

HUBEI SANONDA CO., LTD

1999 Annual Report

Important Note :

The Board of Directors of the company collectively and individually accept full responsibility for the truth, accuracy and completeness of the information contained in the report .To the best of their knowledge and belief ,there are no omission of facts which would render this announcement misreading.

I. Company Profile

The predecessor of Hubei Sanonda Co., Ltd. (“the Company”) was Hubei Shashi Agrochemical Factory which was established in 1958. In August 1992, pursuant to the approval of the Hubei Economic System Restructuring Committee and other relevant government authorities, Hubei Shashi Agrochemical Factory was renamed to Hubei Sanonda Co., Ltd. On September 8, 1992, the Company was formally established and became the first large state-owned industrial enterprise under the restructuring trial in Hubei Province. Appointed as the major choleric alkali chemical manufacturer by the Ministry of Chemical Industry, the Company is regarded as one of the bases of the production and exportation of agrochemical in the People’ s Republic of China (“PRC”).

Pursuant to the approval of Hubei Provincial Government and China Securities Regulatory Committee (“CSRC”), the Company issued 30 million A shares (par value of RMB1) at an issuing price of RMB3.10 from October to November 31,1993. The A shares were listed on the Shen Zhen Stock Exchange (“SZSE”) on December 3, 1993.

Pursuant to the further approval of Hubei Provincial Government and CSRC, the Company issued 100 million B shares (par value of RMB 1) from April 29 to May 5, 1997, which were listed on the SZSE on May 15, 1997. From May 15 to May 21, 1997, the Company exercised 15% over-allotment

option of B shares in full.

During the past 40 years, the Company has gradually developed into a large integrated chemical enterprise with a complete range of products of salt chemicals, phosphate chemicals, coal chemicals, agrochemical, fine chemicals and pharmaceuticals. The vertical integration and consolidation of the Company has made it rank top 1 for six years in the agrochemical industry in the PRC in respect of the profitability, annual output, and the exportation of agrochemical. The Company has been awarded as the “National Consumers Satisfactory Enterprise”, “Hubei Premier Enterprise” and “National Advanced Self-exportation Enterprise” for years. The Company has become one of the top 100 enterprises of Chemical Industry in the PRC, and has also been listed as one of the top 50 industrial enterprises in Hubei Province. The annual production capacity of the Company has been enhanced to 30 thousand tones of agrochemical, 60 thousand tones of caustic soda .

Company name: 湖北沙隆达股份有限公司 (Chinese)

HUBEI SANONDA CO., LTD (English)

Registration address: No.93, East Beijing Road, Jingzhou City, Hubei Province.

Office address: No.93, East Beijing Road, Jingzhou City, Hubei Province

Post code:434000

Legal representative: Mr. Chen Li Zhou

Secretary of the board of directors: Mr. Li Zhongxi

Securities affairs representatives: Mr.Wumeng

Contact address: Hubei Sanonda Company Limited.

Telephone: (716) 8114595

Fax: (716) 8110066

E-mail sanondas @public .jz.hb.cn

Address:<http://www.cninfo.com.cn>

Share listing exchange: Shen Zhen Stock Exchange

Share abbreviated name: Sanonda A (A shares)

Sanonda B (B shares)

Share code: 0553 (A shares)

2553 (B shares)

Annual report available place : the Securities Department of the Company.

II. Summary of Financial and Business Data:

2.1 Total Amount and composition of the profit as of the current year

Total profit as of the year 1999	74,952,724.82
Net profit	63,055,471.02
Profit from main business line	172,244,161.40
Profit from other business line	4,823,639.70
Investment income	1,443,965.47
Subsidy income	0.00
Profit from operation	77,316,245.93
Net non-operating expenses	-3,807,486.58
Net amount of the cash flow in arising the operating activities	11,926,246.53
Increase of cash /cash equivalent	-69,999,682.02
Net profit after deduction the unusual and non recurring item	58,476,538.89
Note :the net profit of handling the fixed assets	-4,398,932.13
Interest of application for fund frozen	0.00
Loss on retirement of fixed assets	180,000.00
Total	-4,578,932.13

2.2 Major financial figures and indicators in the statutory accounts for the last three years (RMB):

After adjustment

Description	1999 (after adjustment)	1998(after adjustment)	1997(afteradjustme
Operation Revenue	972,243,239.34	859,098,727.96	742,506,282.62
Net Profit	63,055,471.02	50,030,416.28	94,187,553.46
Total Assets	1,787,995,430.62	1,562,109,438.25	1,485,069,503.84
Shareholders Equity	1,019,826,738.99	956,771,267.97	935,385,454.18
Earnings Per Share	0.21	0.17	0.33
Earnings per share(after usual recurring item)	0.20	0.24	-----
Net Assets Per Share	3.33	3.22	3.15
Net Tangible Assets per share	3.27	3.17	3.11
Ratio of Return on Net Assets (%)	6.1	5.3	10.5
Net amount of cash flow in operation activity per share	0.04	0.12	-----

Before adjustment

Description	December 31, 1998	December 31,1997
Operation Revenue	859,098,728	742,506,283
Net Profit	73,246,743	98,739,481
Total Assets	1,614,999,430	1,485,069,504
Shareholders Equity	1,008,632,197	935,385,454

Earnings Per Share	0.24	0.33
Earnings per share (after reduction of usual recurring item)	0.24	-----
Net Assets Per Share	3.4	3.15
Ratio of Return on Net Assets (%)	7.26	10.56
Net amount cash flow in operation per share	0.12	-----
Net Tangible Assets Per Share Adjusted	3.28	3.11

Note: Calculation method for major financial figures:

Method for calculating the figures being fully diluted
 Earnings per share = net profit/total number of shares
 at the end of year

Net assets per share = shareholders' equity at the end
 of year/total number of shares at
 the end of year

Ratio of return on net assets = net profit/shareholders'
 equity at the end of year*100%

Adjusted net tangible assets per share = (shareholders'
 equity at the end of the year -
 accounts receivable aged over 3
 years - deferred expense - fixed
 assets loss pending disposal -
 deferred assets)/total number of
 shares at the end of year

2.3 Movement of shareholders' equity in statutory accounts

(RMB):

Item	JAN 1,1999	Increase	Decrease	DEC 31,1999
Share capital	296,961,610.00	-----	-----	296,961,610.00
Capital reserve	561,551,194.04	-----	-----	561,551,194.04
Statutory reserve fund	50,291,483.36	9,458,320.65	-----	59,749,804.01
Welfare fund	15,492,132.24	3,152,773.65	-----	18,644,905.79
Retained earnings	47,966,980.57	23,900,989.37	-----	71,867,969.94
Total	956,771,267.97	33,359,310.02	-----	990,130,577.99

Explanation for the movement of shareholders' equity.

The increase of statutory reserve fund and welfare fund is from the appropriation of the profit of 1999; the increase of retained earnings is because of the realization of operation profit.

III. Movement of Share Capital and Shareholders' Information

3.1 Movement of share capital

3.1.1 Share capital structure

shares	shares
Dec.31,1999	Jan.1,1999
1. Non Circulating	
Promoter shares	84,729,334
84,729,334	
Others	5,423,701
<u>5,423,701</u>	
Total	9015.3035
9015.3035	

2. Circulating	
A shares	91,708,722
91,708,722	
Employee shares	99,853
99,853	
<u>B shares</u>	<u>115,000,000</u>
<u>115,000,000</u>	
Total	20680.8575
20680.8575	
3.Total shares	296,961.610
29696.1610	

Note: "Others" represents the non-circulating shares owned by the public.

There is no change for the share capital structure.

3.1.2 Share issuance and listing for the last three years

A Pursuant to the CSRC's approval, the Company issued three rights shares every ten shares once again at the price of RMB 4.00 per share. 41,991.141 thousand rights shares were successfully issued from Nov. 13 to Nov. 26, 1996, of which 21,162.336 thousand public rights shares issued (excluding the non-circulating shares owned by the public) were listed on the SZSE on December 20, 1996.

B Pursuant to the CSRC's approval, the Company issued 100 million B shares at the price of HKD 3.48 (equivalent to RMB 3.73) per share from April 29 to May 5, 1997. The 100 million B shares were listed on the SZSE on May 15, 1997. From May 15 to May 21, 1997, the Company exercised 15% over-allotment option to issue 15 million B shares, at the same price of HKD 3.48 per share, which

was listed on the SZSE on May 29, 1997.

C As the date of December 31, 1999, 94.023 thousand A shares are

owned by the Company's directors, supervisors and senior managers, which are registered in Shen Zhen Stock Registration Corporation.

3.2 Shareholders' information

3.2.1 As the date of December 31, 1999, there are 34919 shareholders of the Company in total (for A shares and B shares), which includes 18 employee shareholders.

3.2.2 Top 10 shareholders' information

<u>Shareholders' Name</u>	<u>Holding Shares</u>	<u>Percentage</u>
1. Sanonda Group Company	81726.625	27.52%
(representative of state-owned shares)		
2. Taiji Investment Co., Ltd.	5338.700	1.79%
3 Qichun State Assets Bureau	3002.709	1.01%
4. VICKERS BALLAS HONG LTD	2730.000	0.92%
5 HongKong Jinli Investment Co., Ltd.	2637.546	0.89%
6 QIN HUA GU	2390.000	0.80%
7. Jingde Industry Co., Ltd.	2360.200	0.79%
8 Chengye Hong Kong Co., Ltd.	2202.500	0.74%
9. Funongda Agrochemical Co; Ltd	2000.000	0.67%
10. Quanguang investment Co., Ltd.	1878.500	0.63%

3.2.3 Information of shareholders holding 10% or above company shares

Legal

<u>Shareholders' Name</u>	<u>Holding Shares</u>	<u>Percentage</u>	<u>Representative</u>
---------------------------	-----------------------	-------------------	-----------------------

Sanonda Group	81,726,625	27.52%	
---------------	------------	--------	--

Chen Li Zhou

Business: production and sales of agrochemical, chemicals, pharmaceuticals, coal gas, mechanical devices and assemblies, import and export of materials and products, etc.

Note: Sanonda Group holds shares on behalf of the state, there is no change

in the report period as well as no mortgage or freezing . There is no

relationship among the above first ten shareholders.

3.2.4 Information of shareholders of board of directors ,supervisors,and senior management holding company shares.

Name	position	holding shares
Mr.Chen lizhou	Chairman and general manager	11830
Mr.Zhang maoli	vice-Chairman	11830
Mr.Li mingxin	director	11830
Mr.Zhen xianhai	director	8840
Mr.Pei guangxin	director	8450
Mr.Li zuorong	director	3000
Mr.Zhang Jianguo	secretary of the board of director	2000
Ms.Wu Chengying	chairman of the supervisory committee	2000
Mr.Cheng Changshun	deputy chairman of the supervisory committee	9230
Mr.Wan Zhemin	supervisor	7098

Ms.Hu	Wanfeng			supervisor
1000				
Mr.Qiu	Kuangzhong			supervisor
1000				
Mr.Hu	yihuan	deputy	general	manager
2000				
Mr.Zhen	Tianhua	deputy	general	manager
2000				
Mr.Liu	XinPing	deputy	general	manager
2000				
Mr.Deng	Guobin	deputy general manager and director		2000
Mr.He	Fuchun	deputy	general	manager
2000				
Mr.Hu	yixu		chief	accountant
5915				

Note : pursuant to the related regulation ,the added director Mr.Deng Guobin ,deputy general manage Mr.Liu Xingping and deputy general manager purchased 2000 A shares of the company on the trade market respectively . there is no change of the shares held by other directors ,supervisors or senior management.

IV. Brief Summary of Shareholders' Meeting

4.1 The Company announced to hold the extraordinary shareholders' meeting for 1998 on China Securities on December 8 ,1998. On January 8, 1999, the extraordinary shareholders' meeting was held in the Company. There were 85 shareholders including the authorized shareholder's representatives attending the meeting, representing 100806.3 thousand shares ,Taking 34% of the total shares of the company, including 90398200 A-shares held by the shareholders taking 30% and 10408103 B-shares held by the shareholders taking 4%,which complied with the concerned provisions as specified in the Company Law and the Articles of the Association .The meeting examined and approved the following resolutions :

1 It was examined and adopted the proposal of adjustment of the balance capital RMB 230 million . They decided to adjust projects for the application

of the funds in accordance with the present market , the total funds for the old plan RMB 230 million of which RMB40 million for the installation of middle class scale test with capacity of 5,000 tones per year and RMB 150 million for the installation of a power station and water supply facilities and RMB 40 million left from the installation of ionic membrane caustic soda production was to be changed for the new project as below:

(a) RMB 500million was planed to finance the installation of acephate production facilities with an annual production capacity of 5000 tones and expansion and restructuring of menathion `methamidosphos which has the capacity of 5000 tones per year each .(purity in 100%)

(b)RMB 600 million was planed to finance the installation of Pyrethroid insecticides as flucythrinate `alpha-cypermethrin and permethrin which has the an annual capacity of 100 tones `1000tones `and 800 tones respectively .(purity in 100%)

(c)The company has bought 70% equity of Sanonda Zhengzhou Agrochemical Ltd. held by Sanonda Group .With the total amount of RMB 38.5 million using net assets RMB 11.57 million of Sanonda Coal Chemical Company and the insufficient part would be paid in cash amounting to RMB 26.93 million .Therefore Sanonda Group holds 81.726625 million shares of the company .

(d) The company invested RMB 46.7 million to Sanonda Qichun Agrochemical plant .with the net assets RMB 9.3 million of Sanonda Qichun Agrochemica Plant and new investment RMB totaling RMB 56 million ,the company founded Sanonda Qichun Limited together with Qichun Chemical machine state-owned Assets Operation Company .The company holds 70%equity of Sanonda Qichun Limited and 30% equity belong to the said company .

(e) The company adjusted the usage of the funds invested in the project for 2000 tons per annum of Chlorphyrifos and founded new model device of high efficiency raw pesticide with an aboard pesticide company in the way of jointly owned .The device would cost USD 50 million and the company planed to invest 30% of total amount with partial capital used of remained money of original plan amounting RMB 46.37 million .

4.2.2 Public notice for holding '98 shareholders' General meeting of Hubei Sanonda Co., Ltd . has been published on China Securities and Hong Kong Commercial Daily dated April 17 ,1999.The company has held the general shareholders' meeting in the head office on June 16, 1999,There were 86

shareholders(including authorized representatives)attending the meeting, representing 99018489 shares ,Taking 33.34% of the total shares of the company, which including 90315389 A-shares held by the shareholders taking 30.41% and 8703100 B-shares held by the shareholders taking 2.93%,The meeting was held in conformity with the Company Law and Articles of Association and formed the following resolutions:

- a). Examined and adopted '98 Work Report of General Manager and Chairman of the board of directors ;
- b). Examined and adopted '98 Financial Report ;
- c) Examined and adopted '98 Work Report of the Supervisory Committee;
- d) Examined and adopted the Proposal of authorizing board of directors have decision-making right to implement investment capital within RMB 60 million(including 60 million) ;
- e) Examined and adopted '98 plan of profit distribution .

The shareholder's meeting was held on June 16,1999to add Mr.Deng Guobin as the director.

. Report of the Board of Directors

() Business Highlights

1. The industry the Company is engaged in and its position

The Company is engaged in chemical industry. It is mainly engaged in the production, domestic sales and export of agrochemical, chemical and medical products and the provision of relevant service. The Company's output and sales volume of agrochemical and the foreign exchange earned by it through export of agrochemical have ranked the first among pesticide manufacturers in China for eight consecutive years. (The sorting is according to the second issue of Chemical Statistics and Information in 2000)

2. The scope of the Company's main business line and operation

The Company is mainly engaged in the production and sales of agrochemical and chemical products. In 1999, the Company produced agrochemical of 27,031

tons, an increase of 14.47% over the previous year. Its output of caustic soda was 61,323 tons. The Company sold agrochemical of 20,324 tons in the report year, an increase of 2.5% over the previous year. It earned foreign exchange of USD 12.52 million through export.

3. The operation and performance of the main share-holding and wholly-owned subsidiaries of the Company

The sales income and total profit of Sanonda Zhengzhou Agrochemical Co., Ltd. (of which the Company holds 70% equity) were respectively RMB 145,109,410.51 and RMB 1,293,784.53

The sales income of Qichun Sanonda Co., Ltd. (of which the Company holds 70% equity) was RMB 58,054,157.06.

The sales income of Hubei Sanonda Co., Ltd. Jiangling Agrochemical Factory (of which the Company holds 100% equity) was RMB 53,622,300.65.

The problems left over by history were handled according to new accounting system. The profit of Qichun Sanonda Co., Ltd. and Sanonda Jiangling Agrochemical Factory, two subsidiaries of the Company was transferred and deducted in lump sum. The profit of these two subsidiaries of the Company in 1999 was respectively RMB -7,174,578.85 and RMB -3,665,508.73.

4. Problems occurred during operation and the solutions

Facing the unfavorable situation of weak market and lowering product price in 1999, the Company effectively reduced the cost of purchase, production and operation through purchasing based on price comparison, striving for policy support, optimizing technology, tapping new resources and saving energy on the one hand. On the other hand, the Company actively opened up new channels for profit growth. Over ten kinds of new high-tech products with high added value through the export of which large amount of foreign exchange can be

earned entered the market and excellent economic results have been obtained in 1999. It also obtained excellent market effect through strengthening the supervision over the market and timely adjusting marketing organizational structure. As at December 31, 1999, the sales volume of agrochemical of the Company was 20,324 tons. In 2000, the Company will continue to strengthen technical service, actively develop new kinds and forms of high-efficiency low-poison agrochemical. A batch of new varieties of agrochemical are expected to be put on the market this year to meet the market need.

(II) The financial status of the Company

By the end of the report period, the financial status of the Company kept in good condition. The main reason of the change of total assets, long-term liabilities, shareholders' equity, profit from main business line and net profit is as follows:

(1) The total assets of the Company by the end of 1999 was RMB 1,787,995,430.62, which increased by RMB 225,885,992.37 and 14% over the end of 1998 (RMB 1,562,109,438.25). The increase of total assets was due to the operating profit in the report period and the exchange of the net assets of RMB 11.57 million of Coal Industrial Co., Ltd. for the 70% equity of Sanonda Zhengzhou Agrochemical Co., Ltd. originally held by Sanonda Group Corporation with value of RMB 38.50 million.

(2) Its long-term liabilities by the end of 1999 was RMB 198,125,071.31, which increased by RMB 28,554,400.38 and 16% over 1998 (RMB 169,570,670.93). The increase of long-term liabilities is due to the increase of housing revolving fund.

(3) Its shareholders' equity by the end of 1999 was RMB 1,019,826, 738.99, which increased by RMB 63,055,471.02 and 6.5% over 1998 (RMB 956,771,267.97). The increase of shareholders equity is due to the appropriation by the Company of common reserve fund and common welfare fund according to certain proportion.

(4) Its profit from the main business line by the end of 1999 was RMB 172,244,161.40, which increased by RMB 47,087,782.09 and 37% over 1998 (RMB 125,156,379.31). Its net profit was RMB 63,055,471.02, which increased by RMB 13,025,054.74 and 26% over 1998 (RMB 50,030,416.28). The increase of profit from the main business lines and net profit was due to the increase of income from main business lines and the reduction of cost.

() Investment

(1) Application of the Proceeds as Raised through Share Offering

The Company issued 115 million B-shares in May, 1997 at the issuance price of HK\$3.48/share (or RMB 3.73/share as converted) and raised proceeds (after deduction of the issuing costs) amounting to RMB 403.73133 million.

Ended Dec31, 1998, the Company invested in succession the intermediate testing facilities of pyrocatechol/hydroquinone and chlorpyrifos, extended the ionic membrane caustic soda production facilities with annual capacity of 20,000 tons, and added the working capital with total amount of RMB 173.73133 million. The Company postponed the application of the balance of the proceeds totaling more than RMB 230 million to the year 1999. Through approval at the extraordinary shareholders' meeting dated Jan. 8, 1999, the adjustment of the aforesaid balance totaling RMB 230 million was as follows:

1) To invest RMB 50 million on pesticides production extension project , including acephate production line with annual capacity of 5000 tons, methyl 1605 production line with annual capacity of 5000 tons and refined amide production line with annual capacity of 5000 tons; invest RMB 60 million on production line of pyrethroid insecticides: including 100 tons/year pyrethroid-content product equipment, 1000 tons/year alpha-cypermethrin equipment, 800 tons/year dichlorochrysanthemic acid equipment. (The aforesaid annual production capacities are all based on 100%).

2) To use the net assets of SANONDA Coal Industrial Co., Ltd. amounting to RMB 11.57 million to exchange 70% equity of Sanonda Zhengzhou Agrochemical Co., Ltd. as held by SANONDA Group Corporation amounting to RMB 38.5 million. The balance will be made up by cash RMB 26.93 million.

3) To invest RMB 46.7 million on SANONDA Qichun Pesticides Plant. The Company is going to invest totally RMB 56 million on SANONDA Qichun Pesticides Plant, including the original net assets amounting to RMB 9.3 million plus the newly invested fund amounting to RMB 46.7 million. The Company is going to jointly establish SANONDA Qichun Co., Ltd. together with Qichun Chemical Machinery State Assets Operation Co., Ltd.

4) To adjust the way of using the fund for the project of 2000 tons/year chlorpyrifos. It is going to set up a new high-efficiency chlorpyrifos equipment by means of joint venture with some foreign pesticides company. The equipment needs USD 50 million. The planned investment proportion of the Company is 30%. Some of the fund was in the original project plan of fund application amounting to RMB 46.37 million.

Ended Dec. 31, 1999, the following projects were invested:

1) The Company invested RMB 26.93 million in cash plus the net assets of SANONDA Coal Industrial Co., Ltd. amounting to RMB 11.57 million with the total sum of RMB 38.5 million to exchange 70% equity of SANONDA Zhengzhou Pesticides Co., Ltd. as held by SANONDA Group Corporation;

2) The Company invested RMB 46.7 million in cash to jointly set up SANONDA Qichun Co., Ltd. with Qichun County Chemical Machinery State Assets Operation Co., Ltd.

3) The Company invested RMB 50 million on pesticides production extension project, including acephate production line with annual capacity of 5000 tons, methyl 1605 production line with annual capacity of 5000 tons and refined amide production line with annual capacity of 5000 tons (the aforesaid annual production capacities are all based on 100%). The Company has completed the ordering of the principal equipment of the aforesaid projects, with total investment of RMB 15 million; completed 100% investment on the public works, including cooling station and dichloro-continuation. The Company is reinforcing the implementation of main works of the project and other unfinished items in an organized way.

4) The Company invested RMB 60 million on the project of pyrethroid insecticides: 20% of the principal works of 100 tons/year fenvalerate flucythrinate equipment, 1000 tons/year alpha-cypermethrin equipment, 800 tons/year dichlorochrysanthem acid equipment has been completed with total investment of RMB 12 million. (The aforesaid annual production capacities are all based on 100%).

The remaining proceeds are deposited in bank.

() Significant Impact upon the Company from China's Joint in WTO

As China is going to join WTO, the pesticides industry will have more opportunities and face more challenges. As the biggest pesticides manufacturer in China, the Company will certainly attract more funds, technology and professionals, firmly grasp the development opportunity arising from China's joint in WTO and quicken the development of the enterprise.

First of all, the Company shall grasp the opportunity of eliminating the non-tariff barrier, reinforce the technical exchange and cooperation with international big companies and promote the activity of replacing old products with new ones and products restructuring in the Company.

Secondly, the Company shall grasp the opportunity of opening the market, make full use of the advantage of independent operation of export business, further expand the international market share of the products. The products entered the international market as early as 1989. At present, there are more than 100 varieties of the products registered in more than 60 countries. The brand SANONDA has been extensively accepted in the international market. China's joint in WTO will be favorable for the Company's products to be sold in the foreign market.

Thirdly, the Company shall grasp the opportunity of more and more foreign companies to enter the Chinese market, look for joint venture and cooperation with foreign enterprises with a view to further strengthening the comprehensive force and being more competitive in the domestic and international markets. After China joins WTO, there will more a great number of foreign companies looking for cooperation with the domestic enterprises and trying to enter the Chinese market with capital and technology. As a key and large pesticides and

chemical enterprise in China, the Company shall be in favorable position in the competition.

Meanwhile, as China joins WTO, the market competition will be even more intense. Both the domestic and international markets will face a situation of new reorganization and division. The Company shall take positive measures and calmly face the challenge arising from China's joint in WTO.

(5) Business Plan in the Year 2000

In the new year, the Company shall insist on the road of making creation with technology and developing the enterprise still with technology, take the market as the guide, focus on the new pesticide products of high efficiency and low toxicity, devote great efforts to developing fine chemical products. The Company shall bring the advantage of the existing market of the products into full play, further improve the market share of the products. For these purposes, the Company is going to take the following measures:

1) Deepen the reform of the marketing system, reinforce the market network construction and management of the market system; develop a team of agents and distributors with good credit and conditions; promote on-line sales, develop regional marketing network, devote efforts to expanding the market coverage and shares of the products; form a perfect mechanism in respect of the sales personnel, responsibility and encouragement so as to ensure the planned sales objectives of the Company.

2) Quicken the steps of product restructuring, promote the change of the way of growth. In another words, make adjustment with orientation from big pesticides and small chemicals to big and fine chemicals; from high toxicity and high residue to low toxicity, high efficiency and high added value; from chemical pesticides to biological pesticides; from base and pesticides to base as well as preparations, and herbicides as well as pesticides. The Company shall focus on the technical cooperation with agricultural universities in China and product cooperation with foreign companies. Enhance the development and registration of the compound preparations.

3) Strengthen the financial management and various fundamental management, continue to practice the measures of purchasing through price comparison, save

energy, reduce cost and reinforce the cost competition advantages of the products of the Company.

() Routine Work of the Board of Directors

1. Board Meetings

A. On April 7, 1999, the Board of Directors examined and adopted the following proposals:

- 1) '98 Annual Report of the Company;
- 2) '98 Work Report of the Board of Directors;
- 3) '98 Work Report of the General Manager;
- 4) '98 Financial Settlement Report;
- 5) The Proposal on Applying for Shareholders' General Meeting to Examine the Change of the Directors of the Company;
- 6) '98 After-tax Profit Distribution Preplan;

B. On Aug. 9, 1999, the Board of Directors held a meeting and adopted the following resolutions:

- 1) Adopted '99 Interim Report;
- 2) The Proposal on Conducting neither Profit Distribution nor Capitalization of Public Reserve in the Interim of the Year 1999.

2. Implementation of the Resolutions of the Shareholders' General Meeting

1) According to the resolutions of the Shareholders' General Meeting, the Company did not distribute after-tax profit for the year 1998.

2) According to the resolutions of the Extraordinary Shareholders' General Meeting dated Jan. 8, 1999, the Company completed the assets exchange activity with SANONDA Coal Industrial Co., Ltd. for the assets of Sanonda Zhengzhou Agrochemical Co., Ltd.

() The Management and Employees

(1) About the directors, supervisors and senior executives of the Company

Name	Title	Sex	Age	Shares held at beginning of year (In share)	Shares held at end of year (In share)	Office-tenure
Chen Lizhou	Chairman of the Board and general manager	Male	50	11830	11830	1996 to 1999

Zhang Maoli	Vice chairman of the Board	Male	56	11830	11830	1996 to 1
Li Minxin	Director	Male	50	11830	11830	1996 to 1
Zheng Xianhai	Director	Male	49	8840	8840	1996 to 1
Pei Guangxin	Director	Male	51	8450	8450	1996 to 1
Li Zuorong	Director	Male	50	3000	3000	1996 to 1
Deng Guobin	Director and vice general manager	Male	32	0	2000	1998 to 1
Wu Chengying	Chairman of the Supervisory Committee	Female	54	2000	2000	1996 to 1
Chen Changshun	Supervisor	Male	53	9230	9230	1996 to 1
Wan Zheming	Supervisor	Male	51	7098	7098	1996 to 1
Hu Wanfeng	Supervisor	Female	51	1000	1000	1996 to 1
Qiu Kuangzhong	Supervisor	Male	56	1000	1000	1996 to 1
Zhang Jianguo	Secretary of the Board of Director	Male	47	2000	2000	1996 to 1
Zheng Tianhua	Vice general manager	Male	43	2000	2000	1996 to 1
Hu Yihuan	Vice general manager	Male	52	2000	2000	1996 to 1
Liu Xingping	Vice general manager	Male	38	0	2000	1998 to 1
He Fuchun	Vice general manager	Male	35	0	2000	1998 to 1
Hu Yixu	Chief accountant	Male	51	5915	5915	1996 to 1

(2) Employees

In 1999, the Company had totally 3205 employees, including 2087 production personnel, 210 sales personnel, 350 technical personnel, 108 financial personnel, 450 administrative and managing personnel, and 594 retired personnel. The Company has 131 employees holding senior professional titles, 470 holding medium professional titles and 995 holding junior professional titles, which respectively take 4.1%, 14.7% and 31% of the total. The proportion of various professionals is 49.8% of total.

() '99 Profit Distribution Preplan

As audited based on the Domestic Accounting Standards (DAS), the after-tax profit of the Company in 1999 was RMB 63.06 million, while as audited based on the International Accounting Standards (IAS), the after-tax profit was RMB 55.06 million. In accordance with the relevant provisions as specified in the Articles of Association of the Company, the Company has to allot the statutory

surplus public reserve by 10% of the after-tax profit amounting to RMB 6.31 million and the statutory welfare fund by 5% amounting to RMB 3.15 million. According to the principle of whichever being the lower, the amount of the profit available for distribution to the shareholders was RMB 53.37 million. Added with the undistributed profit as of the previous year amounting to RMB 12.20 million, the actually amount available was RMB 65.57 million.

The profit to be distributed to the shareholders for the year 1999 is proposed as follows: cash dividends are to be distributed to the whole shareholders at the rate of RMB 1.00 for every 10 shares (including tax). Thus, the total amount of cash for the dividend distribution would be RMB 29,696,161.00. The remaining amount RMB 35,873,839.00 would be carried down to the next year for the further distribution. In 1999, the Company would conduct no capitalization of the public reserve.

() The newspaper chosen for disclosing the information of the Company

The Company chose China Securities, Securities Times and Hong Kong Ta King Pao as the newspapers for disclosing the information of the Company.

The Board of Directors
of Hubei Sanonda Co.,

Ltd.

April 19, 2000

VI. Work Report of Supervisory Committee

(I) Operating status of supervisory committee in the year of 1999:

1. On the supervisory committee meeting dated on April 8,1999, “’98 Financial Report ”was examined with approval of “Regulations on Supervisory Committee Meeting”;
2. ’98 Work Report of the Supervisory Committee was examined and approved in the supervisory committee meeting on April 23,1999;
3. Attended the Board Meeting as non-voting delegates dated Aug 9,1999.

(II) Work report of the Supervisory Committee

In the year of 1999, the supervisory committee implemented its supervision duty on the Company's operation in conformity with Company Law and Articles of Association. In our opinion:

1. Change of the fund raised from B-share allotment to investment project was adopted by the extraordinary shareholders' general meeting on Jan 8,1999 and the change procedure was legal.
2. There was no conduct for violating law, regulations, Articles of Association and harming the interest of the Company of directors and managers found. The related transactions were made in the way of fair and reasonable with no harm to the listed company.
3. The auditor's report without reserve opinion presented by the certified public accountants, in our opinion, truly reflected the financial status and operation achievements of the Company.

VII. Important Events

1. 70% equity of the new added Sanonda Zhengzhou Agrochemical Co., Ltd. of the Company in 1999 (registered capital amounts to RMB 40million, the net asset of RMB 55 million) which belonged to Salonda Group is bought by the Company with replacement of net assets of RMB 11.75million belonged to Salonda Gas Chemical Industry Company and the insufficient part will be paid with RMB 26.93million in cash.
2. There was no significant lawsuits and arbitration of the Company in the report period.
3. There was no material contract including guarantee, leasing operation and entrust operation in the report period.
4. In the report period, in accordant with the provisions specified in the Company Law and the Articles of Association, the Company independently operated and realized "three separation" on personnel, assets and finance with control shareholders. The Company has independent control system of personnel and finance together with complete assets.

9 Financial report (see the appendix)

10 Other Information of the Company

- 1). First registration of the Company:
Date: November 30, 1993
Address: Jingzhou City, Hubei Province
- 2). Business license number: 27175242
- 3). Tax registration number: 420400520100064
- 4). Registrar for non-circulating shares:
Shenzhen Stock Registration Corporation
- 5). PRC Accountants: CIEC Certified Public Accountants
Address: No. 6 Xinyuan Nanlu, Chaoyang District,
Beijing, China
International accountants: Arthur Andersen & Co
Certified Public Accountants
Address: 25/F, Wing On Centre
111 Connaught Road Central
Hong Kong, China

Documents Available for Inspection

- 1) .The original annual report of 1998 with the signature of the Chairman of the Board;
- 2) .Financial statements with the signatures of legal representative, chief accountant.
- 3) .The original copy of Audit report signed by the certified public accountants
- 4) The original documents and announcements publicly disclosed in the newspaper of China Securities ,Securities Time and Hong Kong Ta Kung Pao.
- 5) .Articles of Association.

Hubei Sanonda Co., Ltd.
April 19, 2000

