ADAMA Ltd.

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2019

FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30 2019

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(Expressed in RMB '000)

Consolidated Balance Sheet

	Notes	June 30 2019	December 31 2018 (Restated)
Current assets			
Cash at bank and on hand	V.1	5,425,392	6,400,190
Financial assets held for trading	V.2	33,074	46,095
Derivative financial assets	V.3	416,991	517,726
Bills receivable	V.4	54,702	40,569
Accounts receivable	V.5	7,674,381	6,573,100
Receivables financing	V.6	68,629	73,216
Prepayments	V.7	319,471	410,506
Other receivables	V.8	929,945	1,079,332
Inventories	V.9	10,337,924	9,433,876
Non-current assets due within one year	V.20	-	48
Other current assets	V.10	715,767	660,806
Total current assets		25,976,276	25,235,464
Non-current assets			
Long-term receivable	V.11	174,246	157,600
Long-term equity investments	V.12	135,075	108,350
Other equity investments	V.13	87,812	91,559
Investment properties		3,933	4,094
Fixed assets	V.14	7,167,032	7,263,866
Construction in progress	V.15	534,351	487,204
Right-of-use assets	V.16	554,372	N/A
Intangible assets	V.17	5,802,932	5,741,962
Goodwill	V.18	4,298,747	4,085,945
Deferred tax assets	V.19	767,928	741,737
Other non-current assets	V.20	307,385	217,282
Total non-current assets		19,833,813	18,899,599
Total assets		45,810,089	44,135,063

The notes on pages 11 to 117 form part of these financial statements.

(Expressed in RMB '000)

Consolidated Balance Sheet (continued)

	Notes	June 30 2019	December 31 2018 (Restated)
Current liabilities			
Short-term loans	V.21	2,308,286	1,122,774
Derivative financial liabilities	V.22	688,267	1,451,670
Bills payable	V.23	375,777	445,533
Accounts payable	V.24	4,178,668	4,627,936
Contract liabilities	V.25	917,747	848,402
Employee benefits payable	V.26	912,354	944,175
Taxes payable	V.27	437,227	616,780
Other payables	V.28	1,970,641	1,197,579
Non-current liabilities due within one year	V.29	422,208	301,814
Other current liabilities	V.30	344,127	578,184
Total current liabilities		12,555,302	12,134,847
Non-current liabilities			
Long-term loans	V.31	673,796	235,819
Debentures payable	V.32	8,152,990	7,649,098
Lease Liabilities	V.33	418,814	N/A
Long-term payables		26,419	25,106
Long-term employee benefits payable	V.34	644,449	620,646
Provisions	V.35	135,924	132,351
Deferred tax liabilities	V.19	350,735	392,404
Other non-current liabilities	V.36	372,256	199,930
Total non-current liabilities		10,775,383	9,255,354
Total liabilities		23,330,685	21,390,201
Shareholders' equity			
Share capital	V.37	2,446,554	2,446,554
Capital reserve	V.38	12,903,168	13,324,491
Other comprehensive income	V.39	972,845	1,090,827
Special reserves		16,798	13,536
Surplus reserve	V.40	240,162	240,162
Retained earnings	V.41	5,899,877	5,629,292
Total shareholders' equity		22,479,404	22,744,862
Total liabilities and shareholders' equity		45,810,089	44,135,063

Chen Lichtenstein	Aviram Lahav
Legal representative	Chief of accounting work & Chief of accounting organ

These financial statements were approved by the Board of Directors of the Company on August 21, 2019.

The notes on pages 11 to 117 form part of these financial statements.

(Expressed in RMB '000)

Balance Sheet

	Notes	June 30 2019	December 31 2018
Current assets			
Cash at bank and on hand	XV.1	2,173,167	2,058,253
Accounts receivable	XV.2	252,070	692,199
Receivables financing	XV.3	46,331	19,917
Prepayments		32,916	10,500
Other receivables	XV.4	13,912	31,748
Inventories		107,808	147,975
Other current assets		1,743	1,343
Total current assets		2,627,947	2,961,935
Non-current assets			
Long-term equity investments	XV.5	16,403,642	15,939,826
Other equity investments		86,059	80,119
Investment properties		3,932	4,094
Fixed assets		932,920	1,012,674
Construction in progress		259,900	188,020
Right-of-use assets		609	-
Intangible assets		172,650	174,997
Deferred tax assets		58,433	48,103
Other non-current assets		110,631	54,060
Total non-current assets		18,028,776	17,501,893
Total assets		20,656,723	20,463,828
Current liabilities			
Short-term loans		20,000	20,000
Bills payables		146,595	209,700
Accounts payables		130,843	182,110
Contract liabilities		3,096	9,983
Employee benefits payable		22,236	25,758
Taxes payable		3,032	55,198
Other payables		849,222	187,762
Non-current liabilities due within one year		631	72,000
Total current liabilities		1,175,655	762,511
Non-current liabilities			
Long-term employee benefits payable		98,241	100,144
Provisions		16,865	16,454
Other non-current liabilities		171,770	171,770
Total non-current liabilities		286,876	288,368
Total liabilities		1,462,531	1,050,879
Shareholders' equity			
Share capital	V.38	2,446,554	2,446,554
Capital reserve		15,463,245	15,414,429
Other comprehensive income		48,217	43,167
Special reserves		14,046	11,564
Surplus reserve	V.41	240,162	240,162
Retained earnings		981,968	1,257,073
Total shareholders' equity		19,194,192	19,412,949
Total liabilities and shareholders' equity		20,656,723	20,463,828

The notes on pages 11 to 117 form part of these financial statements.

(Expressed in RMB '000)

Consolidated Income Statement

	Notes	Six months ended June 30 2019	2018 (Restated)
I. Operating income	V.42	13,616,032	13,639,073
Less: Cost of sales	V.42	9,023,242	9,042,183
Taxes and surcharges	V.43	46,226	60,548
Selling and Distribution expenses	V.44	2,499,774	2,256,991
General and administrative expenses	V.45	628,259	523,821
Research and Development expenses	V.46	210,699	156,275
Financial expenses	V.47	938,196	347,554
Including: Interest expense		325,138	306,821
Interest income		41,534	41,465
Add: Investment income, net	V.48	(514,443)	147,053
Including: Income from investment in associates and joint ventures		21,724	12,758
Gain (loss) from changes in fair value	V.49	884,135	(243,376)
Credit impairment loss	V.50	3,347	(6,097)
Asset impairment losses	V.51	(23,809)	(37,783)
Gain from disposal of assets	V.52	115,514	1,997,170
II. Operating profit		734,380	3,108,668
Add: Non-operating income		10,811	26,884
Less: Non-operating expenses	V.53	16,016	8,827
III. Total profit		729,175	3,126,725
Less: Income tax expense	V.54	140,537	737,558
IV. Net profit		588,638	2,389,167
(1). Classified by nature of operations			
(1.1). Continuing operations		588,638	2,389,167
(2). Classified by ownership			
(2.1). Shareholders of the Company		588,638	2,389,167
V. Other comprehensive income, net of tax	V. 39	(113,471)	505,361
Other comprehensive income (net of tax) attributable to shareholders of the Company		(113,471)	505,361
(1) Items that will not be reclassified to profit or loss:		(4,417)	11,106
(1.1) Re-measurement of defined benefit plan liability		(13,978)	11,106
(1.2) FV changes in other equity investment		9,561	-
(2) Items that were or will be reclassified to profit or loss		(109,054)	494,255
(2.1) Effective portion of gains or loss of cash flow hedge		(151,993)	293,474
(2.2) Translation differences of foreign financial statements		42,939	200,781
VI. Total comprehensive income for the period attributable to Shareholders of the Company		475,167	2,894,528
VII. Earnings per share	XIV.2		
(1) Basic earnings per share (Yuan/share)		0.24	0.98
(2) Diluted earnings per share (Yuan/share)		N/A	N/A

For business combination under common control in the reporting period, net profit of the acquiree before the business combination was 38,027 thousand RMB; net profit of the acquiree in the comparative period (six months ended June 30, 2018) was 22,089 thousand RMB.

The notes on pages 11 to 117 form part of these financial statements.

(Expressed in RMB '000)

Income Statement

	Notes	Six months ended June 30 2019	2018
I. Operating income	XV.6	735,426	1,666,573
Less: Operating costs	XV.6	518,561	1,169,757
Taxes and surcharges		8,910	21,211
Selling and Distribution expenses		43,054	69,533
General and administrative expenses		190,950	85,677
Research and Development expenses		24,464	2,430
Financial expenses (income)		(1,254)	(20,437)
Including: Interest expense		2,059	4,918
Interest income		14,333	13,035
Add: Credit impairment loss		(1,633)	(3,073)
Asset Impairment losses		(272)	(905)
II. Operating Profit		(51,164)	334,424
Add: Non-operating income		4,430	975
Less: Non-operating expenses		1,896	123
III. Total profit		(48,630)	335,276
Less: Income tax expense (income)		(10,841)	52,893
IV. Net profit		(37,789)	282,383
Continuing operations		(37,789)	282,383
V. Other comprehensive income, net of tax		5,050	(391)
(1) Items that will not be reclassified to profit or loss		5,050	(391)
(1.1) Re-measurement of defined benefit plan liability		-	(391)
(1.2) FV changes in other equity investment		5,050	-
VI. Total comprehensive income for the period		(32,739)	281,992

The notes on pages 11 to 117 form part of these financial statements.

(Expressed in RMB '000)

Consolidated Cash Flow Statement

	Notes	Six months ended June 30 2019	2018 (Restated)
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		12,817,678	12,600,613
Refund of taxes and surcharges		39,737	16,347
Cash received relating to other operating activities	V.56(1)	258,378	260,834
Sub-total of cash inflows from operating activities		13,115,793	12,877,794
Cash paid for goods and services		9,779,321	8,642,298
Cash paid to and on behalf of employees		1,801,614	1,779,363
Payments of taxes and surcharges		465,018	241,030
Cash paid relating to other operating activities	V.56(2)	1,374,790	1,375,300
Sub-total of cash outflows from operating activities		13,420,743	12,037,991
Net cash flows from (used in) operating activities	V.57(1)a	(304,950)	839,803
II. Cash flows from investing activities:			
Cash received from disposal of investments		20,173	9,792
Cash received from returns of investments		3,372	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		30,843	2,444,437
Cash received relating to other investing activities	V.56(3)	9,327	57
Sub-total of cash inflows from investing activities		63,715	2,454,286
Cash paid to acquire fixed assets, intangible assets and other long-term assets		606,126	2,678,605
Net cash paid to acquire subsidiaries or other business units	V.57(2)	826,805	9,332
Cash paid relating to other investing activities		778	-
Sub-total of cash outflows from investing activities		1,433,709	2,687,937
Net cash flows used in investing activities		(1,369,994)	(233,651)
III. Cash flows from financing activities:			
Cash received from borrowings		1,987,810	396,500
Cash received from other financing activities	V.56(4)	61,701	-
Sub-total of cash inflows from financing activities		2,049,511	396,500
Cash repayments of borrowings		463,876	2,497,633
Cash payment for dividends, profit distributions and interest		406,111	294,135
Including: Dividends paid to non-controlling interest		28,936	16,028
Cash paid relating to other financing activities	V.56(5)	443,891	32,619
Sub-total of cash outflows from financing activities		1,313,878	2,824,387
Net cash from (used in) financing activities		735,633	(2,427,887)
IV. Effects of foreign exchange rate changes on cash and cash equivalents		(25,065)	(1,593)
V. Net increase (decrease) in cash and cash equivalents	V.57(1)b	(964,376)	(1,823,328)
Add: Cash and cash equivalents at the beginning of the year		6,346,196	7,979,502
VI. Cash and cash equivalents at the end of the period	V.57(3)	5,381,820	6,156,174

The notes on pages 11 to 117 form part of these financial statements.

(Expressed in RMB '000)

Cash Flow Statement

	Notes	Six months ended June 30 2019	2018
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		1,034,417	1,289,145
Refund of taxes and surcharges		23,042	166
Cash received relating to other operating activities	XV.7(1)	18,958	15,192
Sub-total of cash inflows from operating activities		1,076,417	1,304,503
Cash paid for goods and services		535,991	587,656
Cash paid to and on behalf of employees		94,867	91,839
Payments of taxes and surcharges		73,468	57,171
Cash paid relating to other operating activities	XV.7(2)	89,570	86,182
Sub-total of cash outflows from operating activities		793,896	822,848
Net cash flows from operating activities	XV.8	282,521	481,655
II. Cash flows from investing activities:			
Cash received relating to other investing activities		1,808	-
Sub-total of cash inflows from investing activities		1,808	-
Cash paid to acquire fixed assets, intangible assets and other long-term assets		92,180	48,465
Sub-total of cash outflows from investing activities		92,180	48,465
Net cash flows used in investing activities		(90,372)	(48,465)
III.Cash flows from financing activities:			
Cash received relating to other financing activities	XV.7.(3)	11,947	-
Sub-total of cash inflows from financing activities		11,947	-
Cash repayments of borrowings		72,000	96,590
Cash payment for dividends, profit distributions or interest		2,059	4,767
Cash paid relating to other financing activities	XV.7.(4)	200	424,313
Sub-total of cash outflows from financing activities		74,259	525,670
Net cash flow used in financing activities		(62,312)	(525,670)
IV. Effects of foreign exchange rate changes on cash and cash equivalents		(2,976)	(9,951)
V. Net increase in cash and cash equivalents		126,861	(102,431)
Add: Cash and cash equivalents at the beginning of the year	XV.1	2,005,313	1,864,003
VI. Cash and cash equivalents at the end of the period	XV.1	2,132,174	1,761,572

The notes on pages 11 to 117 form part of these financial statements.

(Expressed in RMB '000)

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended June 30, 2019

	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, 2018	2,446,554	12,975,456	1,090,952	13,536	240,162	5,513,466	22,280,126
Add: Business combination under common control*	-	349,035	(125)	-	-	115,826	464,736
II. Balance at January 1, 2019	2,446,554	13,324,491	1,090,827	13,536	240,162	5,629,292	22,744,862
III. Changes in equity for the period	-	(421,323)	(117,982)	3,262	-	270,585	(265,458)
1. Total comprehensive income	-	-	(113,471)	-	-	588,638	475,167
2. Owner's contributions and reduction	-	(415,000)	-	-	-	-	(415,000)
2.1 Consideration for Business combination under common control	-	(415,000)	-	-	-	-	(415,000)
3. Appropriation of profits	-	(6,323)	-	-	-	(322,564)	(328,887)
3.1 Distribution to owners	-	-	-	-	-	(293,628)	(293,628)
3.2 Distribution to non-controlling interest	-	-	-	-	-	(28,936)	(28,936)
3.3 Other	-	(6,323)	-	-	-	-	(6,323)
4. Transfers within owners' equity	-	-	(4,511)	-	-	4,511	-
4.1 Others	-	-	(4,511)	-	-	4,511	-
5. Special reserve	-	-	-	3,262	-	-	3,262
5.1 Transfer to special reserve	-	-	-	10,646	-	-	10,646
5.2 Amount utilized	-	-	-	(7,384)	-	-	(7,384)
IV. Balance at June 30, 2019	2,446,554	12,903,168	972,845	16,798	240,162	5,899,877	22,479,404

*See note VI(2) – Change in consolidation scope

The notes on pages 11 to 117 form part of these financial statements.

(Expressed in RMB '000)

Consolidated Statement of Changes in Shareholders' Equity (continued)

For the six months ended June 30, 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 policy			50,621			39,481	90,102
Business combination under common control*	-	349,035	32	-	-	55,045	404,112
II. Balance at January 1, 2018	2,446,554	13,331,312	(104,048)	9,349	207,823	3,381,237	19,272,227
III. Changes in equity for the period	-	(9,371)	505,361	4,883	-	2,234,372	2,735,245
1. Total comprehensive income	-	-	505,361	-	-	2,389,167	2,894,528
2. Owner's contributions and reduction	-	(9,371)	-	-	-	-	(9,371)
2.1 Others	-	(9,371)	-	-	-	-	(9,371)
3. Appropriation of profits	-	-	-	-	-	(154,795)	(154,795)
3.1 Distribution to owners	-	-	-	-	-	(154,133)	(154,133)
3.2 Distribution to non-controlling interest	-	-	-	-	-	(16,028)	(16,028)
3.3 Other	-	-	-	-	-	15,366	15,366
4. Special reserve	-	-	-	4,883	-	-	4,883
4.1 Transfer to special reserve	-	-	-	11,063	-	-	11,063
4.2 Amount utilized	-	-	-	(6,180)	-	-	(6,180)
IV. Balance at June 30, 2018	2,446,554	13,321,941	401,313	14,232	207,823	5,615,609	22,007,472

*See note VI(2) – Change in consolidation scope

The notes on pages 11 to 117 form part of these financial statements.

Statement of Changes in Shareholders' Equity

For the six months ended June 30, 2019

	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, 2018	2,446,554	15,414,429	43,167	11,564	240,162	1,257,073	19,412,949
II. Changes in equity for the period	-	48,816	5,050	2,482	-	(275,105)	(218,757)
1. Total comprehensive income	-	-	5,050	-	-	(37,789)	(32,739)
2. Owner's contributions and reduction	-	48,816	-	-	-	-	48,816
2.1 Other	-	48,816	-	-	-	-	48,816
3. Appropriation of profits	-	-	-	-	-	(237,316)	(237,316)
3.1 Transfer to Distribution to shareholders	-	-	-	-	-	(237,316)	(237,316)
4. Special reserve	-	-	-	2,482	-	-	2,482
4.1 Transfer to special reserve	-	-	-	5,462	-	-	5,462
4.2 Amount utilized	-	-	-	(2,980)	-	-	(2,980)
Ⅲ. Balance at June 30, 2019	2,446,554	15,463,245	48,217	14,046	240,162	981,968	19,194,192

For the six months ended June 30, 2018

	Attributable to shareholders of the Company						
	Share capital	**Capital reserve**	**Other comprehensive income**	**Special reserve**	**Surplus reserve**	**Retained earnings**	**Total**
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 policy			50,621			9,500	60,121
I. Balance at January 1, 2018	2,446,554	15,423,034	50,621	10,040	207,823	1,120,149	19,258,221
II. Changes in equity for the period	-	(9,371)	(391)	3,671	-	128,250	122,159
1. Total comprehensive income	-	-	(391)	-	-	282,383	281,992
2. Owner's contributions and reduction	-	(9,371)	-	-	-	-	(9,371)
2.1 Others	-	(9,371)	-	-	-	-	(9,371)
3. Appropriation of profits	-	-	-	-	-	(154,133)	(154,133)
3.1 Dividend to Shareholders	-	-	-	-	-	(154,133)	(154,133)
4. Special reserve	-	-	-	3,671	-	-	3,671
4.1 Transfer to special reserve	-	-	-	5,215	-	-	5,215
4.2 Amount utilized	-	-	-	(1,544)	-	-	(1,544)
III. Balance at June 30, 2018	2,446,554	15,413,663	50,230	13,711	207,823	1,248,399	19,380,380

The notes on pages 11 to 117 form part of these financial statements.

I BASIC CORPORATE INFORMATION

ADAMA Ltd (former name: Hubei Sanonda Co., Ltd., hereinafter the "Company" or the "Group") 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").

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").

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 largest 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 August 21, 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, 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 June 30, 2019 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 June 30, 2019 and consolidated and the Company's operating results, changes in shareholders' equity and cash flows for the six months 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 March 2019, the acquisition of Jiangsu Anpon Electrochemical co. LTD. (Hereinafter – "Anpon"), a wholly-owned subsidiary of CNAC, was successfully completed. Anpon became a wholly owned subsidiary of the Company. The combination was considered as a business combination under common control. On March 29, 2019 the entire share capital of Anpon was transferred from CNAC to the Company - (See note VI.2 – Change in consolidation scope).

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 are 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 which are an integral part of the effective interest rate, including transaction fees and discount or premium 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. Upon realization 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 in 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 initially measure the loss allowance for that financial instrument at an amount equal to 12-month 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 28.1).

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%-1.4%.

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. 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.

13.1 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)

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

13.2 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.

13.3 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.

13.4 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 20).

13.5 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)

14. 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.

15. Fixed assets

15.1 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)

15. Fixed assets - (cont'd)

15.2 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.

15.3 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 20).

16. 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 20).

(Expressed in RMB '000)

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

17. 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.

18. Intangible assets

18.1 Valuation methods, useful 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	7-11, 20 years
Tradename and trademarks	4-10, 30 years
Software	3-5 years
Customer relations	5-10 years

The difference between recoverable amounts of the intangible assets under the carrying amount is referred to as impairment loss (see Note III 20).

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

18. Intangible assets - (cont'd)

18.2 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.

19. 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 20). 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.

20. 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, right of use assets, 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)

20. 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.

21. Employee benefits

21.1 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.

21.2 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)

21. Employee benefits - (cont'd)

21.3 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.

21.4 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.

22. 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.

22.1 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.

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

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.

24. 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. Goods are considered transferred when the customer obtains control of the goods. 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 at receipt. The difference between the amount of consideration and the cash selling price of the goods, is amortized in the contract period using 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)

25. 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.

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.

26. Current and deferred tax

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

26.1 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.

26.2 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)

26. Current and deferred tax - (cont'd)

26.2 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.

26.3 Offset of income tax

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and tax assets and tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to realize the assets and liabilities simultaneously, current tax assets and liabilities are offset and presented on a net basis.

When the Group has a legal right to settle deferred tax assets and liabilities on a net basis which relates 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)

27. Leases

Lease is a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

27.1 Determining whether an arrangement contains a lease

On the inception date of the lease, the Group determines whether the arrangement is a lease or contains a lease, while assessing if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Group assesses whether it has the following two rights throughout the lease term:
(a) The right to obtain substantially all the economic benefits from use of the identified asset; and

(b) The right to direct the identified asset's use.

An arrangement does not contain a lease if an asset is leased for a period of less than 12 months, or to lease of asset with low economic value.

27.2 Initial recognition of leased assets and lease liabilities

Upon initial recognition, the Group recognizes a liability at the present value of future lease payments (exclude certain variable lease payments, as detailed in note III 27.4), and concurrently the Group recognizes a right-of-use asset at the same amount, adjusted for any prepaid lease payments paid at the lease date or before, plus initial direct costs incurred in respect of the lease.
When the interest rate implicit in the lease is not readily determinable, the incremental borrowing rate of the lessee is used.

The Group presents right-of-use assets separately from other assets in the balance sheet.

27.3 The lease term

The lease term is the non-cancellable period of the lease plus periods covered by an extension or termination option, if it is reasonably certain that the lessee will exercise or not exercise the option, respectively.

If there is a change in the lease term, or in the assessment of an option to purchase the underlying asset, the Group remeasures the lease liability, on the basis of the revised lease term and the revised discount rate and adjust the right-of-use assets accordingly.

27.4 Variable lease payments

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate existing at the commencement of the lease. When the cash flows of future lease payments change as the result of a change in an index or a rate, the balance of the liability is adjusted with a correspondence change in the right-of-use asset.

Other variable lease payments that are not included in the measurement of the lease liability are recognized in profit or loss in the period in which the condition that triggers payment occurs.

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

27. Leases (cont'd)

27.5 Subsequent measurement

After lease commencement, a right-of-use asset is measured on a cost basis less accumulated depreciation and accumulated impairment losses and is adjusted for re-measurements of the lease liability. The asset is depreciated on a straight-line basis over the useful life or contractual lease period, whichever earlier.

The Group applies ASBE8 Impairment of Assets, to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

A lease liability is measured after the lease commencement date at amortized cost using the effective interest method.

28. Other significant accounting policies and accounting estimates

28.1 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

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.

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.

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.

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.

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

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

28.1 Hedging (cont'd)

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 gain (loss) from changes in fair value or investment income.

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 gain (loss) from changes in fair value or investment income.

28.2 Securitization of assets

Details of the securitization of asset agreements and accounting policy are set out in Note V.5 - Account receivables

28.3 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)

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

28.3 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.

28.4 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.

29. Changes in significant accounting policies and accounting estimates

29.1 Changes in significant accounting policies

The contents and reasons for the changes of accounting policies	Process for management approval
The Group began to adopt revised Accounting Standards for Business Enterprises 21 Leases ("New lease standard"), promulgated by Ministry of Finance in 2018, from January 1, 2019. The revised accounting policies for leases are presents in Note III.27 For existing contracts at the initial application date, the Group elects not to re-assess whether they are, or contain leases. Contracts that are signed or modified after the date of initial application, the Group assess whether they are, or contain leases, according to the definition of lease in the new lease standards. The Group adjusts all relevant financial accounts at the initial application date, for the accumulated impact from the new lease standards, with no retrospective adjustments for comparative numbers. The Group elected to apply the transitional provision of recognizing a right-of-use asset at the same amount of the lease liability, adjusted for any prepaid or accrued lease payments that were recognized as an asset or liability before the date of initial application, and therefore, the implementation of the standard does not affect retained earnings balance at the date of initial application.	The accounting policy change was approved by the board of directors meeting in 28.4.2019

(Expressed in RMB '000)

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

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

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

The contents and reasons for the changes of accounting policies	Process for management approval
For operating leases before the initial application date, the Group adopts the simplifying approaches below for each lease: - When determining lease liabilities, the same discount rate will be used for leases with similar characteristics; - For leases with options to extend or terminate, the Group determines the lease term based on the actual exercise of options before the initial application date and other most updated information; - As a substitute of impairment test for right-of-use assets, the Group applies ASBE13 Contingencies, to assess if the contract containing a lease is a loss contract and adjust the right of-use assets based on the loss incurred at the initial application date. - For lease modifications before the initial application date, the Group makes accounting treatments based on the final lease arrangements after the lease modification. On January 1, 2019, as a result of the implementation of the standard, the lease liabilities increased by 506,862 thousands RMB, and right-of-use assets by 506,862 thousands RMB. For operating leases before the initial application date, the Group measures the lease liability at the present value of the lease payments, with the incremental borrowing rate as the discount rate. The borrowing rates are between 1.9% to 6.1%.	
In preparation of 2019 interim financial report, the Group began to adopt the Notice on Revising the Format of 2019 Financial Statements for General Enterprises (CaiKuai [2019] No.6, hereinafter "CaiKuai No.6") promulgated by Ministry of Finance on April 30, 2019. CaiKuai No.6 revised accounts in balance sheets, income statements, statements of cash flows and statements of changes in shareholders' equity, including: - "Notes and accounts receivable" is split into "Notes receivable" and "Accounts receivable"; - "Notes and accounts payable" is split into "Notes payable" and "Accounts payable"; - Newly added "Receivables financing" and "Special reserve"; - Make clear or revise the contents presented within the accounts of "Other receivables", "Non-current assets due within one year", "Other payables", "Deferred income", "Other equity instruments", "Research and Development expenses", "Interest income" and "Interest expenses" as subitems of "Finance expenses", "Other income", "Non-operating income", "Non-operating expenses", and "Capital injected by holders of other equity instruments". - Added disclosure requirements for provision of loss allowance, for loan commitments and financial guarantee contracts; - Added "Gain from derecognition of financial assets at amortized cost" as a subitem of "Investment income"; - Adjusted the sequence of some items within the income statements; - Make clear of the items in the cash flow statements, for the cash flows related to government grants. The above modifications were retrospectively adjusted for comparative numbers. There is no significant impact to the Company's financial statements from implementation Caikuai No.6.	The accounting policy change was approved by the board of directors meeting in 21.8.2019

(Expressed in RMB '000)

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

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

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

Summary of impacts to assets and liabilities from adoption of new lease standard, as at January 1, 2019:

Items	**December 31, 2018**	**Impact from adoption of new leases standard**	**January 1, 2019**
Fixed assets	7,263,866	(6,917)	7,256,949
Right-of-use assets	N/A	513,780	513,780
Total non-current assets	**18,899,599**	**506,863**	**19,406,462**
Total assets	**44,135,063**	**506,863**	**44,641,926**
Non-current liabilities due within one year	301,814	120,584	422,398
Other payables	1,197,579	(4,327)	1,193,252
Total current liabilities	**12,134,847**	**116,257**	**12,251,104**
Lease liabilities	N/A	390,606	390,606
Total non-current liabilities	**9,255,354**	**390,606**	**9,645,960**
Total liabilities	**21,390,201**	**506,863**	**21,897,064**

29.2 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)

30. 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.34, Note VIII, Note IX and Note XIII 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:

30.1 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.

30.2 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)

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

30.3 Impairment of assets other than inventories and financial assets

As described in Note III.20, if impairment indication exists, assets other than inventories and financial assets are assessed at balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such case 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.

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

As described in Note III.15 and III.18, 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.

30.5 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)

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

30.6 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.

30.7 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.

30.8 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)

IV. Taxation

1. Main types of taxes and corresponding tax rates:

The income tax rate in China is 25% (2018: 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	2019
ADAMA agriculture solutions Ltd.	Israel	23.0%
ADAMA Makhteshim Ltd.	Israel	7.5%
ADAMA Agan Ltd.	Israel	16.0%
ADAMA Brasil S/A	Brazil	34.0%
Makhteshim Agan of North America Inc.	U.S.	24.7%
ADAMA India Private Ltd	India	34.9%
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	30.5%
ADAMA Northern Europe B.V.	Netherlands	25.0%
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%.

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 are preferred enterprise under the Israeli Law for the Encouragement of Capital Investments, 1959, according to which preferred enterprise in Development Area A, will be subject to tax rate of 7.5%, the tax rate applicable to preferred enterprises located in other areas is 16%.

Should a dividend be distributed from the historic tax-exempt income, the subsidiaries will be liable for tax on the income from which the dividend was distributed at a rate of 25%. 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 foreign shareholder subject to double taxation treaties, tax of 20% shall apply.

(3) 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

	June 30 2019	December 31 2018 (Restated)
Cash on hand	7,770	1,380
Deposits in banks	5,374,050	6,344,816
Other cash and bank	43,572	53,994
	5,425,392	6,400,190
Including cash and bank placed outside China	2,862,309	3,873,638

As at June 30, 2019, restricted cash and bank balances was 43,572 thousand RMB (as at December 31, 2018- 53,994 thousand RMB) mainly including deposits that guarantee bank acceptance drafts.

2. Financial assets held for trading

	June 30 2019	December 31 2018 (Restated)
Debt instruments	15,365	22,108
Other	17,709	23,987
	33,074	46,095

3. Derivative financial assets

	June 30 2019	December 31 2018 (Restated)
Economic hedge	392,098	389,068
Accounting hedge derivatives	24,893	128,658
	416,991	517,726

4. Bills Receivable

	June 30 2019	December 31 2018 (Restated)
Post-dated checks receivable	20,597	31,935
Bank acceptance draft	34,105	8,634
	54,702	40,569

All bills receivables are due within 1 year.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements – (cont'd)

5. Accounts Receivable

a. By category

	June 30, 2019				
	Book value		Provision for bad and doubtful debts		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	510,505	6	350,809	69	159,696
Account receivables assessed collectively for impairment	7,597,460	94	82,775	1	7,514,685
	8,107,965	100	433,584	5	7,674,381

	December 31, 2018 (Restated)				
	Book value		Provision for bad and doubtful debts		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	458,217	7	335,873	73	122,343
Account receivables assessed collectively for impairment	6,548,131	93	97,375	1	6,450,757
	7,006,348	100	433,248	6	6,573,100

b. Aging analysis

	June 30, 2019
Within 1 year (inclusive)	7,672,012
Over 1 year but within 2 years	139,094
Over 2 years but within 3 years	58,648
Over 3 years but within 4 years	82,014
Over 4 years but within 5 years	36,023
Over 5 years	120,174
	8,107,965

(Expressed in RMB '000)

V. Notes to the consolidated financial statements – (cont'd)

5. Accounts Receivable – (cont'd)

c. Addition, written-back and written-off of provision for bad and doubtful debts during the period

Addition of provision for bad and doubtful debts during the period

	Lifetime expected credit loss (credit losses has not occurred)	Lifetime expected credit loss (credit losses has occurred)	Total
January 1, 2019	52,575	380,673	433,248
First time consolidation	-	2,131	2,131
Addition during the period, net	-	30,763	30,763
Write back during the period	(16,379)	(17,740)	(34,119)
Write-off during the period	-	(2,749)	(2,749)
Exchange rate effect	52	4,258	4,310
Balance as of June 30, 2019	36,248	397,336	433,584

d. Five largest accounts receivable at June 30, 2019:

Name	Closing balance	Proportion of Accounts receivable (%)	Allowance of doubtful debts
Party 1	136,339	2	-
Party 2	105,107	1	-
Party 3	94,513	1	-
Party 4	88,099	1	-
Party 5	84,387	1	-
Total	508,445	6	-

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 Ltd. (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. Subsequent to the report date, the Securitization Agreement was extended up to July 16, 2020.

V. Notes to the consolidated financial statements – (cont'd)

5. Accounts Receivable – (cont'd)

e. Derecognition of accounts receivable due to transfer of financial assets - (cont'd)

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 (as of June 30, 2019 - 2,406 million RMB), during the months July through September the maximum scope of the securitization is $300 million (as of June 30, 2019 - 2,062 million RMB) and during the months October through February the maximum scope of the securitization is $250 million (as of June 30, 2019 - 1,719 million RMB). 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 debt collection is transferred to the insurance company (the actual costs are not significant and are not expected to be significant).

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 subsidiaries handle collection of the trade receivables as part of the Securitization Transaction for the benefit of the Acquiring Company.

As part of the agreement, Solutions is committed to comply with certain financial covenants, mainly the ratio of the liabilities to equity and profit ratios. As of June 30, 2019, Solutions 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 the Acquiring Company is not consolidated in the 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 continuing involvement and subordinated note recorded in the balance sheet as part of the "other receivables" line item.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements – (cont'd)

5. Accounts Receivable – (cont'd)

e. Derecognition of accounts receivable due to transfer of financial assets - (cont'd)

The loss from sale of the trade receivables is recorded at the time of sale in the statement of income in the "financing expenses" line item.

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 June 30, 2019 - 359 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.

	June 30	**December 31**
	2019	**2018 (Restated)**
Accounts receivables derecognized	2,527,285	2,541,443
Continuing involvement	112,986	129,893
Subordinated note in respect of trade receivables	343,027	622,362
Liability in respect of trade receivables	249,332	35,572

	Six months ended June 30	
	2019	**2018**
Loss in respect of sale of trade receivables	33,129	32,186

(Expressed in RMB '000)

V. Notes to the consolidated financial statements – (cont'd)

6. Receivables financing

	June 30 2019	December 31 2018 (Restated)
Bank acceptance draft	68,629	73,216
	68,629	73,216

As at June 30, 2019, bank acceptance endorsed but not yet due amounts to 381,812 thousands RMB.

7. Prepayments

(1) The aging analysis of prepayments is as follows:

	June 30 2019		December 31 2018 (Restated)	
	Amount	Percentage(%)	Amount	Percentage(%)
Within 1 year (inclusive)	312,411	98	401,674	98
Over 1 year but within 2 years (inclusive)	2,969	1	3,810	1
Over 2 years but within 3 years (inclusive)	984	-	1,840	-
Over 3 years	3,107	1	3,182	1
	319,471	100	410,506	100

(2) Total of five largest prepayments by debtor at the end of the period:

	Amount	Percentage of prepayments (%)
June 30, 2019	111,119	35

(Expressed in RMB '000)

V. Notes to the consolidated financial statements – (cont'd)

8. Other Receivables

(1) Other receivables by nature

	June 30 2019	December 31 2018 (Restated)
Dividends receivable	-	5,245
Others	929,945	1,074,087
	929,945	1,079,332

a. Other receivables by categories

	June 30 2019	December 31 2018 (Restated)
Trade receivables as part of securitization transactions not yet eliminated	112,986	129,893
Subordinated note in respect of trade receivables	343,027	622,362
Financial institutions	61,522	98,837
Receivables in respect of disposal of fixed assets	145,861	28,551
Other	281,381	214,512
Sub total	944,777	1,094,155
Provision for doubtful debts - other receivables	(14,832)	(14,823)
	929,945	1,079,332

b. Other receivables by aging

	June 30 2019
Within 1 year (inclusive)	907,590
Over 1 year but within 2 years	5,630
Over 2 years but within 3 years	6,648
Over 3 years but within 4 years	17,797
Over 4 years but within 5 years	28
Over 5 years	7,084
	944,777

(Expressed in RMB '000)

V. Notes to the consolidated financial statements – (cont'd)

8. Other Receivables - (cont'd)

(2) Additions, recovery or reversal and written-off of provision for bad and doubtful debts during the period:

	Six months ended June 30, 2019
Balance as of January 1 2019,	14,823
Addition during the period	9
Written back during the period	-
Write-off during the period	-
Balance as of June 30, 2019	14,832

(3) Five largest other receivables at June 30 2019:

Name	Closing balance	Proportion of other receivables (%)	Allowance of doubtful debts
Party 1	343,027	36	-
Party 2	135,308	14	-
Party 3	61,522	7	-
Party 4	24,103	3	-
Party 5	21,407	2	-
Total	585,367	62	-

9. Inventories

(1) Inventories by category:

	June 30, 2019		
	Book value	Provision for impairment	Carrying amount
Raw materials	3,170,206	17,952	3,152,254
Work in progress	499,233	4,160	495,073
Finished goods	6,554,951	152,794	6,402,157
Others	297,983	9,543	288,440
	10,522,373	184,449	10,337,924

	December 31, 2018		
	Book value	Provision for impairment	Carrying amount
Raw materials	3,321,193	20,232	3,300,961
Work in progress	577,964	1,576	576,388
Finished goods	5,452,653	158,053	5,294,600
Others	272,441	10,514	261,927
	9,624,251	190,375	9,433,876

(Expressed in RMB '000)

V. Notes to the consolidated financial statements – (cont'd)

9. Inventories - (cont'd)

(2) Provision for impairment of inventories:

For the six months ended June 30, 2019

	January 1, 2019	Provision	Reversal or write-off	Other*	June 30, 2019
Raw material	20,232	4,329	(4,994)	(1,615)	17,952
Work in progress	1,576	-	(16)	2,600	4,160
Finished goods	158,053	29,577	(43,680)	8,844	152,794
Others	10,514	447	(450)	(968)	9,543
	190,375	34,353	(49,140)	8,861	184,449

* Includes amount of 8,766 RMB related to first time consolidation.

10. Other Current Assets

	June 30 2019	December 31 2018 (Restated)
Deductible VAT	476,327	476,706
Current tax assets	199,690	142,412
Others	39,750	41,688
	715,767	660,806

11. Long-Term Receivables

	June 30 2019	December 31 2018 (Restated)
Long term account receivables from sale of goods	174,246	157,600
	174,246	157,600

(Expressed in RMB '000)

V. Notes to the consolidated financial statements – (cont'd)

12. Long-Term Equity Investments

(1) Long-term equity investments by category:

	June 30 2019	December 31 2018 (Restated)
Investments in joint ventures	95,258	68,584
Investments in associates	39,817	39,766
	135,075	108,350

(2) Movements of long-term equity investments for the period are as follows:

	January 1 2019	Investment income (loss)	Translation differences of foreign operations	Other	Balance at the end of the period
Joint ventures					
Company A	62,696	11,462	(81)	4,344	78,421
Company B	4,598	440	15	-	5,053
Company C	1,290	-	23	-	1,313
Company D	-	9,838	201	432	10,471
Sub-total	68,584	21,740	158	4,776	95,258
Associates					
Company E	39,766	(16)	67	-	39,817
Sub-total	39,766	(16)	67	-	39,817
	108,350	21,724	225	4,776	135,075

13. Other equity investments

	June 30 2019	December 31 2018 (Restated)
Company A	85,493	79,554
Company B	-	9,574
Company C	1,709	1,709
Company D	564	564
Other	46	158
	87,812	91,559

Other equity investments are non-core businesses that are intended to be held in the foreseeable future. For the six months period ended at June 30, 2019 the company did not recognize dividend income from other equity investments.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements – (cont'd)

14. Fixed assets

	Land & Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
Cost					
Balance as at January 1, 2019	3,225,214	13,689,164	101,078	321,424	17,336,880
Purchases	16,709	96,525	14,652	20,861	148,747
Transfer from construction in progress	4,895	145,033	27	1,295	151,250
Disposals	(62,726)	(2,735)	(4,885)	(6,686)	(77,032)
Currency translation adjustment	5,187	21,843	513	767	28,310
First time consolidation	85,831	39,307	96	1,956	127,190
Balance as at June 30, 2019	3,275,110	13,989,137	111,481	339,617	17,715,345
Accumulated depreciation					
Balance as at January 1, 2019	(1,476,951)	(7,961,572)	(51,531)	(242,697)	(9,732,751)
Charge for the period	(76,064)	(313,835)	(7,905)	(15,837)	(413,641)
Disposals	11,106	2,261	4,233	6,584	24,184
Currency translation adjustment	(2,371)	(13,346)	(208)	(658)	(16,583)
First time consolidation	(39,354)	(29,094)	(96)	(1,956)	(70,500)
Balance as at June 30, 2019	(1,583,634)	(8,315,586)	(55,507)	(254,564)	(10,209,291)
Provision for impairment					
Balance as at January 1, 2019	(68,702)	(278,223)	(8)	(247)	(347,180)
Disposals	8,204	-	-	-	8,204
Currency translation adjustment	85	(131)	-	-	(46)
Balance as at June 30, 2019	(60,413)	(278,354)	(8)	(247)	(339,022)
Carrying amounts					
As at June 30, 2019	1,631,063	5,395,197	55,966	84,806	7,167,032
As at January 1, 2019	1,679,561	5,449,369	49,539	78,480	7,256,949

The lands reported as fixed assets are owned by the group subsidiaries and are located outside of China.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

15. Construction in Progress

(1) Construction in progress

June 30 2019			December 31 2018 (Restated)		
Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
534,351	-	534,351	487,204		487,204

(2) Details and Movements of major construction projects in progress during the six months ended June 30, 2019

	Budget	January 1, 2019	Additions	Currency translation differences	Transfer to fixed assets	June 30, 2019	Actual cost to budget (%)	Project progress (%)	Source of funds
Project A	1,509,420	120,412	50,039	-	-	170,451	11	11	Internal finance
Project B	505,643	1,220	5,009	-	-	6,229	1	1	Internal finance
Project C	157,951	58,177	1,095	-	(947)	58,325	37	37	Internal finance
Project D	79,747	42,476	947	84	-	43,507	55	55	Internal finance
Project E	45,373	2,457	2,821	43	-	5,321	12	12	Internal finance
Project F	44,760	13,818	6,178	-	-	19,996	45	45	Internal finance
Project G	34,374	31,358	800	(378)	(31,780)	-	94	100	Internal finance
Project H	27,800	16,593	3,512	-	-	20,105	72	72	Internal finance

16. Right-of-use assets

	Land & Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
Cost					
Balance as at January 1, 2019	353,708	43,058	118,378	2,795	517,939
Additions	82,350	-	36,857	68	119,275
Disposals	(2,071)	(94)	(5,412)	-	(7,577)
Currency translation adjustment	956	70	754	4	1,784
Balance as at June 30, 2019	434,943	43,034	150,577	2,867	631,421
Accumulated depreciation					
Balance as at January 1, 2019	(3,198)	(961)	-	-	(4,159)
Charge for the period	(37,434)	(1,087)	(36,418)	(590)	(75,529)
Disposals	705	75	2,862	-	3,642
Currency translation adjustment	(492)	(16)	(487)	(8)	(1,003)
Balance as at June 30, 2019	(40,419)	(1,989)	(34,043)	(598)	(77,049)
Provision for impairment					
Balance as at January 1, 2019	-	-	-	-	-
Balance as at June 30, 2019	-	-	-	-	-
Carrying amounts					
As at June 30, 2019	394,524	41,045	116,534	2,269	554,372
As at January 1, 2019	350,510	42,097	118,378	2,795	513,780

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

17. Intangible Assets

	Product registration	Intangible assets on Purchase of Products	Software	Tradename and trademarks	Customers relations	Land use rights (1)	Others(2)	Total
Costs								
Balance as at January 1, 2019	9,721,455	4,121,559	648,478	460,640	192,177	346,967	307,692	15,798,968
Purchases	217,375	-	36,655	-	-	-	3,322	257,352
Currency translation adjustment	20,156	6,906	1,586	1,547	816	41	598	31,650
Disposal	-	-	(1,593)	(366)	-	-	-	(1,959)
First time consolidation	8,057	-	4,248	260,390	200,392	-	-	473,087
Balance as at June 30, 2019	9,967,043	4,128,465	689,374	722,211	393,385	347,008	311,612	16,559,098
Accumulated amortization								
Balance as at January 1, 2019	(6,864,532)	(1,863,482)	(439,696)	(406,082)	(159,323)	(58,211)	(125,596)	(9,916,922)
Charge for the period	(387,491)	(200,553)	(30,623)	(10,766)	(16,933)	(3,750)	(19,903)	(670,019)
Currency translation adjustment	(17,326)	(5,910)	(1,186)	(917)	(638)	(19)	(548)	(26,544)
Disposal	-	-	1,593	292	-	-	-	1,885
First time consolidation	-	-	(4,248)	-	-	-	-	(4,248)
Balance as at June 30, 2019	(7,269,349)	(2,069,945)	(474,160)	(417,473)	(176,894)	(61,980)	(146,047)	(10,615,848)
Provision for impairment								
Balance as at January 1, 2019	(84,026)	(51,337)	-	-	-	-	(4,721)	(140,084)
Charge for the period	-	-	-	-	-	-	-	-
Currency translation adjustment	(148)	(86)	-	-	-	-	-	(234)
Disposal	-	-	-	-	-	-	-	-
Balance as at June 30, 2019	(84,174)	(51,423)	-	-	-	-	(4,721)	(140,318)
Carrying amount								
As at June 30, 2019	2,613,520	2,007,097	215,214	304,738	216,491	285,028	160,844	5,802,932
As at January 1, 2019	2,772,897	2,206,740	208,782	54,558	32,854	288,756	177,375	5,741,962

(1) Include land parcel in Israel that has not yet been registered in the name of the Group subsidiaries at the Land Registry Office, mostly due to registration procedures or technical problems.
(2) Mainly non-compete.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

18. 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 of December 31, 2018 the fair value of the cash generating units to which the goodwill relates exceeds its carrying amount.

As at the reporting period, there were no indicators for impairment.

	January 1, 2019	Additions	Currency translation adjustment	Balance at June 30, 2019
Book value	4,085,945	205,615	7,187	4,298,747
Impairment provision	-	-	-	-
Carrying amount	4,085,945	205,615	7,187	4,298,747

19. 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

	June 30		December 31	
	2019		2018 (Restated)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deferred tax assets in respect of carry forward losses	513,109	81,116	576,498	82,516
Deferred tax assets in respect of inventories	1,610,875	437,698	1,651,046	442,237
Deferred tax assets in respect of employee benefits	774,387	102,548	660,472	101,026
Other deferred tax asset	1,531,144	385,821	1,236,811	340,984
	4,429,515	1,007,183	4,124,827	966,763

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

19. Deferred Tax Assets and Deferred Tax Liabilities - (cont'd)

(2) Deferred tax liabilities without taking into consideration of the offsetting of balances within the same tax jurisdiction

	June 30 2019		December 31 2018 (Restated)	
	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	3,687,112	589,990	3,886,541	617,430
	3,687,112	589,990	3,886,541	617,430

(3) Deferred tax assets and deferred tax liabilities presented on a net basis after offsetting

	June 30 2019		December 31 2018 (Restated)	
	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	239,255	767,928	225,026	741,737
Deferred tax liabilities	239,255	350,735	225,026	392,404

(4) Details of unrecognized deferred tax assets

	June 30 2019	December 31 2018 (Restated)
Deductible temporary differences	83,488	82,886
Deductible losses carry forward	165,813	162,186
	249,301	245,072

(5) Expiration of deductible tax losses carry forward for unrecognized deferred tax assets

	June 30 2019	December 31 2018 (Restated)
2019	-	-
2020	15,936	15,909
2021	13,541	13,537
2022	1,382	1,380
After 2022	134,954	131,360
	165,813	162,186

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

19. Deferred Tax Assets and Deferred Tax Liabilities - (cont'd)

(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.

20. Other Non-Current Assets

	June 30 2019	December 31 2018 (Restated)
Asset related to securitization deposit	66,960	62,395
Advances in respect of non-current assets	94,027	55,282
Judicial deposits	59,597	51,906
Call option in respect of business combination	15,097	11,880
Long term loan	-	48
Others	71,704	35,819
Sub total	307,385	217,330
Due within one year	-	(48)
	307,385	217,282

21. Short-Term Loans

Short-term loans by category:

	June 30 2019	December 31 2018 (Restated)
Guaranteed loans	589,000	570,000
Unsecured loans	1,719,286	552,774
	2,308,286	1,122,774

Details of the guarantees are set out in note X.5(3) Related parties and related party transactions.

22. Derivative financial liabilities

	June 30 2019	December 31 2018 (Restated)
Economic hedge	604,265	1,430,497
Accounting hedge derivatives	84,002	21,173
	688,267	1,451,670

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

23. Bills Payables

	June 30 2019	December 31 2018 (Restated)
Post-dated checks payables	224,438	235,833
Note payables draft	151,339	209,700
	375,777	445,533

As at June 30, 2019, none of the bills payable are overdue.

24. Accounts payables

	June 30 2019	December 31 2018 (Restated)
Within 1 year (including 1 year)	4,143,156	4,587,719
1-2 years (including 2 years)	13,705	12,545
2-3 years (including 3 years)	12,087	16,749
Over 3 years	9,720	10,923
	4,178,668	4,627,936

There are no significant accounts payables ageing over one year.

25. Contract liabilities

	June 30 2019	December 31 2018 (Restated)
Rebates	717,368	525,982
Advances from customers	200,379	322,420
	917,747	848,402

26. Employee Benefits Payable

	June 30 2019	December 31 2018 (Restated)
Short-term employee benefits	470,752	608,839
Share based payment (See note XIII)	79,249	-
Post-employment benefits-defined contribution plans	21,511	18,050
Other benefits within one year	308,237	277,191
	879,749	904,080
Current maturities	32,605	40,095
	912,354	944,175

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

27. Taxes Payable

	June 30 2019	December 31 2018 (Restated)
Corporate income tax	236,055	407,457
VAT	177,130	186,939
Others	24,042	22,384
	437,227	616,780

28. Other Payable

	June 30 2019	December 31 2018 (Restated)
Dividends payable (See note 41)	238,066	750
Interest payable	53,458	46,258
Other payable	1,679,117	1,150,571
	1,970,641	1,197,579

(1) Interest payable

	June 30 2019	December 31 2018 (Restated)
Accrued interest in respect of debenture	34,745	33,698
Accrued interest in respect of bank loans	11,199	2,430
Accrued interest in respect of other liabilities	7,514	10,130
	53,458	46,258

As at 30 June, 2019, the Group did not have any overdue interest.

(2) Other payable

	June 30 2019	December 31 2018 (Restated)
Accrued expenses	631,540	640,507
Payables in respect of business combination under common control	415,000	-
Liability in respect of securitization transactions	249,332	35,572
Payables in respect of intangible assets	128,880	131,396
Financial institutions	4,668	44,336
Other payables	249,697	298,760
	1,679,117	1,150,571

As at June 30, 2019, the Group did not have any significant overdue other payables.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

29. Non-Current Liabilities Due Within One Year

Non-current liabilities due within one year by category are as follows:

	June 30 2019	December 31 2018 (Restated)
Long-term loans due within one year	282,110	301,629
Lease liabilities due within one year	140,098	-
Long-term payables due within one year	-	185
	422,208	301,814

30. Other Current Liabilities

	June 30 2019	December 31 2018 (Restated)
Put options to holders of non-controlling interests	169,661	404,463
Provision in respect of returns	161,899	149,686
Provision in respect of claims	12,175	23,644
Others	392	391
	344,127	578,184

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

31. Long-Term Loans

Long-term loans by category

	June 30		December 31 2018 (Restated)	
	2019	Interest range	2018	Interest range
Long term loans				
Loan secured by tangible assets other than monetary assets	529	5.5%	741	5.5%
Guaranteed loans	-	-	72,000	4.5%
Unsecured loans	955,377	1.7%-6.1%	464,707	5.1%-6.1%
Total Long term loans	955,906		537,448	
Less: Long term loans due within 1 year	(282,110)		(301,629)	
Long term loans, net	673,796		235,819	

For the maturity analysis, see note VIII (c)

The long-term loans were mortgaged by fixed assets with carrying amounts of 5,926 thousand RMB as at June 30, 2019. Details of the guarantees are set out in note X(5) Related parties and related party transactions.

32. Debentures Payable

	June 30 2019	December 31 2018 (Restated)
Debentures Series B	8,152,990	7,649,098

	June 30 2019
First year (current maturities)	-
Second year	479,588
Third year	479,588
Fourth year	479,588
Fifth year and thereafter	6,714,226
	8,152,990

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

32. Debentures Payable - (cont'd)

Movements of debentures payable:

For the six months ended June 30, 2019

	Face value in RMB	Face value NIS	Issuance date	Maturity period	Issuance amount	Balance at January 1, 2019	Issuance during the period	Amortization of discounts or premium	CPI and exchange rate effect	Repayment during the period	Currency translation adjustment	Balance at June 30, 2019
Debentures Series B	2,673,640	1,650,000	4.12.2006	November 2020-2036	3,043,742	3,471,674	-	115	218,737	-	8,765	3,699,291
Debentures Series B	843,846	513,527	16.1.2012	November 2020-2036	842,579	1,018,314	-	4,972	64,547	-	2,632	1,090,465
Debentures Series B	995,516	600,000	7.1.2013	November 2020-2036	1,120,339	1,277,399	-	2,197	80,564	-	3,251	1,363,411
Debentures Series B	832,778	533,330	1.2.2015	November 2020-2036	1,047,439	1,210,195	-	(1,377)	76,338	-	3,032	1,288,188
Debentures Series B	418,172	266,665	1-6.2015	November 2020-2036	556,941	671,516	-	(3,859)	42,337	-	1,641	711,635
						7,649,098	-	2,048	482,523	-	19,321	8,152,990

Series B debentures issued by Solutions, 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)

33. Lease liabilities

	June 30 2019	Interest range
Lease liabilities	558,912	1.9% - 6.1%
Less: Lease liabilities due within one year	(140,098)	
Long term lease liabilities, net	418,814	

34. Long-Term Employee Benefits Payable

Post-employment benefit plans – defined benefit plan and early retirement

	June 30 2019	December 31 2018 (Restated)
Total present value of obligation	577,191	533,574
Less: fair value of plan's assets	(93,585)	(87,492)
Post-employment benefits -Net liability arising from defined benefit plan	483,606	446,082
Termination benefits	92,186	104,781
Share based payment (See note XIII)	51,540	61,961
Other long-term employee benefits	49,722	47,917
Total long-term employee benefits, net	677,054	660,741
Including: Long-term employee benefits payable due within one year	32,605	40,095
	644,449	620,646

(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	
	2019	2018	2019	2018	2019	2018
Balance as at January 1,	638,355	703,679	87,492	97,614	550,863	606,065
Expense/income recognized in profit and loss:						
Current service cost	11,429	10,928	-	-	11,429	10,928
Past service cost	-	(757)	-	-	-	(757)
Interest costs	10,931	10,078	1,749	1,490	9,182	8,588
Changes in exchange rates	22,709	(26,394)	4,265	(4,783)	18,444	(21,611)
Actuarial gain (losses) due to early retirement	707	(366)	-	-	707	(366)
Included in other comprehensive income:						
Actuarial gain (losses) as a result of changes in actuarial assumptions	17,515	(13,723)	1,953	(1,643)	15,562	(12,080)
Foreign currency translation differences in respect of foreign operations	1,359	6,242	350	925	1,009	5,317
Additional movements:						
Benefits paid	(33,628)	(31,779)	(5,404)	(6,145)	(28,224)	(25,634)
Contributions paid by the Group	-	-	3,180	3,229	(3,180)	(3,229)
Balance as at June 30,	669,377	657,908	93,585	90,687	575,792	567,221

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

34. Long-Term Employee Benefits Payable - (cont'd)

Post-employment benefit plans – defined benefit plan and early retirement - (cont'd)

(2) Actuarial assumptions and sensitivity analysis

The principal actuarial assumptions at the reporting date for defined benefit plan

	June 30 2019	December 31 2018 (Restated)
Discount rate (%)*	0.7%-3.5%	1.4%-3.5%

*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 June 30, 2019	
	Increase of 1%	Decrease of 1%
Discount rate	(44,360)	54,443

35. Provisions

	June 30 2019	December 31 2018 (Restated)
Liabilities in respect of contingencies*	96,592	92,542
Other	39,332	39,809
	135,924	132,351

* Liabilities in respect of contingencies includes obligations of pending litigations, where an outflow of resources had been reliably estimated.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

36. Other Non-Current Liabilities

	June 30 2019	December 31 2018 (Restated)
Put options to holders of non- controlling interests	189,782	-
Long term transactions in derivatives	8,428	14
Deferred income	2,276	28,146
Long term loans - others	171,770	171,770
	372,256	199,930

37. Share Capital

	Balance at January 1, 2019	Issuance of new shares	Cancellations of shares	Balance at June 30, 2019
Share capital	2,446,554	-	-	2,446,554

38. Capital Reserve

	Balance at January 1, 2019	Additions during the period	Reductions during the period*	Balance at June 30, 2019
Share premiums	12,965,177	-	(415,000)	12,550,177
Other capital reserve	359,314	-	(6,323)	352,991
	13,324,491	-	(421,323)	12,903,168

* Mainly due to consideration of business combination under common, see note VI.2 - change in consolidation scope.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

39. Other Comprehensive Income

	Attributable to shareholders of the company						
	Balance at January 1, 2019	**Before tax amount**	**Less: transfer to profit or loss**	**Less: Income tax expenses**	**Net –of-tax amount**	**Less: transfer to retained earnings**	**Balance at June 30, 2019**
Items that will not be reclassified to profit or loss	**66,516**	**(5,110)**	**-**	**(693)**	**(4,417)**	**4,511**	**57,588**
Re-measurement of changes in liabilities under defined benefit plans	15,895	(15,562)	-	(1,584)	(13,978)	-	1,917
Changes in fair value of other equity investment	50,621	10,452	-	891	9,561	4,511	55,671
Items that may be reclassified to profit or loss	**1,024,311**	**14,988**	**145,239**	**(21,197)**	**(109,054)**	**-**	**915,257**
Effective portion of gain or loss of cash flow hedge	93,385	(27,951)	145,239	(21,197)	(151,993)	-	(58,608)
Translation difference of foreign financial statements	930,926	42,939	-	-	42,939	-	973,865
	1,090,827	9,878	145,239	(21,890)	(113,471)	4,511	972,845

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

40. Surplus reserve

	Balance at January 1, 2019	Additions during the period	Reductions during the period	Balance at June 30, 2019
Statutory surplus reserve	236,348	-	-	236,348
Discretional surplus reserve	3,814	-	-	3,814
	240,162	-	-	240,162

41. Retained Earnings

	2019	2018
Retained earnings as at December 31 of preceding year	5,513,466	3,286,711
Changes in accounting policy	-	39,481
Adjustment for business combination under common control (Note 1)	115,826	55,045
Retained earnings as at January 1	5,629,292	3,381,237
Net profits for the period attributable to shareholders of the Company	588,638	2,389,167
Dividends to non-controlling Interest	(28,936)	(16,028)
Dividend to the shareholders of the company (Note 2)	(293,628)	(154,133)
Other	4,511	15,366
Retained earnings as at June 30	5,899,877	5,615,609

Note 1:

During the reporting period the acquisition of Jiangsu Anpon Electrochemical co. LTD., a wholly-owned subsidiary of CNAC, was successfully completed. Anpon became a wholly owned subsidiary of the Company. The combination was considered as a business combination under common control (See note VI.2 – Change in consolidation scope).

Note 2:

A. 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 thousands 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 2nd interim shareholders’ meeting held on May 30, 2019.

B. On May 31, 2019, as part of Anpon’s acquisition agreement’s terms, and after obtaining the approval of Anpon’s former sole shareholder, Anpon paid a cash dividend to its former sole shareholder, CNAC International, in a total of 56,312 thousands RMB (including tax), and zero shares as share dividend, as well as no reserve transferred to equity capital.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

42. Operating Income and Cost of Sales

	Six months ended June 30 2019		Six months ended June 30 2018 (Restated)	
	Income	Cost of sales	Income	Cost of sales
Principal activities	13,579,047	8,999,083	13,606,947	9,030,648
Other businesses	36,985	24,159	32,126	11,535
	13,616,032	9,023,242	13,639,073	9,042,183

43. Taxes and Surcharges

	Six months ended June 30	
	2019	2018 (Restated)
Tax on turnover	8,285	17,620
Others	37,941	42,928
	46,226	60,548

44. Selling and Distribution Expenses

	Six months ended June 30	
	2019	2018 (Restated)
Salaries and related expense	811,280	736,594
Depreciation and amortization	703,980	541,154
Transportation and Commissions	372,574	382,703
Advertising and sales promotion	178,645	156,329
Warehouse expenses	75,558	67,991
Registration	74,483	48,757
Travel expenses	68,795	65,566
Insurance	41,668	34,252
Professional services	38,998	32,447
Others	133,793	191,198
	2,499,774	2,256,991

45. General and Administrative Expenses

	Six months ended June 30	
	2019	2018 (Restated)
Salaries and related expenses	248,290	264,555
Idleness expenses*	155,214	26,851
Professional services	64,171	62,853
Depreciation and amortization	45,283	32,378
IT systems	41,929	33,554
Office rent, maintenance and expenses	25,925	38,446
Other	47,447	65,184
	628,259	523,821

* See note XI - Commitments and contingencies (environmental protection)

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

46. Research and development expenses

	Six months ended June 30	
	2019	**2018 (Restated)**
Salaries and related expenses	90,220	68,187
Field trial	33,143	27,133
Professional services	27,519	24,557
Depreciation and amortization	18,826	7,330
Materials	14,860	2,983
Office rent, maintenance and expenses	4,316	3,720
Other	21,815	22,365
	210,699	156,275

47. Financial Expenses, net

	Six months ended June 30	
	2019	**2018 (Restated)**
Interest expenses on debentures and loans	349,941	306,821
CPI expense in respect of debentures	96,329	64,891
Loss in respect of sale of trade receivables	33,129	32,186
Interest expense in respect of post-employment benefits and early retirement, net	9,182	8,588
Revaluation of put option, net	(14,954)	8,027
Interest income from customers, banks and others	(41,104)	(41,465)
Exchange rate differences, net	481,676	(31,995)
Other expenses	23,997	501
	938,196	347,554

48. Investment income, net

	Six months ended June 30	
	2019	**2018 (Restated)**
Investment income (expenses) from disposal of derivatives	(536,167)	134,295
Income from long-term equity investments accounted for using the equity method	21,724	12,758
	(514,443)	147,053

49. Gain (loss) from Changes in Fair Value

	Six months ended June 30	
	2019	**2018 (Restated)**
Gain (loss) from changes in fair value of derivative financial instruments	881,007	(242,567)
Others	3,128	(809)
	884,135	(243,376)

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

50. Credit impairment loss

	Six months ended June 30	
	2019	**2018 (Restated)**
Bills receivable and accounts receivable	3,356	(5,625)
Other receivables	(9)	(472)
	3,347	(6,097)

51. Asset impairment Losses

	Six months ended June 30	
	2019	**2018 (Restated)**
Inventories	(19,371)	(36,214)
Fixed assets	-	(420)
Intangible asset	-	(911)
Other	(4,438)	(238)
	(23,809)	(37,783)

52. Gain from Disposal of Assets

	Six months ended June 30		Included in non-recurring items
	2019	**2018 (Restated)**	
Gain from disposal of fixed assets	115,730	74	115,730
Gain (loss) from disposal of intangible assets	(216)	1,997,096	(216)
	115,514	1,997,170	115,514

53. Non-Operating Expenses

	Six months ended June 30		Included in non-recurring items
	2019	**2018 (Restated)**	
Donation expenses	4,512	4,267	4,512
Other	11,504	4,560	9,223
	16,016	8,827	13,735

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

54. Income Tax Expenses

	Six months ended June 30	
	2019	**2018 (Restated)**
Current year	192,289	301,718
Deferred tax expenses (income)	(54,959)	439,377
Adjustments for previous years, net	3,207	(3,537)
	140,537	737,558

(1) Reconciliation between income tax expense and accounting profit is as follows:

	Six months ended June 30 2019
Profit before taxes	729,175
Statutory tax in china	25%
Tax calculated according to statutory tax in china	182,294
Tax benefits from Approved Enterprises	(29,962)
Difference between measurement basis of income for financial statement and for tax purposes	870
Taxable income and temporary differences at other tax rate	(6,378)
Taxes in respect of prior years	3,207
Temporary differences and losses in the report year for which deferred taxes were not created	897
Non-deductible expenses and other differences	(5,907)
Neutralization of tax calculated in respect of the Company’s share in results of equity accounted investees	(6,304)
Effect of change in tax rate in respect of deferred taxes	442
Creation and reversal of deferred taxes for tax losses and temporary differences from previous years	1,378
Income tax expenses	140,537

55. Other comprehensive income

Details of the Other comprehensive income are set out in Note V.39

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

56. Notes to items in the cash flow statements

(1) Other cash received relevant to operating activities

	Six months ended June 30	
	2019	**2018 (Restated)**
Derivatives transactions	44,546	-
Interest income	29,257	24,455
Government subsidies	363	1,077
Financial institutions	-	135,686
Deferred income	-	96,946
Others	184,212	2,670
	258,378	260,834

(2) Other cash paid relevant to operating activities

	Six months ended June 30	
	2019	**2018 (Restated)**
Transportation and Commissions	345,943	346,724
Advertising and sales promotion	159,574	150,410
Professional services	141,127	137,374
Registration	75,194	55,229
Derivatives transactions	54,030	128,503
Financial institutions	39,402	23,511
Insurance	29,015	24,935
Others	530,505	508,614
Net cash flow from operating activities	1,374,790	1,375,300

(3) Other cash received relevant to investment activities

	Six months ended June 30	
	2019	**2018 (Restated)**
Proceeds from loan to affiliate company	7,491	-
Investment grant	1,808	-
Other	28	57
	9,327	57

(4) Other cash received relevant to financing activities

	Six months ended June 30	
	2019	**2018 (Restated)**
Cash received in respect of hedging transactions on debentures	41,144	-
Deposit for issuing bills payable	20,557	-
	61,701	-

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

56. Notes to items in the cash flow statements - (cont'd)

(5) Other cash paid relevant to financing activities

	Six months ended June 30	
	2019	2018 (Restated)
Payment in respect of hedging transactions on debentures	325,474	-
Repayment of lease liability	74,182	N/A
Realization of call option	35,625	-
Deposit for issuing bills payable	8,610	24,880
Other	-	7,739
	443,891	32,619

57. Supplementary Information on Cash Flow Statement

(1) Supplementary information on Cash Flow Statement

a. Reconciliation of net profit to cash flows from operating activities:

	Six months ended June 30	
	2019	2018 (Restated)
Net profit	588,638	2,389,167
Add: Impairment provisions for assets	23,809	37,783
Credit impairment loss	(3,347)	6,097
Depreciation of fixed assets and investment property	413,802	362,473
Amortization of right-of-use asset	75,529	N/A
Amortization of intangible asset	670,019	558,415
Gains on disposal of fixed assets, intangible assets, and other long-term assets, net	(115,514)	(1,997,170)
Loss (gain) from changes in fair value	(884,135)	243,376
Financial expenses	806,091	(65,692)
Investment income, net	900,426	(147,053)
Decrease (increase) in deferred tax assets	(50,833)	234,072
Increase (decrease) in deferred tax liabilities	(4,126)	205,528
Decrease (increase) in inventories, net	(777,827)	(812,551)
Increase in operating receivables	(1,263,516)	(1,132,939)
Increase in operating payables	(751,460)	913,650
Others	67,494	44,647
Net cash flow from operating activities	(304,950)	839,803

b. Net increase in cash and cash equivalents

	Six months ended June 30	
	2019	2018 (Restated)
Closing balance of cash	5,381,820	6,156,174
Less: Opening balance of cash	6,346,196	7,979,502
Net increase in cash and cash equivalents	(964,376)	(1,823,328)

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

57. Supplementary Information on Cash Flow Statement - (cont'd)

(2) Information on acquisition or disposal of subsidiaries and other business units

	Six months ended June 30 2019
Cash paid for business combination	829,866
Less: Cash and cash equivalents of the acquiree at the date of acquisition	3,061
Net cash paid to acquire a subsidiary	826,805

(3) Details of cash and cash equivalents

	June 30 2019	January 1 2019
Cash on hand	7,770	1,380
Bank deposits available on demand without restrictions	5,374,050	6,344,816
	5,381,820	6,346,196

58. Assets with Restricted Ownership or Right of Use

	June 30 2019	Reason
Cash	43,572	Pledged
Fixed assets	5,926	Mortgaged
Other non-current assets	143,377	Guarantees
	192,875	

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

59. Foreign currencies denominated items

(1) Foreign currencies denominated items

	As at June 30, 2019		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Cash and bank balances			
EUR	44,867	7.8211	350,912
USD	39,168	6.8747	269,271
PLN	139,196	1.8413	256,303
ILS	95,191	1.9278	183,513
BRL	67,765	1.7939	121,565
ZAR	93,084	0.4862	45,256
CAD	7,366	5.2533	38,698
OTHER			428,761
			1,694,279
Bills and Accounts receivable			
BRL	473,150	1.7939	848,799
EUR	98,888	7.8211	773,417
RON	195,232	1.6530	322,712
CAD	53,926	5.2533	283,286
USD	38,492	6.8747	264,621
TRY	215,656	1.1922	257,100
HUF	7,005,697	0.0242	169,537
OTHER			537,333
			3,456,805
Other receivables			
EUR	43,605	7.8211	341,041
ILS	112,700	1.9278	217,268
UAH	397,776	0.2627	104,509
PLN	45,520	1.8413	83,817
BRL	32,582	1.7939	58,449
OTHER			111,019
			916,103
Other current assets			
ILS	79,886	1.9278	154,007
BRL	49,041	1.7939	87,976
EUR	8,195	7.8211	64,093
ARS	279,831	0.1619	45,304
UAH	162,465	0.2627	42,685
OTHER			87,371
			481,436
Long-term receivables			
BRL	97,131	1.7939	174,246
			174,246

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

59. Foreign currencies denominated items - (cont'd)

(1) Foreign currencies denominated items - (cont'd)

	As at June 30, 2019		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Other non-current assets			
BRL	71,133	1.7939	127,608
OTHER			4,311
			131,919
Short-term loans			
TRY	143,038	1.1922	170,527
BRL	30,018	1.7939	53,850
UAH	336,992	0.2627	88,539
OTHER			275
			313,191
Bills and Accounts payable			
ILS	324,374	1.9278	625,343
EUR	51,263	7.8211	400,933
BRL	77,024	1.7939	138,175
USD	15,105	6.8747	103,842
OTHER			75,436
			1,343,729
Other payables			
BRL	58,468	1.7939	104,887
UAH	315,719	0.2627	82,950
ILS	29,398	1.9278	56,675
ILS CPI	18,023	1.9278	34,745
PLN	7,493	1.8413	13,798
OTHER			32,556
			325,611
Contract liabilities			
EUR	36,126	7.8211	282,549
BRL	45,029	1.7939	80,778
USD	1,536	6.8747	10,559
OTHER			125,755
			499,641

(Expressed in RMB '000)

V. Notes to the consolidated financial statements - (cont'd)

59. Foreign currencies denominated items - (cont'd)

(1) Foreign currencies denominated items - (cont'd)

	As at June 30, 2019		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Non-current liabilities due within one year			
EUR	12,757	7.8211	99,773
ILS CPI	14,506	1.9278	27,966
ILS	3,028	1.9278	5,837
BRL	1,031	1.7939	1,849
OTHER			29,596
TOTAL			165,021
Other current liabilities			
EUR	5,783	7.8211	45,229
ILS	5,281	1.9278	10,181
BRL	2,514	1.7939	4,510
OTHER			19,304
			79,224
Long-term loan			
EUR	35,599	7.8211	278,425
BRL	57	1.7939	103
			278,528
Debentures payable			
ILS CPI	4,229,066	1.9278	8,152,989
			8,152,989
Provision and Long-term payables			
BRL	41,659	1.7939	74,734
OTHER			27,723
			102,457
Other non-current liabilities			
EUR	8,290	7.8211	64,841
ILS CPI	24,245	1.9278	46,740
USD	4,470	6.8747	30,732
GBP	1,148	8.7342	10,031
OTHER			33,477
			185,821

V. Notes to the consolidated financial statements - (cont'd)

59. Foreign currencies denominated items - (cont'd)

(2) 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; Registration	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; Registration	USD	The main currency that represent the principal economic environment
ADAMA Makhteshim Ltd.	ISRAEL	Manufacturing; Distribution; Registration	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. Change in consolidation Scope

1. Business combinations involving enterprises not under common control

(1) Business combinations involving enterprises not under common control during current period

Name of the Company	Acquisition Time of equity investment	Cost of equity investment	Proportion of equity investment	Acquisition method	Acquisition date	Basis of acquisition date determination	From acquisition date till period end	
							Revenue	Net profit
Bonide Products INC.	07.01.2019	829,866	100%	Stock purchase	07.01.2019	Obtained control	271,550	24,574

(2) Acquisition cost and goodwill

Acquisition costs	Bonide Products INC.
Cash	829,866
Total acquisition cost	829,866
Less: share of the fair value of the identifiable net assets acquired	638,786
Currency translation differences	(14,535)
Goodwill / Amount of acquisition cost less than share of the fair value of the identifiable net assets acquired	205,615

In January 2019, the Company, through a subsidiary of Solutions, acquired Bonide Products Inc., a US provider of pest-control solutions for the consumer Home & Garden use, allowing the Company to bring its advanced technologies and differentiated portfolio of pest-control directly to the consumers.

Bonide was purchased for a consideration of approximately 830 million RMB. As of January 7, 2019 (hereinafter: “date of the business combination”), control has been achieved and the Group consolidates the results of Bonide in its consolidated financial statements. Upon the consolidation of Bonide, the identified tangible assets, identifiable intangible assets and identifiable liabilities were included in the consolidated statement of financial position as of the date of the business combination at their fair value based on the information held by the management of the Company and the management of Bonide on the date close to the date of acquisition, and based, inter alia, on external consultants in this matter.

The initial accounting treatment for the acquisition of the operations, as presented in these interim financial statements, is accounted for using provisional amounts (as this term is defined in ASBE 20 Business combination). Until the date of approval of the interim financial statements, the Group has not yet completed the initial important treatment of Bonide's business combination, including the estimation of the fair value of the acquired assets and the goodwill. Therefore, some of the fair value data are still provisional and may be subject to changes affecting the data as included in these financial statements.

(Expressed in RMB '000)

VI. Change in consolidation Scope - (cont'd)

1. Business combinations involving enterprises not under common control- (cont'd)

(3) Identifiable assets and liabilities of the acquiree, at acquisition date

	Bonide	
	Fair value at acquisition date	**Book value at acquisition date**
Assets:		
Cash and bank balances	3,061	3,061
Bills and Accounts receivable	104,362	104,362
Prepayments	11,750	11,750
Inventories	111,959	109,777
Fixed assets	56,690	56,690
Intangible assets	468,839	1,510
Liabilities:		
Bills and Accounts payable	24,062	24,062
Other payables	82,434	82,434
Deferred tax liabilities	11,379	-
Net assets	638,786	180,654
Less: Non-controlling interests	-	-
Net assets acquired	638,786	180,654

(Expressed in RMB '000)

VI. Change in consolidation Scope (cont'd)

2. Business combinations under common control

(1) Business combinations involving enterprises under common control in current period

Name of the Company	Equity Proportion obtained from combination	Basis of judgement as business combination involving enterprises under common control	Acquisition date	Basis of determining acquisition date	Beginning of the Year till acquisition date set out as follows		Revenue of comparative period	Net profit of comparative period
					Revenue	Net profit/loss		
Jiangsu Anpon Electrochemical co. LTD.	100%	Both of the combining enterprises are ultimately controlled by China National Agrochemical Corporation, and the control is not transitory.	March 29th, 2019	Obtained control	393,990	37,830	761,329	26,162

(2) Acquisition cost

Acquisition costs	Jiangsu Anpon Electrochemical co. LTD.
Cash	415,000

(3) Carrying Value of acquiree's financial position at acquisition date and prior year end

	Jiangsu Anpon Electrochemical co. LTD.	
	Acquisition date	**Prior year end**
Assets:		
Cash and bank balances	131,663	167,101
Bills receivable	42,437	53,299
Accounts receivable	146,770	101,522
Prepayments	45,596	55,218
Other receivables	15,660	27,606
Inventories	193,483	191,811
Other current assets	-	31
Fixed assets	603,205	628,268
Construction in progress	61,693	59,397
Intangible assets	64,115	64,574
Deferred tax assets	8,556	8,040
Other non-current assets	20,315	15,219
Liabilities:		
Short-term borrowings	500,000	550,000
Accounts payable	102,429	99,487
Employee benefits payable	12,855	18,829
Taxes payable	12,997	14,150
Other payables	171,318	131,818
Contractual liability	21,321	26,730
Long-term employee benefits payable	40,266	40,284
Provision	21,858	21,858
Net assets	**450,449**	**468,930**
Less: Non-controlling interests	-	-
Net assets acquired	**450,449**	**468,930**

(Expressed in RMB '000)

VII. Interest 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; Registration		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; Registration		100%	Restructure
ADAMA Makhteshim Ltd.	ISRAEL	Manufacturing; Distribution; Registration		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		100%	Purchased
Jiangsu Anpon Electrochemical co. Ltd..	CHINA	Manufacturing; Distribution	100%		Purchased

2. Interests in joint ventures or associates

	June 30 2019	December 31 2018
Joint ventures	95,258	68,584
Associates	39,817	39,766
	135,075	108,350

3. Summarized financial information of joint ventures and associates

	June 30, 2019 and six months then ended	June 30, 2018 and six months then ended
Joint ventures:		
Total carrying amount	95,258	80,913
The Group's share of the following items:		
Net profit	21,740	12,758
Other comprehensive income	158	(761)
Total comprehensive income	21,898	11,997
Associates:		
Total carrying amount	39,817	38,338
The Group's share of the following items:		
Net profit	(16)	-
Other comprehensive income	67	478
Total comprehensive income	51	478

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 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.5e.

In April 2018, a two-years 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 expected credit risk, 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 expected credit risk

Presented below is the aging of the past due trade receivables:

	June 30, 2019
Past due by less than 90 days	452,611
Past due by more than 90 days	614,452
	1,067,063

VIII. Risk Related to Financial Instruments - (cont’d)

B. Credit risk - (cont’d)

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 in countries in which there are large number of customers with immaterial balances.

The Group has credit risk exposures for accounts receivables amounted to RMB 7,478,332 thousand relate to category of "Lifetime expected credit losses (credit losses has not occurred)" and amounted to RMB 629,633 thousand related to category of "Lifetime expected credit losses (credit losses occurred)". The Group has credit risk exposures for other receivables amounted to RMB 14,832 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 subsidiaries, which is not required for financing the current ongoing operations, is invested in short-term interest-bearing investment channels.

(Expressed in RMB '000)

VIII. Risk Related to Financial Instruments - (cont'd)

C. Liquidity risk - (cont'd)

(1) Presented below are the contractual maturities of the financial liabilities at undiscounted amounts, including estimated interest payments:

	As at June 30, 2019					
	First year	Second year	Third-Fourth year	Fifth year and above	Contractual Cash flow	Carrying amount
Non-derivative financial liabilities						
Short-term loans	2,348,647	-	-	-	2,348,647	2,308,286
Bills payables	375,777	-	-	-	375,777	375,777
Accounts payables	4,178,668	-	-	-	4,178,668	4,178,668
Other payables	1,970,641	-	-	-	1,970,641	1,970,641
Other current liabilities	169,661	-	-	-	169,661	169,661
Debentures payable	388,469	894,158	1,713,635	9,207,224	12,203,486	8,152,990
Long-term loans	299,840	259,049	338,696	124,532	1,022,117	955,906
Long-term payables	1,871	1,771	3,097	27,497	34,236	26,419
Lease Liabilities	159,114	127,997	154,965	253,713	695,789	558,912
Other non-current liabilities	2,061	2,061	61,036	307,733	372,891	361,552
Derivative financial liabilities						
Foreign currency derivatives	688,267	8,428	-	-	696,695	696,695
	10,583,016	1,293,464	2,271,429	9,920,699	24,068,608	19,755,507

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, Ukraine Hryunia, the Turkish lira and Chinese Yuan 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.

VIII. Risk Related to Financial Instruments - (cont'd)

D. Market risks - (cont'd)

(1) CPI and foreign currency risks - (cont'd)

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.

Solutions 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.

(A) The Group's exposure to NIS-CPI and foreign currency risk, except in respect of derivative financial instruments is as follows:

	June 30, 2019	
	Total assets	Total liabilities
In US Dollar	1,150,413	957,089
In Euro	1,603,215	1,156,183
In Brazilian real	1,435,424	386,614
CPI-linked NIS	-	8,262,440
In New Israeli Shekel	603,170	702,162
Denominated in or linked to other foreign currency	4,108,457	734,333
	8,900,679	12,198,821

(B) The exposure to CPI and foreign currency risk in respect of derivatives is as follows:

	June 30, 2019					
	Currency/ linkage receivable	Currency/ linkage payable	Average expiration date	USD thousands Par value	RMB thousands Par value	Fair value
Forward foreign currency	**USD**	EUR	2020/03/02	470,368	3,233,637	(265,914)
Contracts and call options	**USD**	PLN	2019/08/08	50,048	344,065	(5,679)
	USD	BRL	2019/08/20	192,904	1,326,158	(9,528)
	USD	GBP	2019/09/08	16,283	111,939	2,186
	USD	ZAR	2019/07/29	13,620	93,633	(120)
	ILS	USD	2019/09/07	1,361,025	9,356,636	12,402
	USD	OTHER		411,176	2,826,714	(23,986)
CPI forward contracts	**CPI**	ILS	2020/01/13	602,916	4,144,870	15,370

(Expressed in RMB '000)

VIII. Risk Related to Financial Instruments - (cont'd)

D. Market risks - (cont'd)

(1) CPI and foreign currency risks - (cont'd)

(C) Sensitivity analysis

The appreciation or depreciation of the Dollar against the following currencies as of June 30, 2019 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.

	June 30, 2019			
	Decrease of 5%		Increase of 5%	
	Equity	Profit (loss)	Equity	Profit (loss)
New Israeli shekel	82,193	60,274	(26,182)	(4,263)
British pound	(284)	734	284	(734)
Euro	(143,085)	(10,232)	148,893	12,183
Brazilian real	(17,312)	19,903	10,571	(23,001)
Polish zloty	(6,167)	(1,593)	6,167	1,593
South African Rand	(313)	352	313	(352)
Chinese Yuan Renminbi	(18,403)	(18,403)	18,403	18,403
CPI-linked NIS	205,520	205,520	(193,406)	(193,406)

(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.

(Expressed in RMB '000)

VIII. Risk Related to Financial Instruments - (cont'd)

D. Market risks - (cont'd)

(2) Interest rate risks - (cont'd)

(A) Type of interest

The interest rate profile of the Group's interest-bearing financial instruments was as follows:

	June 30, 2019
Fixed-rate instruments – unlinked to the CPI	
Financial assets	
Cash at banks	1,275,887
Other non-current assets	1,086
Financial liabilities	
Long-term loans	529
Long-term payables	20,790
Other non-current liabilities	171,770
	1,083,884
Fixed-rate instruments – linked to the CPI	
Financial liabilities	
Debentures payable	8,152,990
Variable-rate instruments	
Financial assets	
Cash at banks	233,602
Financial assets at fair value through profit or loss	33,074
Other non-current assets	46,067
Financial liabilities	
Short-term loans and credit from banks	2,308,286
Long-term loans(1)	955,377
	(2,950,920)

(1) Including long-term loans current maturities.

(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 June 30, 2019	2,118	(2,134)	2,118	(2,134)

(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, receivables financing, 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:

	June 30, 2019	
	Carrying amount	**Fair value**
Financial assets		
Other non-current assets (a – Level 2)	54,331	55,243
Financial liabilities		
Long-term loans and others (b – Level 2)	1,714,259	1,714,813
Debentures (c – Level 1)	8,152,990	10,409,445

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 in determining fair value

The interest rates used to discount the estimate of anticipated cash flows are:

	June 30, 2019
	%
Brazilian real interest	5.98 – 6.26
U.S. dollar interest	2.37 – 2.58
Indian Rupee	6.14 – 6.96

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.

	June 30
	2019
Forward contracts and options used for hedging the cash flow (Level 2)	(65,921)
Forward contracts and options used for economic hedging (Level 2)	(209,348)
Debt instruments (Level 1)	15,365
Other equity investment (Level 2)	87,812
Other non-current asset (Level 2)	23,395
Call option in respect of business combination (Level 2)	15,097
Other (Level 2)	17,709

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 RMB)	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 largest subsidiaries of the Company

For information about the subsidiaries of the Company, refer to Note VII.1.

3. Information on largest joint ventures and associates of the Company

For information about the joint ventures and associates of the Company, refer to Note V.12. Other joint ventures and associates that have related party transactions with the Group during this period or the previous periods are as follows:

Name of entity	Relationship with the Company
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
CNAC International Co., Ltd. (SPV Company) (Headquarter)	Common control
ChemChina Asset Management Co., Ltd.	Common control
ChemChina Information Center Co., Ltd.	Common control
Syngenta Crop Protection AG	Common control
Syngenta Supply AG	Common control
Syngenta Crop Protection LLC.	Common control
Syngenta Romania SRL	Common control
Syngenta France SAS	Common control
Syngenta Australia Pty Ltd	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	Common control
Syngenta Kazakhstan Limited Liability Partnership	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
China National Bluestar Co., Ltd.	Common control
China Bluestar Chengrand	Common control
Bluestar (Beijing) Chemical Machinery Co., Ltd.	Common control
Hangzhou (Torch) Xidoumen Membrane Industry 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 Lianhai Testing Co., Ltd.	Common control
Jiamusi Black Dragon Pesticide Chemical Co., Ltd.	Common control
Beijing Guangyuan Yinong 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
Jiangsu Huaihe Chemical Co.,Ltd.	Common control
Zhonglan International Chemical Co., Ltd	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	Six months ended June 30 2019	Six months ended June 30 2018 (Restated)
Summary of purchase of goods/services:			
Purchase of goods/services received	Common control under ChemChina	734,273	847,818
Purchase of fixed assets and other assets	Common control under ChemChina	13,098	2,129,457
Purchase of goods/services received	Joint venture	3,332	6,325
Summary of Sales of goods:			
Sale of goods/ Service rendered	Common control under ChemChina	408,089	333,327
Sale of goods/ Service rendered	Joint venture	108,664	99,823

(2) Leases

The Group as lessor

Type of leased assets	Lessee	June 30 2019	June 30 2018 (Restated)
Building and Structures	Common control under ChemChina	-	10

(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

Guarantee provider	Amount of guaranteed loan	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y / N)
Parent company	50,000	18/10/2017	18/10/2021	N
	300,000	20/11/2017	20/11/2022	N
	100,000	13/06/2018	12/06/2022	N
	30,000	12/07/2018	11/07/2019	N
	20,000	01/03/2017	20/02/2020	N
	30,000	07/08/2018	06/08/2019	N
	50,000	01/06/2019	29/05/2020	N
	50,000	30/10/2018	29/10/2019	N
	40,000	30/07/2018	29/07/2019	N
	40,000	15/08/2018	14/08/2019	N
	64,000	19/02/2019	18/02/2020	N
	15,000	25/02/2019	23/08/2019	N
	50,000	28/03/2019	14/02/2020	N
	80,000	02/02/2019	30/01/2020	N
	50,000	01/11/2018	26/10/2019	N
	50,000	01/12/2018	26/11/2019	N
Ultimate controller of the Group	160,000	27/05/2014	09/06/2021	Y

(4) Remuneration of key management personnel and directors

	Periods ended June 30	
	2019	2018 (Restated)
Remuneration of key management personnel	32,606	24,999
Directors Fee	150	-

(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)

Receivable Items

Items	Related Party Relationship	June 30 2019	Bad debt Provision	December 31 2018 (Restated)	Bad debt provision
Trade receivables	Common control under ChemChina	136,347	-	39,420	-
Trade receivables	Joint venture	30,366	-	30,562	-
Other receivables	Common control under ChemChina	-	-	42,969	-
Prepayments	Common control under ChemChina	34,962	-	31,867	-
Other Non-Current assets	Common control under ChemChina	38,098	-	-	-
Other assets	Joint venture	-	-	7,543	-

Payable Items

Items	Related Party Relationship	June 30 2019	December 31 2018 (Restated)
Trade payables	Common control under ChemChina	94,835	329,049
Trade payables	Joint venture	703	397
Other payables	Common control under ChemChina	436,748	21,636
Other non-current liabilities *	Common control under ChemChina	171,770	171,770

* The liability is a loan from a related party, the interest expense for the six months ended June 30, 2019 is 1,042 thousand RMB (six months ended June 30,2018: 1,042 thousand RMB).

(6) Acquisition of a subsidiary

Related Party	Related Party Relationship	June 30 2019	December 31 2018 (Restated)
Parent	Acquisition of a subsidiary	415,000	-

(7) Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was 231,316 thousand RMB (31.12.18: 295,661 thousand RMB) Interest income of bank deposit for the current period was 1,654 thousand RMB (amount for six months ended June 30, 2018 is 738 thousand RMB).

(Expressed in RMB '000)

XI. Commitments and contingencies

1. Significant commitments

	June 30 2019	December 31 2018 (Restated)
Investment in Fixed assets	711,386	667,785

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 22nd 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.

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. The Company was subsequently instructed by the local government not to resume operations before rectification. The Company rectified the discharge levels and at the beginning of April 2019 resumed operations at the old site. Following the resumption, the Company is advancing the gradual ramp-up of production. As the ramp-up of production proceeds, the site continues to remain under inspection of the relevant authorities with whom the Company is working in close and constant collaboration.

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.

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

There are no events occur after the balance sheet date.

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 113 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 period	**Phantom warrants**
Total number of Phantom warrants at the beginning of the period	48,101,391
Total number of Phantom warrants granted in current period	-
Total number of Phantom warrants exercised in current period	-
Total number of Phantom warrants forfeited in current period	(231,851)
Total number of Phantom warrants at the end of the period	47,869,540
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, 4.5 years

The parameters used in implementing the model are as follows:	
Stock price (RMB)	10.72
Exercise increment (RMB)	15.067/15.13
Expected volatility	44.83%
Risk-free interest rate	2.98%
Economic value as of June 30, 2019 (in thousands RMB)	112,571

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)	93,199
Expenses arising from cash-settled share-based payments in current period (in thousands RMB)	30,430

XIII. Share-based Payments - (cont'd)

2. In February 2019, the remuneration committee and the Company's Board of Directors (and the General Meeting with respect to the CEO and to a Vice President who also serves as a director) approved the allocation of 77,864,910 phantom warrants to officers and employees in accordance with the long-term phantom compensation plan (hereinafter - "the 2019 Plan"). The allocation date is February 21, 2019.

The warrants will vest in four equal portions, where the first and second quarters are exercisable after two years, the third quarter after three years and the fourth quarter after four years from January 1, 2019. The warrants will be exercisable, in whole or in part, in accordance with the terms of the 2019 plan, and subject to achieving financial targets as determined in the plan. The warrants will be exercisable until the end of 2025.

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 grant date, amounted to a total of 187 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 period	**Phantom warrants**
Total number of Phantom warrants at the beginning of the period	-
Total number of Phantom warrants granted in current period	76,383,331
Total number of Phantom warrants exercised in current period	-
Total number of Phantom warrants forfeited in current period	-
Total number of Phantom warrants at the end of the period	76,383,331
The exercise prices and the remainder of the contractual period for Phantom warrants outstanding at the end of period	RMB 10.03, 6.5 years

The parameters used in implementing the model are as follows:	
Stock price (RMB)	10.72
Exercise increment (RMB)	10.03/10.85
Expected volatility	44.71%
Risk-free interest rate	3.16%
Economic value as of June 30, 2019 (in thousands RMB)	186,886

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)	37,590
Expenses arising from cash-settled share-based payments in current period (in thousands RMB)	37,064

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.

- 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, receivables financing, inventory, fixed assets, right-of-use assets, construction in progress, intangible assets, goodwill, non-current trade receivables and long-term equity investments. Attributed liabilities include account payables, bill payables, contractual liabilities, deferred income and lease liabilities. 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) Six months ended June 30		Other (Non Agro) Six months ended June 30		Elimination among segments Six months ended June 30		Total Six months ended June 30	
	2019	**2018 (Restated)**	**2019**	**2018 (Restated)**	**2019**	**2018 (Restated)**	**2019**	**2018 (Restated)**
Operating income from external customers	12,302,544	12,247,053	1,313,488	1,392,020	-	-	13,616,032	13,639,073
Inter-segment operating income	-	-	692	380	(692)	(380)	-	-
Interest in the profit or loss of associates and joint ventures	11,463	12,394	10,262	364	-	-	21,725	12,758
Segment's results	1,244,460	3,480,246	74,943	103,115	-	-	1,319,403	3,583,361
Financial expenses, net							(938,346)	(347,557)
Gain (loss) from changes in fair value							884,135	(243,376)
Investment income							(536,017)	134,297
Profit before tax							729,175	3,126,725
Income tax expense							(140,537)	(737,558)
Net profit							588,638	2,389,167

	Crop Protection (Agro)		Other (Non Agro)		Unallocated assets and liabilities		Total	
	June 30 2019	**December 31 2018 (Restated)**	**June 30 2019**	**December 31 2018 (Restated)**	**June 30 2019**	**December 31 2018 (Restated)**	**June 30 2019**	**December 31 2018 (Restated)**
Total assets	34,676,096	32,310,319	2,582,309	2,404,190	8,551,684	9,420,554	45,810,089	44,135,063
Total liabilities	4,724,360	4,800,772	291,902	300,843	18,314,423	16,274,174	23,330,685	21,375,789

(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, right-of-use 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	
	Six months ended June 30	
	2019	2018 (Restated)
Europe	4,252,479	4,469,617
North America	2,715,528	2,689,565
Latin America	2,411,530	1,978,828
Asia Pacific	2,426,931	2,762,968
Africa, Middle East (including Israel) and India	1,809,564	1,738,095
	13,616,032	13,639,073

	Specified non-current assets	
	June 30	December 31
	2019	2018 (Restated)
Europe	883,894	733,855
Latin America	2,065,178	2,065,089
North America	1,293,860	503,093
Asia Pacific	2,900,154	2,815,195
Africa, Middle East (including Israel) and India	11,491,336	11,659,701
	18,634,422	11,776,933

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 period	Amount for the prior period
Net profit from continuing operations attributable to ordinary shareholders	588,638	2,389,167

Thousands shares	Amount for the current period	Amount for the prior period
Number of ordinary shares outstanding at the beginning of the year	2,446,554	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	2,446,554

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.

	Amount for the current period	Amount for the prior period
Calculated based on net profit attributable to ordinary shareholders		
Basic earnings per share	0.24	0.98
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.24	0.98
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

(Expressed in RMB '000)

XV. Notes to major items in the Company's financial statements

1. Cash at bank and on hand

	June 30 2019	December 31 2018
Deposits in banks	2,132,174	2,005,313
Other cash and bank	40,993	52,940
	2,173,167	2,058,253

As at June 30, 2019, restricted cash and bank balances was 40,993 thousand RMB (as at December 31, 2018- 52,940 thousand RMB) mainly including deposits that guarantee bank acceptance drafts.

2. Accounts receivable

a. By category

	June 30, 2019				
	Book value		Provision for bad and doubtful debts		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	190,972	50	131,416	69	59,556
Account receivables assessed collectively for impairment	192,663	50	149	-	192,514
	383,635	100	131,565	34	252,070

	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

b. Aging analysis

	June 30, 2019
Within 1 year (inclusive)	194,863
Over 1 year but within 2 years	73,272
Over 2 years but within 3 years	103,291
Over 3 years but within 4 years	2,635
Over 4 years but within 5 years	1,266
Over 5 years	8,308
	383,635

(Expressed in RMB '000)

XV. Notes to major items in the Company's financial statements - (cont'd)

2. Accounts receivable - (cont'd)

c. Addition, written-back and written-off of provision for bad and doubtful debts during the period

	Six months ended June 30, 2019
Balance as of January 1,	129,941
Addition during the year, net	1,624
Write back during the year	-
Write-off during the year	-
Exchange rate effect	-
Balance as of December 31	131,565

d. Five largest accounts receivable at June 30, 2019:

Name	Closing balance	Proportion of Accounts receivable (%)	Allowance of doubtful debts
Party 1	177,039	46	117,483
Party 2	114,094	30	-
Party 3	47,002	12	-
Party 4	8,774	2	-
Party 5	6,739	2	-
	353,648	92	117,483

3. Receivable financing

	June 30 2019	December 31 2018
Bank acceptance draft	46,331	19,917
	46,331	19,917

As at June 30, 2019, bank acceptance endorsed but not yet due amounts to 127,816 thousands RMB.

(Expressed in RMB '000)

XV. Notes to major items in the Company's financial statements - (cont'd)

4. Other Receivables

	June 30 2019	December 31 2018
Dividends receivable	-	1,808
Other receivables	13,912	29,940
	13,912	31,748

(1) Dividends receivable

a. Dividends receivable by categories

Items/Invested companies	June 30 2019	December 31 2018
Hubei Bank	-	1,808

As at 30 June 2019, the Company did not have any significant dividends receivable exceeded 1 year.

(2) Other receivables

a. Other receivables by categories

	June 30 2019	December 31 2018
Other	19,053	35,072
Provision for doubtful debts	(5,141)	(5,132)
	13,912	29,940

b. Other receivables by aging

	June 30, 2019
Within 1 year (inclusive)	13,910
Over 1 year but within 2 years	-
Over 2 years but within 3 years	72
Over 3 years but within 4 years	10
Over 4 years but within 5 years	-
Over 5 years	5,061
	19,053

(Expressed in RMB '000)

XV. Notes to major items in the Company's financial statements - (cont'd)

4. Other Receivables - (cont'd)

(2) Other receivables - (cont'd)

c. Additions, recovery or reversal and written-off of provision for bad and doubtful debts during the period:

	Six months ended June 30, 2019
Balance as of January 1, 2019	5,132
Addition during the period	9
Written back during the period	-
Write-off during the period	-
Balance as of June 30, 2019	5,141

d. Five largest other receivables at June 30 2019:

Name	Closing balance	Proportion of other receivables (%)	Credit loss provision
Party 1	10,553	55	-
Party 2	3,125	16	3,125
Party 3	2,000	11	-
Party 4	651	3	-
Party 5	548	3	548
	16,877	88	3,673

(Expressed in RMB '000)

XV. Notes to major items in the Company's financial statements - (cont'd)

5. Long-term equity investments

	June 30, 2019			December 31, 2018		
	Amount balance	Impairment loss	Book value	Amount balance	Impairment loss	Book value
Invest in subsidiaries.	16,403,642	-	16,403,642	15,939,826	-	15,939,826
	16,403,642	-	16,403,642	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	-	-
Jiangsu Anpon Electrochemical co. LTD.	-	463,816	-	463,816	-	-
ADAMA Agricultural Solutions Ltd	15,890,213	-	-	15,890,213	-	-
	15,939,826	463,816	-	16,403,642	-	-

6. Operating Income and operating costs

	Six months ended June 30, 2019		Six months ended June 30, 2018	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	704,594	493,979	1,585,485	1,096,095
Other operations	30,832	24,582	81,088	73,662
	735,426	518,561	1,666,573	1,169,757

(Expressed in RMB '000)

XV. Notes to major items in the Company's financial statements - (cont'd)

7. Notes to items in the cash flow statements

(1) Other cash received relevant to operating activities

	Six months ended June 30, 2019	Six months ended June 30, 2018
Interest income	14,333	13,035
Government subsidies	4,414	748
Other	211	1,409
	18,958	15,192

(2) Other cash paid relevant to operating activities

	Six months ended June 30, 2019	Six months ended June 30, 2018
Professional services	44,848	36,133
Transportation and Commissions	28,438	38,259
Other	16,284	11,790
	89,570	86,182

(3) Other cash received relevant to financing activities

	Six months ended June 30, 2019	Six months ended June 30, 2018
Restricted cash	11,947	-

(4) Other cash paid relevant to financing activities:

	Six months ended June 30, 2019	Six months ended June 30, 2018
Repurchase of B shares	-	393,025
Restricted cash	-	28,150
Other	200	3,138
	200	424,313

(Expressed in RMB '000)

XV. Notes to major items in the Company's financial statements - (cont'd)

8. Supplementary information to cash flow statement

	Six months ended June 30	
	2019	**2018**
a. Reconciliation of net profit to net cash flows generated from operating activities:		
Net profit	(37,789)	282,383
Add: Assets impairment loss	272	905
Credit impairment loss	1,633	3,073
Depreciation of fixed assets	99,602	79,145
Amortization of intangible assets	2,347	2,503
Amortization of-right-of use assets	209	N/A
Loss on disposal of fixed assets, intangible assets and other long-term assets	293	44
Financial expenses	12,588	(9,876)
Decrease (increase) in deferred income tax assets	(11,220)	(4,870)
Decrease (increase) in inventory	39,895	13,343
Increase in accounts receivable from operating activities	411,591	15,037
Increase in payables from operating activities	(236,900)	99,968
Net cash flows generated from operating activities	282,521	481,655

b. Net increase in cash and cash equivalents

Closing balance of cash	2,132,174	1,761,572
Less: Opening balance of cash	2,005,313	1,864,003
Net increase in cash and cash equivalents	126,861	(102,431)

XV. Notes to major items in the Company's financial statements - (cont'd)

9. 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

	Related Party Relationship	Six months ended June 30 2019	Six months ended June 30 2018
Summary of Purchase of goods/services received:			
Purchase of goods/services received	Common control under ChemChina	7,571	7,846
Purchase of fixed assets and other assets	Common control under ChemChina	12,766	54,060
Purchase of goods/services received	Subsidiary	48,064	114,174
Summary of Sales of goods:			
Sale of goods	Subsidiary	260,266	419,636
Sale of raw materials	Subsidiary	331	54,210
Sale of fixed assets	Subsidiary	-	1,528

(Expressed in RMB '000)

XV. Notes to major items in the Company's financial statements - (cont'd)

9. 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	June 30 2019	December 31 2018
Building and Structures	Common control under ChemChina	-	10

The Company as the guarantee receiver

Guarantee provider	Amount of guaranteed loan	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y/ N)
Parent	300,000	20/11/2017	20/11/2022	N
	50,000	18/10/2017	18/10/2021	N
	100,000	13/06/2018	12/06/2022	N
Ultimate controller	160,000	27/05/2014	09/06/2021	Y

(Expressed in RMB '000)

XV. Notes to major items in the Company's financial statements - (cont'd)

9. Transactions and balances with related parties - (cont'd)

(3) Transactions with related parties - (cont'd)

c. Receivables from and payables to related parties (including loans)

Receivable Items

Items	Related Party Relationship	June 30 2019 Book Balance	June 30 2019 Bad debt Provision	December 31 2018 Book Balance	December 31 2018 Bad debt Provision
Trade receivables	Subsidiary	338,135	117,483	753,369	113,245
Prepayments	Common control under ChemChina	684	-	298	-
Other non-current assets	Common control under ChemChina	38,098	-	-	-

Payable Items

Items	Related Party Relationship	June 30 2019	December 31 2018
Trade payables	Common control under ChemChina	2,974	184
Other payables	Subsidiary	102,170	105,164
Other payables	Common control under ChemChina	415,250	240
Other non-current liabilities*	Common control under ChemChina	171,770	171,770

*loans from related party, the interest expense for the 6 months ended June 30, 2019 and 2018 was 1,042 thousand RMB for each of the periods.

d. Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was 231,316 thousand RMB (31.12.18: 295,661 thousand RMB) Interest income of bank deposit for the current period was 1,654 thousand RMB (amount for six months ended June 30, 2018 is 738 thousand RMB).

(Expressed in RMB '000)

Supplementary information

1. Extraordinary Gain and Loss

	Six months ended June 30, 2019
Disposal of non-current assets	115,514
Government grants recognized through profit or loss	14,854
Profit of subsidiaries generated before combination date of a business combination involving enterprises under common control	38,027
Recovery or reversal of provision for bad debts which is assessed individually during the years	15,748
Other non-operating income and expenses besides items above	(8,431)
Tax effect	(17,344)
	158,368

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	2.59%	0.24	N/A
Net profit after deduction of extraordinary gains/losses attributable to ordinary shareholders of the Company	1.89%	0.18	N/A

(Expressed in RMB '000)

Supplementary information - (cont'd)

3. Supplementary information for retrospective restatement

During March 2019, the acquisition of Anpon, a wholly-owned subsidiary of CNAC, was successfully completed. On March 29, 2019, the entire share capital of Anpon was transferred from CNAC to the Company, in return for cash installments of 415 million RMB. The transaction was considered as a business combination under common control.

The restated consolidated balance sheets as at January 1, 2018 and December 31, 2018 are as follows:

	January 1, 2018 (Restated)	December 31 2018 (Restated)	June 30 2019
Current assets			
Cash at bank and on hand	7,984,102	6,400,190	5,425,392
Financial assets at fair value through profit or loss	23,000	46,095	33,074
Derivative financial assets	455,153	517,726	416,991
Bills receivables	29,927	40,569	54,702
Accounts receivable	5,229,446	6,573,100	7,674,381
Receivables financing	282,645	73,216	68,629
Prepayments	298,036	410,506	319,471
Other receivables	1,083,330	1,079,332	929,945
Inventories	7,669,358	9,433,876	10,337,924
Assets held for sale	403,297	-	-
Non-current assets due within one year	46	48	-
Other current assets	614,957	660,806	715,767
Total current assets	24,073,297	25,235,464	25,976,276
Non-current assets			
Available-for-sale financial assets	91,090	157,600	174,246
Long-term receivables	192,968	108,350	135,075
Long-term equity investments	102,384	91,559	87,812
Investment properties	4,408	4,094	3,933
Fixed assets	6,872,164	7,263,866	7,167,032
Construction in progress	841,100	487,204	534,351
Right-of-use assets	N/A	N/A	554,372
Intangible assets	4,102,983	5,741,962	5,802,932
Goodwill	3,890,097	4,085,945	4,298,747
Deferred tax assets	896,326	741,737	767,928
Other non-current assets	183,519	217,282	307,385
Total non-current assets	17,177,039	18,899,599	19,833,813
Total assets	41,250,336	44,135,063	45,810,089

(Expressed in RMB '000)

Supplementary information - (cont'd)

3. Supplementary information for retrospective restatement - (cont'd)

	January 1, 2018 (Restated)	December 31 2018 (Restated)	June 30 2019
Current liabilities			
Short-term loans	3,080,912	1,122,774	2,308,286
Derivative financial liabilities	789,050	1,451,670	688,267
Bills payable	311,557	445,533	375,777
Accounts payable	3,983,018	4,627,936	4,178,668
Contract liabilities	781,374	848,402	917,747
Employee benefits payable	1,013,830	944,175	912,354
Taxes payable	437,457	616,780	437,227
Other payables	1,062,400	1,197,579	1,970,641
Non-current liabilities due within one year	448,504	301,814	422,208
Other current liabilities	466,078	578,184	344,127
Total current liabilities	12,374,180	12,134,847	12,555,302
Non-current liabilities			
Long-term loans	514,320	235,819	673,796
Debentures payable	7,777,410	7,649,098	8,152,990
Lease liabilities	N/A	N/A	418,814
Long-term payables	23,909	25,106	26,419
Long-term employee benefits payable	652,071	620,646	644,449
Provisions	186,020	132,351	135,924
Deferred tax liabilities	224,613	392,404	350,735
Other non-current liabilities	225,586	199,930	372,256
Total non-current liabilities	9,603,929	9,255,354	10,775,383
Total liabilities	21,978,109	21,390,201	23,330,685
Shareholders' capital			
Share capital	2,446,554	2,446,554	2,446,554
Capital reserve	13,331,312	13,324,491	12,903,168
Other comprehensive income	(104,048)	1,090,827	972,845
Special reserves	9,349	13,536	16,798
Surplus reserve	207,823	240,162	240,162
Retained earnings	3,381,237	5,629,292	5,899,877
Total shareholders’ equity	19,272,227	22,744,862	22,479,404
Total liabilities and shareholders’ equity	41,250,336	44,135,063	45,810,089