ADAMA LTD.
ANNUAL REPORT 2018

ADAMA Ltd. is one of the world's leading crop protection companies. We strive to Create Simplicity in Agriculture - offering farmers effective products and services that simplify their lives and help them grow. With one of the most comprehensive and diversified portfolios of differentiated, quality products, our 6,600 strong team reaches farmers in over 100 countries, providing them with solutions to control weeds, insects and disease, and improve their yields.

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

March 2019

Section I Important Notice, Table of Contents and Definitions

- The Company's Board of Directors, Board of Supervisors, directors, supervisors and senior managers confirm that the content of the Report is true, accurate and complete and contains no false statement, misleading presentation or material omissions, and assume joint and several legal liability arising therefrom.

- Chen Lichtenstein, the person leading the Company as well as its legal representative, and Aviram Lahav, the person leading the accounting function (Chief Financial Officer), hereby assert and confirm the truthfulness, accuracy and completeness of the Financial Report.

- All of the Company's directors attended the board meeting for the review of this Report.

- The forward looking information described in the Report, such as future plans, development strategy etc., does not constitute, in any manner whatsoever, a substantial commitment of the Company to investors. Investors and other relevant people are cautioned to be sufficiently mindful of investment risks as well as the difference between plans, forecasts and commitments.

- The Company has described its future development strategies, work plan for 2019 and possible risks in "IX. Outlook of future development of the Company" in Section IV.

- The pre-plan of the dividend distribution approved by the meeting of the Board of Directors on March 19, 2019 refers to the total outstanding 2,446,553,582 shares of the Company as of February 28, 2019 as the basis for the distribution of RMB 0.97 (including tax) as cash dividend per 10 shares, to all the shareholders of the Company. No shares will be distributed as share dividend, as well as no reserve will be transferred to equity capital.

- This Report and its abstract have been prepared in both Chinese and English. Should there be any discrepancies between the two versions, the Chinese version shall prevail.

Table of Contents

Definitions

Unless otherwise specified, the following terms in the Report shall have the meaning shown below:

General Terms		Definition
Company, the Company		ADAMA Ltd.
Solutions		Adama Agricultural Solutions Ltd., a wholly-owned subsidiary of the Company, incorporated in Israel according to its laws
Board of Directors/Board		The Board of Directors of the Company
Board of Supervisors		The Board of Supervisors of the Company
Articles of Association / AOA		The Articles of Association of the Company
Group, the Group		The Company and its subsidiaries
ChemChina		China National Chemical Co., Ltd.
CNAC		China National Agrochemical Co., Ltd., the controlling shareholder of the Company, a wholly-owned subsidiary of ChemChina
CSRC		China Securities Regulatory Commission
GTJA		Guotai Junan Securities Co., Ltd.
SZSE		Shenzhen Stock Exchange
SASAC		State Assets Supervision and Administration Commission of China
Report		This 2018 Annual Report
Financial Report		The Financial Reports for the year 2018, as contained in this Report
Reporting period, this period, current year		Year 2018
The Combination Transaction, the Major Assets Restructuring		In July 2017, the Company acquired 100% of the shares of Solutions from CNAC in exchange for the issuance and allotment of 1,810,883,039 new A-shares of the Company to CNAC. In addition, the Company issued 104,697,982 new A-shares to selected investors in an A-Share Private Placement conducted as Supporting Finance for the transaction.
Company Law		Company Law of the People’s Republic of China
Securities Law		Securities Law of the People’s Republic of China
Listing Rules		Listing Rules of the SZSE

Section II Corporate Profile and Financial Results

I. Corporate information

Stock name	ADAMA A, ADAMA B	Stock code	000553, 200553
Stock exchange	Shenzhen Stock Exchange		
Company name in Chinese	安道麦股份有限公司		
Abbr.	安道麦		
Company name in English (if any)	ADAMA Ltd.		
Abbr. (if any)	ADAMA		
Legal representative	Chen Lichtenstein		
Registered address	No. 93, East Beijing Road, Jingzhou, Hubei		
Zip code	434001		
Office address	No. 93, East Beijing Road, Jingzhou, Hubei		
Zip code	434001		
Company website	www.adama.com		
Email	irchina@adama.com		

II. Contact information

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

Investors can also contact Wang Zhujun, the Company's investor relations manager, on telephone number 010-56718110.

III. Information disclosure and place where this Report is kept

Newspapers designated by the Company for information disclosure	China Securities Journal, Securities Times and Ta Kung Pao
Website designated by the CSRC for the publication of this Report	http://www.cninfo.com.cn
Place where this Report is kept	Securities office of the Company

IV. Company registration and alteration

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

V. Other information

Accounting Firm hired by the Company	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Office address	30/F, Bund Center, 222 Yan An Road East, Shanghai PRC
	Signing Certified Public Accountant	Xu Yusun, Ma, Renjie

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

□ Applicable √ Not applicable

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

√ Applicable □ Not applicable

Name of Financial Advisor	Address	Names of the Sponsors	Period for the Continuous Supervision
GTJA	No. 618 of Shangcheng Road, Free Trade Area, Shanghai, China	Zhu Wenchuan, Tang Weijie	From Aug 2, 2017 to Dec 31, 2019

VI. Main Accounting and financial results

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

☐ Yes √ No

	2018	2017	+/- (%)	2016
Operating revenue (RMB'000)	25,615,119	23,819,568	7.54%	22,070,405
Net profit attributable to shareholders of the Company (RMB'000)	2,402,462	1,545,879	55.41%	369,076
Net profit attributable to shareholders of the Company excluding extraordinary profit and loss (RMB'000)	859,448	382,275	124.82%	-92,340
Net cash flows from operating activities (RMB'000)	2,002,139	3,958,389	-49.42%	4,237,145
Basic EPS (RMB/share)	0.9820	0.6601	48.77%	0.2200
Diluted EPS (RMB/share)	N/A	N/A	N/A	N/A
Weighted average return on equity	11.68%	9.05%	2.63%	2.97%
	31.12.2018	31.12.2017	+/- (%)	31.12.2016
Total assets (RMB'000)	42,812,505	39,613,922	8.07%	36,492,512
Net assets attributable to shareholders of the Company (RMB'000)	22,280,126	18,778,013	18.65%	16,917,794

Are there any corporate bonds?

☐ Yes √ No

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

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

☐ Applicable √ Not applicable

No such differences for this Reporting Period.

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

☐ Applicable √ Not applicable

No such differences for this Reporting Period.

3. Explanation on the differences in accounting data

☐ Applicable √ Not applicable

VIII. Main Financial results by quarter

Unit: RMB'000

	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Operating revenue	6,499,510	6,526,748	5,928,627	6,660,234
Net profit attributable to shareholders of the Company	2,032,027	330,754	179,661	-139,980
Net profit attributable to shareholders of the Company after deduction of nonrecurring profits and losses	466,066	324,230	175,718	-106,566
Net cash flows from operating activities	-215,819	995,337	675,039	547,582

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

☐ Yes √ No

IX. Non-Recurring profit/loss

√ Applicable □ Not applicable

Unit: RMB'000

Item	2018	2017	2016	Note
Gains/losses on the disposal of non-current assets (including the offset part of asset impairment provisions)	1,959,005	-3,000	17,682	2018 amount is mainly from divestment in Europe, related to the Syngenta Transaction.
Government grants charged to the profit/loss for this Reporting Period (except for the government grants closely related to the business of the Company and given at a fixed quota or amount in accordance with the State's uniform standards)	21,089	14,628	5,418	
Profit or loss of subsidiaries generated before combination date of a business combination involving enterprises under common control	-	1,147,797	829,068	
Profit or loss arising from contingencies other than those related to normal operating business	-	-15,671	-	
Recovery or reversal of provision for bad debts which is assessed individually during the years	17,303	22,204	-	
Profit or loss on changes in the fair value of held-for-trading financial assets and held-for-trading financial liabilities and investment income on disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than those used in the effective hedging activities relating to normal operating business	N/A	-	19	
Other non-operating income and expenses other than the above	-11,719	4,036	348	
Less: Income tax effects	442,664	6,390	5,616	
NCI (after tax)	-	-	385,503	
Total	1,543,014	1,163,604	461,416	

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

☐ Applicable √ Not applicable

No such cases in the Reporting Period.

Section III Business Profile

I. Main business of the Company during Reporting Period

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

No

The Company is a corporation incorporated in the People's Republic of China.

The Group engages in the development, manufacturing and commercialization of crop protection products, that are largely off-patent, and is one of the leading companies in the world in this field. The Group provides solutions to farmers in approximately 100 countries, through approximately 60 subsidiary companies throughout the world.

In 2018, the Group was the world's leading company in off-patent crop protection solutions (by sales), and is ranked sixth in the world among companies engaged in the field of crop protection. The Group's business model integrates end-customer access, regulatory expertise, global R&D and production capabilities, thereby providing the Group a significant competitive edge and allowing it to launch new and differentiated products that address farmers' needs in key markets.

In December 2018, the final milestone in the Combination Transaction was achieved with the name of the Company being changed to ADAMA Ltd. demonstrating their coming together under ADAMA as a single global brand, reflecting the Group's farmer-centric focus and its commitment to advancing agriculture in markets around the world.

The Company continues to advance collaboration opportunities with other ChemChina group entities, as well as other entities in China, to make the most of its positioning.

ADAMA has been working together with Syngenta and other key agriculture-related businesses in China, to identify opportunities for closer collaboration. In this context, the companies are exploring various initiatives, including the potential provision of reciprocal access to certain products in specific territories, as well as exploiting opportunities aimed at optimizing the utilization of the companies' operational facilities.

The Group's primary operations are focused on Europe, North America, Latin America, Asia-Pacific and India, the Middle-East and Africa, and in total, the Group sells its products in approximately 100 countries across the globe.

The Group is focused on the development, manufacturing and commercialization of largely off-patent crop protection products, which are generally herbicides, insecticides and fungicides, which protect agricultural and other crops against weeds, insects and disease, respectively. The Group also utilizes its expertise to adapt such products also for the development, manufacturing and commercialization of similar products for non-agricultural purposes (Consumer and Professional Solutions).

In addition, the Group leverages its core capabilities in the agricultural and chemical fields and operates in several other non-agricultural areas, none of which, individually, is material for the Group. These activities include primarily, (a) the manufacturing and marketing of dietary supplements, food colors, texture and flavor enhancers, and food fortification ingredients; (b) fragrance products for the perfume, cosmetics, body care and detergents industries; (c) the manufacturing of industrial products and (d) other non-material activities.

Trends, events and key developments in the Group's macro-economic environment may have a material impact on its business results and development. The effects of these factors may differ depending on the geographic region and the different products of the Group. Since the Group maintains a broad product portfolio and since it is active in many geographic regions, the aggregate effect of these factors in any given year, and the course thereof, is not uniform and may sometimes be mitigated by counterbalancing influences. The activities and results of the Group are further subject to, and affected by, certain global, localized and other factors, such as: demographic changes; economic growth and rising standards of living; agricultural commodity prices; significant fluctuations in raw material costs and global energy prices; development of new crop protection technologies; patent expiry and growth in volumes of off-patent products; the agricultural market and volatile weather conditions; regulatory changes; government policies; world ports and monetary policy and the financial market.

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

II. Significant changes to main assets

1. Significant changes to main assets

Main assets	Significant change
Stock rights/Equity assets	No Significant change
Fixed assets	No Significant change
Intangible assets	Mainly purchase of intangible assets from Syngenta AG, within the context of the Transfers and Divestments relating to ChemChina's acquisition of Syngenta (as further described below).
Construction in progress	CIP transferred to fixed assets

2. Main overseas assets

√ Applicable ☐ Not applicable

Specific contents of the assets	Reason	Scale (Amount) of the assets (RMB'000)	Location	Operation /Management mode	Control measures to guarantee safety of the assets	Net Profit of the assets (RMB'000)	Proportion of overseas assets out of total net assets (%)	Significant impairment risk?
Equity investment in Solutions	Acquired through Major Assets Restructuring	18,792,113	Israel and globally	Corporate Governance	Corporate Governance	2,121,352	84%	No
Other explanations								

III. Core competitiveness analysis

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

No

As the leading off-patent crop protection provider in the $64 billion global crop protection market, the Group believes that the following strengths provide it with sustainable competitive advantages and the foundation to capitalize on favorable underlying agriculture and crop protection industry trends:

- **Off-patent Industry Leader.** The Group's success as a leading off-patent company has given it a deep understanding of the industry and enabled it to build one of the world's most extensive off-patent product offerings and registration capabilities, giving it the ability to provide efficient, value-added solutions to farmers of every major crop around the world. Moreover, the breadth of the Group's product portfolio, with no single active ingredient constituting more than 5% of its sales in 2018, combined with its extensive geographic reach, provide effective diversification and enhanced stability. The Group strives to continue to gain market share, building on its leading role in the market, farmer-centric focus and broad product portfolio. Furthermore, the Group's addressable market continues to expand as the crop protection market globally continues to shift towards off-patent products, the segment of the market in which it focuses. This shift is the result of significant increases in the costs and risks of discovering and developing novel and effective Active Ingredients (AIs), which has led to significantly fewer introductions of new molecules each year by the Company's Research-Based Company (RBC) competitors. The Group's strength in the off-patent market provides a competitive advantage relative to RBCs, as it is able to access off-patent crop protection products developed by all of the various major RBCs with its research, technology and know-how. This allows the Group to enhance existing crop protection products and introduce unique mixtures, formulations and applications. In parallel, the Group's global scale, registration expertise and manufacturing footprint are competitive advantages in comparison to its off-patent peers.

- **Global Reach and Strength in Emerging Markets.** The Group has an industry leading global footprint with extensive market presence. According to Phillips McDougall (AgriService, 2017 Industry Overview), in 2017, the Group held the #1 rank in global sales among off-patent crop protection providers. The Group enjoys broad geographic diversification by selling in over 100 countries with a balanced regional split, as evidenced by its 2018 revenue breakdown of approximately 27% in Europe, 24% in Latin America, 19% in North America, 16% in Asia Pacific, and 14% in India, the Middle East and Africa. This balance enhances the Group's growth profile and provides diversification across different countries, climates, crops and planting seasons. The Group has a particularly strong presence in emerging markets, where growth is expected to outpace developed markets, and from which it derived approximately half of its 2018 sales. Over the past two decades, the Group has made strategic investments in establishing substantial sales and marketing organizations in key emerging markets including Brazil (1998), Central and Eastern Europe (beginning in 2004) and India (2009).
- **Unique Positioning and Access to China.** The Group believes that the foundation provided by the integration of Solutions with the operational and commercial infrastructure of the Company in China, together with its unique relationship with its controlling shareholder, ChemChina, provides it with a clear advantage in penetrating the Chinese market, one of the largest and fastest growing agricultural markets in the world. Following the consummation of the Combination Transaction, the Group is one of the only global crop protection providers with a significant integrated commercial and operational infrastructure within China. The Group intends to leverage this infrastructure and relationship to pursue a leading position in the Chinese crop protection market and capitalize on the growing importance of high-quality global brands in China. As part of the ChemChina group, the Group believes it is uniquely positioned to capitalize on the trend toward consolidation within the high-growth, highly fragmented Chinese crop protection market. In addition to helping it become a leader in the Chinese crop protection market, the integration of the Company's China-based manufacturing facilities into the Group's global manufacturing operations provides it with the ability to more effectively develop and commercialize advanced, differentiated products, as well as benefit from improved cost positions in key molecules, enhance the optimization of its global supply chain over time, driving greater efficiency throughout the organization, and secure both revenue growth as well as increased profitability.
- **Vertically Integrated Business with Global Scale.** The Group is one of the few off-patent crop protection providers that is active across virtually the entire value chain, from worldwide marketing, sales and distribution, to registration, production and R&D, which has been further enhanced by the Combination Transaction. As a result, the Group is able to efficiently manage its product portfolio and operations in response to the dynamic needs of farmers, changing weather conditions, government policies and regulations, and capture value at each point in the value chain. Approximately 80% of the Group's products are produced, formulated or both in its world-class, well-invested facilities across the globe. Having deep knowledge, expertise and experience in all aspects of the development process, integrated chemical synthesis and formulation production and control over the entire supply chain, provides the Group with cost advantages and the agility to address market challenges and capture value. Further, its global registration network, providing local registration

capabilities in over 100 countries, enables the Group to efficiently introduce new products in all major markets and provide farmers with a comprehensive portfolio of crop protection solutions. In the last five years, the Group's registration network of highly-skilled professionals has obtained approximately 1,150 new product registrations. These capabilities are increasingly important as regulatory requirements continue to increase globally. The Group's sales and marketing infrastructure is enhanced by its local sales forces in each of its strategic markets, who build strong relationships with local distributors and with the end users, the farmers, to better understand their needs. This drives demand at the wholesale, retail and farmer level and provides the Group with valuable market insight and understanding.

- **Extensive, Differentiated Offering.** The Group offers farmers a hybrid portfolio of increasingly differentiated products and solutions that are tailored to the specific needs of each geographic region and each type of crop. The Group utilizes an integrated, solutions-based approach to its entire offering in order to meet the unique demands of its global customer base. The Group strives to "Create Simplicity in Agriculture" by offering farmers a branded portfolio that is comprised of both high-value differentiated products as well as high-volume off-patent products, alongside an increasing number of unique mixtures and formulations and novel, innovative products and services, aimed to provide solutions to farmers in nearly every region, and increase yield of all major crops. The Group's extensive portfolio is composed of over 120 centrally managed AIs and over 1,000 mixtures and formulations.
- **Experienced and Empowered Management Team.** With a deep understanding of the crop protection industry and firm focus on sustaining the Group's leadership and financial strength, its management team is a cohesive and integrated team that has the knowledge, skills and experience required to guide the Group on its path to achieving its ambition of global leadership. The Group believes in empowering its teams and creating leaders from its strongest performers, with the result that its management team is composed of the people who have successfully managed its business, and developed and executed its strategy over the last few years, continuing its track record of consistent, profitable growth.

Section IV Performance Discussion and Analysis

I. Overview

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

Revenues. Revenues grew robustly in the year, with strong business growth driven by the Company's increasingly differentiated product portfolio. In China, the Company continues to prioritize the sale of branded, formulated products through its domestic commercial networks as well as their export and distribution through the Company's global commercial network, and is shifting away from selling unformulated, technical product to other intermediaries. In addition to the strong business growth, improved demand conditions facilitated a stronger pricing environment, compensating for the softer currencies and allowing the passing on of some of the impact of the constrained supply and higher procurement costs.

Gross profit. The higher gross profit in the year was achieved due to the strong growth of an improved product mix as well as higher pricing, which more than offset the impact of higher procurement costs of raw materials and intermediates, supply shortages and the softer currencies, most notably the Brazilian Real and the Indian Rupee, as well as the impact of missed high-margin sales in Europe in the third quarter as a result of the extreme drought in the region.

Earnings before Interest and Tax. Operating income increased significantly in the year, benefiting from the one-time capital gain from the sale of EU and US registrations, related to the Syngenta Transaction. In addition, operating income benefited from continued strong operating cost discipline while accommodating significantly higher sales.

Financial expenses and investment income (including gains and losses from changes in fair value). The moderate increase in the total net financial expenses and investment income over the year reflects the adoption of a new accounting standard which classifies interest income on sales as revenue. Adjusting for the impact of the change in accounting standard, financial expenses decreased over the year, reflecting reduced interest costs due to lower debt levels, as well as foreign exchange income related to balance sheet positions, somewhat offset by an increase in costs of the CPI-linked bonds as a result of an increase in the Israeli CPI over the period.

Income before Tax. Pre-tax income over the full year was significantly above last year, reflecting the abovementioned one-time capital gain from sale of EU and US registrations.

Net income. Net income over the year was significantly higher than last year, reflecting the abovementioned one-time capital gain from sale of EU and US registrations. Adjusting for this one-time gain, net income was lower than the record high achieved last year, reflecting the unusually low tax expenses in 2017, which benefited from creation of deferred tax assets in respect of losses carried forward in Q4 2017 due to anticipation of their expected utilization in subsequent periods.

Working capital. Working capital was higher compared to the corresponding point last year, supporting the significant momentum generating the increase in sales over the period. Strong supply chain discipline, allowed maintaining best-ever inventory days for this time of year, while building a higher inventory level in preparation for the upcoming season, as well as absorbing the higher procurement costs. The significant increase in sales over the year saw trade receivables higher in comparison to the same point last year, despite ongoing tight control of credit ensuring receivable days remain close to their record best levels for this time of year. The higher receivables were partially offset by increased trade payables.

Cash Flow. Despite the strong sales growth and associated need for higher working capital, the Company generated robust operating cash flow over the year, albeit somewhat lower compared to last year during which the Company grew at a somewhat more moderate rate. The Company generated continued free cash flow in the year, despite the Company's strong growth and higher procurement cost environment.

Leverage. Balance sheet net debt at the end of the year was only slightly higher compared to the net debt as of December 31, 2017 keeping the Company's net debt/EBITDA ratio contained at 0.7x, in line with that of a year ago.

II. Main business analysis

1. Overview

See details on the relevant contents of "I. Overview" of "Management Performance Discussion and Analysis".

2. Revenues and costs

(1) Operating revenues form

Unit: RMB'000

	2018		2017		YoY +/-%
	Amount	Ratio of the operating revenue	Amount	Ratio of the operating revenue	
Total of the operating revenue	25,615,119	100%	23,819,568	100%	7.54%
Classified by industries					
Industry of manufacturing chemical raw materials and chemical products	25,615,119	100%	23,819,568	100%	7.54%
Classified by products					
Agro	23,874,564	93.2%	22,033,564	92.5%	8.36%
Non-Agro	1,740,555	6.8%	1,786,004	7.5%	-2.54%
Classified by regions					
Europe	6,983,002	27.26%	7,107,131	29.84%	-1.75%
North America	4,849,616	18.93%	4,363,301	18.32%	11.15%
Latin America	6,172,800	24.10%	5,050,377	21.20%	22.22%
Asia-Pacific	4,028,688	15.73%	4,428,364	18.59%	-9.03%
India, Middle East and Africa	3,581,013	13.98%	2,870,395	12.05%	24.76%

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

√ Applicable □ Not applicable

Unit: RMB'000

	Operating revenues	Operating cost	Gross margin	YoY increase/decrease of the operating revenues	YoY increase/decrease of the operating cost	YoY increase/decrease of the gross margin
Classified by industries						
Industry of manufacturing chemical raw materials and chemical products	25,615,119	17,084,943	33.30%	7.54%	10.91%	-6.09%
Classified by products						
Agro	23,874,564	15,900,035	33.40%	8.36%	11.34%	-7.84%
Classified by regions						
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Under the circumstances that the statistical standards for the Company's main business data adjusted in the Reporting Period, the Company's main business data in the recent year is calculated based on adjusted statistical standards at the end of the Reporting Period

☐ Applicable √ Not applicable

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

√ Yes □ No

Industries	Items	Units	2018	2017	YoY +/-%
Agro	Sales volume	Ton	629,310	523,672	20.2%
	Production	Ton	495,680	479,319	3.4%
	Inventory	Ton	216,895	194,987	11.2%

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

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

(5) Operating cost form

Category of the industries

Unit: RMB'000

Industries	Items	2018		2017		YoY +/-%
		Amount	Ratio of the operating costs	Amount	Ratio of the operating costs	
Industry of manufacturing chemical raw materials and chemical products	Cost of materials (procurement costs)	13,337,242	78%	11,280,306	73%	18%
Industry of manufacturing chemical raw materials and chemical products	Labor cost	995,743	5.8%	968,455	6%	2.8%
Industry of manufacturing chemical raw materials and chemical products	Depreciation expense	656,364	3.8%	607,161	4%	8.1%

(6) Whether the consolidated scope changed during the reporting period

☐ Yes √ No

(7) List of the significant changes or adjustment of the industries, products or services of the Company during the reporting period

☐ Applicable √ Not applicable

(8) List of the major trade debtors and major suppliers

List of the major trade debtors of the Company

Total sales to the top 5 customers (mil RMB)	1,598
Ratio of the total sales to the top 5 customers to the annual total sales	6.2%
Ratio of the total sales to related parties (within the top 5 customers) to the annual total sales	1.5%

Notes of other situation of the major customers

☐ Applicable √ Not applicable

List of the major suppliers of the Company

Total purchase to the top 5 suppliers (mil RMB)	3,114
Ratio of the total purchase to the top 5 suppliers to the annual total purchase	23.3%
Ratio of the total purchase from related parties (within the top 5 suppliers) to the annual total purchase	9.5%

Notes of the other situation of the major suppliers

☐ Applicable √ Not applicable

3. Expenses

Unit: RMB'000

	2018	2017	YoY +/-%	Notes of the significant changes
Selling and Distribution expenses	4,630,117	4,280,335	8.17%	
General and Administrative expenses	893,107	1,041,294	-14.23%	
Financial (income) / expenses	552,707	1,205,286	-54.14%	Mainly foreign currency effect on financial assets and liabilities.
R&D expenses	441,897	360,478	22.59%	

4. R&D investment

√ Applicable □ Not applicable

The Group's innovation, development, research and registration division (IDR) manages and coordinates the research, development and regulatory activities regarding the Group's products.

In general, the Group, as an off-patent product manufacturer, develops production processes and registration data for molecules present in the original product. Development and registration of off-patent products offer a significant saving of time and costs compared to development costs of the original products of originator companies, in a manner which enables the Group to develop a broad and diverse portfolio of largely off-patent products at more reasonable developments costs; Nonetheless, to introduce a new product to the market still requires considerable investment in development and registration, particularly in view of the increasing regulatory requirements globally, and the development of, and increasing competition in, the off-patent crop protection market.

The Group's primary development and registration activities focus on the development of chemical production processes for active ingredients and new off-patent products, biological and agronomical tests designed to meet regulatory requirements, development of registration dossiers for the active ingredients and formulations that make up its registration portfolio in the various regions, development of innovative mixtures and of differentiated formulations of existing products, as well as streamlining of production processes. The Group has also developed several innovative substances, based on molecules acquired from external sources after having proven their effectiveness. The Group develops the products' biological uses and registers them in the target countries, as well as engages in chemical development of the production process.

In order to capitalize on future opportunities in the agrochemical market, the Group has intensified its efforts to develop a leading pipeline of crop protection products aimed at providing value-added solutions to farmers around the world, based on AIs that are expected to come off-patent in the coming years. These newly off-patent AIs will be developed into new mixtures and formulations, in combination with new formulation and delivery technologies that provide more efficient ways to deliver the products into the plants, thereby creating truly unique and differentiated, value-added solutions to farmers. In this way, the Group strives to achieve a double competitive advantage – to be the first to market launching new products after the expiry of the patent on the AI, and to capitalize on cost leadership through increased backward integration through the Group's global operations capabilities.

Currently, the Group operates chemical research and development centers in Israel, India, Brazil and China. In addition to chemical development, the Group conducts development activities for registration purposes through external contractors in several countries, including China. Such development efforts may on occasion integrate knowledge exclusively owned by the Group, knowledge jointly developed with the subcontractor, or sometimes knowledge exclusively owned by the subcontractor.

Currently, the Group operates several analytical labs in Israel, China, India, U.S.A. and Brazil, which inter alia conduct Quality Assurance (QA) tests for its various products, and some of which also conduct tests for registration purposes.

The materials and products marketed by the Group require, at various stages of their production and marketing, registration in every country where the Group intends to market them. The Group has development and registration centers, located in Europe, Israel, Latin America, Brazil, North America, India and Asia. The Group has gained registration expertise in over 100 countries.

List of the R&D investment of the Company

	2018	2017	Change (%)
R&D headcount personnel (person)	254	241	5.39%
% of R&D headcount over total headcount	3.84%	3.63%	0.21%
Investment amount of the R&D (RMB'000)	441,897	360,478	22.59%
Ratio of the R&D investment to the operating income	1.73%	1.51%	0.22%
Amount of the capitalized R&D investment (RMB'000)	-	--	--
Ratio of the capitalized R&D investment to the R&D investment	-	--	--

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

☐Applicable √ Not applicable

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

☐Applicable √ Not applicable

5. Cash flow

Unit: RMB'000

Item	2018	2017	YoY +/-%
Subtotal of cash inflows from operating activities	24,593,756	24,072,684	2.16%
Subtotal of cash outflows from operating activities	22,591,617	20,114,295	12.32%
Net cash flows from operating activities	2,002,139	3,958,389	-49.42%
Subtotal of cash inflows from investing activities	2,441,670	265,113	820.99%
Subtotal of cash outflows from investing activities	3,395,794	1,552,852	118.68%
Net cash flows from investing activities	-954,124	-1,287,739	-25.91%
Subtotal of cash inflows from financing activities	196,246	3,752,157	-94.77%
Subtotal of cash outflows from financing activities	3,087,776	2,116,038	45.92%
Net cash flows from financing activities	-2,891,530	1,636,119	-276.73%
Net increase in cash and cash equivalents	-1,684,110	4,030,511	-141.78%

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

√ Applicable □ Not applicable

Cash flow from Operations: Despite the strong sales growth and associated need for higher working capital, the Company generated robust, operating cash flow over the year, albeit lower compared to last year.

Cash flow from Investing Activities: Net cash used in investing activities reflects primarily investments in product registrations and other intangible and fixed assets, net of one time proceeds from the divestment of certain products in Europe and including the transfer of products in Europe from Syngenta.

Cash flow from Financing Activities: Net cash flow from financing activities in 2018 reflects the reduction of leverage achieved through the strong cash flow allowing for the repayment of bank loans.

Notes to the reason of the significant differences between the net cash flow from the operating activities and the net profits of 2018 of the Company during the reporting period

√ Applicable □ Not applicable

Please refer to the notes provided above under this item.

III. Analysis of the non-core business

√ Applicable ☐ Not applicable

Unit: RMB'000

	Amount	Proportion in total profit	Reason explanation	Existence of sustainability
Investment income	628,257	19.42%		No
Gain/loss from change of FV	-979,334	-30.27%	Mainly foreign currency effect on financial assets and liabilities.	No
Impairment of asset	230,999	7.14%		No
Gain from disposal of assets	1,966,616	60.78%	Gain from disposal of intangible assets	No
Non-operating income	15,653	0.48%		No
Non-operating loss	35,966	1.11%		No

IV. List of the assets and liabilities

1. List of the significant changes of the assets form

Unit: RMB'000

Item	As at 31 Dec. 2018		As at 1 Jan. 2018		Proportion change	Explain any major change
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Cash at bank and on hand	6,233,089	14.56%	7,868,858	19.82%	-5.26%	
Accounts receivable	6,516,912	15.22%	5,109,981	12.87%	2.35%	
Inventories	9,247,343	21.60%	7,488,238	18.86%	2.74%	
Investment property	4,094	0.01%	4,408	0.01%	0.00%	
Long term equity investments	108,350	0.25%	102,383	0.26%	-0.01%	
Fixed assets	6,629,621	15.49%	6,141,490	15.47%	0.02%	
Construction in progress	433,784	1.01%	803,421	2.02%	-1.01%	
Short-term loans	572,774	1.34%	2,280,912	5.74%	-4.40%	
Long-term loans	235,819	0.55%	514,320	1.3%	-0.75%	
Intangible assets	5,677,388	13.26%	4,036,588	10.17%	3.09%	

2. Assets and liabilities measured at fair value

√ Applicable ☐ Not applicable

Unit: RMB'000

Item	Opening balance	Variable profit and loss of fair value in this period	Accumulative fair value change recognized in equity	Summing and drawing impairment in this period	Purchase amount in this period	Sale amount in this period	Amount at the end of the period
Financial asset							
1. Financial assets measured at FVTPL (excluding derivative financial assets)	23,000		-	-	23,095		46,095
2. Derivative financial assets	455,153	-682,388	401,867	-	471,597	-128,503	517,726
3. Other equity investments	91,090	-	469	-	-	-	91,559
Total financial assets	569,243	-682,388	402,336	-	494,692	-128,503	655,380
Others	207,442	-24,437	-	-	-	-130,200	52,805
Total of above	776,685	-706,825	402,336	-	494,692	-258,703	708,185
Financial liability	789,050	662,620		-	-		1,451,670

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

☐ Applicable √ Not applicable

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

At the end of this Reporting Period, restricted assets including: monetary bank balances of capital RMB'000 52,940 of the Company was limited. Most of the monetary capital was banks bill cash deposit for bills receivable, fixed assets of RMB'000 6,143 as mortgage for loans, and other non-current assets of RMB'000 131,039 as deposit for asset securitization and legal suits.

V. List of the investment

1. Overall condition

√ Applicable ☐ Not applicable

Investment during the Reporting Period (RMB'000)	Investment during the Same Period Last Year (RMB'000)	+/-% YoY
36,640,029	31,757,508	15.37%

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

☐Applicable √ Not applicable

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

☐ Applicable √ Not applicable

4. Investment on the financial assets

(1) List of the securities investment

□ Applicable √ Not applicable

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

(2) Investment in derivative financial instruments

√ Applicable □Not applicable

Unit: RMB’000

<table>
<tr><th>The party that operates the investment</th><th>Relation with the Company</th><th>Related party transaction or not?</th><th>Type</th><th>Initial investment amount</th><th>Starting date</th><th>Expiring date</th><th>Investment amount at beginning of the period</th><th>Amount purchased during the reporting period</th><th>Amount sold during the reporting period</th><th>Impairment accrued (if any)</th><th>Investment amount at end of the period</th><th>Percentage of investment amount divided by net asset at end of the period</th><th>Gain/loss during the reporting period</th></tr>
<tr><td>Banks</td><td>No</td><td>No</td><td>Option</td><td>52,274</td><td>18.6.2018</td><td>5.5.2019</td><td>52,274</td><td>7,575,830</td><td>-4,265,136</td><td>No</td><td>3,362,968</td><td>15.06%</td><td>-189,404</td></tr>
<tr><td>Banks</td><td>No</td><td>No</td><td>Forward</td><td>15,911,923</td><td>27.7.2018</td><td>19.3.2019</td><td>15,911,923</td><td>29,064,199</td><td>-33,341,886</td><td>No</td><td>11,634,236</td><td>52.10%</td><td>-441,943</td></tr>
<tr><td colspan="4">Total</td><td>15,964,197</td><td>--</td><td>--</td><td>15,964,197</td><td>36,640,029</td><td>-37,607,022</td><td>--</td><td>14,997,204</td><td>67.16%</td><td>-631,347</td></tr>
<tr><td colspan="4">Source of fund for the investment</td><td colspan="10">Internal.</td></tr>
<tr><td colspan="4">Litigation-related situations (if applicable)</td><td colspan="10">N/A</td></tr>
<tr><td colspan="4">Date of disclosure of Board approval (if any)</td><td colspan="10">December 30, 2017</td></tr>
<tr><td colspan="4">Date of disclosure of Shareholders’ approval (if any)</td><td colspan="10">N/A</td></tr>
<tr><td colspan="4">Risk and control analysis for the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)</td><td colspan="10">The aforesaid refers to short term hedging currency transactions made with banks.
The Group’s transactions are not traded in the market. The Transactions are between the applicable company in the Group and the applicable bank until the expiration date of the transaction, therefore no market risk is involved.
Regarding credit and liquidity risk, the Group is working with large and substantial banks only and with some of them the Group has ISDA agreements.
As to operational risk, the Group is working with relevant software, which is its back office for all transactions.
No legal risk is involved.
The actions taken in order to further reduce risks are:
• The relevant subsidiaries have specific guidelines, under the Group’s policy, which were approved by the subsidiaries' financial</td></tr>
</table>

	statements committee of the board, which specifies, inter alia, the hedging policy, the persons that have the authorization to deal with hedging, the tools, ranges etc. The only subsidiary that has hedging positions in the Group in the period was Solutions and its subsidiaries. • The relevant subsidiaries apply management designed procedures and controls, which among other things, monitor the working process and the controls of the hedging transactions and are quarterly reviewed and annually audited. • The controllers of the relevant subsidiaries are involved in the process and are monitoring the hedging accounting treatment. • Every 2-3 years the internal audit of the relevant subsidiaries' department is auditing the entire procedure.
Market price or fair value change of investments during the reporting period. Specific methodology and assumptions should be disclosed in the analysis of fair value of the investments	The aforesaid refers to short time hedging currency transactions made by the relevant subsidiary with banks. Segregation of duties as follows: For the fair value evaluation, the relevant subsidiary is usually using external experts. The relevant subsidiary hedges currencies only; the relevant transactions are simple (Options and forwards) for short terms. For fair value methodology see section XI of this report, note IX. Fair Value. The exchange rates are provided by the accounting department of the relevant subsidiary and all other parameters are provided by the experts.
Explanation for any significant changes in accounting policies and principles, compared with last reporting period	N/A
Independent Directors' opinion on the investment in derivative financial instruments and related risk controls	The derivative investments carried by the Company are for hedging and narrowing down the risk of market fluctuations. The investments respond to the Company's routine business demands and are in accordance with the relevant laws and regulations. Additionally, the Company has adopted Currency Risk Hedging Policy to strengthen the risk management and control which benefit the Company's ability to protect against market risk. The derivative investments do not harm the interests of the Company and its shareholders.

5. Use of raised funds

√ Applicable ☐ Not applicable

(1) Overall Situation of Use of the Funds Raised

√ Applicable ☐ Not applicable

RMB'0000

Year of Raising	Type of Raising	Total Amount Raised	Total Amount Used during the Reporting Period	Accumulated Amount Used	Total Amount of Fund with Purpose Being Changed during the Reporting Period	Accumulated Amount of Fund with Purpose Being Changed	Proportion of Accumulated Amount of Fund with Purpose Being Changed against Total Amount Raised	Total Amount Not Used Yet	Usage and Destination of Funds Not Used Yet	Amount of Funds Being Idle for over Two Years
2017	Non-public offering of shares	155,999.99	28,921	31,729	0	0	0%	124,271	Not applicable	0
Total	--	155,999.99	28,921	31,729	0	0	0%	124,271	--	0
General Summary of Use of Raised Funds										
The Company received the raised funds on Dec 27, 2017. More details of the usage of the raised funds can be founded in *Special Report on the Deposit and Actual Usage of the Raised Funds in 2017* disclosed on 29 March 2018, "*Special Report on the Deposit* and *Actual Usage of the Raised Funds in the First-Half Year of 2018"* disclosed on 28 August 2018, and *"Special Report on the Deposit and Actual Usage of the Raised Funds in 2018"* disclosed on 21 March 2019.										

(2) The Status of Designated Projects of Raised Funds

√ Applicable ☐ Not applicable

RMB'0000

Designated Projects and Investment of Extra Funds Raised	Any Project Change (Including Partial Change)	Total Investment Committed	Total Investment after Adjustment (1)	Amount Invested during the Reporting Period	Accumulated Invested Amount by the End of the Reporting Period (2)	Investment Progress by the End of the Reporting Period (3)＝(2)/(1)	Date by which the Project Can be Put into Use as Planned	Benefits Realized during the Reporting Period	Expected Benefits Reached or Not	Any Material Change to Project Feasibility
Designated Projects										
The project of Huai'an Pesticide Formulation Center	No	24,980	24,980	0	0	0.00%	2019	Not applicable	Not applicable	Not applicable

Designated Projects and Investment of Extra Funds Raised	Any Project Change (Including Partial Change)	Total Investment Committed	Total Investment after Adjustment (1)	Amount Invested during the Reporting Period	Accumulated Invested Amount by the End of the Reporting Period (2)	Investment Progress by the End of the Reporting Period (3)＝(2)/(1)	Date by which the Project Can be Put into Use as Planned	Benefits Realized during the Reporting Period	Expected Benefits Reached or Not	Any Material Change to Project Feasibility
Designated Projects										
The projects of project development and registration	No	93,507	93,507	13,103	13,103	14%	2019	Not applicable	Not applicable	Not applicable
Fixed-asset Investment of ADAMA	No	66,204	66,204	5,913	5,913	9%	2019	Not applicable	Not applicable	Not applicable
Fees for the intermediary agencies and transaction taxes	No	13,600	13,600	9,905	12,713	93%		Not applicable	Not applicable	Not applicable
Sub-total of Designated Projects	--	198,291	198,291	28,921	31,729	--	--		--	--
Investment of Extra Funds Raised										
Not Applicable										
How and why the planned progress or expected income is not met (per project)	Not applicable									
Explanation on material change to project feasibility	Not applicable									
Amount, purpose of use and progress of extra funds raised	Not applicable									

Designated Projects and Investment of Extra Funds Raised	Any Project Change (Including Partial Change)	Total Investment Committed	Total Investment after Adjustment (1)	Amount Invested during the Reporting Period	Accumulated Invested Amount by the End of the Reporting Period (2)	Investment Progress by the End of the Reporting Period (3)＝(2)/(1)	Date by which the Project Can be Put into Use as Planned	Benefits Realized during the Reporting Period	Expected Benefits Reached or Not	Any Material Change to Project Feasibility
Designated Projects										
Change of location of designated projects	Not applicable									
Adjustment to way of execution of designated projects	Not applicable									
Advance investment in designated projects and replacement of funds	Applicable. The fifth meeting of the 8th session of the Board of Directors approved the utilization of RMB 276,530,000 of the Raised Funds for replacing capital previously invested in the Designated Projects on June 25, 2018. The Company completed the replacement in 2018. Please refer to the "*Announcement on Utilization of Part of the Raised Funds for Replacing Capital Previously Invested in the Designated Projects*" published on June 26, 2018 (announcement number 2018-32).									
Temporary supplement to working capital with idle raised funds	Not applicable									
Amount of surplus funds out of projects and causes	Not applicable									
Usage and destination of funds that have not been used	The unused funds have been kept in the special deposit account for further investment of the designated projects.									
Problems or other issues in the use raised funds and disclosure	Not applicable									

(3) Change to the Designated Projects of Raised Funds

□Applicable √ Not applicable

No change of the designated projects of raised funds in the reporting period.

Note: The Board of Directors of the Company approved a proposal on the change of the designated projects on March 19, 2019. Subject to the approval of the shareholders meeting, the Company intends to replace the projects of Huai'an pesticide formulation center and fixed-assets investment of ADAMA as detailed in the Supporting Finance documents with the acquisition of the 100% Equity Interests in Jiangsu Anpon Electrochemical Co., Ltd. The aggregated amount of the funds raised for the projects to be replaced is RMB 400.08 million which accounts for 20.18% of the total planned raised amount. For further details, please refer to the Announcement on the Change of the Designated Projects and to the Announcement relating to the acquisition published by the Company on March 21, 2019 on the website www.cninfo.com.cn.

VI. Selling of significant assets and equities

1. List of selling of significant assets

□ Applicable √ Not applicable

No selling of significant assets during the reporting period.

Transfers and Divestments relating to ChemChina's acquisition of Syngenta –

In May 2017 ChemChina completed the acquisition of Syngenta AG ("**Syngenta**" and the "**Syngenta Transaction**"). In the context of developing its business and to facilitate the obtaining by ChemChina of the regulatory approvals for the acquisition of Syngenta, Solutions agreed with ChemChina and Syngenta to affect the divestment of a number of its products (the "**Divested Products**"), while receiving products of similar nature and economic value from Syngenta (the "**Transferred Products**"). The receipt of the Transferred Products from Syngenta and concurrent divestment of the Divested Products in the US were concluded in 2017, whereas the receipt and divestment of the relevant products in Europe were concluded in the first quarter of 2018.

2. List of selling of significant equities

□ Applicable √ Not applicable

VII. Analysis of major controlling and stock-participating companies

√ Applicable □ Not applicable

List of stock-participating companies responsible for over 10% of the net profits of the Company

Unit: RMB'000

Name	Type	Main services	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Solutions	Subsidiary	Development, manufacturing and marketing of agrochemicals, intermediate materials for other industries, food additives and synthetic aromatic products, mainly for export	720,085	35,203,576	15,526,029	23,386,214	3,224,288	2,372,249

Subsidiaries acquired or disposed during the reporting period

□ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

IX. Outlook of the Company's future development

(I) Industry structure and trends

1. The competitive structure of crop protection industry

(1) The competitive structure of the global crop protection industry

The global crop protection market is dominated by five multinational companies, four which have annual revenues exceeding USD four billion in the crop protection segment (excluding seeds activities). In the last three years, a number of mergers and acquisitions were completed among the largest players in the crop protection industry – the merger between Dow and DuPont to create Corteva, the acquisition of Monsanto by Bayer, and the acquisition of a large part of DuPont's crop protection portfolio, including products under development and R&D infrastructure, by FMC. An additional acquisition in the crop protection industry that has been already completed is the Syngenta Transaction. In addition, during 2018, UPL announced about the purchase of Arysta, a transaction which was completed on January 2019. Nonetheless, the crop protection industry as a whole is relatively decentralized, with a number of local manufacturers competing in each country against the global multinational companies. The Group believes that entry barriers for the crop protection market are relatively high, although they vary from region to region.

In 2018, the Group was, to the best of its knowledge, the world's largest company (in sales terms) among the crop-protection companies that focused on off-patent crop protection solutions. The Group was ranked sixth in the global crop protection industry in 2018, which includes both RBCs and off-patent crop protection companies, with a global crop protection market share of approximately 6% in 2018, based on AgBio Investor's preliminary estimation of the global crop protection market size in 2018.

The Group's competitors are multinational Originator Companies that continue producing and marketing their original products after their patent expiry ("**Originator Companies**"), as well as other crop protection companies. In the Group's experience, in most cases the Originator Company's market share in a particular product falls to approximately 60% - 70% within a number of years following the expiry of the relevant patent, leaving the remaining market share open to competition among off-patent crop protection companies, in addition to their competition with the Originator Company (which continues manufacturing the product and even leads its market prices and sales terms).

The Group competes with Originator Companies and other international off-patent crop protection companies in all the markets in which it operates, as these companies generally also have global marketing and distribution networks. In addition, there are several smaller Originator Companies that also compete with the Group. As a rule, other off-patent crop protection companies that do not have international marketing and distribution networks compete with the Group locally in those geographical markets in which they operate.

(2) The competitive structure of the crop-protection industry in China

Since 2000, a chemicals industry has developed in China that the Group believes to be the largest in the world. Within this industry, an agrochemicals industry has also developed, including thousands of companies who have invested in manufacturing infrastructure, of which most of their production capacity is currently aimed at exports, intended for sale through small and large companies across the world, including the Group and its competitors. The growth in production capacity, on one hand, and the price levels and competitiveness of the products produced in China on the other, affect the structure of competition in the entire industry. However, price levels of the products manufactured in China have started to rise, in light of the trend of rising manufacturing costs in China.

This trend mainly stems from the increase in costs relating to environmental protection, as well as from increased regulatory activity in China, including by way of limited granting of production permits, shutting down of plants, fines, etc. Due to the shutting down of some of the plants and the suspension of production in others, in 2018 shortages of agrochemicals products, including those of the Group's products were created. The higher procurement cost levels and the decrease in availability of products is expected to continue to 2019.

2. **The development trends of the crop-protection industry**

In the last few years, some new emerging trends that may affect the nature of competition in this sector can be identified: (1) The market share of products whose patents have expired continues to rise relative to that of patented original products, primarily due to the fact that the rate of patent expiry exceeds that of new patent registration; (2) A trend of some off-patent companies expanding and becoming stronger (inter alia, as a result of corporate mergers and acquisitions as well as product acquisitions), which may lead to them competing with the Group in geographic markets in which they have not operated up to now; (3) Smaller companies have begun operating, in limited scale, in certain markets with relatively low entry barriers; (4) Development of the agrochemicals industry in China; (5) Price competition in certain markets by multinational Originator Companies and/or increasing the credit days to its customers; and (6) Mergers and Acquisitions among leading companies in the sector.

The Group believes that in view of the industry's development trends, the following are critical success factors: (i) reputation, branding, expertise and accumulated knowledge in the sector in the various countries and among customers and suppliers; (ii) financial strength and resilience combined with consistent growth, allowing the Group to realize a corporate development strategy including the potential for mergers and acquisitions with other companies in the sphere, and being able to respond efficiently to attractive business opportunities in order to expand its product portfolio and the scale of its operations; and (iii) access to funding sources and reasonable funding terms allowing the Group to make investments that earn a positive return.

(II) Development strategy of the Company

The Group strives to be a global leader in the Crop Protection industry, and intends to achieve this aim by execution of the following strategies:

- **Utilize the Group's Differentiated Offering to Strengthen and Grow its Market Position.** The Group intends to continue to drive the growth of its business through effective commercialization of differentiated, high quality products that meet farmers' needs efficiently. To that end, the Group will leverage its extensive R&D and registration capabilities to continue to provide unique yet simple solutions to farmers. In addition, the Group adds value by enhancing the functionality and efficacy of the industry's most successful and commercially proven molecules, by developing new and unique mixtures and advanced formulations. These innovative products are designed to provide farmers with better solutions to the challenges they face, including weeds, insects and disease, increasing resistance and insufficient pest control related to the use of genetically modified seeds.

  Aiming to provide distinct benefit to farmers and enhance the sustainability of the business, in addition to the ongoing efforts to expand existing product registrations to additional crops and regions, a key portion of the Group's strategy involves the deliberate shift of its product offering towards more innovative and value-added solutions. Such solutions include higher-margin, higher-value complex off-patent products, unique mixtures and formulations as well as innovative, novel products that are protected by patents and other intellectual property rights. As evidence of this effort, the Group has significantly increased the proportion of unique mixtures and formulations in its R&D pipeline over the last several years. Over the coming years, as this shift in the pipeline towards more differentiated and innovative solutions starts to be reflected in the Group's commercial offering, it is expected to be a significant driver of growth, both in revenues and in profitability. In this respect, and in order to capitalize on future opportunities in the agrochemical market, the Group has intensified its efforts to develop a leading pipeline of crop protection products aimed at providing value-added solutions to farmers around the world, based on AIs that are expected to come off-patent in the coming years. These newly off-patent AIs will be developed into new mixtures and formulations, in combination with new formulation and delivery technologies that provide more efficient ways to deliver the products into the plants, thereby creating truly unique and differentiated, value-added solutions to farmers. In this way, the Group strives to achieve a double competitive advantage – to be the first to market launching new products after the expiry of the patent on the AI, and to capitalize on cost leadership through increased backward integration through the Group's global operations capabilities.

- **Bridge China and the World.** The Group is striving to become a leading global crop protection company in China, both commercially and operationally, and in so doing, to drive its global growth in the future.

  China is currently the third largest, and one of the fastest growing, agricultural markets in the world. Furthermore, the Group believes that, over the long term, China has the potential to grow into the world's largest crop protection market. Also, as the Chinese domestic market is highly fragmented, with limited penetration by the global agrochemical companies, the Group believes that there is a unique opportunity for it to capitalize on the significant untapped potential of the Chinese market and to gain market share. Moreover, in recent decades, China has become the leading manufacturing center for the global crop protection industry – from the sourcing of raw materials and chemical intermediates to the synthesizing of active ingredients and the formulation of finished products.

  The Group intends to capitalize on its status in China and its relationship with ChemChina, as well as the combination with Solutions, to increase its presence in the country, where it is already building additional infrastructure. The Group has already commenced commercial collaborations between the Company and Solutions as well as other CNAC-controlled companies in the crop-protection and related fields in China. Through the Combination Transaction and the completion of the aforementioned commercial collaborations, the Group has an operational infrastructure and commercial foundation upon which a leading Chinese domestic distribution network has been built, and which the Group believes will make it one of the only global crop protection providers with significant integrated commercial and operational infrastructures both within and outside of China.

  Through the establishment of a significant operational presence in China and the Combination Transaction, the Group intends to achieve cost savings and improved margins and efficiencies through vertical integration of manufacturing and formulation together with the Group's global supply chain and logistics capabilities. In particular, the Group's global R&D efforts is being complemented by a new R&D center in Nanjing to service the Group's expanded product development needs and enable the introduction of advanced technologies into China and globally. The Group expects to drive significant demand for its products by launching new and advanced active ingredients and intermediates with higher R&D content. In addition, the advanced formulation center in Jiangsu Province will serve as a platform to introduce cost-advantaged crop protection solutions into China and globally.

  The Group expects that its unique positioning and profile in China, including the relationship with ChemChina, should establish it as a partner of choice for companies outside China seeking to access its domestic market, as well as for Chinese companies looking to expand their global footprint. In addition to the Combination Transaction and the commercial collaboration, the Group is assessing strategic joint ventures and selected acquisitions to further bolster its commercial and operational platform in China.

- **Continue to Strengthen Position in Emerging Markets.** In addition to developing its China platform, the Group enjoys strong and leading positions in key emerging agricultural markets such as Latin America, India, Asia and Eastern Europe, with around half of its global sales achieved in these emerging markets. Over the last several years, in order to establish direct market access and distribution capabilities in these markets, the Group has successfully integrated acquisitions in Mexico, Colombia, Chile, Poland, Serbia, the Czech Republic, Slovakia, and South Korea. Similarly, the Group has implemented a direct go-to-market strategy in many high-growth markets including India, Indonesia, Vietnam and South Africa, leveraging a direct sales force and driving demand at the retail and farmer level. The Group intends to continue to invest in its growth in the key emerging markets with high growth potential. The Group's strong global platform and leading commercial infrastructure in such markets will allow it to capitalize on worldwide growth opportunities, and continue to drive its profitable growth.

- **Grow Revenues and Increase Profitability.** The Group believes that it has the capacity and operational leverage to increase profitability through focused execution of its strategy within the framework of prudent working capital management. The Group expects to grow revenues and margins over time as it shifts to a more differentiated, higher-margin product portfolio and continues to strengthen its product pipeline with significant number of higher-value products, unique mixtures and formulations, as well as innovative and, in some cases, patent-protected products. Similarly, the Group intends to drive revenue growth through increased penetration of high-growth markets including China, Brazil and other key markets in Latin America, India, Russia, Ukraine and other key markets in eastern Europe. The Group believes that its investment in developing an operational footprint in China will lower costs, improve manufacturing efficiency and distribution logistics and reduce inventory requirements in many markets worldwide.

In recent years, the Group has focused on growing and improving its business, infrastructure and brand. Other than investments in the further development of its China operations, the Group believes that its existing global infrastructure is largely of sufficient scale to support higher revenues, allowing it to enjoy economies of scale and continually improve profitability over time.

- **Continue to Capitalize on the Global Portfolio Integration and Rebranding Initiative**. As part of the Group's efforts to "Create Simplicity in Agriculture", considerable investments have been made to integrate the business across the globe, streamlining sales and distribution efforts under the "ADAMA" brand. In connection with this global brand, a unified brand architecture has been implemented simplifying hundreds of local brands and product names by migrating to two distinct product umbrellas, "Advanced" and "Essentials", which are further characterized and differentiated through innovative and unique packaging, enhancing the recognition of the "ADAMA" brand. Through these initiatives, the Group is simplifying its product portfolio for farmers and improving its market positioning.

  Over the longer term, the Group aims to increasingly offer digital solutions that will enhance direct communication and interaction with distributors and farmers globally. The Group believes that the farmer-centric approach, while building on a modern, global brand and utilizing cutting-edge technology, will provide a strong foundation for its continued profitable growth.

- **Strategically Pursue Acquisitions to Enhance Market Access and Strengthen the Product Portfolio.** Throughout its history, the Group has successfully completed and integrated several add-on acquisitions across the globe. The Group intends to continue to pursue acquisitions, in-licensing agreements and joint ventures that offer attractive opportunities to enhance its market access and position, as well as strengthen and further differentiate its product portfolio. The Group plans to focus these efforts largely in high-growth geographies, particularly in emerging markets where it aims to gain market share, as well as access to selected sources of innovation. The Group continues with its track record of making and integrating selective.

(III) **2019 Business plan**

In 2019, the Company is expecting moderate growth, despite continued subdued crop commodity prices which continue to challenge farmer profitability levels. Overall, the Group is expecting to see revenue growth emanating from both volume growth and generally stronger pricing, driven by an improved product offering mix and continued launch of new products. The overall strengthening of pricing is expected to be only moderate, since the Company is expecting continued pressure on selling prices in Brazil and other markets of Latin America, where major players attempt to defend their positions.

The generally stronger price environment is expected to compensate somewhat for the continued high Active Ingredient (AI) procurement costs resulting from continued tight supply conditions that have driven increased in the costs of raw materials and AIs.

The Group will continue to exercise discipline in management of its operating expenses, while focusing on continued improvement in working capital efficiency and quality of business.

In 2019, the Group will continue to pursue its comprehensive portfolio development strategy, driven by further momentum and investment in Innovation, Research and Development, and focusing on all aspects of development of its portfolio – product development, obtaining of registrations, development of advanced formulations and innovative delivery technologies, as well as differentiated mixtures, alongside further investments in chemical R&D.

During 2019, the Group will remain focused on the ongoing optimization and implementation of its global AI synthesis layout transformation, a long-term initiative that seeks to align the Group's AI synthesis layout with the Group's identified pipeline opportunities.

Furthermore, in the coming year the Group will continue to focus on the continued build-up of its commercial and operational presence in China, including the full integration between the commercial and operational activities of the Company and Solutions as well as those of the potential acquisitions it intends to make in the near future.

The Group is continuing to invest in the upgrading and expansion of its IT capabilities, including the implementation of its ERP project in the production facilities in Israel and China.

Note: The business plan described above does not constitute a commitment to investors on the Company's performance, and the Company suggests that investors should maintain adequate risk awareness therefor, and understand the difference between the Company's business plan and a performance commitment.

(IV) **The Company's plan of fund demand**

The Group finances its business activities by means of its equity as well as credit from external sources. The primary external financing is by means of long term bonds issued by Solutions.

The Group has additional sources of external funding from: (1) long-term bank credit; (2) short-term bank credit; and (3) supplier credit. In addition, the Group has significant cash balances as well as unused set bank credit lines.

(V) **The risks faced by the Company and countermeasures**

The Group is exposed to several major risk factors, resulting from its economic environment, the industry and the Group's unique characteristics, as follows (the order below does not indicate priority):

Exchange rate fluctuations

Although the Company reports its consolidated financial statements in RMB, the Company's material subsidiary Solutions reports its consolidated financial statements in US dollars, which is its functional currency, while its operations, sales and purchases of raw materials are carried out in various currencies. Therefore, fluctuations in the exchange rate of the selling currency against the purchasing currency impact the Company's results. The Group's most significant exposures are to the Euro, the Israeli Shekel and the Brazilian Real. The Group has lesser exposures to other currencies. The strengthening of the US dollar against other currencies in which the Company operates reduces the dollar value of such sales and vice versa.

On an annual perspective, approximately 27% of the Group's sales are to the European market and therefore the impact of long-term trends on the Euro may affect the Company's results and profitability.

Concentration of currency exposure from foreign currency exchange rate fluctuations against assets, including inventory of finished products in countries of sale, liabilities and cash flow denominated in foreign currencies are done constantly. High volatility of the exchange rates of these currencies could increase the costs of transactions to hedge against currency exposure, thereby increasing the Company's financing costs.

The Group uses commonly accepted financial instruments to hedge most of its substantial net balance sheet exposure to any particular currency. Nonetheless, since as part of these operations the Group hedges against most of its balance sheet exposure and only against part of its economic exposure, exchange rate volatility might impact the Group's results and profitability. As of the date of approval of the financial statements, the Group has hedged most of its balance sheet exposure for 2018 as it is on the date of publication of this report.

In addition, as the Company's product sales depend directly on the cyclical nature of the agricultural seasons, therefore the Company's income and its exposure to the various currencies is not evenly distributed over the year. Countries in the northern hemisphere have similar agricultural seasons and therefore, in these countries, the highest sales are usually during the first half of the calendar year. During this period, the Company is most exposed to the Euro and the Polish Zloty. In the southern hemisphere, the seasons are opposite and most of the local sales are carried out during the second half of the year. During these months, most of the Company's exposure pertains to the Brazilian Real. The Company has more sales in markets in the northern hemisphere and therefore, the Company's sales volume during the first half of the year is higher than the sales volume during the second half of the year.

Exposure to Interest rate, Israel CPI and NIS exchange rate fluctuations

The debentures issued by Solutions, the material subsidiary of the Company, are Israeli Shekel based and linked to the Israel Consumer Price Index (CPI) and therefore an increase in the CPI and an appreciation of the shekel rate against the dollar might lead to a significant increase in its financing expenses. As of the date of approval of the financial statements, Solutions hedged most of its exposure to these risks on an ongoing basis, through CPI hedging and USD-ILS exchange rate hedging transactions.

The Group is exposed to changes in the US dollar LIBOR interest rate as the Group has dollar denominated liabilities, which bear variable LIBOR interest. The Group prepares a quarterly summary of its exposure to changes in the LIBOR interest rate and periodically examines hedging the variable interest rate by converting it to a fixed rate. As of the date of approval of the financial statements, the Group has not carried out hedging for such exposure, since US dollar interest rates have been relatively stable.

Business operations in emerging markets

The Group conducts business – mainly product sales and raw material procurement – inter alia, in emerging markets such as Latin America (particularly in Brazil, the largest market, country wise, in which the Group operates), Eastern Europe, South East Asia and Africa. The Group's activity in emerging markets is exposed to risks typical of those markets, including: political and regulatory instability; volatile exchange rates; economic and fiscal instability and frequent revisions of economic legislation; relatively high inflation and interest rates; terrorism or war; restrictions on import and trade; differing business cultures; uncertainty as to the ability to enforce contractual and intellectual property rights; foreign currency controls; governmental price controls; restrictions on the withdrawal of money from the country; barter deals and potential entry of international competitors and accelerated consolidations by large-scale competitors in these markets. Developments in these regions may have a significant effect on the Group's operations. Distress to the economies of these markets could impair the ability of the Group's customers to purchase its products or the ability to market them at international market prices, as well as harm the Group's ability to collect customer debts, in a way that could have a significant adverse effect on the Group's operating results.

The Group's operations in multiple regions allows for the diversification of such risks and for the reduction of its dependency on particular economies. In addition, changes in registration requirements or customers' preferences in developed western countries, which may limit the use of raw materials purchased from emerging economies, may require redeployment of the Group's procurement organization, which might negatively affect its profitability for a certain period.

Operating in a competitive market

The crop protection products industry is highly competitive. Currently, approximately 60% of the industry's global market is shared by five leading Originator Companies, which are based in Europe or North America, these being Corteva, Bayer, BASF Syngenta and FMC, which develop, manufacture and market both patent-protected as well as off-patent products. The Group competes with the original products with the aim of maintaining and increasing its market share.

The Originator Companies possess resources enabling them to compete aggressively, in the short-to-medium term, on price and profit margins, so as to protect their market share. Loss of market share or inability to acquire additional market share from the Originator Companies can affect the Group's position in the market and adversely affect its financial results. For details regarding the Group's competitive advantages see section III - subsection III. Core competitiveness analysis above.

Similarly, the Group also competes in the more decentralized off-patent market, with other off-patent companies and smaller-scale Originator Companies, which have significantly grown in number in recent years and are materially changing the face of the crop protection products industry, the majority of whom have not yet deployed global distribution networks, and are only active locally. These companies price their products aggressively and at times have lower profit margins than the Group, which may harm the volume of the Group's sales and product prices. The Group's ability to maintain its revenues and profitability from a specific product in the long term is affected by the number of companies producing and selling comparable off-patent products and the time of their entrance to the relevant market.

Any delay in developing or obtaining registrations for products and/or delayed penetration into markets and/or growth of competitors that focus on off-patent active ingredients (whether by the expansion of their product portfolio, granting registrations to other manufacturers (including manufacturers in China and India) to operate in additional markets, transforming their distribution network to a global scale or increasing the competition for distribution access), and/or difficulty in purchasing low cost raw materials, may harm the Group's sales volumes in this sector, affect its global position and lead to price erosion.

Decline in scope of agricultural activities; exceptional changes in weather conditions

The scope of agricultural activities may be negatively affected by many exogenous factors, such as extreme weather conditions, natural disasters, a significant decrease in agricultural commodity prices, government policies and the economic condition of farmers. A decline in the scope of agricultural activities necessarily would cause a decline in the demand for the Group's products, erosion of its prices and collection difficulties, which may have a significant adverse effect on the Group's results. Extreme weather conditions as well as damages caused by nature have an impact on the demand for the Group's products. The Group believes that, should a number of such bad seasons occur in succession, without favorable seasons in the interim, its results may sustain significant harm.

Environmental, health and safety legislation, standards, regulation and exposure

Many aspects of the Group's operations are strictly regulated, including in relation to production and trading, and particularly in relation to the storage, treatment, manufacturing, transport, usage and disposal of its products, their ingredients and byproducts, some of which are considered hazardous. The Group's activities involve hazardous materials. Defective storage or handling of hazardous materials may cause harm to human life or to the environment in which the Group operates. The regulatory requirements regarding the environment, health and safety could, inter alia, include soil and groundwater clean-up requirements; as well as restrictions on the volume and type of emissions the Group is permitted to release into the air, water and soil.

The regulatory requirements applicable to the Group vary from product to product and from market to market, and tend to become stricter with time. In recent years, both government authorities and environmental protection organizations have been applying growing pressure, including through investigations and indictments as well as increasingly stricter legislative proposals and class action suits related to companies and products that may potentially pollute the environment. Compliance with the foregoing legislative and regulatory requirements and protection against such legal actions requires the Group to spend considerable financial resources (both in terms of substantial ongoing costs and in terms of material one-time investments) as well as human resources in order to meet mandatory environmental standards. In some instances, this may result in delaying the introduction of products into new markets or in adverse effects on the Group's profitability. In addition, the toughening, material alteration or revocation of environmental licenses or permits, or their stipulations, or the inability to obtain such licenses and permits, may significantly affect the Group's ability to operate its production facilities, which in turn may have a material adverse effect on the financial and business results of the Group. The Group may be required to bear significant civil liability (including due to class actions) or criminal liability (including high penalties and/or high compensation payments and/or costs of environmental monitoring and rehabilitation), resulting from violation of environmental, health and safety regulations, while some of the existing legislation may impose obligations on the Group for strict liability, regardless of proof of negligence or malice.

While the Group invests material sums in adapting its facilities and in constructing special facilities in accordance with environmental requirements, it is currently unable to assess with any certainty whether these investments (current and future) and their outcomes may satisfy or meet future requirements, should these be significantly increased or adjusted. In addition, the Group is unable to predict with any certainty the extent of future costs and investments it may incur so as to meet the requirements of the environmental authorities in the relevant countries in which it operates since, inter alia, the Group is unable to estimate the extent of potential pollutions, their length, the extent of the measures required to be taken by the Group in handling them, the division of responsibility among other parties and the amounts recoverable from third parties.

Furthermore, the Group may be the target of bodily injury claims and property damage claims caused by exposure to hazardous materials, which are predominantly covered under the Group's insurance policies.

Legislative, standard and regulatory changes in product registration

The majority of the substances and products marketed by the Group require registration at various stages of their development, production, import, utilization and marketing, and are also subject to strict regulatory supervision by the regulatory authorities in each country. Compliance with the registration requirements that vary from country to country and which are becoming more stringent with time, involves significant time and costs, and rigorous compliance with individual registration requirements for each product. Noncompliance with these regulatory requirements might materially adversely affect the scope of the Group's expenses, cost structure and profit margins, as well as penetration of its products in the relevant market, and may even lead to suspension of sales of the relevant product, and recall of those products already sold, or to legal action. Moreover, to the extent new regulatory requirements are imposed on existing registered products (requiring additional investment or leading to the existing registration's revocation) and/or the Group is required to compensate another company for its use of the latter's product registration data, these might amount to significant sums, considerably increasing the Group's costs and adversely affecting its results and reputation.

Additionally, the Group believes that, in countries where the Group maintains a competitive edge, any toughening of registration requirements may actually increase this edge, since this will make it difficult for its competitors to penetrate the same market, whereas in countries in which the Group possesses a small market share, if any, such toughening may make further penetration of the Group's products into that market more difficult.

Product liability

Product and producer liability present a risk factor to the Group. Regardless of their prospects or actual results, product liability lawsuits might involve considerable costs as well as tarnish the Group's reputation, thus impacting its profits. The Group has a third-party and defective product liability insurance cover. However, there is no certainty that the scope of insurance cover is sufficient. Any future product liability lawsuit or series of lawsuits could materially affect the Group’s operations and results, should the Group lose the lawsuit or should its insurance cover not suffice or apply in a particular instance. In addition, while currently the Group has not encountered any difficulty renewing such insurance policy, it is possible that it will encounter future difficulties in renewing an insurance policy for third party liability and defective products on terms acceptable to the Group.

Successful market penetration and product diversification

The Group’s growth and profit margins are affected, inter alia, by the extent of its success in developing differentiated products and obtaining registrations for them, so as to enable it to gain market share at the expense of its competitors. Usually, being the first to launch a certain off-patent product affords the Group continuing advantage, even after other competitors penetrate the same market. Thus, the Group's revenues and profit margins from a certain product could be materially affected by its ability to launch such product ahead of the launch of a comparable product by its competitors.

Should new products fail to meet registration requirements in the different countries or should it take a long period of time to obtain such registrations, the Group's ability to successfully introduce a new product to the market in question in the future would be affected, since entry into the market prior to other competitors is important for successful market penetration. Furthermore, successful market penetration involves, inter alia, product diversification in order to suit each market's changing needs. Therefore, if the Group fails to adapt its product mix by developing new products and obtaining the required regulatory approvals, its future ability to penetrate that market and to maintain its existing market share could be affected. Failure to introduce new products to given markets and meet Group objectives (given the considerable time and resources invested in their development and registration) might affect the sales of the product in question in the relevant market, the Group’s results and margins.

Intellectual property rights of the Group and of third parties

The Group's ability to develop off-patent products is dependent, inter alia, on its ability to oppose patents of an Originator Company or other third parties, or to develop products that do not otherwise infringe intellectual property rights in a manner that may involve significant legal and other costs. Originator Companies tend to vigorously defend their products and may attempt to delay the launch of competing off-patent products by registering patents on slightly different versions of products for which the original patent protection is about to expire or has expired, with the aim of competing against the off-patent versions of the original product. The Originator Companies may also change the branding and marketing method of their products. Such actions may increase the Group's costs and the risk it entails, and harm or even prevent its ability to launch new products.

The Group is also exposed to legal claims that its products or production processes infringe on third-party intellectual property rights. Such claims may involve time, costs, substantial damages and management resources, impair the value of the Group's brands and its sales and adversely affect its results. To the best of the Group’s current knowledge, such lawsuits that were concluded involved non-material amounts.

Furthermore, the Group protects its brands and trade secrets with patents, trademarks and other methods of intellectual property protection, however these protective means may not be sufficient for safeguarding its intellectual property. Any unlawful or other unauthorized use of the Group's intellectual property rights could adversely affect the value of its intellectual property and goodwill. In addition, the Group may be required to take legal action involving financial costs and resources to safeguard its intellectual property rights.

Fluctuations in raw material inputs and prices, and in sales costs

Significant percentage of the cost of the Groups' sales derives from raw material costs. Hence, significant increases or decreases in raw material cost affect the cost of goods sold, which is generally expressed a number of months following such cost fluctuation. Most of the Group's raw materials are distant derivatives of oil prices and therefore, extreme increase or decrease in oil prices may affect the costs of raw materials, yet only partially.

To reduce exposure to fluctuations in the prices of raw materials, the Group customarily engages in long-term purchase contracts for key raw materials, wherever possible. Similarly, the Group acts to adjust its sales prices, if possible, to reflect the changes in the costs of raw materials.

As of the date of approval of the financial statements, the Group has not engaged in any hedging transactions against increases in oil and other raw material costs.

Exposure due to recent developments in the genetically modified seeds market

Any further significant development in the market of genetically modified seeds for agricultural crops, including as a result of regulatory changes in certain countries currently prohibiting the use of genetically modified seeds, and/or any significant increase in the sales of genetically modified seeds or Glyphosate and/or to the extent new crop protection products are developed for further crops that would be widely used (substituting traditional products), will affect demand for crop protection products, requiring the Group to respond by adapting its product portfolio to the new demand structure. Consequently, to the extent that the Group fails to adapt its product mix accordingly, this may reduce demand for its products, erode their sales price and necessarily affect the Group's results and market share.

Nevertheless, the fact that the Group itself markets Glyphosate acts to mitigate this exposure (albeit only in terms of marketing margins).

Operational risks

The Group's operations, including its manufacturing activities, rely, inter alia, on state-of-the-art computer systems. The Group continually invests in upgrading and protecting these systems. Any unexpected failure of these systems, as well as the integration of new systems, could involve substantial costs and adversely affect the Group's operations until completion of the repair or integration. The potential occurrence of a substantial failure that cannot be repaired within a reasonable time frame may also affect the Group's operations and its results. Currently, the Group has a property and loss-of-profit insurance policy.

Data protection and cyber

During its activity, the Group may be exposed to risks and threats, related to the stability of its information technologies systems, data protection and cyber, which could appear in many different forms (such as service denial, misleading employees, malfunction, encryption or data erasing and other cyber-attacks via E-mail or malicious software). An attack on such computerized systems, mainly network based systems may cause the group material damages and expenses and even partial suspension and disruption of their proper functioning. In order to minimize the abovementioned risks, the group invests resources in its technological strength and in proper protection of its systems.

Raw material supply and/or shipping and port services disruptions

Lack of raw materials or other inputs utilized in the manufacture of Group products may prevent the Group from supplying its products or significantly increase production costs. Moreover, the Group imports raw materials to its production facilities worldwide, from where it exports the products to its subsidiaries around the world for formulation and/or commercialization purposes. Disruptions in the supply of raw materials from regular suppliers may adversely affect operations until an alternative supplier is engaged. If any of the Group's suppliers are unable to supply raw materials for a prolonged period, including due to ongoing disruptions and/or prolonged strikes and/or infrastructure defects in the operating of a relevant port, and the Group is unable to engage with an alternative supplier at similar terms and in accordance with product registration requirements, this may adversely affect the Group's results, significantly affect its ability to obtain raw materials in general, or obtain them at reasonable prices, as well as limit its ability to supply products and/or meet customer supply deadlines. These might negatively affect the Group, its finances and operating results. In order to reduce this risk, it is the Group's practice to occasionally adjust the volume of its product inventories and at times utilize air freight.

Failed mergers and acquisitions; difficulties in integrating acquired operations

The Group's strategy includes growth through mergers, acquisitions, investments and collaborations designed, in a calculated manner, to expand its product portfolio and deepen its presence in certain geographical markets.

Growth through mergers and acquisitions requires assimilation of acquired operations and their effective integration in the Group, including realization of certain forecasts, profitability, market conditions and competition.

Failure to successfully implement the above and/or non-realization of the said forecasts may result in not achieving the additional value forecasted, losing customers, exposure to unexpected liabilities, reduced value of the intangible assets included in the merger or acquisition as well as the loss of professional and skilled human resources.

Production concentration in limited plants

A large portion of the Group’s production operations is concentrated in a small number of locations. Natural disasters, hostilities, labor disputes, substantial operational malfunction or any other material damage might significantly affect Group operations, as a result of the difficulty, the time and investment required for relocating the production operation or any other activity.

International taxation

Most of the Group’s sales are global, through its consolidated subsidiaries worldwide. These individual companies are assessed in accordance with the tax laws effective in each respective location. The Group’s effective tax rate could be significantly affected by different classification or attribution of the profits arise from the share of value earned of the companies in the Group in the various countries, as shall be recognized in each tax jurisdiction; changes in the characteristics (including regarding the location of control and management) of these companies; changes in the breakdown of the Group's profits into regions where differing tax rates apply; changes in statutory tax rates and other legislative changes; changes in assessment of the Group's deferred tax assets or deferred tax liabilities; changes in determining the areas in which the Group is taxed; and potential changes in the Group's organizational structure.

Changes in tax regulations and the manner of their implementation, including with regard to the implementation of BEPS, may lead to a substantial increase in the Group's applicable tax rates and have a material adverse effect on its financial state, results and cash flows.

The Group’s Financial Statements do not include a material provision for exposure for international taxation, as stated above.

Risks arising from the Group’s debt

The Group finances its business operations by means of its own equity and loans from external sources (primarily debentures issued by Solutions and bank credit). The Group's main source for servicing the debt and its operating expenses is by means of the profits from the Group companies’ operations. Restrictions applying to the Group companies regarding distribution of dividends to the Group, or the tax rate applicable on these dividends, may affect the Group's ability to finance its operations and service its debt.

In addition, the Group's Finance Documents require it to meet certain Financial Covenants. Failure to meet these covenants due to an exogenous event or non-materialization of Group forecasts, and insofar as the financing parties refuse to extend or update these Financial Covenants as per the Group’s capabilities, may lead the financing parties to demand the immediate payment of these liabilities (or part thereof).

Exposure to customer credit risks

The Group’s sales to customers usually involve customer credit as is customary in each market. A portion of these credit lines are insured, while the remainder are exposed to risk, particularly during economic slowdowns in the relevant markets. The Group’s aggregate credit, however, is diversified among many customers in multiple countries, mitigating this risk. In addition, in certain regions, particularly in South America, credit days are particularly long (compared to those extended to customers in regions such as Europe), and on occasion, inter alia, owing to agricultural seasons or economic downturns in those countries, the Group may encounter difficulty in collection of customer debts, with the collection period being extended over several years.

Generally, such issues arise more often in developing countries where the Group is less familiar with its customers, the collaterals might be in double until actual repayment and the insurance cover of these customers is likely to be limited. Credit default by any of the customers may negatively impact the Group's cash flow and financial results.

The Group’s working capital and cash flow needs

Similar to other companies operating in the crop protection industry, the Group has substantial cash flow and working capital requirements in the ordinary course of operations. In view of the Group's growth and considering its primary growth regions, the Group’s broad product portfolio and the Group’s investments in manufacturing infrastructures, the Group has significant financing and investment needs. The Group acts continually to improve the state and management of its working capital. While currently the Group is in compliance with all its financial covenants, significant deterioration of its operating results may in the future lead the Group to fail to comply with its financial covenants and fail to meet its financial needs. As a result, the Group 's ability to meet its goals and growth plans, and its ability to meet its financial obligations, may be harmed.

X. List of the received researches, visits and interviews

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

√ Applicable □ Not applicable

Reception time	Reception mode	Type of reception object	Index of investigation information
January 4, 2018	Company Visit（One to Many）	Institutional	Introduction of the combined company and its business development after the merger between ADAMA and Sanonda
January 22, 2018	Roadshow（One on One）	Institutional	Introduction of the combined company and its business development after the merger between ADAMA and Sanonda
January 31, 2018	Call Conference（One to Many）	Institutional & Retail	Explanation Session of 2017 Full-Year Pre-announcement
February 8-9, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company and its business development after the merger between ADAMA and Sanonda
March 28, 2018	Company Visit（One to Many）	Institutional	Investor Communication of 2017 full year result
March 29-30, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2017 full year result
April 26, 2018	Call Conference（One to Many）	Institutional	Investor Communication of 2018Q1 result
May 2, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q1 result
May 3, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q1 result
May 4, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q1 result
May 7, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q1 result
May 9, 2018	Investment Strategy Meeting of	Institutional	Introduction of the combined company and

Reception time	Reception mode	Type of reception object	Index of investigation information
	Security Companies		its business development after the merger between ADAMA and Sanonda
May 11, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q1 result
May 16, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company and its business development
May 31, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company and its business development
June 5, 2018	Open Day of Hubei Listed Companies(Online)	Retail	Introduction of the combined company and its business development
June 12, 2018	Roadshow（One on One）	Institutional	Introduction of the combined company and its business development
June 13, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company and its business development
June 14, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company and its business development
June 21, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company and its business development
July 10, 2018	Call Conference（One on One）	Institutional	Introduction of the combined company and its business development
July 11, 2018	Company Visit	Institutional	Introduction of the combined company and its business development
July 17, 2018	Open Day of Capital Market	Institutional	Introduction of the global agrochemical industry and the business units of the company
July 19, 2018	Open Day of Capital Market	Institutional	Introduction of the global agrochemical industry and the business units of the company
August 27, 2018	Call Conference（One to Many）	Institutional	Investor Communication of 2018Q2 result
August 28, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q2 result
August 29, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q2 and semi-annual result
August 30, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q2 and semi-annual result
September 4, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company and its business development, as well as Investor Communication of 2018Q2 and semi-annual result
September 6, 2018	Investment Strategy Meeting of	Institutional	Investor Communication of 2018Q2 result

Reception time	Reception mode	Type of reception object	Index of investigation information
	Security Companies		
October 30, 2018	Call Conference（One to Many）	Institutional	Investor Communication of 2018Q3 result
October 31, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q3 result
November 1, 2018	Company Visit(Group Presentation of Company's performance)	Institutional	Investor Communication of 2018Q3 result
November 2, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q3 result
November 5, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q3 result
November 6, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company and its business development, as well as Investor Communication of 2018Q3 result
November 7, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q3 result
November 8, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q3 result
November 14, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company and its business development, as well as the global agrochemical industry
November 15, 2018	Investment Strategy Meeting of Security Companies	Institutional	Investor Communication of 2018Q3 result and outlook of the global agrochemical industry
November 16, 2018	Investment Strategy Meeting of Security Companies	Institutional	Investor Communication of 2018Q3 result
November 28, 2108	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company, its business development and the business units of the company, as well as the global agrochemical industry
December 3, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company, its business development and the business units of the company, as well as the global agrochemical industry
December 12, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company, its business development and the business units of the company, as well as the global agrochemical industry；Investor Communication of 2018Q3 result
December 13, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company, its business development and the business units of the company, as well as the global agrochemical industry

Reception time	Reception mode	Type of reception object	Index of investigation information
Date	Activity	Visitor Type	Main Topics and Provided Materials
January 4, 2018	Company Visit（One to Many）	Institutional	Introduction of the combined company and its business development after the merger between ADAMA and Sanonda
January 22, 2018	Roadshow（One on One）	Institutional	Introduction of the combined company and its business development after the merger between ADAMA and Sanonda
January 31, 2018	Call Conference（One to Many）	Institutional & Retail	Explanation Session of 2017 Full-Year Pre-announcement
February 8-9, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company and its business development after the merger between ADAMA and Sanonda
March 28, 2018	Company Visit（One to Many）	Institutional	Investor Communication of 2017 full year result
March 29-30, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2017 full year result
April 26, 2018	Call Conference（One to Many）	Institutional	Investor Communication of 2018Q1 result
May 2, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q1 result
May 3, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q1 result
May 4, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q1 result
May 7, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q1 result
May 9, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company and its business development after the merger between ADAMA and Sanonda
May 11, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q1 result
May 16, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company and its business development
May 31, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company and its business development
June 5, 2018	Open Day of Hubei Listed Companies(Online)	Retail	Introduction of the combined company and its business development
June 12, 2018	Roadshow（One on One）	Institutional	Introduction of the combined company and its business development
June 13, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company and its business development
June 14, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company and its business development

Reception time	Reception mode	Type of reception object	Index of investigation information
June 21, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company and its business development
July 10, 2018	Call Conference（One on One）	Institutional	Introduction of the combined company and its business development
July 11, 2018	Company Visit	Institutional	Introduction of the combined company and its business development
July 17, 2018	Open Day of Capital Market	Institutional	Introduction of the global agrochemical industry and the business units of the company
July 19, 2018	Open Day of Capital Market	Institutional	Introduction of the global agrochemical industry and the business units of the company
August 27, 2018	Call Conference（One to Many）	Institutional	Investor Communication of 2018Q2 result
August 28, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q2 result
August 29, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q2 and semi-annual result
August 30, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q2 and semi-annual result
September 4, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company and its business development, as well as Investor Communication of 2018Q2 and semi-annual result
September 6, 2018	Investment Strategy Meeting of Security Companies	Institutional	Investor Communication of 2018Q2 result
October 30, 2018	Call Conference（One to Many）	Institutional	Investor Communication of 2018Q3 result
October 31, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q3 result
November 1, 2018	Company Visit(Group Presentation of Company's performance)	Institutional	Investor Communication of 2018Q3 result
November 2, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q3 result
November 5, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q3 result
November 6, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company and its business development, as well as Investor Communication of 2018Q3 result
November 7, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q3 result
November 8, 2018	Roadshow（One on One）	Institutional	Investor Communication of 2018Q3 result
November 14, 2018	Investment Strategy Meeting of	Institutional	Introduction of the combined company and

Reception time	Reception mode	Type of reception object	Index of investigation information
	Security Companies		its business development, as well as the global agrochemical industry
November 15, 2018	Investment Strategy Meeting of Security Companies	Institutional	Investor Communication of 2018Q3 result and outlook of the global agrochemical industry
November 16, 2018	Investment Strategy Meeting of Security Companies	Institutional	Investor Communication of 2018Q3 result
November 28, 2108	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company, its business development and the business units of the company, as well as the global agrochemical industry
December 3, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company, its business development and the business units of the company, as well as the global agrochemical industry
December 12, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company, its business development and the business units of the company, as well as the global agrochemical industry；Investor Communication of 2018Q3 result
December 13, 2018	Investment Strategy Meeting of Security Companies	Institutional	Introduction of the combined company, its business development and the business units of the company, as well as the global agrochemical industry

Times of reception	45
The number of agencies in reception	44
The number of individuals in reception	2
The number of other objects in reception	0
Whether undisclosed significant information is disclosed, revealed or divulged?	No

Section V Significant Events

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

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

√ Applicable □ Not applicable

According to the requirements of *Circular on Further Settling the Issues Concerning the Payment of Cash Dividends by Listed Companies* (issued by CSRC on May 4, 2012), the 2nd interim Shareholders Meeting in 2012 of the Company approved the proposal on the revisions of the Articles of Association. Accordingly, the Articles of Association, as revised, set the dividends policy, the conditions and ratio for the cash dividends, the approval procedures for the profit distribution plan, and explicit requirements on the procedures for the adjustment of the profit distribution policy. Therefore, the Company has set up the decision-making procedures on the profit distribution, and improved the supervisory mechanism on the profit distribution. Consequently, the legitimate interests of the shareholders, especially the medium and minor shareholders are well protected.

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

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

2016 profits distribution proposal: not allocated, not transferred.

2017 profits distribution proposal: based on the total share capital on February 28, 2018, after obtaining the approval of Board of Directors, the Company declared a cash dividend of RMB 0.63 (including tax) for every 10 shares to the all shareholders. No share will be distributed as share dividend, as well as no reserve will be transferred to equity capital.

2018 profit distribution proposal: based on the total share capital on February 28, 2019, after obtaining the approval of Board of

Directors, the Company declared a cash dividend of RMB 0.97 (including tax) for every 10 shares to the all shareholders. No share will be distributed as share dividend, as well as no reserve will be transferred to equity capital.

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

Unit: RMB

Dividend year	Amount of cash dividend (including tax)	Net profit belonging to shareholders of the listed company in consolidated statement of dividend year	The ratio of the cash dividends accounting in net profit which belongs to shareholders of the listed company in consolidated statement	Amount of the cash dividend by other methods (such as share buyback)	Ratio of the cash dividend by other methods accounting in net profit which belongs to shareholders of the listed company in consolidated statement	Total amount of cash dividend (including other ways)	The ratio of total amount of cash dividend (including other ways) accounting in net profit which belongs to shareholders of the listed company in consolidated statement
2018	237,315,697.45	2,402,462,000	9.88%	0.00	0.00%	237,315,697.45	9.88%
2017	154,132,875.67	1,545,879,000	9.97%	0.00	0.00%	154,132,875.67	9.97%
2016	-	-74,489,986.54	0.00%	0.00	0.00%	-	0.00%

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

☐ Applicable √ Not applicable

II. Situations for profit allocation and turning capital reserve into share capital for the reporting period

√ Applicable ☐ Not applicable

The Company plans to distribute cash dividends for the year 2018, and does not intend to issue bonus shares or transfer capital reserve to share capital.

Bonus shares for every 10-share (Share)	Not Applicable.
Dividends for every 10-share (RMB) (Tax included)	0.97
Every 10-share increased the shares' number	0
Equity base of distribution plan (Share)	2,446,553,582
Cash dividend (RMB) (Tax included)	237,315,697.45
Amount of the cash dividend by other methods (e.g. share buyback)	0
Total cash dividend (RMB) (Tax included)	237,315,697.45

Distributable profits (RMB)	2,370,123,000
Ratio of the Cash dividend (including the amount to be distributed in other ways) accounting in the total amount of the distributed dividend	100%
Cash dividends of This Time	
If the development phase of the Company was the mature period with significant funds expenditures arrangement, the proportion of the cash dividend should at least reach 40% of the total profit distribution.	
Detailed Description on the Pre-Plan for Profit Allocation or Turning Capital Reserve into Share Capital	
As audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the net profit attributable to stakeholders of the Company is RMB 2,402,462,000. After deduction of the transfer to statutory surplus reserve of 10% of the net profit on a standalone basis of the reporting period which is RMB 32,339,000, profit available for distribution for the year 2018 is RMB 2,370,123,000. The proposal for profit distribution and transfer of reserves into equity capital for the year 2018 is a distribution of y 10% of the total profit available for distribution, calculated as follows: Taking the total outstanding 2,446,553,582 shares of the Company dated February 28, 2019 as the basis, to distribute RMB 0.97 (including tax) per 10 shares as cash dividend to all shareholders, resulting in a total cash dividend of RMB237,315,697.45 (including tax), and zero shares as share dividend, as well as no reserve transferred to equity capital.	

III. Performance of commitments

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

√ Applicable □ Not applicable

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitment on share reform						

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitment in the acquisition report or the report on equity changes	ChemChina	Commitments on the horizontal competition	Commitments on avoiding horizontal competition: 1. The business of the ChemChina's subsidiaries - Jiangsu Anpon Electrochemical Co., Ltd., Anhui Petroleum Chemical Group Co., Ltd., Shangdong Dacheng Agrochemical Co., Ltd. and Jiamusi Heilong Agrochemicals Co., Ltd., and Hunan Haohua Chemical Co., Ltd. and its subsidiary had the same or similar situations with the main business of ADAMA, and aimed at the domestic horizontal competition, the Company committed to gradually eliminate such kind of horizontal competition in the future and to fight for the internal assets reconstruction, to adjust the industrial plan and business structure, to transform technology and to upgrade products, to divide the market so as to make each corporation differ in the products and its ultimate users according to the securities laws and regulations and industry policy within 7 years, thus to eliminate the current domestic horizontal competition between the Company's controlling subsidiaries and ADAMA. 2. Excepting the competition situation disclosed in the offer acquisition report, the Company take effective measures to avoid the Company and its controlling subsidiaries (excepting Commitments respectively made in acquisition report by Celsius Property B.V. and MAI)' new increased business engaged in the same or similar business with ADAMA, Ltd. within the territory in future. 3. If the Company or its controlling subsidiaries (excepting Commitments respectively made in acquisition report by Celsius Property B.V. and MAI) domestically conduct related business which form horizontal competition with ADAMA, Ltd. in future, the Company will actively take steps, gradually eliminate the competition, the concrete measures including but not limited to fight for internal assets reconstruction, (including putting the business into ADAMA, Ltd. or operated through ADAMA, Ltd.) to adjust the industrial	September 7, 2013	September 6, 2020	On-going. The committed parties comply with the commitments.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
	ChemChina	Commitments on the independence of the Company and the related-party transaction	The company will comply with laws, regulations and other regulatory documents to avoid and reduce related-party transactions with ADAMA. However, for related-party transactions that are inevitable or based on reasonable grounds, the company will follow the market principles of just, fairness and openness, enter into agreement(s) legally and go through lawful procedures. The company will honor its disclosure obligations and apply for relevant approvals according to the AOA of ADAMA, rules regarding related-party transactions and relevant regulations, not damaging the lawful rights and interest of ADAMA and its shareholders by related-party transactions. After completion of this transaction, ADAMA will continue to keep complete procurement, production and sales systems and to possess independent intellectual properties. The company and its affiliated parties will be completely independent from ADAMA in terms of staff, assets, finance, business and organization. ADAMA will have full capacity of operation in Chinese agricultural chemical market.	September 7, 2013	Long term effective	On-going. The committed parties comply with the commitments.
Commitments made at the time of assets reorganization	ChemChina	Commitments on the horizontal competition	The subsidiaries controlled by ChemChina, namely Anpon, HH, Maidao, Anhui Petrochemical and Heilong as well as their subsidiaries are in similar or the same business as ADAMA. For the horizontal competition in China, ChemChina commits itself to take appropriate actions to solve the horizontal competition between its subsidiaries and ADAMA step-by-step in an appropriate way within 4 years after completion of the reorganization, in accordance with securities laws, regulations and sector/industrial policies.	October 12, 2016	Long term effective	On-going. The committed parties comply with the commitments.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			The means by which ChemChina addresses the horizontal competition include but are not limited to the following, ADAMA acquires crop protection-related assets under ChemChina. ADAMA holds or controls other crop protection-related assets of ChemChina in line with national laws and by reasonable commercial means such as entrusted operation. ChemChina divests other crop protection-related assets or transfers the control power of such subsidiaries to external parties. ChemChina reorganizes internal assets, adjusts sector planning and business structure, upgrades technologies and products and makes market segmentation so that each company will differentiate its products and end users to eliminate horizontal competition between the subsidiaries controlled by ChemChina and ADAMA.			
	ChemChina	Commitments on Potential Horizontal Competition	ChemChina will take effective actions to avoid adding new business in China same or similar to ADAMA by itself and its controlled subsidiaries. If ChemChina or its controlled subsidiaries are in the future engaged in the business in China that constitute horizontal competition against ADAMA, ChemChina will take active actions, including but not limited to reorganizing internal assets, adjusting sector planning and business structure, upgrading technologies and products and making market segmentation so that each company will differentiate its products and end users to avoid and eliminate horizontal competition between the subsidiaries controlled by ChemChina and ADAMA.	October 12, 2016	Long term effective	On-going. The committed parties comply with the commitments.
	ChemChina	Commitment to reduce and standardize related-party	The Company will, as required by law, regulation and other specifications, avoid and reduce connected transactions with ADAMA; however, for the	August 4, 2016	Long term effective	On-going. The committed parties comply with the

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
		transactions	connected transactions that are inevitable or based on reasonable grounds, the Company will follow the just, fairness and open principles in market, legally enter into agreement(s) by law, go through lawful procedures, and perform its disclosure obligations and approving procedures as required by related systems and regulations. The Company warrants that no connected transaction will be done to impair lawful rights and interest of ADAMA and its shareholders.			commitments.
	ChemChina	Commitment to maintain independence of the listed company	After completion of this acquisition transaction, ADAMA will continue to keep complete procurement, production and sales systems and to possess independent intellectual properties, and the Company and its affiliated party will be completely independent from ADAMA in terms of staff, assets, finance, business and organization, and ADAMA will have full capacity of operation in Chinese agricultural chemical market. The Company will follow related regulations in Company Law and Securities Law, and avoid engagement in any action that impairs the operating independence of ADAMA.	August 4, 2016	Long term effective	On-going. The committed parties comply with the commitments.
	CNAC	Commitment on share lock-up	All new shares purchased and held by share issuance for assets purchase shall be prohibited from transfer in whatever forms within 36 months after date of listing, including but not limited to public transfer via securities market or transfer by agreements and will not have such shares of the listed company managed by any other person entrusted, except such transfer is required and made between ChemChina and its subsidiaries as a result of state-owned assets reorganization, consolidation or free transfer of stock equity, in which case the transferee must keep such shares obtained locked up until the	October 12, 2016	August 2, 2020	On-going. The committed party complies with the commitments.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			lock-up period expires. According to regulations in Article 48 of the Administrative Measures for the Material Asset Reorganizations of Listed Companies, if within a period of 6 months after completion of this transaction, the closing price of the listed company is lower than the offering price in any continuous 20 trading days, or if within a period of 6 months after completion of this transaction, the closing price at the end of such 6-month period is lower than the offering price, then the lock-up period of shares held will be extended automatically by at least 6 months. Upon expiry of the lock-up period, such shares shall be subject to applicable laws, regulations and CSRC and SZSE rules.			
	CNAC	Commitments on performance compensation	CNAC shall fulfill the performance compensation obligations in the transaction in accordance with Performance Compensation Agreement signed with the listed company and relevant laws and regulations. In the event that a performance compensation obligation takes place, CNAC shall first fulfill the obligation of compensation with the shares of ADAMA and the deficient portion (if any) shall be made up in cash. CNAC commits that the net profits of ADAMA attributable to the parent company after deducting non-recurring gains and losses shall not be less than USD 147,675,000, USD 173,321,900 and USD 222,416,800 respectively in 2017, 2018, 2019.	September 13, 2016	December 31, 2019	On-going. The committed party complies with the commitments.
	Sanonda Holding	Commitment on share lock-up	All shares of the listed company held by Sanonda Holding before this transaction shall be prohibited from transfer within 12 months after date of listing of the new shares issued under this transaction, including but not limited to public transfer via securities market or transfer by agreements and Sanonda	October 12, 2016	August 2, 2018	Sanonda Holding completed its commitment in the reporting period.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			Holding will not have such shares of the listed company managed by any other person entrusted, except such transfer is required and made between ChemChina and its subsidiaries as a result of state-owned assets reorganization, consolidation or free transfer of stock equity, in which case the transferee must keep such shares obtained locked up within the lock-up period of the remaining shares			
	China Cinda Asset Management Co., Ltd., CCB Principle Asset Management Co.,Ltd., Aegon-industrial Fund Co., Ltd., Penghua Fund Management Co., Ltd., China Structural Reform Fund Co. ,Ltd., Caitong Fund Management Co., Ltd.	Commitment on share lock-up	The new shares issued in the non-public offering to raise supporting fund shall not be transferred in any manner within 12 months after the initial trading day of the new issued shares.	December 25, 2017	January 18, 2019	The committed parties complied with the commitments during the reporting period. The shares have been unlocked on January 21, 2019.
Commitments made in the initial public offering or refinancing	--	--	--	--	--	--
Commitment on equity incentive	--	--	--	--	--	--
Other commitments made to minority shareholders	--	--	--	--	--	--
Executed timely or not?	Yes					

2. Assets or projects with profit forecast, which were still in the profit forecast period

√ Applicable □ Not applicable

Assets or project with profit forecasted	Starting time	Terminal time	Current forecast performance (in USD'0000)	Current actually performance (in USD'0000)	Reasons of fails to achieve the forecast number (if applicable)	Disclosure date for former prediction	Index
Solutions	Jan 1, 2017	Dec 31, 2019	32,099.69	36,911.13	Not applicable	July 5, 2017	www.cninfo.com.cn Report of ADAMA, Ltd. on Share Issuance for Assets Purchase and Supporting Funds Raise & Related Party Transactions

Note: The estimation period of the above profit forecast is three consecutive years (2017 to 2019). The current forecast performance and the current actually performance refer to the aggregated amounts of 2017 and 2018.

Commitment made by shareholders of the Company and counterparty in annual operation performance

√ Applicable □ Not applicable

Over the process of the Major Assets Restructuring, the Company signed the Performance Compensation Agreement and the Supplementary Agreement with the counter party CNAC. CNAC made a commitment regarding Solutions' net profit attributable to the Company after deduction of non-recurring gains and losses in 2017, 2018 and 2019. In case of failure to meet the commitment, CNAC will compensate the Company in the way of shares or cash according to the following formula: Total aggregate compensation amount to be compensated at the end of the then current period= (Aggregate committed net profit by the end of the then current period - Aggregate actual net profit by the end of the then current period) ÷ total aggregated net profit in the compensation period × consideration of the Major Assets Restructuring transaction.

Solutions' aggregated net profit attributable to the Company after deduction of non-recurring gains and losses for 2017 and 2018 as committed by CNAC amounted to US$321 million. The actual net profit attributable to the Company after deduction of non-recurring gains and losses for 2017 and 2018 amounted to US$369 million .The completion rate is 115%. For details, please refer to the Explanation of the Difference between Actual Net Profit and Committed Net Profit of Solutions announced by the Company on March 21, 2019 on the website www.cninfo.com.cn.

Fulfillment of performance commitment and its impact on the goodwill impairment test: To the date of the report, CNAC fulfilled its performance commitment. No impact on the goodwill impairment test.

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

□ Applicable √ Not applicable

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

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

□ Applicable √ Not applicable

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

√ Applicable □ Not applicable

The changes of the accounting policies of the Group are as follows:

The Group began to apply the followings revised Accounting Standard for Business Enterprise ("ASBE") promulgated by the Ministry of Finance, as of January 1, 2018:

"Revised ASBE22 - Financial Instruments Recognition and Measurement"; "Revised ASBE 23 - Transfer of Financial Assets"; "Revised ASBE24 - Hedging"; "Revised ASBE37 - Presentation and Disclosure of Financial Instrument"; and "Revised ASBE14 - Revenue".

These financial statements were prepared under the requirements of the newly issued "the Notice of the Revised Format of 2018 Financial Statements for General Business Enterprise" ("Notice No. 2018-15") by MOF on June 15, 2018.

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

□ Applicable √ Not applicable

No such cases in the reporting period.

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

□Applicable √ Not applicable

IX. Particulars about engagement and disengagement of CPAs firm

CPAs firm engaged at present

Name of domestic CPAs firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration for domestic CPAs firm for the reporting period (RMB Ten Thousand Yuan)	340
Consecutive years of the audit services provided by domestic CPAs firm	2
Name of domestic accountants	Xu Yusun, Ma Renjie
Consecutive years of the audit services provided by the domestic accountants	1
Name of overseas CPAs firm	Not applicable

Remuneration for overseas CPAs firm for the reporting period (RMB Ten Thousand Yuan)	--
Consecutive years of the audit services provided by overseas CPAs firm	--
Name of overseas accountants	--
Consecutive years of the audit services provided by the overseas accountants	--

Change of the CPAs firm at current period or not?

☐ Yes √ No

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

√ Applicable ☐ Not applicable

In the reporting period, the Company continued to engage Deloitte Touche Tohmatsu Certified Public Accountants LLP as the auditor of the Company for 2018 annual financial reports and 2018 annual internal control of the Company. The total remuneration is RMB 3,400,000.

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

☐ Applicable √ Not applicable

XI. Bankruptcy and reorganization

□ Applicable √ Not applicable

No such cases in the reporting period.

XII. Significant lawsuit or arbitration

□ Applicable √ Not applicable

No such cases in the reporting period.

XIII. Punishment and rectification

□ Applicable √ Not applicable

No such cases in the reporting period.

XIV. Credibility of the Company, its controlling shareholders and actual controller

□ Applicable √ Not applicable

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

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

☐ Applicable √ Not applicable

To the date of the report, the Company does not have stock incentive plans, ESOP or other staff incentives. It shall be noted, that the Company's subsidiary approved in December 2017 and in February 2019 long-term incentive plans and granted long-term cash rewards to executive officers and employees, which are based on the performance of the Company's shares (phantom cash incentives).

XVI. Significant related-party transactions

1. Related-party transactions relevant to routine operation

☐ Applicable √ Not applicable

(1) Please see item 5 below for the information on the related party transactions made in 2018 in the ordinary business course of business.

(2) Item XII of Section XI "Financial Statements" has set out the related parties and the related-party transactions of the Company.

2. Related-party transactions arising from asset acquisition or sale

☐ Applicable √ Not applicable

The Company was not involved in any significant related-party transactions arising from asset acquisition or sale during the reporting period. It shall be noted that in March 2019, the Company entered into an agreement signed with CNAC and CNAC International Company Limited for the acquisition of Jiangsu Anpon Electrochemical Co., Ltd. (Anpon), a backward-integrated manufacturer of key active ingredients used in crop protection markets worldwide, most notably Ethephon, Pymetrozine and Buprofezin, as well as intermediates such as chlor-alkali, with advanced membrane production technology. For further details, please refer to the Announcement published by the Company with respect to the acquisition on March 21, 2019 on the website www.cninfo.com.cn.

3. Related-party transitions with joint investments

☐ Applicable √ Not applicable

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

4. Credits and liabilities with related parties

√ Applicable ☐ Not applicable

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

☐ Yes √ No

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

5. Other significant related-party transactions

√ Applicable ☐ Not applicable

The 4th meeting of the 8th session of the Board of Directors and the 2017 Annual Shareholders Meeting approved the proposal on the Expected Related Party Transactions in the Ordinary Course of Business in 2018. The 11th meeting of the 8th session of the Board of

Directors and the 1st Interim Shareholders Meeting in 2019 approved the proposal on the Expected Related Party Transactions in the Ordinary Course of Business in 2019. Please refer to the following announcements for the details and performances of the related party transactions in the ordinary course of business in 2018.

The website to disclose the interim announcements on significant related-party transactions

Name of the interim announcement	Disclosure date of the interim announcement	Website to disclose the interim announcement
Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2018.	June 8, 2018	www.cninfo.com.cn
Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2019.	February 22, 2019	www.cninfo.com.cn

XVII. Particulars about significant contracts and their fulfillment

1. Particulars about trusteeship, contract and lease

(1) Trusteeship

☐ Applicable √ Not applicable

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

(2) Contract Operation

□ Applicable √ Not applicable

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

(3) Lease

√ Applicable □ Not applicable

Explanation on the lease

The 7th floor of the Company's office building had rented to Jingzhou Sanonda Holdings Co., Ltd. for business operation in the reporting period with the annual rent of RMB 19,048.

The lease whose profits reaching more than 10% of the total profits of the Company in the reporting period

☐ Applicable √ Not applicable

There was no any lease whose profits reaching more than 10% of the total profits of the Company in the reporting period.

2. Significant guarantees

□ Applicable √ Not applicable

No significant guarantee in the reporting period.

3. Cash assets management entrustment

(1) Wealth management entrustment

□ Applicable √ Not applicable

No such cases in the reporting period.

(2) Entrustment loans

□ Applicable √ Not applicable

No such cases in the reporting period.

4. Other significant contracts

□ Applicable √ Not applicable

No such cases in the reporting period.

XVIII. Social responsibilities

1. Perform social responsibilities

The values of corporate social responsibility are woven throughout the Company's culture. The Company holds itself to a high standard of integrity, fairness, reliability and responsibility, and believes that this is essential for the Company's long term success. The Company has made a strong commitment, to education, safety, and protection of the environment, and the development of its employees.

The Company insists on the policy "safety, quality, environmental protection, efficiency", carries out production and operation in strict accordance with OHSAS18001 occupational health and safety management system, ISO14001 environment management system, ISO9001 quality management system and national cleaning production standards, carries forward the construction of SHE system, technically reforms production devices, technologies and tail gas treatment, enhances the safety of production devices, carries forward lean production, reduces the consumption of energy and materials and carries forward energy conservation and emission reduction. For output value per ten thousand yuan, the overall energy consumption and water consumption decrease year by year. The Company will invest more in environmental protection, carry forward comprehensive treatment on environment and persistently improve the performance of environmental protection.

The Company relates high promotion of education in agriculture, chemistry, sustainability and other related areas as integral part of its mission. The Company is dedicated to the nurturing of the next generation of scientist and to strengthen and invest in the communities in which it operates.

During 2018, the Group published a Corporate Social Responsibility report, with respect to the years 2016-2017.

2. Perform the social responsibility of targeted poverty alleviation

(1) Targeted Poverty Alleviation Planning

The Company actively implements targeted poverty alleviation according to relevant instructions from Jingzhou Leading Group on Poverty Alleviation.

(2) Annual Overview

The Company's one-on-one poverty alleviation subject is Sanzhou Village of Guanyindang Township. The Company attached great importance and designates the general office to be in charge of daily poverty alleviation. The Company visited 20 households below the poverty line in Sanzhou village and gave 300 RMB to each family in February 2018, and transferred 3,100 RMB to the special account for poverty alleviation of a village of Cenhe Township on December 2018.

(3) Results of Targeted Poverty Alleviation

Indicator	Unit	Quantity/ Progress
I. Overview	——	——
Of which, 1. funds	10,000RMB	0.91
II. Input Breakdown	——	——
1. Sector development	——	——
Of which, 1.1 Sector of Project	——	
1.2 Number of Project	Project	
1.3 Inputs	10,000RMB	
1.4 No. of people out of poverty	Person	
2. Employment transfer	——	——
3. Movement and relocation	——	——
4. Education	——	——
5. Health	——	——
6. Ecological conservation	——	——
7. Subsistence support	——	——
8. Social activities	——	——
9. Others	——	——
III. Awards	——	——

(4) Follow-up Plan

The Company will continue to steadily promote poverty alleviation with one-on-one subject following instructions of Jingzhou disciplinary Committee and Leading Group on Poverty Alleviation.

3. Environmental Protection

Is the Company listed as key polluting entities by environmental protection agencies?

Yes

Company name	Main pollutants and special pollutants	Way of emission	Number of emission points	Layout of emission points	Concentration	Pollution standards applied	Total amount emitted/discharged	Total amount approved	Exceeding limit
ADAMA	COD	Continuous	1	Centralized discharge	Within limit	Comprehensive Standard on	294.3	391.3	No

Company name	Main pollutants and special pollutants	Way of emission	Number of emission points	Layout of emission points	Concentration	Pollution standards applied	Total amount emitted/discharged	Total amount approved	Exceeding limit
				point		Discharge of Waste Water (GB8978-1996) ， COD<100mg/L			
ADAMA	Ammonia nitrogen	Continuous	1	Centralized discharge point	Within limit	Comprehensive Standard on Discharge of Waste Water (GB8978-1996), Ammonia nitrogen<15mg/L	29.7	50	No
ADAMA	NOx	Continuous	1	Power plant	Within limit	Standard on Air Pollution of Power Plant （GB13223-2011） NOx <200mg/m3	523.4	564.7	No
ADAMA	SO2	Continuous	1	Power plant	Within limit	Standard on Air Pollution of Power Plant （GB13223-2011） SO2<200mg/m3	302.6	380	No
ADAMA	Fume and dust	Continuous	1	Power plant	Within limit	Standard on Air Pollution of Power Plant （GB13223-2011） Fume and dust<30mg/m3	44.5	80	No

(1) Development and Operation of Environmental Facilities

1. Development and Operation of Waste Water Facilities

The Company has a waste water treatment facility.

2. Development and Operation of Waste Gas Facilities

The treatment facility for the Company’s coal-based power plant is running well.

3. The Company discloses production and pollution information according the Interim Measures on Environmental Information Disclosure and transfers information of main waste water and air pollutants to the provincial information platform on a daily basis.

Please also see below under “Environment self-monitoring plan”.

(2) EIA of construction projects and other environmental administrative permits

No.

(3) Contingency plan of environmental accidents

The contingency plan is development with a purpose of implementing precautionary approach for environmental safety, ensuring quick response to potential environmental emergencies and carrying out rescue in a well-organized way according to pre-made rescue plan.

1. Composition of the command team

2. Emergency response

(1) Alarm and Telecommunication

(2) Field Rescue

(3) The Company is insured against sudden, unexpected events of environmental pollution worldwide.

3. Relief and Rescue of Environmental Pollution Accidents

（1）Pollutants and Main Sources

（2）Cause Analysis of Environmental Pollution

（3）Relief and Rescue Measures

（4）Handling and Precautionary Measures of Environmental Pollution Accidents

4. Supporting Measures

（1）Supply support

（2）System support

5. Training and Exercises

(4) Environment self-monitoring plan

The Company attributes great importance to protecting the environment, out of a sense of responsibility to society and the environment and strives to meet the relevant regulatory requirements and to even go beyond mere compliance, engaging in constant dialogue with stakeholders, including the authorities and the community.

The Company developed Annual Environment Self-Monitoring Plan according to relevant requirements to enhance environment management, understand emission and discharge of pollutants of the Company, evaluating its impact on surrounding environment, enhancing management of pollutant discharge and emission in the process of production, be subject to supervision of environmental agencies and provide basis to pollution prevention and control.

1. Monitored Indicators

   Waste water (Jingzhou Site): COD, NH_3-N, PH, SS, BOD, Petroleum, TP, Volatile Phenol.

   Air Pollutant (Jingzhou Site): SO_2, NO_X, Dust.

   Noise (Jingzhou Site): Noise by site border

2. Frequency

   Boiler emission and waste water discharged from the centralized point (Jingzhou Site): continuous auto monitoring

   Manual sampling (Jingzhou Site): SS, BOD, Petroleum, TP, Volatile Phenol, once a month.

   Noise (Jingzhou Site): once a quarter.

The Company holds various permits and licenses, such as business licenses, toxic permits, air emission permits and permits to discharge into the sea. To the best of the Company's knowledge, the Company’s environmental permits and licenses are currently valid and in force. The Company continually examines the implications of the environmental laws, taking actions to prevent or mitigate the environmental risks and to reduce the environmental effects that may result from its activities, and investing extensive resources to fulfill those legal provisions that are, and are anticipated to, affect it. The Company’s plants are subject to atmospheric emissions regulations, whether by virtue of the stipulations provided in the business licenses or under the applicable law. Hazardous materials are stored and utilized in the Company's plants, together with infrastructures and facilities containing fuels and hazardous materials. The Company takes actions to prevent soil and water pollution by these materials and treats them, if revealed. The Company's plants conduct various soil surveys, risk surveys and tests with regard to treatment of the soil or ground water at the plants.

The Company intends to continue investing in environmental protection, to the extent required and beyond this, whether on its own volition or in compliance with contractual commitments, regulatory or legal standards relating to environmental protection, so as to realize its best available policy and comply with any legal requirements.

The Group's subsidiary in Brazil, invests in safety and ecological facilities in its two plants, further conducting independent environmental tests for the ensuring of its compliance with its licenses, tests of the surrounding underground water sources and monitoring atmospheric emissions by means of advanced technologies. Periodic testing of the atmospheric emissions and water sources are performed to prove that the requirements set forth by the state Ministry of Environment in Brazil are met. As part of its policy of ecological process improvement, the Company also invests in remediation, changes in production processes, establishment of sewage facilities, as well as in byproduct storage and recycling.

(5) Other environmental information that should be disclosed

No.

(6) Other environmental information

At the end of January 2019, preceding the Spring Festival, the Company voluntarily suspended operations at Sanonda's old site in Jingzhou, which is in the process of being relocated to a nearby advanced site, due to recording of higher than permitted levels of wastewater compounds. The Company was subsequently instructed by the local government not to resume operations before rectification. The Company is working to rectify the discharge levels and resume operations at the old site as soon as possible. For details, please see the announcement published on www.cninfo.com.cn on February 13, 2019.In recent years, the Company has already invested $125 million in the relocation of the Jingzhou old site, and has installed advanced production and environmental facilities at a new and already operational site, including an investment of $16 million in a new, state-of-the-art wastewater facility, which is ready to commence operation.

According to the rectification plan underway, the Company began commissioning of the new wastewater treatment facility at the new site, which will also serve the old site, and expects to commence gradual resumption of operations at the old site around the end of March.

Notwithstanding that the old site only produces a small number of products for the group, and the fact that ADAMA has significant production and procurement capabilities elsewhere in China and worldwide ,the suspension is expected to have a negative impact on the Company's performance, mostly in the first and second quarters of 2019.

XIX. Other significant events

□ Applicable √ Not applicable

XX. Significant events of subsidiaries

□ Applicable √ Not applicable

Please refer to the Syngenta Transaction, mentioned in Section IV. – VI 1. above.

It shall be further noted that in January 2019, Solutions acquired Bonide Products Inc., a US provider of pest-control solutions for the consumer Home & Garden use, allowing Solutions to bring its advanced technologies and differentiated portfolio of pest-control directly to the consumers.

Section VI. Change in Shares & Shareholders

I. Changes in shares

Unit: share

	Before the change		Increase/decrease (+/-)					After the change	
	Amount	Proportion	Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	Amount	Proportion
I. Restricted shares	1,930,596,116	82.44%	104,697,982			-119,708,577	-15,010,595	1,915,585,521	78.30%
2. State-owned legal person's shares	1,930,570,241	82.44%	67,114,092			-119,687,202	-52,573,110	1,877,997,131	76.76%
3. Shares held by domestic investors	25,875	0.00%	37,583,890			-21,375	37,562,515	37,588,390	1.54%
Shares held by domestic legal person			37,583,890				37,583,890	37,583,890	1.54%
Shares held by domestic natural person	25,875	0.00%				-21,375	-21,375	4,500	0.00%
II. Shares not subject to trading moratorium	411,259,484	17.56%				119,708,577	119,708,577	530,968,061	21.70%
1. RMB ordinary shares	244,210,143	10.43%				119,708,577	119,708,577	363,918,720	14.87%
2. Domestically listed foreign shares	167,049,341	7.13%						167,049,341	6.83%
III. Total shares	2,341,855,600	100.00%	104,697,982				104,697,982	2,446,553,582	100.00%

Reason for the change in shares

√ Applicable □ Not applicable

The listing date of the newly-issued 104,697,982 shares in the non-public offering was January 17, 2018. The total amount of the shares of the Company listed was 2,446,553,582.

Approval of the change in shares

√ Applicable □ Not applicable

On July 3, 2017, the Company received the Approval on Issuing Shares by ADAMA Ltd. to China National Agrochemical Corporation for Acquiring Assets and Raising Supporting Funds (CSRC license No. [2017]1096). CSRC approved the issuance of the above new shares.

The registered status for the change in shares

√ Applicable ☐ Not applicable

Shenzhen Branch of China Securities Depository and Clearing Corporation Limited accepted the registration application of the non-public issuance of shares on January 4, 2018, and issued an Acceptance Confirmation Letter on Share Registration Application. The Company has completed the registration of the additional 104,697,982 shares.

Status of share buyback

☐Applicable √Not applicable

Status of share buyback in the way of centralized bidding

☐Applicable √Not applicable

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

☐ Applicable √ Not applicable

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

□ Applicable √ Not applicable

2. Changes in restricted shares

√ Applicable □ Not applicable

Shareholders	Restricted shares at the opening of the reporting period	Shares released in the reporting period	Restricted shares increased in the reporting period	Ending shares restricted	Restricted reasons	Date for released
China Structural Reform Fund Co., Ltd.	0	0	33,557,046	33,557,046	Committed not to trade	Jan 21, 2019
Industrial Bank Co., Ltd, Mixed Securities Investment Fund, Xingquan New Vision Investment	0	0	4,026,800	4,026,800	Committed not to trade	Jan 21, 2019
Industrial Bank Co., Ltd, Mixed Securities Investment Fund,	0	0	8,053,736	8,053,736	Committed not to trade	Jan 21, 2019

Shareholders	Restricted shares at the opening of the reporting period	Shares released in the reporting period	Restricted shares increased in the reporting period	Ending shares restricted	Restricted reasons	Date for released
Aegon-Industrial Trend Investment (LOF)						
CCB Principal-ICBC-Avic Trust, Trust Plan of Pooled Funds of CCB Principal Private Placement Investment, Tianqi (2016) No. 293 of Avic Trust	0	0	12,885,906	12,885,906	Committed not to trade	Jan 21, 2019
Caitong Fund Xiangyun No.2 Asset Management Plan	0	0	536,912	536,912	Committed not to trade	Jan 21, 2019
Caitong Fund Fuchun Chuangyi Private Placement No.3 Asset Management Plan		0	4,697,986	4,697,986	Committed not to trade	Jan 21, 2019
Penghua Fund-CCB-China Life Insurance, Private Placement Portfolio of Penghua Fund Management Co., Ltd Entrusted by China Life Insurance (Group) Company	0	0	4,697,990	4,697,990	Committed not to trade	Jan 21, 2019
Penghua Fund-Pingan Bank—Huarun Shenguotou Trust-Huren Single Trust	0	0	2,684,560	2,684,560	Committed not to trade	Jan 21, 2019
China Cinda Asset Management Co., Ltd.	0	0	33,557,046	33,557,046	Committed not to trade	Jan 21, 2019
China National Agrochemical Co., Ltd.	1,810,883,039	0	0	1,810,883,039	Committed not to trade	August 2, 2020
Jiang Chenggang	4,500	0	0	4,500	Shares held by a supervisor should be	six months after the

Shareholders	Restricted shares at the opening of the reporting period	Shares released in the reporting period	Restricted shares increased in the reporting period	Ending shares restricted	Restricted reasons	Date for released
					locked up.	expiration of the term
Jingzhou Sanonda Holding Co., Ltd.	119,687,202	119,687,202	0	0	Committed not to trade	August 2, 2018
Liu Zhiming	21,375	21,375	0	0	Expiration of the locked up shares held by a S former senior management.	October 29, 2018
Total	1,930,596,116	119,708,577	104,697,982	1,915,585,521	--	--

II. Issuance and listing of securities

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

√ Applicable □ Not applicable

Name of stock and derivative securities	Issue date	Issue price (or interest rate)	Number of issue	Date of listing	Number of permitted listed transactions	Date of termination of the transaction
Stock						
ADAMA A	January 17, 2018	RMB 14.9 per share	104,697,982	January 17, 2018	104,697,982	--
Switching Company bonds, the separation transaction of switching company bonds, corporate bonds						
Other derivative securities						

Description of the issue of securities in the reporting period (excluding preferred shares)

According to the Approval on Issuing Shares by ADAMA Ltd. to China National Agrochemical Corporation for Acquiring Assets and Raising Supporting Funds (CSRC license No. [2017]1096), the Company non-publicly issued 104,697,982 shares to the six investors: China Cinda Asset Management Co., Ltd., CCB Principal Asset Management Co. Ltd., Aegon-industrial Fund Management Co., Ltd., Penghua Fund Management Co., Ltd., China Structural Reform Fund Co., Ltd. and Caitong Fund Management Co., Ltd. The listing date is January 17, 2018 and the locking period of such shares is twelve months as of the listing date.

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

√ Applicable □ Not applicable

As stated above, during the reporting period, the Company issued 104,697,982 restricted shares (such issuance was recorded in the 2017 Financial Statements). By the end of the reporting period, the total amount of the shares of the Company is 2,446,553,582.

On December 31, 2018, the Company's asset-liability ratio was 48%, down by 4.6% compared with the asset-liability ratio at the end of 2017 which was 52.6%.

3. Existent shares held by internal staffs of the Company

□ Applicable √ Not applicable

III. Particulars about the shareholders and actual controller

1. Total number of shareholders and their shareholding

Unit: share

Total number of shareholders as of the end of the reporting period	52,800 (the number of ordinary A share shareholders is 36,612; the number of B share shareholders is 16,188)	Total number of shareholders on the 30th trading day before the disclosure date of the annual report	52,724	Total number of preferred stockholder with vote right restored (if any)	0	Total number of preferred stockholder with vote right restored on the 30th trading day before the disclosure date of the annual report	0

Shareholding of shareholders holding more than 5% shares								
Name of shareholder	Nature of shareholder	Holding percentage (%)	Number of shareholding at the end of the reporting period	Increase and decrease of shares during reporting period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Pledged or frozen shares	
							Status of shares	Amount
China National Agrochemical Co., Ltd.	State-owned legal person	74.02%	1,810,883,039	-	1,810,883,039	-	-	-
Jingzhou Sanonda Holding Co., Ltd.	State-owned legal person	4.89%	119,687,202	-	-	119,687,202	-	-
China Cinda Asset Management Co., Ltd.	State-owned legal person	1.37%	33,557,046	33,557,046	33,557,046	-	-	-
China Structural Reform Fund Co., Ltd.	State-owned legal person	1.37%	33,557,046	33,557,046	33,557,046	-	-	-
CCB Principal-ICBC-Avic Trust, Trust Plan of Pooled Funds of CCB Principal Private Placement Investment, Tianqi (2016) No. 293 of Avic Trust	Others	0.53%	12,885,906	12,885,906	12,885,906	-	-	-

Industrial Bank Co., Ltd, Mixed Securities Investment Fund, Aegon-Industrial Trend Investment (LOF)	Others	0.33%	8,053,736	8,053,736	8,053,736	--	--	--
Portfolio No.503 of National Social Security Fund	Others	0.25%	6,199,921	6,199,921	--	6,199,921	--	--
Jiang Yun	Domestic individual	0.24%	5,920,073	5,920,073	--	5,920,073	--	--
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign corporation	0.20%	4,914,144	387,899	-	4,914,144	--	--
Penghua Fund-CCB-China Life Insurance, Private Placement Portfolio of Penghua Fund Management Co., Ltd Entrusted by China Life Insurance (Group) Company	Others	0.19%	4,697,990	4,697,990	4,697,990	--	--	--
Strategic investors or the general legal person due to the placement of new shares become the top 10 shareholders (if any)	Not applicable							
Explanation on associated relationship or/and persons	Jingzhou Sanonda Holdings Co., Ltd. and CNAC are related parties, and are acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies. Sanonda Holding is a wholly-controlled subsidiary of CNAC. It is unknown whether the other shareholders are related parties or acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies.							

Particulars about shares held by top 10 shareholders not subject to trading moratorium			
Name of shareholder	Number of shares held not subject to trading moratorium at the end of the period	Type of share	
		Type of share	Amount
Jingzhou Sanonda Holding Co., Ltd.	119,687,202	RMB ordinary share	119,687,202

National Social Security Fund Portfolio 503	6,199,921	RMB ordinary share	6,199,921
Jiang Yun	5,920,073	RMB ordinary share	5,920,073
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	4,914,144	Domestically listed foreign share	4,914,144
Qichun County State-owned Assets Administration	4,169,266	RMB ordinary share	4,169,266
Wu Feng	3,412,337	RMB ordinary share	3,412,337
Industrial and Commercial Bank of China, Southern Big Data 100 Index Securities Investment Fund	2,633,000	RMB ordinary share	2,633,000
Agricultural Bank of China-BOCOM Schroder Advanced Manufacturing Mixed Securities Investment Fund	2,505,317	RMB ordinary share	2,505,317
Xie Qingjun	2,500,000	Domestically listed foreign share	2,500,000
National Social Security Fund Portfolio 412	2,119,212	RMB ordinary share	2,119,212
Explanation on associated relationship among the top ten shareholders of tradable share not subject to trading moratorium, as well as among the top ten shareholders of tradable share not subject to trading moratorium and top ten shareholders, or explanation on acting-in-concert	Qichun County Administration of State-Owned Assets held shares of the Company on behalf of the government. It is unknown whether the other shareholders are related parties or acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies.		
Particular about shareholder participate in the securities lending and borrowing business (if any)	Shareholder Wu Feng held 1,207,726 shares of the Company through a credit collateral securities trading account and held 2,204,611 shares of the Company through a common securities account, who thus held 3,412,337shares of the Company in total.		

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

☐ Yes √ No

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

2. Particulars about the controlling shareholder

Nature of controlling shareholder: The central state-owned

Type of controlling shareholder: legal person

Name of controlling shareholder	Legal representative / company principal	Date of establishment	Organization code	Business scope
China National Agrochemical Co., Ltd.	Chen Hongbo	Jan 21, 1992	91110000100011399Y	Agricultural chemicals and chemical products and chemical raw materials (except hazardous chemicals), electromechanical device, electrical equipment, control system, instrumentation, building materials, industrial salt, natural rubber and products, computer hardware and software, office automation equipment and textile materials purchasing and marketing; Chemical fertilizer sales; Storage of goods; Import and export business; Technical consultation and technical service; Technology development and technical testing; Production of genetically modified crop seeds (except for the six regions of Beijing Central City); Sale of crop seeds, grass seeds, edible fungi seeds (the enterprise independently selects and operates the project and carries out business activities; Projects subject to approval in accordance with the law shall conduct business activities in accordance with the approved content after approval by relevant departments; It shall not engage in the business activities of the municipal industrial policy prohibiting or restricting such projects.
Shares held by the controlling shareholder in other listed companies by holding or shareholding during the reporting period	By the end of the reporting period, CNAC held indirectly 46.25% equity shares of Cangzhou Dahua Co. Ltd. through Cangzhou Dahua Group Co. Ltd. According to the announcement of Cangzhou Dahua Co. Ltd. dated January 23, 2019 (announcement number 2019-1), the State-owned Assets Supervision and Administration Commission of the State Council approved the transfer of all share equity of Cangzhou Dahua Group Co. Ltd. held by CNAC to Nanjing Jinpudongyu Investment Co., Ltd.			

Change of the controlling shareholder during the reporting period

□Applicable √Not applicable

3. Particulars about actual controller and the persons acting in concert

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

Type of actual controller: Legal person

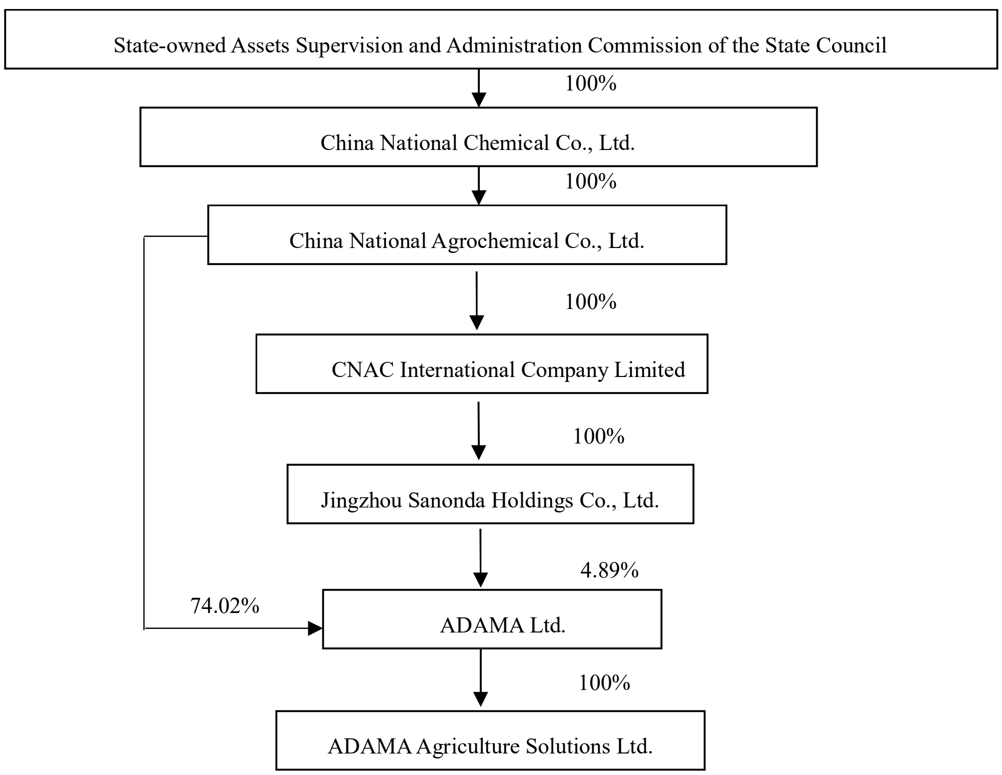
Name of the actual controller	Legal representative / company principal	Date of establishment	Organization code	Business scope
State-owned Assets Supervision and Administration Commission of the State Council	-	16 Mar. 2003	-	-
Shares held by the actual controller in other listed companies by holding or shareholding during the reporting period	Not applicable			

Change of the actual controller during the reporting period

□ Applicable √ Not applicable

The actual controller did not change during the reporting period

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



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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

Section VII. Preferred stock

□ Applicable √ Not applicable

There was no preferred stock during reporting period.

Section VIII. Directors, Members of the Supervisory Board, Senior Management Staff & Employees

I. Changes in shareholding of directors, supervisors and senior executives

Name	Position	Office Status	Gender	Age	Beginning date of office term	Ending date of office term	Shares held at the year-begin (share)	Amount of shares increased at the reporting period (share)	Amount of shares decreased at the reporting period (share)	Other changes increase/decrease	Shares held at the end of the reporting period (share)
Yang Xingqiang	Chairman of the BOD	In Office	Male	51	Sep 29, 2017		0	0	0	0	0
Chen Lichtenstein	Director, President & CEO	In Office	Male	51	Sep 29, 2017		0	0	0	0	0
An Liru	Director	In Office	Male	49	Apr 29, 2015		0	0	0	0	0
Tang Yunwei	Independent Director	In Office	Male	74	Dec 25, 2017		0	0	0	0	0
Xi Zhen	Independent Director	In Office	Male	55	Dec 25, 2017		0	0	0	0	0
Aviram Lahav	Chief Financial Officer	In Office	Male	59	Sep 29, 2017		0	0	0	0	0
Michal Arlosoroff	General Legal Counsel	In Office	Female	60	Sep 29, 2017		0	0	0	0	0
Jiang Chenggang	Chairman of the Supervisory Board	In Office	Male	44	Jan 6, 2013		6,000	0	0	0	6,000
Li Dejun	Member of the Supervisory Board	In Office	Male	60	March 19, 2018		0	0	0	0	0
Guo Zhi	Member of the Supervisory Board	In Office	Male	41	March 19, 2018		0	0	0	0	0

Name	Position	Office Status	Gender	Age	Beginning date of office term	Ending date of office term	Shares held at the year-begin (share)	Amount of shares increased at the reporting period (share)	Amount of shares decreased at the reporting period (share)	Other changes increase/decrease	Shares held at the end of the reporting period (share)
Li Zhongxi	Secretary of the BOD	In Office	Male	48	Feb 9, 2000		0	0	0	0	0
Ren Jianxin	Director	Demission	Male	60	Sep 29, 2017	July 25, 2018	0	0	0	0	0
Ning Gaoning	Director	Demission	Male	60	Sep 12, 2018	Dec 9, 2018	0	0	0	0	0
Fu Liping	Supervisor	Demission	Male	53	Jan 6, 2013	March 19, 2018	0	0	0	0	0
Ding Shaojun	Supervisor	Demission	Male	56	Jan 24, 2013	March 19, 2018	0	0	0	0	0
Dong Chunji	Supervisor	Demission	Male	50	Apr 29, 2015	March 19, 2018	0	0	0	0	0
Xu Yan	Supervisor	Demission	Female	46	Apr 29, 2015	March 19, 2018	0	0	0	0	0
Total	--		--	--	--	--	6,000	0	0	0	6,000

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

Name	Position	Type	Date	Reason
Ren Jianxin	Director	Left the position	July 25, 2018	Voluntary demission
Ning Gaoning	Director	Left the position	Dec 9, 2018	Voluntary demission
Fu Liping	Supervisor	Term of office expired	March 19, 2018	Term of office expired
Ding Shaojun	Supervisor	Term of office expired	March 19, 2018	Term of office expired
Dong Chunji	Supervisor	Term of office expired	March 19, 2018	Term of office expired
Xu Yan	Supervisor	Term of office expired	March 19, 2018	Term of office expired

III. Resumes of important personnel

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

Mr. Yang Xingqiang, serves as the Chairman of the Board of Directors of the Company. He holds a Bachelor Degree, senior engineer at professor grade. Mr. Yang used to be the General Manager of Blue Star Cleaning Agent Co., Ltd., the General Manager and Party Secretary of China National Blue Star Group, the Deputy General Manager of China National Chemical Co., Ltd., the Chairman of the BOD of China National Agrochemical Co., Ltd. Currently, Mr. Yang is also the General Manger and Deputy Party Secretary of China National Chemical Co., Ltd. and the Chairman of the Board of Directors of Solutions.

Mr. Chen Lichtenstein, Israeli, serves as the President & Chief Executive Officer and as a Director of the Company. He holds joint doctoral degrees from Stanford University's Graduate School of Business and School of Law. He used to be the clerk of Israeli High Court, the lawyer of Yigal Arnon & Co. Law Firm, the Executive Director of Investment Banking at Goldman Sachs in New York and London, the Deputy CEO of Solutions, the President and CEO of China National Agrochemical Co., Ltd. Currently, Mr. Lichtensetin is also a Director and the President and Chief Executive Officer of Solutions.

Mr. An Liru, serves as a Director of the Company. He holds a master degree of chemical engineering and MBA, senior engineering, senior economist. He used to be the Assistant of General Manager, Vice General Manager, General Manager, Deputy Party Secretary of Jiangsu Anpon Electrochemical Co., Ltd., Chairman of Directors, Party Secretary of Jiangsu Huaihe Chemicals Co., Ltd., Executive Director and CEO of Jiangsu Maidao Agrochemical Co., Ltd., the Chairman of the Board of Directors of the Company, Chairman of Directors and Party Secretary of China National Agrochemical Co., Ltd. Currently, he serves also as a Director and the Senior Vice President of Solutions, Executive Director of Jiangsu Anpon Electrochemical Co., Ltd., Director and General Manager of Adama (China) Investment Co., Ltd., Chairman of Directors of Adama (Beijing) Agricultural Technology Co., Ltd., Chairman of Directors of Adama Agrochemical (Jiangsu) Co., Ltd., Executive Director and General Manager of Jingzhou Hongxiang Chemical Co., Ltd.

Mr. Tang Yunwei, serves as an independent director of the Company. He holds a professor degree, a doctor of economics degree, and he is an honorary member of Association of Chartered Certified Accountants, and is a Returned Overseas Student with Outstanding Contribution to Socialist Modernization Construction which was awarded by the State Education Commission and Ministry of Personnel. He had successively served as the associate professor and professor of Shanghai University of Finance and Economics (SUFE), the Executive Vice President of the SUFE, and the President of SUFE. He used to be a member of Auditing Standards Committee of Chinese Institute of Certified Public Accountants, the legal representative of Accounting Society of Shanghai, and the partner of Ernst & Young. Mr. Tang has been a member of Accounting Standard Committee of Ministry of Finance of the PRC since October 1998. Mr. Tang is the independent director of Universal Scientific Industrial (Shanghai) Co., Ltd.

Mr. Xi Zhen, serves as an independent director of the Company. He holds a professor degree and a doctor of Bioorganic Chemistry degree. Mr. Xi was Assistant Professor in Hubei Medical School which is currently the Wuhan University School of Medicine from 1983 to 1985, was Engineer in Beijing Institute of Chemical Reagents from 1988 to 1990, was a Research Associate in Department of Biological Chemistry and Molecular Pharmacology of Harvard Medical School from 1997 to 2001. Mr. Xi is currently Cheung Kong Scholar of Pesticide Science of the Ministry of Education of the PRC, Chairman of Department of Chemical Biology, Professor of Chemistry and Chemical Biology, Fellow of the University Committee of Nankai University in China, and Director of National Pesticide Engineering Research Center (Tianjin). Mr. Xi is also a Committee Member of Chinese Chemical Society and Deputy Director of its Division of Chemical Biology, Deputy Director of the Pesticide Science Division of Chinese Chemical Industry and Engineering Society, and a Committee Member of Chinese Society for Crop Protection. In addition, he is a director of Suzhou Ribo

Life Science Co., Ltd.

Mr. Aviram Lahav, Israeli, serves as the Chief Financial Officer of the Company. Mr. Lahav also serves as Executive Vice President and Chief Financial Officer of Solutions. Mr. Lahav holds a Practical Engineering Degree in Mechanical Engineering from Tel Aviv University, Israel. Mr. Lahav has also a BA in Economics and Finance from the Hebrew University in Jerusalem, Israel and graduated from the Advanced Management Program at Harvard Business School. Before joining the Group, Mr. Lahav served as CEO of Synergy Cables, a publicly traded manufacturing company. He had also served as CFO, COO and eventually CEO of Delta Galil Industries (Israel). In 2000, he was awarded the title of "Israel's CFO of the Year".

Ms. Michal Arlosoroff, Israeli, serves as the Company's General Legal Counsel. Ms. Arlosoroff also serves as Senior Vice President, General Legal Counsel, Company Secretary and CSR Officer of Solutions. Ms. Arlosoroff holds an LL.B. as well as a B.A. in Political Science and Labor Relations (cum laude) from Tel Aviv University, Israel. Ms. Arlosoroff also graduated from the Advanced Management Program at Harvard Business School. Prior to joining the Group, Ms. Arlosoroff served for 22 years as full Partner and General Manager of the Tel Aviv branch at E.S. Shimron, I. Molho, Persky & Co., one of the most prominent, respected and established law firms in Israel.

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

Mr. Li Dejun, serves as a member of the Supervisory Board of the Company. Mr. Li holds a Doctor degree. He successively acted as Chief Officer, Deputy Chief, Chief of CCNU and Research Institute of Wuhan Province Commission for Restructuring Economic System and Editor in Chief of Overview of Private Economy, Secretary General of Research Institute of Hubei Province Commission for Restructuring Economic System and Hubei Province Culture and Economy Research Society, Chief of Hubei Regional Economic Development Research Center as well as Independent Director of J.S. Machine, Angel Yeast. From Jul. 2010 to December 2017, he was an independent director of the Company.

Mr. Guo Zhi, serves as a member of the Supervisory Board Supervisor of the Company. He is the China Legal Counsel of ADAMA (China) Investment Co., Ltd. Mr. Guo got his Master of Laws severally from Peking University and Melbourne University. From 2004 to 2017, he practiced law in Commerce & Finance Law Offices ("C&F") and had been a partner of C&F for eight years. His practicing area covers IPO, M&A, and Foreign Investment.

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

Positions in shareholder units

√ Applicable □ Not applicable

Name of the person holding any post in any shareholder unit	Name of the shareholder unit	Position in the shareholder unit	Beginning date of office term	Ending date of office term	Receives payment from the shareholder unit?
Yang Xingqiang	ChemChina	GM, Deputy Party Secretary	January 2015		Yes
An Liru	Jiangsu Anpon Electrochemical Co., Ltd.	Executive director	April 2015		No
Jiang Chenggang	Jingzhou Sanonda Holdings Co., Ltd.	Deputy Party Secretary	December 2016		No

Positions in other units

√ Applicable □ Not applicable

Name of the person holding any post in any shareholder unit	Name of other unit	Position in other unit	Beginning date of office term	Ending date of office term	Receives payment from the other unit?
Yang Xingqiang	Solutions	Chairman of the BOD	April 2017		No
Yang Xingqiang	Pirelli & C. S.p.A	Director	November 2015		No
Yang Xingqiang	Information Morning Post	Legal Representative	February 2005		No
Chen Lichtenstein	Solutions	President & CEO	October 2017		Yes
An Liru	Solutions	Director	February 2014		Yes
An Liru	Solutions	Head of China Cluster	September 2017		Yes
An Liru	Jiangsu Anpon Electrochemical Co., Ltd.	Executive Director	April 2015		No
An Liru	Adama (China) Investment Co., Ltd.	Director and General Manager	November 2018		No
An Liru	Adama (Beijing) Agricultural Technology Co., Ltd.	Chairman of Directors	November 2018		No
An Liru	Adama Agrochemical (Jiangsu) Co., Ltd.	Chairman of Directors	June 2017		No
An Liru	Jingzhou Hongxiang Chemical Co., Ltd.	Executive Director and General Manager	December 2017		No
Aviram Lahav	Solutions	EVP & CFO	October 2017		Yes
Michal Arlosoroff	Solutions	SVP, General Counsel, Company	October 2017		Yes

Name of the person holding any post in any shareholder unit	Name of other unit	Position in other unit	Beginning date of office term	Ending date of office term	Receives payment from the other unit?
		Secretary & CSR Officer			
Tang Yunwei	Universal Scientific Industrial (Shanghai) Co., Ltd.	Independent Director	April 2017		Yes
Xi Zhen	Nankai University	Professor, Chairman of Department of Chemical Biology, Fellow of the University Committee	August 2002		Yes
Xi Zhen	National Agrochemical Engineering Research Center (Tianjin)	Director	May 2014		No
Xi Zhen	Division of Chemical Biology of Chinese Chemical Society	Deputy Director	January 2015		No
Xi Zhen	Agrochemical Science Division of Chinese Chemical Industry and Engineering Society	Deputy Director	November 2014		No
Xi Zhen	Suzhou Ribo Life Science Co., Ltd.	Director	January 2007		Yes
Li Dejun	The Economic System Reform Institute of Hubei Province	Secretary General	December 2009		No
Li Dejun	Angel Yeast Co., Ltd.	Independent Director	April 2013		Yes
Li Dejun	J.S. Machine	Independent Director	October 2016		Yes

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

□ Applicable √ Not applicable

IV. Remuneration for directors, supervisors and senior management

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

Remunerations are decided by the authorized organs of the Company according to the Remuneration Policy. In addition, global professional benchmarks, implementations of performance at the Company level, and the actual performance of the respective person are also taken into account in the resolutions regarding remunerations.

Independent directors are entitled to receive annual allowance and would not receive salary by the Company.

Internal supervisors, who are full-time employees of the Company (or any of its subsidiaries), will be entitled to receive a remuneration set for their posts and will not be entitled to any additional remuneration for serving as supervisors.

External supervisors, who are not employees of the Company (or any of its subsidiaries), will be entitled to receive annual allowance and would not receive salary by the Company.

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

Unit RMB'0000

Name	Position	Gender	Age	Current/Former	Total before-tax remuneration gained from the Company	Whether gained remuneration from the related parties of the Company
Yang Xingqiang	Chairman of the BOD	Male	51	Current		Yes
Chen Lichtenstein	Director, President & CEO	Male	51	Current		No
An Liru	Director	Male	49	Current		No
Tang Yunwei	Independent Director	Male	74	Current		No
Xi Zhen	Independent Director	Male	55	Current		No
Aviram Lahav	Chief Financial Officer	Male	59	Current		No
Michal Arlosoroff	General Legal Counsel	Female	60	Current		No
Jiang Chenggang	Chairman of the Supervisory Board	Male	44	Current		No
Li Dejun	Member of the Supervisory Board	Male	60	Current		No
Guo Zhi	Member of the Supervisory Board	Male	41	Current		No
Li Zhongxi	Secretary of the BOD	Male	48	Current		No
Ren Jianxin	Director	Male	60	Former		Yes
Ning Gaoning	Director	Male	60	Former		Yes
Fu Liping	Supervisor	Male	53	Former		No
Ding Shaojun	Supervisor	Male	56	Former		No
Dong Chunji	Supervisor	Male	50	Former		No
Xu Yan	Supervisor	Female	46	Former		No
Total	--	--	--	--	5,044	--

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

□ Applicable √ Not applicable

V. About employees

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

The number of on-duty employees in parent company (person)	1,444
The number of on-duty employees in main subsidiary companies (person)	26
The total number of on-duty employees (person)	1,470
The total number of employees who get salary in the period (person)	1,470
The number of retired employees who need to pay expense in parent company and main subsidiary companies (person)	1,787
Specialty classification	
Specialty category	Number
Production personnel	1,189
Sales personnel	9
Technicians	72
Financial personnel	24
Administrative personnel	176
Total	1,470
Education classification	
Education category	Number
Doctor	0
Master	13
Bachelor	238
College	380
Others	839
total	1,470

Note: The above table includes information as to the Company only (without Solutions, which as of December 31, 2018 employs on-duty 5,214 employees).

2. Employee's remuneration policy

In 2018, the Company optimized the salary structure of employees. Without increasing labor costs, the Company formed a salary structure that integrates post salary, quarterly performance bonus and annual performance bonus.

At the same time, the Company strengthened the construction of employee performance appraisal system, and established an online and offline assessment model. Online assessment is carried out by SF system. Individual goals are set at the beginning of the year. At the end of the year, a total of 96 middle and senior managers and backbones enter SF system for online assessment in 2018. Employees who do not participate in online assessment will conduct offline performance assessment. In the future, the Company will gradually achieve full coverage of online assessment.

3. Employee's training plan

The Group usually conducts seminars, trainings, exercises and refresh of procedures (including with respect to increasing safety awareness) to its various employees in its various entities, as needed and/or required under its applicable procedures.

4. Labor outsourcing

√ Applicable □ Not applicable

Total number of hours of service outsourcing (hours)	776,736
Total remuneration paid for service outsourcing (RMB)	23,117,009.63

Section IX. Corporate Governance

I. Basic details of corporate governance

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

During the reporting period, for promoting the corporate governance level, the Company amended the rights of Shareholders, BOD, Chairman of the BOD and President & CEO, and amended the number of supervisors, the Rules of Procedure for Shareholders Meeting, the Rules of Procedure for BOD meeting and BOS meeting, the Raised Funds Management Policy. The BOD of the Company also approved the Code of Conduct to serve as a guide to the ethical standards that are expected of all group employees will follow in their daily work.

1. About Shareholders and the Shareholders' meeting

During the reporting period, the Company has ensured that all shareholders, especially small and medium shareholders, are treated equal and able to fully exercise their rights. It held one annual general meeting of shareholders and three interim shareholders' meetings, during which 21 proposals in total were reviewed and approved. Lawyers were invited to attend all the meetings mentioned above for testimony and issuing legal opinions. Online voting has been applied during all above-mentioned meetings to ensure that all shareholders, especially small and medium shareholders, enjoy equal status and fully exercise their rights. Notices of shareholders' meeting, meeting proposals, discussion procedures, voting on proposals and information disclosure all meet the requirements. Every major decision of the Company has been decided by the shareholders' meeting according to laws and regulations with lawyers as the witness to ensure that the right to know, to participate and vote on major issues of all shareholders, especially the small and medium shareholders are properly protected.

2. About Directors and the Board of Directors

During the reporting period, according to the *Articles of Association* and the Rules of Procedure of the Board of Directors, the number of the Company's board members is six, including two independent directors. The number, composition and qualifications of the board of directors are in compliance with laws and regulations as well as the Articles of Association. All board members are diligent and responsible for attending the board and shareholders' meetings in accordance with the relevant provisions of *the Company Law* and the Articles of Association. During the reporting period, the Company held 11 board meetings during which 42 proposals were reviewed. The organizing, convening and formation of resolutions were carried out in accordance with relevant provisions of the Articles of Association and *the Rules of Procedure for the Board of Directors*. The Company has established an independent director system in accordance with relevant regulations. Each of the independent directors have expressed independent opinions on important business of the Company during the reporting period. The Company's board of directors consists of one strategy committee, one nomination committee, one audit committee and one remuneration and assessment committee, all of which are functioning with respective implementation rules to ensure the scientific and compliant decision-making by the board of directors.

3. About Supervisors and the Board of Supervisors

According to the *Articles of Association* and *the Rules of Procedure of the Board of Supervisors* during the reporting period, the board of supervisors of the Company consists of three supervisors, including an external one. The number, composition and qualifications are in compliance with laws and regulations as well as *the Articles of Association*. During the reporting period, eight meetings were held and 22 proposals were reviewed. All meetings were organized and convened in accordance with the procedures of the *Articles of Association* and *the Rules of Procedure for the Board of Supervisors*. All supervisors have earnestly performed their duties by reviewing the company's periodic reports and other matters and issuing verification opinions with a strong sense of responsibilities to the shareholders. All of them have effectively fulfilled their duties and safeguarded the legitimate rights and interests of the Company and its shareholders

4. About Investors' Relations

The Company communicates with investors through public announcements, consultations by telephone, interactive platforms, e-mails and other multiple media to enhance opinion exchange. It has been making various efforts on deepening the understanding of investors about the Company's operation and development outlook and also maintaining good relations with them. Meanwhile, it has been serious to receive investors' opinions and suggestions and encouraged the interaction between investors and itself. During the reporting period, the Company has been patient to respond investors by answering calls and questions through all interactive platforms, which has guaranteed a sound and fair access for investors to obtain information.

Whether there is any difference between the actual corporate governance situation of the Company and the provisions of the relevant rules of CSRC or not?

□ Yes √ No

There is no difference between the actual corporate governance situation of the Company and the provisions of the relevant rules of CSRC.

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

1. In respect of business: the Company had a complete business system and independent operation. There was no competition between the controlling shareholders.

2. In the aspect of personnel: The Company and controlling shareholder are mutually independent in the labor, personnel and salary management, the Company CEO and other senior management personnel get the salary in the Company, and not perform administrative work in the controlling shareholder unit.

3. In respect of assets: The assets relationship between the Company and the controlling shareholder is clear. The company has complete

control over all its assets. There is no such thing as a free possession or usage by the controlling shareholder.

4. In respect of financing, the Company owned independent financial department, established independent accounting system and financial management system, opened independent bank account, paid tax in line with laws.

5. In respect of organization, the Company has set up the organization that was independent from the controlling shareholder completely, the Board of Directors, the Supervisory Committee and internal organization could operate independently.

III. Horizontal competition

√ Applicable □ Not applicable

Type	Name of Controlling Shareholder	Nature of Controlling Shareholder	Cause of the problem	Solutions	Work-schedule and follow-up plan
Horizontal competition	ChemChina	State-owned enterprise	The subsidiaries controlled by ChemChina are in similar or the same business as the Company.	ChemChina commits itself to take appropriate actions to solve the horizontal competition between its subsidiaries and the Company step-by-step in an appropriate way within 4 years after completion of the assets restructuring, in accordance with securities laws, regulations and sector/industrial policies.	In process/performance.

For details, please see III Performance of commitments of Section V of the Annual Report.

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

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

Session	Type	Proportion of investors' participation	Convening date	Disclosure date	Index to the disclosed
1st Interim Shareholders Meeting in 2018	Interim Shareholders Meeting	74.06%	March 19, 2018	March 20, 2018	Announcement of the 1st Interim Shareholders Meeting in 2018 (Announcement Number:2018-11). Disclosed at the website CNINFO www.cninfo.com.cn
2017 Annual Shareholders Meeting	Annual Shareholders Meeting	82.09%	June 28, 2018	June 29, 2018	Announcement of the Annual Shareholders Meeting (Announcement Number:2018-35). Disclosed at the website CNINFO www.cninfo.com.cn
2nd Interim Shareholders Meeting in 2018	Interim Shareholders Meeting	74.08%	September 12, 2018	September 13, 2018	Announcement of the 2nd Interim Shareholders Meeting in 2018 (Announcement Number:2018-44). Disclosed at the website CNINFO www.cninfo.com.cn

3rd Interim Shareholders Meeting in 2018	Interim Shareholders Meeting	74.11%	December 26, 2018	December 27, 2018	Announcement of the 3rd Interim Shareholders Meeting in 2018 (Announcement Number:2018-56). Disclosed at the website CNINFO www.cninfo.com.cn

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

☐ Applicable √ Not applicable

V. Performance of the Independent Directors

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

1. Particulars about the independent directors attending the board sessions and the shareholders' meetings							
Independent director	Sessions required to attend during the reporting period	On-Site Attendance	Attendance by way of communication	Entrusted presence (times)	Absence rate	Non-attendance in person for two consecutive times	Attendance to shareholder meetings
Tang Yunwei	11		11			No	4
Xi Zhen	11		11			No	4

2. Particulars about independent directors proposing objection on relevant events

Whether independent directors propose objection on relevant events or not?

☐ Yes √ No

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

3. Other explanations about the duty performance of independent directors

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

√ Yes □ No

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

During the reporting period, the Company independent director according to the Company Law, the Listed Corporate Governance Standards, "Articles of Association" and "Company of the Independent Director System" focused on the Company operation actively, independently perform their duties, rendered professional suggestions to the Company's information disclosure and daily management decision-making, etc. issue the independent and impartial advice to the name change of the Company, related transactions, engaging annual auditors, guaranty matters, dividend distribution, accounting policy change, assets write-off, using of the raised funds, remunerations of the senior management, nominations of directors and other events need advice of the independent director, play a proper role in improving the supervision of company safeguard the legitimate rights and interests of the Company and all shareholders. The independent directors especially paid attention to the Company's operation state, dynamic state of the industry, public opinion and dynamic state report about the Company. They actively and effectively performed the duties of independent directors and well maintained overall benefits of the Company and the legal interests of all shareholders, especially the middle and small shareholders. This played positive functions for normalized, stable and healthy development of the Company.

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

(I) Performance of the Audit Committee of the Board: According to regulations of CSRC and Shenzhen Stock Exchange, The Annual Work System of Independent Director and Detailed Rules for the Implementation of the Audit Committee of the Board of the Company, and based on the principle of compliance, the Company enables full and free authorization of the supervisory function during the reporting period. The Audit Committee carefully reviewed the periodical reports, considered the engaging of the auditors, write-off assets, change of accounting policy, guarantee, related party transaction, using of the raised funds, and other relevant events. Through communicating with the auditors, making annual audit plan and participating in and supervising the whole process, smooth annual audit work was guaranteed. The audit summary report of audit institution and the suggestions on employing auditors were submitted to board of directors. This fully satisfied the function of examination and supervision.

(II) Duty performance of the Remuneration & Appraisal Committee under the Board: During the reporting period, the Remuneration & Appraisal Committee of the Company reviewed the remunerations of the senior executives and the remunerations of the independent directors. .

(III) Duty performance of the Nomination Committee under the Board: During the Reporting Period, the Nomination Committee discussed the candidates of directors to compose the 8th session of the BOD and carefully reviewed the profiles.

VII. Performance of the Supervisory Committee

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

□ Yes √ No

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

VIII. Performance Evaluation and Incentive Mechanism for Senior Management Staff

The performance evaluation and incentives of the senior executives of the Company are based on the Remuneration Policy for Senior Executives of the Company. The remuneration of senior executives are composed of three parts: (i) base salary; (ii) variable components - medium and short-term incentives which shall include Annual bonuses based on results and contingent upon targets; (iii) long term incentives - Share-based cash reward and/or other long-term incentive in the form of cash. The Remuneration Policy establishes a fair and reasonable performance evaluation and incentives system. It helps to give full play to the talents of the senior executives and promote the long-term and healthy development of the Company.

IX. Internal Control

1. Particulars about material deficiencies found in the internal control during reporting period

☐ Yes √ No

2. Self-assessment report on internal control

Date of disclosure of self-assessment report on internal control	March 21, 2019
Reference website of self-assessment report on internal control	www.cninfo.com.cn
Total Assets of Units within the Assessment Scope Compared to Total Assets in the Consolidated Statements of the Company	70.33%
Total Operating Income of Units within the Assessment Scope Compared to Total Operating Income in the Consolidated Statements of the Company	75.34%

Criteria of Deficiency		
Categories	Internal control over financial reporting	Internal control not related to financial reporting
Qualitative criteria	**Material Deficiency**: Resulting in an adverse opinion or disclaimer of opinion, by a CPA, on the Company's financial statements; or resulting in a material correction of the Company's publicly announced financial statements. **Significant Deficiency**: Resulting in a qualified opinion, by a CPA, on the Company's financial statements; or resulting in an adverse opinion or disclaimer of opinion, by a CPA, on the Company's	**Material Deficiency**: 1) Fraud committed in the Company by any of its directors, supervisors and senior management personnel; 2) The Company materially violates material laws and regulations, resulting in a material effect on the Company's business; 3) Material design deficiencies in the Company's relevant management system;

	material subsidiaries' (i.e. Solutions) financial statements; or resulting in a significant correction of the Company's material subsidiaries' (i.e. Solutions) publicly announced financial statements. **General Deficiency**: Resulting in an unqualified opinion, with an explanatory paragraph, by a CPA, on the Company's financial statements; or resulting in a qualified opinion, or unqualified opinion with an explanatory paragraph, by a CPA, on the Company's subsidiaries' financial statements.	4) The Company materially violates the decision-making process thereby causing a material negative impact on the Company's business (generally related to matters that need to be approved by the shareholders meeting or the board of directors). 5) Material impact to the Company's reputation. **Significant Deficiency**: 1) Significant fraud committed by any department head of the Company; 2) Significant fraud committed by a head of any of the Company's material subsidiaries; 3) The Company violates significant laws and regulations, resulting in significant fines as well as a significant effect on the Company's business; 4) Significant design deficiencies found in the Company's relevant management system; Material design deficiencies are found in the relevant management systems of subsidiaries; 5) The Company violates material decision-making procedures, resulting in a significant effect on the Company's business (generally referred to matters subject to senior management's decision); 6) Material Subsidiaries violate decision-making process, thereby causing a material negative impact on the Company's business (generally referred to matters that need to be decided by the shareholders' meeting or the board of directors). 7) Significant impact to the Company's reputation. **General Deficiency**: 1) Fraud committed by any other personnel in the Company; 2) Fraud committed by any other personnel in material subsidiaries; 3) The Company materially violates material internal regulations or non-materially violates material laws and regulations, resulting in negative feedback from regulatory authorities; 4) There are other violations of laws and regulations or internal regulations found in material subsidiaries. 5) There are general design deficiencies in the relevant management system of the Company; other design deficiencies exist in the relevant management system of the material subsidiaries; 6) The Company violates the decision-making process, resulting in a negative impact on the Company's business; 7) Material Subsidiaries violate decision-making process, resulting in a negative impact on the

		Company's business.
Quantitative criteria	**Material Deficiency**: Misstatement in Financial Report relates to an amount that is greater than or equal to RMB 100 million. **Significant Deficiency**: Misstatement in Financial Report relates to an amount that is greater than or equal to RMB 50 million, but less than RMB 100 million. **General Deficiency**: Resulting in other misstatement related amounts.	**Material Deficiency**: Asset Loss ⩾ RMB 150 million **Significant Deficiency**: RMB 80 million ⩽ Asset Loss < 150 million RMB **General Deficiency**: Asset Loss < 80 million RMB
Number of material deficiencies in internal control over financial reporting	0	
Number of material deficiencies in internal control not related to financial reporting	0	
Number of significant deficiencies in internal control over financial reporting	0	
Number of significant deficiencies in internal control not related to financial reporting	0	

X. Audit report on internal control

√ Applicable ☐ Not applicable

Audit opinion paragraph in the internal control audit report	
Disclosure of internal control audit report	Disclose
Date of disclosure of internal control audit report	March 21, 2019
Reference website of internal control audit report	www.cninfo.com.cn
Type of audit opinion in the internal control audit report	Unqualified opinion.
If there is any material deficiencies in internal control not related to financial reporting	No.

Does the accounting firm issue non-standard audit opinion on internal control?

☐ Yes √ No

Is the opinion issued by accounting firm consistent with the opinion in the self-assessment report by the Board?

√ Yes ☐ No

Section X Corporate Bonds

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

☐ Applicable √ Not applicable

Section XI Financial Report

Auditor’s report

Type of auditor’s opinion	Standard Unqualified Opinion
Audit opinion signoff date	March 19, 2019
Name of the auditor	Deloitte Touche Tohmatsu CPA LLP
Reference number of the audit report	De Shi Bao (Shen) Zi (19) No P01527
Name of CPA	Xu Yusun, Ma Renjie

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (19) No P01527
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To the shareholders of ADAMA Ltd.:

I. Opinion

We have audited the financial statements of ADAMA Ltd. (Former name: Hubei Sanonda Co., Ltd, hereinafter referred to as the "Company), which comprise the consolidated and the Company's balance sheets as at 31 December 2018, and the consolidated and the Company's income statements, the consolidated and the Company's statements of changes in equity and the consolidated and the Company's statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements of the Group present fairly, in all material respects, the consolidated and the Company's financial position as of 31 December 2018, and the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The followings are key audit matters that we have determined to communicate in the auditor's report.

AUDITOR'S REPORT - continued

De Shi Bao (Shen) Zi (19) No P01527
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III. Key Audit Matters - continued

1. Revenue recognition

Description

As stated in Note V, 38 of ADAMA Financial Statements, the revenue of 2018 was RMB25,615,119 thousand, which was significant for the consolidated financial statements. ADAMA's sales revenue mainly contributed by sales of products in about 100 countries all over the world. As stated in Note III, 25, the company recognises the revenue when the customer obtains control of the relevant commodities, and the company has a risk of overstating the revenue by late cutoffs. Therefore, we assessed the appropriateness of cutoffs for revenue recognition and the correctness of accounting periods for revenue recognition as a key audit matter.

Audit response

Our procedures in relation to revenue recognition mainly included:

1、Evaluating and assessing the design, implementation and operating effectiveness of internal controls relating to the cut-off of revenue recognition;
2、Reviewing the contracts with key clients for the terms and conditions relating to the transfer of controls of goods and services, and assessing whether the accounting treatments are proper under timeliness requirements of accounting standards;
3、Performing substantive analytic procedures and comparing whether there is abnormal fluctuation in the sales of the major sales regions in the current period and the previous period, and analysing whether there is any abnormality in the sales return of the products.
4、Performing cut-off test by extracting the sales income ledger, checking the supporting documents such as sales invoices and inventory transfer documents, and checking whether the income is recorded in the correct accounting period.

AUDITOR'S REPORT - continued

De Shi Bao (Shen) Zi (19) No P01527
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III. Key Audit Matters - continued

2. Provision for impairment of inventories

Description

As stated in Note V, 7, the carrying amount of inventories net of provisions for impairment of the ADAMA Group was RMB9,247,343 thousand as of 31 December 2018, which was significant for the consolidated financial statements. As disclosed in Note III, 12.3 and 31.2, ADAMA measures inventories at the lower of cost and net realisable value. Provisions for impairment of inventories are made when the net realisable values are lower than the carrying amounts. The determination of the net realisable value of inventories requires management to estimate the expected selling prices of the inventories, the costs to be incurred when they are completed, the sales expenses, and the related taxes and fees, which involved management estimates and judgements.

Audit response

Our procedures in relation to provision for impairment of inventories mainly included:

1、Evaluating and assessing the design, implementation and operating effectiveness of internal controls relating to the provision for impairment of inventories;
2、Evaluating the appropriateness and consistency of the methodology of the impairment test；
3、Evaluating the inventory age and turnover conditions, and checking the management's identification of the damaged and slow moving inventories with the inventory monitoring procedures；
4、Corroborating the key assumptions involved in management's determination of the net realisable value of inventories, including：
   - Testing the actual sales prices of the relevant inventories subsequent to end of the reporting period on a sample basis;
   - For work in progress, according to their work progress and the actual costs of the relevant finished goods, assessing the costs to be incurred, on a sample basis;
   - Assessing the reasonableness of the estimated sales expenses and the related taxes and fees on a sample basis based on the historical data of the Group.
5、Testing the accuracy of the calculation in provisions for impairment of inventories.

AUDITOR'S REPORT - continued

De Shi Bao (Shen) Zi (19) No P01527
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IV. Other Information

Management of the Company is responsible for the other information. The other information comprises the information included in the 2018 annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

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

Management of the Company is responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standard for Business Enterprises, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to ceases operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

AUDITOR'S REPORT - continued

De Shi Bao (Shen) Zi (19) No P01527
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VI. Auditor's Responsibilities for the Audit of the Financial Statements - continued

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether 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 misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of the management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S REPORT - continued

De Shi Bao (Shen) Zi (19) No P01527
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VI. Auditor's Responsibilities for the Audit of the Financial Statements - continued

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu CPA LLP

Shanghai China

Chinese Certified Public Accountant

Xu Yusun(Engagement Partner)

Chinese Certified Public Accountant

Ma Renjie

19 March 2019

This independent auditor's report of the financial statements and the accompanying financial statements are English translations of the independent auditor's report and the financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the balance sheet and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails

ADAMA Ltd.
(Expressed in RMB '000)

Consolidated Balance Sheet

	Notes	December 31 2018	December 31 2017
Current assets			
Cash at bank and on hand	V.1	6,233,089	7,868,858
Financial assets held for trading	V.2	46,095	N/A
Financial assets at fair value through profit or loss		N/A	23,000
Derivative financial assets	V.3	517,726	455,153
Bills and accounts receivable	V.4	6,577,398	5,236,880
Including: Bills receivable		60,486	180,030
Accounts receivable		6,516,912	5,056,850
Prepayments	V.5	355,288	202,111
Other receivables	V.6	1,051,726	1,037,836
Including: Dividends receivable		5,240	-
Inventories	V.7	9,247,343	7,488,238
Assets held for sale	V.8	-	403,297
Non-current assets due within one year	V.18	48	46
Other current assets	V.9	660,775	614,925
Total current assets		24,689,488	23,330,344
Non-current assets			
Available-for-sale financial assets		N/A	19,544
Long-term accounts receivable	V.10	157,600	192,968
Long-term equity investments	V.11	108,350	102,383
Other equity investments	V.12	91,559	N/A
Investment properties		4,094	4,408
Fixed assets	V.13	6,629,621	6,141,490
Construction in progress	V.14	433,784	803,421
Intangible assets	V.15	5,677,388	4,036,588
Goodwill	V.16	4,085,945	3,890,097
Deferred tax assets	V.17	732,613	891,012
Other non-current assets	V.18	202,063	201,667
Total non-current assets		18,123,017	16,283,578
Total assets		42,812,505	39,613,922

The notes on pages 107 to 218 form part of these financial statements.

ADAMA Ltd.
(Expressed in RMB '000)

Consolidated Balance Sheet (continued)

	Notes	December 31 2018	December 31 2017
Current liabilities			
Short-term loans	V.19	572,774	2,280,912
Derivative financial liabilities	V.20	1,451,670	789,050
Bills and accounts payable	V.21	5,019,316	4,218,038
Advances from customers		-	226,711
Contract liabilities	V.22	821,673	N/A
Employee benefits payable	V.23	925,346	995,637
Taxes payable	V.24	602,630	431,275
Other payables	V.25	1,065,760	1,422,734
Including: Interest payable	V.25(1)	46,258	46,491
Dividends payable		250	250
Non-current liabilities due within one year	V.26	301,814	448,504
Other current liabilities	V.27	578,184	482,583
Total current liabilities		11,339,167	11,295,444
Non-current liabilities			
Long-term loans	V.28	235,819	514,320
Debentures payable	V.29	7,649,098	7,777,410
Long-term payables		25,106	24,203
Long-term employee benefits payable	V.30	580,362	610,714
Provisions	V.31	110,493	163,913
Deferred tax liabilities	V.17	392,404	224,613
Other non-current liabilities	V.32	199,930	225,292
Total non-current liabilities		9,193,212	9,540,465
Total liabilities		20,532,379	20,835,909
Shareholders' equity			
Share capital	V.33	2,446,554	2,446,554
Capital reserve	V.34	12,975,456	12,982,277
Other comprehensive income	V.35	1,090,952	(154,701)
Special reserves		13,536	9,349
Surplus reserve	V.36	240,162	207,823
Retained earnings	V.37	5,513,466	3,286,711
Total shareholders' equity		22,280,126	18,778,013
Total liabilities and shareholders' equity		42,812,505	39,613,922

Chen Lichtenstein
Legal representative

Aviram Lahav
Chief of accounting work & Chief of accounting organ

These financial statements were approved by the Board of Directors of the Company on March 19, 2019.

The notes on pages 107 to 218 form part of these financial statements.

ADAMA Ltd.
(Expressed in RMB '000)

Balance Sheet

	Notes	December 31 2018	December 31 2017
Current assets			
Cash at bank and on hand	XV.1	2,058,253	1,868,603
Bills and accounts receivable	XV.2	712,116	1,001,641
Including: Bills receivable		19,917	146,525
Accounts receivable		692,199	855,116
Prepayments		10,500	24,019
Other receivables	XV.3	31,748	1,140
Including: Dividends receivable		1,808	-
Inventories		147,975	177,402
Other current assets		1,343	1,406
Total current assets		2,961,935	3,074,211
Non-current assets			
Available-for-sale financial assets		N/A	8,573
Long-term equity investments	XV.4	15,939,826	15,939,826
Other equity investments		80,119	N/A
Investment properties		4,094	4,408
Fixed assets		1,012,674	1,262,330
Construction in progress		188,020	81,993
Intangible assets		174,997	183,920
Deferred tax assets		48,103	35,064
Other non-current assets		54,060	11,000
Total non-current assets		17,501,893	17,527,114
Total assets		20,463,828	20,601,325
Current liabilities			
Short-term loans		20,000	70,000
Bills and accounts payable		391,810	257,615
Advances from customers		-	63,904
Contract liabilities		9,983	N/A
Employee benefits payable		25,758	30,491
Taxes payable		55,198	19,301
Other payables		187,762	482,858
Including: Interest payable		-	105
Dividends payable		250	250
Non-current liabilities due within one year		72,000	126,590
Total current liabilities		762,511	1,050,759
Non-current liabilities			
Long-term loans		-	72,000
Long-term employee benefits payable		100,144	93,025
Provisions		16,454	15,671
Other non-current liabilities		171,770	171,770
Total non-current liabilities		288,368	352,466
Total liabilities		1,050,879	1,403,225
Shareholders' equity			
Share capital	V.33	2,446,554	2,446,554
Capital reserve		15,414,429	15,423,034
Other comprehensive income		43,167	-
Special reserves		11,564	10,040
Surplus reserve	V.36	240,162	207,823
Retained earnings		1,257,073	1,110,649
Total shareholders' equity		19,412,949	19,198,100
Total liabilities and shareholders' equity		20,463,828	20,601,325

The notes on pages 107 to 218 form part of these financial statements.

(Expressed in RMB '000)

Consolidated Income Statement

	Notes	Year ended December 31 2018	2017
I. Operating income		25,615,119	23,819,568
Less: Cost of sales	V.38	17,084,943	15,403,887
Taxes and surcharges	V.39	90,494	74,759
Selling and Distribution expenses	V.40	4,630,117	4,280,335
General and administrative expenses	V.41	893,107	1,041,294
Research and Development expenses	V.42	441,897	360,478
Financial expenses	V.43	552,707	1,205,286
Including: Interest expense		536,971	637,696
Interest income		81,886	222,601
Asset impairment loss	V.44	230,999	173,325
Credit impairment loss	V.45	50,373	N/A
Add: Investment income, net	V.46	628,257	73,858
Including: Income from investment in associates a joint ventures		7,001	22,239
Gain (loss) from changes in fair value	V.47	(979,334)	269,351
Gain from disposal of assets	V.48	1,966,616	55,160
II. Operating profit		3,256,021	1,678,573
Add: Non-operating income		15,653	34,103
Less: Non-operating expenses	V.49	35,966	44,674
III. Total profit		3,235,708	1,668,002
Less: Income tax expense	V.50	833,246	122,123
IV. Net profit		2,402,462	1,545,879
(1). Classified by nature of operations			
(1.1). Continuing operations		2,402,462	1,545,879
(2). Classified by ownership			
(2.1). Shareholders of the Company		2,402,462	1,545,879
V. Other comprehensive income, net of tax	V. 35	1,195,032	(1,181,808)
Other comprehensive income (net of tax) attributable to shareholders of the Company		1,195,032	(1,181,808)
(1) Items that will not be reclassified to profit or loss:			
(1.1) Re-measurement of defined benefit plan liability		26,757	(17,178)
(2) Items that were or will be reclassified to profit or loss			
(2.1) Effective portion of gains or loss of cash flow hedge		354,335	(413,515)
(2.2) Translation differences of foreign financial statements		813,940	(751,115)
		3,597,494	364,071
VI. Total comprehensive income for the year attributable to Shareholders of the Company		3,597,494	364,071
VII. Earnings per share	XIV.2		
(1) Basic earnings per share (Yuan/share)		0.98	0.66
(2) Diluted earnings per share (Yuan/share)		N/A	N/A

The notes on pages 107 to 218 form part of these financial statements.

(Expressed in RMB '000)

Income Statement

		Notes	Year ended December 31 2018	2017
I.	**Operating income**	XV.5	3,112,153	2,898,396
	Less: Operating costs	XV.5	2,048,073	2,159,982
	Taxes and surcharges		29,965	20,620
	Selling and Distribution expenses		179,097	97,443
	General and administrative expenses		205,669	228,524
	Research and Development expenses		121,307	88,877
	Financial expenses (income)		(46,324)	24,808
	Including: Interest expense		8,375	16,154
	Interest income		25,827	1,040
	Asset Impairment loss		75,080	47,818
	Credit impairment loss		116,171	N/A
	Add: Investment income (loss), net		1,808	(1,650)
	Gain (loss) from changes in fair value		-	(130)
II.	**Operating Profit**		384,923	228,544
Add:	Non-operating income		1,872	2,051
Less:	Non-operating expenses		1,847	19,071
III.	**Total profit**		384,948	211,524
Less:	Income tax expense		61,552	40,280
IV.	**Net profit**		323,396	171,244
	Continuing operations		323,396	171,244
V.	**Other comprehensive income, net of tax**		(7,454)	-
(1)	Items that will not be reclassified to profit or loss		(7,454)	-
	(1.1) Re-measurement of defined benefit plan liability		(7,454)	
(2)	Items that may be reclassified to profit or loss		-	-
VI.	**Total comprehensive income for the year**		315,942	171,244

The notes on pages 107 to 218 form part of these financial statements.

(Expressed in RMB '000)

Consolidated Cash Flow Statement

		Notes	Year ended December 31 2018	2017
I.	**Cash flows from operating activities:**			
	Cash received from sale of goods and rendering of services		23,817,219	23,226,321
	Refund of taxes and surcharges		38,967	44,773
	Cash received relating to other operating activities	V.52(1)	737,570	801,590
	Sub-total of cash inflows from operating activities		24,593,756	24,072,684
	Cash paid for goods and services		16,027,734	13,552,204
	Cash paid to and on behalf of employees		3,149,823	2,972,392
	Payments of taxes and surcharges		616,439	417,818
	Cash paid relating to other operating activities	V.52(2)	2,797,621	3,171,881
	Sub-total of cash outflows from operating activities		22,591,617	20,114,295
	Net cash flows from operating activities	V.53(1)(a)	2,002,139	3,958,389
II.	**Cash flows from investing activities:**			
	Cash received from disposal of investments		11,500	37,798
	Cash received from returns of investments		8,354	-
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		2,421,406	97,376
	Net cash received from disposal of subsidiaries or other business units		-	100,138
	Cash received relating to other investing activities	V.52(3)	410	29,801
	Sub-total of cash inflows from investing activities		2,441,670	265,113
	Cash paid to acquire fixed assets, intangible assets and other long-term assets		3,375,884	1,503,343
	Cash paid for acquisition of investments		6,566	-
	Net cash paid to acquire subsidiaries or other business units	V.53(2)	13,344	-
	Cash paid relating to other investment activities	V.52(4)	-	49,509
	Sub-total of cash outflows from investing activities		3,395,794	1,552,852
	Net cash flows used in investing activities		(954,124)	(1,287,739)
III.	**Cash flows from financing activities:**			
	Cash received from capital contributions		-	1,531,920
	Cash received from borrowings		196,246	2,212,437
	Cash received from other financing activities	V.52(5)	-	7,800
	Sub-total of cash inflows from financing activities		196,246	3,752,157
	Cash repayments of borrowings		2,314,499	1,247,395
	Cash payment for dividends, profit distributions and interest		716,327	764,043
	Including: Dividends paid to non-controlling interest		28,716	32,509
	Cash paid relating to other financing activities	V.52(6)	56,950	104,600
	Sub-total of cash outflows from financing activities		3,087,776	2,116,038
	Net cash from (used in) financing activities		(2,891,530)	1,636,119
IV.	**Effects of foreign exchange rate changes on cash and cash equivalents**		159,405	(276,258)
V.	**Net increase (decrease) in cash and cash equivalents**	V.53(1)(c)	(1,684,110)	4,030,511
	Add: Cash and cash equivalents at the beginning of the year		7,864,258	3,833,747
VI.	**Cash and cash equivalents at the end of the year**	V.53(3)	6,180,148	7,864,258

The notes on pages 107 to 218 form part of these financial statements.

(Expressed in RMB '000)

Cash Flow Statement

	Notes	Year ended December 31 2018	2017
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		2,625,527	1,729,363
Refund of taxes and surcharges		12,981	2,884
Cash received relating to other operating activities	XV.6(1)	31,675	8,410
Sub-total of cash inflows from operating activities		2,670,183	1,740,657
Cash paid for goods and services		1,145,495	844,830
Cash paid to and on behalf of employees		184,110	181,657
Payments of taxes and surcharges		94,110	107,719
Cash paid relating to other operating activities	XV.6(2)	172,885	210,703
Sub-total of cash outflows from operating activities		1,596,600	1,344,909
Net cash flows from operating activities	XV.7	1,073,583	395,748
II. Cash flows from investing activities:			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		-	701
Cash received relating to other investing activities		-	548
Sub-total of cash inflows from investing activities		-	1,249
Cash paid to acquire fixed assets, intangible assets and other long-term assets		133,531	123,995
Sub-total of cash outflows from investing activities		133,531	123,995
Net cash flows from investing activities		(133,531)	(122,746)
III. Cash flows from financing activities:			
Cash received from capital contributions		-	1,531,920
Cash received from borrowings		20,000	75,000
Cash received relating to other financing activities	XV.6.(3)	-	7,800
Sub-total of cash inflows from financing activities		20,000	1,614,720
Cash repayments of borrowings		196,590	150,000
Cash payment for dividends, profit distributions or interest		162,613	16,252
Cash paid relating to other financing activities	XV.6.(4)	449,975	104,600
Sub-total of cash outflows from financing activities		809,178	270,852
Net cash used in financing activities		(789,178)	1,343,868
IV. Effects of foreign exchange rate changes on cash and cash equivalents		(9,564)	(2,608)
V. Net increase in cash and cash equivalents		141,310	1,614,262
Add: Cash and cash equivalents at the beginning of the year	XV.1	1,864,003	249,741
VI. Cash and cash equivalents at the end of the year	XV.1	2,005,313	1,864,003

The notes on pages 107 to 218 form part of these financial statements.

(Expressed in RMB '000)

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2018

	Attributable to shareholders of the Company						
	Share capital	**Capital reserve**	**Other comprehensive income**	**Special reserves**	**Surplus reserve**	**Retained earnings**	**Total**
I. Balance at December 31, 2017	2,446,554	12,982,277	(154,701)	9,349	207,823	3,286,711	18,778,013
Add: Changes in accounting policies*	-	-	50,621	-	-	39,481	90,102
II. Balance at January 1, 2018	2,446,554	12,982,277	(104,080)	9,349	207,823	3,326,192	18,868,115
III. Changes in equity for the year	-	(6,821)	1,195,032	4,187	32,339	2,187,274	3,412,011
1. Total comprehensive income	-	-	1,195,032	-	-	2,402,462	3,597,494
2. Owner's contributions and reduction	-	(6,821)	-	-	-	-	(6,821)
2.1 Others	-	(6,821)	-	-	-	-	(6,821)
3. Appropriation of profits	-	-	-	-	32,339	(215,188)	(182,849)
3.1 Transfer to surplus reserve	-	-	-	-	32,339	(32,339)	-
3.2 Distribution to owners	-	-	-	-	-	(154,133)	(154,133)
3.3 Distribution to non-controlling interest	-	-	-	-	-	(28,716)	(28,716)
4. Special reserve	-	-	-	4,187	-	-	4,187
4.1 Transfer to special reserve	-	-	-	13,287	-	-	13,287
4.2 Amount utilized	-	-	-	(9,100)	-	-	(9,100)
IV. Balance at December 31, 2018	2,446,554	12,975,456	1,090,952	13,536	240,162	5,513,466	22,280,126

*See Note Ⅲ30(1).

The notes on pages 107 to 218 form part of these financial statements.

(Expressed in RMB '000)

Consolidated Statement of Changes in Shareholders' Equity (continued)

For the year ended December 31, 2017

	Attributable to shareholders of the Company							
	Share capital	**Capital reserve**	**Treasury shares**	**Other comprehensive income**	**Special reserves**	**Surplus reserve**	**Retained earnings**	**Total**
I. Balance at January 1, 2017	593,923	13,660,829	(359,431)	1,027,107	19,862	190,699	1,784,805	16,917,794
II. Changes in equity for the year	1,852,631	(678,552)	359,431	(1,181,808)	(10,513)	17,124	1,501,906	1,860,219
1. Total comprehensive income	-	-	-	(1,181,808)	-	-	1,545,879	364,071
2. Owner's contributions and reduction	1,852,631	(678,552)	359,431	-	-	-	-	1,533,510
2.1 Issuance of shares	1,915,581	18,088,936	-	-	-	-	-	20,004,517
2.2 Repurchase and cancellation of treasury shares	(62,950)	(296,481)	359,431	-	-	-	-	-
2.3 Consideration paid for business combination under common control	-	(18,471,007)	-	-	-	-	-	(18,471,007)
3. Appropriation of profits	-	-	-	-	-	17,124	(49,633)	(32,509)
3.1 Transfer to surplus reserve	-	-	-	-	-	17,124	(17,124)	-
3.2 Distribution to non-controlling interest	-	-	-	-	-	-	(32,509)	(32,509)
4. Special reserve	-	-	-	-	(10,513)	-	5,660	(4,853)
4.1 Transfer to special reserve	-	-	-	-	8,360	-	-	8,360
4.2 Amount utilized	-	-	-	-	(13,213)	-	-	(13,213)
4.3 Amount reversed due to disposal of a subsidiary	-	-	-	-	(5,660)	-	5,660	-
III. Balance at December 31, 2017	2,446,554	12,982,277	**-**	(154,701)	9,349	207,823	3,286,711	18,778,013

The notes on pages 107 to 218 form part of these financial statements.

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2018

	Attributable to shareholders of the Company						
	Share capital	**Capital reserve**	**Other comprehensive income**	**Special reserves**	**Surplus reserve**	**Retained earnings**	**Total**
I. Balance at December 31, 2017	2,446,554	15,423,034	-	10,040	207,823	1,110,649	19,198,100
Add: Changes in accounting policies*	-	-	50,621	-	-	9,500	60,121
II. Balance at January 1, 2018	2,446,554	15,423,034	50,621	10,040	207,823	1,120,149	19,258,221
□. Changes in equity for the year	-	(8,605)	(7,454)	1,524	32,339	136,924	154,728
1. Total comprehensive income	-	-	(7,454)	-	-	323,396	315,942
2. Owner's contributions and reduction	-	(8,605)	-	-	-	-	(8,605)
2.1 Other	-	(8,605)	-	-	-	-	(8,605)
3. Appropriation of profits	-	-	-	-	32,339	(186,472)	(154,133)
3.1 Transfer to surplus reserve	-	-	-	-	32,339	(32,339)	-
3.2 Transfer to Distribution to shareholders	-	-	-	-	-	(154,133)	(154,133)
4. Special reserve	-	-	-	1,524	-	-	1,524
4.1 Transfer to special reserve	-	-	-	10,430	-	-	10,430
4.2 Amount utilized	-	-	-	(8,906)	-	-	(8,906)
□. Balance at December 31, 2018	2,446,554	15,414,429	43,167	11,564	240,162	1,257,073	19,412,949

For the year ended December 31, 2017

	Attributable to shareholders of the Company					
	Share capital	**Capital reserve**	**Special reserves**	**Surplus reserve**	**Retained earnings**	**Total**
I. Balance at January 1, 2017	593,923	263,800	14,893	190,699	956,529	2,019,844
II. Changes in equity for the year	1,852,631	15,159,234	(4,853)	17,124	154,120	17,178,256
1. Total comprehensive income	-	-	-	-	171,244	171,244
2. Owner's contributions and reduction	1,852,631	15,159,234	-	-	-	17,011,865
2.1 Issuance of shares	1,915,581	18,088,936	-	-	-	20,004,517
2.2 Premium paid in business Combination under common cont	-	(2,580,794)	-	-	-	(2,580,794)
2.3 Repurchase and cancellation of treasury shares	(62,950)	(348,908)	-	-	-	(411,858)
3. Appropriation of profits	-	-	-	17,124	(17,124)	-
3.1 Transfer to surplus reserve	-	-	-	17,124	(17,124)	-
4. Special reserve	-	-	(4,853)	-	-	(4,853)
4.1 Transfer to special reserve	-	-	8,360	-	-	8,360
4.2 Amount utilized	-	-	(13,213)	-	-	(13,213)
III. Balance at December 31, 2017	2,446,554	15,423,034	10,040	207,823	1,110,649	19,198,100

The notes on pages 107 to 218 form part of these financial statements.

Notes to the Financial Statements

I BASIC CORPORATE INFORMATION

ADAMA Ltd (Former name: Hubei Sanonda Co., Ltd., hereinafter the “Company”) is a company limited by shares established in China with its head office located in Hubei Jingzhou.

During July 2017 a major assets restructuring was successfully completed, with the acquisition of Adama Agricultural Solutions Ltd (hereinafter: "Solutions"), a wholly-owned subsidiary of China National Agrochemical Corporation Limited (hereinafter: "CNAC").

On July 4, 2017 the entire share capital of Solutions was transferred from CNAC to the Company, in return for the issuance of 1,810,883,039 new shares of the Company to CNAC and their registration for trade on the Shenzhen Stock Exchange (which was completed on August 2).

Following the completion of the major assets restructuring, Solutions became a wholly owned subsidiary of the Company. The combination was considered as a business combination under common control.

The Company's parent company is CNAC, and the ultimate holding company is China National Chemical Corporation (hereinafter - “ChemChina”).

On December 2017, a non-publicly offered of 104,697,982 ordinary shares (A-share) at nominal value of RMB 1 per share to the specific investors. On December 27th, 2017, the Company received proceeds of 1,531,920 thousand RMB, net of the issuing cost of 28,080 thousand RMB. The listing date of the newly-issued 104,697,982 shares was January 17, 2018.

The principal activities of the Company and its subsidiaries (together referred to as the “Group”) are engaged in development, manufacturing and marketing of agrochemicals, intermediate materials for other industries, food additives and synthetic aromatic products, mainly for export. For information about the subsidiaries of the Company, refer to Note VII.

The Company’s consolidated financial statements had been approved by the Board of Directors of the Company on March 19, 2019.

Details of the scope of consolidated financial statements are set out in Note VII "Interest in other entities", whereas the changes of the scope of consolidation are set out in Note VI "Changes in consolidation scope".

II BASIS OF PREPARATION

1. Basis of preparation

The Group has adopted the Accounting Standards for Business Enterprises issued by the Ministry of Finance (the "MoF"). In addition, the Group has disclosed relevant financial information in these financial statements in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15－General Provisions on Financial Reporting (revised by China Securities Regulatory Commission (hereinafter "CSRC”) in 2014).

II BASIS OF PREPARATION - (cont'd)

2. Accrual basis and measurement principle

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value and deferred tax assets and liabilities, assets and liabilities relating to employee benefits, provisions, and investments in associated companies and joint ventures, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

In the historical cost measurement, assets obtained shall be measured at the amount of cash or cash equivalents or fair value of the consideration paid. Liabilities shall be measured at the actual amount of cash or assets received, or the contractual amount in a present obligation, or the prospective amount of cash or cash equivalents paid to discharge the liabilities.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing market participants in an arm's length transaction at the measurement date. Fair value measured and disclosed in the financial statements are determined on this basis whether it is observable or estimated by valuation techniques.

The following table provides an analysis, grouped into Levels 1 to 3 based on the degree to which the fair value input is observable and significant to the fair value measurement as a whole:

Level 1 - based on quoted prices (unadjusted) in active markets;

Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable (other than quoted prices included within Level 1), either directly or indirectly;

Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

3. Going concern

The financial statements have been prepared on the going concern basis.

The Group has performed an assessment of the going concern for the following 12 months from 31 December 2018 and have not identified any significant doubtful matter or event on the going concern, as such the financial statement have been prepared on the going concern basis.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance

These financial statements are in compliance with the Accounting Standards for Business Enterprises to truly and completely reflect consolidated and the Company's financial position as at 31 December 2018 and consolidated and the Company's operating results、changes in shareholders' equity and cash flows for the year then ended.

2. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

3. Business cycle

The company takes the period from the acquisition of assets for processing to their realisation in cash or cash equivalents as a normal operating cycle. The operating cycle for the company is 12 months.

4. Reporting currency

The Company and its domestic subsidiaries choose Renminbi (hereinafter "RMB") as their functional currency. Functional currencies of overseas subsidiaries are determined on the basis of the principal economic environment in which the overseas subsidiaries operate. The functional currency of the overseas subsidiaries is mainly the United States Dollar (hereinafter "USD"). The presentation currency of these financial statements is Renminbi.

5. Business combinations

5.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

During July 2017 a major assets restructuring was successfully completed, with the acquisition of Solutions, a wholly-owned subsidiary of CNAC. On July 4, 2017 the entire share capital of Solutions was transferred from CNAC to the Company, in return for the issuance of 1,810,883,039 new shares of the Company to CNAC and their registration for trade on the Shenzhen Stock Exchange (which was completed on August 2017).

5.2 Business combinations not involving enterprises under common control and goodwill.

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The costs of business combination are the fair value of the assets paid, liabilities incurred or assumed and equity instruments issued by the acquirer for the purpose of achieving the control rights over the acquiree.

The intermediary costs such as audit, legal services and assessment consulting costs and other related management costs that are directly attributable to the combination by the acquirer are charged to profit or loss in the period in which they are incurred. Direct capital issuance costs incurred in respect of equity instruments or liabilities issued pursuant to the business combination should be charged to the respect equity instruments or liabilities upon initial recognition of the underlying equity instruments or liabilities.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

5. Business combinations - (cont'd)

5.2 Business combinations not involving enterprises under common control and goodwill - (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the remaining difference is recognized immediately in profit or loss for the current year.

The goodwill raised because of the business combination should be separately disclosed in the consolidated financial statement and measured by the initial amount less any accumulative impairment provision.

6. Basis for preparation of consolidated financial statements

The scope of consolidation in consolidated financial statements is determined on the basis of control. Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in consolidated income statement and consolidated statement of cash flows.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in consolidated income statement and consolidated statement of cash flows.

For a subsidiary acquired through a business combination involving enterprises under common control, it will be fully consolidated into consolidated financial statements from the date on which the subsidiary was ultimately under common control by the same party or parties.

The significant accounting policies and accounting years adopted by the subsidiaries are determined based on the uniform accounting policies and accounting years set out by the Company.

All significant intra-group balances, transactions and unrealized profits are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as non-controlling interests and presented as "non-controlling interests" in the shareholders' equity in consolidated balance sheet. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented as "non-controlling interests" in consolidated income statement below the "net profit" line item. Total comprehensive income attributable to non-controlling shareholders is presented separately in the consolidated income statement below the total comprehensive income line item.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

6. Basis for preparation of consolidated financial statements - (cont'd)

When the amount of loss for the period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is still allocated against non-controlling interests.

Acquisition of non-controlling interests or disposal of equity interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings. Other comprehensive income attributed to the non-controlling interest is reattributed to the shareholders of the company.

A put option issued by the Group to holders of non-controlling interests that is settled in cash or other financial instrument is recognized as a liability at the present value of the exercise price. The Group's share of a subsidiary's profits includes the share of the holders of the non-controlling interests to which the Group issued a put option.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost. Other comprehensive income associated with the disposed subsidiary is reclassified to investment income in the period in which control is lost.

7. Classification and accounting methods of joint arrangement

Joint arrangement involves by two or more parties jointly control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

The Group makes the classification of the joint arrangements according to the rights and obligations in the joint arrangements to either joint operations or joint ventures.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint ventures are accounted for using the equity method.

8. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

9. Translation of transactions and financial statements denominated in foreign currencies

9.1 Transactions denominated in foreign currencies

On initial recognition, foreign currency transactions are translated into functional currency using the spot exchange rate prevailing at the date of transaction.

At the balance sheet date, foreign currency monetary items are translated into functional currency using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (i) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period. (ii) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting.

When preparing financial statements involving foreign operations, if there is any foreign currency monetary items which in substance forms part of the net investment in the foreign operations, exchange differences arising from the changes of foreign currency should be recorded as other comprehensive income, and will be reclassified to profit or loss upon disposal of the foreign operations.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged.

9.2 Translation of financial statements denominated in foreign currency

For the purpose of preparing consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at average rate or at the spot exchange rates on the dates of the transactions; the opening balance of retained earnings is the translated closing balance of the previous year's retained earnings; the closing balance of retained earnings is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is recorded as other comprehensive income. Cash Flows arising from transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the spot exchange rate on the date of the cash flow, the effect of exchange rate changes on the cash and cash equivalents is regarded as a reconciling item and present separately in the statement “effect of foreign exchange rate changes on the cash and cash equivalents".

The opening balances and the comparative figures of prior year are presented at the translated amounts in the prior year's financial statements.

On disposal of the Group's entire equity interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain equity interest in it or other reasons, the Group transfers the accumulated translation differences, which are attributable to the owners' equity of the Company and presented under other comprehensive income to profit or loss in the period in which the disposal occurs.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

9. Translation of transactions and financial statements denominated in foreign currencies - (cont'd)

9.2 Translation of financial statements denominated in foreign currency - (cont'd)

In case of a disposal or other reason that does not result in the Group losing control over a foreign operation, the proportionate share of accumulated translation differences are re-attributed to non-controlling interests and are not recognized in profit and loss. For partial disposals of equity interest in foreign operations which are associates or joint ventures, the proportionate share of the accumulated translation differences are reclassified to profit or loss.

10. Financial instruments

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. At initial recognition, an entity shall measure trade receivables at their transaction price if the trade receivables do not contain a significant financing component.

10.1 Classification and measurement of financial assets

After initial recognition, an entity shall measure a financial asset at: (a) amortised cost; (b) fair value through other comprehensive income ("FVTOCI"); or (c) fair value through profit or loss ("FVTPL").

10.1.1 Financial assets at amortised cost

A financial asset is measured at amortised cost if both of the following conditions are met:
(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets are subsequently measured at amortised cost, using effective interest method. Gains or losses upon impairment and derecognition are recognized in profit or loss.

10.1.1.1 Effective interest method and amortised cost

Effective interest method represents the method for calculating the amortized costs and interest income or expense of each period in accordance with the effective interest rate of financial assets or financial liabilities (inclusive of a set of financial assets or financial liabilities). Effective interest rate represents the rate that discounts the future cash flow over the expected subsisting period or shorter period, if appropriate, of the financial asset or financial liability to the current carrying value of such financial asset or financial liability.

When calculating the effective interest rate, the Group will consider the anticipated future cash flow (not considering the future credit loss) on the basis of all contract clauses of financial assets or financial liabilities, as well as consider all kinds of charges, transaction fees and discount or premium paid forming an integral part of the effective interest rate paid or received between both parties of financial asset or financial liability contract.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

10. Financial instruments - (cont'd)

10.1 Classification and measurement of financial assets - (cont'd)

10.1.2 Financial assets at FVTOCI

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses, foreign exchange gains and losses and interest calculated using the effective interest method, until the financial asset is derecognized or reclassified. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

10.1.3 Financial assets at FVTPL

Financial assets at FVTPL are either those that are classified as financial assets at FVTPL or designated as financial assets at FVTPL.

A financial asset is measured at FVTPL unless it is measured at amortised cost or at FVTOCI.

The Group may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

A gain or loss on a financial asset that is measured at FVTPL is recognized in profit or loss unless it is part of a hedging relationship. Dividends are recognized in profit or loss.

10.1.4 Designated financial assets at FVTOCI

At initial recognition, the Group makes an irrevocable election to designate to FVTOCI an investment in an equity instrument that is not held for trading.

When a non-trading equity instrument investment is designated as a financial asset that is measured at fair value through other comprehensive income, the changes in the fair value of the financial asset are recognised in other comprehensive income. The accumulated gains or losses from other comprehensive income are transferred from other comprehensive income and included in retained earnings. During the period in which the Group holds these non-trading investment instruments, the right to receive dividends in the Group has been established, and the economic benefits related to dividends are likely to flow into the Group, and when the amount of dividends can be reliably measured, the dividend income is recognized. Enter the current profit and loss.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

10. Financial instruments - (cont'd)

10.2 Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets that are classified to amortised cost and FVTOCI.

The Group always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables.

For financial assets other than trade receivables, the Group measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses or lifetime expected credit losses. At each balance sheet date, if the credit risk on that financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses. The Group recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance to the amount that is required to be recognized.

10.2.1 Significant increases in credit risk

At each balance sheet date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition.

The Group mainly considers the following list of information in assessing changes in credit risk:

(a) significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception.
(b) significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life.
(c) a significant change in the debtors' ability to meet its debt obligations.
(d) an actual or expected significant change in the operating results of the debtor.
(e) significant increases in credit risk on other financial instruments of the same debtor.
(f) an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor.
(g) significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the debtor's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.
(h) significant changes that are expected to reduce the receivable's economic incentive to make scheduled contractual payments.
(i) significant changes in the expected performance and behaviour of the debtor.
(j) past due information.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

10. Financial instruments - (cont'd)

10.2 Impairment of financial assets - (cont'd)

10.2.2 Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the receivable;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the receivable, for economic or contractual reasons relating to the receivable's financial difficulty, having granted to the receivable a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the receivable will enter bankruptcy or other financial reorganization;

10.2.3 Recognition of expected credit losses

For the purpose of determining significant increases in credit risk and recognizing a loss allowance on a collective basis, financial instruments are grouped on the basis of shared credit risk. Examples of shared credit risk characteristics may include, but are not limited to, the:(a) instrument type; (b) credit risk ratings; (c) collateral type; (d) industry; (e) geographical location of the debtor; and (f) the value of collateral relative to the financial asset if it has an impact on the probability of a default occurring.

Expected credit losses of financial instruments are determined as the present value of the difference between: (a) the contractual cash flows that are due to an entity under the contract; and (b) the cash flows that the entity expects to receive.

For a financial asset that is credit-impaired at the reporting date, an entity shall measure the expected credit losses as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognized in profit or loss as an impairment gain or loss.

The Group measures expected credit losses of a financial instrument in a way that reflects:
(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
(b) the time value of money; and
(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

10.2.4 Written-off of financial assets

The Group directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

10. Financial instruments - (cont'd)

10.3 Transfer of financial asset

The Group derecognizes a financial asset if one of the following conditions is satisfied: (i) the contractual rights to the cash flows from the financial asset expire; or (ii) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (iii) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

When the company is derecognizing a financial asset in its entirety, except for equity instrument designated to FVTOCI, the difference between (i) the carrying amount of the financial asset transferred; and (ii) the sum of the consideration received from the transfer is recognized in profit or loss.

10.4 Classification and measurement of financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

All financial liabilities are subsequently measured at FVTPL or other financial liabilities.

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FVTPL. The financial liability other than derivative financial liabilities are stated as liabilities held for trading.

Other financial liabilities are subsequently measured at amortized cost by using effective interest method. Gain or loss arising from derecognition or amortization is recognized in current profit or loss.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

10. Financial instruments - (cont'd)

10.5 Derecognition of financial liabilities

Financial liabilities are derecognized in full or in part only when the present obligation is discharged in full or in part. An agreement entered into force between the Group (debtor) and a creditor to replace the original financial liabilities with new financial liabilities with substantially different terms, derecognize the original financial liabilities as well as recognize the new financial liabilities. When financial liabilities is derecognized in full or in part, the difference between the carrying amount of the financial liabilities derecognized and the consideration paid (including transferred non-cash assets or new financial liability) is recognized in profit or loss for the current period.

10.6 Derivatives

Derivative financial instruments include forward exchange contracts, currency swaps and foreign exchange options, etc. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognized in profit or loss unless the derivative is designated and highly effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship (Note III 29).

10.7 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset, except for circumstances where the Group has a legal right that is currently enforceable to offset the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet.

10.8 Equity instruments

The consideration received from the issuance of equity instruments net of transaction costs is recognized in shareholders' equity. Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

When the Company repurchases its own shares, those shares are treated as treasury shares. All expenditures relating to the repurchase are recorded in the cost of the treasury shares, with the transaction entering into the share capital. Treasury shares are excluded from profit distributions and are stated as a deduction under shareholders' equity in the balance sheet.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

11. Receivable

Receivables are assessed for impairment on a collective group and/or on an individual basis as follows:

Expected credit losses in respect of a receivable is measured at an amount equal to lifetime expected credit losses. The assessment is made collectively for account receivables, where receivables share similar credit risk characteristics based on geographical location, using the expected credit losses model including inter-alia aging analysis, historical loss experiences adjusted by the observable factors reflecting current and expected future economic conditions. The ratio of the collective provision for non-overdue account receivables is between 0%-2%.

When credit risk on a receivable has increased significantly since initial recognition, the group records specific provision or collective provision, which is determined for groups of similar assets in countries in which there are large number of customers with immaterial balances.

In assessing whether the credit risk on a receivable has increased significantly since initial recognition, the Group compares the risk of a default occurring on the receivable at the reporting date with the risk of a default occurring on the receivable at the date of initial recognition and considers both quantitative and qualitative information that is reasonable and supportable, including observable data that comes to the attention of the Group about loss events such as a significant decline in the solvency of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor.

12. Inventories

12.1 Categories of inventories and initial measurement

The Group's inventories mainly include raw materials, work in progress, semi-finished goods, finished goods and reusable materials. Reusable materials include low-value consumables, packaging materials and other materials, which can be used repeatedly but do not meet the definition of fixed assets.

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition including direct labor costs and an appropriate allocation of production overheads.

12.2 Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the weighted average method.

12.3 Basis for determining net realizable value of inventories and provision methods for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their carrying amount, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

12.4 The perpetual inventory system is maintained for stock system.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

13. Assets held for Sale

When the Group realizes the carrying value of a non-current asset or a disposal group through sale instead of continuing operation, such asset is classified as an asset held for sale.

All the following conditions should be met for the non-current asset or disposal group to be classified as held for sale: (1) ready to be sold in current condition, based on similar transactions or common practices; (2) the sale is more than likely to happen, i.e. the Group has approved the sale in a resolution and obtained a certain purchase commitment, and the sale will be closed within one year.

The Group measures the assets held for sales at the lower of book value, and fair value less the cost of the sale. If the carrying value is higher than the fair value less the cost of the sale, the difference is recognized as asset impairment loss. If the fair value of the asset held for sale recovered subsequent to the balance sheet date, the recovery is recognized, limited to the original carrying amount of the asset, and relevant asset impairment loss is reversed.

Asset held for sale is not depreciated or amortized.

14. Long-term equity investments

Long-term equity investments include investments in subsidiaries, joint ventures and associates.

Subsidiaries are the companies that are controlled by the Company. Associates are the companies over which the Group has significant influence. Joint ventures are joint arrangements over which the Group has joint control along with other investors and has rights to the net assets of the joint arrangement.

The Company accounts for the investment in subsidiaries at historical cost in the Company's financial statements. Investments in associates and joint ventures are accounted for under equity method.

14.1 Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the share of the carrying amount of the shareholders' equity of the acquiree attributable to the ultimate controlling party at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition. For a business combination not involving enterprises under common control achieved in stages that involves multiple exchange transactions, the initial investment cost is carried at the aggregate of the carrying amount of the acquirer's previously held equity interest in the acquiree and the new investment cost incurred on the acquisition date.

Regarding the long-term equity investment acquired otherwise than through a business combination, if the long-term equity investment is acquired by cash, the historical cost is determined based on the amount of cash paid and payable; if the long-term equity investment is acquired through the issuance of equity instruments, the historical cost is determined based on the fair value of the equity instruments issued.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

14. Long-term equity investments - (cont'd)

14.2 Subsequent measurement and recognition of profit or loss

If the long-term equity investment is accounted for at cost, it should be measured at historical cost less accumulated impairment losses. Dividend declared by the investee should be accounted for as investment income.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or loss and other comprehensive income for the period. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments to be confirmed with the Group's accounting policies and accounting period. The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period.

14.3 Basis for determining control, joint control and significant influence over investee

Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

14.4 Methods of impairment assessment and determining the provision for impairment loss

If the recoverable amounts of the investments to subsidiaries, joint ventures and associates are less than their carrying amounts, an impairment loss should be recognized to reduce the carrying amounts to the recoverable amounts (Note III 21).

14.5 The disposal of long-term equity investment

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognized in profit or loss for the period.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

15. Investment properties

Investment property refers to real estate held to earn rentals or for capital appreciation, or both, including leased land use rights, land use rights held and provided for transferring after appreciation and leased constructions, etc.

Investment property is initially measured at cost. Subsequent expenditures related to an investment property shall be included in cost of investment property only when the economic benefits associated with the asset will likely flow to the Group and its cost can be measured reliably. All other subsequent expenditures on investment property shall be included in profit or loss for the current period when incurred.

The Group adopts cost method for subsequent measurement of investment property, which is depreciated or amortized using the same policy as that for buildings and land use rights.

When an investment property is sold, transferred, retired or damaged, the amount of proceeds on disposal of the property net of the carrying amount and related taxes and surcharges is recognized in profit or loss for the current period.

16. Fixed assets

16.1 Recognition criteria for fixed assets

Fixed assets include land owned by the Group and buildings, machinery and equipment, transportation vehicles, office equipment and others.

Fixed assets are tangible assets that are held for use in the production or supply of goods or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured. Purchased or constructed fixed assets are initially measured at cost when acquired.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

(Expressed in RMB '000)

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

16. Fixed assets - (cont'd)

16.2 Depreciation of each category of fixed assets

Fixed asset is depreciated based on the cost of fixed asset recognized less expected net residual value over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. Depreciation is calculated based on the carrying amount of the fixed asset after impairment over the estimated remaining useful life of the asset.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

The estimated useful life, estimated net residual value and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation	Useful life (years)	Residual value (%)	Annual depreciation rate (%)
Buildings	the straight-line method	15-50	0-4	1.9-6.7
Machinery and equipment	the straight-line method	3-22	0-4	4.4-33.3
Office and other equipment	the straight-line method	3-17	0-4	5.6-33.3
Motor vehicles	the straight-line method	5-9	0-2	10.9-20.0

Land owned by the Group is not depreciated.

16.3 Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The difference between recoverable amounts of the fixed assets under the carrying amount is referred to as impairment loss (Note III 21).

17. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction, installation costs, borrowing costs capitalized and other expenditures incurred until such time as the relevant assets are completed and ready for its intended use. When the asset concerned is ready for its intended use, the cost of the asset is transferred to fixed assets and depreciated starting from the following month.

The difference between recoverable amounts of the construction in progress under the carrying amount is referred to as impairment loss (Note III 21).

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

18. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Borrowing costs incurred subsequently should be charged to profit or loss. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expenses incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalization period, exchange differences on foreign currency specific-purpose borrowing are fully capitalized whereas exchange differences on foreign currency general-purpose borrowing is charged to profit or loss.

19. Intangible assets

19.1 Valuation methods, service life, impairment test

The Group's intangible assets include product registration assets, intangible assets upon purchase of products, marketing rights and rights to use trademarks, land use rights and software. Intangible assets are stated at the balance sheet at cost less accumulated amortization and impairment losses.

When an intangible asset with a finite useful life is available for use, its original cost less any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the year, and makes adjustments when necessary.

The respective amortization periods for such intangible assets are as follows:

Item	Amortization period (years)
Land use rights	49-50 years
Product registration	8 years
Intangible assets on purchase of products	Mainly 7-11, 20
Marketing rights and trademarks	4-10 years
Software	3-5 years

The difference between recoverable amounts of the intangible assets under the carrying amount is referred to as impairment loss (see Note III 21).

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

19. Intangible assets - (cont'd)

19.2 Research and development expenditure

Internal research and development project expenditures were classified into research expenditures and development expenditures depending on its nature and the greater uncertainty whether the research activities becoming to intangible assets.

Expenditure during the research phase is recognized as an expense in the period in which it is incurred. Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- The Group has the intention to complete the intangible asset and use or sell it;
- The Group can demonstrate the ways in which the intangible asset will generate economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Expenditures that do not meet all of the above conditions at the same time are recognized in profit or loss when incurred. If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period. Expenditures that have previously been recognized in the profit or loss would not be recognized as an asset in subsequent years. Those expenditures capitalized during the development stage are recognized as development costs incurred and will be transferred to intangible asset when the underlying project is ready for an intended use.

20. Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under a business combination not involving enterprises under common control.

Goodwill is not amortized and is stated in the balance sheet at cost less accumulated impairment losses (see Note III 21). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

21. Impairment of long-term assets

The Company assesses at each balance sheet date whether there is any indication that the fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured at historical cost, investments in subsidiaries, joint ventures and associates may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flow estimated to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

21. Impairment of long-term assets - (cont'd)

Goodwill arising from a business combination is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related set of asset groups. Each of the related asset groups or set of asset groups is an asset group or set of asset group that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata based on the carrying amount of each asset.

Once the impairment loss of such assets is recognized, it will not be reversed in any subsequent period.

22. Employee benefits

22.1 Short-term employee benefits

Employee wages or salaries, bonuses, social security contributions, measured on a non-discounted basis, and the expense is recorded when the related service is provided. A provision for short-term employee benefits in respect of cash bonuses is recognized in the amount expected to be paid where the Group has a current legal or constructive obligation to pay the said amount for services provided by the employee in the past and the amount can be estimated reliably.

22.2 Post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

A defined contribution plan is a post-employment benefit plan under which the Group pays contributions to a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an expense in profit or loss in the periods during which related services are rendered by employees.

Defined benefit plans of the Group are post-employment benefit plans other than defined contribution plans. In accordance with the projected unit credit method, the Group measures the obligations under defined benefit plans using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, and discount obligations under the defined benefit plans to determine the present value of the defined benefit liability. The discount rate used is the yield on the reporting date on highly-rated corporate debentures denominated in the same currency, that have maturity dates approximating the terms of the Group's obligation.

The Group attributes benefit obligations under a defined benefit plan to periods of service provided by respective employees. Service cost and interest expense on the defined benefit liability are charged to profit or loss and remeasurements of the defined benefit liability are recognized in other comprehensive income.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

22. Employee benefits - (cont'd)

22.3 Termination benefits

When the Group terminates the employment with employees or provides compensation under an offer to encourage employees to accept voluntary redundancy, a provision is recognized with a corresponding expense in profit or loss at the earlier of the following dates:

- When the Group cannot unilaterally withdraw the offer of termination benefits because of an employee termination plan or a curtailment proposal.
- When the Group has a formal detailed restructuring plan involving the payment of termination benefits and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

If the benefits are payable more than 12 months after the end of the reporting period, they are discounted to their present value. The discount rate used is the yield on the reporting date on highly-rated corporate debentures denominated in the same currency, that have maturity dates approximating the terms of the Group's obligation.

22.4 Other long-term employee benefits

The Group's net obligation for long-term employee benefits, which are not attributable to post-employment benefit plans, is for the amount of the future benefit to which employees are entitled for services that were provided during the current and prior periods.

The amount of these benefits is discounted to its present value and the fair value of the assets related to these obligations is deducted therefrom. The discount rate used is the yield on the reporting date on highly-rated corporate debentures denominated in the same currency, that have maturity dates approximating the terms of the Group's obligation.

23. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the settlement date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows. The increase in the provision due to passage of time is recognized as interest expense.

If all or part of the provision settlements is reimbursed by third parties, when the realization of income is virtually certain, then the related asset should be recognized. However, the amount of related asset recognized should not be exceeding the respective provision amount.

At the balance sheet date, the amount of provision should be re-assessed to reflect the best estimation then.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

24. Share-based payment

Share-based payment refers to the transaction in order to acquire the service offered by the employees or other parties that grants equity instruments or liabilities on the basis of the equity instruments. Share-based payment classified into equity-settled share-based payment and cash-settled share-based payment.

24.1 Cash-settled share-based payment

The cash-settled share-based payment should be measured according to the fair value of the liabilities recognized based on the shares or other equity instrument undertaken by the Company. For cash-settled share-based payment made in return for the rendering of employee services that cannot be exercised until the services are fully provided during the vesting period or specified performance targets are met, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the number of exercisable instruments, be recognized in relevant expenses and the corresponding liabilities at the fair value of the liability incurred by the Company.

On each balance sheet date and the settlement date before the settlement of the relevant liabilities, the Company should re-measure the fair value of the liabilities and the changes should be included in the current period profit and loss.

25. Revenue

Revenue of the Group is mainly from sale of goods.

The Group recognizes revenue when transferring goods to a customer, at the amount of the transaction price. An asset is transferred when the customer obtains control of that asset. Transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring goods to a customer, excluding amounts collected on behalf of third parties.

Significant financing component

For a contract with a significant financing component, the Group recognize revenue at an amount that reflects the price that a customer would have paid for the goods if the customer had paid cash for those goods when they transfer to the customer. The difference between the amount of consideration and the cash selling price of the goods, is amortized in the contract period with the effective interest rate. The Group does not adjust the amount of consideration for the effects of a significant financing component if the Group expects, at contract inception, that the period between when the entity transfers a good to a customer and when the customer pays for that good will be one year or less.

Sale with a right of return

For sale with a right of return, the Group recognizes revenue at the amount of consideration to which the Group expects to be entitled (ie excluding the products expected to be returned). For any amounts received (or receivable) for which an entity does not expect to be entitled, the entity shall not recognize revenue when it transfers products to customers but shall recognize those amounts received (or receivable) as a refund liability. An asset recognized for the Group's right to recover products from a customer on settling a refund liability shall initially be measured by reference to the former carrying amount of the product less any expected costs to recover those products.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

26. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, including tax returns, financial subsidies and so on. A government grant is recognized only when the Group can comply with the conditions attached to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

Government grants are either related to assets or income.

(1) The basis of judgment and accounting method of the government grants related to assets

Government grants obtained for acquiring long-term assets are government grants related to assets. A government grant related to an asset is offset with the cost of the relevant asset.

(2) The basis of judgment and accounting method of the government grants related to income

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

Government grants related to the Group's normal course of business are offset with related costs and expenses. Government grants related that are irrelevant with the Groups's normal course of business are included in non-operating gains.

27. Deferred tax assets/deferred tax liabilities

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

27.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

27.2 Deferred tax assets and deferred tax liabilities

Temporary differences are differences between the carrying amounts of certain assets or liabilities and their tax base.

All taxable temporary differences are recognized as related deferred tax liabilities. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

27. Deferred tax assets/deferred tax liabilities - (cont'd)

27.2 Deferred tax assets and deferred tax liabilities - (cont'd)

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized. However, for deductible temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The Group may be required to pay additional tax in case of distribution of dividends by the Group companies. This additional tax was not included in the financial statements, since the policy of the Group is not to distribute in the foreseeable future a dividend which creates a significant additional tax liability.

Except for those current income tax and deferred tax charged to comprehensive income or shareholders' equity in respect of transactions or events which have been directly recognized in other comprehensive income or shareholders' equity, and deferred tax recognized on business combinations, all other current income tax and deferred tax items are charged to profit or loss in the current period.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction is reversed when it becomes probable that sufficient taxable profits will be available.

27.3 Offset of income tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

28. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

28.1 The Group as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period.

28.2 The Group as lessor under operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred.

28.3 The Group as lessee under finance leases

At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognizes a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is deferred. Besides, initial direct costs that are attributable to the leased item incurred during the process of negotiating and securing the lease agreement are also added to the amount recognized for the leased asset.

The deferred expenses are recognized as financial expenses in profit or loss using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred. The net amount of minimum lease payments less deferred expense is separated into long-term liabilities and the portion of long-term liabilities due within one year for presentation.

29. Other significant accounting policies and accounting estimates

29.1 Hedging

The Group uses derivative financial instruments to hedge its risks related to foreign currency and inflation risks and derivatives that are not used for hedging.

Hedge accounting
On the commencement date of the accounting hedge, the Group formally documents the relationship between the hedging instrument and hedged item, including the Group's risk management objectives and strategy in executing the hedge transaction, together with the methods that will be used by the Group to assess the effectiveness of the hedging relationship.

The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedge is expected to be effective in offsetting the changes in the fair value of cash flows that can be attributed to the hedged risk during the period for which the hedge is designated.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

29. Other significant accounting policies and accounting estimates - (cont'd)

29.1 Hedging (cont'd)

An effective hedge exists when all of the below conditions are met:

- There is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship;
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

With respect to a cash-flow hedge, a forecasted transaction that constitutes a hedged item must be highly probable and must give rise to exposure to changes in cash flows that could ultimately affect profit or loss.

Measurement of derivative financial instruments
Derivative financial instruments are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred.

Cash-flow hedges

Subsequent to the initial recognition, changes in the fair value of derivatives used to hedge cash flows are recognized through other comprehensive income directly in a hedging reserve, with respect to the part of the hedge that is effective. Regarding the portion of the hedge that is not effective, the changes in fair value are recognized in profit and loss. The amount accumulated in the hedging reserve is reclassified to profit and loss in the period in which the hedged cash flows impact profit or loss and is presented in the same line item in the statement of income as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, the hedge accounting is discontinued. The cumulative gain or loss previously recognized in a hedging reserve through other comprehensive income remains in the reserve until the forecasted transaction occurs or is no longer expected to occur. If the forecasted transaction is no longer expected to occur, the cumulative gain or loss in respect of the hedging instrument in the hedging reserve is reclassified to profit or loss.

Economic hedge

Hedge accounting is not applied with respect to derivative instruments used to economically hedge financial assets and liabilities denominated in foreign currency or CPI linked. Changes in the fair value of such derivatives are recognized in profit or loss as financing income or expenses.

Derivatives that are not used for hedging

Changes in the fair value of derivatives that are not used for hedging are recognized in profit or loss as financing income or expenses.

29.2 Securitization of assets

Details of the securitization of asset agreements and accounting policy are set out in Note V.4 Bills Receivable and Account receivables

29.3 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organization, management requirements and internal reporting system.

(Expressed in RMB '000)

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

29. Other significant accounting policies and accounting estimates - (cont'd)

29.3 Segment reporting - (cont'd)

Two or more operating segments may be aggregated into a single operating segment if the segments have similar economic characteristics and are same or similar in respect of the nature of each product and service, the nature of production processes, the type or class of customers for the products and services, the methods used to distribute the products or provide the services, and the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting. Segment accounting policies are consistent with those for the consolidated financial statements.

29.4 Profit distributions to shareholders

Dividends which are approved after the balance sheet date are not recognized as a liability at the balance sheet date but are disclosed in the notes separately.

30. Changes in significant accounting policies and accounting estimates

30.1 Changes in significant accounting policies

The contents and reasons for the changes of accounting policies	Process for management approval
The Group began to adopt the following revised Accounting Standards for Business Enterprises ("ASBE") promulgated by Ministry of Finance from January 1, 2018: "Revised ASBE 22 - Financial Instruments Recognition and Measurement", "Revised ASBE 23 - Transfer of Financial Assets", "Revised ASBE 24 - Hedging", "Revised ASBE 37 - Presentation and Disclosures of Financial instruments" ("new financial instrument standards"), and "Revised ASBE 14 - Revenue" ("new revenue standard"), promulgated on 2017. <u>Financial Instruments</u> According to new financial instrument standards, financial assets are classified as one of the following three categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (FVTOCI), and financial assets measured at fair value through profit and loss (FVTPL), based on the "business model" and "contractual cash flow characteristics". The categories of loans and receivables, held-to-maturity investments and available-for-sale financial assets in the old financial instrument standards are cancelled. Equity investments are normally classified as financial assets at FVTPL, while it is permitted to irrevocably designate non-trading equity investments as financial assets at FVTOCI, and cumulative gain or loss previously recognized in other comprehensive income should not be classified to profit or loss upon derecognition. Impairment requirements in new financial instrument standards are applied to financial assets at amortized cost and FVTOCI, based on the "expected credit loss method". The new impairment model requires a three-stage model, to recognize 12-month or lifetime expected credit losses, depending on whether credit risk on a financial instrument has increased significantly since initial recognition. An entity shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not have a significant financing component.	The change in the accounting policy was approved by the board of directors meeting in 2018.4.26.

(Expressed in RMB '000)

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

30. Changes in significant accounting policies and accounting estimates - (cont'd)

30.1 Changes in significant accounting policies - (cont'd)

The contents and reasons for the changes of accounting policies	Process for management approval
Revenue New revenue standards introduced the 5-step approach, and provides more guidance for special transactions and events. Refer to Note III.25 for details of the Group's revenue recognition and measurement. According to the new standards, opening balances should be adjusted for accumulated impact, with regards to retained earnings and other relevant accounts, with no adjustments for comparative information.	The change in the accounting policy was approved by the board of directors meeting in 2018.4.26.
In preparation of 2018 annual report, the group began to adopt the Notice on Revising the Format of 2018 Financial Statements for General Enterprise promulgated by Ministry of Finance on June 15th, 2018 (Caikuai [2018] No.15, hereinafter "Caikuai No.15"). Caikuai No.15 revised the accounts in balance sheet and income statements, including: newly added "Notes and Accounts Receivable", "Notes and Accounts Payable" and "Research and Development Expenses"; revised the disclosure of "Other Receivables", "Fixed Assets", "Construction in Progress", "Other Payables", "Long-term Payables" and "General and Administrative Expense"; deleted "Notes receivable", "Accounts Receivable", "Dividends Receivable", "Interests Receivable", "Disposal of Fixed Assets", "Projects Material", "Notes Payable", "Accounts Payable", "Interest Payable", "Dividends Payable" and "Special Accounts Payable". Caikuai No.15 also added the disclosure of "Including: Interest Expense" and "Interest Income" as sub-accounts of "Financial Expense" and adjusted the sequence of some accounts in Income Statement. The above modifications were retrospectively adjusted for comparative numbers. The Change has no significant impact on the Company's financial statements.	The change in the accounting policy was approved by the board of directors meeting in 2019.3.19.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

30. Changes in significant accounting policies and accounting estimates - (cont'd)

Note 1: Transfer from loans and receivables to fair value

According to the Standard, the classification of financial assets that constitute debt instruments is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Trade receivables that are included in the securitization transaction for which consideration has not yet been received, are measured at fair value through profit or loss. As a result of the implementation of the Standard, as at January 1, 2018, the balance of other receivables decreased by 8,279 thousand RMB with a corresponding decrease in retained earnings.

Note 2: Transfer from available-for-sale financial assets to other equity investments

As at January 1, 2018, available-for-sale financial assets were designated as financial assets at FVTOCI and reclassified to other equity investments. Such equity investments are not expected to be sold within the foreseeable future.

Since those equity investments are not quoted in an active market, according to old financial instrument standards, the investments were measured at cost.

Commencing January 1, 2018, such equity investments are measured at FVTOCI. Impairment loss recognized in prior periods of RMB 11,991 was reclassified from retained earnings to OCI, the investments were revaluated through OCI in the amount of RMB 71,546 and the deferred tax assets decreased by RMB 8,934. The OCI was increased by net amount of RMB 50,621.

Note 3: Expected credit loss

Commencing from January 1, 2018, the Group recognize credit loss impairment in accordance with new financial instrument standards.

The Standard includes a new model for the recognition of expected credit loss ('expected credit loss' model) for financial assets that are not measured at fair value through profit or loss. As a result of the implementation of the Standard, as of January 1, 2018, the provision for impairment of trade receivables increased by RMB 18,275, the deferred tax assets increased by RMB 6,475 with a corresponding decrease of RMB 11,800 in retained earnings.

Note 4: Significant financing component in revenue recognition - (cont'd)

In assessing whether a contract contains a significant financing component, the Group examines, among other things, the expected length of time between the date on which the Group transfers the goods to the customer and the date on which the customer pays for the goods less than one year. In cases where the difference is one year or less, the Group applies the practical relief prescribed in the Standard and does not separate the significant financing component.

As a result of the implementation of the Standard, as of January 1, 2018, the balance of trade receivables increased by RMB 71,406 and deferred tax assets decreased by RMB 23,837, with a corresponding increase of RMB 47,569 in retained earnings.

Opening balance adjustment due to adoption of new accounting standards for financial instrument or revenue

(Expressed in RMB '000)

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

30. Changes in significant accounting policies and accounting estimates - (cont'd)

30.1 Changes in significant accounting policies - (cont'd)

Consolidated Balance Sheet

	December 31 2017	Impact from adoption of new revenue standards	Impact from adoption of new financial instrument standards	January 1 2018
Current assets				
Cash at bank and on hand	7,868,858	-	-	7,868,858
Financial assets held for trading	N/A	-	23,000	23,000
Financial assets at fair value through profit or loss	23,000	-	(23,000)	N/A
Derivative financial assets	455,153	-	-	455,153
Bills and accounts receivable	5,236,880	71,406	(18,275)	5,290,011
Including: Bills receivable	180,030	-	-	180,030
Accounts receivable	5,056,850	71,406	(18,275)	5,109,981
Prepayments	202,111	-	-	202,111
Other receivables	1,037,836	-	(8,279)	1,029,557
Inventories	7,488,238	-	-	7,488,238
Assets held for sale	403,297	-	-	403,297
Non-current assets due within one year	46	-	-	46
Other current assets	614,925	-	-	614,925
Total current assets	23,330,344	71,406	(26,554)	23,375,196
Non-current assets				
Available-for-sale financial assets	19,544	-	(19,544)	N/A
Long-term accounts receivable	192,968	-	-	192,968
Long-term equity investments	102,383	-	-	102,383
Other equity investments	N/A	-	91,090	91,090
Investment properties	4,408	-	-	4,408
Fixed assets	6,141,490	-	-	6,141,490
Construction in progress	803,421	-	-	803,421
Intangible assets	4,036,588	-	-	4,036,588
Goodwill	3,890,097	-	-	3,890,097
Deferred tax assets	891,012	(23,837)	(2,459)	864,716
Other non-current assets	201,667	-	-	201,667
Total non-current assets	16,283,578	(23,837)	69,087	16,328,828
Total assets	39,613,922	47,569	42,533	39,704,024

(Expressed in RMB '000)

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

30. Changes in significant accounting policies and accounting estimates - (cont'd)

30.1 Changes in significant accounting policies - (cont'd)

Consolidated Balance Sheet - (cont'd)

	December 31 2017	Impact from adoption of new revenue standards	Impact from adoption of new financial instrument standards	January 1 2018
Current liabilities				
Short-term loans	2,280,912	-	-	2,280,912
Derivative financial liabilities	789,050	-	-	789,050
Bills and accounts payable	4,218,038	-	-	4,218,038
Advances from customers	226,711	-	(226,711)	-
Contract liabilities	N/A	-	746,578	746,578
Employee benefits payable	995,637	-	-	995,637
Taxes payable	431,275	-	-	431,275
Other payables	1,422,734	-	(503,362)	919,372
Including: Interest payable	46,491	-	-	46,491
Dividends payable	250	-	-	250
Non-current liabilities due within one year	448,504	-	-	448,504
Other current liabilities	482,583	-	(16,505)	466,078
Total current liabilities	11,295,444	-	-	11,295,444
Non-current liabilities				
Long-term loans	514,320	-	-	514,320
Debentures payable	7,777,410	-	-	7,777,410
Long-term payables	24,203	-	-	24,203
Long-term employee benefits payable	610,714	-	-	610,714
Provisions	163,913	-	-	163,913
Deferred tax liabilities	224,613	-	-	224,613
Other non-current liabilities	225,292	-	-	225,292
Total non-current liabilities	9,540,465	-	-	9,540,465
Total liabilities	20,835,909	-	-	20,835,909
Shareholders' equity				
Share capital	2,446,554	-	-	2,446,554
Capital reserve	12,982,277	-	-	12,982,277
Other comprehensive income	(154,701)	-	50,621	(104,080)
Special reserves	9,349	-	-	9,349
Surplus reserve	207,823	-	-	207,823
Retained earnings	3,286,711	47,569	(8,088)	3,326,192
Total shareholders' equity	18,778,013	47,569	42,533	18,868,115
Total liabilities and shareholders' equity	39,613,922	47,569	42,533	39,704,024

(Expressed in RMB '000)

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

30. Changes in significant accounting policies and accounting estimates - (cont'd)

30.1 Changes in significant accounting policies - (cont'd)

Balance Sheet

	December 31 2017	Impact from adoption of new revenue standards	Impact from adoption of new financial instrument standards	January 1 2018
Current assets				
Cash at bank and on hand	1,868,603	-	-	1,868,603
Bills and accounts receivable	1,001,641	-	(2,931)	998,710
Including: Bills receivable	146,525	-	-	146,525
Accounts receivable	855,116		(2,931)	852,185
Prepayments	24,019	-	-	24,019
Other receivables	1,140	-	-	1,140
Inventories	177,402	-	-	177,402
Other current assets	1,406	-	-	1,406
Total current assets	3,074,211	-	(2,931)	3,071,280
Non-current assets				
Available-for-sale financial assets	8,573	-	(8,573)	N/A
Long-term equity investments	15,939,826	-	-	15,939,826
Other equity investments	N/A	-	80,119	80,119
Investment properties	4,408	-	-	4,408
Fixed assets	1,262,330	-	-	1,262,330
Construction in progress	81,993	-	-	81,993
Intangible assets	183,920	-	-	183,920
Deferred tax assets	35,064		(8,494)	26,570
Other non-current assets	11,000	-	-	11,000
Total non-current assets	17,527,114	-	63,052	17,590,166
Total assets	20,601,325	-	60,121	20,661,446

(Expressed in RMB '000)

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

30. Changes in significant accounting policies and accounting estimates - (cont'd)

30.1 Changes in significant accounting policies - (cont'd)

Balance Sheet - (cont'd)

	December 31 2017	Impact from adoption of new revenue standards	Impact from adoption of new financial instrument standards	January 1 2018
Current liabilities				
Short-term loans	70,000	-	-	70,000
Bills and accounts payable	257,615	-	-	257,615
Advances from customers	63,904	-	(63,904)	-
Contract liabilities	N/A	-	63,904	63,904
Employee benefits payable	30,491	-	-	30,491
Taxes payable	19,301	-	-	19,301
Other payables	482,858	-	-	482,858
Including: Interest payable	105	-	-	105
Dividends payable	250	-	-	250
Non-current liabilities due within one year	126,590	-	-	126,590
Total current liabilities	1,050,759	-	-	1,050,759
Non-current liabilities				
Long-term loans	72,000	-	-	72,000
Long-term employee benefits payable	93,025	-	-	93,025
Provisions	15,671	-	-	15,671
Other non-current liabilities	171,770	-	-	171,770
Total non-current liabilities	352,466	-	-	352,466
Total liabilities	1,403,225	-	-	1,403,225
Shareholders' equity				
Share capital	2,446,554	-	-	2,446,554
Capital reserve	15,423,034	-	-	15,423,034
Other comprehensive income	-	-	50,621	50,621
Special reserves	10,040	-	-	10,040
Surplus reserve	207,823	-	-	207,823
Retained earnings	1,110,649	-	9,500	1,120,149
Total shareholders' equity	19,198,100	-	60,121	19,258,221
Total liabilities and shareholders' equity	20,601,325	-	60,121	20,661,446

30.2 Changes in significant accounting estimates

There are no significant changes in accounting estimates in the reporting period.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

31. Significant accounting estimates and judgments

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates as well as underlying assumptions and uncertainties involved are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Notes V.30, Note VIII and Note XI contain information about the assumptions and their risk factors relating to post-employment benefits – defined benefit plans, fair value of financial instruments and share-based payments. Other key sources of estimation uncertainty are as follows:

31.1 Impairment of trade receivables

As described in Note III.11, trade receivables are reviewed at each balance sheet date to determine whether credit risk on a receivable has increased significantly since initial recognition, lifetime expected losses is accrued for impairment provision. Evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the solvency of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is objective evidence of a recovery in the value of receivables which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

31.2 Provision for impairment of inventories

As described in Note III.12, the net realisable value of inventories is under management's regular review, and as a result, provision for impairment of inventories is recognized for the excess of inventories' carrying amounts over their net realisable value. When making estimates of net realisable value, the Group takes into consideration the use of inventories held on hand and other information available to form the underlying assumptions, including the inventories' market prices and the Group's historical operating costs. The actual selling price, the costs of completion and the costs necessary to make the sale and relevant taxes may vary based on the changes in market conditions and product saleability, manufacturing technology and the actual use of the inventories, resulting in the changes in provision for impairment of inventories. The net profit or loss may then be affected in the period when the impairment of inventories is adjusted.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

31. Significant accounting estimates and judgments - (cont'd)

31.3 Impairment of assets other than inventories and financial assets

As described in Note III.21, assets other than inventories and financial assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognized.

The recoverable amount of an asset (or an asset group) is the greater of its fair value less costs to sell and its present value of expected future cash flows. Since a market price of the asset (or the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably, the recoverable amount is calculated based on the present value of estimated future cash flows. In assessing the present value of estimated future cash flows, significant judgements are exercised over the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

31.4 Depreciation and amortisation of assets such as fixed assets and intangible assets

As described in Note III.16 and III.19, assets such as fixed assets and intangible assets are depreciated and amortised over their useful lives after taking into account residual value. The estimated useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and the estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

31.5 Income taxes and deferred income tax

The Company and Group companies are assessed for income tax purposes in a large number of jurisdictions and, therefore, Company management is required to use considerable judgment in determining the total provision for taxes and attribution of income.

When assessing whether there will be sufficient future taxable profits available against which the deductible temporary differences can be utilised, the Group recognizes deferred tax assets to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, using tax rates that would apply in the period when the asset would be utilised. In determining the amount of deferred tax assets, the Group makes reasonable judgements and estimates about the timing and amount of taxable profits to be utilised in the following periods, and of the tax rates applicable in the future according to the existing tax policies and other relevant regulations. If the actual timing and amount of future taxable profits or the actual applicable tax rates differ from the estimates made by management, the differences affect the amount of tax expenses.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES - (cont'd)

31. Significant accounting estimates and judgments - (cont'd)

31.6 Contingent liabilities

When assessing the possible outcomes of legal claims filed against the Company and its investee companies, the company positions are based on the opinions of their legal advisors. These assessments by the legal advisors are based on their professional judgment, considering the stage of the proceedings and the legal experience accumulated regarding the various matters. Since the results of the claims will be determined by the courts, the outcomes could be different from the assessments.

In addition to the said claims, the Group is exposed to unasserted claims, inter alia, where there is doubt as to interpretation of the agreement and/or legal provision and/or the manner of their implementation. This exposure is brought to the Company's attention in several ways, among others, by means of contacts made to Company personnel. In assessing the risk deriving from the unasserted claims, the Company relies on internal assessments by the parties dealing with these matters and by management, who weigh assessment of the prospects of a claim being filed, and the chances of its success, if filed. The assessment is based on experience gained with respect to the filing of claims and the analysis of the details of each claim. By their nature, in view of the preliminary stage of the clarification of the legal claim, the actual outcome could be different from the assessment made before the claim was filed.

31.7 Employee benefits

The Group's liabilities for long-term post-employment and other benefits are calculated according to the estimated future amount of the benefit to which the employee will be entitled in consideration for his services during the current period and prior periods. The benefit is stated at present value net of the fair value of the plan's assets, based on actuarial assumptions. Changes in the actuarial assumptions could lead to material changes in the book value of the liabilities and in the operating results.

31.8 Derivative financial instruments

The Group enters into transactions in derivative financial instruments for the purpose of hedging risks related to foreign currency and inflationary risks. The derivatives are recorded at their fair value. The fair value of derivative financial instruments is based on quotes from financial institutions. The reasonableness of the quotes is examined by discounting the future cash flows, based on the terms and length of the period to maturity of each contract, while using market interest rates of a similar instrument as of the measurement date. Changes in the assumptions and the calculation model could lead to material changes in the fair value of the assets and liabilities and in the results.

(Expressed in RMB '000)

Notes to the Financial Statements

IV. Taxation

1. Main types of taxes and corresponding tax rates:

The income tax rate of the Company and its subsidiaries in China is 25% (2017: 25%). The subsidiaries outside of China are assessed based on the tax laws in the country of their residence.

Set forth below are the tax rates outside China relevant to the subsidiaries with significant sales to third party:

Name of subsidiary	Location	2018
ADAMA agriculture solutions Ltd.	Israel	23.0%
ADAMA Makhteshim	Israel	7.5%
ADAMA Agan	Israel	16.0%
ADAMA Brasil S/A	Brazil	34.0%
ADAMA of North America Inc.	U.S.	24.7%
ADAMA India Private Ltd	India	34.6%
ADAMA Deutschland GmbH	Germany	32.5%
Control Solutions Inc.	U.S.	24.0%
Adama Australia Pty Ltd	Australia	30.0%
ADAMA France S.A.S	France	33.3%
ADAMA Andina B.V. Sucursal Colombia	Colombia	33.0%
ADAMA Italia S.R.L.	Italy	27.9%
Alligare Inc.	U.S.	27.5%

The VAT rate of the Group's subsidiaries is in the range between 2.5% to 27%.

On December 22, 2017, the President of the United States signed a tax reform, in which the corporate tax rate will be reduced to 21% from 2018. The tax rate related to the U.S. companies presented in the table above includes corporate and federal tax.

IV. Taxation - (cont'd)

1. Main types of taxes and corresponding tax rates - (cont'd)

(1) Benefits from Hi-Tech Certificate

The Company, was jointly approved as new and high-tech enterprise, by the Hubei Provincial Department of Science and Technology, Department of Finance of Hubei Province, Hubei Provincial Office of the State Administration of Taxation and Hubei Local Taxation Bureau, and the applicable income tax rate from 2017 to 2019 is 15%.

(2) Benefits under the Law for the Encouragement of Capital Investments

Industrial enterprises of subsidiaries in Israel were granted "Approved Enterprise" or "Beneficiary Enterprise" status under the Israeli Law for the Encouragement of Capital Investments, 1959. Part of the income deriving from the "Approved Enterprise" or "Beneficiary Enterprise" during the benefit period is subject to tax at the rate of up to 25% (the total benefit period is seven years and in certain circumstances up to ten years, but may not exceed 14 years from the date of the Letter of Approval and 12 years from the date the "Approved Enterprise" commenced operations or not more than 12 years from the election year for a "Beneficiary Enterprise").

Other industrial enterprises of subsidiaries in Israel are entitled to a tax exemption for periods of between two and six years and a tax rate of up to 25% for the remainder of the benefits period. Should a dividend be distributed from the tax-exempt income, the subsidiaries will be liable for tax on the income from which the dividend was distributed at a rate of 25%.

The aforementioned benefits are conditional upon compliance with certain conditions specified in the Law, related Regulations and the Letters of Approval, in accordance with which the investments in the Approved Enterprises were made. Failure to meet these conditions may lead to cancellation of the benefits, in whole or in part, and to repayment of any benefits already received, together with interest. Management believes that the companies are in compliance with these conditions.

(3) Amendment to the Law for the Encouragement of Capital Investments, 1959.

On December 29, 2010 the Israeli parliament approved the Economic Policy Law for 2011-2012, which includes an amendment to the Law for the Encouragement of Capital Investments – 1959 (hereinafter – "the Amendment"). The Amendment is effective from January 1, 2011 and its provisions apply to preferred income derived or accrued in 2011 and thereafter by a preferred company, per the definition of these terms in the Amendment. Companies can choose not to be included in the scope of the amendment to the Encouragement Law and to stay in the scope of the law before its amendment until the end of the benefits period of its approved/beneficiary enterprise.

As of the date of the report, all subsidiaries in Israel adopted the amendment and the deferred taxes were calculated accordingly.

The Amendment provides that only companies in Development Area A will be entitled to the grants track. Further, they will be entitled to receive benefits both under this track and under the tax benefits track at the same time. In addition, the existing tax benefit tracks were eliminated (the tax exempt track, the "Ireland" track and the "Strategic" track) and two new tax tracks were introduced in their place, a preferred enterprise and a special preferred enterprise, which mainly provide a uniform and reduced tax rate for all the company's income entitled to benefits.

IV. Taxation - (cont'd)

1. Main types of taxes and corresponding tax rates - (cont'd)

(3) Amendment to the Law for the Encouragement of Capital Investments, 1959. - (cont'd)

On August 5, 2013 the Israeli Parliament passed the Law for Changes in National Priorities (Legislative Amendments for Achieving Budget Objectives in the Years 2013 and 2014) – 2013, which cancelled the planned tax reduction so that as from the 2014 tax year the tax rate on preferred income will be 9% for Development Area A and 16% for the rest of the country.

On December 22, 2016, the Israeli Parliament passed the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the years 2017 and 2018) – 2016, by which, inter alia, preferred enterprise in Development Area A, will be subject to tax rate of 7.5% instead of 9% effective from January 1, 2017 and thereafter (the tax rate applicable to preferred enterprises located in other areas remains at 16%)

The amendment further determined that no tax shall apply to dividend distributed out of preferred income to shareholder who is Israel resident company. On dividend distributed out of preferred income to a single shareholder or a foreign resident subject to double taxation treaties, tax of 20% shall apply.

(4) Benefits under the Law for the Encouragement of Industry (Taxes), 1969

Under the Israeli Law for the Encouragement of Industry (Taxes) 1969, Solutions is an Industrial Holding Company and some of the subsidiaries in Israel are "Industrial Companies". The main benefit under this law is the filing of consolidated income tax returns (Solutions files a consolidated income tax return with Adama Makhteshim and Adama Agan) and amortization of know-how over 8 years.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements

1 Cash at Bank and On Hand

	December 31 2018	January 1 2018 & December 31 2017
Cash on hand	1,359	2,267
Deposits in banks	6,178,790	7,861,991
Other cash and bank	52,940	4,600
	6,233,089	7,868,858
Including cash and bank placed outside China	3,873,638	5,580,592

As at 31 December 2018, restricted cash and bank balances was 52,940 thousand RMB (as at January 1, 2018- 4,600 thousand RMB) mainly including deposits that guarantee bank acceptance drafts.

2 Financial assets held for trading

	December 31 2018	January 1 2018
Debt instruments	22,108	14,225
Other	23,987	8,775
	46,095	23,000

3 Derivative financial assets

	December 31 2018	January 1 2018 & December 31 2017
Economic hedge	389,068	449,553
Accounting hedge derivatives	128,658	5,600
	517,726	455,153

4 Bills Receivable and Accounts Receivable

	December 31 2018	January 1 2018	December 31 2017
Bills receivable	60,486	180,030	180,030
Accounts receivable	6,516,912	5,109,981	5,056,850
	6,577,398	5,290,011	5,236,880

(Expressed in RMB '000)

V. Notes to the consolidated financial statements – (cont'd)

4 Bills Receivable and Accounts Receivable – (cont'd)

(1) Bills receivable

a. By category

	December 31 2018	January 1 2018 & December 31 2017
Post-dated checks receivable	31,935	19,969
Bank acceptance draft	28,551	160,061
	60,486	180,030

All bills receivables are due within 1 year.

(2) Bills receivable which had endorsed by the Company

	December 31 2018
Bank acceptance draft	211,682

(3) Accounts receivable

a. By category

	December 31, 2018				
	Book value		Provision for bad and doubtful debts		
	Amount	Percentage(%)	Amount	Percentage(%)	Carrying amount
Account receivables assessed individually for impairment	451,837	7	329,499	73	122,338
Account receivables assessed collectively for impairment	6,487,700	93	93,126	1	6,394,574
	6,939,537	100	422,625	6	6,516,912

	January 1, 2018				
	Book value		Provision for bad and doubtful debts		
	Amount	Percentage(%)	Amount	Percentage(%)	Carrying amount
Account receivables assessed individually for impairment	475,406	9	319,387	67	156,019
Account receivables assessed collectively for impairment	5,039,281	91	85,319	2	4,953,962
	5,514,687	100	404,706	7	5,109,981

(Expressed in RMB '000)

V. Notes to the consolidated financial statements – (cont'd)

4 Bills Receivable and Accounts Receivable – (cont'd)

(3) Accounts receivable – (cont'd)

b. Aging analysis

	December 31, 2018
Within 1 year (inclusive)	6,580,782
Over 1 year but within 2 years	101,000
Over 2 years but within 3 years	37,580
Over 3 years but within 4 years	85,804
Over 4 years but within 5 years	31,271
Over 5 years	103,100
	6,939,537

c. Addition, written-back and written-off of provision for bad and doubtful debts during the years

Addition of provision for bad and doubtful debts during the years

	Lifetime expected credit loss (credit losses has not occurred)	Lifetime expected credit loss (credit losses has occurred)	Total
Balance as of January 1, 2018	37,964	366,742	404,706
Addition during the year, net	10,363	57,448	67,811
Write back during the year	-	(17,303)	(17,303)
Write-off during the year	-	(9,185)	(9,185)
Exchange rate effect	2,305	(25,709)	(23,404)
Balance as of December 31, 2018	50,632	371,993	422,625

d. Five largest accounts receivable at December 31 2018:

Name	Closing balance	Proportion of Accounts receivable (%)	Allowance of doubtful debts
Party 1	128,500	2	-
Party 2	97,691	1	-
Party 3	70,252	1	-
Party 4	63,485	1	-
Party 5	56,347	1	-
Total	416,275	6	-

V. Notes to the consolidated financial statements – (cont'd)

4 Bills Receivable and Accounts Receivable – (cont'd)

(3) Accounts receivable – (cont'd)

e. Derecognition of accounts receivable due to transfer of financial assets

Certain subsidiaries of the group entered into a securitization transaction with Rabobank International for sale of trade receivables (hereinafter – “the Securitization Program” and/or “the Securitization Transaction”).

Pursuant to the Securitization Program, the companies will sell their trade receivables debts, in various different currencies, to a foreign company that was set up for this purpose and that is not owned by the Adama Agricultural Solutions Group (hereinafter – “the Acquiring Company”). Acquisition of the trade receivables by the Acquiring Company is financed by a U.S. company, Nieuw Amsterdam Receivables Corporation for the Rabobank International Group.

The trade receivables included as part of the Securitization Transaction are trade receivables that meet the criteria provided in the agreement.

Every year the credit facility is re approved in accordance with the Securitization Program. As at the date of the report, the Securitization Agreement was approved up to July 16, 2019.

The maximum scope of the securitization is adjusted for the seasonal changes in the scope of the Company’s activities, as follows: during the months March through June the maximum scope of the securitization is $350 million, during the months July through September the maximum scope of the securitization is $300 million and during the months October through February the maximum scope of the securitization is $250 million. The proceeds received from those customers whose debts were sold are used for acquisition of new trade receivables.

The price at which the trade receivables debts are sold is the amount of the debt sold less a discount calculated based on, among other things, the expected length of the period between the date of sale of the trade receivable and its anticipated repayment date. In the month following acquisition of the debt, the Acquiring Company pays in cash most of the debt while the remainder is recorded as a subordinated note that is paid after collection of the debt sold. If the customer does not pay its debt on the anticipated repayment date, the Company bears interest up to the earlier of the date on which the debt is actually repaid or the date on which the treatment is transferred to the insurance company (the actual costs are not significant and are not expected to be significant).

V. Notes to the consolidated financial statements - (cont'd)

4 Bills Receivable and Accounts Receivable – (cont'd)

(3) Accounts receivable – (cont'd)

e. Derecognition of accounts receivable due to transfer of financial assets - (cont'd)

The Acquiring Company bears 95% of the credit risk in respect of the customers whose debts were sold and will not have a right of recourse to the Company in respect of the amounts paid in cash, except regarding debts with respect to which a commercial dispute arises between the companies and their customers, that is, a dispute the source of which is a claim of non-fulfillment of an obligation of the seller in the supply agreement covering the product, such as: a failure to supply the correct product, a defect in the product, delinquency in the supply date, and the like.

The Acquiring Company appointed a policy manager who will manage for it the credit risk involved with the trade receivables sold, including an undertaking with an insurance company.

Pursuant to the Receivables Servicing Agreement, the Group companies handle collection of the trade receivables as part of the Securitization Transaction for the benefit of the Acquiring Company.

As part of the agreement, the subsidiary committed to comply with certain financial covenants, mainly the ratio of the liabilities to equity and profit ratios. As of December 31, 2018, the subsidiary was in compliance with the financial covenants.

The accounting treatment of sale of the trade receivables included as part of the Securitization Program is:

The Company is not controlling the Acquiring Company, therefore is not consolidated the Acquiring Company in its financial statements.

The Company continues to recognize the trade receivables included in the Securitization Program based on the extent of its continuing involvement therein.

In respect of the part of the trade receivables included in the securitization Program with respect to which cash proceeds were not yet received, however regarding which the Company has transferred the credit risk, a subordinated note is recorded.

The loss from sale of the trade receivables is recorded at the time of sale in the statement of income in the “financing expenses” category.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

4 Bills Receivable and Accounts Receivable – (cont'd)

(3) Accounts receivable – (cont'd)

e. Derecognition of accounts receivable due to transfer of financial assets - (cont'd)

In the fourth quarter of 2016, a subsidiary in Brazil (hereinafter - "the subsidiary") entered into a 3 years securitization transaction with Rabobank Brazil for sale of trade receivables. Under the agreement, the subsidiary will sell its trade receivables to a securitization structure (hereinafter - "the entity") that was formed for this purpose where the subsidiary has subordinate rights of 5% of the entity's capital.

The maximum securitization scope amounts to BRL 200 million (as of December 31, 2018 - 354 million RMB).

On the date of the sale of the trade receivables, the entity pays the full amount which is the debt amount sold net of discount calculated, among others, over the expected length of the period between the date of sale of the customer receivable and its anticipated repayment date.

The entity bears 90% of the credit risk in respect of the customers whose debts were sold such that the entity has the right of recourse of 10% of the unpaid amount. The subsidiary should make a pledged deposit equal to the amount the entity's right of recourse.

The subsidiary handles the collection of receivables included in the securitization for the entity.

The subsidiary does not control the entity and therefore the entity is not consolidated in the group's financial statements.

The subsidiary continues to recognize the trade receivables sold to the entity based on the extent of its continuing involvement therein (10% right of recourse) and also recognizes an associated liability in the same amount.

The loss from the sale of the trade receivables is recorded at the time of sale in the statement of income in the "financing expenses" category.

	December 31 2018	January 1 2018	December 31 2017
Accounts receivables derecognized	2,541,443	2,513,554	2,513,554
Continuing involvement	129,893	227,887	227,887
Subordinated note in respect of trade receivables	622,362	575,865	584,144
Liability in respect of trade receivables	35,572	37,957	37,957

	Year ended December 31	
	2018	2017
Loss in respect of sale of trade receivables	79,060	47,707

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

5 Prepayments

(1) The aging analysis of prepayments is as follows:

	December 31 2018		January 1 2018 & December 31 2017	
	Amount	**Percentage(%)**	**Amount**	**Percentage(%)**
Within 1 year (inclusive)	347,852	98	193,322	96
Over 1 year but within 2 years (inclusive)	3,047	1	4,404	2
Over 2 years but within 3 years (inclusive)	1,393	-	3,600	2
Over 3 years	2,996	1	785	-
	355,288	100	202,111	100

(2) Total of five largest prepayments by debtor at the end of the year:

	Amount	**Percentage of prepayments (%)**
December 31, 2018	231,660	65%

6 Other Receivables

(1) Other receivables

	December 31 2018	January 1 2018	December 31 2017
Dividends receivable	5,240	-	-
Others	1,046,486	1,029,557	1,037,836
	1,051,726	1,029,557	1,037,836

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

6 Other Receivables - (cont'd)

(2) Other receivables

a. Other receivables by categories

	December 31 2018	January 1 2018	December 31 2017
Trade receivables as part of securitization transactions not yet eliminated	129,893	227,887	227,887
Subordinated note in respect of trade receivables	622,362	575,865	584,144
Financial institutions	98,837	60,742	60,742
Other	200,638	170,442	170,442
Sub total	1,051,730	1,034,936	1,043,215
Provision for doubtful debts - other receivables	(5,244)	(5,379)	(5,379)
	1,046,486	1,029,557	1,037,836

Financial institutions represent deposits made by the company with regard to derivatives transactions.

b. Other receivables by aging

	December 31 2018
Within 1 year (inclusive)	1,035,430
Over 1 year but within 2 years	7,961
Over 2 years but within 3 years	2,430
Over 3 years but within 4 years	240
Over 4 years but within 5 years	432
Over 5 years	5,237
	1,051,730

c. Additions, recovery or reversal and written-off of provision for bad and doubtful debts during the period:

	Year ended December 31, 2018
Balance as of January 1,	5,379
Addition during the year	132
Written back during the year	(267)
Write-off during the year	-
Exchange rate effect	-
Balance as of December 31	5,244

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

6 Other Receivables - (cont'd)

(3) Other receivables - (cont'd)

d. Five largest other receivables at December 31 2018:

Name	Closing balance	Proportion of other receivables (%)	Allowance of doubtful debts
Party 1	622,362	59	-
Party 2	98,837	9	-
Party 3	28,553	3	-
Party 4	25,579	2	-
Party 5	17,117	2	-
Total	792,448	75	-

7 Inventories

(1) Inventories by category:

	December 31, 2018		
	Book value	Provision for impairment	Book value
Raw materials	3,268,830	20,232	3,248,598
Work in progress	567,887	1,576	566,311
Finished goods	5,328,982	156,645	5,172,337
Others	270,611	10,514	260,097
	9,436,310	188,967	9,247,343

	January 1 2018 & December 31 2017		
	Book value	Provision for impairment	Carrying amount
Raw materials	2,272,637	11,545	2,261,092
Work in progress	522,668	417	522,251
Finished goods	4,623,078	149,252	4,473,826
Others	238,355	7,286	231,069
	7,656,738	168,500	7,488,238

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

7 Inventories - (cont'd)

(2) Provision for impairment of inventories:

For the year 2018

	January 1, 2018	Provision	Reversal or write-off	Other	December 31, 2018
Raw material	11,545	17,962	(9,811)	536	20,232
Work in progress	417	1,906	(747)	-	1,576
Finished goods	149,252	85,232	(86,811)	8,972	156,645
Others	7,286	3,278	(426)	376	10,514
	168,500	108,378	(97,795)	9,884	188,967

8 Assets held for sale

Item	January 1, 2018	Decrease	Currency Translation adjustment	December 31, 2018
Intangible assets – Registration and Intangible assets on purchased products	403,297	(392,403)	(10,894)	-

9 Other Current Assets

	December 31 2018	January 1 2018 & December 31 2017
Deductible VAT	476,675	477,117
Current tax assets	142,412	90,350
Others	41,688	47,458
	660,775	614,925

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

10 Long-Term Receivables

	December 31 2018	January 1 2018 & December 31 2017
Long term account receivables from sale of goods	157,600	192,968

11 Long-Term Equity Investments

(1) Long-term equity investments by category:

	December 31 2018	January 1 2018 & December 31 2017
Investments in joint ventures	68,584	64,523
Investments in associates	39,766	37,860
	108,350	102,383

(2) Movements of long-term equity investments for the year 2018 are as follows:

	January 1 2018 & December 31 2017	Investment presented as liability as at January 1, 2018	Net balance at January 1, 2018	Capital investment	Investment income (loss)	Translation differences of foreign operations	Declared distribution of cash dividend	Other	Balance at the end of the year
Joint ventures									
Company A	54,362	-	54,362	-	10,612	9	(6,063)	3,776	62,696
Company B	6,247	-	6,247	-	1,408	401	(3,458)	-	4,598
Company D	3,914	-	3,914	-	(325)	(114)	(2,185)	-	1,290
Company F*	-	(7,652)	(7,652)	-	(612)	244	-	8,020	-
Company G	-	-	-	4,010	(4,082)	72	-	-	-
Sub-total	64,523	(7,652)	56,871	4,010	7,001	612	(11,706)	11,796	68,584
Associates									
Company E	37,860	-	37,860	-	-	1,906	-	-	39,766
Sub-total	37,860	-	37,860	-	-	1,906	-	-	39,766
	102,383	(7,652)	94,731	4,010	7,001	2,518	(11,706)	11,796	108,350

* Negev Aroma (Ramat Hovav) Ltd. (hereinafter "Negev Aroma"), a joint venture accounted for using the equity method, was presented as a liability as at December 31, 2017 due to the group's obligation to support Negev Aroma. During 2018 the group settled the aforementioned obligation.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

12 Other equity investments

	December 31 2018	January 1 2018	Dividend income recognized	Reason to designate as FVTOCI
Hubei bank	79,554	79,554	1,808	
Targetgene Biotechnologies Ltd	9,574	9,115	-	
Energin.R Technologies 2009 Ltd.	1,709	1,627	-	Non-core business that intended to be held in the foreseeable future
Hubei shendian auto motor co., Ltd	564	564	-	
Other	158	230	-	
	91,559	91,090	1,808	

13 Fixed assets

	Land & Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
Cost					
Balance as at January 1, 2018	2,473,955	11,126,188	100,180	293,399	13,993,722
Purchases	63,153	193,532	19,548	20,425	296,658
Transfer from construction in progress	220,896	577,201	-	13,330	811,427
Disposals	(3,372)	(30,178)	(26,615)	(16,604)	(76,769)
Currency translation adjustment	65,293	461,648	2,748	10,874	540,563
Balance as at December 31, 2018	2,819,925	12,328,391	95,861	321,424	15,565,601
Accumulated depreciation					
Balance as at January 1, 2018	(1,089,200)	(6,290,024)	(53,061)	(220,477)	(7,652,762)
Charge for the year	(141,720)	(526,714)	(13,833)	(29,833)	(712,100)
Disposals	3,214	23,977	20,630	15,493	63,314
Currency translation adjustment	(34,698)	(258,415)	(1,176)	(7,880)	(302,169)
Balance as at December 31, 2018	(1,262,404)	(7,051,176)	(47,440)	(242,697)	(8,603,717)
Provision for impairment					
Balance as at January 1, 2018	(19,151)	(180,077)	-	(242)	(199,470)
Charge for the year	(48,013)	(81,201)	-	-	(129,214)
Disposals	-	1,120	-	-	1,120
Currency translation adjustment	(933)	(3,761)	-	(5)	(4,699)
Balance as at December 31, 2018	(68,097)	(263,919)	-	(247)	(332,263)
Carrying amounts					
As at December 31, 2018	1,489,424	5,013,296	48,421	78,480	6,629,621
As at January 1, 2018	1,365,604	4,656,087	47,119	72,680	6,141,490

The land is located outside of China, owned by some of the group subsidiaries outside of China and reported as fixed assets.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

14 Construction in Progress

(1) Construction in progress

December 31 2018			January 1 2018 & December 31 2017		
Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
433,784	-	433,784	803,421	-	803,421

(2) Details and Movements of major construction projects in progress during the year 2018

	Budget	Balance at January 1, 2018	Additions during the year	Currency translation differences	Transfer to fixed assets	Balance at December 31, 2018	Percentage of actual cost to budget (%)	Project progress(%)	Source of funds
Project A	1,509,420	50,693	69,719	-	-	120,412	8%	8%	Internal finance and Bank loan
Project B	373,070	302,821	33,366	(12,154)	(323,793)	240	87%	87%	Internal finance
Project C	183,666	125,738	20,604	1,503	(147,845)	-	100%	100%	Internal finance
Project D	79,613	35,402	5,098	1,976	-	42,476	53%	53%	Internal finance
Project E	34,316	6,684	23,447	1,227	-	31,358	91%	91%	Internal finance
Project F	27,800	6,972	9,621	-	-	16,593	60%	60%	Internal finance and Bank loan

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

15 Intangible Assets

(1) Intangible Assets

	Product registration	Intangible assets on Purchase of Products (1)	Software	Marketing rights and trademarks	Land use rights (2)	Others	Total
Costs							
Balance as at January 1, 2018	8,892,177	2,049,687	559,576	472,190	326,521	352,126	12,652,277
Purchases	483,559	1,926,327	66,956	-	25,148	124,844	2,626,834
Currency translation adjustment	450,657	248,658	28,027	22,232	1,958	24,370	775,902
Disposal	(104,938)	(103,113)	(7,009)	(33,782)	(86,672)	(1,471)	(336,985)
Balance as at December 31, 2018	9,721,455	4,121,559	647,550	460,640	266,955	499,869	15,718,028
Accumulated amortization							
Balance as at January 1, 2018	(5,814,686)	(1,594,985)	(365,732)	(400,535)	(61,242)	(227,331)	(8,464,511)
Charge for the year	(837,758)	(262,133)	(60,092)	(19,793)	(6,846)	(46,736)	(1,233,358)
Currency translation adjustment	(313,898)	(83,689)	(18,792)	(19,503)	(564)	(11,612)	(448,058)
Disposal	101,810	77,325	5,680	33,749	26,047	760	245,371
Balance as at December 31, 2018	(6,864,532)	(1,863,482)	(438,936)	(406,082)	(42,605)	(284,919)	(9,900,556)
Provision for impairment							
Balance as at January 1, 2018	(70,230)	(48,876)	-	-	(32,072)	-	(151,178)
Charge for the year	(17,166)	-	-	-	-	(4,721)	(21,887)
Currency translation adjustment	(3,910)	(2,461)	-	-	-	-	(6,371)
Disposal	7,280	-	-	-	32,072	-	39,352
Balance as at December 31, 2018	(84,026)	(51,337)	-	-	-	(4,721)	(140,084)
Carrying amount							
As at December 31, 2018	2,772,897	2,206,740	208,614	54,558	224,350	210,229	5,677,388
As at January 1, 2018	3,007,261	405,826	193,844	71,655	233,207	124,795	4,036,588

(1) The subsidiaries, wholly-controlled by the Company, signed several agreements with Aventis and Syngenta A.G and Bayer Crop Science A.G in 2001, 2002, 2017 and 2018, for the acquisition of intellectual property rights, trademarks, brand name, technological know-how, information on customers and suppliers of materials and distribution rights in the field of agrochemicals. Please also refer to note 15(2).

(2) Part of the land in Israel has not yet been registered in the name of the Group companies at the Land Registry Office, mostly due to registration procedures or technical problems.

V. Notes to the consolidated financial statements - (cont'd)

15 Intangible Assets - (cont'd)

(2) Additional information

As part of the development of its business and in order to obtain the necessary regulatory approvals to CNAC from the China National Chemical Corporation group (hereinafter- "CC") for the acquisition of Syngenta AG ("Syngenta"), the Company agreed with CC and Syngenta to sell several of its products against receiving products with similar characteristics and economic value from Syngenta, including Syngenta's bearing expenses and taxes the Company will be required to pay.

Accordingly, during 2017, the Company received certain products and rights from Syngenta in the United States, against the sale of a number of the Company's products to Amvac Chemical Corporation. The proceeds received for the sold products and the cost of the acquired properties in the US are not material.

On March 16, 2018, the transaction for the sale of the Company's registrations assets in certain European countries to Nufarm Limited was completed, while the Company retained its right to continue to sell these products in other countries outside and sometimes also within Europe, in addition to signing supply and formulation agreements for a period of two years. The consideration received from Nufarm for the sale of the assets and for the supply and formulation agreements amounted to 2,511 million RMB (including deferred income of 93 million RMB). The capital gain generated from the sale amounted to 1,972 million RMB. The tax expenses in respect of the capital gain amounted to approximately 437 million RMB.

Concurrent with the sale of said assets in Europe, the transaction for the acquisition of certain registration and marketing rights in Europe from Syngenta by the Company was completed. The cost of purchased intangible assets amounted to 2,072 million RMB. As a result of these transactions, the addition to intangible assets amounted to 2,141 million RMB that was recorded under intangible assets.

Approximately 2,029 million RMB in respect of acquisition of registration assets and marketing rights are recorded as assets in the purchase of products and is amortized over the economic life of the assets, ranging from 1 to 14 years (mainly between 7 and 11 years).

An amount of approximately 112 million RMB was recorded as non-competitive and is amortized over the non-competition period which is five years or over the economic life of the related assets if it is less than 5 years.

The valuation model used to allocate the consideration to the acquired assets is Discounted Cash Flow (DCF).

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

16 Goodwill

Changes in goodwill

The Group identified two cash generating units("CGU"), Crop Protection (Agro) and Other (Non Agro) units. Operations are allocated into either one of the two cash generating units according to their business.

At the end of the year, or more frequently whether indicators for impairment exists, the Group estimates the recoverable amount of Agro and Non Agro units, which are the cash generating units of the Group that contain goodwill.

For the purpose of evaluating the groups Goodwill, the Group used a comparable trading multiple analysis in order to benchmark each of its CGU's valuation against that of the markets peer companies.

As at the reporting period, there were no indicators for impairment. The fair value of the cash generating units to which the goodwill relates exceeds its carrying amount.

	January 1 2018 & December 31 2017	Currency translation adjustment	Balance at December 31, 2018
Book value	3,890,097	195,848	4,085,945
Impairment provision	-	-	-
Carrying amount	3,890,097	195,848	4,085,945

(Expressed in RMB '000)

17 Deferred Tax Assets and Deferred Tax Liabilities

(1) Deferred tax assets without taking into consideration of the offsetting of balances within the same tax jurisdiction

	December 31 2018		January 1 2018		December 31 2017	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets						
Deferred tax assets in respect of carry forward losses	576,498	82,516	2,363,524	462,184	2,363,524	462,184
Deferred tax assets in respect of inventories	1,644,349	440,940	1,372,337	353,544	1,372,337	353,544
Deferred tax assets in respect of employee benefits	660,472	101,026	863,820	114,255	863,820	114,255
Other deferred tax asset	1,213,202	337,443	1,195,676	315,310	1,311,288	341,606
	4,094,521	961,925	5,795,357	1,245,293	5,910,969	1,271,589

Deferred tax assets in respect of losses carried forward for tax purposes as of January 1, 2018 are mainly in respect of subsidiaries in Israel. Deferred tax assets were recognized because future taxable income was expected against which the unutilized tax losses can be utilized, mainly due to the capital gain from the closing of the transaction for selling certain products in Europe during the first quarter of 2018, as described in Note V.15(2) Intangible Assets, or up to the balance of deferred tax liability.

(2) Deferred tax liabilities without taking into consideration of the offsetting of balances within the same tax jurisdiction

	December 31 2018		January 1 2018 & December 31 2017	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Deferred tax liabilities in respect of fixed assets and intangible assets	3,915,138	621,716	3,800,871	605,190
	3,915,138	621,716	3,800,871	605,190

(3) Deferred tax assets and deferred tax liabilities presented on a net basis after offsetting

	December 31 2018		January 1 2018		December 31 2017	
	The offset amount of deferred tax assets and liabilities	Deferred tax assets or liabilities after offset	The offset amount of deferred tax assets and liabilities	Deferred tax assets or liabilities after offset	The offset amount of deferred tax assets and liabilities	Deferred tax assets or liabilities after offset
Presented as:						
Deferred tax assets	229,312	732,613	380,577	864,716	380,577	891,012
Deferred tax liabilities	229,312	392,404	380,577	224,613	380,577	224,613

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

17 Deferred Tax Assets and Deferred Tax Liabilities - (cont'd)

(4) Details of unrecognized deferred tax assets

	December 31 2018	January 1 2018 & December 31 2017
Deductible temporary differences	82,886	10,018
Deductible losses carry forward	162,186	96,041
	245,072	106,059

(5) Expiration of deductible tax losses carry forward for unrecognized deferred tax assets

	December 31 2018	January 1 2018 & December 31 2017
2019	-	-
2020	15,909	19,831
2021	13,537	35,737
2022	1,380	18,008
After 2022	131,360	22,465
	162,186	96,041

(6) Unrecognized deferred tax liabilities

When calculating the deferred taxes, taxes that would have applied in the event of realizing investments in subsidiaries were not taken into account since it is the Company’s intention to hold these investments and not realize them.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

18 Other Non-Current Assets

	December 31 2018	January 1 2018 & December 31 2017
Asset related to securitization deposit	62,395	88,832
Advances in respect of non-current assets	55,282	11,196
Judicial deposits	51,906	50,150
Call option in respect of business combination	11,880	13,545
Long term loan	48	7,606
Others	20,600	30,384
Sub total	202,111	201,713
Due within one year	(48)	(46)
	202,063	201,667

19 Short-Term Loans

Short-term loans by category:

	December 31 2018	January 1 2018 & December 31 2017
Guaranteed loans	20,000	70,000
Unsecured loans	552,774	2,210,912
	572,774	2,280,912

Details of the guarantees are set out in note X(5) Related parties and related party transactions.

20 Derivative financial liabilities

	December 31 2018	January 1 2018 & December 31 2017
Economic hedge	1,430,497	485,530
Accounting hedge derivatives	21,173	303,520
	1,451,670	789,050

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

21 Bills Payable and Accounts Payable

	December 31 2018	January 1 2018 & December 31 2017
Bills payable	445,533	311,557
Accounts payable	4,573,783	3,906,481
	5,019,316	4,218,038

(1) Bills Payable by category

	December 31 2018	January 1 2018 & December 31 2017
Post-dated checks payables	235,833	288,557
Note Payables draft	209,700	23,000
	445,533	311,557

All of the above bills payable are due within one year and none are overdue.

(2) Accounts payable by aging

	December 31 2018	January 1 2018 & December 31 2017
Within 1 year (including 1 year)	4,558,510	3,892,238
1-2 years (including 2 years)	2,349	8,190
2-3 years (including 3 years)	6,087	1,176
Over 3 years	6,837	4,877
	4,573,783	3,906,481

There are no significant accounts payables ageing over one year.

22 Contract liabilities

	December 31 2018	January 1 2018
Liabilities for discounts*	525,982	503,362
Advances from costumers*	295,691	243,216
	821,673	746,578

*Amounts reclassified as at January 1, 2018 due to implementation of new standard. See Note Ⅲ30(1).

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

23 Employee Benefits Payable

	December 31 2018	January 1 2018 & December 31 2017
Short-term employee benefits	598,421	572,037
Post-employment benefits-defined contribution plans	18,050	20,367
Other benefits within one year	271,526	263,362
	887,997	855,766
Current maturities	37,349	139,871
	925,346	995,637

24 Taxes Payable

	December 31 2018	January 1 2018 & December 31 2017
Corporate income tax	399,308	250,046
VAT	181,580	153,328
Others	21,742	27,901
	602,630	431,275

25 Other Payable

	December 31 2018	January 1 2018	& December 31 2017
Interest payable	46,258	46,491	46,491
Dividends payable	250	250	250
Other payable	1,019,252	872,631	1,375,993
	1,065,760	919,372	1,422,734

(1) Interest payable

	December 31 2018	January 1 2018 & December 31 2017
Accrued interest in respect of debenture	33,698	33,174
Accrued interest in respect of bank loans	2,430	3,346
Accrued interest in respect of other liabilities	10,130	9,971
	46,258	46,491

As at 31 December 2018, the Group did not have any overdue interest.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

25 Other Payable - (cont'd)

(2) Other payable

	December 31 2018	January 1 2018	December 31 2017
Liabilities for discounts*	-	-	503,362
Accrued expenses	640,507	534,437	534,437
Payables in respect of intangible assets	131,396	176,378	176,378
Financial institutions	44,336	20,838	20,838
Liability in respect of securitization transactions	35,572	37,957	37,957
Liability in respect of investment in equity-accounted investee company	-	7,652	7,652
Other payables	167,441	95,369	95,369
	1,019,252	872,631	1,375,993

As at 31 December 2018, the Group did not have any significant overdue other payables.

26 Non-Current Liabilities Due Within One Year

Non-current liabilities due within one year by category are as follows:

	December 31 2018	January 1 2018 & December 31 2017
Long-term loans due within one year	301,629	447,779
Long-term payables due within one year	185	725
	301,814	448,504

27 Other Current Liabilities

	December 31 2018	January 1 2018	December 31 2017
Put options to holders of non-controlling interests	404,463	285,329	285,329
Provision in respect of returns	149,686	161,643	161,643
Provision in respect of claims	23,644	18,714	18,714
Deferred income*	-	-	16,505
Others	391	392	392
	578,184	466,078	482,583

*Amounts reclassified as at January 1, 2018 due to implementation of new standard. See Note Ⅲ30(1).

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

28 Long-Term Loans

Long-term loans by category

	December 31		January 1 & December 31 2017	
	2018	**Annual range**	**2018**	**Annual range**
Long term loans				
Loan secured by tangible assets other than monetary assets	741	5.5%	1,294	5.5%
Guaranteed loans	72,000	4.5%	198,590	4.7%
Unsecured loans	464,707	5.1%-6.1%	762,215	4.2%-6.1%
Total Long term loans	537,448		962,099	
Less: Long term loans due within 1 year	(301,629)		(447,779)	
Long term loans, net	235,819		514,320	

For the maturity analysis, see note VIII (c)

The long-term loans were mortgaged by fixed assets with carrying amounts of 6,143 thousand RMB as at December 31, 2018. Details of the guarantees are set out in note X(5) Related parties and related party transactions.

29 Debentures Payable

	December 31 2018	January 1 2018 & December 31 2017
Debentures Series B	7,649,098	7,777,410

	December 31 2018
First year (current maturities)	-
Second year	449,947
Third year	449,947
Fourth year	449,947
Fifth year and thereafter	6,299,257
	7,649,098

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

29 Debentures Payable - (cont'd)

Movements of debentures payable:

For the year ended December 31, 2018

	Face value in RMB	Face value NIS	Issuance date	Maturity period	Issuance amount	Balance at January 1, 2018	Issuance during the period	Amortization of discounts or premium	CPI and exchange rate effect	Repayment during the period	Currency translation adjustment	Balance at December 31, 2018
Debentures Series B	2,673,640	1,650,000	4.12.2006	November 2020-2036	3,043,742	3,531,088	-	231	(227,506)	-	167,861	3,471,674
Debentures Series B	843,846	513,527	16.1.2012	November 2020-2036	842,579	1,027,019	-	8,710	(66,557)	-	49,142	1,018,314
Debentures Series B	995,516	600,000	7.1.2013	November 2020-2036	1,120,339	1,295,327	-	3,888	(83,522)	-	61,706	1,277,399
Debentures Series B	832,778	533,330	1.2.2015	November 2020-2036	1,047,439	1,233,624	-	(2,420)	(79,551)	-	58,542	1,210,195
Debentures Series B	418,172	266,665	1-6.2015	November 2020-2036	556,941	690,352	-	(6,891)	(44,497)	-	32,552	671,516
						7,777,410	-	3,518	(501,633)	-	369,803	7,649,098

Series B debentures issued by Solutions, one of the Company subsidiaries, in the amount of NIS 3,563.5 million par value, are linked to the Israeli CPI and bear interest at base annual rate of 5.15%. The debenture principal is to be repaid in 17 equal payments in the years 2020 through 2036.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

30 Long-Term Employee Benefits Payable

	December 31 2018	January 1 2018 & December 31 2017
Total present value of obligation	507,178	530,333
Less: fair value of plan's assets	(87,492)	(97,614)
Post-employment benefits -Net liability arising from defined benefit plan	419,686	432,719
Termination benefits	98,193	138,948
Share based payment (See note XIII)	61,961	55,260
Other long-term employee benefits	37,871	123,658
Total long-term employee benefits, net	617,711	750,585
Including: Long-term employee benefits payable due within one year	37,349	139,871
	580,362	610,714

(1) Movement in the net liability and assets in respect of defined benefit plans, early retirement and their components

	Defined benefit obligation and early retirement		Fair value of plan's assets		Total	
	2018	2017	2018	2017	2018	2017
Balance as at January 1,	669,281	620,286	97,614	131,005	571,667	489,281
Expense/income recognized in profit and loss:						
Current service cost	28,216	31,009	46	1,196	28,170	29,813
Past service cost	4,840	93,029	-	-	4,840	93,029
Interest costs	20,770	20,557	3,286	4,026	17,484	16,531
Settlements	-	(49,369)	-	(39,440)	-	(9,929)
Changes in exchange rates	(39,965)	57,927	(7,161)	9,416	(32,804)	48,511
Actuarial gain/losses due to early retirement	(3,490)	-	-	-	(3,490)	-
Included in other comprehensive income:						
Actuarial gain (losses) as a result of changes in actuarial assumptions	(34,820)	13,951	(4,827)	507	(29,993)	13,444
Foreign currency translation differences in respect of foreign operations	27,767	(39,404)	4,068	(6,739)	23,699	(32,665)
Additional movements:						
Benefits paid	(67,228)	(78,705)	(11,307)	(8,990)	(55,921)	(69,715)
Contributions paid by the Group	-	-	5,773	6,633	(5,773)	(6,633)
Balance as at December 31,	605,371	669,281	87,492	97,614	517,879	571,667

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

30 Long-Term Employee Benefits Payable - (cont'd)

Post-employment benefit plans – defined benefit plan and early retirement

(2) Actuarial assumptions and sensitivity analysis

The principal actuarial assumptions at the reporting date for defined benefit plan

	December 31 2018	January 1 2018 & December 31 2017
Discount rate (%)*	1.4%-3.5%	1.1%-4.5%

*According to the demographic and the benefit components

The assumptions regarding the future mortality rate are based on published statistical data and acceptable mortality rates.

Possible reasonable changes as of the date of the report in the discount rate, assuming the other assumptions remain unchanged, would have affected the defined benefit obligation as follows:

	As of December 31, 2018	
	Increase of 1%	Decrease of 1%
Discount rate	(40,387)	49,418

31 Provisions

	December 31 2018	January 1 2018 & December 31 2017	Reasons
Liabilities in respect of contingencies	70,684	124,882	Obligations of pending litigations, where an outflow of resources had been reliably estimated
Other	39,809	39,031	
	110,493	163,913	

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

32 Other Non-Current Liabilities

	December 31 2018	January 1 2018 & December 31 2017
Put options to holders of non- controlling interests	-	53,509
Long term transactions in derivatives	14	13
Deferred income	28,146	-
Long term loans - others	171,770	171,770
	199,930	225,292

33 Share Capital

	Balance at January 1, 2018	Issuance of new shares	Cancellations of shares	Balance at December 31, 2018
Share capital	2,446,554	-	-	2,446,554

In December 2017, non-publicly offered 104,697,982 ordinary shares (A-share) at nominal value of RMB 1 per share to the specific investors. The Company received proceeds of 1,531,920 thousand RMB, net of the issuing cost of 28,080 thousand RMB on December 27, 2017. The listing date of the newly-issued 104,697,982 shares was January 17, 2018. The total amount of the shares of the Company is 2,446,553,582.

34 Capital Reserve

	Balance at January 1, 2018	Additions during the year	Reductions during the year	Balance at December 31, 2018
Share premiums	12,973,782	-	(8,605)	12,965,177
Other capital reserve	8,495	1,784	-	10,279
	12,982,277	1,784	(8,605)	12,975,456

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

35 Other Comprehensive Income

	Attributable to shareholders of the company					
	Balance at January 1, 2018	**Before tax amount**	**Less transfer to profit or loss**	**Less: Income tax expenses**	**Net –of-tax amount**	**Balance at December 31, 2018**
Items that will not be reclassified to profit or loss						
Re-measurement of changes in liabilities under defined benefit plans	(10,862)	29,993	-	3,236	26,757	15,895
Changes in fair value of other equity investment	50,621	-	-	-	-	50,621
Items that may be reclassified to profit or loss		-	-	-	-	-
Effective portion of gain or loss of cash flow hedge	(260,950)	125,483	(276,383)	47,531	354,335	93,385
Translation difference of foreign financial statements	117,111	813,940	-	-	813,940	931,051
	(104,080)	969,416	(276,383)	50,767	1,195,032	1,090,952

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

36 Surplus reserve

	Balance at January 1, 2018	Additions during the year	Reductions during the year	Balance at December 31, 2018
Statutory surplus reserve	204,009	32,339	-	236,348
Discretional surplus reserve	3,814	-	-	3,814
	207,823	32,339	-	240,162

37 Retained Earnings

	2018	2017
Retained earnings at December 31 of preceding year	3,286,711	937,510
Opening balance adjustment (Note 1)	39,481	847,295
Retained earnings as at January 1	3,326,192	1,784,805
Net profits for the year attributable to shareholders of the Company	2,402,462	1,545,879
Appropriation to statutory surplus reserve	(32,339)	(17,124)
Dividends to non-controlling Interest	(28,716)	(32,509)
Dividend to the shareholders of the company (Note 2)	(154,133)	-
Amount reversed due to disposal of a subsidiary	-	5,660
Retained earnings as at December 31	5,513,466	3,286,711

Note 1: The opening balance in current year was adjusted for RMB 39,481 thousands due to adoption of revised CASs for financial instrument and revenue see Note Ⅲ 30(1). The opening balance in prior period was adjusted for RMB 847,295 thousands due to a business combination under common control.

Note 2: On March, 27, 2018, after obtaining the approval of the second meeting of the company's 8th Board of Directors, the Company declared RMB 0.63 (including tax) per 10 shares as cash dividend to all shareholders, resulting in a total cash dividend of 154,133 thousand RMB (including tax), and zero shares as share dividend, as well as no reserve transferred to equity capital. The proposal was approved by the Company’s shareholders at the 2017 annual general meeting held on June 28, 2018, and paid during the fourth quarter.

See also note XII(1) Events subsequent to the balance sheet date.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

38 Operating Income and Cost of Sales

	Year ended December 31 2018		Year ended December 31 2017	
	Income	Cost of sales	Income	Cost of sales
Principal activities	25,545,308	17,052,485	23,772,151	15,363,173
Other businesses	69,811	32,458	47,417	40,714
	25,615,119	17,084,943	23,819,568	15,403,887

39 Taxes and Surcharges

	Years ended December 31	
	2018	2017
Tax on turnover	49,101	36,888
Others	41,393	37,871
	90,494	74,759

40 Selling and Distribution Expenses

	Years ended December 31	
	2018	2017
Salaries and related expense	1,476,750	1,438,935
Depreciation and amortization	1,200,375	966,119
Transportation and Commissions	709,134	687,491
Advertising and sales promotion	326,707	326,194
Travel expenses	143,920	134,004
Warehouse expenses	132,629	121,591
Registration	108,600	111,615
Insurance	75,095	77,433
Professional services	76,084	67,252
Others	380,823	349,701
	4,630,117	4,280,335

41 General and Administrative Expenses

	Years ended December 31	
	2018	2017
Salaries and related expenses	431,722	597,849
Professional services	132,667	135,345
IT systems	69,632	60,536
Office rent, maintenance and expenses	62,924	68,378
Depreciation and amortization	60,079	58,092
Other	136,083	121,094
	893,107	1,041,294

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

42 Research and development expenses

	Years ended December 31	
	2018	**2017**
Salaries and related expenses	168,405	155,282
Materials	77,399	34,300
Professional services	54,435	56,902
Field trial	53,663	19,123
Depreciation and amortization	28,953	41,501
Office rent, maintenance and expenses	7,708	8,609
Other	51,334	44,761
	441,897	360,478

43 Financial Expenses, net

	Years ended December 31	
	2018	**2017**
Interest expenses on debentures and loans	585,149	666,048
CPI expense in respect of debentures	85,533	25,279
Loss in respect of sale of trade receivables	79,060	47,707
Revaluation of put option, net	49,655	7,429
Interest expense in respect of post-employment benefits, net	16,914	16,531
Interest income from customers, banks and others	(80,964)	(222,017)
Exchange rate differences, net	(191,027)	638,240
Other expenses	8,387	26,069
	552,707	1,205,286

44 Asset impairment Losses

	Years ended December 31	
	2018	**2017**
Fixed assets	129,214	51,135
Inventories	79,287	53,984
Intangible asset	21,887	-
Trade and other receivables	-	67,975
Other	611	231
	230,999	173,325

45 Credit impairment loss

	Year ended December 31
	2018
Bills receivable and accounts receivable	50,508
Other receivables	(135)
	50,373

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

46 Investment income

	Years ended December 31 2018	2017
Investment income from disposal of derivatives	619,447	62,982
Income from long-term equity investments accounted for using the equity method	7,001	22,239
Loss from disposal of long-term equity investment	-	(11,363)
Other	1,809	-
	628,257	73,858

47 Gains (losses) from Changes in Fair Value

	Years ended December 31 2018	2017
Gain (loss) from changes in fair value of derivative financial instruments	(974,413)	269,222
Others	(4,921)	129
	(979,334)	269,351

48 Gain from Disposal of Assets

	Years ended December 31 2018	2017	Included in non-recurring items
Gain from disposal of intangible assets (1)	2,029,965	59,959	2,029,965
Loss from disposal of fixed assets	(63,349)	(4,799)	(63,349)
	1,966,616	55,160	1,966,616

(1) See Note V.15(2).

49 Non-Operating Expenses

	Years ended December 31 2018	2017	Included in non-recurring items
Donation expenses	12,474	13,695	12,474
Other	23,492	30,979	23,492
	35,966	44,674	35,966

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

50 Income Tax Expenses

	Years ended December 31	
	2018	**2017**
Current year	518,199	344,411
Deferred tax expenses (income)	239,501	(286,940)
Adjustments for previous years, net	75,546	64,652
	833,246	122,123

(1) Reconciliation between income tax expense and accounting profit is as follows:

	Years ended December 31	
	2018	**2017**
Profit before taxes	3,235,708	1,668,002
Statutory tax in china	25%	25%
Tax calculated according to statutory tax in china	808,927	417,001
Tax benefits from Approved Enterprises	(77,014)	(61,907)
Difference between measurement basis of income for financial statement and for tax purposes	107,435	(16,295)
Taxable income and temporary differences at other tax rate	(72,241)	(50,037)
Taxes in respect of prior years	75,546	64,652
Utilization of tax losses from prior years for which deferred taxes were not created	(58,723)	(39,073)
Temporary differences and losses in the report year for which deferred taxes were not created	31,034	7,154
Non-deductible expenses and other differences	12,141	36,895
Neutralization of tax calculated in respect of the Company’s share in results of equity accounted investees	(2,911)	(5,661)
Effect of change in tax rate in respect of deferred taxes	(5,662)	(38,783)
Creation and reversal of deferred taxes for tax losses and temporary differences from previous years	14,714	(191,823)
Income tax expenses	833,246	122,123

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

51 Other comprehensive income

Details of the Other comprehensive income are set out in Note V.35

52 Notes to items in the cash flow statements

(1) Other cash received relevant to operating activities

	Years ended December 31	
	2018	**2017**
Financial institutions	140,559	98,240
Derivatives transactions	471,597	390,703
Interest income	62,028	259,276
Government subsidies	2,828	1,775
Others	60,558	51,596
	737,570	801,590

(2) Other cash paid relevant to operating activities

	Years ended December 31	
	2018	**2017**
Transportation and Commissions	687,366	629,465
Advertising and sales promotion	288,127	316,156
Professional services	265,682	267,317
Financial institutions	162,681	245,516
Derivatives transactions	128,503	278,260
Registration	113,861	101,745
Insurance	77,192	45,908
Others	1,074,209	1,287,514
Net cash flow from operating activities	2,797,621	3,171,881

(3) Other cash received relevant to investment activities

	Years ended December 31	
	2018	**2017**
Investment grant	-	29,205
Other	410	596
	410	29,801

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

52 Notes to items in the cash flow statements - (cont'd)

(4) Other cash paid relevant to investment activities

	Years ended December 31	
	2018	**2017**
Short term investments	-	25,796
Long term investments	-	23,713
	-	49,509

(5) Other cash received relevant to financing activities

	Years ended December 31	
	2018	**2017**
Other	-	7,800

(6) Other cash paid relevant to financing activities

	Years ended December 31	
	2018	**2017**
Financing deposit	-	100,000
Bank deposit	48,340	-
Other	8,610	4,600
	56,950	104,600

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

53 Supplementary Information on Cash Flow Statement

(1) Supplementary information on Cash Flow Statement

a. Reconciliation of net profit to cash flows from operating activities:

	Years ended December 31	
	2018	**2017**
Net profit	2,402,462	1,545,879
Add: Impairment provisions for assets	230,999	173,325
Credit impairment loss	50,373	N/A
Depreciation of fixed assets and investment property	712,414	670,473
Amortization of intangible asset	1,233,358	997,717
Gains on disposal of fixed assets, intangible assets, and other long-term assets, net	(1,966,616)	(55,160)
Loss (gain) from changes in fair value	979,334	(269,351)
Financial expenses	30,374	1,408,859
Investment income	(628,257)	(73,858)
Decrease (increase) in deferred tax assets	113,801	(265,962)
Increase (decrease) in deferred tax liabilities	125,700	(20,978)
Decrease (increase) in inventories, net	(1,572,726)	(431,226)
Increase in operating receivables	(761,291)	(639,485)
Increase in operating payables	1,051,749	918,156
Others	465	-
Net cash flow from operating activities	2,002,139	3,958,389

	Years ended December 31	
	2018	**2017**
b. Investing and financing activities that do not involve cash receipts and payment	-	18,471,007
c. Net increase in cash and cash equivalents		
Closing balance of cash	6,180,148	7,864,258
Less: Opening balance of cash	7,864,258	3,833,747
Net increase in cash and cash equivalents	(1,684,110)	4,030,511

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

53 Supplementary Information on Cash Flow Statement - (cont'd)

(2) Cash or cash equivalents paid for acquired subsidiaries and other business units

	December 31 2018	December 31 2017
Company A	9,334	-
Company B	4,010	-
	13,344	-

(3) Details of cash and cash equivalents

	December 31 2018	December 31 2017
Cash on hand	1,359	2,267
Bank deposits available on demand without restrictions	6,178,789	7,861,991
	6,180,148	7,864,258

54 Assets with Restricted Ownership or Right of Use

	December 31 2018	Reason
Cash	52,940	Pledged
Fixed assets	6,143	Mortgaged
Other non-current assets	131,039	Guarantees
	190,122	

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

55 Foreign currencies denominated items

(1) Foreign currencies denominated items

	As at December 31, 2018		
	Foreign currency at the end of the year	**Exchange rate**	**RMB at the end of the year**
Cash and bank balances			
USD	14,334	6.8632	98,377
EUR	80,255	7.8586	630,694
BRL	59,048	1.7712	104,588
ILS	60,227	1.8312	110,285
PLN	103,279	1.8255	188,532
RON	47,005	1.6848	79,194
Other			353,921
			1,565,591
Bills and Accounts receivable			
USD	38,733	6.8632	265,832
EUR	65,313	7.8586	513,271
BRL	608,499	1.7712	1,077,797
RON	83,020	1.6848	139,872
ZAR	254,335	0.4757	120,984
TRY	86,637	1.3046	113,023
RUB	963,627	0.0988	95,199
Other			338,315
			2,664,293
Other receivables			
EUR	42,085	7.8586	330,730
BRL	30,067	1.7712	53,255
ILS	43,563	1.8312	79,771
Other			26,698
			490,454
Other current assets			
EUR	12,679	7.8586	99,640
BRL	39,426	1.7712	69,833
ILS	94,986	1.8312	173,934
PLN	12,772	1.8255	23,314
UAH	89,238	0.2479	22,120
RMB	15,586	1.0000	15,586
Other			50,444
			454,871
Long-term receivables			
BRL	88,977	1.7712	157,600
			157,600
Other non-current assets			
BRL	65,624	1.7712	116,235
Other			2,931
			119,166
Short-term loans			
UAH	274,720	0.2479	68,097
TRY	69,386	1.3046	90,519
Other			1,579
			160,195

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

55 Foreign currencies denominated items - (cont'd)

(1) Foreign currencies denominated items - (cont'd)

	As at December 31, 21		
	Foreign currency at the end of the year	**Exchange rate**	**RMB at the end of the year**
Bills and Accounts payable payable			
USD	21,162	6.8632	145,239
EUR	75,173	7.8586	590,757
BRL	137,854	1.7712	244,172
ILS	400,684	1.8312	733,717
Other			82,633
			1,796,518
Interestpayable			
ILSCPI	18,403	1.8312	33,698
			33,698
Otherpayables			
USD	1,536	6.8632	10,542
EUR	38,326	7.8586	301,192
BRL	62,175	1.7712	110,127
ILS	50,376	1.8312	92,247
PLN	10,614	1.8255	19,375
CHF	831	6.9716	5,793
Other			129,973
			669,249
Other current liabilities			
EUR	5,746	7.8586	45,153
ILS	11,139	1.8312	20,397
Other			13,575
			79,125
Long-termloan			
BRL	178	1.7712	316
Other			185
			501
Debenturespayable			
ILSCPI	4,177,180	1.8312	7,649,098
			7,649,098

Notes to the Financial Statements

V. Notes to the consolidated financial statements - (cont'd)

55 Foreign currencies denominated items - (cont'd)

(1) Major foreign operations

Name of the Subsidiary	Registration & Principal place of business	Business nature	Functional currency	The basis of selecting functional currency
ADAMA France S.A.S	FRANCE	Distribution	USD	The main currency that represent the principal economic environment
ADAMA Brasil S/A	BRAZIL	Manufacturing; Distribution; Registration;	USD	The main currency that represent the principal economic environment
ADAMA Deutschland GmbH	GERMANY	Distribution; Registration	USD	The main currency that represent the principal economic environment
ADAMA India Private Ltd.	INDIA	Manufacturing Distribution;	INR	The main currency that represent the principal economic environment
Makhteshim Agan of North America, Inc.	UNITED STATES	Manufacturing; Distribution; Registration;	USD	The main currency that represent the principal economic environment
Control Solutions Inc.	UNITED STATES	Manufacturing; Distribution; Registration;	USD	The main currency that represent the principal economic environment
ADAMA Agan Ltd.	ISRAEL	Manufacturing Distribution;	USD	The main currency that represent the principal economic environment
ADAMA Makhteshim Ltd.	ISRAEL	Manufacturing Distribution;	USD	The main currency that represent the principal economic environment
ADAMA Australia Pty Limited	AUSTRALIA	Distribution	AUD	The main currency that represent the principal economic environment
ADAMA Italia SRL	ITALY	Distribution	USD	The main currency that represent the principal economic environment
ADAMA Northern Europe B.V.	NETHERLANDS	Distribution	USD	The main currency that represent the principal economic environment
Alligare LLC	UNITED STATES	Manufacturing; Distribution; Registration	USD	The main currency that represent the principal economic environment

(Expressed in RMB '000)

VI. Changes in consolidation Scope

There were no changes in consolidation scope this year.

VII. Interests in Other Entities

1. Interests in subsidiaries

Composition of the largest subsidiaries of the Group in respect of assets and operating income

Name of the Subsidiary	Registration & Principal place of business	Business nature	Direct	Indirect	Method of obtaining the subsidiary
ADAMA France S.A.S	FRANCE	Distribution		100%	Established
ADAMA Brasil S/A	BRAZIL	Manufacturing; Distribution; Registration;		100%	Purchased
ADAMA Deutschland GmbH	GERMANY	Distribution; Registration;		100%	Established
ADAMA India Private Ltd.	INDIA	Manufacturing; Distribution;		100%	Established
Makhteshim Agan of North America, Inc.	UNITED STATES	Manufacturing; Distribution; Registration;		100%	Established
Control Solutions Inc.	UNITED STATES	Manufacturing; Distribution; Registration;		67%	Purchased
ADAMA Agan Ltd.	ISRAEL	Manufacturing; Distribution;		100%	Restructure
ADAMA Makhteshim Ltd.	ISRAEL	Manufacturing; Distribution;		100%	Restructure
ADAMA Australia Pty Limited	AUSTRALIA	Distribution;		100%	Purchased
ADAM Italia SRL	ITALY	Distribution;		100%	Established
ADAMA Northern Europe B.V.	NETHERLANDS	Distribution;		55%	Purchased
Alligare LLC	UNITED STATES	Manufacturing; Distribution; Registration;		80%	Purchased

2. Interests in joint ventures or associates

	Years ended December 31	
	2018	2017
Joint ventures	68,584	56,871
Associates	39,766	37,860
	108,350	94,731

3. Summarized financial information of joint ventures and associates

	Closing balance/ amount recognized in the current year	Opening balance/ amount recognized in the prior year
Joint ventures:		
Total carrying amount	68,584	56,871
The Group's share of the following items:		
Net profit	7,001	22,612
Total comprehensive income	7,001	22,612
Associates:		
Total carrying amount	39,766	37,860
The Group's share of the following items:		
Net profit	-	(373)
Total comprehensive income	-	(373)

VIII. Risk Related to Financial Instruments

A. General

The Group has extensive international operations, and, therefore, it is exposed to credit risks, liquidity risks and market risks (including currency risk, interest risk and other price risk). In order to reduce the exposure to these risks, the Group uses financial derivatives instruments, including forward transactions, swaps and options (hereinafter - "derivatives").

Transactions in derivatives are undertaken with major financial institutions, and therefore, in the opinion of Group Management the credit risk in respect thereof is low.

This note provides information on the Group's exposure to each of the above risks, the Group's objectives, policies and processes regarding the measurement and management of the risk. Additional quantitative disclosure is included throughout the consolidated financial statements.

The Board of Directors has overall responsibility for establishing and monitoring the framework of the Group's risk management policy. The Finance Committee is responsible for establishing and monitoring the Group's actual risk management policy. The Chief Financial Officer reports to the Finance Committee on a regular basis regarding these risks.

The Group's risk management policy, established to identify and analyze the risks facing the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The policy and methods for managing the risks are reviewed regularly, in order to reflect changes in market conditions and the Group's activities. The Group, through training, and management standards and procedures, aims to develop a disciplined and constructive control environment in which all the employees understand their roles and obligations.

B. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and derives mainly from trade receivables and other receivables as well as from cash and deposits in financial institutions.

Accounts and other receivables

The Group's revenues are derived from a large number of widely dispersed customers in many countries. Customers include multi-national companies and manufacturing companies, as well as distributors, agriculturists, agents and agrochemical manufacturers who purchase the products either as finished goods or as intermediate products for their own requirements.

The Company entered into an agreement for the sale of trade receivables in a securitization transaction, for details see note V.4(2)e.

In April 2018, a two-year agreement with an international insurance company was renewed. The amount of the insurance coverage was fixed at $150 million cumulative per year. The indemnification is limited to about 90% of the debt.

The Group's exposure to credit risk is influenced mainly by the personal characterization of each customer, and by the demographic characterization of the customer's base, including the risk of insolvency of the industry and geographic region in which the customer operates. No single customer accounted for greater than 5% of total accounts receivable.

VIII . Risk Related to Financial Instruments - (cont'd)

B. Credit risk - (cont'd)

The Company management has prescribed a credit policy, whereby the Company performs current ongoing credit evaluations of existing and new customers, and every new customer is examined thoroughly regarding the quality of his credit, before offering him the Group's customary shipping and payment terms. The examination made by the Group includes an outside credit rating, if any, and in many cases, receipt of documents from an insurance company. A credit limit is prescribed for each customer, outstanding amount of the accounts receivable balance. These limits are examined annually. Customers that do not meet the Group's criteria for credit quality may do business with the Group on the basis of a prepayment or against furnishing of appropriate collateral.

Most of the Group's customers have been doing business with it for many years. In monitoring customer credit risk, the customers were grouped according to a characterization of their credit, based on geographical location, industry, aging of receivables, maturity, and existence of past financial difficulties. Customers defined as "high risk" are classified to the restricted customer list and are supervised by management. In certain countries, mainly, Brazil, customers are required to provide property collaterals (such as agricultural lands and equipment) against execution of the sales, the value of which is examined on a current ongoing basis by the Company. In these countries, in a case of a doubtful debt, the Company records a provision for the amount of the debt less the value of the collaterals provided and acts to realize the collaterals.

The Group closely monitors the economic situation in Eastern Europe and South America where necessary it operates to limit its exposure to customers in countries having significantly unstable economies.

The Group recognizes an impairment provision, which reflects its assessment regarding the credit risk of account receivables. Other receivables and investments on a lifetime expected credit loss basis. See also notes Ⅲ.10 and Ⅲ.11.

Cash and deposits in banks

The Company holds cash and deposits in banks with a high credit rating. These banks are also required to comply with capital adequacy or maintain a level of security based on different situations.

Guarantees

The Company's policy is to provide financial guarantees only to investee companies.

Aging of receivables and allowance for doubtful accounts

Presented below is the aging of the past due trade receivables:

	December 31, 2018
Past due by less than 90 days	483,421
Past due by more than 90 days	562,108
	1,045,529

The company measure the provision for credit losses on a collective group basis, where receivables share similar credit risk characteristics based on geographical locations. The examination for expected credit losses is performed using model including aging analysis and historical loss experiences, and adjusted by the observable factors reflecting current and expected future economic conditions.

When credit risk on a receivable has increased significantly since initial recognition, the group records specific provision or general provision, which is determined for groups of similar assets in countries in which there are large number of customers with immaterial balances.

(Expressed in RMB '000)

VIII . Risk Related to Financial Instruments - (cont'd)

B. Credit risk - (cont'd)

The group have credit risk exposures for accounts receivables amounted to RMB 6,312,140 thousand relate to category of "Lifetime expected credit losses (credit losses has not occurred)" and amounted to RMB 627,397 thousand related to category of "Lifetime expected credit losses (credit losses occurred)". The group have credit risk exposures for other receivables amounted to RMB 5,260 thousand related to category of "Lifetime expected credit losses (credit losses occurred)". The credit risk exposures for all remaining balance of financial assets at amortised cost and financial assets at FVTOCI are related to "12-month expected credit losses".

C. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligation when they come due. The Group's approach to managing its liquidity risk is to assure, to the extent possible, an adequate degree of liquidity for meeting its obligations timely, under ordinary conditions and under pressure conditions, without sustaining unwanted losses or hurting its reputation.

The cash-flow forecast is determined both at the level of the various entities as well as of the consolidated level. The Company examines the current forecasts of its liquidity requirements in order to ascertain that there is sufficient cash for the operating needs, including the amounts required in order to comply with the financial liabilities, while taking strict care that at all times there will be unused credit frameworks so that the Company will not exceed the credit frameworks granted to it and the financial covenants with which it is required to comply with. These forecasts take into consideration matters such as the Company's plans to use debt for financing its activities, compliance with required financial covenants, compliance with certain liquidity ratios and compliance with external requirements such as laws or regulation.

The surplus cash held by the Group companies, which is not required for financing the current ongoing operations, is invested in short-term interest-bearing investment channels.

(1) Presented below are the contractual maturities of the financial liabilities at undiscounted amounts, including estimated interest payments:

	As at December 31, 2018					
	First year	**Second year**	**Third-Fourth year**	**Fifth year and above**	**Contractual Cash flow**	**Carrying amount**
Non-derivative financial liabilities						
Short-term loans	590,883	-	-	-	590,883	572,774
Bills and accounts payables	5,019,316	-	-	-	5,019,316	5,019,316
Other payables	1,591,742	-	-	-	1,591,742	1,591,742
Other current liabilities	404,463	-	-	-	404,463	404,463
Debentures payable	397,228	850,941	1,631,774	8,805,424	11,685,367	7,649,098
Long-term loans	332,462	209,856	42,653	-	584,971	537,448
Long-term payables	1,751	1,662	2,906	26,272	32,591	25,291
Other non-current liabilities	2,061	2,061	61,036	117,949	183,107	171,784
Derivative financial liabilities						
Foreign currency derivatives	1,450,645	14	-	-	1,450,659	1,450,645
CPI/shekel forward transactions	1,025	-	-	-	1,025	1,025
	9,791,576	1,064,534	1,738,639	8,949,645	21,544,124	17,423,586

VIII . Risk Related to Financial Instruments - (cont'd)

D. Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, CPI, interest rates and prices of capital instruments, will affect the Group's revenues or the value of its holdings in its financial instruments. The objective of market risk management is to manage and monitor the exposure to market risks within acceptable parameters, while optimizing the return.

During the ordinary course of business, the Group purchases and sells derivatives and assumes financial liabilities for the purpose of managing market risks.

(1) CPI and foreign currency risks

Currency risk

The Group is exposed to currency risk from its sales, purchases, expenses and loans denominated in currencies that differ from the Group's functional currency. The main exposure is in Euro, Brazilian real, USD and in NIS. In addition, there are smaller exposures to various currencies such as the British pound, Polish zloty, Australian dollar, Indian rupee, Argentine peso, Canadian dollar, South African Rand and Ukraine Hryunia, Turkish lira and Chinese Renminbi.

The Group uses foreign currency derivatives – forward transactions and currency options – in order to hedge the cash flows risk, which derive from existing monetary assets and liabilities and anticipated sales and purchases, which may be affected by exchange rate fluctuations.

The Group hedged a part of the estimated currency exposure to anticipate sales and purchases for the subsequent year. Likewise, the Group hedges most of its monetary assets and liabilities denominated in a non- U.S. dollar currency. The Group uses foreign currency derivatives to hedge its currency risk, mostly with maturity dates of less than one year from the reporting date.

The wholly-owened subsidiary debentures are linked to the NIS-CPI and, therefore, an increase in the NIS-CPI, as well as changes in the NIS exchange rate, could cause significant exposure with respect to the subsidiary functional currency – the U.S. dollar. As of the approval date of the financial statements, the subsidiary had hedged most of its exposure deriving from issuance of the debentures, in options and forward contracts.

VIII . Risk Related to Financial Instruments - (cont'd)

D. Market risks - (cont'd)

(1) CPI and foreign currency risks - (cont'd)

(A). The Group's exposure to NIS-CPI and foreign currency risk, except in respect of derivative financial instruments (see hereunder) is as follows:

	December 31, 2018	
	Total assets	Total liabilities
Denominated in or linked to the Dollar	832,205	925,421
In Euro	1,627,669	957,747
In Brazilian real	1,595,505	410,324
CPI-linked NIS	-	7,683,728
In New Israeli Shekel	367,552	845,429
Denominated in or linked to other foreign currency	2,434,783	421,802
Total	6,587,714	11,244,451

(B) The exposure to CPI and foreign currency risk in respect of derivatives is as follows:

	December 31, 2018					
	Currency/ linkage receivable	Currency/ linkage payable	Average expiration date	USD thousands Par value	RMB thousands Par value	Fair value
Forward foreign currency	**USD**	EUR	2019/07/02	254,664	1,747,809	(294,706)
Contracts and call options	**USD**	PLN	2019/05/17	24,368	167,242	6,156
	USD	BRL	2019/02/14	160,770	1,103,397	18,030
	USD	GBP	2019/05/01	16,978	116,525	3,905
	USD	ZAR	2019/01/23	20,629	141,581	(15,902)
	ILS	USD	2019/01/22	1,386,184	9,513,657	(678,832)
	USD	Others		579,582	3,977,190	20,953
CPI forward contracts	**CPI**	ILS	2019/06/05	560,299	3,845,443	6,438

(C). Sensitivity analysis

The appreciation or depreciation of the Dollar against the following currencies as of December 31, 2018 and the increase or decrease in the CPI would increase (decrease) the equity and profit or loss by the amounts presented below. This analysis assumes that all the remaining variables, among others interest rates, remains constant.

	December 31, 2018			
	Decrease of 5%		Increase of 5%	
	Equity	Profit (loss)	Equity	Profit (loss)
New Israeli shekel	16,787	10,673	(9,265)	(3,151)
British pound	(2,182)	(569)	2,182	569
Euro	(82,704)	5,628	106,946	(5,628)
Brazilian real	8,064	9,415	(8,064)	(9,415)
Polish zloty	(4,200)	3,134	4,200	(3,134)
South African Rand	954	954	(954)	(654)
Chinese Yuan Renminbi	(4,661)	(4,661)	4,661	4,661
CPI-linked NIS	205,176	205,176	(205,176)	(205,176)

(Expressed in RMB '000)

VIII . Risk Related to Financial Instruments - (cont'd)

D. Market risks - (cont'd)

(2) Interest rate risks

The Group has exposure to changes in the variable interest rate. The Group has different assets and liabilities in different countries which bear interest according to the economic environment in each country. Most of the loans, other than the debentures, bear Dollar Libor interest. As a result, most of the variable interest exposure of those loans is to the Libor interest. Due to market conditions, the variable interest rates on cash are relatively low.

The Company prepares a quarterly summary of exposure to a change in the Libor interest rate. As at the approval date of the financial statements, the Company had not hedged this exposure.

(A). Type of interest

The interest rate profile of the Group's interest-bearing financial instruments was as follows:

	December 31, 2018
Fixed-rate instruments – unlinked to the CPI	
Financial assets	
Other non-current assets	8,648
Financial liabilities	
Long-term loans	72,741
Long-term payables	19,450
Other non-current liabilities	171,770
	(255,313)
Fixed-rate instruments – linked to the CPI	
Financial liabilities	
Debentures payable	7,649,098
Variable-rate instruments	
Financial assets	
Cash at banks	457,624
Financial assets at fair value through profit or loss	46,095
Other non-current assets	41,914
Financial liabilities	
Short-term loans and credit from banks(1)	801,977
Long-term loans	235,504
	(491,848)

(1) Including long-term loans current maturities.

VIII . Risk Related to Financial Instruments - (cont'd)

D. Market risks - (cont'd)

(2) Interest rate risks - (cont'd)

(B). Sensitivity analysis of cash flows regarding variable-interest instruments

A change of 5% in the interest rates on the reporting date would increase or reduce equity and profit or loss by the amounts presented below. This analysis assumes that all the remaining variables, among others exchange rates, remained fixed.

	Profit or loss		Equity	
	Increase in interest	Decrease in interest	Increase in interest	Decrease in interest
As at December 31, 2018	1,168	(1,175)	1,168	(1,175)

(Expressed in RMB '000)

IX. Fair Value

The fair value of forward contracts on foreign currency is based on their listed market price, if available. In the absence of market prices, the fair value is estimated based on the discounted difference between the stated forward price in the contract and the current forward price for the residual period until redemption, using an appropriate interest rate.

The fair value of foreign currency options is based on bank quotes. The reasonableness of the quotes is evaluated through discounting future cash flow estimates, based on the conditions and duration to maturity of each contract, using the market interest rates of a similar instrument at the measurement date and in accordance with the Black & Scholes model.

1. Financial instruments measured at fair value for disclosure purposes only

The carrying amount of certain financial assets and liabilities, including cash at bank and on hand, bills and accounts receivable, other receivables, derivatives financial assets, short-term loans, bills and accounts payable and other payable, are the same or proximate to their fair value.

The following table details the carrying amount in the books and the fair value of groups of non-current financial instruments presented in the financial statements not in accordance with their fair values:

	December 31, 2018	
	Carrying amount	**Fair value**
Financial assets		
Other non-current assets (a – Level 2)	51,982	52,797
Financial liabilities		
Long-term loans and others (b – Level 2)	735,882	725,762
Debentures (c – Level 1)	7,649,098	8,982,344

(a) The fair value of the other non-current assets is based on a discounted future cash flows, using the acceptable interest rate for similar investment having similar characteristics (Level 2).
(b) The fair value of the long-term loans and others is based on a discounted future cash flows, using the acceptable interest rate for similar loans having similar characteristics (Level 2).
(c) The fair value of the debentures is based on stock exchange quotes (Level 1).

2. The interest rates used determining fair value

The interest rates used to discount the estimate of anticipated cash flows are:

	December 31, 2018
	%
Brazilian real interest	6.16 - 7.22
U.S. dollar interest	2.97 - 3.04
Indian Rupee	6.85 - 7.43

(Expressed in RMB '000)

IX. Fair Value - (cont'd)

3. Fair value hierarchy of financial instruments measured at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The table below presents an analysis of financial instruments measured at fair value. The various levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active market for identical instrument.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The Company's forward contracts and options are carried at fair value and are evaluated by observable inputs and therefore are concurrent with the definition of level 2.

	December 31
	2018
Forward contracts and options used for hedging the cash flow (Level 2)	107,471
Forward contracts and options used for economic hedging (Level 2)	(1,041,429)
Debt instruments (Level 1)	22,108
Other equity investment (Level 2)	91,559
Other non-current asset (Level 2)	21,022
Call option in respect of business combination (Level 2)	11,880
Draft receivable (Level 2)	19,917
Other (Level 2)	23,987

Financial Instrument	Fair value
Forward contracts	Fair value measured on the basis of discounting the difference between the stated forward price in the contract and the current forward price for the residual period until redemption using an appropriate interest rates.
Foreign currency options	The fair value is measured based on the Black&Scholes model.

4. No transfer between any levels of the fair value hierarchy in the reporting period.

5. No change in the valuation techniques in the reporting period.

X. Related parties and related party transactions

1. Information on parent Company

Company name	Registered place	Business nature	Registered capital (Thousand)	Shareholding percentage (%)	Percentage of voting rights (%)
CNAC	Beijing, China	Production and sales of agrochemicals	RMB3,338,220	78.91%	78.91%

The ultimate controller of the company is China National Chemical Corporation.

2. Information on the subsidiaries of the Company

For information about the subsidiaries of the Company, refer to Note VII.1.

3. Information on joint ventures and associates of the Company

For information about the joint ventures and associates of the Company, refer to Note V.11. Other joint ventures and associates that have related party transactions with the Group during this year or the previous periods are as follows:

Name of entity	Relationship with the Company
Negev Aroma (Ramat Hovav) Ltd.	Joint venture of the Group
Alfa Agricultural Supplies S.	Joint venture of the Group
Innovaroma SA	Joint venture of the Group
Agribul Ltd.	Joint venture of the Group

X. Related parties and related party transactions - (cont'd)

4. Information on other related parties

Name of other related parties	Related party relationship
Jingzhou Sanonda holdings co. LTD	Common control
Syngenta Crop Protection AG	Common control
Syngenta Supply AG	Common control
Syngenta Crop Protection LLC.	Common control
Syngenta France SAS	Common control
Syngenta Canada INC	Common control
Syngenta Agro Sociedad Anonima	Common control
Syngenta Protecao De Cultivos LTDA	Common control
Syngenta Czech s.r.o.	Common control
Syngenta Espana S.A.	Common control
Syngenta India Limited	Common control
Syngenta Agro AG	Common control
Syngenta Polska Sp. z o.o.	Common control
Syngenta Agro, S.A. DE C.V.	Common control
Syngenta Italia S.p.A.	Common control
Syngenta Crop Protection Lda.	Common control
Syngenta Crop Protection NV	Common control
Syngenta Nordics A.S.	Common control
Syngenta Tarim Sanayi ve Ticaret A.S.	Common control
Syngenta Agro GmbH Wien	Common control
Syngenta Agro GmbH Maintal	Common control
Syngenta Slovakia S.R.O.	Common control
Syngenta Hungary Kft.	Common control
Syngenta UK Ltd	Common control
Syngenta Ireland Ltd	Common control
China Bluestar Lehigh Engineering Corp.	Common control
Bluestar Silicones USA Corp.	Common control
China Bluestar Chengrand	Common control
Bluestar (Beijing) Chemical Machinery Co., Ltd.	Common control
Beijing Grand AgroChem Co., Ltd.	Common control
Shandong Dacheng International Trading	Common control
Shandong dacheng agricultural chemical co. LTD.	Common control
Southwest Chemical Research and Design Institute Co., Ltd.	Common control
Jiangsu Anpon Electrochemical Co., Ltd	Common control
Jiangsu Lianhai Testing Co., Ltd.	Common control
Jiamusi Black Dragon Pesticide Chemical Co., Ltd.	Common control
Anhui Kelihua Chemical Co., Ltd.	Common control
Anhui Research Institute of Chemical Industry	Common control
Haohua engineering co. LTD.	Common control
Shanghai branch of China blue lianhai design and research institute.	Common control

(Expressed in RMB '000)

X. Related parties and related party transactions - (cont'd)

5. Transactions and balances with related parties

(1) Transactions with related parties

Type of purchase	Related Party Relationship	Years ended December 31 2018	2017
Purchase of goods/services received	Common control under ChemChina	1,529,829	424,817
Purchase of fixed assets and other assets	Common control under ChemChina	2,189,486	91,354
Purchase of goods/services received	Joint venture	7,950	4,404
Summary of Sales of goods:			
Sale of goods/ Service rendered	Common control under ChemChina	421,688	136,208
Sale of goods/ Service rendered	Joint venture	157,803	181,480

(2) Leases

The Group as lessor

Type of leased assets	Lessee	December 31 2018	2017
Building and Structures	Common control under ChemChina	19	114

(Expressed in RMB '000)

X. Related parties and related party transactions - (cont'd)

5. Transactions and balances with related parties - (cont'd)

(3) Guarantee

The Group as the guarantee receiver

As at December 31, 2018	Amount of guaranteed loan	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y / N)
Common control under ChemChina	303,000	20/02/2017	19/02/2020	Y
Parent of the Group	50,000	18/10/2017	18/10/2021	N
	50,000	10/01/2017	10/01/2020	Y
	300,000	20/11/2017	20/11/2022	N
	100,000	13/06/2018	12/06/2022	N
Ultimate controller of the Group	200,000	25/09/2013	25/09/2020	Y
	150,000	30/09/2013	13/10/2020	Y
	160,000	27/05/2014	09/06/2021	N

(4) Remuneration of key management personnel and directors

	Years ended December 31	
	2018	2017
Remuneration of key management personnel	46,734	21,268
Directors Fee	600	150

(5) Receivables from and payables to related parties (including loans)

Receivable Items

Items	Related Party Relationship	December 31 2018	Bad debt Provision	January 1 2018 & December 31 2017	Bad debt provision
Trade receivables	Common control under ChemChina	39,420	-	28,565	-
Trade receivables	Joint venture	30,562	-	33,710	-
Other receivables	Common control under ChemChina	51,566	-	22,780	-
Prepayments	Common control under ChemChina	298	-	12,357	-
Other assets	Joint venture	7,543	-	7,514	-

(Expressed in RMB '000)

X. Related parties and related party transactions - (cont'd)

5. Transactions and balances with related parties - (cont'd)

(5) Receivables from and payables to related parties (including loans) - (cont'd)

Payable Items

Items	Related Party Relationship	December 31 2018	January 1 2018 & December 31 2017
Trade payables	Common control under ChemChina	358,087	78,614
Trade payables	Joint venture	397	320
Other non-current liabilities *	Common control under ChemChina	171,770	171,770

* This liability is a loan from related party, the interest expense in 2018 is 2,090 thousand RMB (2017: 2,090 thousand RMB).

(6) Issued shares to related party

	Item	Years ended December 31 2018	2017
Parent	Adama Agricultural solutions	-	18,471,007

(7) Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was 295,661 thousand RMB (2017: 155,700 thousand RMB) Interest income of bank deposit for the current year was 1,657 thousand RMB (2017: 16 thousand RMB).

XI. Commitments and contingencies

1 Significant commitments

(1) Capital commitments

	December 31 2018	January 1 2018 & December 31 2017
Investment in Fixed assets	638,589	590,043

(Expressed in RMB '000)

XI. Commitments and contingencies - (cont'd)

1 Significant commitments - (cont'd)

(2) Operating lease commitments

	December 31 2018	January 1 2018 & December 31 2017
Within 1 year (inclusive)	128,553	138,827
After 1 year but within 2 years (inclusive)	108,226	100,043
After 2 years but within 3 years (inclusive)	82,448	69,263
After 3 years	142,343	126,804
	461,570	434,937

The total future minimum lease payments under non-cancellable operating leases of fixed assets

2 Commitments and Contingent Liabilities

On December 10, 2018 the 9th meeting of the 8th session of the Board of Directors of the Company resolved to approve the extension of the engagement in annual liability insurance policies for directors, supervisors and senior officers of the Company as approved by the 2nd meeting of the 7th session of Board of Directors and the 4th interim Shareholders meeting, and to authorize the management to annually deal with all matters relating to renewal/extension of the customary D&O liability insurance policies, with up to 20% flexibility in the relevant terms of the original policy. On December 26, 2018 the 3rd interim Shareholders meeting approved the above resolution.

Environmental protection

The manufacturing processes of the Company, and the products it produces and markets, entail environmental risks that impact the environment. The Company invests substantial resources in order to comply with the applicable environmental laws and attempts to prevent or minimize the environmental risks that could occur as a result of its activities. To the best of the Company's knowledge, at the balance sheet date, none of its applicable permits and licenses with respect to environmental issues have been revoked.

Claims against subsidiaries

In the ordinary course of business, legal claims are filed against subsidiaries, including lawsuits, regarding claims for patent infringement. Inter alia, from time to time, the Company, similar to other companies operating in the plant protection industry, is exposed to class actions for large amounts, which it must defend against while incurring considerable costs, even if these claims, from the start, have no basis. In the estimation of the Company's management, based, inter alia, on opinions of its legal counsel regarding the prospects of the proceedings, the financial statements include appropriate provisions where necessary to cover the exposure resulting from the claims.

XI. Commitments and contingencies - (cont'd)

2 Commitments and Contingent Liabilities - (cont'd)

Claims against subsidiaries - (cont'd)

Various immaterial claims have been filed against Group companies in courts throughout the world, in immaterial amounts, for causes of action involving mainly employee-employer relations and various civil claims, for which the Company did not record a provision in the financial statements. Furthermore, claims were filed for product liability damages, for which the Company has appropriate insurance coverage, such that the Company's exposure in respect thereof is limited to the amount its deductible requirement or the amount thereof does not exceed the deductible amount.

XII . Events subsequent to the balance sheet date

(1) On March, 19, 2019, after obtaining the approval of the 12th meeting of the company's 8th Board of Directors, the Company declared RMB 0.97 (including tax) per 10 shares as cash dividend to all shareholders, resulting in a total cash dividend of 237,316 thousand RMB (including tax), and zero shares as share dividend, as well as no reserve transferred to equity capital.

The proposal is subject to the approval by shareholders at shareholders' general meeting.

(2) In January 2019, Solutions (through an affiliated company in the US) acquired Bonide Products Inc., a U.S. based provider of pest-control solutions for the consumer Home & Garden market, in consideration of RMB 834 million.

(3) On 19 March 2019, the Company entered into an agreement for the acquisition of Jiangsu Anpon Electrochemical Co., Ltd. (hereinafter referred to as "Anpon"), a wholly-owned subsidiary of CNAC, located in Huai'An, Jiangsu Province. Anpon is a backward-integrated manufacturer of key active ingredients used in crop protection markets worldwide.

The purchase price of the transaction, which is currently in the process of being closed, is approximately RMB 415 million, with a potential additional payment of up to approximately RMB 405 million, depending on the realization of benefits from the future relocation of some of Anpon's manufacturing facilities. The transaction is considered a related party transaction and therefore will be considered as a business combination under common control.

(4) At the end of January 2019, the Company voluntarily suspended operations at Sanonda's old site in Jingzhou, which is in the process of being relocated to a nearby advanced site, due to recording of higher than permitted levels of wastewater compounds. It was subsequently instructed by the local government not to resume operations before rectification. The Company is working to rectify the discharge levels and resume operations at the old site as soon as possible.

According to the rectification plan being executed by the Company, the Company expects to commence gradual resumption of operations at the old site around the end of March 2019.

XIII . Share-based Payments

(1) In December 2017, the remuneration committee and the Board of Directors (and the General Meeting with respect to the CEO) of Adama solutions, a wholly-owned subsidiary, approved the allocation of 49,042,146 phantom warrants to officers and employees in accordance with the long-term phantom compensation plan ("the Plan"). The allocation date is December 28, 2017

The warrants will vest in four equal portions, where the first and second quarters are exercisable after one year, the third quarter after two years and the fourth quarter after three years from January 1, 2018. The warrants will be exercisable, in whole or in part, in accordance with the terms of the plan, and subject to achieving financial targets as determined in the plan. The warrants may be exercised until the end of 2023.

Upon exercise of each warrant, the offeree will be entitled to receive cash payment equal to the difference between the base price as determined at the time of the grant and the closing price of one share of the company on the Shenzhen Stock Exchange, as it will be on the exercise date up to the ceiling that was determined under the plan.

The fair value of the granted warrants as aforesaid was estimated using the binomial pricing model.

The cost of the benefit embodied in the warrants that were allocated as aforesaid, based on the fair value at the end of the reporting period, amounted to a total of 86 million RMB. The liability at the end of the reporting period was recorded according to the vesting period as determined in the plan, taking into account the extent of the service that the employees provided until that date.

Statement of share based payments in the year	**Phantom warrants**
Total number of Phantom warrants granted in current period	198,417
Total number of Phantom warrants exercised in current period	-
Total number of Phantom warrants forfeited in current period	(1,139,172)
Total number of Phantom warrants at the end of the period	48,101,391
The range of the exercise prices and the remainder of the contractual period for Phantom warrants outstanding at the end of period	RMB 15.067-15.13, 5 years
The parameters used in implementing the model are as follows:	
Stock price (RMB)	9.13
Exercise increment (RMB)	15.067-15.13
Expected volatility	45.47%
Risk-free interest rate	2.97%
Economic value as of December 31, 2018 (in thousands RMB)	85,968

The methods for the determination of the fair value of liabilities arising from cash-settled share-based payments	The binomial pricing model
Accumulated amount of liabilities arising from cash-settled share-based payments (in thousands RMB)	61,961
Expenses arising from cash-settled share-based payments in current period (in thousands RMB)	465

XIV. Other significant items

(1) Segment reporting

The Company presents its segment reporting based on a format that is based on a breakdown by business segments:

- Crop Protection (Agro)

  This is the main area of the Company's operations and includes the manufacture and marketing of conventional agrochemical products and operations in the seeds sector.

- Other (Non Agro)

  This field of activity includes a large number of sub-fields, including: Lycopan (an oxidization retardant), aromatic products, and other chemicals. It combines all the Company's activities not included in the agro-products segment.

Segment results reported to the chief operating decision maker include items directly attributable to a segment as well as items that can be allocated on a reasonable basis. Unallocated items comprise mainly financing expenses, net, gains from changes in fair value, investment income and tax expenses.

All assets and liabilities that can be attributed to a specific segment were allocated accordingly. Attributed assets include: accounts and bills receivables, inventory, assets held for sale, fixed assets, construction in progress, intangible assets, goodwill, non-current trade receivables and long-term equity investments. Attributed liabilities include account payables, bill payables, liability in respect of long-term equity investee and deferred income. All other assets and liabilities which are not attributable to a specific segment are presented as unallocated assets and liabilities.

(Expressed in RMB '000)

XIV . Other significant items - (cont'd)

(1) Segment reporting - (cont'd)

Information regarding the results and assets and liabilities of each reportable segment is included below:

	Crop Protection (Agro)		Other (Non Agro)		Elimination among segments		Total	
	Year ended December 31		Year ended December 31		Year ended December 31		Year ended December 31	
	2018	2017	2018	2017	2018	2017	2018	2017
Operating income from extern customers	23,874,564	22,033,564	1,740,555	1,786,004	-	-	25,615,119	23,819,568
Inter-segment operating income	-	-	719	5,238	(719)	(5,238)	-	-
Interest in the profit or loss of associates and joint ventures	6,207	5,278	794	16,961	-	-	7,001	22,239
Segment's results	4,042,098	2,419,286	104,395	133,032	-	-	4,146,493	2,552,318
Financial expenses, net							(552,707)	(1,205,286)
Gain (loss) from changes in fair value							(979,334)	269,351
Investment income							621,256	51,619
Profit before tax							3,235,708	1,668,002
Income tax expense							833,246	(122,123)
Net profit							2,402,462	1,545,879

	Crop Protection (Agro)		Other (Non Agro)		Unallocated assets and liabilities		Total	
	December 31 2018	January 1 2018	December 31 2018	January 1 2018	December 31 2018	January 1 2018	December 31 2018	January 1 2018
Total assets	31,987,275	27,329,497	1,682,410	1,777,896	9,142,820	10,596,631	42,812,505	39,704,024
Total liabilities	4,811,684	4,027,090	235,778	198,600	15,484,917	16,610,219	20,532,379	20,835,909

(Expressed in RMB '000)

XIV. Other significant items - (cont'd)

(1) Segment reporting - (cont'd)

Geographic information

The following tables sets out information about the geographical segments of the Group's operating income based on the location of customers (sales target) and the Group's non-current assets (including fixed assets, construction in progress, investment properties intangible assets and goodwill). In the case of investment property, fixed assets and construction in progress, the geographical location of the assets is based on its physical location. In case of intangible assets and goodwill, the geographical location of the company which owns the assets.

	Operating income from external customers	
	Years ended December 31	
	2018	2017
Europe	6,983,002	7,105,622
North America	4,849,616	4,368,907
Latin America	6,172,800	5,045,683
Asia Pacific	4,028,688	3,950,970
Africa, Middle East (including Israel) and India	3,581,013	3,348,386
	25,615,119	23,819,568

	Specified non-current assets	
	December 31 2018	January 1 2018 & December 31 2017
Europe	733,855	732,024
Latin America	2,065,089	1,030,652
North America	503,093	464,183
Asia Pacific	2,047,724	2,186,442
Africa, Middle East (including Israel) and India	11,659,705	10,592,839
	17,009,466	15,006,140

The dependency on major customers

No single customer's proportion of the total amount of sales is over 10%.

(Expressed in RMB '000)

XIV. Other significant items - (cont'd)

(2) Calculation of Earnings per share and Diluted earnings per share

	Amount for the current year	Amount for the prior year
Net profit from continuing operations attributable to ordinary shareholders	2,402,462	1,545,879

Thousands shares	Amount for the current year	Amount for the prior year
Number of ordinary shares outstanding at the beginning of the year	2,341,856	2,341,856
Add: weighted average number of ordinary shares issued during the year	104,698	-
Less: weighted average number of ordinary shares repurchased during the year	-	-
Weighted average number of ordinary shares outstanding at the end of the year	2,446,554	2,341,856

On July 4, 2017 the entire share capital of Solutions was transferred from CNAC to the Company, in return for the issuance of 1,810,883,039 new shares of the Company to CNAC, which is a business combination under common control. According to “Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9-Calculation and Disclosure of Return on net assets and Earnings per Share”, in a business combination involving enterprises under common control when calculating the basic earnings per share during the comparative period, the shares shall be treated as issued at the beginning of the comparative period.

In December 2017, non-publicly offered 104,697,982 ordinary shares (A-share) at nominal value of RMB 1 per share to specific investors. The Company received proceeds of 1,531,920 thousand RMB, net of the issuing cost of 28,080 thousand RMB on December 27, 2017.

(Expressed in RMB '000)

XIV . Other significant items - (cont'd)

(2) Calculation of Earnings per share and Diluted earnings per share - (cont'd)

	Amount for the current year	Amount for the prior year
Calculated based on net profit attributable to ordinary shareholders		
Basic earnings per share	0.98	0.66
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.98	0.66
Diluted earnings per share	N/A	N/A
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

XV. Notes to major items in the Company's financial statements

1. Cash at bank and on hand

	December 31 2018	January 1 2018 & December 31 2017
Deposits in banks	2,005,313	1,864,003
Other cash and bank	52,940	4,600
	2,058,253	1,868,603

2. Bills receivable and accounts receivable

	December 31 2018	January 1 2018	December 31 2017
Bills receivables	19,917	146,525	146,525
Accounts receivable	692,199	852,185	855,116
	712,116	998,710	1,001,641

(1) Bills receivable

a. By category

	December 31 2018	January 1 2018 & December 31 2017
Bank acceptance draft	19,917	146,525
	19,917	146,525

All bills receivables are due within 1 year.

(Expressed in RMB '000)

XV. Notes to major items in the Company's financial statements - (cont'd)

2. Bills receivable and accounts receivable - (cont'd)

(2) Bills receivable which were endorsed by the Company

	December 31 2018
Bank acceptance draft	211,682
	211,682

(3) Accounts receivable

a. By category

	December 31, 2018				
	Book value		Provision for bad and doubtful debts		
	Amount	Percentage(%)	Amount	Percentage(%)	Carrying amount
Account receivables assessed individually for impairment	190,376	23	127,406	67	62,970
Account receivables assessed collectively for impairment	631,764	77	2,535	-	629,229
	822,140	100	129,941	16	692,199

	January 1, 2018				
	Book value		Provision for bad and doubtful debts		
	Amount	Percentage(%)	Amount	Percentage(%)	Carrying amount
Account receivables assessed individually for impairment	11,593	1	11,593	100	-
Account receivables assessed collectively for impairment	854,531	99	2,346	-	852,185
	866,124	100	13,939	1.6	852,185

(Expressed in RMB '000)

XV. Notes to major items in the Company's financial statements - (cont'd)

2. Bills receivable and accounts receivable - (cont'd)

b. Aging analysis

	December 31, 2018
Within 1 year (inclusive)	704,435
Over 1 year but within 2 years	105,249
Over 2 years but within 3 years	2,634
Over 3 years but within 4 years	1,280
Over 4 years but within 5 years	517
Over 5 years	8,025
	822,140

c. Addition, written-back and written-off of provision for bad and doubtful debts during the years

	Year ended December 31, 2018
Balance as of January 1,	13,939
Addition during the year, net	116,295
Write back during the year	(274)
Write-off during the year	(19)
Exchange rate effect	-
Balance as of December 31	129,941

d. Five largest accounts receivable at December 31 2018:

Name	Closing balance	Proportion of Accounts receivable(%)	Allowance of doubtful debts
Party 1	569,227	69	-
Party 2	176,215	21	113,425
Party 3	31,240	4	-
Party 4	7,927	1	-
Party 5	7,159	1	-
	791,768	96	113,425

3 Other Receivables

	December 31 2018	January 1 2018 & December 31 2017
Dividends receivable	1,808	-
Other receivables	29,940	1,140
	31,748	1,140

(Expressed in RMB '000)

XV. Notes to major items in the Company's financial statements - (cont'd)

3 Other Receivables - (cont'd)

(1) Dividends receivable

a. Dividends receivable by categories

Items/Invested companies	December 31 2018	January 1 2018 & December 31 2017
Hubei Bank	1,808	-

As at 31 December 2018, the Company did not have any significant dividends receivable exceeded 1 year.

(2) Other receivables

a. Other receivables by categories

	December 31 2018	January 1 2018 & December 31 2017
Other	35,072	6,122
Provision for doubtful debts	(5,132)	(4,982)
	29,940	1,140

b. Other receivables by aging

	December 31, 2018
Within 1 year (inclusive)	29,929
Over 1 year but within 2 years	72
Over 2 years but within 3 years	10
Over 3 years but within 4 years	-
Over 4 years but within 5 years	-
Over 5 years	5,061
	35,072

(Expressed in RMB '000)

XV. Notes to major items in the Company's financial statements - (cont'd)

3 Other Receivables - (cont'd)

c. Additions, recovery or reversal and written-off of provision for bad and doubtful debts during the period:

	Year ended December 31, 2018
Balance as of January 1,	4,982
Addition during the year	175
Written back during the year	(25)
Write-off during the year	-
Exchange rate effect	-
Balance as of December 31	5,132

d. Five largest other receivables at December 31 2018:

Name	Closing balance	Proportion of other receivables (%)	Allowance of doubtful debts
Party 1	28,553	81	-
Party 2	3,125	9	3,125
Party 3	651	2	-
Party 4	548	2	548
Party 5	350	1	-
	33,227	95	3,673

(Expressed in RMB '000)

XV. Notes to major items in the Company's financial statements - (cont'd)

4. Long-term equity investments

ITEM	December 31, 2018 Amount balance	December 31, 2018 Impairment loss	December 31, 2018 Book value	January 1, 2018 & December 31 2017 Amount balance	January 1, 2018 & December 31 2017 Impairment loss	January 1, 2018 & December 31 2017 Book value
Invest in subsidiaries.	15,939,826	-	15,939,826	15,939,826	-	15,939,826
	15,939,826	-	15,939,826	15,939,826	-	15,939,826

Investments in subsidiaries

Invested unit	Opening balance	Increase	Decrease	Closing balance	Current provision Impairment loss	Balance provision Impairment loss
Jingzhou Hongxiang chemical co. LTD.	37,620	-	-	37,620	-	-
Hubei Sanonda foreign trade co. LTD.	11,993	-	-	11,993	-	-
ADAMA Agricultural Solutions Ltd	15,890,213	-	-	15,890,213	-	-
	15,939,826	-	-	15,939,826	-	-

5. Operating Income and operating costs

Item	Year ended December 31, 2018		Year ended December 31, 2017	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	3,008,298	1,959,089	2,681,430	1,949,859
Other operations	103,855	88,984	216,966	210,123
	3,112,153	2,048,073	2,898,396	2,159,982

(Expressed in RMB '000)

XV. Notes to major items in the Company's financial statements - (cont'd)

6. Notes to items in the cash flow statements

(1) Other cash received relevant to operating activities

Item	Year ended December 31, 2018	Year ended December 31, 2017
Interest income	25,827	1,034
Government subsidies	2,628	1,774
Other	3,220	5,602
	31,675	8,410

(2) Other cash paid relevant to operating activities

Item	Year ended December 31, 2018	Year ended December 31, 2017
Professional services	71,188	60,724
Transportation and Commissions	77,477	86,733
Other	24,220	63,246
	172,885	210,703

(3) Other cash received relevant to financing activities

Item	Year ended December 31, 2018	Year ended December 31, 2017
Other	-	7,800

(4) Other cash paid relevant to financing activities:

Item	Year ended December 31, 2018	Year ended December 31, 2017
Funding deposit	-	100,000
Repurchase of B shares	393,025	-
Restricted cash	48,340	4,600
Other	8,610	-
	449,975	104,600

(Expressed in RMB '000)

XV. Notes to major items in the Company's financial statements - (cont'd)

7、 Supplementary information to cash flow statement

Supplementary materials	Year ended December 2018	Year ended December 2017
a. Reconciliation of net profit to net cash flows generated from operating activities:		
Net profit	323,396	171,244
Add: Assets impairment loss	75,080	47,818
Credit impairment loss	116,171	N/A
Depreciation of fixed assets	218,783	190,317
Amortization of intangible assets	5,516	5,006
Loss on disposal of fixed assets, intangible assets and other long-term assets	1,457	2,531
Loss from changes in fair value	-	130
Financial expenses	(21,476)	25,437
Investment loss (income)	(1,808)	1,650
Decrease (increase) in deferred income tax assets	(21,533)	1,917
Decrease (increase) in inventory	25,153	(11,201)
Increase in accounts receivable from operating activities	153,415	(300,891)
Increase in payables from operating activities	199,429	261,790
Net cash flows generated from operating activities	1,073,583	395,748
b. Investing and financing activities that do not involve cash receipts and payment	-	18,471,007
c. Net increase in cash and cash equivalents		
Closing balance of cash	2,005,313	1,864,003
Less: Opening balance of cash	1,864,003	249,741
Net increase in cash and cash equivalents	141,310	1,614,262

XV. Notes to major items in the Company's financial statements - (cont'd)

8. Related parties and related parties transactions

(1) Information on parent Company

Company name	Registered place	Business nature	Registered capital (Thousand)	Shareholding percentage (%)	Percentage of voting rights (%)
CNAC	Beijing, China	Production and sales of agrochemicals	3,338,220	78.91%	78.91%

The ultimate controller of the company is China National Chemical Corporation.

(2) Information on the subsidiaries of the Company

For information about the subsidiaries of the Company, refer to Note VII.1.

(3) Transactions with related parties

a. Transactions of goods and services

Summary of Purchase of goods/services received		Years ended December 31	
	Related Party Relationship	**2018**	**2017**
Purchase of goods/services received	Common control under ChemChina	15,733	13,516
Purchase of fixed assets and other assets	Common control under ChemChina	74,308	39,690
Purchase of goods/services received	Subsidiary	170,661	47,939
Purchase of goods	Subsidiary	50,010	164,718
Summary of Sales of goods:			
Sale of goods	Common control under ChemChina	-	344
Sale of goods	Subsidiary	864,946	390,359
Sale of raw materials	Subsidiary	54,999	168,480
Sale of fixed assets	Subsidiary	1,528	1,183

(Expressed in RMB '000)

XV. Notes to major items in the Company's financial statements - (cont'd)

8. Transactions and balances with related parties - (cont'd)

(3) Transactions with related parties - (cont'd)

b. Leases

The Company as lessor

Type of leased assets	Lessee	December 31 2018	December 31 2017
Building and Structures	Common control under ChemChina	19	114

The Company as the guarantee receiver

As At December 31, 2018	Amount of guaranteed loan	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y/ N)
Common control under ChemChina	303,000	20/02/2017	19/02/2020	Y
Parent	300,000	20/11/2017	20/11/2022	N
	50,000	18/10/2017	18/10/2021	N
	50,000	10/01/2017	10/01/2020	Y
	100,000	13/06/2018	12/06/2022	N
Ultimate controller	200,000	25/09/2013	25/09/2020	Y
	160,000	27/05/2014	09/06/2021	N
	150,000	30/09/2013	13/10/2020	Y

c. Related party purchase of shares and subsidiary

	Item	Years ended December 31 2018	Years ended December 31 2017
Parent	Adama agricultural solutions	-	18,471,007
Subsidiary	Repurchase of B shares	-	411,818

(Expressed in RMB '000)

XV. Notes to major items in the Company's financial statements - (cont'd)

8. Transactions and balances with related parties - (cont'd)

(3) Transactions with related parties - (cont'd)

d. Receivables from and payables to related parties (including loans)

Receivable Items

		December 31 2018		January 1 2018	
Items	**Related Party Relationship**	**Book Balance**	**Bad debt Provision**	**Book Balance**	**Bad debt Provision**
Trade receivables	Subsidiary	753,369	113,245	793,330	-
Prepayments	Common control under ChemChina	298	-	12,357	-

Payable Items

Items	**Related Party Relationship**	**December 31 2018**	**January 1 2018**
Trade payables	Subsidiary	-	3,465
Trade payables	Common control under ChemChina	184	980
Other payables	Subsidiary	105,164	436,268
Other payables	Common control under ChemChina	240	-
Other non-current liabilities*	Common control under ChemChina	171,770	171,770

*loans from related party, the interest expense in 2018 and 2017 was 2,090 thousand RMB for each of the periods.

e. Other related party transactions

The closing balances of bank deposit in ChemChina Finance Corporation at December 31, 2018 and 2017 were 295,661 and 25,014 thousand RMB, accordingly.
Interest income of bank deposit for the years 2018 and 2017 was 146 and 14 thousand RMB, accordingly.

(Expressed in RMB '000)

Notes to the Financial Statements

Supplementary information

1. Extraordinary Gain and Loss

	Year ended December 31, 2018
Disposal of non-current assets	1,959,005
Government grants recognized through profit or loss	21,089
Recovery or reversal of provision for bad debts which is assessed individually during the years	17,303
Other non-operating income and expenses besides items above	(11,719)
Tax effect	(442,664)
	1,543,014

Note: Extraordinary gain and loss items listed above are presented in the amount before taxation

2. Return on net assets and earnings per share ("EPS")

The information of Return on net assets and EPS is in accordance with the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on net assets and Earnings per share (2010 Amendment) issued by China Securities Regulatory Commission

Profit during the reporting period	Weighted average rate of return on net assets (%)	Basic EPS (RMB/share)	Diluted EPS (RMB/share)
Net profit attributable to ordinary shareholders of the Company	11.68%	0.98	N/A
Net profit after deduction of extraordinary gains/losses attributable to ordinary shareholders of the Company	4.18%	0.35	N/A

Section XII Documents Available for Reference

(I) Financial Statements carried with signatures and seals of Legal Representative and Accounting Principal, as well as Head of the Accounting Organ;
(II) Original of the Auditor’s Report with the seals of accounting firm and the signatures and seals of certified public accountants;
(III) In the reporting period, originals of all documents of the Company ever disclosed publicly in media designated by China Securities Regulatory Commission as well as the originals of all the public notices were deposited in the office of the Company.

ADAMA Ltd.

Legal Representative：Chen Lichtenstein

March 21, 2019