

Security Code: 000553 (200553)

Abbreviation: Sanonda A (B)

Announce Number: 2018- 43

Hubei Sanonda Co., Ltd.

Abstract of 2018 Semi-Annual Report

I. Important Notice

This Abstract of 2018 Semi-Annual Report Summary is taken from the full text of the 2018 Semi-Annual Report. Investors are advised to read carefully the full text of the Semi-Annual Report published on the media designated by China Securities Regulatory Commission in order to fully understand the Company's operation results, financial position and future development plan.

None of the directors, supervisors and senior executives gives objection statement.

All directors attended the Meeting for the 2018 Semi-Annual Report deliberation.

Non-standard auditor's opinion

Applicable Not applicable

Plans for profit distribution on ordinary shares or conversion of capital reserves into share capital proposed to the Board during the reporting period.

Applicable Not applicable

The Company has no interim dividend distribution plan, either in the form of cash or stock.

Plans for profit distribution on preference shares for the reporting period approved by the Board

Applicable Not applicable

II. Basic information about the company

1. Company profile

Stock name	Sanonda A, Sanonda B	Stock code	000553 (200553)
Stock exchange	Shenzhen Stock Exchange		
Contact Person	Board Secretary	Securities Affairs 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	

Email	zhongxi.li@adama.com	jiqin.liang@adama.com
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2. Major accounting data and financial indicators

Whether the Company performed any retroactive adjustment to or restatement of its accounting data

✓ Yes No

Reason for retroactive adjustment to or restatement: combination under common control

	Reporting Period	Same period of last year		+/- (%)
		Before adjustment	After adjustment	After adjustment
Operating revenues (RMB'000)	13,026,258	1,465,703	12,770,064	2.01%
Net profit attributable to shareholders of the Company (RMB'000)	2,362,781	169,191	1,316,994	79.41%
Net profit attributable to shareholders of the Company excluding non-recurring profit and loss (RMB'000)	790,296	167,054	167,054	373.08%
Net cash flow from operating activities (RMB'000)	779,518	221,244	2,249,146	-65.34%
Basic EPS (RMB/share)	0.9658	0.2849	0.5624	71.73%
Diluted EPS (RMB/share)	N/A	N/A	N/A	
Weighted average return on net assets	11.65%	8.09%	7.62%	4.03%
	End of Reporting Period	End of last year		+/- (%)
		Before adjustment	After adjustment	After adjustment
Total assets (RMB'000)	41,577,798	39,613,922	39,685,756 (Note)	4.77%
Net assets attributable to shareholders of the Company (RMB'000)	21,543,425	18,778,013	18,849,847 (Note)	14.29%

Note:

The amounts specified are 2018 opening balance amounts rather than 2017 closing balance amounts. As of January 1, 2018, the Company began to adopt the revised Accounting Standards for Business Enterprises ("ASBE") regarding financial instruments and revenue, promulgated by Ministry of Finance in 2017. According to the transitional requirements of relevant revised ASBEs, the opening balances of total assets and net assets attributable to the shareholders of the Company have been adjusted. The total assets and net assets attributable to the shareholders of the Company as at December 31, 2017 were RMB'000 39,613,922 and RMB'000 18,778,013, respectively.

3. Share capital and shareholders

Unit: share

Total number of common shareholders at the end of the Reporting Period	48,361 (the number of ordinary A share shareholders is 32,348; the number of B share shareholders is 16,013)			Total number of preferred shareholders that had resumed their voting right at the end of the Reporting Period (if any)	0	
Top 10 shareholders						
Name of shareholder	Nature of shareholder	Holding percentage (%)	Number of shares held	Number of restricted shares held	Pledged or frozen shares	
					Status	Number
China National Agrochemical Co., Ltd.	State-owned legal person	74.02%	1,810,883,039	1,810,883,039	--	--
Jingzhou Sanonda Holding Co., Ltd.	State-owned legal	4.89%	119,687,202	119,687,202	--	--

	person						
China Cinda Asset Management Co., Ltd.	State-owned legal person	1.37%	33,557,046	33,557,046	--	--	
China Structural Reform Fund Co., Ltd.	State-owned legal person	1.37%	33,557,046	33,557,046	--	--	
CCB Principal-ICBC-Avic Trust, Trust Plan of Pooled Funds of CCB Principal Private Placement Investment, Tianqi (2016) No. 293 of Avic Trust	Others	0.53%	12,885,906	12,885,906	--	--	
Portfolio No.118 of National Social Security Fund	Others	0.39%	9,504,717	0	--	--	
Industrial Bank Co., Ltd, Mixed Securities Investment Fund, Aegon-Industrial Trend Investment (LOF)	Others	0.33%	8,053,736	8,053,736	--	--	
Portfolio No.412 of National Social Security Fund	Others	0.20%	4,878,812	0	--	--	
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.20%	4,838,647	0	--	--	
Penghua Fund-CCB-China Life Insurance, Private Placement Portfolio of Penghua Fund Management Co., Ltd Entrusted by China Life Insurance (Group) Company	Others	0.19%	4,697,990	4,697,990	--	--	
Explanation on associated relationship or/and persons	Jingzhou Sanonda Holdings Co., Ltd. and CNAC are related parties, and are acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies. Sanonda Holding is a wholly-controlled subsidiary of CNAC. 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 Wu Feng held 775,726 shares of the Company through a credit collateral securities trading account and held 1,870,711 shares of the Company through a common securities account, who thus held 2,646,437 shares of the Company in total						

4. Change of the Controlling Shareholder or the Actual Controller

Change of the controlling shareholder in the Reporting Period

Applicable Not applicable

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

Change of the actual controller in the Reporting Period

Applicable Not applicable

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

5. Preference Shares and the Top Ten Shareholders of Preference Shares

Applicable Not applicable

No preference shares in the Reporting Period.

6. Corporate Bonds

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

No.

III. Business Profile

1. Business Operation summary in the reporting period

Whether the company needs to comply with the disclosure requirements of the particular industry

No

Please see key additional information and further details included in the Annex.

Financial Highlights

Revenues. The increase in revenues was driven by robust volume growth. Especially strong performance was recorded in the Americas, China and the India, Middle East and Africa region. In Europe, revenues over the half-year grew slightly, with a recovery in the second quarter after a delayed start to the season in the first quarter. In addition to the volume growth, improved demand conditions facilitated a stronger pricing environment, allowing the passing on of some of the impact of the constrained supply and higher procurement costs.

Gross profit. The increase in gross profit reflects the strong volume growth of a better product mix, as well as higher prices, which were partially offset by the increased procurement costs of raw materials and intermediates.

Operating expenses. The increase in Sales and Marketing expenses resulted primarily from an increase in sales-related personnel marketing and product development teams in growing geographies and an increase in other variable expenses as a result of the increase in sales volumes. The increase in R&D, General and Administrative expenses resulted primarily from increased spend on strategic research and development projects. In addition to these factors, part of the increase in total operating expenses stemmed from the impact of the strengthening of most currencies against the US dollar, mainly in the first quarter.

Financial expenses and investment income. The increase in financial expenses and investment income in the half-year period was primarily due to the adoption of a new accounting standard which classifies part of interest income on sales as revenue, partially offset by foreign exchange income related to balance sheet positions.

Tax expenses. The higher tax expenses stem from increased profits accrued at the Group's selling entities worldwide, as well as the non-cash impact of the devaluation of the Brazilian Real, which resulted in a lower value of local currency-denominated tax assets. Notably, the comparatively low tax expenses recorded in the first half of last year reflected a benefit from the utilization of tax loss carryforwards in the first quarter of 2017.

Working capital. Higher working capital served to accommodate the higher sales growth momentum. Inventories were higher due to significant product preparation in advance of the season in the southern hemisphere, as well as the higher procurement costs. Receivables were higher due to the strong sales growth, partially offset by an increase in payables.

Cash Flow. Notwithstanding the stronger growth momentum requiring increased inventories in advance of the season, due to the continued implementation of advanced supply chain alignment, the Group maintains its inventory days at their historically low levels. Additionally, continued tight control of credit allowed the receivable days of the Group to be at record best mid-year levels. This working capital discipline facilitated the generation of strong operating cash flow, while accommodating the significant sales growth.

Additions to assets includes investments in product registrations and other intangible and fixed assets, including the transfer of products in Europe from Syngenta in the first quarter of 2018. Proceeds from disposal of assets includes the divestment of certain products in Europe in the first quarter of 2018 in connection with the approval of the European Commission for ChemChina’s acquisition of Syngenta, while in 2017 similarly includes one-time proceeds resulting from the sale of non-core assets.

Leverage: The significantly reduced balance sheet net debt at the end of June puts the Group’s net debt/EBITDA ratio at 0.7x, compared to 1.2x at the same time last year.

2. Events relating to the financial report

(1) Reason for changes in accounting policies, accounting estimates and accounting methods as compared to the financial report for the prior year

✓ Applicable □ Not applicable

The contents and reasons for the changes of accounting policies	Process for management approval
<p>The Group began to adopt the following revised Accounting Standards for Business Enterprises (“ASBE”) promulgated by Ministry of Finance from January 1, 2018:</p> <p>“ Revised ASBE 22 - Financial Instruments Recognition and Measurement”, “Revised ASBE 23 - Transfer of Financial Assets”, “Revised ASBE 24 - Hedging”, “Revised ASBE 37 - Presentation and Disclosures of Financial instruments” (“new financial instrument standards”), and “Revised ASBE 14 - Revenue” (“new revenue standard”), promulgated on 2017.</p> <p>Financial Instruments</p> <p>According to new financial instrument standards, financial assets are classified as one of the following three categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (FVTOCI), and financial assets measured at fair value through profit and loss (FVTPL), based on the “business model” and “contractual cash flow characteristics”. The categories of loans and receivables, held-to-maturity investments and available-for-sale financial assets in the old financial instrument standards are cancelled. Equity investments are normally classified as financial assets at FVTPL, while it is permitted to irrevocably designate non-trading equity investments as financial assets at FVTOCI, and cumulative gain or loss previously recognised in other comprehensive income should not</p>	The changes in the accounting policies were approved by the board of directors meeting in April 26, 2018.

<p>be classified to profit or loss upon derecognition.</p> <p>Impairment requirements in new financial instrument standards are applied to financial assets at amortised cost and FVTOCI, based on the “expected credit loss method”. The new impairment model requires a three-stage model, to recognize 12-month or lifetime expected credit losses, depending on whether credit risk on a financial instrument has increased significantly since initial recognition. An entity shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not have a significant financing component.</p> <p>Revenue</p> <p>New revenue standards introduced the 5-step approach, and provides more guidances for special transactions and events. Refer to Note III.25 for details of the Group’s revenue recognition and measurement.</p> <p>According to the new standards, opening balances should be adjusted for accumulated impact, with regards to retained earnings and other relevant accounts, with no adjustments for comparative information.</p>	
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(2) Explain retrospective restatement due to correction of significant accounting errors in the reporting period

Applicable Not applicable

No such cases in the reporting period.

(3) Explain change of the consolidation scope as compared with the financial reporting of last year

Applicable Not applicable

No such case in the reporting period.