

# 2022 ANNUAL REPORT

SHANDONG WEIFANG RAINBOW CHEMICAL CO., LTD

Stock abbreviation:

**Rainbow Chemical**

Stock code:

**301035**

April 2023

**Rainbow**  
all about growing

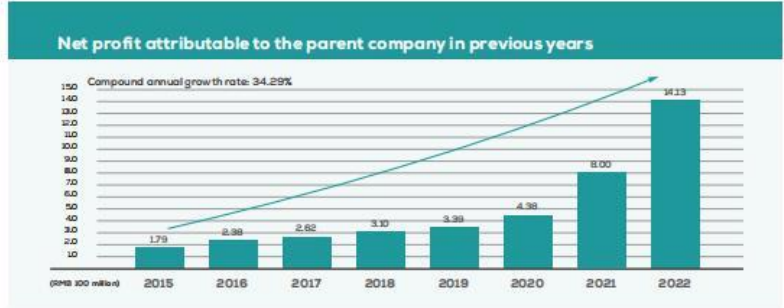
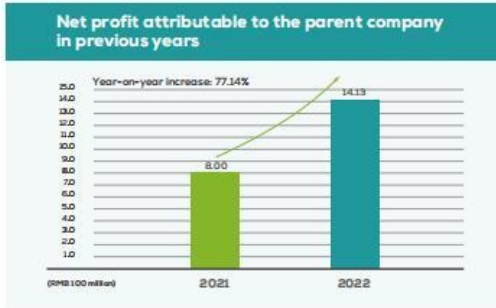
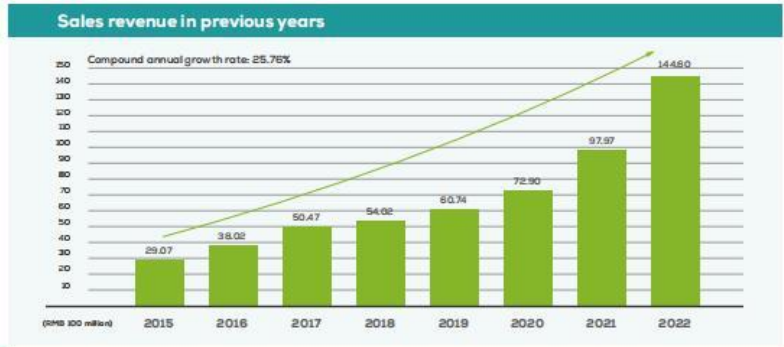
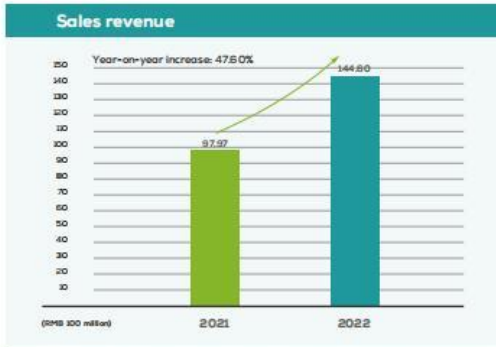


**NO.1 CHINA  
AGROCHEMICAL  
EXPORTERS**

Ranked 1st in 2020  
 Ranked 1st in 2019  
 Ranked 1st in 2018  
 Ranked 1st in 2017

**NO.11 IN GLOBAL'S  
AGROCHEMICAL  
COMPANIES**

Ranked 11th in 2021  
 Ranked 11th in 2020  
 Ranked 11th in 2019  
 Ranked 13th in 2018



Each task has been implemented and completed according to the medium-term strategic plan and annual work plan

1

With the advantages of "Light structure and fast response", the Company has seized opportunities in the market to effectively reduce and control operational risks and achieve good business performance

2

The Company is moving forward faster than expected in the development of the global marketing network, the progress at the market end and the optimization of the business model

3

There are gaps in the Company's capabilities in global operations that need to be narrowed:

- Capability for the advanced manufacturing of important active ingredients supported by R&D and innovation
- Capability to build an excellent end-to-end process system
- Capability to build a management system adapted to globalized operation

4

<b>FOCUS</b>		<b>Advanced manufacturing supported by R&amp;D innovation</b>	<b>Further improving the global marketing network</b>
<b>R&amp;D team</b>	42 new employees in the technical line <ul style="list-style-type: none"> <li>• Among which there are 5 leading professionals</li> <li>• The overall R&amp;D capability has been further improved</li> </ul>	<b>Market expansion</b>	Completed in-depth research on Poland, Belarus, Azerbaijan, Armenia, Iraq, Iran, Oman, Saudi Arabia, the United Arab Emirates, Jordan, Burkina Faso, Senegal, Rwanda, Burundi, Namibia, Botswana, Mozambique, Algeria and other markets Newly established wholly-owned or joint venture subsidiaries or offices in Russia, Kazakhstan, Rwanda, Angola, Botswana, Iraq, etc. Newly built local teams in Brazil, Argentina, Mexico, Ecuador, Peru, Dominica, Russia, Kazakhstan, Indonesia, the Philippines, Thailand, Cote d'Ivoire, Nigeria, Rwanda, Angola, Iran and other countries, and started building TO C channels to boost the sales performance of the brand Acquired Sarabia, a Spanish company, to accelerate its investment and business growth in the EU market
<b>Project progress</b>	1 project for full process continuity transformation of active ingredients, first-of-its-kind in China, has been put into operation 1 project for full process continuity transformation of active ingredients is in the preproduction stage 2 projects for full process continuity transformation of active ingredients have been completed and are ready for implementation 2 active ingredients are expected to complete development in the second half of 2023 and get ready for implementation in 2024 1 active ingredients are expected to complete development in the second half of 2024 and get ready for implementation in 2025	<b>Global registration</b>	Expanded the global registration team rapidly, from 119 team members in 2021 to 169 at present Continuously increased input in global registration, with a year-on-year increase of about RMB 36 million for the first half of 2022 in global registration fees Adopted flexible payment method in purchase of registration: To accelerate registration and access to important markets, the Company has acquired 131 EU registrations through the acquisition of Sarabia Acquired 137 registrations in new countries such as Serbia, Egypt, Mali, Cote d'Ivoire, Tanzania and Uzbekistan; initiated and followed up the registration surveys in 16 countries such as Belarus, Iran, Rwanda, Botswana, Armenia and Bangladesh; invested more resources in existing registered countries and obtained more registrations, to enrich the product portfolio and meet demands in different countries As of December 31st, 2022, the Company has over 5200 registration items in China and abroad

2022全国农药行业销售TOP100		
名次	企业名称	2022年销售额 (亿元)
1	先正达作物保护有限公司	298.47
2	江苏科达化工股份有限公司	117.89
3	山东康农化学工业股份有限公司	96.81
4	中农化学生物科技股份有限公司	86.06

The Company's product entered the Top 3 of China's Top 100 Best-Selling Agrochemicals in 2022

The Company's 4th Marketing Elite Training Camp was a success



The Company started the business process transformation project

The Company's Argentina factory acquired new land to expand capacity



The Company bought out Ningxia Hanrun and acquired new land to expand manufacturing plants

The operation headquarter of the Company was moved to the Building A5-5 in Hanyu Financial Center.



The Company completed the annual strategic planning review and update

The R&D building of the Company's southern plant in Ningxia was formally opened



排名	企业名称	营业收入 (亿元)	研发投入 (亿元)	研发投入占比 (%)
1	先正达集团中国	11,494	1,916,000	16.69%
2	先正达集团	10,000	1,600,000	16.00%
3	先正达集团	7,200	1,100,000	15.28%
4	先正达集团	5,200	800,000	15.38%
5	先正达集团	4,800	700,000	14.58%
6	先正达集团	4,500	650,000	14.44%
7	先正达集团	4,200	600,000	14.29%
8	先正达集团	4,000	550,000	13.75%
9	先正达集团	3,800	500,000	13.16%
10	先正达集团	3,600	450,000	12.50%
11	先正达集团	3,400	400,000	11.76%

The Company ranked 11th in "Global Agrochemical Companies of 2021"

The Company held the SAP project launch meeting



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8	先正达集团	4,000	550,000	13.75%
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10	先正达集团	3,600	450,000	12.50%
11	先正达集团	3,400	400,000	11.76%

The Company was listed again as a "Leading Technology Enterprise in Shandong Province"

The Company completed the acquisition of Sarabia, a Spanish company



The Company's R&D center in Jinan was moved to Yinfeng International Biological Campus

The Company relocated its subsidiaries in Peru, Argentina, Kazakhstan, Iran and Brazil



### Complete industrial chain

- Keen insight into market trends to avoid the investment in R&D and manufacturing blindly.
- Harvest from the whole industrial chain including Technical synthesis, formulation, branding, Sales Channel(From Factory to Field).
- Based on a deep understanding of the whole process with "Light Structure, Fast response", calmly deal with major market fluctuation risks.

### Unique business model

- Building an open "Quick Market Access Platform" globally.
- Combining the traditional export model with the overseas self-registration model.

### A clear strategic plan that is firmly implemented

- All staff focus on strategic planning and annual work plans to ensure the achievement of goals.
- Persisting in doing the difficult but correct work; Moving towards the forefront of industrial value chain; Building a complete industrial chain.



### Widely covered global marketing network

- Strong global registration capabilities and experienced international market development team.
- Having carried out businesses in more than 80 countries worldwide and continuing to accelerate the improvement of the global marketing network.

### Advanced manufacturing supported by R&D

- Advanced Manufacturing on more important Active ingredients.
- Differentiated formulation development focus to solve important pain points from end user market.

### Professional and dedicated international core team

- Publicity and implementation of vision, mission and core values to ensure cultural identity and consistency.
- Continuing to optimize positions, remuneration, performance, and training systems to build a talent echelon.

# A CLEAR AND FIRMLY IMPLEMENTED STRATEGY PLAN



Persisting in doing the difficult but correct work  
Moving towards the forefront of industrial value chain  
Building a complete industrial chain

**Focus** →

Advanced manufacturing supported by R&D  
Further improving the global marketing network

# Summary of Annual Report 2022 (English Version)

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## Section I. Company Information and Key Financial Indicators

### I. Company Information

Short form of the stock	润丰股份	Stock code	301035
Chinese name of the Company	山东潍坊润丰化工股份有限公司		
Chinese abbreviation of the Company	润丰股份		
Name of the Company in English (if any)	SHANDONG WEIFANG RAINBOW CHEMICAL CO.,LTD		
Abbreviation of the Company in English (if any)	RAINBOW CHEMICAL		
Legal representative of the Company	Wicky Wang		
Registered address	No.03001 Lvjian Road, Binhai Economic Development Zone, Weifang City, Shandong Province		
Postal code of registered address	262737		
Previous changes of registered address of the Company	N/A		
Business address	30th Floor, Building 5, Zone 5, Hanyu Financial Business Center, High-tech Zone, Jinan City, Shandong Province		
Postal code of business address	250101		
Company website	www.rainbowagro.com		
E-mail	rfzqb@rainbowagro.com		

### II. Contact Person and Contact Information

	Secretary of the board	Securities affairs representative
Name	Xing Bingpeng	Hu Dongju
Contact address	30th Floor, Building 5, Zone 5, Hanyu Financial Business Center, High-tech Zone, Jinan City, Shandong Province	30th Floor, Building 5, Zone 5, Hanyu Financial Business Center, High-tech Zone, Jinan City, Shandong Province
Tel	0531-83199916	0531-83199916
Fax	0531-83191676	0531-83191676
E-mail	rfzqb@rainbowagro.com	rfzqb@rainbowagro.com

### III. Information Disclosure and Place of Report

Website of the stock exchange for release of the Annual Report	Shenzhen Stock Exchange: <a href="http://www.szse.cn">http://www.szse.cn</a>
Name and website of the media for release of the Annual Report	Securities Times, China Securities Journal, Shanghai Securities News, Securities Daily, Economic Information Daily, CNINFO ( <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> )



Place where the Annual Report is available for inspection	30th Floor, Building 5, Zone 5, Hanyu Financial Business Center, High-tech Zone, Jinan City, Shandong Province
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#### IV. Other Relevant Information

Accounting firm engaged by the Company

Name of the accounting firm	Shangkuai Certified Public Accountants (Special General Partnership)
Business address of the accounting firm	25th Floor, No. 755 Weihai Road, Jing'an District, Shanghai
Name of certified accountants	Yu Renqiang, Yin Zuoyong

The sponsor institution engaged by the Company to perform continuous supervision during the reporting period

Applicable     Not applicable

Name of the sponsor institution	Business address of the sponsor institution	Name of sponsor representative	Duration of continuous supervision
Northeast Securities Co., Ltd	No. 6666 Shengtai Street, Changchun	Wang Zhengang, Liu Junjie	From July 28, 2021 to December 31, 2024

The financial consultant engaged by the Company to perform continuous supervision during the reporting period

Applicable     Not applicable

#### V. Key Accounting Data and Financial Indicators

Whether the Company needs to retroactively adjust or restate the accounting data of previous years

Yes     No

	2022	2021	Year-on-year change	2020
Operating income (RMB)	14,460,175,154.41	9,797,107,551.38	47.60%	7,289,831,535.13
Net profit attributable to shareholders of the Company (RMB)	1,413,238,278.11	799,718,982.72	76.72%	437,634,530.57
Net profit attributable to shareholders of the Company excluding non-recurring gains and losses (RMB)	1,417,676,562.72	798,010,406.55	77.65%	438,276,863.19
Net cash flow from operating activities (RMB)	1,370,655,408.25	791,071,609.73	73.27%	511,874,913.50
Basic earnings per share (RMB/Share)	5.12	3.39	51.03%	2.11
Diluted earnings per share (RMB/Share)	5.07	3.39	49.56%	2.11
Weighted average return on net assets	25.70%	21.22%	4.48%	16.70%
	End of 2022	End of 2021	Year-on-year change	End of 2020
Total assets (RMB)	11,598,874,181.42	10,311,655,543.89	12.48%	7,293,867,946.37
Net assets attributable to shareholders of the Company (RMB)	6,184,265,166.56	4,908,724,302.71	25.99%	2,801,888,242.99

The lower of the Company's net profit before and after deduction of non-recurring gains and losses for the last three fiscal years is negative, and the audit report for the latest year shows that there is uncertainty about the Company's ability to continue operating

Yes     No

The lower of the Company's net profit before and after deduction of non-recurring gains and losses is negative

Yes  No

## VI. Key Quarterly Financial Indicators

Unit: RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	3,119,046,203.43	4,659,528,809.61	4,137,087,681.52	2,544,512,459.85
Net profit attributable to shareholders of the Company	387,571,013.34	500,078,631.08	418,239,540.16	107,349,093.53
Net profit attributable to shareholders of the Company excluding non-recurring gains and losses (RMB)	389,050,777.23	504,088,739.59	419,545,222.57	104,991,823.33
Net cash flow from operating activities	-224,220,205.58	910,413,665.00	1,429,625,638.82	-745,163,689.99

Whether there is any material difference between the above financial indices or their total and the relevant financial indices disclosed by the Company in the quarterly report and semi-annual report

Yes  No

## VII. Items and Amounts of Non-recurring Gains and Losses

Applicable  Not applicable

Unit: RMB

Item	Amount of 2022	Amount of 2021	Amount of 2020	Notes
Gain and loss on disposal of non-current assets (including the write-off portion of asset impairment provision)	-24,471,080.42	-25,602,738.28	-14,803,882.23	
Government subsidies included in current gains and losses (closely related to normal operational business of the Company, excluding the continuous government subsidies of certain amount or quota complying with national policies)	12,079,027.93	15,234,035.09	24,934,631.23	
Gains and losses arising from changes in the fair value of financial assets held for trading and financial liabilities held for trading, and the investment returns obtained from the disposal of financial assets held for trading, financial liabilities held for trading, and financial assets available for sale, other than the effective hedging business related to the normal operation of the Company	3,467,771.89			
Rollback of impairment provisions for receivables that are separately tested for impairment		308,619.60		
Other non-operating revenue and expenditure other than those mentioned above	3,910,755.03	12,074,283.42	-10,200,580.06	
Less: affected amount of income tax	-675,243.78	339,152.38	26,515.88	
Affected amount of minority shareholders' equity (after tax)	100,002.82	-33,528.72	545,985.68	

Total	-4,438,284.61	1,708,576.17	-642,332.62	--
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## Section II. Discussion and Analysis of Management of the Company

### I. The situation of the industry during the reporting period

The Company shall comply with the disclosure requirements of "related business of the chemical industry" in the *Guidelines of SZSE for Self-Discipline Regulation of Listed Companies No.3 – Industrial Information Disclosure*

The Company is categorized into the industry of chemical pesticide manufacturing (C2631) in chemical raw materials and chemical manufacturing (C26). Pesticides are also commonly known as crop protection products in the industry, which refer to products with a broader scope, including non-chemical pesticides (such as bio-pesticides, and bio-stimulants). Pesticides are known as preparations for the prevention and control of crop diseases and insect pests. Pesticide products actually used are pesticide preparations made from pesticide active compound and pesticide auxiliaries. The active compound takes effect, and it is also called active ingredients or active constitute. In addition, depending on the targets, the pesticides can also be categorized into herbicide, insecticide, fungicide, plant growth regulator, etc.

#### (I) The development and trend of crop protection industry:

##### 1. Structural growth opportunities still exist in the global crop protection market with rigid demands

From the global perspective, the crop protection industry is an existing market that has rigid demands and is steadily growing in market shares. The demand for crop protection is closely related to the demands of humans for food and other crops. In recent years, with the increase in the population of the world, and the continuous occurrence of pests and diseases, the scale of global crop protection market is constantly expanding. According to the data of Phillips McDougall, a British market research company, the global crop protection market scale increased from USD 35.575 billion to USD 69.886 billion, with annual compound growth rate of 5% from 2006 to 2020. It is not an industry featuring rapid growth in terms of the total growth rate, and it is also an industry that lacks change or strong growth dynamic due to the limitation of the non-linear improvement of new compound development costs, but it still has three clear structural growth opportunities: First, the continuous expansion of the market share of non-patented crop protection products. Second, with the continuous expansion of non-patented crop protection market share, excellent multinational generic companies grow rapidly (such as UPL in India). Third, with the promotion of different transgenic seeds and the resistance of different varieties, the prohibition policy from the government has brought about the change of usage amount of different varieties (such as glufosinate-ammonium, diquat, propithiazole and chlorfenamide gained rapid growth in the global market in the past few years).

##### 2. Non-patented crop protection market shares and excellent multinational non-patented crop protection companies grow fast

With the continuous expansion of the non-patented crop protection market shares, excellent multinational non-patented crop protection companies have grown rapidly. The most eye-catching case in the industry in past few years is how Indian company UPL rapidly strengthened itself and expanded its market share internationally by purchasing Arysta and other companies with strong channel brands and constantly investing in the self-production of important non-patented active ingredients. Excellent multinational non-patented crop protection companies with high growth rate must have the following five features:

- (1) Fast response and decision-making mechanism (quick response to the rapid changes in the supply-end, cost-end and market-end globally is needed);
- (2) Light structure and low-cost rate (fierce homogeneous competition in non-patented crop protection markets will make gross profit margin of the market channels constantly decline);
- (3) Diversified and complete product portfolio for providing an integrated crop solution (not relying too much on a single product);
- (4) The broad global market coverage and channel, and the construction of the brand (not relying too much on a single market, and having a good brand channel);
- (5) Be able to exert the impact on a number of important active ingredients (advanced manufacturing of important active components to form the complete industrial chain from the factory to the farm, thus stabilizing the supply and cost advantage, and supporting further expansion of the global market).

### **3. The global usage amount of different varieties changes rapidly**

With the promotion of different transgenic seeds, the prohibition/ restriction policies of government, and the resistance of different varieties, the usage amount is changing rapidly among different varieties.

- (1) With the promotion of transgenic seeds, the growth rate of global use of glufosinate-ammonium and 2,4D was significantly higher than that of other varieties in the past three years.
- (2) The prohibition or restriction policies of the government have a great impact on the use of different varieties: For example, the prohibition of paraquat in China, Brazil, Vietnam, Thailand and other markets has prompted significant increase of its alternatives varieties such as glufosinate-ammonium and diquat; To give another example, the prohibition of chlorpyrifos in Argentina, Vietnam, the EU, Myanmar, the United States and other markets directly has led to a significant decline in the global use of chlorpyrifos, and promoted the rapid growth of other alternative varieties; Another example is the prohibition of chlorothalonil in the EU directly has led to the serious excess of chlorothalonil production.
- (3) The resistance changes of different varieties require the mixed use of several alternatives for the same target diseases, insects and weeds: For example, countries such as Vietnam and Pakistan in South Asia have habitually used a single insecticide frequently and intensively, resulting in the rapid rise of its insecticide resistance and the frequent changes of different varieties; For another example, the fungicide resistance of Brazil to prevent soybean Asian rust changes rapidly, and it needs to be used alternately or mixed among different varieties.

The rapid change in such different varieties enables manufacturers who are relying too much on a single active ingredients to face significant opportunities or major crises.

**4. The development of crop protection products market in different regions of the world is imbalanced, the growth rate is different, and emerging markets are growing rapidly.**

In the past five years, the growth rate of the crop protection products market in different regions of the world has been different, and the growth rate in emerging markets is faster, which is represented as follows:

- (1) The Latin American region continues to grow rapidly: Latin America has become an increasingly important source of agricultural production and supply in the world. In the past five years, Latin America has sustained rapid growth, especially in Brazil.
- (2) The growth rate in the Northern American market slows down: The market size of the United States and Canada is relatively stable, and with the increase in the market share of non-patented crop protection products, competition has intensified;
- (3) Steady and slow growth of the Asia-Pacific market: India, Indonesia, Bangladesh, Vietnam and other markets in the region are growing relatively fast;
- (4) The growth rate in Africa is accelerating: With the development of economy, countries in Africa increase investment in agriculture, and the market scale of crop protection products grows rapidly;
- (5) Accelerated growth of Eastern European market: The growth rate of Russia and Ukraine, in the region, is very obvious, especially Russia, which has become the seventh largest crop protection product market in the world;
- (6) The size of the EU market is stable and slightly decreased: The EU's policy of prohibiting and restricting more and more active ingredients, and the high product registration and maintenance costs to meet regulatory requirements have made this market less attractive due to the high risk of registration investment and high amortization cost of intangible assets, despite its high gross profit margin. The market size in this region is stable and continues to decline slightly, but the market for bio-pesticide and bio-stimulant will become a growth point.

**5. The management regulations and policies of crop protection products in different countries worldwide are frequently adjusted and increasingly strict**

To enter the market of any country, crop protection products need to obtain a product registration certificate in that country in accordance with relevant laws and regulations of that country,. Obtaining a product registration in country A does not mean that it can be sold in country B. That is, even the same product also needs to be sold in accordance with relevant laws and regulations of each country, to obtain the product registration certificate in the target country. The management regulations and policies for crop protection products in various countries around the world are frequently adjusted and increasingly strict, mainly in the following aspects:

- (1) Changes in registration policies or approval fees have increased the registration costs of individual products in various countries: For example, the adjustment of the registration policy of the imported product of India in 2017, has made the registration fee of a single imported technical drug directly rise from 20,000 USD to around 400,000 USD to 800,000 USD now. In China, with the implementation of the new pesticide management regulations issued in 2017, the registration cost of a single original drug of the old variety has increased from about RMB 200,000 to about RMB 5 million now.

(2) Registration policies are being adjusted towards high data standardization and complication, making registration more difficult: Even countries with very loose requirements are increasingly changing from accepting public data to requiring GLP experiments reports. The types of reports required are more and more complex, which increases the types of data required for the registration of a single product, improves the standard, and increases the preparation time of data, and some of the data is extremely difficult to prepare professionally.

(3) The declining of efficiency in the approval and certification by governments around the world: For example, the government departments in countries such as Argentina, Bangladesh, Sri Lanka and Malaysia, have limited the annual number of submissions or the number of approved products of each company, resulting in slow process with prolonged cycle for new product certification. Many countries, such as Argentina, Bangladesh, Malaysia, and Algeria, have even introduced policies to limit the number of product registration applications per applicant per year.

(4) The registration process in important crop protection product markets generally takes a long time: The process takes long in the world's important crop protection product markets such as Brazil, Argentina, Mexico, Russia, India, China, the EU and etc. In Brazil, it generally takes 5-8 years; in Russia, India, and the EU, it generally takes 4-6 years; in Argentina, Mexico, and China, it generally takes 3-5 years; in the United States, it generally takes 2-3 years.

The above-mentioned changes in industry management regulations and policies are very beneficial to those companies that have a registration team that registers KNOW-HOW in various markets around the world, have efficient decision-making and organizational coordination mechanisms, and have a large number of registrations in various markets around the world.

## **(II) 2022 global crop protection market environment**

### **1. The global market prices of bulk agricultural products remain high and the growers' yields are good. Therefore, the overall demand for crop protection products is strong**

The food security concerns and the demand for biofuel recovery resulting from the on-going global COVID-19 pandemic and Russia-Ukraine conflict, as well as the weather-related agricultural supply problems, have boosted the global demand for bulk agricultural products. High bulk agricultural product prices and good yields for growers have led growers to expand acreage and increase agricultural inputs, leading to strong global demand for crop protection products as a whole.

### **2. There are challenges in inventory management and timely adjustment of market strategies due to rapid changes in the supply and demand of crop protection products**

In the fourth quarter of 2021, energy prices skyrocketed due to China's strict "dual control" policy on energy consumption, which triggered panic buying in all major markets in fear of reduced supply. The trend continued until the third quarter of 2022. During this period, the demand for most products exceeded supply and the price soared.

After the third quarter of 2022, with the delivery of most of the over-ordered goods and the continuous expansion of the production capacity of suppliers, the relationship between supply and demand changed suddenly and a period of oversupply began, and the price of crop protection began to decline, which further led to the hesitation, delay and

destocking of buyers. This aggravated the situation of oversupply, resulting in the continuous decline of crop protection prices with heavy downward pressure;

This rapid change in the supply and demand and the rapid decline in the prices of most products have brought challenges to the inventory management and market strategy adjustment of companies. It is particularly important to respond quickly and make accurate decisions based on the thorough understanding of the whole industrial chain from factories to farms.

### 3. The overall performance of crop protection products industry is good

In 2022, although the overall price of crop protection products began to decline rapidly in the fourth quarter, the overall earnings of companies in the industry was better than the historical average due to panic buying in the first three quarters.

## II. The Main Business of the Company During the Reporting Period

Procurement modes for major raw materials

Unit: RMB

Major raw material	Procurement mode	Proportion of procurement amount for major raw materials in total procurement amount of the year	Whether there has been any significant change in the method of settlement	Average price in the 1st half of the year	Average price in the 2nd half of the year
Raw material 1	Price comparison	27.76%	No	58,671.54	51,559.74
Raw material 2	Price comparison	6.74%	No	51,042.45	49,058.90
Raw material 3	Price comparison	5.71%	No	141,568.42	137,258.03
Raw material 4	Price comparison	2.85%	No	178,711.46	183,350.49
Raw material 5	Price comparison	2.24%	No	22,280.34	22,299.28

Reasons for raw material price changes from the previous reporting period

In 2021, affected by the "dual control" policy on energy consumption, the prices of raw materials used in the chemical industry rose, breaking an all-time record. In 2022, the market prices fell.

## III. Analysis of Core Competitiveness

### 1. Originating from China Serving the world---the unique business model to achieve "From Made in China to Globalization of Chinese Brands"

In the early years after the Company's establishment, relying on the experience accumulated by the founding team in the crop protection product industry, it participated in the global pesticide industry chain as an active compound manufacturer and supplier. It achieved rapid growth and initial accumulation with the help of the rapid development of the global crop protection products market and the wave of industrial transfer to emerging countries such as China.



With the changes in the global economic environment, the global crop protection products industry is also undergoing changes. Especially after the outbreak of the financial crisis in 2008, affected by the decline in overall market demand, the overcapacity problem of domestic manufacturing industry was more and more prominent due to years of continuous low-level repeated production. Many products were oversupplied and generated vicious price competition, which adversely affected the profitability of enterprises in the industry. In response to the challenges brought about by changes in domestic and foreign economic and market environments, the Company responded quickly. Since the second half of 2008, it began to explore and plan the optimization and upgrading of the Company's sales model and development route. The Company has gradually formed a global marketing network with "team+platform+innovation" as the basic elements, combining the traditional export mode of crop protection products with the overseas independent registration mode, and featuring a "fast market access platform".

The core of the "fast market access platform" is to obtain the registration of a rich and complete product portfolio in each target country and to adhere to the concept of open platform. The rich and complete product portfolio registration can provide growers with integrated crop solutions, and the concept of open platform enables the Company to build its own local team based on the target country platform, to carry out the B-C business model of its own brand. In addition, the Company adopts flexible way to open the platform to other excellent partners to carry out B-B operation. Based on this open platform, the Company can rapidly expand market share through multiple channels including the Company's self-built team and cooperation with industry partners.

In each target country, the Company adheres to the combination of the traditional export model of crop protection products and the overseas self-registration model. The Company can flexibly adjust and switch between different market roles such as suppliers, brand owners and service providers according to changes in market scenarios and product differences. Two models promote and complement each other. The traditional export model provides a solid customer base and market awareness for business expansion under the overseas self-registration model. The abundant overseas self-registration not only greatly improves the Company's brand awareness, but also can better meet customer needs with more various products and improve the intimacy with customers, which is more conducive to the development of the Company's traditional export business.

At present, the Company's traditional export business model still accounts for a considerable proportion of revenue. In future, with the continuous increase of the Company's overseas self-registration quantities and the continuous improvement of the construction of the global marketing network characterized by "fast market entry platform", the proportion of revenue of the overseas self-registration model and the proportion of B-C revenue of self-owned brands will be further increased. In addition, the Company's profitability and capabilities to maintain sustainable and stable growth and operation will be significantly improved, so as to achieve stable, sustainable and rapid growth in performance.

According to the mid-term strategic plan, the Company is speeding up and increasing the investment in overseas self-registration to enrich the product portfolio in each target country, and starting the construction of a "fast market entry platform" in more target countries. In the meanwhile, the Company also adheres to the characteristics of "light structure and rapid response" to accelerate the development of its own brand B-C business in each target country.

With its own strength and China's strong supply chain, the Company is striving to achieve “From Made in China to Globalization of Chinese Brands”.

## **2. Clear and firmly implemented strategic plan**

In 2019, based on the BLM model, with the participation of all core team members, the Company reached a consensus and determined the mid-term strategic plan for 2020-2024 after in-depth and sufficient discussions. The mid-term strategic plan was formulated based on the guidelines of “Persisting in doing the difficult but correct work, moving towards the forefront of industrial value chain, and building a complete industrial chain”.

After the mid-term strategic plan is completed, the Company organizes an annual review and update in the middle of each year to ensure that the key tasks formulated around the plan keep pace with the times. Based on the mid-term strategic plan, the Company formulates the annual business plan, annual department work plan and personal PBC. After decoding level by level, it forms a strategic plan implementation map, summarizes, reviews and comments on the implementation every quarter, and proposes the next improvement plan to ensure that all staff focus on strategic planning and annual work plans, and work together to achieve the goals.

## **3. A professional, committed and international core team**

The Company has nurtured a stable operation team. For more than 20 years, the operation team led by founding shareholders, Wicky Wang, Sun Guoqing, Qiu Hongbing, Yuan Liangguo and Liu Yuanqiang, has focused on the sector of crop protection products. They have a profound expertise and rich hands-on experiences with insights into segmented markets and development trends globally.

The Company's vision is “To be a Global Leading Crop Protection Company” and its mission is “All about Growing”. The core values of the Company are “Customer Oriented; Rapid Response; Constant Effort; Open and Inclusive; Together We Work; Together We Win”. With the guidance of the vision, mission and core values, and by practicing them, the Company builds cultural identities and unity of team members. Through continuously improving positions, salaries and benefits, performances and training systems, the Company builds an international team to facilitate global business expansion.

To fully implement the core value of “Together We Win”, the Company has launched a restricted share incentive plan for excellent core members of the operational team other than the founding shareholders in 2021. This will be an integral part of the Company's efforts in continuously improving positions, salaries and benefits, performances and training systems with an aim to build a united international team who will pay collective efforts towards shared goals.

## **4. R& D and innovate support for advanced manufacturing**

Since the financial crisis in 2008, under the influence of decreasing demands on the market and with aggravated over-productivity due to continuous low-level repeated construction in the domestic manufacturing sector for years, the domestic market has seen excessive supplies of the crop protection products and vicious price competition which exerts negative influences on the profits of the companies in the industry. In response to the challenges brought by the domestic & foreign economic environment and changes in the market, the operation team determined to invest limited resources in business expansion and deepening of the global market between 2008 to 2019 after analysis and discussion, and built a global marketing network which features as “Fast Market Access Platform”.

At this stage, matching with the strategic planning, the Company mostly concentrates its R&D and innovation resources on development of differentiated formulations oriented by the pain points of the end market. So far, the Company has set up technologies and a R&D team to facilitate rapid development of formulations of all specifications in need of clients around the world. The development features as rapid, cost-effective compliant with laws and regulations of varied countries and globally leading.

Since 2017, with the improvement of national security and environmental protection management requirements and law enforcement, non-compliant and technological outdated production capacity in the domestic crop protection manufacturing industry has been cleared out. Large compliant active ingredient manufacturers have gotten into a favorable development and growth cycle. During this cycle, more and more active ingredients single products are seeking technological breakthroughs in automatic production, continuity, environmental protection and other aspects to meet the requirements of laws& regulations and stable production. Once they achieve the breakthroughs, they can expand the production into larger scale as to dominate the global market in that product.

The Company has spotted this trend on the active ingredient manufacturing early, and thus shifted its resources of R&D and innovation to the advanced manufacturing of active ingredients single product in 2019. To achieve large-scale production of active ingredients by utilizing globally leading technologies, on basis of the network built in the course of the long-term international market expansion and the Company's international vision, the Company has actively gathered top experts from varied segmented domains and optimized the R&D work flow. So far, the Company has set up an international technology team with globally leading expertise and a science-based, rigorous, efficient and systematic work flow. That has given strong support to the successful execution and stable operation of the active ingredients synthesis program in the long-term planning.

According to the Company's medium-term planning, the main measures and focus of the Company in R&D and innovation are as follows:

- (1) Select from expired patents the target products that are instrumental for expanding into multiple markets on the globe and that have the potential to create a huge market. Another crucial factor is that these products must offer a large room for technological improvement. The Company refuses to engage in low-level repeated production and never advances prematurely in blind pursuit of quantity. The Company only invests for active ingredient products when it is confident that it can take the lead in terms of techniques and production scale of the niche markets worldwide for these products.
- (2) Select active ingredients that are instrumental for the Company's market expansion and that have great market potential from soon-to-expire patents and be the first to start planning for those ingredients worldwide. The Company is determined to become the leader in exploring the market of such active ingredients in their post-patent period.
- (3) Research, develop and launch differentiated formulations with the guidance of the pain points of end markets around the globe. This type of programs have seen considerable success on many target markets. The Company has summarized the methodology from the practice and paid full efforts in implementing the methodology.

## **5. Broadly covered global marketing network**

The Company's business covers the world, with five manufacturing bases in Wei Fang, Qingdao (Shandong Province, China), Pingluo (Ningxia Province, China), Argentina and Spain. The Company has set up over 80 subsidiaries overseas

with its businesses in over 80 countries. With strong global registration competence, the Company is expanding its global marketing network at high speed.

According to the Company's medium-term strategic plan (updated in 2022), in terms of the construction of "Fast Market Access Platform", the Company will complete the preliminary stage of the project in all major markets except the United States, Canada and Japan by 2024. In addition, the Company will complete the project in all major markets between 2025 and 2029 to achieve the construction of "Fast Market Access Platform". In terms of running self-branded business-to-customer by setting up local teams, the Company will implement this plan in no less than 25 new target countries by the end of 2024.

**6. Based on the complete industrial chain and thorough understanding of the whole process, with the advantages of "light structure, and fast response".**

The Company has built a complete industrial chain involving research and development of active ingredients, manufacturing, branding towards the global market, trading channels, sales and services from the factory to the farm. The Company also has a thorough understanding of the whole industrial chain and can make values in each section. By leveraging its own productivity, strong supply chain in China and a global marketing network, the Company responds to changes on the supply side, cost side and global market rapidly, which features as "light structure, and fast response". It originates from China and serves the world.

The global marketing network enables the Company to gain insights in the market dynamics and advert risks of blind investment in R&D and manufacturing side.

The global vision, international professional team and its core values of "Open and Inclusive, Together We Win" also help the Company successfully integrate the upstream side and downstream side of the global industrial chain as well as to grow rapidly in the capital market.

## **IV. Analysis on main businesses**

### **1. Overview**

Rainbow's present medium-term strategic plan (2020-2024) was drawn under the guiding principle of "Persisting in doing the difficult but correct work, moving towards the forefront of industrial value chain, and building a complete industrial chain". On basis of this medium-term strategic plan, the Company will continue focusing on R&D and innovation-backed advanced manufacturing and improving the global marketing network. Following is the summary of progresses made in these two aspects in this year.

#### **I. R&D and innovation-backed advanced manufacturing**

1. Team building: In 2022, the Company stepped up efforts to recruit more talents who are fresh graduates and experienced professionals. 42 new employees were added to the technology team, among which 5 are top-notch experts. The overall R&D capability was improved. Meanwhile, with a wide expertise network build through years in the international market and an international vision, the Company has actively integrated top experts in segmented

domains and further improved R&D processes. So far, the Company has preliminarily built an international technology team with top expertise and a science-based, rigorous, effective and systematic work flow which provides strong support o successful construction and stable operation of programs in the Company planning.

2. Project planning: Under the guidance of the Company's medium-term strategic plan, by leveraging the Company's advantages in sharp market sensitivity and full transparent industrial chain, the Company has selected systematic, rigorous and targeted products for medium-term product planning. In terms of manufacturing active ingredients, important active ingredients with expired patents or with soon-to-expire patents were in the process of being handled by different project teams in steady progress.

3. Progress of implementation: In terms of manufacturing active ingredients, the Company has developed and optimized processing technologies of manufacturing important active ingredients based on goals of automation, continuous and environmental protection to make the processing more refined and chemical-based. So far, a first-of-its-kind full-process continuous green processing chain for an active ingredient built in China has been put into operation. A project for full-chain continuity transformation of an active ingredient is in the preproduction stage. Two projects for full-chain continuity transformation of active ingredients have been completed and are ready for implementation. Two active ingredients are expected to complete development in the second half of 2023 and get ready for implementation in 2024. One active ingredient is expected to complete development in the second half of 2024 and get ready for implementation in 2025.

The successful execution and stable operation of each project in the medium-term strategic planning will gradually improve the whole industrial chain of Rainbow and provide strong support to the expansion of the global market.

## **II. Improving the Global Marketing Network**

1. Team building: The marketing and registration team has rapidly expanded through recruitment campaigns at domestic universities and colleges, social recruitment and local recruitment in different countries. Especially after enhancing recruitment of local staff in foreign countries, the set-up and management of international teams has become more systematic and mature. With more young staff joining the team, the Company has further enriched and optimized the marketing and registration training scheme and serial training materials. It has successfully organized 4-month Xinfei Young Training for new staff recruited at universities and colleges and an annual 1-week intelligence training camp for on-the-job staff, which achieved the goal of improving unity, sharing lessons learned at work and educating methodologies of success.

2. Market expansion: With the pandemic raging abroad, the domestic market team has made efforts to expand outbound. While deepening the business in existing target markets, the team has continuously expanded new market and accelerated construction of the global marketing network.

(1) Completed in-depth research on Poland, Belarus, Azerbaijan, Armenia, Iraq, Iran, Oman, Saudi Arabia, the United Arab Emirates, Jordan, Burkina Faso and Senegal, Rwanda, Burundi, Namibia, Botswana, Mozambique, Algeria and other markets;

(2) Just established wholly-owned or joint venture subsidiaries or offices in Russia, Kazakhstan, Rwanda, Angola, Botswana, Iraq, etc.;

(3) Set up local teams in Brazil, Argentina, Mexico, Ecuador, Peru, Dominica, Russia, Kazakhstan, Indonesia, the Philippines, Thailand, Cote d'Ivoire, Nigeria, Rwanda, Angola, Iran and other countries, self-built or joint venture, and started building TO C channels to boost the sales performance of the brand.

(4) Acquired Sarabia of Spain to accelerate its investment and business growth in the EU market;

3. Global registration As the construction of the global marketing network accelerates, the Company also pays more efforts and accelerates the global registration layout.

(1) Expanded the global registration team rapidly, from 119 team members in 2021 to 169 at present.

(2) Continuously increased input in global registration, with a year-on-year increase of about RMB 36 million for the first half of 2022 in global registration fees.

(3) Adopted flexible payment method in purchase of registration: To accelerate registration and access to important markets, the Company has acquired 131 EU registrations through the acquisition of Sarabia.

(4) Acquired 137 new registrations in countries such as Serbia, Egypt, Mali, Cote d'Ivoire, Tanzania and Uzbekistan in 2022; initiated and followed up the registration surveys in 16 countries in 2022, such as Belarus, Iran, Iraq, Rwanda, Malawi, Botswana, Namibia, Togo, Benin, Azerbaijan, Chile, and Japan; invested more resources in existing registered countries and obtained more registrations, to enrich the product portfolio and meet demands in different countries.

(5) As of December 31, 2022, the Company has over 300 registration items in China and over 4,900 registration items overseas.

The Company is accelerating the construction of global marketing network comprehensively and orderly according to the mid-term strategic planning.

### III. Analysis of the Company's Annual Operations

Each task has been implemented and completed according to the medium-term strategic plan and annual work plan, but looking forward, there are still obvious gap in the Company capacity.

1. Throughout the year, the overall operation of the Company is in good condition. Each task has been implemented according to the medium-term strategic plan and annual work plan. Both the progress and quality of each key task meet the expectation.

2. The operation team fully leverages the advantages of “light structure, and fast response” to calmly embrace the major changes in the market, effectively reduce and control operational risks to achieve good business performance.

3. The global marketing network has been built at higher speed than expected. Satisfactory progresses have been made in deepening the market end and optimizing the business model.

4. During the Company's globalized operation, it also needs to continuously improve its capabilities, including the capability for the advanced manufacturing of important active ingredients supported by R&D and innovation, the globalized operation capability based on an adapted management system and the capability to build an excellent end-to-end process system in line with Rainbow Agrosiences' business, and guarantee the implementation of processes.

## 2. Incomes and costs

### (1) Composition of operating incomes

Overall operating incomes

Unit: RMB

	2022		2021		Year-on-year increase or decrease
	Amount	Proportion in operating incomes	Amount	Proportion in operating incomes	
Total operating incomes	14,460,175,154.41	100%	9,797,107,551.38	100%	47.60%
Industry					
Chemical Industry	14,460,175,154.41	100.00%	9,797,107,551.38	100.00%	47.60%
By products					
Major product-Herbicide	12,283,317,574.94	84.95%	7,992,792,442.48	81.58%	53.68%
Major product-Insecticide	1,003,238,894.16	6.94%	864,351,261.74	8.82%	16.07%
Major product-Fungicide	797,108,900.12	5.51%	670,578,706.58	6.84%	18.87%
Major product-Other	239,960,446.90	1.66%	152,871,668.80	1.56%	56.97%
Other	136,549,338.29	0.94%	116,513,471.78	1.19%	17.20%
By regions					
Foreign	14,161,700,842.29	97.94%	9,488,826,098.84	96.85%	49.25%
Domestic	298,474,312.12	2.06%	308,281,452.54	3.15%	-3.18%
Distribution mode					
Direct sales	14,460,175,154.41	100.00%	9,797,107,551.38	100.00%	47.60%

### 3. Expenses

Unit: RMB

	2022	2021	Year-on-year increase or decrease	Notes on significant changes
Sales expenses	292,303,865.92	219,514,455.26	33.16%	Mainly caused by increase in payroll and insurance premiums during the reporting period
Management expenses	369,515,096.10	293,698,852.81	25.81%	Mainly caused by increase in payroll and dividend payment during the reporting period
Financial expenses	-345,422,688.78	95,665,159.54	-461.07%	Mainly caused by increase in exchange gains due to fluctuations of exchange rates during the reporting period
R&D expenditures	335,089,330.53	312,438,469.66	7.25%	

## 5. Cash flow

Unit: RMB

Item	2022	2021	Year-on-year increase or decrease
Subtotal of cash inflow in business activities	14,574,948,887.65	10,254,282,775.89	42.14%
Subtotal of cash outflow in business activities	13,204,293,479.40	9,463,211,166.16	39.53%
Net cash flow from operating activities	1,370,655,408.25	791,071,609.73	73.27%
Subtotal of cash inflow in investment activities	254,109,998.76	234,884,534.77	8.19%
Subtotal of cash outflow in investment activities	1,121,419,806.70	814,615,446.56	37.66%
Net cash flow in investment activities	-867,309,807.94	-579,730,911.79	-49.61%
Subtotal of cash inflow in financing activities	870,925,420.51	2,653,844,231.90	-67.18%
Subtotal of cash outflow in financing activities	1,336,259,609.93	1,532,169,238.30	-12.79%
Net cash flow from financing activities	-465,334,189.42	1,121,674,993.60	-141.49%
Net increase in cash and cash equivalents	43,760,530.28	1,312,659,341.39	-96.67%

Explanation of the main reasons of significant changes in statistics compared with the same period last year

Applicable     Not applicable

(1) Cash inflow from operating activities increased by 42.14% over the previous year, which was mainly caused by increase in collected payments due to year-on-year revenue growth during the reporting period

(2) Cash outflow from operating activities increased by 39.53% compared with the previous year, which was mainly caused by the year-on-year increase of main business cost due to increased payments for purchasing larger quantities of raw materials in the reporting period.

(3) Cash outflow from investment activities increased by 37.66% compared with the previous year, which was mainly caused by the merger with Ningxia Hanrun Biotechnology Co., Ltd and Exclusivas Sarabia, S.A. and impairment of financial assets measured at fair value with changes recognized in profit and loss.

(4) Cash inflows from financing activities decreased by 67.18% compared with the previous year, which was mainly caused by a decline in investment funds received and loans obtained during the reporting period.

## V. Non-major Businesses

Applicable     Not applicable

Unit: RMB

	Amount	Proportion of total profits	Causes	Whether it is sustainable
Investment returns	-259,460,460.87	-14.80%	Mainly due to investment loss resulting from disposal of financial assets held for trading	No



Profits and losses of changes in fair values	-171,103,311.09	-9.76%	Mainly due to changes in fair values of financial assets held for trading	No
Asset Impairment	-6,825,463.24	-0.39%	Mainly due to increase in impairment of fixed assets and on-going projects during the reporting period	No
Non-operating income	6,419,294.11	0.37%	Mainly due to incomes from scrapping non-current assets	No
Non-operating expenses	29,320,723.84	1.67%	Mainly due to losses from scrapping non-current assets	No
Credit impairment	-56,341,452.37	-3.21%	Mainly due to the accounts receivable credit impairment loss	No

## VI. Analysis on Assets and Debts

### 1. Significant changes in asset composition

Unit: RMB

	End of 2022		Beginning of 2022		Increase/Decrease in proportion	Notes on significant changes
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Monetary funds	3,793,952,509.17	32.71%	3,724,744,059.71	36.12%	-3.41%	
Accounts receivable	3,201,703,461.53	27.60%	2,328,358,879.35	22.58%	5.02%	Mainly due to year-on-year revenue growth during the reporting period brought by the increase in accounts receivable from customers
Contracted assets		0.00%		0.00%	0.00%	
Inventory	1,657,230,533.12	14.29%	1,775,113,092.67	17.21%	-2.92%	
Investment real estate	9,136,334.57	0.08%		0.00%	0.08%	
Long-term equity investment	1,669,386.12	0.01%	1,810,538.69	0.02%	-0.01%	
Fixed assets	1,691,830,176.47	14.59%	1,218,635,770.03	11.82%	2.77%	Mainly caused by transfer of projects in progress after completion during the reporting period

Construction in progress	360,840,138.91	3.11%	281,855,456.95	2.73%	0.38%	
Assets with rights of use	15,379,959.49	0.13%	18,876,699.07	0.18%	-0.05%	
Short-term loan	404,206,509.66	3.48%	550,348,417.31	5.34%	-1.86%	
Contract liability	46,035,630.83	0.40%	45,096,633.96	0.44%	-0.04%	
Long-term loan	17,176,777.87	0.15%	25,555,537.87	0.25%	-0.10%	
Lease liability	8,595,962.05	0.07%	13,312,230.04	0.13%	-0.06%	

Overseas assets account for a relatively high proportion

Applicable  Not applicable

## 2. Assets and liabilities measured in fair value

Applicable  Not applicable

Unit: RMB ten thousand

Item	Opening balance	Changes of gain or loss in fair values during the reporting period	Changes in accumulative fair values that are counted into equity	Impairment accrued during the reporting period	Purchase amount during the reporting period	Sales amount during the reporting period	Other changes	Ending Balance
Financial assets								
1. Trading financial assets (derivative financial assets excluded)	20,000.00				854.27	20,000.00		854.27
2. Derivative financial assets	4,892.23	-4,892.23						
The above total	24,892.23	-4,892.23			854.27	20,000.00		854.27
Financial debts	0.00	-12,218.10						12,218.35

## VII. Vision of Future Development

(I) Rainbow's present medium-term strategic plan(2020-2024) was drawn under the guiding principle of "Persisting in doing the difficult but correct work, moving towards the forefront of industrial value chain, and building a complete industrial chain". On basis of this medium-term strategic plan, the Company will continue focusing on R&D and innovation-backed advanced manufacturing and improving the global marketing network. Work progresses the Company has made in these two aspects in 2022 have been described in detailed in the section of analysis on major businesses above, which will not be repeated here. The implementation plan of the Company's mid-term strategic plan and the important work in 2023 about these two aspects are summarized as follows:

1. Firmly implement the medium-term strategic plan

In terms of R&D and innovation-backed advanced manufacturing, the Company plans to complete advanced manufacturing of important active ingredients towards the goals of automation, continuity and environmental protection during the medium-term strategic planning stage (by the end of 2024). For important active ingredients whose patent period is about to expire, preliminary preparation is carried out actively to achieve successfully advanced manufacturing during 2025-2029.

In terms of improving the global marketing network, the Company plans to complete preliminary construction of “Fast market entry platform”, in all major markets on the globe except the United States, Canada and Japan during the medium-term strategic planning stage (by the end of 2024) and will complete the construction of “fast market entry platform” in all major markets on the globe between 2025 and 2029. In terms of running self-branded business-to-customer by setting up local teams, the Company will implement this plan in no less than 25 new target countries by the end of 2024.

## 2. Important work for the year of 2023

(1) Continuously intensify the training of core team members' capabilities and values, enforce the qualification standards for core members to take office, take serious measures for the publicity and practice of core values, and guarantee that all core members want to "fight", be able to "fight" and win the "fight".

(2) Actively promote process change projects within the Company in collaboration with management consulting companies, build a complete set of excellent end-to-end process operation system and management system in line with Rainbow's business to guarantee the execution of processes and the enforcement of the planning for process construction.

(3) Build such a management system that adapts to the global operation, facilitate the launch of the global SAPERP project, improve the capability of global operation, and ensure efficient operation, safe operation and stable development.

(4) Thoroughly understand the information of the whole industrial chain from factory to farm, respond quickly, make accurate decisions, establish and effectively operate the procurement-and-sale collaborative mechanism with the characteristics of Rainbow.

(5) Successfully enforce the established advanced manufacturing project of important active ingredients on schedule.

(6) Accelerate business development in more markets, build Model C/C+ in more markets and make them grow fast, and further improve the global marketing network.

(7) Finish the enforcement of the registration plan in each target country and achieve order-based management throughout the registration process.

(8) Continuously optimize and efficiently run the delivery system to ensure the fast and timely delivery of ordered products with high quality.

## 3. Industry outlook for the year of 2023

(1) The global market demand for crop protection products will remain strong: The food security concerns and the demand for biofuel recovery resulting from the on-going global COVID-19 pandemic and Russia-Ukraine conflict and the weather-related agricultural supply problems, have boosted the global demand for bulk agricultural products.

High bulk agricultural product prices and good yields for growers have led growers to expand acreage and increase agricultural inputs, leading to strong global demand for crop protection products as a whole.

(2) There will be a distinct phase of oversupply of global crop protection products: After the third quarter of 2022, with the delivery of most of the over-ordered goods and the continuous expansion of the production capacity of suppliers, the relationship between supply and demand changed suddenly and a period of oversupply began, and the price of crop protection began to decline, which further led to the hesitation, delay and destocking of buyers. This aggravated the situation, resulting in the continuous decline of crop protection prices with heavy downward pressure.

(3) The overall performance of the crop protection industry will decline before picking up: Affected by the distinct phase of oversupply and destocking in major markets, the crop protection industry will show a decline in business performance. After the destocking in all markets is basically over, the industry will benefit from the higher price of bulk agricultural products and the overall stronger demand of growers for crop protection products. It is highly likely that the overall performance of the crop protection industry will be better in the second half of the year than in the first half of the year.

## II. Potential Risks the Company may Face

### 1. Risks from environmental protection

The Company is categorized into the sub-industry of manufacturing of chemical pesticides under the manufacturing of chemical raw materials and chemical products. Waste water, waste gas and waste residue will be produced during production and operation, which requires comparatively high environmental protection. Along with the full enforcement of the national strategy for sustainable development, the environmental protection policy has become increasingly strict, and the goal of environmental pollution management has been increasingly raised. The Company will further intensify its investment in environmental protection, insist on source control, launch digital transformation of production, and endeavor to control environmental protection risks within a reasonable range.

Counter-measures: The Company will strictly comply with the requirements of relevant laws and regulations on environmental protection to fulfill the corresponding examination and approval procedures on environmental protection, enhance relevant pollution treatment facilities, cut down pollutant emissions to a further extent, and guarantee that the Company's operations conform to relevant environmental requirements. Apart from that, the Company will increase the research on green technology, apply cleaner production to practice, and continuously decrease the generated waste and pollutants by use of clean energy, technologies and equipment with high resource utilization rate and low pollutant discharge, as well as comprehensive utilization technology of waste and harmless treatment technology of pollutants.

### 2. Risks from safety production

Some raw materials, semi-finished products and finished products of the Company are flammable, explosive, corrosive or toxic substances, and the production process is made up of high-temperature and high-pressure processes, raising relatively high requirements for equipment security and appropriateness of manual operation. There exist the risks of accidents and security incidents as a result of imperfect equipment and technology, improper storage and operation of goods. The Company has been devoted to enhancing the process routes all along, increasing the degree of

automation control in the process of production, reinforcing management and raising the security awareness of employees.

Counter-measures: The Company will continue to launch special rectification actions for safety production, perfect the double prevention mechanism, increase investment in the management of safety production, reinforce the maintenance of security equipment and facilities, enhance on-site management and security education and training for employees, build and perfect a variety of security management systems, and control and prevent accidents in an effective manner.

### 3. Risks of policy changes in major importing countries of pesticides

The Company principally sells its products to the international market, and the exporters in the reporting period principally cover Argentina, Brazil, Australia, the United States, Thailand, and the like. Since the requirements for environmental protection in various countries have become increasingly stringent, the major importers of pesticides on a global scale may take increasingly stringent control measures for the import and use of pesticide products, including raising the standards for product registration and restricting the import of highly toxic and residual pesticide varieties, and the like. As a major exporter of pesticide products in the world, China's trade protection measures such as anti-dumping investigation against China's exported pesticide products will also be adopted from time to time, leaving a certain adverse influence on the export of domestic manufacturers of pesticides.

Counter-measures: The Company will carry out more information collection and analysis of foreign markets, and actively keep track of the policy trends of relevant countries and markets. Apart from that, the Company will continuously raise the level of technology and process, expedite the construction of "Fast Market Access Platform", actively probe into the commercial operation mode of brands and channels on the basis of the platform, exploit the global market to a further extent, and low and disperse the risks of relevant policy changes as well.

### 4. Risks of overseas independent registered investment in pesticide products

Since the second half of 2008, the Company has begun to study and plan the improvement and upgrading of the Company's sales model and development route, gradually building a sales model integrating the traditional export model of pesticide products with the overseas independent registration model of pesticide products. By the end of this reporting period, the Company was in possession of more than 4900 overseas registration certificates for pesticide products. To register pesticide products independently in various countries, a lot of investment is needed in product research and development, product experiment, registration, etc. However, resulting from various uncertain factors such as economic environment and market demand, the Company find it unable to guarantee that all investment in the registration of overseas pesticide products can attain the expected results in a short period of time.

Counter-measures: In light of the medium-and long-term strategic plan, the Company will launch profound research in the target country, learn about crops, diseases, pests and terminal medication habits, dig deep into the pain points of the market, and work out a targeted product registration plan in the target country, including the best-selling products in the target country, the improved and differentiated new preparations of registered crops, and the like. After the product registration plan is prepared, the team of the target country will decode the key tasks level by level to guarantee that the important value in the important market is accurately registered and first acquired, and plan the market entry strategy six months ahead of the registering expected acquisition time to fulfill commercialization.

## 5. Risk of exchange rate fluctuations

The Company's export sales revenue of products makes up a large proportion of the primary business revenue in the corresponding period, and the payment for export sales of products is mostly priced and settled in USD. Thus, the change of exchange rate will leave a certain influence on the Company's profit by changing the Company's product price. Besides, changes in exchange rate will also exert a certain influence on the value of foreign currency assets held by the Company. Thanks to the expanded scale of the Company's overseas market development, the export sales revenue will increase to a further degree. If the exchange rate fluctuates greatly in future, it will impose a certain influence on the Company's performance. The Company will intensify the Company's research on the policies for international trade and exchange rate. At the same time, it will also strengthen the research on the rules of foreign exchange fluctuations, timely carry out foreign exchange forward settlement business, and lock in exchange rate fluctuations.

Counter-measures: The Company will put a high premium on the control of exchange rate risks, and hedge and evade exchange rate risks by various means while guaranteeing security and liquidity. For the risk exposure of exchange rates, the Company will actively make use of financial hedging instruments, for example hedging, and reasonably control the risks without taking speculation as the purpose.

## Section III. Company Governance

### I. Information of Directors, Supervisors and Senior Management

#### 1 Basic information

Name	Position	Status	Gender	Age	Term start date	Termination date	Number of shares held at the beginning of the period (shares)	Number of shares increased in the current period (shares)	Number of shares reduced in the current period (shares)	Other increases or decreases (shares)	Number of shares held at the end of the period (shares)	Reasons for increase or decrease of shares
Wicky Wang	Chairman	Currently in office	Male	52	Friday, September 9, 2022	Monday, September 8, 2025	0	0	0	0	0	N/A
Sun Guoqing	Director	Currently in office	Male	51	Friday, September 9, 2022	Monday, September 8, 2025	0	0	0	0	0	N/A
Qiu Hongbing	Director and Vice President	Currently in office	Female	54	Friday, September 9, 2022	Monday, September 8, 2025	0	0	0	0	0	N/A
Li Xueshi	Deputy Chairman	Currently in office	Male	66	Friday, September 9, 2022	Monday, September 8, 2025	0	0	0	0	0	N/A
Yuan Liangguo	Director and Vice President	Currently in office	Male	52	Friday, September 9, 2022	Monday, September 8, 2025	0	0	0	0	0	N/A
Liu Yuanqiang	Director and Vice President	Currently in office	Male	52	Friday, September 9, 2022	Monday, September 8, 2025	0	0	0	0	0	N/A
Huang Fangliang	Independent director	Currently in office	Male	55	Friday, September 9, 2022	Monday, September 8, 2025	0	0	0	0	0	N/A
Meng Qingqiang	Independent director	Currently in office	Male	50	Friday, September 9, 2022	Monday, September 8, 2025	0	0	0	0	0	N/A
Niu Hongjun	Independent director	Currently in office	Male	51	Friday, September 9, 2022	Monday, September 8, 2025	0	0	0	0	0	N/A
Sun Jianguo	Chairman of the Board of Supervisors	Currently in office	Male	69	Friday, September 9, 2022	Monday, September 8, 2025	0	0	0	0	0	N/A
Hou Juzhen	Supervisor	Currently in office	Male	48	Friday, September 9, 2022	Monday, September 8, 2025	0	0	0	0	0	N/A
Cai Huan	Supervisor	Currently in office	Female	40	Friday, September 9, 2022	Monday, September 8, 2025	0	0	0	0	0	N/A
Shen Jie	President	Currently in office	Female	48	Friday, September 9, 2022	Monday, September 8, 2025	0	0	0	39,920	39,920	The equity incentive plan grants Restricted Shares II
Xing Bingpeng	Chief Financial Officer and	Currently in office	Male	42	Friday, September 9, 2022	Monday, September 8, 2025	0	0	0	33,780	33,780	The equity incentive

	Secretary of the Board of Directors											plan grants Restricted Shares II
Total	--	--	--	--	--	--	0	0	0	73,700	73,700	--

I. Whether there were outgoing directors, supervisors and senior management during the reporting period

Yes  No

Changes of directors, supervisors and senior management

Applicable  Not applicable

**2. Employment status**

Professional background, chief work experience and chief responsibilities of current directors, supervisors and senior management in the Company

(1) Members of the Board of Directors

Wicky Wang: Male, Chinese nationality, born in 1971, without permanent right of abode overseas, bachelor's degree, graduated from the major of Fine Chemical Engineering, East China University of Science and Technology. From 1994 to 2000: served as Director, Assistant General Manager and General Manager of Shandong LVYE Workshop; From 2001 to 2007: served as the Chairman of Shandong Rainbow; In 2005: founded the Company and took responsibility for overseas market development as one of the chief founders of the Company; Currently the Chairman of the Company.

Sun Guoqing: Male, Chinese nationality, born in 1972, without permanent right of abode overseas, bachelor's degree, graduated from the major of Organic Chemical Engineering, East China University of Science and Technology, and a senior engineer. From 1995 to 2000: served as Project Manager of R&D Department, Deputy Manager of Production Department and Manager of Technical Department of Shandong LVYE; From 2001 to 2007: served as the Director and General Manager of Shandong Rainbow; In 2005, founded the Company as one of the chief founders of the Company and served as the chairman; currently a director of the Company.

Qiu Hongbing: Female, Chinese nationality, born in 1969, without permanent right of abode overseas, bachelor's degree, graduated from the major of Fine Chemical Engineering, East China University of Science and Technology, and an engineer. From 1993 to 1998: served as the Supervisor and Deputy Manager of Shandong LVYE Additives Co., Ltd.; From 1998 to 2001: served as Manager of Shandong LVYE Department; From 2001 to 2005: served as the Director and Deputy General Manager of Shandong Rainbow; In 2005: founded the Company as one of the chief founders and served as Deputy General Manager; Currently the Director and Vice President of the Company.

Li Xueshi: Male, Chinese nationality, born in 1957, without permanent right of abode overseas, Senior Economist, MBA from School of Management, University at Buffalo(The State University of New York), graduated from the major of Management Engineering, China University of Petroleum with a bachelor's degree. From 1987 to 1989: serviced as a lecturer of East China Petroleum Institute; From 1989 to 1999: served as the Chairman of Shandong LVYE; From 2000 to 2006: served as the Vice President of Beijing Lianjin Investment Co., Ltd.; In 2007: joined the Company and served as a Director; Currently the Vice Chairman of the Company.

Yuan Lianguo: male, Chinese nationality, born in 1971, without permanent right of abode overseas, MBA of Beijing Jiaotong University, engineer, graduated from the major of Applied Chemistry, Shanghai Jiao Tong University with a



bachelor's degree. From 1997 to 2000: director of Shandong LVYE Workshop; From 2001 to 2007: served as the Director and Deputy General Manager of Shandong Rainbow; In 2005: joined the Company and served as Deputy General Manager; Currently Director and Vice President of the Company.

Liu Yuanqiang: Male, Chinese nationality, born in 1971, without permanent right of abode overseas, bachelor's degree, graduated from Shandong University in major of Chemistry, and an engineer From 1994 to 2001: the Manager of Quality Supervision Department of Shandong LVYE; From 2001 to 2007: served as the Director and Deputy General Manager of Shandong Rainbow Chemical Co., Ltd.; In 2005: joined the Company and served as Deputy General Manager; Currently the Director and Vice President of the Company.

Huang Fangliang: Male, Chinese nationality, born in 1968, without permanent right of abode overseas, Ph.D. in Economics, Fudan University. From 1991 to 1999: served as a teacher of Foreign Languages Department of Shandong Polytechnic University; From 1997 to 2007, served as Senior Project Manager, Assistant General Manager and Executive Director of investment bank headquarters of Tiantong Securities Co., Ltd.; From 2006 to 2012: served as an Associate Professor at the School of Finance, Shandong University of Finance and Economics; Since 2012: remained a professor at School of Finance, Shandong University of Finance and Economics, Director of Capital Management Institute, and an independent Director of the Company. He also serves as an independent director of Shandong Sublime China Information Co., Ltd., Mokingran Jewelry Group Co., Ltd., Shandong Denghai Seeds Co., Ltd., and Shandong Link Science and Technology Co., Ltd..

Meng Qingqiang: Male, Chinese nationality, born in 1973, without permanent right of abode overseas, bachelor's degree, graduated from Shandong University with major in law. From 2001 to 2002: served as an intern lawyer of Shandong Dongjian Law Firm; From 2002 to 2004: served as a lawyer of Shandong Anbaihe Law Firm; From 2004 to 2011: served as a lawyer and partner of Shandong Kangqiao Law Firm; Since 2012: remained a senior partner of Beijing Deheng (Jinan) Law Offices and an independent Director of the Company.

Niu Hongjun: Male, Chinese nationality, born in 1972, without permanent right of abode overseas, Ph.D. in Management from Renmin University of China, Tutor of master students. From 1995 to 2005: a lecturer at the School of Economics and Management, Shijiazhuang Tiedao University; From 2005 to 2008: studied for a doctorate in Management at the Business School of Renmin University of China; Since 2008: remained a lecturer at the Business School of Beijing Technology and Business University and an independent Director of the Company. He also serves as the supervisor of Huayao Derui (Beijing) Management Consulting Co., Ltd., and the independent director of Shenzhen Tongye Technology Co., Ltd.

## (2) Members of the Board of Supervisors

Sun Jianguo: Male, Chinese nationality, born in 1954, without permanent right of abode overseas, Master of Management, University of Science and Technology of China, senior economist. From 1981 to 1985: served as Deputy Secretary of the Youth League Committee of Lixia District, Jinan; From 1985 to 1987: served as Minister of Propaganda Department of Lixia District Committee of Jinan; From 1987 to 1996: served as Deputy Head of Lixia District People's Government of Jinan; From 1996 to 1998: served as Deputy Director of Construction Committee of Jinan City; From 1998 to 2005: served as Chairman and General Manager of Shandong Shengli Co., Ltd.; In 2005: joined the Company and served as a Director; Currently the Chairman of the Board of Supervisors of the Company.

Cai Huan: Female, Han, born on November 18, 1983, Chinese nationality, with no right of abode overseas. In July, 2001: Graduated from Shandong College of Electronic Technology with a college degree. In 2005: joined the Company and served as the Purchaser of Shandong Weifang Rainbow Chemical CO., Ltd.; Since February 2022: remained as the supervisor of Ningxia Hanrun Biotechnology Co., Ltd.

Hou Juzhen, male, Han, born on February 17, 1975, Chinese nationality, with no right of abode overseas. In July, 1997: graduated from Shandong University of Finance and Economics with a college degree. From September 1997 to November 2000: served as the Cashier of Shandong Vicome Greenland Chemical Co., Ltd.; From December 2000 to July 2007: served as the Financial Manager of Shandong Rainbow Chemical Co., Ltd.; From October 2005 to February 15, 2022: served as a Supervisor of Shandong Rainbow Chemical Co., Ltd; Since July 2019: remained Executive Director of Shandong Shuimu Qinghua Ecological Technology Co., Ltd. Currently a Supervisor of the Company.

### (3) Senior management

Shen Jie: Female, Chinese nationality, born in 1975, without permanent right of abode overseas, bachelor's degree, graduated from the major of International Enterprise Management, Qingdao University, international business engineer, human resource manager. From 1997 to 1999: served as an outreach member of Shandong Council for the Promotion of International Trade; From 1999 to 2001: served as Assistant to the Marketing Director of Dong-E-E-Jiao Group; from 2001 to 2003: served as the Office Director of SD. EMEDCHINA CN; From 2003 to 2007: served as Manager of Human Resource Department of Rainbow and Deputy General Manager; In 2005: joined the Company and served as Deputy General Manager; Currently the President of the Company.

Qiu Hongbing: Refer to the introduction to directors.

Yuan Liangguo: Refer to the introduction to directors.

Liu Yuanqiang: Refer to the introduction to directors.

Xing Bingpeng: Male, Chinese nationality, born in 1981, without permanent right of abode overseas, bachelor's degree, graduated from the major of Financial Management, Shandong University of Finance and Economics, and a senior accountant; From 2004 to 2005: worked as a Cashier of Shandong Tongji Technology Development Co., Ltd.; From 2005 to 2007: served as the Chief Accountant and Deputy Manager of the Finance Department of Shandong Runbo; In 2007: joined the Company and successively served as Deputy Manager and Manager of the Finance Department. Currently the Chief Financial Officer and Secretary of the Board of Directors of the Company.

### **3. Remuneration of directors, supervisors and senior management**

Decision-making procedures, basis for determination and actual payment of remuneration of directors, supervisors and senior executives

Decision-making procedures: the remuneration of the Company's directors and supervisors shall be decided by the Board of Shareholders, and the remuneration of senior executives shall be decided by the Board of Directors; The remuneration of the directors, supervisors and senior executives who work in the Company shall be paid by the Company, and the directors and supervisors, with the exception of independent directors, shall not pay any allowance separately.

Basis for determination: in accordance with the relevant national laws and regulations as well as the provisions of the Articles of Association and in consideration of the income level of the industry and region and the Company's profit level, the remuneration shall be comprehensively subject to the performance of duties and annual performance assessments of directors, supervisors and senior executives.

Actual payment: the gross remuneration of directors, supervisors and senior executives of the Company for the year of 2022 was RMB 8.236 million.

Remuneration of directors, supervisors and senior management of the Company during the reporting period

Unit: RMB ten thousand

Name	Position	Gender	Age	Status	Total pre-tax remuneration received from the Company	Get remuneration from related parties of the Company or not
Wicky Wang	Chairman	Male	52	Currently in office	198.17	No
Sun Guoqing	Director	Male	51	Currently in office	0	Yes
Qiu Hongbing	Director and Vice President	Female	54	Currently in office	129.72	No
Li Xueshi	Deputy Chairman	Male	66	Currently in office	0	Yes
Yuan Liangguo	Director and Vice President	Male	52	Currently in office	99.58	No
Liu Yuanqiang	Director and Vice President	Male	52	Currently in office	100.23	No
Huang Fangliang	Independent director	Male	55	Currently in office	10	No
Meng Qingqiang	Independent director	Male	50	Currently in office	10	No
Niu Hongjun	Independent director	Male	51	Currently in office	10	No
Sun Jianguo	Chairman of the Board of Supervisors	Male	69	Currently in office	0	Yes
Cai Huan	Supervisor	Female	40	Currently in office	16.22	No
Hou Juzhen	Supervisor	Male	48	Currently in office	0	No
Shen Jie	President	Female	48	Currently in office	130.04	No
Xing Bingpeng	Chief Financial Officer and Secretary of the Board of Directors	Male	42	Currently in office	119.64	No
Total	--	--	--	--	823.6	--

## II. Employees of the Company

### 1. Number of employees, professional composition and education level

Number of on-the-job employees in the parent company at the end of the reporting period (persons)	1,735
Number of on-the-job employees of major subsidiaries at the end of the reporting period (persons)	1,980
Total number of on-the-job employees at the end of the	3,715

reporting period (persons)	
Total number of employees receiving salary in the current period (persons)	3,715
Number of retired employees (people) borne by the parent company and its major subsidiaries	0
Professional composition	
Category of professional composition	Number of people of professional composition (persons)
Production personnel	2,183
Sales personnel	473
Technical personnel	509
Financial personnel	115
Administrative personnel	180
Integrated management personnel	255
Total	3,715
Education	
Education Category	Quantity (persons)
Doctor	5
Master	303
Undergraduate	1,057
Junior college	882
Below junior college	1,468
Total	3,715

### III. The Company's profit distribution and conversion of capital reserve fund into share capital

Preparation, enforcement or adjustment of profit distribution policy, particularly the policy for cash dividend within the reporting period

Applicable       Not applicable

During the reporting period, the Company strictly implemented the relevant provisions of the cash dividend policy and implemented the 2021 equity distribution plan: based on the total share capital of 276,180,000 shares as of December 31, 2021, cash dividend of RMB 8.33 (including tax) for every 10 shares will be paid to all shareholders, with a total cash distribution of RMB 230,057,940. The remaining undistributed profits are carried forward to the next year.

Special notes about the policy for cash dividend	
Whether it is in line with the requirements of the Articles of Association or the resolutions of the Board of Shareholders:	Yes
Whether the dividend standard and proportion are clear:	Yes
Whether relevant decision-making procedures and mechanisms are complete:	Yes
Whether the independent directors fulfill their duties responsibly and play their due roles;	Yes
Whether the minority shareholders are provided with the opportunity to fully voice their opinions and demands, and whether their legitimate rights and interests have been fully	Yes

protected:	
Whether the conditions and procedures are compliant and transparent if the policy for cash dividend is adjusted or changed:	Not applicable

The Company's profit distribution plan and the plan of conversion of capital reserve into share capital within the reporting period are in conformity with relevant provisions of the Company's Articles of Association.

Profit distribution and conversion of capital reserve into share capital in current year

Bonus shares per 10 shares (shares)	0
Dividends per 10 shares (RMB) (tax-inclusive)	16.30
Transferred shares per 10 shares (shares)	0
Share capital base of the distribution plan (shares)	277,115,744
Cash dividend amount (RMB) (tax-inclusive)	451,698,662.72
Amount of cash dividends in other ways (such as share repurchase) (RMB)	0
Total cash dividends (including other ways) (RMB)	451,698,662.72
Distributable profit (RMB)	2,189,570,288.45
Proportion of total cash dividends (including other ways) in total distributable profit	100%
Details of the cash dividends distribution	
If the development phase of the Company is in the growth phase and there exist material capital expenditure arrangements, when making profit distribution, the proportion of cash dividends in this profit distribution shall be at least 20%	
Details of the plan for profit distribution or capital reserve converted into share capital	
Based on the total share capital of 277,115,744 shares, a cash dividend of RMB 16.30 (tax inclusive) is distributed to all shareholders for every 10 shares, and the remaining undistributed profits are carried forward to the next year. Except for the above-mentioned cash dividend distribution, no share dividend is distributed this time, and there is no conversion of capital reserve into share capital.	

#### IV. Implementation of the Company's equity incentive plan, employee stock ownership plan or other employee incentive measures

Applicable       Not applicable

##### 1. Equity incentives

On October 14, 2021, the Company held the 25th meeting of the third Board of Directors, deliberated and approved the Proposal on the Company's Incentive Plan (Draft) for Restricted Shares (2021) and Its Abstract, the Proposal on Measures for the Administration of Implementation Assessment of the Company's Incentive Plan for Restricted Shares (2021), as well as other proposals. As the Company revised part of relevant contents in the original draft of incentive plan, on October 20, 2021, the Company held the 26th meeting of the third Board of Directors of the Company, which deliberated and approved the Proposal on the Company's Incentive Plan (Revised Draft) for Restricted Shares (2021) and Its Abstract, the Proposal on Measures for the Administration of Implementation Assessment of the Company's Incentive Plan for Restricted Shares (2021) (Revised Draft), as well as other proposals. On November 1, 2021, the Company held the 7th extraordinary shareholders' meeting of 2021, which deliberated and approved the Proposal on the Company's Incentive Plan (Revised Draft) for Restricted Shares (2021) and Its Abstract, the Proposal on Measures for the Administration of Implementation Assessment of the Company's Incentive Plan for Restricted Shares (2021)

(Revised Draft), and the Proposal on Requesting the Shareholders' Meeting to Authorize the Board of Directors to Handle Matters Associated with Equity Incentives, as well as other proposals.

On November 3, 2021, the Company held the 28th meeting of the third Board of Directors, deliberated and approved the Proposal on Granting Restricted Shares to Incentive Objects for the First Time, consenting to grant 4.9319 million Restricted Shares II to 153 eligible incentive objects at the price of RMB 25.06/share on November 3, 2021 as the first grant date.

On October 27, 2022, the Company held the 3rd meeting of the 4th Board of Directors and the 3rd meeting of the 4th Board of Supervisors. They deliberated and adopted the *Proposal to Grant Reserved Restricted Stock to the Target Employees of the Incentive*, the *Proposal on the Adjustment of the Price of the Initial Grant of Restricted Stock in 2021 Incentive Plan*, the *Proposal to Void Some of the Restricted Stock That Has Granted and Not Yet Vested*, and the *Proposal on the Performance Objectives to Be Achieved to Meet the Vesting Condition for the First Vesting Period of the Initial Grant of the Company's 2021 Restricted Stock Incentive Plan*. The Board of Directors agreed to reserve 0.5449 million Restricted Shares II to 34 eligible employees at the price of RMB 49.70/share on Thursday, October 27, 2022 as the reservation grant date. It agreed to adjust the initial grant price of 2021 Restricted Stock Incentive Plan to RMB 24.227/share (25.06-0.833) due to the Company's 2021 equity distribution. It agreed to cancel the restricted shares that have been granted but have not been vested to the target employees who have left the Company or failed the performance assessment, and the number of canceled shares is 211,116. It agreed that the Company shall handle matters related to the vesting of the first vesting period of the initial grant in accordance with the relevant provisions of the 2021 Restricted Stock Incentive Plan. As of November 2, 2022, 146 employees have deposited their vested funds into the RMB account opened by the Company in Weifang Branch of Industrial and Commercial Bank of China, with a total amount of RMB 22,670,360.71. On November 3, 2022, Shangkuai Certified Public Accountants (Special General Partnership) issued the capital verification report (SKSBZ (2022) No. 10496), which examined the contribution of the employees that met the vesting conditions in the first vesting period of the initial grant of the Company's 2021 Restricted Stock Incentive Plan. The Company has gone through the registration procedures of the vested restricted shares in Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. The vested restricted shares have been listed and circulated since November 11, 2022.

Equity incentives granted to directors and senior management during the reporting period

Applicable       Not applicable

Unit: Share

Name	Position	Number of stock options held at the beginning of the year	Number of new stock options granted during the reporting period	Exercisable shares in the reporting period	Number of shares exercised during the reporting period	Exercise price of the shares exercised during the reporting period (RMB/share)	Number of stock options held at the end of the period	Market price at the end of the reporting period (RMB/share)	Number of restricted shares held at the beginning of the period	Number of shares unlocked in the current period	Number of newly granted restricted shares within the reporting period	Grant price of restricted shares (RMB/share)	Number of restricted shares held at the end of the period
Shen Jie	President	0	0	0	0	0		87.10	199,600	39,920	0	24.227	159,680
Xing Bingpeng	Secretary of the board,	0	0	0	0	0	0	87.10	168,900	33,780	0	24.227	135,120

	CFO												
Total	--	0	0	0	0	--	0	--	368,500	73,700	0	--	294,800
Note (if any)	<p>All restricted shares described in the table above fall into Restricted Shares II.</p> <p>“Number of restricted shares held at the beginning of the period” refers to the number of Restricted Shares II held at the beginning of the period</p> <p>“Number of shares unlocked in the current period” refers to the number of Restricted Shares II vested in the current period. As Shen Jie and Xing Bingpeng are senior management personnel, according to relevant laws and regulations, 75% of the total number of shares they hold every year during their tenure are automatically locked.</p> <p>“Number of newly granted restricted shares within the reporting period” refers to the number of Restricted Shares II granted but not yet vested in the current period.</p>												

## Section IV. Financial Report

### I. Audit Report

Type of Audit Opinions	Standard unqualified opinion
Signing Date of the Audit Report	Friday, March 24, 2023
Name of the Audit Institution	Shangkuai Certified Public Accountants (Special General Partnership)
Audit Report Reference No.	SKSBZ (2023) No. 1899
Name of CPAs	Yu Renqiang, Yin Zuoyong

Text of Audit Report

Audit Report

SKSBZ (2023) No. 1899

To all shareholders of Shandong Weifang Rainbow Chemical Co., Ltd.,

#### I. Audit opinions

We have audited the attached financial statements of Shandong Weifang Rainbow Chemical Co., Ltd. (hereinafter referred to as "Rainbow"), including the consolidated and company balance sheet as of Saturday, December 31, 2022, consolidated and company income statements, consolidated and company cash flow statements, consolidated and company statements of changes in owner's equity and relevant notes to financial statements of 2022.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises, and give a fair view of the consolidated and financial position of Rainbow as of Saturday, December 31, 2022 and its consolidated operating results and cash flow of 2022.

#### II. Basis of Opinions

We implemented audit in accordance with stipulations of the Auditing Standards for Chinese Certified Public Accountants. Our responsibilities under those standards are further explained in the part of "CPA's Responsibilities for the Audit of the Financial Statements" of this audit report. In accordance with the Code of Ethics for Certified Public Accountants in China, we are independent of Rainbow and fulfill our other ethical responsibilities. We believe that the audit evidences which we have acquired are sufficient and appropriate, which offer basis for the provision of audit opinions.

#### III. Key Matters to be Audited

Key matters to be audited are those that we, in our professional judgment, consider to be the most important for the audit of the financial statements for the current period. These matters shall be addressed in the context of audit of the overall financial statements and formation of audit opinion, and we will not express an opinion on these matters separately. Key audit matters we have identified in our audit include:



## 1. Income recognition

### (1) Matter description

Rainbow is devoted into the research, development, production and sales of plant friendly products, i.e. pesticide active compound. As stated in Notes for Consolidated Financial Statements VI. 42. RMB 14,323,625,816.12 is recorded in main operating income for the year 2022, with an increases of 47.96% compared with the year of 2021. The Company's income is a considerable amount and has seen a great increase in the current period. Operating income, as a key performance indicator of the Company, has inherent risk that the management manipulates the time point of income recognition in order to achieve a specific goal or expectation. Therefore, we identify income as a key audit matter.

### (2) Audit response

The main audit procedures we implement for income confirmation are as follows:

- ① Understand the key internal controls related to income recognition, evaluate the design of these controls, determine whether they have been implemented, and test the operational effectiveness of relevant internal controls;
- ② Have knowledge of the Company's business model, obtain the Company's sales income breakdown, carry out revenue analysis procedures, analyze income constituents and compare income, cost, gross margin and other indicators related to main products with the peer data;
- ③ For the Company's export income, check accounting vouchers, sales orders, delivery documents, export declarations, bills of lading, sales invoices and other income recognition basis among major customers. For the Company's domestic sales income, check accounting vouchers, sales contracts, delivery documents, shipment records, customer acceptance records and other income recognition basis among major customers;
- ④ As per the external confirmations of accounts receivable, send income confirmation requests to selected major customers to verify the truthfulness of the recognized incomes of the Company;
- ⑤ Perform a cutoff test for major earnings before and after the balance sheet date to check whether the income is recorded in the appropriate accounting period.

## 2. Provisions for bad debts of accounts receivable

### (1) Matter description

The ending balance of account receivable of Rainbow is a large amount. As stated in Notes for Consolidated Financial Statements VI. 5, as of Saturday, December 31, 2022, RMB 3,399,159,094.52 was recorded in the ending balance of account receivable. RMB 197,455,632.99 is recorded in the ending balance of bad debt provision, and the amount of account receivable is 27.60% of total assets. The management uses significant accounting estimates and judgments in deciding whether the credit risk of account receivable of the Company increases significantly and measuring expected credit loss and estimated recoverable amount of account receivable. Thus, we identify the bad debt provision for accounts receivable as a key audit matter.

### (2) Audit response

The main audit procedures we have implemented for the bad debt provision for accounts receivable are as follows:

- ① Understand and evaluate management and internal controls related to accounts receivable management, and evaluate the design and operational effectiveness of these internal controls;
- ② Analyze the rationality of the Company's accounting estimates for the bad debt provision for accounts receivable, including the basis for determining risk feature portfolios, and the criteria used in bad debt testing for accounts receivable on an individual basis;
- ③ For the accounts receivable which the bad debt provisions have been made by aging, have knowledge of the Company's credit policy and its implementation, check the collections of accounts receivable and evaluate the rationality of the bad debt provisions for accounts receivable, by analyzing the aging of accounts receivable and customers' credibility;
- ④ For the accounts receivable which the bad debt provisions have been made on an individual basis, check the judgment basis of the management's estimated future recoverable amounts, including but not limited to customers' credit records, the record of the Company's claims made against China Export & Credit Insurance Corporation, the record of compensations received, the record of customer default or late payment transactions, and analyze and review the rationality of the bad debt provisions that have been made on an individual basis.

#### IV. Other Information

The management of Rainbow is responsible for Other Information, which includes the information covered in the 2022 Annual Report of Rainbow, but does not include the financial statements and our audit report.

Our audit opinion on the financial statements does not cover the Other Information, and we do not issue any form of verification conclusion on Other Information.

In combination with our audit of the financial statements, our responsibility is to read the Other Information. In the process, WE consider whether the Other Information is materially inconsistent with the financial statements or the information we learned during the audit, or whether there is a material mis-statement.

Based on the work that we have already done, if we determine that the Other Information contains material mis-statements, we should report the fact. In this regard, we have nothing to report.

#### V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management of Rainbow is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and designing, implementing and maintaining necessary internal controls so that there are no material mis-statements caused by fraud or errors in the financial statements.

In preparing the financial statement, the management is responsible for assessing Rainbow's capability to continue as a going concern, disclosing matters related to going concern (if applicable) and using the going concern basis of accounting, unless the management either intends to liquidate Rainbow or to cease operations, or has no realistic alternative.

Those charged with governance are responsible for monitoring the financial reporting process of Rainbow.

#### VI. CPA's Responsibilities for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance that the financial statements as a whole are free of material mis-statement due to fraud or error, and to issue an audit report that includes our audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with audit standards will always detect a material mis-statement when it exists. The mis-statement may be caused by fraud or errors. If each or all of the mis-statement could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements, it is generally deemed as material mis-statement.

We exercise professional judgment and maintain professional skepticism in carrying out our audit in accordance with audit standards. At the same time, we also do the following work:

1. Identify and assess the risks of material mis-statement of the financial statements due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material mis-statement resulting from fraud is higher than that resulting from error, as fraud may involve collusion, forgery, intentional omissions, mis-representations, or the override of internal control.
2. Understand the internal controls related to auditing, in order to design appropriate audit procedures.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management of Rainbow.
4. Conclude on the appropriateness of using the going concern assumption by the management of Rainbow. At the same time, based on the audit evidence obtained, a conclusion shall be drawn on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of Rainbow to continue as a going concern. If we conclude that a material uncertainty exists, according to audit standards, we are required to draw attention in our audit report of related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. If we conclude that there is material uncertainty, the audit standards require us to bring relevant disclosures in our audit report, in order to draw the attention of the financial statements users. If disclosure is inadequate, we should express unqualified opinions. Our conclusion is based on the information available as of the audit report date. However, future events or conditions may cause Rainbow to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and evaluate whether the financial statements fairly reflect relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of Rainbow in entities and business activities to express an audit opinion on the consolidated financial statements. We are responsible for guidance, supervision and implementation of the group audit and take full responsibility for the audit opinions.

We have communicated with those charged with governance regarding the planned scope and schedule of the audit, and significant audit matters, including any significant audit deficiencies in internal control that we identify during our audit.

We have also provided declarations to those charged with governance that we have complied with professional ethics requirements relating to independence, and communicated with them all relationships and other matters that may reasonably be considered to affect our independence, as well as relevant preventive measures (where appropriate).

For the matters communicated with those charged with governance, we determine which matters are most important to the audit of the financial statements for the current period, and thus constituted the key audit matters. We describe these matters in our audit report, unless the public disclosure of these matters is prohibited by laws and regulations, or in rare cases, if it is reasonably expected that the negative consequences caused by communication of certain matters in our audit report outweigh benefits generated in public interest, we confirm that such matters should not be communicated in our audit reports.

Shangkuai Certified Public Accountants  
(Special General Partnership)

Shanghai, China

Chinese Certified Public Accountant  
(Engagement Partner)

*Chinese Certified Public Accountant*

March 24, 2023

## II. Financial Statements

The currency of the statements in the financial notes is: RMB

### 1. Consolidated balance sheet

Prepared by: Shandong Weifang Rainbow Chemical Co., Ltd.

Unit: RMB

Item	Saturday, December 31, 2022	Saturday, January 1, 2022
Current assets:		
Monetary funds	3,793,952,509.17	3,724,744,059.71
Deposit reservation for balance		
Lending to banks and other financial institutions		
Financial assets held for trading	8,542,688.56	200,000,000.00
Derivative financial assets		48,922,283.50
Notes receivable	59,112,584.14	35,385,609.76
Accounts receivable	3,201,703,461.53	2,328,358,879.35
Receivables financing	680,000.00	100,000.00
Pre-payments	75,294,804.30	77,313,374.04
Premium receivable		
Re-insurance accounts receivable		
Reserves for re-insurance contract receivable		
Other receivables	33,525,890.70	11,576,269.72
Including.: interest receivable		
Dividends receivable		
Financial assets purchased under resale agreement		
Inventory	1,657,230,533.12	1,775,113,092.67
Contracted assets		
Assets held for sale		
Non-current assets that mature within one year		
Other current assets	184,823,557.40	264,431,341.13
Total current assets	9,014,866,028.92	8,465,944,909.88

Non-current assets:		
Disbursed loans and advances		
Debt investments		
Other debt investment		
Long-term receivables		
Long-term equity investment	1,669,386.12	1,810,538.69
Other equity instrument investment		
Other non-current financial assets		
Investment real estate	9,136,334.57	
Fixed assets	1,691,830,176.47	1,218,635,770.03
Construction in progress	360,840,138.91	281,855,456.95
Productive biological assets		
Oil and gas assets		
Assets with rights of use	15,379,959.49	18,876,699.07
Intangible assets	226,245,165.26	118,003,684.46
Development expenditure		
Goodwill	94,866,025.56	26,949,350.10
Long-term deferred expenses	31,898,939.40	1,972,932.08
Deferred income tax assets	82,525,991.91	46,893,086.34
Other non-current assets	69,616,034.81	130,713,116.29
Total non-current assets	2,584,008,152.50	1,845,710,634.01
Total assets	11,598,874,181.42	10,311,655,543.89
Current liabilities:		
Short-term loan	404,206,509.66	550,348,417.31
Borrowings from the central bank		
Borrowing from banks and financial institutions		
Financial liabilities held for trading		
Derivative financial liabilities	122,183,523.97	
Notes payable	3,367,152,536.58	3,369,427,627.30
Accounts payable	753,042,513.89	879,276,036.26
Advance receipts	254,920.26	2,624,536.52
Contract liability	46,035,630.83	45,096,633.96
Financial assets sold for repurchase		
Deposits and interbank deposits received		
Amount received from agency trading of securities		
Amount received from agency underwriting of securities		
Payroll payable	191,738,722.30	154,700,982.42
Taxes payable	106,896,314.07	83,154,482.55
Other payables	43,899,535.81	29,657,941.65
Including: Interests payable		
Dividends payable		
Charges and commissions payable		
Re-insurance accounts payable		
Liabilities held for sale		
Non-current liabilities due within one year	21,399,902.40	19,679,032.26

Other current liabilities	59,862,778.90	37,357,003.10
Total current liabilities	5,116,672,888.67	5,171,322,693.33
Non-current liabilities:		
Provision for insurance contracts		
Long-term loan	17,176,777.87	25,555,537.87
Bonds payable		
Including: Preferred shares		
Perpetual bonds		
Lease liability	8,595,962.05	13,312,230.04
Long-term payables		
Long-term payroll payable		
Accrued liabilities		840,000.00
Deferred income	13,755,569.25	13,950,734.80
Deferred income tax liabilities	55,449,975.77	43,570,565.25
Other non-current liabilities		
Total non-current liabilities	94,978,284.94	97,229,067.96
Total liabilities	5,211,651,173.61	5,268,551,761.29
Owner's equity:		
Share capital	277,115,744.00	276,180,000.00
Other equity instruments		
Including: Preferred shares		
Perpetual bonds		
Capital reserve	2,301,293,600.92	2,226,848,878.76
Less: Treasury stock		
Other comprehensive income	5,821,782.13	-6,390,755.46
Special reserve	19,551,007.62	14,783,485.63
Surplus reserve	158,674,657.07	158,674,657.07
General risk reserve		
Undistributed profit	3,421,808,374.82	2,238,628,036.71
Total owners' equity attributed to parent company	6,184,265,166.56	4,908,724,302.71
Minority shareholder's interest	202,957,841.25	134,379,479.89
Total owner's equity	6,387,223,007.81	5,043,103,782.60
Total liabilities and owners' equity	11,598,874,181.42	10,311,655,543.89

Legal Representative: Wicky Wang    Chief Accountant in Charge: Xing Bingpeng    Chief of Accounting Institution: Zhang Baolin

## 2. Consolidated income statement

Unit: RMB

Item	2022	2021
I. Gross Operating Income	14,460,175,154.41	9,797,107,551.38
Including: Operating income	14,460,175,154.41	9,797,107,551.38
Interest income		
Premium earned		
Handling charges and commissions income		
II. Total Operating Costs	12,202,936,725.77	8,872,442,224.57
Including: Costs of business	11,533,463,087.75	7,938,158,166.90

Interest expenses		
Handling charges and commission expenses		
Surrender value		
Net payments for insurance claims		
Net withdrawal of reserve for insurance responsibility contracts		
Expenditures of policy dividend		
Re-insurance expense		
Taxes and surcharges	17,988,034.25	12,967,120.40
Sales expenses	292,303,865.92	219,514,455.26
Management expenses	369,515,096.10	293,698,852.81
R&D expenditures	335,089,330.53	312,438,469.66
Financial expenses	-345,422,688.78	95,665,159.54
Including: Interest expenses	24,117,176.10	26,673,548.50
Interest income	54,422,900.37	30,734,697.16
Add: Other incomes	12,059,027.93	14,634,035.09
Income from investment ("—" for loss)	-259,460,460.87	224,428,785.59
Including: Income from investment in associated enterprises and joint ventures	-141,152.57	-15,479.63
Income recognized at termination of financial assets measured at amortized cost		
Foreign exchange gain ("-" fro loss)		
Net exposure hedging income ("-" for loss)		
Income from changes in fair value ("-" for loss)	-171,103,311.09	-84,356,048.50
Credit impairment losses ("-" for loss)	-56,341,452.37	-48,700,774.17
Asset impairment losses ("-" for loss)	-6,825,463.24	-14,353,166.10
Gains from asset disposal ("-" for loss)	-22,810.39	-3,614,935.21
III. Operating Profit ("-" for loss)	1,775,543,958.61	1,012,703,223.51
Add: Non-operating income	6,419,294.11	8,404,814.92
Less: Non-operating expenses	29,320,723.84	31,719,144.18
IV. Total Profit Before Tax ("—" for total losses)	1,752,642,528.88	989,388,894.25
Less: Income tax expenses	265,130,924.48	143,341,408.16
V. Net Profit ("-" for net loss)	1,487,511,604.40	846,047,486.09
(I) Classification by business continuity		
1. Net profit from continuing operations ("—" for net loss)	1,487,511,604.40	846,047,486.09
2. Net profit from discontinued operations ("—" for net loss)		
(II) Classification by ownership		
1. Net profit attributed to the shareholders of the parent company	1,413,238,278.11	799,718,982.72
2. Profit or loss of minority shareholders	74,273,326.29	46,328,503.37
VI. Net Amount after Tax of Other Comprehensive Income	27,082,329.50	-13,968,931.28
Net amount of other comprehensive income after tax attributed to the owners of parent company	12,212,537.59	20,673,188.67
(I) Other comprehensive income that cannot be reclassified into profit or loss		
1. Changes due to re-measurement on defined		

benefit plan		
2. Other comprehensive income that cannot be converted into profit and loss under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in the fair value of the credit risk of the enterprise		
5. Other		
(ii) Other comprehensive income that will be reclassified into profit and loss	12,212,537.59	20,673,188.67
1. Other comprehensive income that can be converted to profit or loss under the equity method		
2. Changes in fair value for other investment on bonds		
3. Amount of financial assets reclassified into other comprehensive income		
4. Provision for credit impairment of other creditor's rights investment		
5. Cash flow hedge reserve		
6. Difference of foreign currency financial statement translation	12,212,537.59	20,673,188.67
7. Other		
Net amount of other comprehensive income after tax attributed to minority shareholders	14,869,791.91	-34,642,119.95
VII. Total Comprehensive Income	1,514,593,933.90	832,078,554.81
Total comprehensive income attributed to parent company owners	1,425,450,815.70	820,392,171.39
Total comprehensive income attributed to minority shareholders	89,143,118.20	11,686,383.42
VIII. Earnings per Share		
(i) Basic earnings per share	5.12	3.39
(ii) Diluted earnings per share	5.07	3.39

For business combination under the same control in the current period, the net profit of the merged party before the business combination is RMB , and the net profit of the merged party in the previous period is RMB .

Legal Representative: Wicky Wang Chief Accountant in Charge: Xing Bingpeng Chief of Accounting Institution: Zhang Baolin

### 3. Consolidated cash flow statement

Unit: RMB

Item	2022	2021
I. Cash Flows Generated from Operating Activities:		
Cash received from sales of goods and services	13,572,480,618.90	9,623,031,311.61
Net increase in deposit from customers and interbank		
Net increase in borrowing from central bank		
Net increase in borrowings from other financial institutions		
Cash receipts from premiums under direct insurance contracts		
Net cash receipts from re-insurance business		
Net cash receipts from policyholders' deposits and		



investments		
Cash receipts from interest, handling fees and commissions		
Net increase in capital borrowed from banks and other financial institutions		
Net increase in repurchase business capital		
Net cash received from securities trading brokerage		
Cash receipts from tax refunds	930,849,321.41	577,883,804.65
Cash received relating to other operating activities	71,618,947.34	53,367,659.63
Subtotal of cash inflow in business activities	14,574,948,887.65	10,254,282,775.89
Cash payments for goods acquired and services received	11,389,552,441.41	8,330,141,066.73
Net increase in customer loans and advances		
Net increase in deposits in central bank and interbank		
Cash payments for original insurance contract claims		
Net increase in lending funds from banks and other financial institutions		
Cash payments for interest, fee and commission		
Cash payments for insurance policyholder dividends		
Cash payments to employees and on behalf of employees	587,155,777.58	447,860,665.81
Cash payments for taxes	594,564,409.51	161,162,768.69
Other cash payments relating to operating activities	633,020,850.90	524,046,664.93
Subtotal of cash outflow in business activities	13,204,293,479.40	9,463,211,166.16
Net cash flow from operating activities	1,370,655,408.25	791,071,609.73
II. Cash Flows from Investing Activities:		
Cash receipts from investment withdrawal	200,000,000.00	
Cash receipts from return on investments		
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets	12,692,146.84	10,440,269.55
Net cash receipts from disposal of subsidiary or any other business unit		
Other cash receipts relating to investing activities	41,417,851.92	224,444,265.22
Subtotal of cash inflow in investment activities	254,109,998.76	234,884,534.77
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	596,726,880.36	614,615,446.56
Cash payments for investment	6,000,000.00	200,000,000.00
Net increase in pledged loans		
Net cash payments to acquire subsidiary and other business units	219,654,452.37	
Other cash payments relating to investment activities	299,038,473.97	
Subtotal of cash outflow in investment activities	1,121,419,806.70	814,615,446.56
Net cash flow in investment activities	-867,309,807.94	-579,730,911.79
III. Cash Flows from Financing Activities:		
Cash received from capital contributions	22,670,360.71	1,428,809,338.64
Including: Cash received from investment of minority shareholder from subsidiary		
Cash receipts from borrowings	848,255,059.80	1,225,034,893.26
Other cash receipts relating to financing activities		

Subtotal of cash inflow in financing activities	870,925,420.51	2,653,844,231.90
Cash repayments of borrowings	1,075,430,244.63	1,343,683,572.12
Cash payments for distribution of dividends, profits, or cash payments for interest expenses	254,002,907.78	163,753,538.25
Including: Dividends and profits paid to minority shareholders by subsidiaries		
Other cash paid related to financing activities	6,826,457.52	24,732,127.93
Subtotal of cash outflow in financing activities	1,336,259,609.93	1,532,169,238.30
Net cash flow from financing activities	-465,334,189.42	1,121,674,993.60
IV. Effect of Exchange Rate Changes on Cash and Cash Equivalents	5,749,119.39	-20,356,350.15
V. Net Increase in Cash and Cash Equivalents	43,760,530.28	1,312,659,341.39
Add: Beginning balance of cash and cash equivalents	2,032,302,255.51	719,642,914.12
VI. Closing Balance of Cash and Cash Equivalents	2,076,062,785.79	2,032,302,255.51

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

Amount in the current period

Unit: RMB

Item	2022														
	Equity attributed to owners of the parent company													Minority shareholder's interest	Total owner's equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Other	Subtotal		
	Preferred shares	Perpetual bonds	Other												
I. Balance at the end of the period of previous year:	276,180,000.00				2,226,848,878.76		6,390,755.46	14,783,485.63	158,674,657.07		2,238,628,036.71		4,908,724,302.71	134,379,479.89	5,043,103,782.60
Add: Changes in accounting policies															
Correction of errors from previous period															
Business combination under common control															
Other															
II. Opening balance of the current year	276,180,000.00				2,226,848,878.76		6,390,755.46	14,783,485.63	158,674,657.07		2,238,628,036.71		4,908,724,302.71	134,379,479.89	5,043,103,782.60
III.	935,744.				74,444.7		12,212.5	4,767.52			1,183.18		1,275.54	68,578.3	1,344.11

Changes in Current Period ("-" for decrease)	00			22.16		37.59	1.99			0,338.11		0,863.85	61.36	9,225.21
(I) Total comprehensive income						12,212,537.59				1,413,238,278.11		1,425,450,815.70	89,143,118.20	1,514,593,933.90
(II) Capital contribution and reduction by owners	935,744.00			74,444,722.16								75,380,466.16		75,380,466.16
1. Ordinary shares invested by owners	935,744.00			21,734,616.71								22,670,360.71		22,670,360.71
2. Capital contributed from other equity instrument holders														
3. Amounts of share-based payments recognized in owners' equity				52,710,105.45								52,710,105.45		52,710,105.45
4. Other														
(III) Profit distribution										-230,057,940.00		-230,057,940.00	20,564,756.84	-250,622,696.84
1. Appropriation of surplus reserve														
2. Appropriation of general risk reserve														
3. Distribution to owners (or shareholders)										-230,057,940.00		-230,057,940.00	20,564,756.84	-250,622,696.84
4. Other														
(IV) Internal carry-														

over of owners' equity																			
1. Capital reserve converted into capital (or share capital)																			
2. Surplus reserve converted into capital (or share capital)																			
3. Recovery of losses by surplus reserves																			
4. Carry-over retained earnings from defined benefit plan changes																			
5. Carry-over retained earnings from other comprehensive income																			
6. Other																			
(V) Special reserves																			
1. Withdrawal in the current period																			
2. Use in the current period																			
(VI) Other																			
IV. Balance at the end of the current period	277,115,744.00					2,301,293,600.92		5,821,782.13	19,551,007.62	158,674,657.07			3,421,808,374.82			6,184,265,166.56	202,957,841.25	6,387,223,007.81	

Amount in the previous period

Unit: RMB

Item	2021														
	Equity attributed to owners of the parent company												Minority shareholder's interest	Total owner's equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Other			Subtotal
	Preferred shares	Perpetual bonds	Other												
I. Balance at the end of the period of previous year:	207,130,000.00				858,290,440.12		27,063,944.13	16,936,043.63	114,159,831.52		1,632,435,871.85		2,801,888,242.99	125,621,702.52	2,927,509,945.51
Add: Changes in accounting policies											125,207.69		125,207.69		125,207.69
Correction of errors from previous period															
Business combination under common control															
Other															
II. Opening balance of the current year	207,130,000.00				858,290,440.12		27,063,944.13	16,936,043.63	114,159,831.52		1,632,561,079.54		2,802,013,450.68	125,621,702.52	2,927,635,153.20
III. Changes in Current Period ("-" for decrease)	69,050,000.00				1,368,558,438.64		20,673,188.67	2,152,558.00	44,514,825.55		606,066,957.17		2,106,710,852.03	8,757,777.37	2,115,468,629.40
(I) Total comprehensive income							20,673,188.67				799,718,982.72		820,392,171.39	11,686,383.42	832,078,554.81
(II) Capital contribution and reduction by owners	69,050,000.00				1,368,558,438.64								1,437,608,438.64		1,437,608,438.64
1. Ordinary shares invested by owners	69,050,000.00				1,359,759,338.64								1,428,809,338.64		1,428,809,338.64
2. Capital contribu															

ted from other equity instrument holders															
3. Amounts of share-based payments recognized in owners' equity														8,799,100.00	8,799,100.00
4. Other															
(III) Profit distribution															
1. Appropriation of surplus reserve															
2. Appropriation of general risk reserve															
3. Distribution to owners (or shareholders)															
4. Other															
(IV) Internal carry-over of owners' equity															
1. Capital reserve converted into capital (or share capital)															
2. Surplus reserve converted into capital (or share capital)															
3. Recovery of losses by surplus reserves															

4. Carry-over retained earnings from defined benefit plan changes														
5. Carry-over retained earnings from other comprehensive income														
6. Other														
(V) Special reserves							2,152,558.00					2,152,558.00	52,796.82	2,205,354.82
1. Withdrawal in the current period							28,629.02					28,629.02	378,850.78	29,007,872.70
2. Use in the current period							30,781.57					30,781.57	431,647.60	31,213,227.52
(VI) Other														
IV. Balance at the end of the current period	276,180,000.00			2,226,848,878.76		6,390,755.46	14,783,485.63	158,674,657.07		2,238,628,036.71		4,908,724,302.71	134,379,479.89	5,043,103,782.60

In the case of any deviation from the explanations presented hereof, the 2022 Annual Report in Chinese version shall prevail.

SHANDONG WEIFANG RAINBOW CHEMICAL CO.,LTD

Legal representative: Wicky Wang

Date: 04/03/2023