309,939.37

Selling expenses	80,871,867.17	79,881,628.77
Administrative expenses	214,619,141.28	107,986,235.81
Finance costs	10,553,046.54	18,002,209.57
Asset impairment loss	52,870,610.25	29,769,315.90
Add: profit on fair value changes (“-” means loss)	93,030.85	
Investment income (“-” means loss)	4,407,188.29	1,667,155.76
Including: Share of profit/loss of associates and joint ventures		
2. Operating profit (“-” means loss)	-121,181,291.75	166,888,368.92
Add: Non-operating income	12,086,877.39	4,101,250.17
Including: Profit on disposal of non-current assets	7,496,505.99	80,003.28
Less: Non-operating expense	5,258.23	55,101.89
Including: Loss on disposal of non-current assets	5,258.23	47,981.54
3. Total profit (“-” means loss)	-109,099,672.59	170,934,517.20
Less: Corporate income tax	-28,125,568.24	44,425,894.73
4. Net profit (“-” means loss)	-80,974,104.35	126,508,622.47
5. Other comprehensive income net of tax		
5.1 Other comprehensive income that will not be reclassified into profit and loss		
5.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
5.1.2 Share of other comprehensive income of investees that cannot be reclassified into profit/loss under the equity method		
5.2 Other comprehensive income to be subsequently reclassified into profit/loss		
5.2.1 Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method		
5.2.2 Profit/loss on fair value changes of available-for-sale financial		

assets		
5.2.3 Profit/loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
5.2.4 Effective profit/loss on cash flow hedges		
5.2.5 Currency translation differences		
5.2.6 Other		
6. Total comprehensive income	-80,974,104.35	126,508,622.47
7. Earnings per share		
7.1 Basic earnings per share		
7.2 Diluted earnings per share		

### 5. Consolidated cash flow statement

Unit: RMB

Item	2016	2015
1. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	1,630,953,612.61	1,828,429,901.21
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	19,712,708.50	36,715,951.72
Cash received from other operating	5,672,657.46	23,527,915.17

activities		
Subtotal of cash inflows from operating activities	1,656,338,978.57	1,888,673,768.10
Cash paid for goods and services	996,751,193.36	1,162,607,327.67
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	188,459,100.80	203,266,586.53
Taxes paid	70,560,173.16	168,416,970.49
Cash paid for other operating activities	132,203,465.90	78,292,830.61
Subtotal of cash outflows due to operating activities	1,387,973,933.22	1,612,583,715.30
Net cash flows from operating activities	268,365,045.35	276,090,052.80
2. Cash flows from investing activities:		
Cash received from retraction of investments	600,000.00	
Cash received as investment income	1,460,886.95	1,667,155.76
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	23,369,964.00	
Net cash received from disposal of subsidiaries or other business units		
Cash received from other investing activities		
Subtotal of cash inflows from investing activities	25,430,850.95	1,667,155.76
Cash paid to acquire fixed assets, intangible assets and other long-term assets	130,845,949.03	299,433,155.03
Cash paid for investment		
Net increase in pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities		

Subtotal of cash outflows due to investing activities	130,845,949.03	299,433,155.03
Net cash flows from investing activities	-105,415,098.08	-297,765,999.27
3. Cash flows from financing activities:		
Cash received from capital contributions		
Including: Cash received from minority shareholder investments by subsidiaries		
Cash received as borrowings		411,605,350.00
Cash received from issuance of bonds		
Cash received from other financing activities	271,770,450.00	4,500,000.00
Subtotal of cash inflows from financing activities	271,770,450.00	416,105,350.00
Repayment of borrowings	264,000,000.00	311,105,350.00
Cash paid for interest expenses and distribution of dividends or profit	40,885,025.16	96,509,984.27
Including: dividends or profit paid by subsidiaries to minority interests		
Cash paid for other financing activities	7,800,000.00	
Sub-total of cash outflows due to financing activities	312,685,025.16	407,615,334.27
Net cash flows from financing activities	-40,914,575.16	8,490,015.73
4. Effect of foreign exchange rate changes on cash and cash equivalents	11,336,483.92	436,403.00
5. Net increase in cash and cash equivalents	133,371,856.03	-12,749,527.74
Add: Opening balance of cash and cash equivalents	406,098,208.72	418,847,736.46
6. Closing balance of cash and cash equivalents	539,470,064.75	406,098,208.72

## 6. Cash flow statement of the Company

Unit: RMB

Item	2016	2015
1. Cash flows from operating activities:		
Cash received from sale of commodities and rendering of service	1,127,251,457.75	1,767,558,591.55
Tax refunds received	168,260.60	17,304,929.94

Cash received from other operating activities	14,985,317.39	23,252,761.15
Subtotal of cash inflows from operating activities	1,142,405,035.74	1,808,116,282.64
Cash paid for goods and services	743,993,967.16	1,063,025,264.15
Cash paid to and for employees	181,890,717.31	192,508,520.76
Taxes paid	64,411,509.88	162,618,946.37
Cash paid for other operating activities	122,496,269.09	70,888,821.44
Subtotal of cash outflows due to operating activities	1,112,792,463.44	1,489,041,552.72
Net cash flows from operating activities	29,612,572.30	319,074,729.92
2. Cash flows from investing activities:		
Cash received from retraction of investments	600,000.00	
Cash received as investment income	1,460,886.95	1,667,155.76
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	10,624,964.00	
Net cash received from disposal of subsidiaries or other business units		
Cash received from other investing activities		
Subtotal of cash inflows from investing activities	12,685,850.95	1,667,155.76
Cash paid to acquire fixed assets, intangible assets and other long-term assets	130,133,326.03	295,633,155.03
Cash paid for investment		
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities		
Subtotal of cash outflows due to investing activities	130,133,326.03	295,633,155.03
Net cash flows from investing activities	-117,447,475.08	-293,965,999.27
3. Cash flows from financing activities:		
Cash received from capital contributions		
Cash received as borrowings		
Cash received from issuance of		

bonds		
Cash received from other financing activities	271,770,450.00	4,500,000.00
Subtotal of cash inflows from financing activities	271,770,450.00	4,500,000.00
Repayment of borrowings	264,000,000.00	270,500,000.00
Cash paid for interest expenses and distribution of dividends or profit	40,885,025.16	96,130,659.70
Cash paid for other financing activities	7,800,000.00	
Sub-total of cash outflows due to financing activities	312,685,025.16	366,630,659.70
Net cash flows from financing activities	-40,914,575.16	-362,130,659.70
4. Effect of foreign exchange rate changes on cash and cash equivalents	40,165.07	-278,150.43
5. Net increase in cash and cash equivalents	-128,709,312.87	-337,300,079.48
Add: Opening balance of cash and cash equivalents	378,450,204.94	344,750,284.42
6. Closing balance of cash and cash equivalents	249,740,892.07	7,450,204.94

## 7. Consolidated statement of changes in owners' equity

2016

Unit: RMB

Item	2016												
	Equity attributable to owners of the Company											Minority interests	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Retained earnings		
	Preference shares	Perpetual bonds	Other										
1. Balance at the end of the prior year	593,923,220.00				263,063,461.97			22,848,859.15	190,699,248.11		1,026,847,680.37		2,097,382,469.60
Add: Changes in accounting policies													
Correction of errors in prior periods													



Business mergers under the same control													
Other													
2. 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
3. Increase/decrease in the period (“-” means decrease)								-2,986,395.81			-89,338,067.04		-92,324,462.85
3.1 Total comprehensive income											-74,489,986.54		-74,489,986.54
3.2 Capital increased and reduced by owners													
3.2.1 Ordinary shares increased by shareholders													
3.2.2 Capital increased by holders of other equity instruments													
3.2.3 Amounts of share-based payments charged to owners' equity													
3.2.4 Other													
3.3 Profit distribution											-14,848,080.50		-14,848,080.50
3.3.1 Appropriation to surplus reserve													
3.3.2 Appropriation to general risk provisions													
3.3.3 Appropriation to owners (or											-14,848,080.50		-14,848,080.50

shareholders)													
3.3.4 Other													
3.4 Internal carry-forward of owners' equity													
3.4.1 New increase of capital (or share capital) from capital reserve													
3.4.2 New increase of capital (or share capital) from surplus reserve													
3.4.3 Surplus reserve for making up loss													
3.4.4 Other													
3.5 Special reserve								-2,986,395.81					-2,986,395.81
3.5.1 Withdrawn for the period								8,807,160.84					8,807,160.84
3.5.2 Used in the period								11,793,556.65					11,793,556.65
3.6 Other													
4. Closing balance	593,923,220.00				263,063,461.97			19,862,463.34	190,699,248.11		937,509,613.33		2,005,058,006.75

2015

Unit: RMB

Item	2015												Minority interest	Total owners' equity
	Equity attributable to owners of the Company													
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Specific reserve	Surplus reserve	General risk reserve	Retained earnings			
	Preference shares	Perpetual bonds	Other											
1. Balance at the end of the prior	593,923,220.				263,184,043.66			15,425,099.43	178,048,385.86		957,050,401.65	-235,716.61	2,007,395,433.	

year	00											99
Add: Changes in accounting policies												
Correction of errors in prior periods												
Business mergers under the same control												
Other												
2. Balance at the beginning of the year	593,923,220.00			263,184,043.66			15,425,099.43	178,048,385.86		957,050,401.65	-235,716.61	2,007,395,433.99
3. Increase/decrease in the period (“-” means decrease)				-120,581.69			7,423,759.72	12,650,862.25		69,797,278.72	235,716.61	89,987,035.61
3.1 Total comprehensive income										141,840,462.97	115,134.92	141,955,597.89
3.2 Capital increased and reduced by owners				-120,581.69							120,581.69	
3.2.1 Ordinary shares increased by shareholders												
3.2.2 Capital increased by holders of other equity instruments												
3.2.3 Amounts of share-based payments charged to owners' equity												
3.2.4 Other				-120,581.69							120,581.69	
3.3 Profit distribution								12,650,862.25		-72,043,184.25		-59,392,322.00
3.3.1 Appropriation to								12,650,862.25		-12,650,862.25		

surplus reserve								862.25		862.25		
3.3.2 Appropriation to general risk provisions												
3.3.3 Appropriation to owners (or shareholders)										-59,392,322.00		-59,392,322.00
3.3.4 Other												
3.4 Internal carry-forward of owners' equity												
3.4.1 New increase of capital (or share capital) from capital reserve												
3.4.2 New increase of capital (or share capital) from surplus reserve												
3.4.3 Surplus reserve for making up loss												
3.4.4 Other												
3.5 Special reserve							7,423,759.72					7,423,759.72
3.5.1 Withdrawn for the period							10,793,695.00					10,793,695.00
3.5.2 Used in the period							3,369,935.28					3,369,935.28
3.6 Other												
4. Closing balance	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

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

2016

Unit: RMB

Item	2016										
	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							
1. Balance at the end of the prior year	593,923,220.00				263,799,837.18			17,879,746.84	190,699,248.11	1,052,351,622.44	2,118,653,674.57
Add: Changes in accounting policies											
Correction of errors in prior periods											
Other											
2. 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
3. Increase/decrease in the period (“-” means decrease)											
3.1 Total comprehensive income										-80,974,104.35	-80,974,104.35
3.2 Capital increased and reduced by owners											
3.2.1 Ordinary shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Amounts of share-based payments charged to owners' equity											
3.2.4 Other											

3.3 Profit distribution										-14,848,080.50	-14,848,080.50
3.3.1 Appropriation to surplus reserve											
3.3.2 Appropriation to owners (or shareholders)										-14,848,080.50	-14,848,080.50
3.3.3 Other											
3.4 Internal carry-forward of owners' equity											
3.4.1 New increase of capital (or share capital) from capital reserve											
3.4.2 New increase of capital (or share capital) from surplus reserve											
3.4.3 Surplus reserve for making up loss											
3.4.4 Other											
3.5 Special reserve								-2,986,395.81			-2,986,395.81
3.5.1 Withdrawn for the period								8,807,160.84			8,807,160.84
3.5.2 Used in the period								11,793,556.65			11,793,556.65
3.6 Other											
4. Closing balance	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

2015

Unit: RMB

Item	2015									
	Share	Other equity instruments	Capital	Less:	Other	Special	Surplus	Retaine	Total	

	capital	Preference shares	Perpetual bonds	Other	reserve	Treasury shares	comprehensive income	reserve	reserve	undistributed earnings	owners' equity
1. Balance at the end of the prior year	593,923,220.00				263,799,837.18			10,455,987.12	178,048,385.86	997,886,184.22	2,044,113,614.38
Add: Changes in accounting policies											
Correction of errors in prior periods											
Other											
2. Balance at the beginning of the year	593,923,220.00				263,799,837.18			10,455,987.12	178,048,385.86	997,886,184.22	2,044,113,614.38
3. Increase/decrease in the period ("-" means decrease)								7,423,759.72	12,650,862.25	54,465,438.22	74,540,060.19
3.1 Total comprehensive income										126,508,622.47	126,508,622.47
3.2 Capital increased and reduced by owners											
3.2.1 Ordinary shares increased by shareholders											
3.2.2 Capital increased by holders of other equity instruments											
3.2.3 Amounts of share-based payments charged to owners' equity											
3.2.4 Other											
3.3 Profit distribution									12,650,862.25	-72,043,184.25	-59,392,322.00
3.3.1									12,650,862.25	-12,650,862.25	

Appropriation to surplus reserve									2.25	862.25	
3.3.2 Appropriation to owners (or shareholders)										-59,392,322.00	-59,392,322.00
3.3.3 Other											
3.4 Internal carry-forward of owners' equity											
3.4.1 New increase of capital (or share capital) from capital reserve											
3.4.2 New increase of capital (or share capital) from surplus reserve											
3.4.3 Surplus reserve for making up loss											
3.4.4 Other											
3.5 Special reserve								7,423,759.72			7,423,759.72
3.5.1 Withdrawn for the period								10,793,695.00			10,793,695.00
3.5.2 Used in the period								3,369,935.28			3,369,935.28
3.6 Other											
4. Closing balance	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. Company profile

Hubei Sanonda Co., Ltd. (hereinafter referred to as “Company” or “the Company”) is formerly known as Hubei Sha City Pesticides Factory, a state-run enterprise set up in 1958. As approved by the Hubei Commission for Economic System Reformation and other authorities, Hubei Sha City Pesticides Factory was reorganized as Hubei Sanonda Co., Ltd., which marked Hubei’s first large state-run industrial enterprise to adopt the stock system. On 8



Sept. 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 Nov. 1993. And the total share capital of the Company was 104,933,900 shares after the public offering. The Sha City Bureau for State-owned Assets Supervision and Administration is the first majority shareholder of the Company, with a capital contribution of RMB57,467,900, accounting for 54.77% of the Company's total share capital. On 3 Dec. 1993, shares of the Company were listed in the Shenzhen Stock Exchange.

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

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

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

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

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

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

From 29 Apr. to 5 May 1997, as approved by the “Zheng-Fa (1997) No.23 Document” issued by the Securities Commission under the State Council, the Company issued 0.1 billion domestically-listed foreign shares (B shares) of RMB 1.00 par value, which were listed in the Shenzhen Stock Exchange for trading on 15 May 1997. And the Company exercised the over-allotment options of 15 million shares from 15 May to 21 May in the same year. After issuance of the said B shares, the Company’s total number of shares rose to 296,961,600 shares, and the shareholding ratio of Sanonda Group—the Company’s first majority shareholder—was changed to 27.52%.

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

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

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

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

On 16 Nov. 2012, Sanonda Group Co., Ltd. acquired 800,000 shares of the Company held by the to-be-cancelled subsidiary—Jingzhou Sanonda Advertising Co., Ltd. through the block trading market, then it held a total of 119,687,200 shares of the Company, accounting for 20.15% of the Company’s total share capital, and up to 31 Dec. 2012, the share capital of the Company remained unchanged. On 8 Apr. 2014, Sanonda Group Co., Ltd. changed its name into “Jingzhou Sanonda Holdings Co., Ltd.”

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

The Company and its subsidiaries (hereinafter referred to as “the Company”) is principally engaged in pesticide products such as triazophos, methomyl, paraquat, DDVP, acephate, glyphosate, dipterex and imidacloprid; and chemical products such as liquid caustic soda, ionic membrane caustic soda, spermine, PMIDA and trimethyl 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 controller is China National Chemical Corporation.

The financial statements herein have been authorized for issuance by the Board of Directors of the Company on March 30, 2017.

There were 3 subsidiaries included in to the consolidated scope in 2016 of the Company with no change of the consolidated scope of the reporting period compared of that of the last year.

#### **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. Important accounting policies and estimations**

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

No.

Indication of specific accounting policies and estimations:

N/A

### **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 31 Dec. 2016, business results and cash flows for the year of 2016, and other relevant information. In addition, the Company's and the Company's financial statements meet the requirements of disclosing financial statements and notes thereto stated in the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

### **2. Fiscal period**

The Company's fiscal periods include fiscal years and fiscal periods shorter than a complete fiscal year. The Company's fiscal year starts on 1 Jan. and ends on 31 Dec. of every year according to the Gregorian calendar.

### **3. Operating cycle**

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

### **4. Recording currency**

Renminbi is the dominant currency used in the economic circumstances where the 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 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**

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 loses 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 loses control on its original subsidiaries due to step by step disposal of equity investments through multiple transactions, it need to distinguish the Company loses control on its subsidiaries due to disposal of equity investments whether belongs to a package deal. All the transaction terms, conditions and economic impact of the disposal of subsidiaries' equity investment are in accordance with one or more of the following

conditions, which usually indicate the multiple transactions should be considered as a package deal for accounting treatment. ① These deals are at the same time or under the condition of considering the influence of each other to concluded; ② These transactions only be as a whole can achieve a complete business result; ③ The occurrence of a deal depends on at least one other transactions; ④ A deal alone is not economical, it is economical with other trading together. Those not belong to a package deal, each of them a deal depends on circumstances respectively conduct accounting treatment in accordance with the applicable principles of “part disposal of subsidiaries of a long-term equity investment under the condition of not losing control on its subsidiaries” and “Where the Company losses control on its original subsidiaries due to disposal of some equity investments or other reasons” (See the front paragraph) relevant transactions of the Company losses control on its subsidiaries due to disposal of equity investments belonging to a package deal, considered as a transaction and conduct accounting treatment. However, Before losing control, every disposal cost and corresponding net assets balance of subsidiary of disposal investment are confirmed as other comprehensive income in consolidated financial statements, which together transferred into the current profits and losses in the lose 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 recognizes the loss for a transfer or sale of assets to a joint operation; and shall recognize the loss according to its stake in the joint operation for a purchase of assets from the joint operation.

## **8. Recognition standard for cash and cash equivalents**

In the 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 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.

## 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.

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.

### 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 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.
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**(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 Companys, adopting aging analysis method to withdraw bad debt provision:

Applicable  Not applicable

Age	Withdrawal proportion for accounts receivable (%)	Withdrawal proportion for other accounts receivable (%)
Within 1 year (including 1 year)	5.00%	5.00%
1-2 years	10.00%	10.00%
2-3 years	30.00%	30.00%
3-4 years	50.00%	50.00%
4-5 years	50.00%	50.00%
Over 5 years	100.00%	100.00%

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

Applicable  Not applicable

In the Companys, 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 Company 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 Company 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.).
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## 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 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.

### 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 polices 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 polices of the investees, but could not control or jointly control the formulation of the policies with the other parties.

#### (1) Recognition of investment costs

As for long-term equity investments acquired by enterprise merger, if the merger is under the same control, the share of the book value of the owner's equity of the merged enterprise, on the date of merger, is regarded as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by

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

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

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

Besides the long-term equity investments formed by business combination, the other long-term equity investments shall be initially measured by cost, the cost is fixed in accordance with the ways of gaining, such as actual cash payment paid by the 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 polices 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 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 1 Jan. 2008 of the associated enterprises and joint ventures, if there is debit difference of the equity investment related to the investment, should be included in the current gains and losses according to the amount of the straight-line amortization during the original remained period.

### ③ Acquiring shares of minority interest

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

### ④ Disposal of long-term equity investment

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

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

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

For the long-term equity investment which adopts the cost method of measurement, if the remained equity still adopt the cost method, the other comprehensive income recognized owing to adopting the equity method for measurement or the recognition and measurement standards of financial instrument before acquiring the control of

the investees, should adopt the same basis of the accounting disposal of the relevant assets or liabilities directly disposed by the investees and should be carried forward into the current gains and losses according to the proportion; the changes of the other owners' equity except for the net gains and losses, other comprehensive income and the profits distribution among the net assets of the investees which recognized by adopting the equity method for measurement, should be carried forward into the current gains and losses according to the proportion.

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

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

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

## 15. Investment real estates

Measurement mode of investment real estates

Measurement of cost method

Depreciation or amortization method

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

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

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

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

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

## 16. Fixed assets

### (1) Conditions for recognition

The term "fixed assets" refers to the tangible assets that simultaneously possess the features as follows: (a) they are held for the sake of producing commodities, rendering labor service, renting or business management; and (b) their useful life is in excess of one fiscal year. The fixed assets are only recognized when the relevant economic benefits probably flow in the 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 depreciation ratio
Housing and building	Average method of useful life	15-24	2%-4%	4%--6.53%
Special equipment	Average method of useful life	3-15	2%-4%	6.4%--32.67%
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

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

No.

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.

## **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 polices of internal R & D expenses**

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

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

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

- ① It is feasible technically to finish intangible assets for use or sale;
- ② It is intended to finish and use or sell the intangible assets;
- ③ The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;
- ④ It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources;
- ⑤ The development expenditures of the intangible assets can be reliably measured.

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

## **22. Impairment of long-term assets**

For non-current financial Assets of fixed Assets, projects under construction, intangible Assets with limited service life, investing real estate with cost model, long-term equity investment of subsidiaries, cooperative enterprises and joint ventures, the 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 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 demission 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 (demission 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.

##### **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:

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.

## 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.

## **29. Government subsidies**

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

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

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

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

## **30. Deferred income tax assets/deferred income tax liabilities**

### **(1) Income tax of the current period**

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



of the tax law.

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

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

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

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

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

On the balance sheet date, the deferred income tax assets and the deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

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

#### (3) Income tax expenses

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

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

#### (4) Offset of income tax

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

time while owns the legal rights of settling the net amount.

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

### **31. Lease**

#### **(1) Accounting treatment of operating lease**

Business of operating leases recorded by the 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.

#### **(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	5% 7%
Enterprise income tax	Income tax payable	25%

Education surtax	Turnover tax payable	3%
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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

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

## 1. Monetary funds

Unit: RMB

Item	Closing balance	Opening balance
Bank deposits	539,470,064.75	406,098,208.72
Other monetary funds	7,800,000.00	
Total	547,270,064.75	406,098,208.72

Other notes:

On December 31 Dec. 2016, the Company's monetary fund whose ownership was limited is RMB 7,800,000.00. 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  Inapplicable

## 4. Notes receivable

### (1) Notes receivable listed by category

Unit: RMB

Item	Closing balance	Opening balance
Bank acceptance bill	91,784,604.58	34,433,010.97
Total	91,784,604.58	34,433,010.97

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

Unit: RMB

Item	Amount
------	--------

**(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	227,660,211.73	
Total	227,660,211.73	

**(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				
	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	228,550,726.13	99.74%	19,942,370.20	8.73%	208,608,355.93	198,651,132.62	99.71%	18,200,600.69	9.16%	180,450,531.93
Accounts receivable with insignificant single amount for which bad debt	584,457.52	0.26%	584,457.52	100.00%		584,457.52	0.29%	584,457.52	100.00%	

provision separately accrued										
Total	229,135,183.65	100.00%	20,526,827.72		208,608,355.93	199,235,590.14	100.00%	18,785,058.21		180,450,531.93

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

Applicable  Inapplicable

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

Applicable  Inapplicable

Unit: RMB

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion
Sub-item within 1 year			
Within 1 year	217,385,994.72	10,869,299.74	5.00%
Subtotal within 1 year	217,385,994.72	10,869,299.74	5.00%
1 to 2 years	1,860,380.32	186,038.03	10.00%
Over 3 years	517,492.20	155,247.66	30.00%
3 to 4 years	8,786,858.89	8,731,784.77	99.37%
4 to 5 years	110,148.25	55,074.13	50.00%
Over 5 years	8,676,710.64	8,676,710.64	100.00%
Total	228,550,726.13	19,942,370.20	8.73%

Notes of the basis of recognizing the group:

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

Applicable  Inapplicable

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

Accounts receivable (classified by units)	Year end balance			
	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 1,741,769.51; 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	23,690,766.75	Within 1 year	10.34%	1,184,538.34
Customer receivable B	17,325,000.00	Within 1 year	7.56%	866,250.00
Customer receivable C	14,818,922.29	Within 1 year	6.47%	740,946.11
Customer receivable D	14,758,412.37	Within 1 year	6.44%	737,920.62
Customer receivable E	13,911,719.94	Within 1 year	6.07%	695,586.00
Total	84,504,821.35		36.88%	4,225,241.07

**(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	41,952,017.29	99.86%	19,657,116.96	96.30%
1 to 2 years			695,831.03	3.40%
2 to 3 years			60,417.69	0.30%
Total	60,417.69	0.14%		

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 end balance of the accounts receivable (%)
Supplier A	28,108,342.11	Within 1 year	66.90%
Supplier B	3,600,000.00	Within 1 year	8.57%
Supplier C	2,825,839.06	Within 1 year	6.73%
Supplier D	1,436,087.25	Within 1 year	3.42%
Supplier E	900,000.00	Within 1 year	2.14%
Total	36,870,268.42		87.76%

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	18,292,811.73	100.00%	5,543,317.88	30.30%	12,749,493.85	15,211,442.84	100.00%	5,363,991.49	35.26%	9,847,451.35
<b>Total</b>	<b>18,292,811.73</b>	<b>100.00%</b>	<b>5,543,317.88</b>	<b>30.30%</b>	<b>12,749,493.85</b>	<b>15,211,442.84</b>	<b>100.00%</b>	<b>5,363,991.49</b>	<b>35.26%</b>	<b>9,847,451.35</b>

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

 Applicable  Inapplicable

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

 Applicable  Inapplicable

Unit: RMB

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion

Sub-item within 1 year			
Within 1 year	3,930,645.70	196,532.29	5.00%
Subtotal within 1 year	3,930,645.70	196,532.29	5.00%
2 to 3 years	10,500.00	1,050.00	10.00%
Over 3 years	5,489,627.88	5,345,735.59	97.38%
3 to 4 years	20,000.00	10,000.00	50.00%
4 to 5 years	267,784.57	133,892.28	50.00%
Over 5 years	5,201,843.31	5,201,843.31	100.00%
Total	9,430,773.58	5,543,317.88	58.78%

Notes of the basis of recognizing the group:

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

Applicable  Inapplicable

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

Applicable  Inapplicable

Name of group	Year end balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion (%)
Non-risk group	8,862,038.15		
Total	8,862,038.15		

### (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 179,326.39; the amount of the reversed or collected part during the reporting period was of RMB 000.

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

### (3) The actual write-off other accounts receivable

Unit: RMB

Item	Amount

Of which the significant write-off other accounts receivable:

Unit: RMB

Name of units	Nature	Amount	Reason	Process	Whether occurred from the related transactions

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	8,761,418.15	9,241,792.16
Liquidation amount of investment fund	3,398,275.80	3,398,275.80
Cash pledge	3,370,000.00	700,000.00
Pretty cash	1,454,504.18	728,854.26
Liquidation amount of goods payment	548,500.00	548,500.00
Other	760,113.60	594,020.62
<b>Total</b>	<b>18,292,811.73</b>	<b>15,211,442.84</b>

**(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
Jingzhou Center Subtreasury of State Treasury	Export rebates	8,761,418.15	Within 1 year	47.90%	
Shantou Biyue Plastic Co., Ltd.	Settlement payment for investment accounts	3,125,000.00	Over 5 years	17.08%	3,125,000.00
Shanghai COSCO Logistics Co., Ltd	Cash pledge	2,670,000.00	Within 1 year	14.60%	133,500.00
Hubei Jingzhou Shashi Agricultural Production Materials Co., Ltd.	Settlement payment for goods	548,500.00	Over 5 years	3.00%	548,500.00
Chen Zhicai	Imprest cash	354,814.00	Within 1 year	1.94%	17,740.70
<b>Total</b>	--	<b>15,459,732.15</b>	--	<b>84.52%</b>	<b>3,824,740.70</b>

**(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	42,586,367.82	1,606,405.33	40,979,962.49	39,185,122.07	941,716.73	38,243,405.34
Goods in process	49,702,198.94	1,642,456.76	48,059,742.18	60,066,222.32	687,819.54	59,378,402.78
Inventory goods	85,851,536.06	1,250,433.70	84,601,102.36	194,848,529.59	4,646,173.41	190,202,356.18
Total	178,140,102.82	4,499,295.79	173,640,807.03	294,099,873.98	6,275,709.68	287,824,164.30

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	941,716.73	1,606,405.33		941,716.73		1,606,405.33
Goods in process	687,819.54	1,642,456.76		687,819.54		1,642,456.76
Inventory goods	4,646,173.41	1,250,433.70		4,646,173.41		1,250,433.70
Total	6,275,709.68	4,499,295.79		6,275,709.68		4,499,295.79
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
Input tax to be deducted	9,779,875.26	14,297,586.28
Tax prepayments	5,042,224.31	387,633.86
Carbon emission right	696,123.68	
Total	15,518,223.25	14,685,220.14

Other notes:

**14. Available-for-sale financial assets****(1) List of available-for-sale financial assets**

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Available-for-sale equity instruments	20,564,000.00	11,991,017.37	8,572,982.63	21,144,800.00	11,991,017.37	9,153,782.63
Measured by cost	20,564,000.00	11,991,017.37	8,572,982.63	21,144,800.00	11,991,017.37	9,153,782.63
Total	20,564,000.00	11,991,017.37	8,572,982.63	21,144,800.00	11,991,017.37	9,153,782.63

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

Unit: RMB

Category of the available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale liabilities instruments		Total

**(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%	1,385,382.95
Guangxi Zhongding Co., Ltd.	580,800.00		580,800.00							75,504.00
Hubei Shendian Auto Motor Co., Ltd.	564,000.00			564,000.00					0.60%	
Total	21,144,800.00		580,800.00	20,564,000.00	11,991,017.37			11,991,017.37	--	1,460,886.95

**(4) Changes of the impairment of the available-for-sale financial assets during the reporting period**

Unit: RMB

Category of the available-for-sale financial assets	Available-for-sale equity instruments	Available-for-sale liabilities instruments		Total

**(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	Investment cost	Fair value of the period-end	Falling range of the fair value against the cost	Continued falling time (month)	Withdrawn amount of impairment	Reason of not withdrawn the impairment

Other notes

**15. Investment held-to-maturity****(1) List of investment held-to-maturity**

Unit: RMB

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

**(2) Significant held-to-maturity investment at the period-end**

Unit: RMB

Bond item	Par value	Nominal interest rate	Actual interest rate	Due date

**(3) Re-classified held-to-maturity investment during the reporting period**

Other notes

**16. Long-term accounts receivable****(1) List of long-term accounts receivable**

Unit: RMB

Item	Closing balance			Opening balance			Discount rate range
	Book balance	Bad debt	Book value	Book balance	Bad debt	Book value	

		provision			provision		
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(2) Long-term accounts receivable which terminate the recognition owing to the transfer of the financial assets

(3) The amount of the assets and liabilities formed by the transfer and the continues involvement of long-term accounts receivable

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  Inapplicable

Unit: RMB

Item	Houses and buildings	Land use right	construction in progress	Total
I. Original book value				
1. Opening balance	7,934,843.00			7,934,843.00
2. Increased amount of the period				
(1) Outsourcing				
(2) Transfer of inventory\fixed assets\project under construction				
(3) Increased from enterprise merger				



3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Closing balance	7,934,843.00			7,934,843.00
II. Accumulative depreciation and accumulative amortization				
1. Opening balance	2,898,097.46			2,898,097.46
2. Increased amount of the period	314,219.76			314,219.76
(1) Withdrawal or amortization	314,219.76			314,219.76
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfer				
4. Closing balance	3,212,317.22			3,212,317.22
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	4,722,525.78			4,722,525.78
2. Opening book value	5,036,745.54			5,036,745.54

**(2) Investment property adopted fair value measurement mode**

Applicable  Inapplicable

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

Unit: RMB

Item	Book value	Reason
One house in Hubei Building in Shenzhen	3,431,409.50	Built by financing, collective certificate of property

Other notes

**19. Fixed assets****(1) List of fixed assets**

Unit: RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Total
I. Original book value				
1. Opening balance	843,883,536.24	1,926,131,159.10	10,815,874.17	36,827,216.43
2. Increased amount of the period	93,273,196.05	109,767,159.55	244,628.21	
(1) Purchase	100,166.99	12,575,945.73	244,628.21	
(2) Transfer of project under construction	93,173,029.06	97,191,213.82		
(3) Increased from enterprise merger				
3. Decreased amount of the period	3,272,307.54	68,047,645.09	1,790,312.08	1,655,611.02
(1) Disposal or scrap	3,272,307.54	68,047,645.09	1,790,312.08	1,655,611.02

4. Closing balance	933,884,424.75	1,967,850,673.56	9,270,190.30	35,171,605.41
II. Accumulative depreciation				
1. Opening balance	236,818,332.30	841,708,837.02	6,127,008.34	34,141,657.53
2. Increased amount of the period	35,644,674.10	195,211,063.69	825,996.42	934,933.59
(1) Withdrawal	35,644,674.10	195,211,063.69	825,996.42	934,933.59
3. Decreased amount of the period	3,272,307.54	67,104,715.74	457,760.28	1,696,457.22
(1) Disposal or scrap	3,272,307.54	67,104,715.74	457,760.28	1,696,457.22
4. Closing balance	269,190,698.86	969,815,184.97	6,495,244.48	33,380,133.90
III. Depreciation reserves				
1. Opening balance	2,848,203.34	11,879,551.70		82,995.62
2. Increased amount of the period		48,111,668.60		
(1) Withdrawal		48,111,668.60		
3. Decreased amount of the period				
(1) Disposal or scrap				
4. Closing balance	2,848,203.34	59,991,220.30		82,995.62
IV. Book value				
1. Closing book value	661,845,522.55	938,044,268.29	2,774,945.82	1,708,475.89
2. Opening book value	604,217,000.60	1,072,542,770.38	4,688,865.83	2,602,563.28

**(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 provision	Book value	Book balance	Impairment provision	Book value
Move the electrochemical plant ion membrane electrolytic cell	10,391,878.97		10,391,878.97			
116 acres public engineering projects in Sanonda new area southeast corner	3,482,421.95		3,482,421.95	2,289,680.28		2,289,680.28
Herbicide plant glyphosate alkaline solution continuous pilot project	2,098,889.42		2,098,889.42			
Pesticide series of	1,972,012.90		1,972,012.90			

products to upgrade the overall renovation project						
Herbicide plant glyphosate oxidation continuous pilot project	1,338,675.84		1,338,675.84			
Ion membrane mating sewage treatment project	438,777.48		438,777.48	66,464,190.24		66,464,190.24
Modification of the 110KV transformer substation				38,133,049.11		38,133,049.11
Saline wastewater incineration project such as sewage N-phosphonomet hyliminadiacetic acid and glyphosate				27,058,639.76		27,058,639.76
Optimization of the pyridine engineering technology and the safety modification				4,385,547.18		4,385,547.18
Dynamic 110KV ionic membrane substation access system				4,240,933.05		4,240,933.05
Other	1,502,599.81		1,502,599.81	1,111,505.53		1,111,505.53
<b>Total</b>	<b>21,225,256.37</b>		<b>21,225,256.37</b>	<b>143,683,545.15</b>		<b>143,683,545.15</b>

**(2) Changes of significant construction in progress**

Unit: RMB

Name of item	Estimated number	Opening balance	Increase d amount of the period	Amount that transferr ed to fixed assets of the period	Other decrease d amount of the period	Closing balance	Proporti on estimate d of the project accumul ative input	Project progress	Accumul ative amount of capitaliz ed interests	Of which: the amount of the capitaliz ed interests of the period	Capitaliz ation rate of the interests of the period	Capital resources
Pesticide series of products to upgrade the overall renovation project	108,500,000.00		66,464,190.24			66,464,190.24	61.26%	61.26%				Financial institution loans
5,000 tons of pesticide new product projects	45,000,000.00		38,133,049.11			38,133,049.11	86.55%	86.55%				Financial institution loans
Ion membrane Mating Sewage Treatment Project	35,300,000.00		27,058,639.76			27,058,639.76	76.65%	76.65%				Other
Modification of the 110KV transformer substation	3,910,000.00		4,385,547.18			4,385,547.18	112.16%	95.00%				Other

Saline wastewater incineration project such as sewage N-phosphonometryliminodiacetic acid and glyphosate	4,900,000.00	3,787,115.96	453,817.09			4,240,933.05	86.55%	86.55%				Other
Move the electrochemical plant ion membrane electrolytic cell	6,500,000.00		2,289,680.28			2,289,680.28	35.23%	35.23%				Financial institution loans
116 acres public engineering projects in Sanonda new area southeast corner	374,599,000.00	222,497,321.45	83,316,488.41	305,813,809.86			81.64%	100.00%	11,151,441.43	2,376,273.17	6.40%	Other
Dynamic 110KV ionic membrane substation access system	247,021,100.00	136,688,326.31	92,362,790.34	229,051,116.65			92.73%	100.00%	10,158,844.09	2,376,299.55	6.40%	Other

Optimization of the pyridine engineering technology and the safety modification	89,365,800.00	47,436,445.22	4,092,537.63	51,528,982.85			57.66%	100.00%				Other
Herbicide plant glyphosate oxidation continuous pilot project	9,200,000.00	7,114,614.90	3,180,421.98	10,295,036.88			111.90%	100.00%				Other
Total	924,295,900.00	417,523,823.84	321,737,162.02	596,688,946.24		142,572,039.62	--	--	21,310,285.52	4,752,572.72		--

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

Unit: RMB

Item	Withdrawn amount	Reason
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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 measured at cost methods**

Applicable  Inapplicable

**(2) Productive biological assets measured at fair value**

Applicable  Inapplicable

**24. Oil and gas assets**

Applicable  Inapplicable

**25. Intangible assets****(1) Information**

Unit: RMB

Item	Land use right	Patent	Non-patents	Other	Total
I. Total original book value					
1. Opening balance	231,343,514.07		18,743,699.96	2,500.00	250,089,714.03
2. Increase in the reporting period	50,298,050.00				50,298,050.00
(1) Purchase	50,298,050.00				50,298,050.00
(2) Internal R &D					
(3) Increase from enterprise combination					
3. Decrease in the reporting period	4,428,080.00				4,428,080.00
(1) Purchase	4,428,080.00				4,428,080.00
4. Closing balance	277,213,484.07		18,743,699.96	2,500.00	295,959,684.03
II. Total accrued amortization					
1. Opening balance	44,212,611.83		8,232,584.23	2,500.00	52,447,696.06
2. Increase in the reporting period	4,092,396.53		1,457,972.91		5,550,369.44

(1) Withdrawal	4,092,396.53		1,457,972.91		5,550,369.44
3. Decrease in the reporting period	1,874,561.65				1,874,561.65
(1) Disposal	1,874,561.65				1,874,561.65
4. Closing balance	46,430,446.71		9,690,557.14	2,500.00	56,123,503.85
III. Total impairment provision					
1. Opening balance	32,072,093.53				32,072,093.53
2. Increase in the reporting period					
(1) Withdrawal					
3. Decrease in the reporting period					
(1) Disposal					
4. Closing balance	32,072,093.53				32,072,093.53
IV. Total book value of intangible assets					
1. Book value of the period-end	198,710,943.83		9,053,142.82		207,764,086.65
2. Book value of the period-begin	155,058,808.71		10,511,115.73		165,569,924.44

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

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

Unit: RMB

Item	Book value	Reason
Land of north of extension line, dongfang avenue and east of yanjiang road of development zone	50,298,050.00	9 Nov. 2016 signed a contract, property certificate in process

Other notes:

**26. R&D expenses**

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
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Other notes

**27. Goodwill****(1) Original book value of goodwill**

Unit: RMB

Name of the investees or the events formed goodwill	Opening balance	Increase	Decrease	Closing balance
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**(2) Impairment provision of goodwill**

Unit: RMB

Name of the investees or the events formed goodwill	Opening balance	Increase	Decrease	Closing balance
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Notes of the testing process of goodwill impairment, parameters and the recognition method of goodwill impairment losses:

Other notes

**28. Long-term unamortized expenses**

Unit: RMB

Item	Opening balance	Increase	Amortization amount	Decrease	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	92,213,844.52	23,053,461.13	44,084,073.52	11,021,018.38
Deductible losses	65,860,327.38	16,465,081.85		
Total	158,074,171.90	39,518,542.98	44,084,073.52	11,021,018.38

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

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	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 at the period-begin	Amount of deferred income tax assets or liabilities after off-set at the period-begin
Deferred income tax assets		39,518,542.98		11,021,018.38

**(4) List of unrecognized deferred income tax assets**

Unit: RMB

Item	Closing amount	Opening amount
Deductible temporary difference	45,341,127.03	45,214,547.42
Deductible losses	53,156,470.45	43,201,925.72
Total	98,497,597.48	88,416,473.14

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

Unit: RMB

Years	Closing amount	Opening amount	Note
Y2017		615,390.77	
Y 2018	7,749,910.75	10,403,062.15	
Y 2019	30,825,160.68	31,712,691.47	
Y 2020		470,781.33	
Y 2021	14,581,399.02		

Total	53,156,470.45	43,201,925.72	--
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Other notes:

### 30. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Land compensation prepayments	5,000,000.00	5,000,000.00
Prepaid purchase of sewage treatment technology	2,123,207.46	
Total	7,123,207.46	5,000,000.00

Other notes:

### 31. Short-term loans

#### (1) Category of short-term loans

Unit: RMB

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

Notes of short-term loans category

The guaranteed loans of the Company mainly were the loans acquired from the guarantee from Jingzhou Sanonda Holdings Co., Ltd., China National Agrochemical Company and China National Chemical Corporation for the Company.

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

The total amount of the overdue but not return short-term borrowings at the period-end was of RMB 000, of which the situation of the significant overdue but not return short-term borrowings as follows:

Unit: RMB

Entity	Closing balance	Borrowing rate	Overdue time	Overdue rate

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

Other notes:

**33. Derivative financial liabilities**

Applicable  Inapplicable

**34. Notes payable**

Unit: RMB

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

The total amount of the due but not pay notes payable at the period-end was of RMB 000.

**35. Accounts payable****(1) List of accounts payable**

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year (including 1 year)	130,311,746.47	95,743,429.46
1 to 2 years (including 2 years)	11,630,966.51	32,840,902.38
2 to 3 years (including 3 years)	21,934,800.22	3,416,655.30
Over 3 years	5,304,996.84	2,356,494.63
Total	169,182,510.04	134,357,481.77

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

Unit: RMB

Item	Closing balance	Unpaid reason
Dalian Haiyeet Heavy Industries Co., Ltd.	7,200,000.00	Unsettled
Jiangsu Leke Energy Saving Technology Co., Ltd.	690,000.00	Unsettled
Yueyang Zhongnan Chemical Engineering Construction Co., Ltd.	449,065.00	Unsettled
Wuxi Haichang Machinery Equipment Co., Ltd.	340,000.00	Unsettled
Hubei Shengshi Environmental Protection Technology Co., Ltd.	275,010.00	Unsettled
Total	8,954,075.00	--

Other notes:

**36. Advance from customers****(1) List of advance from customers**

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year (including 1 year)	29,775,692.05	24,854,970.29
1 to 2 years (including 2 years)	1,133,842.23	99,517.70
2 to 3 years (including 3 years)	97,504.64	58,832.56
Over 3 years	1,658,558.73	1,652,817.67
Total	32,665,597.65	26,666,138.22

**(2) Significant advance from customers aging over one year**

Unit: RMB

Item	Closing balance	Unpaid reason
Retailer A	637,680.00	Unsettled
Retailer B	145,504.20	Unsettled
Retailer C	129,250.00	Unsettled
Retailer D	111,800.00	Unsettled
Retailer E	100,000.00	Unsettled
Total	1,124,234.20	--

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

Unit: RMB

Item	Amount
Other notes:	

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

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term salary	23,608,851.88	164,032,283.72	162,947,619.23	24,693,516.37
II. Post-employment benefit-defined contribution plans	6,699,489.85	26,160,767.10	27,384,395.24	5,475,861.71

III. Dismissed benefits		700,489.25	700,489.25	
Total	30,308,341.73	190,893,540.07	191,032,503.72	30,169,378.08

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

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, subsidy	15,945,567.00	129,810,662.98	125,447,988.28	20,308,241.70
2. Employee welfare		7,861,412.98	7,861,412.98	
3. Social insurance	1,434,398.33	11,405,400.66	10,777,806.76	2,061,992.23
Including: 1. Medical insurance premiums	1,034,297.19	9,799,622.53	9,070,061.82	1,763,857.90
Work-related injury insurance	311,868.39	1,211,048.96	1,295,337.32	227,580.03
Maternity insurance	88,232.75	394,729.17	412,407.62	70,554.30
4. Housing fund	6,228,886.55	14,354,807.10	18,360,411.21	2,223,282.44
5. Labor union budget and employee education budget		600,000.00	500,000.00	100,000.00
Total	23,608,851.88	164,032,283.72	162,947,619.23	24,693,516.37

**(3) List of drawing scheme**

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Basic pension benefits	4,654,726.30	21,138,419.25	21,030,729.22	4,762,416.33
Unemployment insurance	1,176,207.24	184,764.85	1,184,587.26	176,384.83
Annuity	868,556.31	4,837,583.00	5,169,078.76	537,060.55
Total	6,699,489.85	26,160,767.10	27,384,395.24	5,475,861.71

Other notes:

**38. Taxes payable**

Unit: RMB

Item	Closing balance	Opening balance
VAT	8,450,218.33	9,039,619.15
Business tax	7,659,102.97	13,798,269.67



Corporate income tax	66,040.48	265,402.33
Personal income tax	581,774.73	1,995,399.58
Urban maintenance and construction tax		12,430.71
Resource tax	50,494.23	86,809.90
Property tax	1,205,340.94	67,652.33
Land use tax	31,682.42	31,682.42
Education Surcharge	249,332.03	1,022,110.33
Other	178,336.48	539,089.85
Total	18,472,322.61	26,858,466.27

Other notes:

### 39. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Long-term loan interest of installment payment of interest and repay the due capital		1,123,849.31
Total		1,123,849.31

Particulars of significant overdue unpaid interest:

Unit: RMB

Entity	Overdue amount	Overdue reason

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	100,741,400.00	835,800.00
Intermediate fee	45,874,730.25	
Carriage	6,245,490.86	6,835,291.65
Sewage charge	1,763,989.00	1,763,989.00
Local charge	1,657,798.55	1,430,886.11
Cash pledge	1,636,263.11	1,338,163.11
Export price difference	1,190,027.40	1,028,363.50
Commission	692,702.44	2,340,403.65
Energy charge		4,080,486.80
Other	5,356,244.32	5,857,949.99
<b>Total</b>	<b>165,158,645.93</b>	<b>25,511,333.81</b>

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

Unit: RMB

Item	Closing balance	Unpaid reason
Hubei Haozhou Transport Co., Ltd	600,000.00	Margin
Qichun County Bureau for State-owned Assets	300,270.90	Unsettled
<b>Total</b>	<b>900,270.90</b>	--

Other notes:

**42. Liabilities classified as holding for sale**

Unit: RMB

Item	Closing balance	Opening balance

Other notes:

**43. Non-current liabilities due within 1 year**

Unit: RMB

Item	Closing balance	Opening balance
Long-term loans due within 1 year	147,000,000.00	244,000,000.00
<b>Total</b>	<b>147,000,000.00</b>	<b>244,000,000.00</b>

Other notes:

**44. Other current-liabilities**

Unit: RMB

Item	Closing balance	Opening balance
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Changes on short term bonds payable:

Unit: RMB

Name of the bond	Book value	Issue date	Period	Issue amount	Opening balance	The current issue	Withdraw interest at par	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	343,590,000.00	587,590,000.00
Less: Long-term loans due within 1 year	-147,000,000.00	-244,000,000.00
Total	196,590,000.00	343,590,000.00

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) Changes on bonds payable (not including other financial instrument classified as preferred stock and perpetual capital securities of financial liabilities)**

Unit: RMB

**(3) Note to conditions and time of share transfer of convertible bonds**

**(4) Note to other financial instrument classified as financial liabilities**

Basic information of preferred stock, perpetual capital securities and other financial instruments outstanding issued at period-end

Change list of preferred stock, perpetual capital securities and other financial instruments outstanding issued at period-end

Unit: RMB

Financial instruments outstanding issued	Opening period		Increase		Decrease		Closing period	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value

Notes to the basis of other financial instrument classified as financial liabilities

Other notes:

#### 47. Long-term payable

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

Unit: RMB

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

Other notes:

#### 48. Long term payroll payable

##### (1) List of long term payroll payable

Unit: RMB

Item	Closing balance	Opening balance

##### (2) Changes of defined benefit plans

Present worth of defined benefit plans obligation:

Unit: RMB

Item	Reporting period	Same period of last year

Plan assets:

Unit: RMB

Item	Reporting period	Same period of last year

Net liabilities (net assets) of defined benefit plans

Unit: RMB

Item	Reporting period	Same period of last year

Notes to the influence of the content and related risk of defined benefit plans to the future cash flows, time and uncertainty of the Company:

Notes to analysis results of major actuarial assumptions and sensibility of defined benefit plans

Other notes:

#### 49. Special payable

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance	Formation reasons
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Other notes:

#### 50. Accrued liabilities

Unit: RMB

Item	Closing balance	Opening balance	Formation reasons
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Other notes, including related important assumptions and estimates of accrued liabilities:

#### 51. Deferred income

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance	Formation reasons
Government subsidies	26,570,088.61		4,003,200.88	22,566,887.73	
Total	26,570,088.61		4,003,200.88	22,566,887.73	--

Items involved in government subsidies:

Unit: RMB

Item	Opening balance	Amount of newly subsidy	Amount accrued in non-business income	Other changes	Closing balance	Related to the assets/ income
Land compensates	7,664,162.67		154,312.00		7,509,850.67	Related to the assets
Pyridine project subsidies	6,883,333.35		983,333.32		5,900,000.03	Related to the assets
Special fund for industry clean production	5,509,259.26		777,777.78		4,731,481.48	Related to the assets
Appropriation for CTC consuming and eliminating project	2,916,666.67		1,000,000.00		1,916,666.67	Related to the assets

Government Subsidy for Highly toxic pesticide	2,330,000.00		776,666.67		1,553,333.33	Related to the assets
Special fund for management of source of pollution	733,333.31		244,444.45		488,888.86	Related to the assets
Special fund for transferring environmental protection deferred	533,333.35		66,666.66		466,666.69	Related to the assets
<b>Total</b>	<b>26,570,088.61</b>		<b>4,003,200.88</b>		<b>22,566,887.73</b>	<b>--</b>

Other notes:

## 52. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
New project construction fund	171,770,450.00	
<b>Total</b>	<b>171,770,450.00</b>	

Other notes:

The money is the project fund loan loaned by Jingzhou Sanonda Holdings Co., Ltd. to our company, which is used for the overall relocation and upgrading project of the old plant in our company.

## 53. Share capital

Unit: RMB

	Opening balance	Increase/decrease (+/-)					Closing balance
		Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	
The sum of shares	593,923,220.00						593,923,220.00

Other notes:

**54. Other equity instruments**

(1) Basic information of preferred stock, perpetual capital securities and other financial instruments outstanding issued at period-begin

(2) Change list of preferred stock, perpetual capital securities and other financial instruments outstanding issued at period-begin

Unit: RMB

Financial instruments outstanding issued	Opening period		Increase		Decrease		Closing period	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value

Changes, reason of change and basis of relevant accounting treatment of other equity instruments in reporting period:

Other notes:

**55. Capital reserves**

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

Other notes, including changes and reason of change:

**57. Other comprehensive income**

Unit: RMB

Item	Opening balance	Reporting period					Closing balance
		Amount incurred before income tax	Less: Amount transferred into profit and loss in the current period that	Less: income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	

			recognized into other comprehensive income in prior period				
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Other notes, including the adjustment of the recognition of initial amount of effective part of the cash flow hedging gains and losses transfer into arbitrated items:

### 58. Special reserves

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Safety production cost	22,848,859.15	8,807,160.84	11,793,556.65	19,862,463.34
Total	22,848,859.15	8,807,160.84	11,793,556.65	19,862,463.34

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 profits

Unit: RMB

Item	Reporting period	Last period
Opening balance of retained profits before adjustments	1,026,847,680.37	957,050,401.65
Opening balance of retained profits after adjustments	1,026,847,680.37	957,050,401.65
Add: Net profit attributable to owners of the Company	-74,489,986.54	141,840,462.97
Less: Withdrawal of statutory surplus reserves		12,650,862.25
Dividend of common stock payable	14,848,080.50	59,392,322.00



Closing retained profits	937,509,613.33	1,026,847,680.37
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List of adjustment of opening retained profits:

- 1) RMB 000 opening retained profits was affected by retrospective adjustment conducted according to the Accounting Standards for Business Enterprises and relevant new regulations.
- 2) RMB 000 opening retained profits was affected by changes on accounting policies.
- 3) RMB 000 opening retained profits was affected by correction of significant accounting errors.
- 4) RMB 000 opening retained profits was affected by changes in combination scope arising from same control.
- 5) RMB 000 opening retained profits was affected totally by other adjustments.

## 61. Revenues and operating costs

Unit: RMB

Item	Reporting period		Same period of last year	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	1,818,148,570.51	1,569,811,874.39	2,151,827,875.83	1,715,138,392.14
Other operations	36,584,114.37	31,356,173.97	18,108,761.24	14,278,395.98
Total	1,854,732,684.88	1,601,168,048.36	2,169,936,637.07	1,729,416,788.12

## 62. Business tax and surcharges

Unit: RMB

Item	Reporting period	Same period of last year
Urban maintenance and construction tax	133,912.54	262,154.25
Education surcharge	8,920,731.75	2,693,160.15
Property tax	3,823,170.72	1,154,211.51
Land use tax		
Stamp duty		
Business tax	2,548,780.51	2,497,409.89
Total	15,426,595.52	6,606,935.80

Other notes:

## 63. Sales expenses

Unit: RMB

Item	Reporting period	Same period of last year
Transport fees	48,182,101.86	36,465,361.26
Export fees	23,195,055.39	30,821,340.18
Employee's remuneration	5,622,501.17	5,253,594.43

Handling charges	3,698,444.23	3,644,177.58
Insurance	2,256,381.23	1,091,034.99
Storage charges	1,351,882.26	208,042.25
Business travel charges	942,474.18	1,122,413.57
Charge of the business license, the organization code certificate, and the certificate of taxation registration	933,788.93	1,264,114.90
Advertising and general publicity expense	616,901.94	620,071.34
Other	2,730,115.89	3,658,965.39
<b>Total</b>	<b>89,529,647.08</b>	<b>84,149,115.89</b>

Other notes:

#### 64. Administrative expenses

Unit: RMB

Item	Reporting period	Same period of last year
Hire agency charges	74,810,652.60	172,842.83
Employee's remuneration	59,336,185.11	53,588,811.88
Loss on work stoppages	57,399,611.88	22,696,320.96
Depreciation charge	7,202,210.49	6,083,525.92
Tax expenses	4,678,338.83	4,729,047.68
Amortization of intangible assets	2,483,406.98	9,235,489.18
Insurance	1,967,517.83	1,772,850.27
Business entertainment fees	1,619,292.64	2,008,579.37
Amortization of low-price consumables	1,454,121.87	2,868,956.20
Other	13,228,121.21	13,761,870.96
<b>Total</b>	<b>224,179,459.44</b>	<b>116,918,295.25</b>

Other notes:

#### 65. Financial expenses

Unit: RMB

Item	Reporting period	Same period of last year
Interest expenses	23,031,433.02	33,488,938.86
Less: Interest income	3,443,471.59	5,429,875.87
Exchange gains and losses	-25,060,243.36	-14,791,279.30
Other	1,127,389.01	939,712.26

Total	-4,344,892.92	14,207,495.95
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Other notes:

The financial expenses had a YOY decrease of 47.69%, mainly was the influence of exchange rate, the exchange rate revenue had a YOY increase in the reporting period

#### 66. Asset impairment loss

Unit: RMB

Item	Reporting period	Same period of last year
I. Bad debt loss	1,921,095.90	-806,037.90
II. Inventory falling price loss	4,499,295.79	28,969,016.62
VII. Impairment losses on fixed assets	48,111,668.60	
Total	54,532,060.29	28,162,978.72

Other notes:

Notes: the asset impairment loss increased 71.08%, when compared to that in last year, mainly because the part of the finished goods withdrawing inventory falling price loss increased.

#### 67. Gains on the changes in the fair value

Unit: RMB

Source	Reporting period	Same period of last year
Changes in fair value of carbon emission right	93,030.85	
Total	93,030.85	

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	1,460,886.95	1,667,155.76
Disposal of available-for-sale financial assets	19,200.00	
Sales of carbon emission right	2,927,101.34	
Total	4,407,188.29	1,667,155.76

Other notes:

**69. Non-operating gains**

Unit: RMB

Item	Reporting period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Total gains from disposal of non-current assets	17,687,987.64	80,003.28	17,687,987.64
Including: Gains from disposal of fixed assets	7,496,505.99	80,003.28	7,496,505.99
Gains from disposal of intangible assets	10,191,481.65		10,191,481.65
Government subsidies	5,417,800.88	5,585,426.21	5,447,800.88
Other	365,903.84	109,154.00	335,903.84
Total	23,471,692.36	5,774,583.49	23,471,692.36

Government subsidies recorded into current profits and losses

Unit: RMB

Item	Distribution entity	Distribution reason	Nature/type	Whether influence the profits or losses of the year or not	Whether Special subsidy or not	Reporting period	Same period of last year	Related to the assets/income
Appropriation for CTC consuming and eliminating project	China National Chemical Corporation	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	1,000,000.00	1,000,000.00	Related to the assets
Pyridine project subsidies	China National Chemical Corporation	Subsidy	Due to engaged in special industry that	Yes	No	983,333.32	983,333.32	Related to the assets

			the state encouraged and supported, 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	777,777.78	777,777.78	Related to the assets
Government Subsidy for Highly toxic pesticide	Hubei Department of Finance	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national	Yes	No	776,666.67	776,666.67	Related to the assets

			policy)					
Received 2016 agricultural subsidies for winter subsidies	Sino-Agri	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	654,600.00	785,100.00	Related to the income
Hubei Provincial Department of Finance Glyphosate technological transformation project subsidy	Hubei Department of Finance	Subsidy	Due to engaged in special industry that the state encouraged and supported, gained subsidy (obtaining in line with the law and the regulations of national policy)	Yes	No	490,000.00		Related to the income
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	244,444.45	244,444.45	Related to the assets

Chlorpyrifos microemulsion technology funding	MOST	Subsidy	Subsidy from R&D, technical updating and transformation, etc.	Yes	No	160,000.00		Related to the income
Land compensates	Financial Bureau development zone of Jingzhou	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	154,312.00	51,437.33	Related to the assets
Development zone of Jingzhou 2016 annual industrial enterprise award	Financial Bureau development zone of Jingzhou	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	80,000.00		Related to the income
Special fund for transferring environmental protection deferred	Jingzhou Environmental Protection Agency	Subsidy	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.	Yes	No	66,666.66	66,666.66	Related to the assets
Bureau of Commerce Award	Jingzhou Bureau of Commerce	Award	Subsidy gained due to confirming with local government attracting investment	Yes	No	20,000.00		Related to the income

			and local supportive policy etc.					
Jingzhou Economic Development Zone transferred to the Company's government subsidies	Jingzhou Economic Development Zone Social Affairs Management Bureau	Award	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.			5,000.00		Related to the assets
Industry Security Subsidy	Jingzhou Bureau of Commerce	Award	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.			5,000.00		Related to the income
Special fund for provincial level promoting foreign trade and attracting investment of 2016	Finance Bureau Of Jingzhou	Award	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.				540,000.00	Related to the assets
Special fund appropriation for safety production of 2014 received from Jingzhou city	Finance Bureau Of Jingzhou	Award	Subsidy from R&D, technical updating and transformation, etc.				200,000.00	Related to the income
Award for foreign trade	Jingzhou Bureau of	Award	Subsidy gained due to				150,000.00	Related to the assets



export in Jingzhou of 2014	Commerce		confirming with local government attracting investment and local supportive policy etc.					
Award for job placement for the disabled	Disabled Employment Service Center of Jingzhou	Award	Subsidy gained due to confirming with local government attracting investment and local supportive policy etc.				10,000.00	Related to the income
Total	--	--	--	--	--	5,417,800.88	5,585,426.21	--

Other notes:

## 70. Non-operating expenses

Unit: RMB

Item	Reporting period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Loss on disposal of non-current assets	5,258.23	47,981.54	5,258.23
Including: Loss on disposal of fixed assets	5,258.23	47,981.54	5,258.23
Other	20,000.00	23,755.62	20,000.00
Total	25,258.23	71,737.16	25,258.23

Other notes:

## 71. Income tax expense

### (1) Lists of income tax expense

Unit: RMB

Item	Reporting period	Same period of last year
Current income tax expense	6,005,010.44	44,891,652.42

Deferred income tax expense	-28,497,524.60	2,178,119.40
Total	-22,492,514.16	47,069,771.82

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

Unit: RMB

Item	Reporting period
Total profits	-96,982,500.70
Current income tax expense accounted by tax and relevant regulations	-24,245,625.18
Adjust the impact of previous income tax	-1,829,388.73
Influence of non taxable income	-365,221.74
Influence of not deductible costs, expenses and losses	283,870.37
No deductible temporary differences or deductible losses of deferred income tax assets	3,663,851.12
Income tax expense	-22,492,514.16

Other notes:

**72. Other comprehensive income**

Refer to the notes

**73. Supplementary information to cash flow statement****(1) Other cash received relevant to operating activities**

Unit: RMB

Item	Reporting period	Same period of last year
Interest income	3,435,207.79	5,429,875.87
Collect A/B shares withholding individual income tax	125,635.54	4,487,602.32
Allowance for payment and others	1,352,214.13	4,899,736.98
Government subsidies	759,600.00	8,710,700.00
Total	5,672,657.46	23,527,915.17

Notes:

**(2) Other cash paid relevant to operating activities**

Unit: RMB

Item	Reporting period	Same period of last year
Hire agency charges	29,593,771.41	172,842.83
Transport fees	44,744,319.21	40,074,543.68
Sewage charges	16,017,405.00	15,543,174.35
Handling charges	3,698,444.23	3,644,177.58
Office expenses	1,325,415.48	3,863,617.75
Business entertainment fees	1,891,718.59	2,974,483.77
Business travel charges	1,708,796.07	2,507,022.95
Export fees	3,138,752.34	2,039,479.18
Water & electricity fees	1,362,078.58	1,871,825.30
Insurance	1,820,250.37	2,935,991.19
Repair charges	1,402,493.15	1,587,014.93
Other	25,500,021.47	1,078,657.10
<b>Total</b>	<b>132,203,465.90</b>	<b>78,292,830.61</b>

Notes:

**(3) Other cash received relevant to investment activity**

Unit: RMB

Item	Reporting period	Same period of last year
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Notes:

**(4) Other cash paid relevant to investment activity**

Unit: RMB

Item	Reporting period	Same period of last year
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Notes:

**(5) Other cash received relevant to financing activities**

Unit: RMB

Item	Reporting period	Same period of last year
Special borrowing	171,770,450.00	
Financing margin	100,000,000.00	
Unfreeze reversal of margin notes		4,500,000.00
<b>Total</b>	<b>271,770,450.00</b>	<b>4,500,000.00</b>

Notes:

**(6) Other cash paid relevant to financing activities**

Unit: RMB

Item	Reporting period	Same period of last year
Freeze of margin notes	7,800,000.00	
Total	7,800,000.00	

Notes:

**74. Supplementary information to cash flow statement****(1) Information of net profit to net cash flows generated from operating activities**

Unit: RMB

Supplementary materials	Reporting period	Last period
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	-74,489,986.54	141,955,597.89
Add: Provision for impairment of assets	54,532,060.29	28,162,978.72
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	232,930,887.56	210,188,677.97
Amortization of intangible assets	5,550,369.44	4,729,047.68
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains: negative)	-17,682,729.41	-32,021.74
Financial cost (gains: negative)	-93,030.85	
Investment loss (gains: negative)	23,031,433.02	33,488,938.86
Decrease in deferred income tax assets (gains: negative)	-4,407,188.29	-1,667,155.76
Decrease in inventory (gains: negative)	-28,497,524.60	2,178,119.40
Decrease in accounts receivable from operating activities (gains: negative)	115,959,771.16	52,297,638.33
Increase in payables from operating activities (decrease: negative)	-997,269,423.80	57,871,551.24
Net cash flows generated from operating activities	958,800,407.37	-253,083,319.79
2. Investing and financing activities that do not involving cash receipts and payment:	268,365,045.35	276,090,052.80
3. Net increase in cash and cash equivalents	--	--

Closing balance of cash	--	--
Less: Opening balance of cash	539,470,064.75	406,098,208.72
Net increase in cash and cash equivalents	406,098,208.72	418,847,736.46

**(2) Net Cash paid of obtaining the subsidiary**

Unit: RMB

	Amount
Of which:	--
Of which:	--
Of which:	--

Other notes:

**(3) Net Cash receive of disposal of the subsidiary**

Unit: RMB

	Amount
Of which:	--
Of which:	--
Of which:	--

Other notes:

**(4) Cash and cash equivalents**

Unit: RMB

Item	Closing balance	Opening balance
I. Cash	539,470,064.75	406,098,208.72
III. Closing balance of cash and cash equivalents	539,470,064.75	406,098,208.72

Other notes:

**75. Note of statement of changes in the owner's equity**

Explain "other" project name and adjustment amount of the adjustment of closing balance in previous year, etc.:

**76. The assets with the ownership or use right restricted**

Unit: RMB

Item	Closing book value	Restricted reason
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Monetary capital	7,800,000.00	Margin notes
Total	7,800,000.00	--

Other notes:

## 77. Foreign currency monetary items

### (1) Foreign currency monetary items

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Monetary capital	--	--	256,540,762.03
Including: USD	36,981,513.86	6.937	256,540,761.65
HKD	0.42	0.8945	0.38
Account receivable	--	--	139,549,742.14
Including: USD	20,116,728.00	6.937	139,549,742.14

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  Inapplicable

## 78. Arbitrage

According to arbitrage category to disclose arbitrage item, relevant arbitrage tools and been arbitrated risk qualitative and quantitative information:

## 79. Other

## VIII. Changes of merge scope

### 1. Business merger not under same control

#### (1) Business merger not under same control in reporting period

Unit: RMB

Name of acquiree	Time and place of gaining the	Cost of gaining the stock rights	Proportion of stock rights	Way to gain the stock rights	Purchase date	Recognition basis of purchase date	Income of acquiree during the	Net profits of acquiree during the
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	stock rights						purchase date to period-end	purchase date to period-end
--	--------------	--	--	--	--	--	-----------------------------	-----------------------------

Other notes:

**(2) Combined cost and goodwill**

Unit: RMB

Combination cost	
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Note to determination method, consideration and changes of fair value of combined cost:

The main formation reason for the large goodwill:

Other notes:

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

Unit: RMB

	Fair value on purchase date	Book value on purchase date

The recognition method of the fair value of identifiable assets and liabilities

Contingent liability of acquiree undertaken by business merger

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

**(6) Other notes**

**2. Business combination under the same control**

**(1) Business combination under the same control during the reporting period**

Unit: RMB

Combined party	Proportion of the profits	Basis	Combination date	Recognition basis of combination date	Income from the period-begin to the combination	Net profits from the reporting period to the combination	Income during the period of comparison	Net profits during the period of comparison
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					date of the combination	date of the combination		
--	--	--	--	--	-------------------------	-------------------------	--	--

Other notes:

**(2) Combination cost**

Unit: RMB

Combination cost	
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Note to contingent consideration or other changes:

Other notes:

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

Unit: RMB

	Combination date	Period-end of last period

Contingent liabilities of the combined party undertaken in combination

Other notes:

**3. Counter purchase**

Basic information of trading, the basis of transactions constitute counter purchase, the retain assets , liabilities of the listed companies whether constituted a business and its basis, the determination of the combination costs, the amount and calculation of adjusted rights and interests in accordance with the equity transaction process.

**4. The disposal of subsidiary**

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

Yes  No

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

Yes  No

**5. Other reasons for the changes in combination scope**

Note to reasons for the changes in combination scope (Newly established subsidiary and subsidiary of liquidation) and relevant information:



## 6. Other

### IX. Equity in other entities

#### 1. Equity in subsidiary

##### (1) The structure of the enterprise group

Name of the subsidiary	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 of the subsidiary	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

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 of the subsidiary	Closing balance						Opening balance					
	current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities	current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities

Unit: RMB

Name of the subsidiary	Reporting period				Same period of last year			
	Operation revenue	Net profit	Total comprehensive income	Operating cash flow	Operation revenue	Net profit	Total comprehensive income	Operating cash flow

Other notes:

**(4) Significant restrictions of using enterprise group assets and pay 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) Note to owner’s equity share changed in subsidiary**

**(2) The transaction’s influence to equity of minority shareholders and attributable to the owner's equity of the parent company**

Unit: RMB

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Other notes:

**3. Equity in joint venture arrangement or associated enterprise**

**(1) Significant joint venture arrangement or associated enterprise**

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Accounting treatment of the investment of joint venture or associated enterprise
				Directly	Indirectly	

Notes to holding proportion of joint venture or associated enterprise different from voting proportion:

Basis of holding less than 20% of the voting rights but has a significant impact or holding 20% or more voting rights but does not have a significant impact:

**(2) Main financial information of significant joint venture**

Unit: RMB

	Closing balance/ reporting period	Opening balance /last period

Other notes:

**(3) Main financial information of significant associated enterprise**

Unit: RMB

	Closing balance/ reporting period	Opening balance /last period

Other notes:

**(4) Summary financial information of insignificant joint venture or associated enterprise**

Unit: RMB

	Closing balance/ reporting period	Opening balance /last period
Joint venture:	--	--
The total of following items according to the shareholding proportions	--	--
Associated enterprise:	--	--
The total of following items according to the shareholding proportions	--	--

Other notes:

**(5) Note to the significant restrictions of the ability of joint venture or associated enterprise transfer funds to the Company****(6) The excess loss of joint venture or associated enterprise**

Unit: RMB

Name	The cumulative recognized losses in previous accumulatively derecognized	The derecognized losses or the share of net profit in reporting period	The noncumulative unrecognized losses in reporting period

Other notes:

**(7) The unrecognized commitment related to joint venture investment****(8) Contingent liabilities related to joint venture or associated enterprise investment****4. Significant common operation**

Name	Main operating place	Registration place	Nature of business	Proportion /share portion	
				Directly	Indirectly

Note to holding proportion or share portion in common operation different from voting proportion:

Basis of common operation as a single entity, classify as common operation

Other notes:

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

Related notes to structure entity not including in the scope of 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 2016, in addition to the following assets or liabilities in statement was USD, the Company's assets or liabilities was RMB balance. The foreign exchange risk incurred by assets and liabilities of foreign balance may have impact to the operation results of the Company.

Item	Closing amount	Opening amount
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Cash and cash equivalents	256,540,761.65	11,972,040.83
Account receivable	139,549,742.14	139,665,775.45

Sensitive analysis of foreign exchange risk:

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

Item	Change	Reporting Period		Same period of last year	
		Influence to the profits	Influence to equity of shareholders	Influence to the profits	Influence to equity of shareholders
Cash, cash equivalents and account receivable	Up 1% against RMB	570,982.42	570,982.42	-233,648.41	-233,648.41
Cash, cash equivalents and account receivable	Down 1% against RMB	-570,982.42	-570,982.42	233,648.41	233,648.41

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

## (2) Interest rate risk- cash flow change risk

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

Sensitive analysis of interest rate risk:

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

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

Item	Change	Reporting Period		Same period of last year	
		Influence to the profits	Influence to equity of shareholders	Influence to the profits	Influence to equity of shareholders
Long-term borrowings	Increase 1%	-3,435,900.00	-3,435,900.00	-5,875,900.00	-5,875,900.00
Long-term borrowings	Decrease 1%	3,435,900.00	3,435,900.00	5,875,900.00	5,875,900.00

## 2. Credit risk

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

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

In order the reduce the credit risk, the Company establish credit assessment group response for recognizing line of credit, conducting credit approval and other monitor procedures to ensure that the necessary measures were used to recycle expired claims.

In addition, the Company at each balance sheet date, review every single receivables recycling situation, to ensure that the money unable to recycle withdrawn provision for bad debt fully. Thus, the Company management believed that have assume the credit risk the Company shouldered had been greatly reduced.

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

On balance sheet date, the single recognition of impairment, the amount of Jiangxi Nanchang Red Valley Plant Protection Center, through multiple collection failed, the Company had fully 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 Dec. 2016, the unused bank loan of the Company was RMB 12.0900 billion (30 Dec. 2015: RMB 11.9241 billion).

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

Item	Within 1 year (including 1 year)	1-3years (including 3 years)	3-5years (including 5 years)	Over 5 years
Short-term loans	147,000,000.00	196,590,000.00		
Long-term borrowings	147,000,000.00	196,590,000.00		

(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	Closing fair value			
	Fair value measurement items at level 1	Fair value measurement items at level 1	Fair value measurement items at level 1	Fair value measurement items at level 1
I. Consistent fair value measurement	--	--	--	--
Other current assets-carbon emission right	696,123.68			696,123.68
The total amount of assets measured at fair value	696,123.68			696,123.68
II. Inconsistent fair value measurement	--	--	--	--

**2. Market price recognition basis for consistent and inconsistent fair value measurement items at level 1**

The fair value of carbon emissions right is determined according to the trading price of Hubei carbon emissions right in Chinese carbon emissions trading website on the latest trading day before the balance sheet date.

**3. Valuation technique adopted and nature and amount determination of important parameters for consistent and inconsistent fair value measurement items at level 2****4. Valuation technique adopted and nature and amount determination of important parameters for consistent and inconsistent fair value measurement items at level 3****5. Sensitiveness analysis on unobservable parameters and adjustment information between opening and closing book value of consistent fair value measurement items at level 3****6. Explain the reason for conversion and the policy governing when the conversion happens if conversion happens among consistent fair value measurement items at different levels****7. Changes in the valuation technique in the current period and the reason for change****8. Fair value of financial assets and 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 Holdings 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 Jingzhou Sanonda Holdings Co., Ltd., 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

See details to Notes IV.

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

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

Information on other joint venture and associated enterprise of occurring related party transactions with the Company in reporting period, or form balance due to related party transactions in previous period:

Name	Relationship
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Other notes:

## 4. Information on other related parties of the Company

Name	Relationship
Jiamusi Heilong Agrochemicals Co., Ltd.	The final control party
Beijing Grand Agro Chem Co., 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
Shangdong Dacheng Agrochemical Co., Ltd.	Under the same control of China National Chemical Corporation
China National Chemical Financial Corporation	Under the same control of China National Chemical Corporation
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: ten thousand Yuan)

Unit: RMB

Related-party	Content	Reporting period	The approval trade credit	Whether exceed trade credit or not	Same period of last year
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Beijing Grand Agro Chem Co., Ltd.	Purchase of raw material	9,564,102.56		Yes	7,350,427.35
DAMA (Beijing) Agricultural Technology Co., Ltd.	Labor services	3,621,476.14		Yes	
Bluestar (Beijing) Chemical Machinery Co., Ltd.	Purchase of raw material	2,552,948.72		Yes	486,623.93
Haohua Engineering Co., Ltd.	Equipment and services	728,573.33		Yes	7,874,023.88
China National Chemical Information Center	OA value-added services	147,169.81		Yes	
Bluestar Environmental Engineering Co., Ltd	Purchase of raw material				155,982.90

## 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	156,436,914.30	98,187,315.54
Jiangsu Anpon Electrochemical Co., Ltd.	Sales of pesticides	223,008.85	

Notes:

**(2) Related trusteeship/contract**

Lists of related trusteeship/contract:

Unit: RMB

Name of the entruster/contractee	Name of the trustee/contractor	Type	Initial date	Due date	Pricing basis	Income recognized in the reporting period
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Notes:

Lists of entrust/contractee

Unit: RMB

Name of the	Name of the	Type	Initial date	Due date	Pricing basis	Charge
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entruster/ contractee	trustee/ contractor					recognized in the reporting period
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Notes:

**(3) Information of related lease**

The Company was lessor:

Unit: RMB

Name of lessee	Category of leased assets	The lease income confirmed in this year	The lease income confirmed in last year
Jingzhou Sanonda Holdings Co., Ltd.	7/F of the office	114,285.71	120,000.00

The Company was lessee:

Unit: RMB

lessor	Category of leased assets	The lease income confirmed in this year	Category of leased assets

Notes:

**(4) Related-party guarantee**

The Company was guarantor:

Unit: RMB

Secured party	Guarantee amount	Start date	End date	Execution accomplished or not
Hubei Sanonda Foreign Trading Co., Ltd.	120,000,000.00	23 Jun. 2013	22 Jun. 2017	Yes
Hubei Sanonda Foreign Trading Co., Ltd.	70,000,000.00	29 Nov. 2016	18 Apr. 2019	No
Hubei Sanonda Foreign Trading Co., Ltd.	65,000,000.00	26 Jan. 2014	26 Jan. 2017	Yes
Hubei Sanonda Foreign Trading Co., Ltd.	64,000,000.00	11 Dec. 2013	10 Dec. 2018	Yes
Hubei Sanonda Foreign Trading Co., Ltd.	60,000,000.00	29 Apr. 2014	28 Apr. 2017	Yes
Hubei Sanonda Foreign Trading Co., Ltd.	60,000,000.00	29 Apr. 2015	28 Apr. 2018	Yes

The Company was Secured party

Unit: RMB

Guarantor:	Guarantee amount	Start date	End date	Execution accomplished

				or not
Jingzhou Sanonda Holdings Co., Ltd.	170,000,000.00	26 Dec. 2014	25 Dec. 2019	No
Jingzhou Sanonda Holdings Co., Ltd.	140,000,000.00	1 Feb. 2015	31 Jan. 2018	Yes
Jingzhou Sanonda Holdings Co., Ltd.	140,000,000.00	1 Feb. 2016	31 Jan. 2019	No
Jingzhou Sanonda Holdings Co., Ltd.	98,000,000.00	25 Dec. 2012	24 Dec. 2017	Yes
Jingzhou Sanonda Holdings Co., Ltd.	50,000,000.00	13 Mar. 2015	13 Mar. 2018	Yes
China National Agrochemical Corporation	300,000,000.00	1 Nov. 2014	17 Nov. 2017	Yes
China National Agrochemical Corporation	150,000,000.00	10 Sept. 2013	10 Sept. 2016	Yes
China National Agrochemical Corporation	50,000,000.00	19 Mar. 2015	19 Mar. 2017	Yes
China National Agrochemical Corporation	30,000,000.00	02 Jun. 2015	29 Nov. 2015	Yes
China National Chemical Corporation	200,000,000.00	25 Sept. 2013	25 Sept. 2020	No
China National Chemical Corporation	160,000,000.00	10 Jun. 2014	9 Jun. 2021	No
China National Chemical Corporation	150,000,000.00	14 Oct. 2013	13 Oct. 2020	No

Notes:

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

Unit: RMB

Related-party	Amount borrowed and loaned	Initial date	Due date	Explanation
Borrowed				
Jingzhou Sanonda Holdings Co., Ltd.	171,770,450.00	22 Feb. 2016	19 Dec. 2021	

Loaned
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**(6) Related party asset transfer and debt restructuring**

Unit: RMB

Related-party	Content	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	2,180,000.00	2,450,000.00

**(8) Other related-party transactions**

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 306,225.65.

2. Balance of bank deposit of Chemchina Finance Co., Ltd. of the Group at the period- begin was of RMB 140,000,000.00, period-end was of RMB000. Interest of bank deposit of this year was of RMB 1,176,907.21

**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
Account receivable	ADAMA Agricultural Solutions Ltd	30,274,782.99	1,513,739.15	19,683,913.31	984,195.67

**(2) Payables**

Unit: RMB

Name of item	Related-party	Closing book balance	Opening book balance
Accounts payable	Bluestar (Beijing) Chemical Machinery Co., Ltd.	483,700.00	6,094,350.00
Accounts payable	Haohua Engineering Co., Ltd.	298,500.00	171,940.88
Accounts payable	Beijing Grand AgroChem., Ltd.		79,260.00

Bills payable	Beijing Grand AgroChem., Ltd.	1,000,000.00	
Accounts received in advance	Jiamusi Heilong Agrochemicals Co., Ltd.	10,020.00	10,020.00
Accounts received in advance	Shangdong Dacheng Agrochemical Co., Ltd.	1,500.00	1,500.00

## 7. Related party commitment

### 8. Other

## XIII. Stock payment

### 1. The Stock payment overall situation

Applicable  Inapplicable

### 2. The Stock payment settled by equity

Applicable  Inapplicable

### 3. The Stock payment settled by cash

Applicable  Inapplicable

### 4. Modification and termination of the stock payment

### 5. Other

## XIV. Commitments

### 1. Significant commitments

Significant commitments at balance sheet date

As of 31 Dec. 2016, there were no significant commitments to be disclosed.

### 2. Contingency

#### (1) Significant contingency at balance sheet date

As of 31 Dec. 2016, there was no significant contingency to be disclosed.

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

There was no significant contingency in the Company.

**3. Other****XV. Events after balance sheet date****1. Significant events had not adjusted**

Unit: RMB

Item	Content	Influence number to the financial position and operating results	Reason of unable to estimate influence number

**2. Profit distribution**

Unit: RMB

**3. Sales return****4. Notes of other significant events**

As of 31 Dec. 2015, there were no other significant events to be disclosed.

**XVI. Other significant events****1. The accounting errors correction in previous period****(1) Retrospective restatement**

Unit: RMB

Content	Processing program	Name of the influenced report items during comparison period	Cumulative impact

**(2) Prospective application**

Content	Processing program	Reason of adopting prospective application

**2. Debt restructuring**

**3. Replacement of assets**

(1) Non-monetary assets exchange

(2) Other assets replacement

**4. Pension plan**

**5. Discontinuing operation**

Unit: RMB

Item	Revenue	Expense	Total profits	Income tax expense	Net profit	Termination of the business profits attributable to the parent company owner

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 in segment	Total

**(3) There was no reportable segment, or the total amount of assets and liabilities of each part of reportable segment, shall disclose the reason.**

(4) Other notes

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

The involving target assets of significant reorganization was the actual controller 's subordinate company, ADAMA Agricultural Solutions Ltd. which engaged in crop protection business, and had strong complementary with the business of the Company.

So far, the Company actively organizing independent financial adviser, legal counsel, audit institution, appraisal agency and other related intermediary organ conducting due diligence, audit, appraisal. Each work was tensely and orderly processing.

## 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:	621,371,453.23	99.91%	9,876,108.43	1.59%	611,495,344.80	361,912,727.20	99.84%	9,638,653.80	2.66%	352,274,073.40
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	584,457.52	0.09%	584,457.52	100.00%		584,457.52	0.16%	584,457.52	100.00%	
Total	621,955,910.75	100.00%	10,460,659.95	1.68%	611,495,344.80	362,497,184.72	100.00%	10,223,111.32	2.82%	352,274,073.40

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

 Applicable  Inapplicable

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

 Applicable  Inapplicable

Unit: RMB

Aging	Closing balance		
	Account receivable	Bad debt provision	Withdrawal proportion
Sub-item within 1 year			
Within 1 year	43,074,898.27	2,153,744.91	5.00%
Subtotal of within 1 year	43,074,898.27	2,153,744.91	5.00%
1 to 2 years	1,812,306.92	181,230.69	10.00%
Over 3 years	517,492.20	155,247.66	30.00%



3 to 4 years	7,440,959.29	7,385,885.17	99.26%
4 to 5 years	110,148.25	55,074.13	50.00%
Over 5 years	7,330,811.04	7,330,811.04	100.00%
Total	52,845,656.68	9,876,108.43	

Notes:

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

 Applicable  Inapplicable

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

Name of the group	Balance at year- end		
	Account receivable	Bad debt provision	Withdrawal reason
Risk-free groups	568,525,796.55		Internal funds of the group
Total	568,525,796.55		

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

Account receivable	Balance at year- end			
	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) Bad debt provision withdrawal, reversed or recovered in the report period**

The amount of bad debt provision was RMB 237,454.63; the amount of reversed or recovered bad debt provision in the report period was of RMB 000.

Significant amount of reversed or recovered bad debt provision

Unit: RMB

Name of the entity	Amount	Method
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**(3) Particulars of the actual verification of accounts receivable during the reporting period**

Unit: RMB

Item	Amount
------	--------

Of which: significant actual verification of accounts receivable

Unit: RMB

Name of the entity	Nature	Amount	Reason	Procedure	Whether occurred because of related party transactions
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Notes:

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

The total amount of top five of account receivable of closing balance collected by arrears party was RMB594,821,937.69, 95.64% of total balance of account receivable at year-end, the relevant total bad debt provision was RMB1,314,807.06at year-end.

**(5) Derecogniton of account receivable due to the transfer of financial assets****(6) The amount of the assets and liabilities formed by the transfer and the continues involvement of accounts receivable**

Other notes:

**2. Other accounts receivable****(1) Other account receivable classified by category**

Unit: RMB

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	8,375,431.28	100.00%	5,292,748.31	63.19%	3,082,682.97	6,784,721.32	100.00%	5,248,915.77	77.36%	1,535,805.55
<b>Total</b>	<b>8,375,431.28</b>	<b>100.00%</b>	<b>5,292,748.31</b>	<b>63.19%</b>	<b>3,082,682.97</b>	<b>6,784,721.32</b>	<b>100.00%</b>	<b>5,248,915.77</b>	<b>77.36%</b>	<b>1,535,805.55</b>

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

Applicable  Inapplicable

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

Applicable  Inapplicable

Unit: RMB

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Sub-item within 1 year			

Within 1 year	1,020,768.70	51,038.44	5.00%
Subtotal of within 1 year	1,020,768.70	51,038.44	5.00%
2 to 3 years	10,500.00	1,050.00	10.00%
Over 3 years	5,384,552.16	5,240,659.87	97.33%
3 to 4 years	20,000.00	10,000.00	50.00%
4 to 5 years	267,784.57	133,892.28	50.00%
Over 5 years	5,096,767.59	5,096,767.59	100.00%
Total	6,415,820.86	5,292,748.31	

Notes:

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

Applicable  Inapplicable

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

Applicable  Inapplicable

Name of the group	Closing Balance		
	Other accounts receivable	Bad debt provision	Withdrawal reason
Other credit group	1,959,610.42		1,959,610.42
Total	1,959,610.42		1,959,610.42

### (2) Bad debt provision withdrawal, reversed or recovered in the report period

The withdrawal amount of the bad debt provision during the reporting period was of RMB 43,832.54; the amount of the reversed or collected part during the reporting period was of RMB 000.

Significant amount of reversed or recovered bad debt provision

Unit: RMB

Name of the entity	Reversed or collected amount	Method

### (3) Particulars of the actual verification of other accounts receivable during the reporting period

Unit: RMB

Item	Amount

Of which: significant actual verification of other accounts receivable

Unit: RMB

Name of the entity	Nature	Amount	Reason	Procedure	Whether occurred because of related party transactions

Notes of write-off other accounts receivable:

**(4) Other account receivable classified by account nature**

Unit: RMB

Nature	Closing book balance	Opening book balance
Liquidation amount of investment fund	3,398,275.80	3,398,275.80
Export tax refunds	1,858,990.42	
Pretty cash	1,401,989.29	714,944.37
Liquidation amount of goods payment	548,500.00	548,500.00
Cash pledge	500,000.00	500,000.00
Current account		1,120,146.36
Other	667,675.77	502,854.79
<b>Total</b>	<b>8,375,431.28</b>	<b>6,784,721.32</b>

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

Unit: RMB

Name of the entity	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
Shantou Biyue Plastic Co., Ltd.	investment fund	3,125,000.00	Over 5 years	37.31%	3,125,000.00
Jingzhou Production Safety Supervision Bureau	Export tax refunds	1,858,990.42	Within 1 year	22.20%	
Hubei Jingzhou Shashi Agricultural Production Materials Co., Ltd.	Liquidation amount	548,500.00	Over 5 years	6.55%	548,500.00
Chen Zhicai	Pretty cash	354,814.00	Within 1 year	4.24%	17,740.70
Jingzhou Production Safety Supervision Bureau	Margin	300,000.00	Over 5 years	3.58%	300,000.00
<b>Total</b>	--	<b>6,187,304.42</b>	--	<b>73.88%</b>	<b>3,991,240.70</b>

**(6) Account receivable involving government subsidies**

Unit: RMB

Name of the entity	Project of government subsidies	Closing balance	Closing aging	Estimated recovering time, amount and basis
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**(7) Other account receivable derecognized due to the transfer of financial assets****(8) Amount of transfer other account receivable and assets and liabilities formed by its continuous involvement**

Other notes:

**3. Long-term equity investment**

Unit: RMB

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

**(1) Investment to the subsidiary**

Unit: RMB

Investee	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the reporting period	Closing balance of impairment provision
Jingzhou Hongxiang Chemicals Co., Ltd.	37,619,905.41			37,619,905.41		
Sanonda (Jingzhou) Pesticide Chemical Co., Ltd.	30,413,700.00			30,413,700.00		24,500,000.00
Hubei Sanonda Foreign Trading Co., Ltd.	11,993,030.00			11,993,030.00		
Total	80,026,635.41			80,026,635.41		24,500,000.00

**(2) Investment to joint ventures and associated enterprises**

Unit: RMB

Investee	Opening balance	Increase/decrease in reporting period								Closing balance	Closing balance
		Additiona	Negative	Investme	Adjustme	Other	Declarati	Withdraw	Other		

		Investment	Investment	Profit and loss recognized under the equity method	Other comprehensive income	Equity changes	Dividends or profits	Impairment provision			Impairment provision
I. Joint ventures											
II. Associated enterprises											

**(3) Other notes****4. Revenues and operating costs**

Unit: RMB

Item	Reporting period		Same period of last year	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	1,674,893,965.54	1,432,730,587.89	2,053,580,429.52	1,641,240,252.20
Other operations	155,220,395.67	149,992,455.27	156,516,158.84	152,685,793.58
Total	1,830,114,361.21	1,582,723,043.16	2,210,096,588.36	1,793,926,045.78

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	1,460,886.95	1,667,155.76
Disposal of available-for-sale financial assets	19,200.00	
Sales of carbon emission right	2,927,101.34	
Total	4,407,188.29	1,667,155.76

**6. Other****XVIII. Supplementary materials****1. Items and amounts of extraordinary gains and losses**

√ Applicable □ Inapplicable

Unit: RMB

Item	Amount	Explanation
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Gains/losses on the disposal of non-current assets	17,682,729.41	
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents	5,417,800.88	
Other non-operating income and expenses other than the above	345,903.84	
Less: Income tax effects	5,610,775.20	
Minority interests effects	17,835,658.93	--
Total	17,682,729.41	

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  Inapplicable

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

Profit as of reporting period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to common shareholders of the Company	-3.63%	-0.1254	-0.1254
Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	-4.50%	-0.1605	-0.1605

## 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  Inapplicable

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

Applicable  Inapplicable

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

**4. Other**



## Section XII 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) Original of the Auditor's Report with the seals of accounting firm and the signatures and seals of certified public accountants;
- (III) 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: Mr. An Liru

March 31, 2017