



ADAMA LTD.

SEMI-ANNUAL REPORT 2019

ADAMA Ltd. is one of the world's leading crop protection companies. We strive to Create Simplicity in Agriculture - offering farmers effective products and services that simplify their lives and help them grow. With one of the most comprehensive and diversified portfolios of differentiated, quality products, our 7,000 strong team reaches farmers in over 100 countries, providing them with solutions to control weeds, insects and disease, and improve their yields.

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

August 2019

Section I Important Notice, Table of Contents and Definitions

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

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

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

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

The Company has described its possible risks in "X Risks Facing the Company and Countermeasures" under Section IV herein.

For the Reporting Period, the Company does not plan to distribute cash dividends or bonus shares or convert capital reserve into share capital.

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

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Definitions

Term	Definition
Company, the Company	ADAMA Ltd.
Solutions	Adama Agricultural Solutions Ltd., a wholly-owned subsidiary of the Company, incorporated in Israel according to its laws
Board of Directors/Board	The Board of Directors of the Company
Board of Supervisors	The Board of Supervisors of the Company
ADAMA or Group, the Group	The Company and its subsidiaries
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
Reporting Period, this period	January 1, 2019 - June 30, 2019
ChemChina	China National Chemical Co., Ltd.
CNAC	China National Agrochemical Co., Ltd., the controlling shareholder of the Company, a wholly-owned subsidiary of ChemChina

Section II Corporate Profile and Financial Results

I Corporate Information

Stock name	ADAMA A, ADAMA B	Stock code	000553, 200553
Stock exchange	Shenzhen Stock Exchange		
Company name in Chinese	安道麦股份有限公司		
Abbr.	安道麦		
Company name in English	ADAMA Ltd.		
Abbr.	ADAMA		
Legal representative	Chen Lichtenstein		

II Contact Information

	Board Secretary	Securities Affairs Representative	Investor Relations Manager
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III Other Information

1. Ways to Contact the Company

Indicate by tick mark whether any changes occurred to the registered address, office address and their postal codes, website address and email address of the Company during the Reporting Period.

Applicable Not applicable

No changes occurred to the said information during the Reporting Period, which can be found in the 2018 Annual Report.

2. Information Disclosure Media and Place where this Report is Kept

Indicate by tick mark whether any changes occurred to the information disclosure media and the place where this Report is kept during the Reporting Period.

Applicable Not applicable

The newspapers designated by the Company for information disclosure, the website designated by the CSRC for

the publication of this Report and the location where this Report is kept did not change during the Reporting Period. Said information can be found in the 2018 Annual Report.

3. Other Relevant Documents

Indicate by tick mark whether any changes occurred to the relevant documents during the Reporting Period.

Applicable Not applicable

IV Main Accounting Data and Financial Indexes

Indicate by tick mark whether the Company needs to retroactively adjust or restate any of its accounting data.

Yes No

Reason for retrospective adjustment or restatement: Business combination under common control.

	Reporting Period	Same period of last year		+/- (%)
		Before adjustment	After adjustment	After adjustment
Operating revenues (RMB'000)	13,616,032	13,026,258	13,639,073	-0.17%
Net profit attributable to shareholders of the Company (RMB'000)	588,638	2,362,781	2,389,167	-75.36%
Net profit attributable to shareholders of the Company excluding non-recurring profit and loss (RMB'000)	430,270	790,296	790,296	-45.56%
Net cash flow from operating activities (RMB'000)	(304,950)	779,518	839,803	-136.31%
Basic EPS (RMB/share)	0.2406	0.9658	0.9765	-75.36%
Diluted EPS (RMB/share)	N/A	N/A	N/A	N/A
Weighted average return on net assets	2.59%	11.65%	11.53%	-8.94%
	End of Reporting Period	End of last year		+/- (%)
		Before adjustment	After adjustment	After adjustment
Total assets (RMB'000)	45,810,089	41,577,798	44,135,063	3.80%
Net assets attributable to shareholders of the Company (RMB'000)	22,479,404	21,543,425	22,744,862	-1.17%

V Differences in Accounting Data under Domestic and Foreign Accounting Standards

1. Differences in Net Profit and Net Assets Disclosed in Financial Reports Prepared under Chinese and International Accounting Standards

Applicable Not applicable

No such differences for the Reporting Period.

2. Differences in Net Profit and Net Assets Disclosed in Financial Reports Prepared under Chinese and Foreign Accounting Standards

Applicable Not applicable

No such differences for the Reporting Period.

3. Reason for accounting data differences under Chinese and Foreign Accounting Standards

Applicable Not applicable

VI Non-Recurring Profit/Loss

Applicable Not applicable

Unit: RMB'000

Item	Reporting Period	Note
Gains/losses on the disposal of non-current assets (including the offset part of asset impairment provisions)	115,514	
Government grants recognized through profit or loss (excluding government grants closely related to business of the Company and given at a fixed quota or amount in accordance with government's uniform standards)	14,854	
Profit or loss 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 other than the above	-8,431	
Less: Income tax effects	17,344	
NCI (after tax)	-	
Total	158,368	

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

Applicable Not applicable

No such cases in the Reporting Period.

Section III Business Profile

I Main Business of the Company during the Reporting Period

Is the Company subject to any disclosure requirements for special industries?

No.

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

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

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

ADAMA's primary operations are focused on Europe, North America, Latin America, Asia-Pacific (including China) and India, the Middle-East and Africa. In aggregate, the Group sells its products in approximately 100 countries across the globe.

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

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

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

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

II Significant Changes in Main Assets

1. Significant Changes in Main Assets

Main assets	Explanations regarding significant change
Stock rights/Equity assets	No significant changes
Fixed assets	No significant changes
Intangible assets	No significant changes
Construction in progress	No significant changes

2. Main Assets Overseas

Applicable Not applicable

Specific contents of the assets	Reason	Scale of the assets (RMB'000)	Location	Operation/ Management mode	Control measures to guarantee safety of the assets	Net Profit of the assets (RMB'000)	Proportion of overseas assets out of total net assets (%)	Significant impairment risk?
Equity investment in Solutions	Acquired through major assets restructuring.	19,153,146	Israel and globally	Corporate Governance	Corporate Governance	487,920	85%	No
Other explanations								

III Core Competitiveness Analysis

Is the Company subject to any disclosure requirements for special industries?

No.

No significant changes occurred to the core competitiveness of the Company in the Reporting Period.

Section IV Performance Discussion and Analysis

I Overview

Significant precipitation in North America in the first quarter followed by unprecedented flooding in the second quarter, alongside extreme dry weather in Europe, India and parts of Asia-Pacific, delayed and reduced application of crop protection products in these regions. Latin America benefited from relatively strong demand in the southern hemisphere off-season. India's monsoon season started late in the second quarter, delaying the sowing of several summer-planted crops.

Crop prices have generally remained subdued in the first half of 2019, with the exception of corn, which continues to challenge farmer income in most regions, resulting in continued sluggish demand for crop protection products.

The sustained supply-constrained environment, mostly owing to increased environmental focus in China, has seen continued industry-wide shortages in certain raw materials and intermediates, and resulted in procurement costs remaining elevated compared to the first half of last year. The Company continues to raise its prices in all regions and contain its manufacturing and other operating costs to mitigate this impact.

For ADAMA, the extended cold and wet conditions in North America, alongside dry weather in Europe, India and parts of Asia-Pacific, delayed and reduced application of crop protection products, while continued tight supply conditions prevented the Company from taking advantage of demand for certain products.

Strong growth in Latin America, led by Brazil, as well as resilient performance in APAC, notably Australia, alongside the contribution of joiners Bonide and Anpon, partially offset these weather- and supply-related delays.

In China, continued strong demand for the Company's differentiated, formulated and branded products is supporting the shift towards sales through its own channels and away from sales of unformulated, technical active ingredients to intermediaries.

The Company continues to drive growth with new launches of differentiated product throughout all regions. The continued supportive pricing environment allowed for the raising of prices by an average of 3% across all regions, passing on some of the impact of the constrained supply and higher procurement costs, while mitigating the impact of generally softer currencies. In addition, the Company continues to contain its manufacturing and other operating costs, while recording idleness costs at Jingzhou old site.

Looking toward the second half of the year, the Company expects robust growth, as the southern hemisphere regions, which are performing strongly, move into their peak season, as the Monsoon season progresses in India, and as supply constraints start alleviating.

Increasing collaboration activities

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

Jingzhou Old Site

Following resumption of operations at the Jingzhou old site in late March, the Company is advancing the gradual ramp-up of production. The new state-of-the-art wastewater treatment facility is operational, and the upgraded

biological-decomposition systems are being acclimated to the improved wastewater quality. As this progresses, the Company is still experiencing constrained supply in key products manufactured at the site, especially impacting the Americas, Asia-Pacific, China and India, Middle-East and Africa, constraining sales and gross profit by approximately \$100 million and \$35 million, respectively, in the half-year, and recorded approximately \$20 million in related idleness costs during the period, bringing the impact from the disruption on EBITDA to approximately \$50 million and on Net Income to approximately \$40 million. In recent weeks, the Ecological Protection Supervision Team of the central government commenced on-site inspections at many ChemChina's group companies, including the Company's sites in China, as part of its strengthening ongoing environmental and safety focus. ADAMA is working in full cooperation, in the context of its 3-year relocation and upgrade process which is due to conclude next year, to identify and rectify any safety or environmental matter.

Notwithstanding that the old site only produces a small number of products for the group, and the fact that ADAMA has significant production and procurement capabilities elsewhere in China and worldwide, the suspension has had a negative impact on the Company's performance as described above.

Regarding the explanations on the changes of the financial data, please refer to the "II Analysis of Main Business" of this chapter.

II Analysis of Main Business

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

Year-on-year changes of main financial data:

	Reporting Period (000' RMB)	Same period of last year (000' RMB) (Restated)	+/-%	Reporting Period (000' USD)	Same period of last year (000' USD) (Restated)	+/-%
Operating income	13,616,032	13,639,073	-0.17%	2,008,150	2,141,685	-6.24%
Cost of goods sales	9,023,242	9,042,183	-0.21%	1,330,711	1,419,822	-6.28%
Gross Profits	4,592,790	4,596,890	-0.09%	677,439	721,863	-6.15%
Selling and Distribution expenses	2,499,774	2,256,991	10.76%	368,715	354,394	4.04%
General and administrative expenses	628,259	523,821	19.94%	92,661	82,258	12.65%
R&D expenses	210,699	156,275	34.83%	31,062	24,541	26.57%
Financial Expense	938,196	347,554	169.94%	138,402	54,482	154.03%
Total profits	729,175	3,126,725	-76.68%	107,630	491,559	-78.10%
Income tax expenses	140,537	737,558	-80.95%	20,692	115,912	-82.15%
Net income	588,638	2,389,167	-75.36%	86,938	375,647	-76.86%
EBITDA	2,460,919	4,486,211	-45.14%	362,956	704,994	-48.52%
Net cash flows from operating activities	(304,950)	839,803	-136.31%	(46,757)	131,525	-135.55%
Net cash flows used in investing activities	(1,369,994)	(233,651)	486.34%	(202,688)	(36,605)	453.72%

	Reporting Period (000'RMB)	Same period of last year (000'RMB) (Restated)	+/-%	Reporting Period (000'USD)	Same period of last year (000'USD) (Restated)	+/-%
Net cash flows used in financing activities	735,633	(2,427,887)	-130.30%	109,154	(381,626)	-128.60%
Net increase (decrease) in cash and cash equivalents	(964,376)	(1,823,328)	-47.11%	(141,826)	(290,777)	-51.23%

Note: The significantly higher total profits, net income and EBITDA for the first half of 2018 mainly reflect the one-time capital gain from the divestment of a portfolio of registrations in connection with the 2017 ChemChina-Syngenta transaction, which increased Total Profits and EBITDA by USD 314.3 million and Net Income by USD 244.8 million.

Analysis of Financial Highlights

(1) Sales

Regional Sales Performance

	Q2 2019 \$m	Q2 2018 \$m	Change USD	H1 2019 \$m	H1 2018 \$m	Change USD
Europe	267	309	-13.6%	628	702	-10.6%
North America	220	213	+3.5%	400	407	-1.6%
Latin America	196	172	+14.2%	355	311	+14.4%
Asia Pacific	173	167	+3.1%	358	356	+0.7%
Of which China	86	88	-3.0%	179	173	+3.9%
India, Middle East & Africa	146	162	-10.2%	267	270	-1.4%
Total	1,002	1,023	-2.1%	2,008	2,045	-1.8%

Europe: Sales in Europe were impacted by tight supply conditions as well as unseasonably hot weather towards the end of the second quarter, which constrained sales in key countries.

In Northern Europe, sales continued to be impacted by credit restraint in Ukraine, with the Company proactively restricting sales to only those customers with a proven ability to pay, as well as by adverse weather conditions in Germany, reducing crop protection application in all major crops, alongside the tight supply conditions.

In Southern Europe, weak disease pressure in key markets resulted in subdued demand for crop protection products, while supply-related constraints further impacted sales.

In the second quarter, ADAMA launched MERKUR® in France, a differentiated, broad-spectrum three-way herbicide mixture in an innovative formulation, combating weed seed germination and growth. In addition, the Company obtained several new product registrations, including MERPLUS®, a differentiated fungicide for pome fruits in Europe and FLUTEPRID®, a 3-way combination insecticide-fungicide seed dressing for control of diseases and pests in grain crops in Russia.

North America. Sales in North America benefited from continued price increases partially offsetting adverse weather conditions.

Significant and extended precipitation in the first quarter, followed by unprecedented floodings in the second quarter,

posed significant challenges for farmers, delaying the planting season and reducing planted acreage, impacting sales across key agricultural markets.

In Consumer and Professional Solutions, the Company saw a pleasing contribution from joiner Bonide, despite the challenging weather conditions which similarly impacted the non-crop market.

BRAZEN®, a selective herbicide for grass control in spring wheat and barley in Canada, delivered a strong performance in its first quarter following its recent launch.

Latin America. Latin America delivered business growth in key countries across the region, alongside continued price increases, more than offsetting the impact of constrained supply.

The Company continues to grow strongly in Brazil, where robust demand for its corn portfolio overcame supply shortages in certain products. The Company saw strong performance in the key soybean market, leveraging its distinctive product offering, including flagship CRONNOS®, the triple-action fungicide for rust, while benefiting from an increase in planted areas.

Noteworthy performance was recorded in the second quarter in Argentina, despite adverse weather conditions.

During the quarter, the Company launched several new products, including BREVIS®, a differentiated post-bloom fruit thinner in apples in Argentina, as well as KADABRA®, a broad-spectrum mixture insecticide for vegetables in Mexico, and UBERTOP® an insecticide used mainly for the control of a wide range of pests in tomato and cabbage in Central America, while the proprietary NIMITZ® suite of nematicide products was launched in Peru.

Asia-Pacific. Sales in the region grew, driven by business growth and continued price increases.

The second quarter saw a strong recovery in Australia, as long-awaited rain bolstered the winter crop season following the severe drought which significantly impacted sales in the country in the first quarter. However, drought conditions continued to impact the broader Asia-Pacific region in the second quarter, reducing crop protection application and constraining sales in many countries.

During the quarter, the Company obtained a number of new registrations for differentiated products, including LEGACY MA-X® for controlling a wide range of broadleaf weeds in Australian winter cereals and pasture, APROPO® fungicide for rice in Philippines, and TOPNOTCH® to control various diseases in Australian wheat and barley.

In China, ADAMA continues to see strong demand for its differentiated, formulated and branded products, and prioritizes the sale of these products through its own channels by rapidly shifting away from selling unformulated, technical product to intermediaries, and in so doing benefiting from the full product positioning as well as end-to-end margin. Sales of these formulated, branded products other than those from the Jingzhou old site, grew by more than 20% in both the quarter and first half.

ADAMA continues to make significant portfolio advances in China, with the launch in the second quarter of LEIWANG®, a combination insecticide to help combat the fall army worm outbreak.

Anpon delivered a solid performance in its first full quarter since joining, compensating for the interruption to supply resulting from the Jingzhou old site.

India, Middle East & Africa. Sales in India were impacted by the late Monsoon rains, reducing planting areas and delaying crop protection application, as well as supply constraints in China-sourced products. In the half-year, growth in the region benefited from a strong performance in Turkey.

(2) Gross Profit

Compared to the first half of last year, procurement costs remained elevated, mostly owing to increased environmental and safety focus in China that has seen continued industry-wide shortages in certain raw materials and intermediates. Benefiting from a stronger pricing environment, the Company continued to raise prices, by an average of 3% across all regions, and contained its manufacturing and other operating costs, which compensated for a large part of the impact of the constrained supply, higher procurement costs and softer currencies. The Jingzhou old site disruption constrained H1 gross profit by approximately \$35 million.

(3) Operating Expenses

Sales and Marketing expenses increased mainly due to the first-time inclusion of Bonide's expenses, as well as the amortization of the written-up value of assets transferred from Syngenta in connection with the 2017 ChemChina-Syngenta transaction (see additional details below), which offset the benefit of expense containment and softer currencies.

In recent years, the Company conducted various corporate development activities, including mergers and acquisitions, which resulted in the inclusion within its sales and marketing expenses of various one-time or non-cash or non-operational items affecting the Company's reported numbers, mainly as follows:

- **Amortization of legacy Purchase Price Allocation (PPA) of 2011 acquisition of Solutions:** Under PRC GAAP, since the first combined reporting in Q3 2017 following the combination, the Company has inherited the historical "legacy" amortization charge that ChemChina previously was incurring in respect of its acquisition of Solutions in 2011. This amortization is done in a linear manner on a quarterly basis, most of which will be fully amortized by the end of 2020. Its reported financial impact in the first half of 2019 is USD 19 million, net of tax.
- **Amortization of Transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction:** The proceeds from the Divestment of crop protection products in connection with the approval by the EU Commission of the acquisition of Syngenta by ChemChina, net of taxes and transaction expenses, were paid to Syngenta in return for the transfer of a portfolio of products in Europe of similar nature and economic value. Since the products acquired from Syngenta are of the same nature, and with the same net economic value as those divested, the Divestment and Transfer transactions had no net impact on the underlying economic performance of the Company. Its reported financial impact in the first half of 2019 is USD 19.8 million.
- **Amortization of acquisition PPA (non-cash):** The amortization of non-cash intangible assets created in the course of acquisitions, has no impact on the ongoing performance of the companies acquired. Its reported financial impact in the first half of 2019 is USD 2.4 million, net of tax.

General and Administrative expenses: the Company continued to contain expenses and benefited from softer currencies, which offset the first-time inclusion of expenses of Bonide, while the increase mainly resulted from the recording of a first half charge in respect of idleness costs at the Jingzhou old site, as it advances its gradual ramp-up in production.

Research and Development expenses reflect higher spending on strategic research and development projects.

(4) Financial Expenses

Financial expenses alone mainly reflect interest payments on corporate bonds and loans as well as foreign exchange gains/losses on the bonds and other monetary assets and liabilities before the Company carries out any hedging. The sharp increase in the first half of 2019 compared with the same period last year is mainly due to the impact of both the appreciation of the Israeli Shekel, as well as the increase of the higher CPI on the Shekel-denominated CPI-linked bonds.

Given the global nature of its operational activities and the composition of its assets and liabilities, the Group, in the ordinary course of its business, uses foreign currency derivatives (forwards and options) to hedge the cash flow risks associated with existing monetary assets and liabilities that may be affected by exchange rate fluctuations. Net gains/losses from hedging of those positions are recorded in Gains/Losses from Changes in Fair Value, and are then transferred to Investment Income upon realization.

The aggregate of Financial Expenses, Gains/Losses from Changes in Fair Value and Investment Income upon realization (hereinafter as Total Net Financial Expenses and Investment Income), which more comprehensively reflects financial cost of the Company in supporting its main business and protecting its monetary assets/liabilities, amounts to USD 84 million for H1 2019 compared with USD 70 million for H1 2018.

The increase in aggregate Net Financial Expenses and Investment Income reflects the higher CPI impact on the Israeli bonds, as well as higher interest and hedging costs, while the lower expenses in the corresponding periods last year reflect the benefit of foreign exchange income related to balance sheet positions.

(5) Tax expenses.

Net tax expenses were lower largely due to the lower taxable income, while the higher tax expenses in the prior periods reflected the non-cash impact of the devaluation of the Brazilian Real, resulting in a lower value of local currency-denominated non-monetary assets, as well as the tax charge incurred on the capital gain from the divestment of registrations related to the ChemChina-Syngenta transaction, in the amount of USD 69.5 million.

(6) Cash Flow.

Operating cash flow was lower, reflecting the build-up of working capital and the impact of the partially operational Jingzhou old site. The higher level of working capital reflects increased trade receivables resulting from the Company's strong growth in Q4 2018 and the robust performance in Brazil in the first-half of 2019, alongside certain reduction in payable days due to a change in supplier mix. Inventory levels were higher due to the missing of sales resulting from the weather-related challenges as well as credit restraint in eastern Europe, alongside the build-up of inventory to prepare for the expected growth in the second half of 2019, as well as the first-time addition of Bonide.

Net cash used in investing activities increased mainly reflecting the acquisition of Bonide, while in the first quarter of 2018, the Company recorded the one-time proceeds from the divestiture of several products in connection with the approval by the EU Commission of the acquisition of Syngenta by ChemChina, and outflow of a lesser net amount for the transfer of a similar portfolio of products.

Net cash provided by Financing Activities includes mainly the increase in borrowing during the period, offset by interest and dividend payments, as well as payments in respect of bond hedges.

Major changes to the profit structure or sources of the Company in the Reporting Period:

Applicable Not applicable

No such cases in the Reporting Period.

Breakdown of main business:

Unit: RMB'000

	Operating revenues	Cost of goods sold	Gross Margin (%)	YoY increase/decrease of the operating revenues	YoY increase/decrease of the cost of goods sold	YoY increase/decrease of the gross margin
Total	13,616,032	9,023,242	33.73%	-0.17%	-0.21%	0.08%
Classified by industries						
Industry of manufacturing chemical raw materials and chemical products	13,616,032	9,023,242	33.73%	-0.17%	-0.21%	0.08%
Classified by products						
Agro	12,302,544	8,012,367	34.87%	0.45%	0.35%	0.19%
Classified by regions						
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III Analysis of Non-Core Business

√ Applicable □ Not applicable

Unit:RMB'000

	Amount	Proportion in total profit	Reasons	Whether sustained
Investment income	-514,443	-70.55%	Mainly from the realization of derivatives. See explanation of financial expenses.	No
Gain/loss from change of Fair Value	884,135	121.25%	Mainly from changes in fair value of derivatives. See explanation of financial expenses.	No
Asset impairment losses	23,809	3.27%		No
Gain or loss from disposal of assets	115,514	15.84%	Mainly includes expropriation of land.	No
Non-operating income	10,811	1.48%		No
Non-operating loss	16,016	2.20%		No

IV Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB'000

	End of Reporting Period		End of same period of last year (Restated)		Change in percentage (%)	Reason for significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Cash at bank and on hand	5,425,392	11.84%	6,185,654	14.36%	-2.52%	
Accounts receivable	7,674,381	16.75%	6,727,731	15.62%	1.13%	
Inventories	10,337,924	22.57%	8,482,602	19.70%	2.87%	
Investment properties	3,933	0.01%	4,251	0.01%	0.00%	
Long term equity investments	135,075	0.29%	119,251	0.28%	0.01%	
Fixed assets	7,167,032	15.65%	6,862,475	15.94%	-0.29%	
Construction in progress	534,351	1.17%	922,728	2.14%	-0.97%	
Short-term loans	2,308,286	5.04%	1,135,482	2.64%	2.40%	
Long-term loans	673,796	1.47%	320,382	0.74%	0.73%	
Derivative financial assets	416,991	0.91%	940,225	2.18%	-1.27%	

	End of Reporting Period		End of same period of last year (Restated)		Change in percentage (%)	Reason for significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Intangible assets	5,802,932	12.67%	5,961,296	13.84%	-1.17%	
Goodwill	4,298,747	9.38%	3,939,153	9.15%	0.23%	
Deferred tax assets	767,928	1.68%	628,635	1.46%	0.22%	
Accounts payables	4,178,668	9.12%	4,249,085	9.87%	-0.75%	
Employee benefits payable	912,354	1.99%	778,018	1.81%	0.18%	
Debentures	8,152,990	17.80%	7,548,581	17.53%	0.27%	
Derivative financial liabilities	688,267	1.50%	1,209,687	2.81%	-1.31%	
Other payables	1,970,641	4.30%	1,593,570	3.70%	0.60%	

2. Assets and Liabilities Measured at Fair Value

Applicable Not applicable

Unit: RMB'000

Item	Opening balance	Profit/loss on fair value changes in the Reporting Period	Cumulative fair value changes charged to equity	Impairment provided in the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Closing balance
Financial assets							
Financial assets held for trading (excluding derivative financial assets)	46,095	-	-	-	-	(13,021)	33,074
Derivative financial assets(including long term)	517,719	(264,908)	(164,602)	-	374,343	(41,127)	421,425
Other equity investments	91,559	-	10,086	-	-	(13,833)	87,812
Total financial assets	655,373	(264,908)	(154,516)	-	374,343	(67,981)	542,311
Other	106,118	5,590	-	-	-	(4,587)	107,121
Total of above	761,491	(259,318)	(154,516)	-	374,343	(72,568)	649,432
Financial liabilities	1,451,684	(754,989)	-	-	-	-	696,695

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

Yes No

3. Restricted Asset Rights as of End of the Reporting Period

At the end of this Reporting Period, restricted assets included RMB 43.572 million - restricted cash, most of which is as guarantee for bank acceptance bills; RMB 5.926 million - fixed assets, as mortgage for loans; and RMB 143.377 million - other non-current assets, mainly as guarantee for asset securitization and law suits.

V Investments Made

1. Overall Condition of the Total Investments Made

Applicable Not applicable

Investment during the Reporting Period (RMB'000)	Investment during the Same Period Last Year (RMB'000)	+/-% YoY
25,350,061	27,502,683	-7.83%

2. Significant Equity Investments Made in the Reporting Period

Applicable Not applicable

3. Significant Non-Equity Investments Ongoing in the Reporting Period

Applicable Not applicable

4. Financial Investments

(1) Securities Investments

Applicable Not applicable

No such cases in the Reporting Period.

(2) Investments in Derivative Financial Instruments√ Applicable Not applicable

Unit: RMB'000

The party that operates the investment	Relation with the Company	Related party transaction or not?	Type	Initial investment amount	Starting date	Expiring date	Investment amount at beginning of the period	Amount purchased during the reporting period	Amount sold during the reporting period	Impairment accrued (if any)	Investment amount at end of the period	Percentage of investment amount divided by net asset at end of the period	Gain/loss during the reporting period
Banks	No	No	Option	3,362,968	15/12/2018	16/10/2019	3,362,968	2,443,626	-3,294,221	No	2,512,373	11.18%	147,899
Banks	No	No	Forwards	11,634,236	02/03/2019	28/09/2019	11,634,236	22,906,435	-19,760,262	No	14,780,409	65.75%	342,182
Total				14,997,204	--	--	14,997,204	25,350,061	-23,054,483		17,292,782	76.93%	490,081
Source of fund for the investment				Internal									
Litigation-related situations (if applicable)				N/A									
Date of disclosure of Board approval (if any)				December 30, 2017									
Date of disclosure of Shareholders' approval (if any)				N/A									
Risk and control analysis for the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)				<p>The aforesaid refers to short term hedging currency transactions made with banks.</p> <p>The Group's transactions are not traded in the market. The Transactions are between the applicable company in the Group and the applicable bank until the expiration date of the transaction, therefore no market risk is involved.</p> <p>Regarding credit and liquidity risk, the Group is working with large and substantial banks only and with some of them the Group has ISDA agreements.</p> <p>As to operational risk, the Group is working with relevant software, which is its back office for all transactions.</p> <p>No legal risk is involved.</p> <p>The actions taken in order to further reduce risks are:</p> <ul style="list-style-type: none"> The relevant subsidiaries have specific guidelines, under the Group's policy, which were approved by the subsidiaries' financial 									

	<p>statements committee of the board, which specifies, inter alia, the hedging policy, the persons that have the authorization to deal with hedging, the tools, ranges etc. The only subsidiary that has hedging positions in the Group in the period was Solutions and its subsidiaries.</p> <ul style="list-style-type: none"> • The relevant subsidiaries apply management designed procedures and controls, which among other things, monitor the working process and the controls of the hedging transactions and are quarterly reviewed and annually audited. • The controllers of the relevant subsidiaries are involved in the process and are monitoring the hedging accounting treatment. <p>Every 2-3 years the internal audit of the relevant subsidiaries' department is auditing the entire procedure.</p>
<p>Market price or fair value change of investments during the reporting period.</p> <p>Specific methodology and assumptions should be disclosed in the analysis of fair value of the investments</p>	<p>The aforesaid refers to short time hedging currency transactions made by the relevant subsidiary with banks.</p> <p>Segregation of duties as follows:</p> <p>For the fair value evaluation, the relevant subsidiary is usually using external experts. The relevant subsidiary hedges currencies only; the relevant transactions are simple (Options and forwards) for short terms. For fair value methodology see section X of this report, note IX. Fair Value. The exchange rates are provided by the accounting department of the relevant subsidiary and all other parameters are provided by the experts.</p>
<p>Explanation for any significant changes in accounting policies and principles, compared with last reporting period</p>	<p>N/A</p>
<p>Independent Directors' opinion on the investment in derivative financial instruments and related risk controls</p>	<p>The derivative investments carried by the Company are for hedging and narrowing down the risk of market fluctuations. The investments respond to the Company's routine business demands and are in accordance with the relevant laws and regulations. Additionally, the Company has adopted Currency Risk Hedging Policy to strengthen the risk management and control which benefit the Company's ability to protect against market risk. The derivative investments do not harm the interests of the Company and its shareholders.</p>

VI Sale of Major Assets and Equity Interests

1. Sale of Major Assets

Applicable Not applicable

No such cases in the Reporting Period.

2. Sale of Major Equity Interests

Applicable Not applicable

VII Main Controlled and Joint Stock Companies

Applicable Not applicable

List of the stock-participating companies influencing over 10% of the net profits on the major subsidiaries and the Company

Unit: RMB'000

Name	Type	Main services	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Solutions	Subsidiary	Development, manufacturing and marketing of agrochemicals, intermediate materials for other industries, food additives and synthetic aromatic products, mainly for export	720,085	37,243,089	16,012,275	12,504,993	775,843	616,805

Subsidiaries acquired or disposed during the Reporting Period

Applicable Not applicable

Company Name	Way of Acquisition or Disposal	Impact on the Business Operation and Performance of the Company
Jiangsu Anpon Electrochemical Co., Ltd.	Purchase of Share Equity	Anpon's main business has a high degree of synergy with the Company's main business. Significant synergies are generated by selling Anpon's AgChem products through ADAMA's China domestic distribution channels as well as Adama's broad global network.
Bonide Products, Inc.	Purchase of Share Equity	Bonide is a US provider of pest-control solutions for the consumer Home & Garden market. The

Company Name	Way of Acquisition or Disposal	Impact on the Business Operation and Performance of the Company
		acquisition allows the Company to bring its advanced technologies and differentiated portfolio of pest-control and turf solutions directly to the benefit of the consumer.

VIII Structured Entities Controlled by the Company

Applicable Not applicable

IX Performance Forecast for January-September 2019

Warning of possible loss or considerable YoY change in the accumulative net profit made during the period-beginning to the end of the next reporting period, as well as the reasons:

Applicable Not applicable

X Risks Facing the Company and Countermeasures

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

Exchange rate fluctuations

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

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

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

The Group uses commonly accepted financial instruments to hedge most of its substantial net balance sheet exposure to any particular currency. Nonetheless, since as part of these operations the Group hedges against most of its balance sheet exposure and only against part of its economic exposure, exchange rate volatility might impact the Group's results and profitability. As of the date of approval of the financial statements, the Group has hedged most of its balance sheet exposure for 2019 as it is on the date of publication of this report.

In addition, as the Company's product sales depend directly on the cyclical nature of the agricultural seasons, therefore the Company's income and its exposure to the various currencies is not evenly distributed over the year. Countries in the northern hemisphere have similar agricultural seasons and therefore, in these countries, the highest

sales are usually during the first half of the calendar year. During this period, the Company is most exposed to the Euro and the Polish Zloty. In the southern hemisphere, the seasons are opposite and most of the local sales are carried out during the second half of the year. During these months, most of the Company's exposure pertains to the Brazilian Real. The Company has more sales in markets in the northern hemisphere and therefore, the Company's sales volume during the first half of the year is higher than the sales volume during the second half of the year.

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

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

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

Business operations in emerging markets

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

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

Operating in a competitive market

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

The Originator Companies possess resources enabling them to compete aggressively, in the short-to-medium term, on price and profit margins, so as to protect their market share. Loss of market share or inability to acquire additional

market share from the Originator Companies can affect the Group's position in the market and adversely affect its financial results.

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

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

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

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

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

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

The regulatory requirements applicable to the Group vary from product to product and from market to market, and tend to become stricter with time. In recent years, both government authorities and environmental protection organizations have been applying growing pressure, including through investigations and indictments as well as increasingly stricter legislative proposals and class action suits related to companies and products that may potentially pollute the environment. Compliance with the foregoing legislative and regulatory requirements and protection against such legal actions requires the Group to spend considerable financial resources (both in terms of substantial ongoing costs and in terms of material one-time investments) as well as human resources in order to meet mandatory environmental standards. In some instances, this may result in delaying the introduction of products into new markets or in adverse effects on the Group's profitability. In addition, the toughening, material alteration or revocation of environmental licenses or permits, or their stipulations, or the inability to obtain such licenses and permits, may significantly affect the Group's ability to operate its production facilities, which in turn may have a

material adverse effect on the financial and business results of the Group. The Group may be required to bear significant civil liability (including due to class actions) or criminal liability (including high penalties and/or high compensation payments and/or costs of environmental monitoring and rehabilitation), resulting from violation of environmental, health and safety regulations, while some of the existing legislation may impose obligations on the Group for strict liability, regardless of proof of negligence or malice.

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

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

Legislative, standard and regulatory changes in product registration

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

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

Product liability

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

Successful market penetration and product diversification

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

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

Intellectual property rights of the Group and of third parties

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

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

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

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

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

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

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

Exposure due to recent developments in the genetically modified seeds market

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

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

Operational risks

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

Data protection and cyber

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

Raw material supply and/or shipping and port services disruptions

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

Failed mergers and acquisitions; difficulties in integrating acquired operations

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

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

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

Production concentration in limited plants

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

International taxation

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

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

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

Risks arising from the Group's debt

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

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

Exposure to customer credit risks

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

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

The Group's working capital and cash flow needs

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

Section V Significant Events

I Annual and Special Meetings of Shareholders Convened during the Reporting Period

1. Meetings of Shareholders Convened during the Reporting Period

Meeting	Type	Investor participation	Convened date	Disclosure date	Index to disclosed information
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		ratio			
1 st Interim Shareholders Meeting in 2019	Interim Shareholders Meeting	3.84%	March 11, 2019	March 12, 2019	Announcement of the 1 st Interim Shareholders Meeting in 2019 (Announcement Number:2019-13). Disclosed at the website CNINFO www.cninfo.com.cn
2018 Annual Shareholders Meeting	Annual Shareholders Meeting	75.42%	April 10, 2019	April 11, 2019	Announcement of the Annual Shareholders Meeting (Announcement Number:2019-26). Disclosed at the website CNINFO www.cninfo.com.cn
2 nd Interim Shareholders Meeting in 2019	Interim Shareholders Meeting	74.64%	May 30, 2019	May 31, 2019	Announcement of the 2 nd Interim Shareholders Meeting in 2019 (Announcement Number:2019-38). Disclosed at the website CNINFO www.cninfo.com.cn

2. Special Meetings of Shareholders Convened at Request of Preference Shareholders with Resumed Voting

Rights

Applicable Not applicable

II Basic Information of the Profit Distribution and Converting Capital Reserve into Share Capital for the Reporting Period

Applicable Not applicable

For the Reporting Period, the Company does not plan to distribute cash dividends or bonus shares or convert capital reserve into share capital.

III Commitments completed by the Company, the shareholders, the actual controllers, the purchasers, or the other related parties during the reporting period and those which should be completed but failed during the reporting period

Applicable Not applicable

Note: No commitment that should be completed but failed during the reporting period. For details of the commitments that are under performing, please refer to the 2018 Annual Report published in the website of CNINFO www.cninfo.com.cn on March 21, 2019. The following is the commitment which is completed during the reporting period.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitments made at the time of assets reorganization	China Cinda Asset Management Co., Ltd., CCB Principle Asset Management Co., Ltd., Aegon-industrial Fund Co., Ltd., Penghua Fund Management Co., Ltd., China Structural Reform Fund Co., Ltd., Caitong Fund Management Co., Ltd.	Commitment on share lock-up	The new shares issued in the non-public offering to raise supporting fund shall not be transferred in any manner within 12 months after the initial trading day of the new issued shares.	December 25, 2017	January 18, 2019	The committed parties complied with the commitments during the reporting period. The shares have been unlocked on January 21, 2019.
Executed timely or not?	Yes					

IV Engagement and Disengagement of CPA Firm

Has the semi-annual financial report been audited?

Yes No

This Semi-Annual Report is unaudited.

V Explanations Given by Board of Directors and Board of Supervisors Regarding “Modified Auditor’s Report” Issued by CPA Firm for the Reporting Period

Applicable Not applicable

VI Explanations Given by Board of Directors Regarding “Modified Auditor’s Report” Issued for Last Year

Applicable Not applicable

VII Bankruptcy and Restructuring

Applicable Not applicable

No such cases in the Reporting Period.

VIII Litigation and Arbitration Matters

Significant litigations or arbitrations:

Applicable Not applicable

No such cases in the Reporting Period.

Other litigations or arbitrations:

Applicable Not applicable

No substantial litigation or arbitrations in the Reporting Period.

IX Punishments and Rectifications

Applicable Not applicable

Company name	Person punished	Reason	Type of the punishment	Conclusion made by the authority	Disclosure date	Index of the disclosure
ADAMA Ltd.	ADAMA Ltd.	On January 30 and 31, 2019, the Provincial Environmental Inspection Team, together with personnel from its municipal branch, conducted an inspection at the Jingzhou old production site. During such inspection, the inspectors took several samples, some of which showed elevated levels of water pollutant, in excess of discharge standards prescribed by the State in the production process.	Punished by the environmental protection authority.	(1) An administrative penalty of a fine of one million RMB yuan for the Company's wastewater discharge that exceeded the maximum allowable emission limit. (2) Stop production at the Jingzhou old production site and take corrective measures.	February 13, 2019; April 2, 2019	Announcement on Receiving a Notice Prior to Administrative Punishment (Hearing) and Decision Notice of Production Suspension and Rectification (announcement number 2019-9); Announcement on the Resumption of Production at the Old Site in Jingzhou (announcement number 2019-25). Both published in the website of www.cninfo.com.cn

Please see further information in section XV. below with respect to Social Responsibilities.

Status of Rectification

Applicable Not applicable

The Company is deeply committed to environmentally sustainable production, has a strong track record worldwide of compliance with relevant regulations, and takes seriously any potential instance of exceeding of emissions thresholds. During the suspension of its production, the Company has been taking specific measures to meet all rectification requirements of the relevant authorities.

On March 29th, the *Notice on Agreeing to the Production Resumption of ADAMA Ltd.* was issued by the Bureau, confirming, “It has been agreed by all experts and representatives at the on-site review organized by the Branch Team of Municipal Environmental Monitoring Authority that the rectification plan was technically feasible and your company finished rectification as required, which has justified the resumption of production in your company.” Therefore, the Bureau agreed to allow the resumption of production at the Company’s old site in Jingzhou.

X Integrity of the Company, its controlling shareholders and actual controller

Applicable Not applicable

XI Equity Incentive Plans, Employee Stock Ownership Plans or Other Incentive Measures for Employees

Applicable Not applicable

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

XII Significant Related Transactions

1. Related Transactions Relevant to Routine Operations

Applicable Not applicable

- (1) There are no significant related-party transactions during the reporting period.
- (2) Item XII of Section X “Financial Statements” has set out the related parties and the related-party transactions of the Company.

2. Related Transactions Regarding Purchase or Sales of Assets or Equity Interests

Applicable Not applicable

The Company purchased 100% of the equity interests in Jiangsu Anpon Electrochemical Co., Ltd. which was a related-party transaction and announced timely during the Reporting Period. Please refer to the below Item 5 “Other significant related-party transactions”

3. Related Transactions Regarding Joint Investments in Third Parties

Applicable Not applicable

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

4. Credits and Liabilities with Related Parties

Applicable Not applicable

Whether exist non-operating credits and liabilities with related parties or not?

Yes No

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

5. Other significant related-party transactions

Applicable Not applicable

- (1) The 1st Interim Shareholders Meeting and the 2nd Interim Shareholders Meeting separately approved the expected related-party transactions in the ordinary business course of the Company in 2019 and the new expected related-party transactions in the ordinary course of business in 2019. Please refer to Item X of Section X “Financial Statements” for details of the related-party transactions in the ordinary business course.
- (2) The 12th meeting of the 8th session of the BOD approved the Company to purchase 100% of the equity interests in Jiangsu Anpon Electrochemical Co., Ltd.
- (3) The 2nd Interim Shareholders Meeting approved the Company to sign a Supplemental Financial Services Agreement with ChemChina Finance Co., Ltd. in a related-party transaction.

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

Name of the interim announcement	Disclosure date of the interim announcement	Website to disclose the interim announcement
Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2019 (announcement no. 2019-11)	February 22, 2019	www.cninfo.com.cn
Announcement on the New Expected Related-Party Transactions in the Ordinary Course of Business in 2019 (announcement no. 2019-31)	April 30, 2019	www.cninfo.com.cn
Preliminary Announcement on the Intended Acquisition of 100% of the Equity Interests in Jiangsu Anpon Electrochemical Co., Ltd., in a Related-Party Transaction (announcement no. 2019-1)	January 3, 2019	www.cninfo.com.cn
Announcement on the Acquisition of 100% of the Equity Interests in Jiangsu Anpon Electrochemical Co., Ltd., in a Related-Party Transaction (announcement no. 2019-16)	March 21, 2019	www.cninfo.com.cn
Progress Announcement on the Acquisition of 100% of the Equity Interests in Jiangsu Anpon Electrochemical Co., Ltd., in a Related-Party Transaction (announcement no. 2019-24)	March 30, 2019	www.cninfo.com.cn
Announcement on the Signing of Supplemental Financial Services Agreement in a Related-Party Transaction with ChemChina Finance Co., Ltd. (announcement no. 2019-32)	April 30, 2019	www.cninfo.com.cn

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

Applicable Not applicable

The Company was not involved in the non-operating utilization of funds by the controlling shareholder and other related parties during the Reporting Period.

XIV. Significant Contracts and Execution

1. Entrustment, Contracting and Leasing

(1) Entrustment

Applicable Not applicable

No such cases in the Reporting Period.

(2) Contracting

Applicable Not applicable

No such cases in the Reporting Period.

(3) Leasing

Applicable Not applicable

No significant leasing in the Reporting Period.

2. Significant Guarantees

Applicable Not applicable

The Company did not provide any significant guarantee during the reporting period.

3. Other Significant Contracts

Applicable Not applicable

No such cases in the Reporting Period.

XV. Social Responsibilities

1. Information on the Environmental Situation

Is the Company listed as "Key Polluting Entities" by the environmental protection authorities?

Yes

Name of the Company and its Subsidiaries	Main Pollutants and Special Pollutants	Way of Emission	Number of Emission Points	Layout of Emission Points	Emission Concentration	Pollutant Emission Standards Applied	Total Discharged Volume	Maximum Allowable Discharged Volume	Excessive Emission
ADAMA Ltd.	COD	Continuous	2	Centralized Discharge Point	Within Limit	Comprehensive Standard on Discharge of Waste Water (GB8978-2002) , COD<100mg/L	147	391.3	None
	Ammonia Nitrogen	Continuous	2	Centralized Discharge Point	Within Limit	Comprehensive Standard on Discharge of Waste Water (GB8978-2002), Ammonia nitrogen<15 mg/L	14.8	50	None
	Total Phosphorous	Continuous	2	Centralized Discharge Point	Within Limit	Discharge Standards for Pollutants from Urban Sewage Treatment Plant (GB 18918 - 2002), total phosphorous <0.5mg/L	N/A	N/A	The total phosphorous of the wastewater discharged by the old site of the Company exceeded the maximum allowable emission in January. For details, please refer to the Announcement on Receiving a

Name of the Company and its Subsidiaries	Main Pollutants and Special Pollutants	Way of Emission	Number of Emission Points	Layout of Emission Points	Emission Concentration	Pollutant Emission Standards Applied	Total Discharged Volume	Maximum Allowable Discharged Volume	Excessive Emission
									Notice Prior to Administrative Punishment (Hearing) and Decision Notice of Production Suspension and Rectification (announcement number 2019-9).
	Nitrogen oxide	Continuous	1	Power Plant	Within Limit	Standard on Air Pollution of Power Plant (GB13223-2011) NOx <200mg/m ³	261.5	564.7	None
	SO ₂	Continuous	1	Power Plant	Within Limit	Standard on Air Pollution of Power Plant (GB13223-2011) SO ₂ <200mg/m ³	151	380	None
	Fume and Dust	Continuous	1	Power Plant	Within Limit	Standard on Air Pollution of Power Plant (GB13223-2011)	22.25	80	None

Name of the Company and its Subsidiaries	Main Pollutants and Special Pollutants	Way of Emission	Number of Emission Points	Layout of Emission Points	Emission Concentration	Pollutant Emission Standards Applied	Total Discharged Volume	Maximum Allowable Discharged Volume	Excessive Emission
						Fume and Dust<30mg/m ³			
Jiangsu Anpon Electrochemical Co., Ltd.	COD	Continuous	1	Centralized Discharge Point	Within Limit	Comprehensive Standard on Discharge of Waste Water (GB8978-2002) , COD<100mg/L	105.90	265.69	None
	Ammonia Nitrogen	Continuous	1	Centralized Discharge Point	Within Limit	Water Quality Standard for Sewage Discharged into Urban Sewerage (GBT 31962-2015) , Ammonia Nitrogen <45mg/L	7.53	28.348	None
	Total Phosphorous	Continuous	1	Centralized Discharge Point	Within Limit	Discharge Standards for Pollutants from Urban Sewage Treatment Plant (GB 18918 - 2002), total phosphorous <0.5mg/L	N/A	N/A	None
	Nitrogen oxide	Continuous	1	Power Plant	Within Limit	Standard on Air	66.01	114.16	None

Name of the Company and its Subsidiaries	Main Pollutants and Special Pollutants	Way of Emission	Number of Emission Points	Layout of Emission Points	Emission Concentration	Pollutant Emission Standards Applied	Total Discharged Volume	Maximum Allowable Discharged Volume	Excessive Emission
						Pollution of Power Plant (GB13223-2011) NOx <200mg/m ³			
	SO ₂	Continuous	1	Power Plant	Within Limit	Standard on Air Pollution of Power Plant (GB13223-2011) SO ₂ <200mg/m ³	36.74	79.91	None
	Fume and Dust	Continuous	1	Power Plant	Within Limit	Standard on Air Pollution of Power Plant (GB13223-2011) Fume and Dust<30mg/m ³	3.16	23.64	None

(1) Development and Operation of Environmental Facilities

1. Development and Operation of Waste Water Facilities

There are waste water treatment facilities in both the Company and Anpon with the designed capacity of 37,400 tons/day and 11,000 tons/day, respectively. As all the facilities are operating well, COD, ammonia nitrogen, and total phosphorous discharged after the treatment are within the limit.

2. Development and Operation of Waste Gas Facilities

The exhaust treatment facilities in the coal-based power plants of the Company and Anpon are running well. Therefore, SO₂, Nitrogen oxide and fume and dust discharged after the treatment are within the limit.

3. The Company and Anpon disclose production and pollution information according the *Interim Measures on Environmental Information Disclosure* and transfers information of main waste water and air pollutants to the information platform of the local environmental bureau on a daily basis.

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

The Company is currently carrying out environmental impact assessment and preparing environmental impact for the relocation and upgrading project of pesticide series products which is under construction in the new site

of Jingzhou in the reporting period.

(3) Contingency plan of environmental accidents

The Company and its relevant subsidiaries have formulated *the Contingency Plan for Environmental Emergencies* according to their production facilities and industry features, and then submitted files to the local environmental protection authorities as record.

(4) Environment self-monitoring plan

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

In order to improve the environmental management, track the discharge of various pollutants, evaluate the impact on the surrounding environment, strengthen the discharge management of pollutants in the production process, accept the supervision and inspection of environmental authorities and provide reference for pollution prevention and control, the company and its subsidiary Anpon have formulated a self-monitoring plan, which conducts regular tests in strict accordance with the requirements.

The major monitored indicators and frequency of the Company and Anpon are as the following:

1. Monitored Indicators

Waste water: COD, NH₃-N, PH, SS, Petroleum, TP.

Air Pollutant: SO₂, Nitrogen oxide, Fume and Dust.

Noise: Noise at the Site Border

2. Frequency

Boiler emission and waste water discharged from the centralized point: continuous auto monitoring

Manual sampling: SS, Petroleum, TP, once a month.

Noise: once a quarter.

ADAMA continually examines the implications of the environmental laws, taking actions to prevent or mitigate the environmental risks and to reduce the environmental effects that may result from its activities, and invests extensive resources to fulfill those legal provisions that are, and are anticipated to, affect it. ADAMA's plants are subject to atmospheric emissions regulations, whether by virtue of the stipulations provided in the business licenses or under the applicable law. Hazardous materials are stored and utilized in the Company's plants, together with infrastructures and facilities containing fuels and hazardous materials. ADAMA takes actions to prevent soil and water pollution by these materials and treats them, if revealed. ADAMA's plants conduct various soil surveys, risk surveys and tests with regard to treatment of the soil or ground water at the plants.

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

As part of its policy of ecological process improvement, ADAMA also invests in remediation, changes in production processes, establishment of sewage facilities, as well as in byproduct storage and recycling.

(5) Other environmental information that should be disclosed

No.

(6) Other related information on environmental protection

At the end of January 2019, preceding the Spring Festival, the Company voluntarily suspended operations at Sanonda's old site in Jingzhou, which is in the process of being relocated to a nearby advanced site, due to recording of higher than permitted levels of wastewater compounds. The Company was subsequently instructed by the local government not to resume operations before rectification. The Company rectified the discharge levels and resumed operations at the old site at the beginning of April 2019. For details, please see the announcement published on www.cninfo.com.cn on February 13, 2019.

Following resumption of operations at the Jingzhou old site in late March, the Company is advancing the gradual ramp-up of production. The new state-of-the-art wastewater treatment facility is operational, and the upgraded biological-decomposition systems are being acclimated to the improved wastewater quality. As this progresses, the Company is experiencing constrained supply in key products manufactured at the site, especially impacting North America, Latin-America, Asia-Pacific, China, India, Middle-East and Africa, and recorded approximately \$20 million in related idleness costs during the half-year.

In recent years, the Company has already invested \$125 million in the relocation of the Jingzhou old site, and has installed advanced production and environmental facilities at a new and already operational site, including an investment of \$16 million in a new, state-of-the-art wastewater facility, which is ready to commence operation.

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. In this regard, in recent weeks, the Ecological Protection Supervision Team of the Central Government commenced on-site inspections at many of ChemChina's subsidiaries, including ADAMA, as part of its efforts to strengthen ongoing environmental and safety focus. ADAMA is working in full cooperation in the context of its 3-year relocation and upgrade process, which is due to conclude next year, to identify and rectify any safety or environmental issue at Jingzhou.

2. Perform the social responsibility of targeted poverty alleviation

(1) Targeted Poverty Alleviation Planning

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

(2) Half-year Overview

During the reporting period, the employees of the Company visited 20 households below the poverty line in Sanzhou village and gave 300 RMB to each family.

(3) Performance of Targeted Poverty Alleviation

Indicator	Measurement unit	Number/Progress
I. General condition	—	—
Of which: 1. Capital	RMB'0,000	5
II. Itemized investment	—	—
1. Out of poverty by industrial development	—	—

Indicator	Measurement unit	Number/Progress
Of which: 1.1 type of industrial development out of poverty	—	
1.2 number of industrial development out of poverty	Unit	
1.3 investment amount of industrial development out of poverty	RMB'0,000	
1.4 the number of people out of poverty who were helped to establish card for archives	Number	
2. Out of poverty by transferring employment	—	—
3. Out of poverty by relocating	—	—
4. Out of poverty by education	—	—
5. Out of poverty by improving health	—	—
6. Out of poverty by protecting ecological environment	—	—
7. Subsidy for the poorest	—	—
8. Social poverty alleviation	RMB'0,000	5
9. Other items	—	—
III. Received awards(contents and rank)	—	—

(4) Follow-up Plan

The Company will continue to perform its obligation of poverty alleviation based on the requirements of central and local governments..

XVI. Other Significant Events

Applicable Not applicable

The Company completed the following two non-significant acquisitions during the reporting period:

- On March 19, 2019, the Company entered into an agreement with CNAC and CNAC International Company Limited for the acquisition of Jiangsu Anpon Electrochemical Co., Ltd. (“**Anpon**”), a backward-integrated manufacturer of key active ingredients used in crop protection markets worldwide, most notably Ethephon, Pymetrozine and Buprofezin, as well as intermediates such as chlor-alkali, with advanced membrane production technology. The above transaction was closed on March 29, 2019.

Significant Events	Date of Disclosure	Index of the Disclosed Announcements
Anpon Acquisition	March 21, 2019	Announcement on the Acquisition of 100% of the Equity Interests in Jiangsu Anpon Electrochemical Co., Ltd., in a Related-Party Transaction (Announcement No: 2019-16) disclosed at www.cninfo.com.cn .
	March 30, 2019	Announcement on the Progress of the Acquisition of 100% of the Equity Interests in Jiangsu Anpon Electrochemical Co., Ltd. (Announcement No: 2019-24) disclosed at www.cninfo.com.cn .

- 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.

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

XVII. Significant Events of Subsidiaries

Applicable Not applicable

Section VI Share Changes and Shareholders' Profile

I. Changes in shares

1. Changes in shares

Unit: share

	Before this change		Increase/decrease (+, -)					After the change	
	Amount	Proportion	Issuance of new shares	Bonus share	Capitalization of public reserve fund	Other	Subtotal	Amount	Proportion
I. Shares subject to trading									
Moratorium (Restricted Shares)	1,915,585,521	78.30%	--	--	--	- 104,697,982	- 104,697,982	1,810,887,539	74.02%
1. State's shares	--	--	--	--	--	--	--	--	--
2. State-owned legal person's shares	1,810,883,039	74.02%	--	--	--	--	--	1,810,883,039	74.02%
3. Shares held by other domestic investors	104,702,482	4.28%	--	--	--	- 104,697,982	- 104,697,982	4,500	0
Among which: (1) Shares held by domestic legal person;	104,697,982	4.28%	--	--	--	- 104,697,982	- 104,697,982	0	0
(2) Shares held by domestic natural person	4,500	0	--	--	--	--	--	4,500	0
II. Shares not subject to trading moratorium	530,968,061	21.70%	--	--	--	104,697,982	104,697,982	635,666,043	25.98%
Ordinary shares denominated in RMB	363,918,720	14.87%	--	--	--	104,697,982	104,697,982	468,616,702	19.15%
Domestically	167,049,341	6.83%						167,049,341	6.83%

	Before this change		Increase/decrease (+, -)					After the change	
	Amount	Proportion	Issuance of new shares	Bonus share	Capitalization of public reserve fund	Other	Subtotal	Amount	Proportion
listed foreign shares			--	--	--	--	--		
III. Total of shares	2,446,553,582	100.00%	--	--	--	--	--	2,446,553,582	100.00%

Reasons for changes in share

Applicable Not applicable

Approval of share changes

Applicable Not applicable

The registered status for the change in shares

Applicable Not applicable

Status of share buyback

Applicable Not applicable

Status of share buyback in the way of centralized bidding

Applicable Not applicable

Influence of share changes towards financial indexes in the latest year and latest period such as basic EPS and diluted EPS, and net assets per share belonging to shareholder with ordinary share

Applicable Not applicable

Other contents that the Company thinks necessary or is asked by securities regulators to be disclosed

Applicable Not applicable

2. Changes in Restricted Shares

Applicable Not applicable

Shareholder	Restricted shares at the beginning of the reporting period	Restricted shares released during the reporting period	Restricted shares increased during the reporting period	Restricted shares at the end of the reporting period	Reason for restricting	Released date
China Structural Reform Fund Co., Ltd.	33,557,046	33,557,046	0	0	Committed not to trade	Jan 21, 2019
Industrial Bank Co., Ltd, Mixed Securities Investment Fund, Xingquan New Vision Investment	4,026,800	4,026,800	0	0	Committed not to trade	Jan 21, 2019
Industrial Bank Co., Ltd, Mixed Securities Investment Fund, Aegon-Industrial Trend Investment (LOF)	8,053,736	8,053,736	0	0	Committed not to trade	Jan 21, 2019
CCB Principal-ICBC-Avic Trust, Trust Plan of Pooled Funds of CCB Principal Private Placement Investment, Tianqi (2016) No. 293 of Avic Trust	12,885,906	12,885,906	0	0	Committed not to trade	Jan 21, 2019
Caitong Fund Xiangyun No.2 Asset Management Plan	536,912	536,912	0	0	Committed not to trade	Jan 21, 2019
Caitong Fund Fuchun Chuangyi Private Placement No.3 Asset Management Plan	4,697,986	4,697,986	0	0	Committed not to trade	Jan 21, 2019
Penghua Fund-CCB-China Life Insurance, Private Placement Portfolio of Penghua Fund Management Co., Ltd Entrusted by China Life Insurance (Group) Company	4,697,990	4,697,990	0	0	Committed not to trade	Jan 21, 2019
Penghua Fund-Pingan Bank—Huarun Shenguo tou Trust-Huren Single Trust	2,684,560	2,684,560	0	0	Committed not to trade	Jan 21, 2019
China Cinda Asset Management Co., Ltd.	33,557,046	33,557,046	0	0	Committed not to trade	Jan 21, 2019
China National Agrochemical Co., Ltd.	1,810,883,039	0	0	1,810,883,039	Committed not to trade	August 2, 2020
Jiang Chenggang	4,500	0	0	4,500	Shares held by a supervisor should be locked up.	six months after the expiration of the term
Total	1,915,585,521	104,697,982	0	1,810,887,539	--	--

II. Issuance and Listing of Securities

Applicable Not applicable

III. Total Number of Shareholders and Their Shareholdings

Unit: share

Total number of common shareholders at the end of the Reporting Period	51,819 (the number of ordinary A share shareholders is 35,774; the number of B share shareholders is 16,045)		Total number of preferred shareholders that had resumed their voting right at the end of the Reporting Period (if any)	0				
Shareholding of common shareholders holding more than 5% shares or the top 10 shareholders								
Name of shareholder	Nature of shareholder	Holding percentage (%)	Number of shares held	Increase / decrease of shares during Reporting Period	Number of restricted shares held	Number of shares held not subject to trading moratorium	Pledged or frozen shares	
							Status	Number
China National Agrochemical Co., Ltd.	State-owned legal person	74.02%	1,810,883,039	-	1,810,883,039	0	-	-
Jingzhou Sanonda Holding Co., Ltd.	State-owned legal person	4.89%	119,687,202	-	-	119,687,202	-	-
China Cinda Asset Management Co., Ltd.	State-owned legal person	1.37%	33,557,046	-	-	33,557,046	-	-
China Structural Reform Fund Co., Ltd.	State-owned legal person	1.37%	33,557,046	-	-	33,557,046	-	-
Portfolio No.503 of National Social Security Fund	Others	0.53%	12,999,893	6,799,972	-	12,999,893	-	-
CCB Principal-ICBC-Avic Trust, Trust Plan of Pooled Funds of CCB Principal Private Placement Investment, Tianqi (2016) No. 293 of Avic Trust	Others	0.53%	12,885,906	-	-	12,885,906	-	-
Industrial Bank Co., Ltd, Mixed Securities Investment Fund, Aegon-Industrial Trend Investment (LOF)	Others	0.33%	8,053,736	-	-	8,053,736	-	-
Jiang Yun	Domestic individual	0.27%	6,500,000	579,927	-	6,500,000	-	-
Caitong Fund Fuchun Chuangyi Private Placement No.3 Asset Management Plan	Others	0.19%	4,697,986	-	-	4,697,986	-	-
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.19%	4,697,389	-216,755	0	4,697,389	-	-
Strategic investors or the general legal person due to the placement of new shares become the top 10 shareholders (if any) (note 3)	Not applicable							
Explanation on associated relationship or/and persons	Jingzhou Sanonda Holdings Co., Ltd. and CNAC are related parties, and are acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed							

	Companies. Sanonda Holding is a controlled subsidiary of CNAC. It is unknown whether the other shareholders are related parties or acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies.		
Particulars about shares held by top 10 common shareholders not subject to trading moratorium			
Name of shareholder	Number of shares held not subject to trading moratorium at the end of the Period	Type of share	
		Type of share	Number
Jingzhou Sanonda Holding Co., Ltd.	119,687,202	RMB ordinary share	119,687,202
China Cinda Asset Management Co., Ltd.	33,557,046	RMB ordinary share	33,557,046
China Structural Reform Fund Co., Ltd.	33,557,046	RMB ordinary share	33,557,046
Portfolio No.503 of National Social Security Fund	12,999,893	RMB ordinary share	12,999,893
CCB Principal-ICBC-Avic Trust, Trust Plan of Pooled Funds of CCB Principal Private Placement Investment, Tianqi (2016) No. 293 of Avic Trust	12,885,906	RMB ordinary share	12,885,906
Industrial Bank Co., Ltd, Mixed Securities Investment Fund, Aegon-Industrial Trend Investment (LOF)	8,053,736	RMB ordinary share	8,053,736
Jiang Yun	6,500,000	RMB ordinary share	6,500,000
Caitong Fund Fuchun Chuangyi Private Placement No.3 Asset Management Plan	4,697,986	RMB ordinary share	4,697,986
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	4,697,389	Domestically listed foreign share	4,697,389
State-owned Assets Administration Bureau of Qichun County	4,169,266	RMB ordinary share	4,169,266
Explanation on associated relationship among the top ten shareholders of tradable share not subject to trading moratorium, as well as among the top ten shareholders of tradable share not subject to trading moratorium and top ten shareholders, or explanation on acting-in-concert	Qichun County Administration of State-Owned Assets held shares of the Company on behalf of the government. It is unknown whether the other shareholders are related parties or acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies		
Particular about shareholder participate in the securities lending and borrowing business (if any) (note 4)	-		

Did any top 10 common shareholders or the top 10 common shareholders not subject to trading moratorium of the Company carry out a promissory buy-back in the Reporting Period?

Yes No

The top 10 common shareholders or the top 10 common shareholders not subject to trading moratorium of the

Company had not carried out any agreed buy-back in the Reporting Period.

IV. Change of the Controlling Shareholder or the Actual Controller

Change of the controlling shareholder in the Reporting Period

Applicable Not applicable

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

Change of the actual controller in the Reporting Period

Applicable Not applicable

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

Section VII Preference Shares

Applicable Not applicable

No preference shares in the Reporting Period.

Section VIII Directors, Supervisors and Senior Management

I Changes in Shareholdings of Directors, Supervisors and Senior Management

Applicable Not applicable

No such cases in the Reporting Period. For details, see Annual Report 2018.

II Changes in Directors, Supervisors and Senior Management

Applicable Not applicable

No such cases in the Reporting Period. For details, see Annual Report 2018.

Section IX Corporate Bonds

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

No

Section X Financial Report

I. Audit report

Was the half-year report audited?

Yes No

The half-year report was not audited.

II. Financial Statements

Notes to the financial statements are presented 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

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		<u>12,555,302</u>	<u>12,134,847</u>
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		<u>10,775,383</u>	<u>9,255,354</u>
Total liabilities		<u>23,330,685</u>	<u>21,390,201</u>
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		<u>22,479,404</u>	<u>22,744,862</u>
Total liabilities and shareholders' equity		<u>45,810,089</u>	<u>44,135,063</u>

Chen Lichtenstein
Legal representative

Aviram Lahav
Chief of accounting work & Chief of accounting organ

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

The notes on pages 54 to 117 form part of these financial statements.

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

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		<u>13,115,793</u>	<u>12,877,794</u>
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		<u>13,420,743</u>	<u>12,037,991</u>
Net cash flows from (used in) operating activities	V.57(1)a	<u>(304,950)</u>	<u>839,803</u>
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		<u>63,715</u>	<u>2,454,286</u>
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		<u>1,433,709</u>	<u>2,687,937</u>
Net cash flows used in investing activities		<u>(1,369,994)</u>	<u>(233,651)</u>
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		<u>2,049,511</u>	<u>396,500</u>
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		<u>1,313,878</u>	<u>2,824,387</u>
Net cash from (used in) financing activities		<u>735,633</u>	<u>(2,427,887)</u>
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)	<u>5,381,820</u>	<u>6,156,174</u>

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		<u>1,076,417</u>	<u>1,304,503</u>
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		<u>793,896</u>	<u>822,848</u>
Net cash flows from operating activities	XV.8	<u>282,521</u>	<u>481,655</u>
II. Cash flows from investing activities:			
Cash received relating to other investing activities		1,808	-
Sub-total of cash inflows from investing activities		<u>1,808</u>	<u>-</u>
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		<u>92,180</u>	<u>48,465</u>
Net cash flows used in investing activities		<u>(90,372)</u>	<u>(48,465)</u>
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		<u>11,947</u>	<u>-</u>
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		<u>74,259</u>	<u>525,670</u>
Net cash flow used in financing activities		<u>(62,312)</u>	<u>(525,670)</u>
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	<u>2,132,174</u>	<u>1,761,572</u>

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended June 30, 2019

	Attributable to shareholders of the Company						Total
	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	
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

Consolidated Statement of Changes in Shareholders' Equity (continued)

For the six months ended June 30, 2018

	Attributable to shareholders of the Company						Total
	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	
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

Statement of Changes in Shareholders' Equity

For the six months ended June 30, 2019

	Attributable to shareholders of the Company						Total
	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	
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	<u>2,446,554</u>	<u>15,463,245</u>	<u>48,217</u>	<u>14,046</u>	<u>240,162</u>	<u>981,968</u>	<u>19,194,192</u>

For the six months ended June 30, 2018

	Attributable to shareholders of the Company						Total
	Share capital	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	
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	<u>2,446,554</u>	<u>15,413,663</u>	<u>50,230</u>	<u>13,711</u>	<u>207,823</u>	<u>1,248,399</u>	<u>19,380,380</u>

Notes to the 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).

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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).

Notes to the Financial Statements

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).

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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
<p>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</p> <p>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.</p> <p>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.</p>	<p>The accounting policy change was approved by the board of directors meeting in 28.4.2019</p>

Notes to the Financial Statements

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
<p>For operating leases before the initial application date, the Group adopts the simplifying approaches below for each lease:</p> <ul style="list-style-type: none"> - 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. <p>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%.</p>	
<p>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:</p> <ul style="list-style-type: none"> - “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. <p>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.</p>	<p>The accounting policy change was approved by the board of directors meeting in 21.8.2019</p>

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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:

<u>Name of subsidiary</u>	<u>Location</u>	<u>2019</u>
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%.

Notes to the Financial Statements

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.

Notes to the Financial Statements

V. Notes to the consolidated financial statements

1. Cash at Bank and On Hand

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

3. Derivative financial assets

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

4. Bills Receivable

	June 30	December 31
	2019	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.

Notes to the Financial Statements

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		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
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
	<u>8,107,965</u>	<u>100</u>	<u>433,584</u>	<u>5</u>	<u>7,674,381</u>

	December 31, 2018 (Restated)				
	Book value		Provision for bad and doubtful debts		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
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
	<u>7,006,348</u>	<u>100</u>	<u>433,248</u>	<u>6</u>	<u>6,573,100</u>

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
	<u>8,107,965</u>

Notes to the Financial Statements

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	<u>36,248</u>	<u>397,336</u>	<u>433,584</u>

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	<u>508,445</u>	<u>6</u>	<u>-</u>

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

	<u>June 30</u>	<u>December 31</u>
	<u>2019</u>	<u>2018 (Restated)</u>
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	
	<u>2019</u>	<u>2018</u>
Loss in respect of sale of trade receivables	33,129	32,186

Notes to the Financial Statements

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

6. Receivables financing

	June 30	December 31
	2019	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		December 31 2018	
	2019		(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

Notes to the Financial Statements

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

8. Other Receivables

(1) Other receivables by nature

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

a. Other receivables by categories

	June 30	December 31
	2019	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

Notes to the Financial Statements

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	<u>14,832</u>

(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	<u>585,367</u>	<u>62</u>	<u>-</u>

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
	<u>10,522,373</u>	<u>184,449</u>	<u>10,337,924</u>
	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
	<u>9,624,251</u>	<u>190,375</u>	<u>9,433,876</u>

Notes to the Financial Statements

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

	<u>January 1, 2019</u>	<u>Provision</u>	<u>Reversal or write-off</u>	<u>Other*</u>	<u>June 30, 2019</u>
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
	<u>190,375</u>	<u>34,353</u>	<u>(49,140)</u>	<u>8,861</u>	<u>184,449</u>

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

10. Other Current Assets

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

11. Long-Term Receivables

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

Notes to the Financial Statements

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

12. Long-Term Equity Investments

(1) Long-term equity investments by category:

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

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

	<u>January 1 2019</u>	<u>Investment income (loss)</u>	<u>Translation differences of foreign operations</u>	<u>Other</u>	<u>Balance at the end of the period</u>
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	<u>68,584</u>	<u>21,740</u>	<u>158</u>	<u>4,776</u>	<u>95,258</u>
Associates					
Company E	39,766	(16)	67	-	39,817
Sub-total	<u>39,766</u>	<u>(16)</u>	<u>67</u>	<u>-</u>	<u>39,817</u>
	<u>108,350</u>	<u>21,724</u>	<u>225</u>	<u>4,776</u>	<u>135,075</u>

13. Other equity investments

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

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.

Notes to the Financial Statements

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	<u>3,275,110</u>	<u>13,989,137</u>	<u>111,481</u>	<u>339,617</u>	<u>17,715,345</u>
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	<u>(1,583,634)</u>	<u>(8,315,586)</u>	<u>(55,507)</u>	<u>(254,564)</u>	<u>(10,209,291)</u>
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	<u>(60,413)</u>	<u>(278,354)</u>	<u>(8)</u>	<u>(247)</u>	<u>(399,022)</u>
Carrying amounts					
As at June 30, 2019	<u>1,631,063</u>	<u>5,395,197</u>	<u>55,966</u>	<u>84,806</u>	<u>7,167,032</u>
As at January 1, 2019	<u>1,679,561</u>	<u>5,449,369</u>	<u>49,539</u>	<u>78,480</u>	<u>7,256,949</u>

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

Notes to the Financial Statements

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

Notes to the Financial Statements

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.

Notes to the Financial Statements

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	<u>4,085,945</u>	<u>205,615</u>	<u>7,187</u>	<u>4,298,747</u>

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 2019		December 31 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
	<u>4,429,515</u>	<u>1,007,183</u>	<u>4,124,827</u>	<u>966,763</u>

Notes to the Financial Statements

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

	<u>June 30</u>		<u>December 31</u>	
	<u>2019</u>		<u>2018 (Restated)</u>	
	<u>Taxable temporary differences</u>	<u>Deferred tax liabilities</u>	<u>Taxable temporary differences</u>	<u>Deferred tax liabilities</u>
Deferred tax liabilities				
Deferred tax liabilities in respect of fixed assets and intangible assets	3,687,112	589,990	3,886,541	617,430
	<u>3,687,112</u>	<u>589,990</u>	<u>3,886,541</u>	<u>617,430</u>

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

	<u>June 30</u>		<u>December 31</u>	
	<u>2019</u>		<u>2018 (Restated)</u>	
	<u>The offset amount of deferred tax assets and liabilities</u>	<u>Deferred tax assets or liabilities after offset</u>	<u>The offset amount of deferred tax assets and liabilities</u>	<u>Deferred tax assets or liabilities after offset</u>
Presented as:				
Deferred tax assets	239,255	767,928	225,026	741,737
Deferred tax liabilities	<u>239,255</u>	<u>350,735</u>	<u>225,026</u>	<u>392,404</u>

(4) Details of unrecognized deferred tax assets

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

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

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

Notes to the Financial Statements

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	December 31
	2019	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	<u>307,385</u>	<u>217,330</u>
Due within one year	-	(48)
	<u>307,385</u>	<u>217,282</u>

21. Short-Term Loans

Short-term loans by category:

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

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

22. Derivative financial liabilities

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

Notes to the Financial Statements

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

23. Bills Payables

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

26. Employee Benefits Payable

	June 30	December 31
	2019	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

Notes to the Financial Statements

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

27. Taxes Payable

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

28. Other Payable

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

(1) Interest payable

	June 30	December 31
	2019	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
	<u>53,458</u>	<u>46,258</u>

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

(2) Other payable

	June 30	December 31
	2019	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
	<u>1,679,117</u>	<u>1,150,571</u>

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

Notes to the Financial Statements

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	December 31
	2019	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	December 31
	2019	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

Notes to the Financial Statements

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	December 31
	2019	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

Notes to the Financial Statements

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.

Notes to the Financial Statements

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	<u>418,814</u>	

34. Long-Term Employee Benefits Payable

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

	June 30	December 31
	2019	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
	<u>644,449</u>	<u>620,646</u>

(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,	<u>669,377</u>	<u>657,908</u>	<u>93,585</u>	<u>90,687</u>	<u>575,792</u>	<u>567,221</u>

Notes to the Financial Statements

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

	<u>June 30</u> <u>2019</u>	<u>December 31</u> <u>2018 (Restated)</u>
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:

	<u>As of June 30, 2019</u>	
	<u>Increase of 1%</u>	<u>Decrease of 1%</u>
Discount rate	(44,360)	54,443

35. Provisions

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

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

Notes to the Financial Statements

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

36. Other Non-Current Liabilities

	<u>June 30</u> <u>2019</u>	<u>December 31</u> <u>2018 (Restated)</u>
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
	<u>372,256</u>	<u>199,930</u>

37. Share Capital

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

38. Capital Reserve

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

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

Notes to the Financial Statements

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
	<u>1,090,827</u>	<u>9,878</u>	<u>145,239</u>	<u>(21,890)</u>	<u>(113,471)</u>	<u>4,511</u>	<u>972,845</u>

Notes to the Financial Statements

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
Discretionary surplus reserve	3,814	-	-	3,814
	<u>240,162</u>	<u>-</u>	<u>-</u>	<u>240,162</u>

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	<u>5,899,877</u>	<u>5,615,609</u>

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.

Notes to the Financial Statements

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

42. Operating Income and Cost of Sales

	Six months ended June 30		Six months ended June 30	
	2019		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
	<u>13,616,032</u>	<u>9,023,242</u>	<u>13,639,073</u>	<u>9,042,183</u>

43. Taxes and Surcharges

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

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
	<u>2,499,774</u>	<u>2,256,991</u>

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
	<u>628,259</u>	<u>523,821</u>

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

Notes to the Financial Statements

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

46. Research and development expenses

	Six months ended June 30	
	2019	2018 (Restate d)
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
	<u>210,699</u>	<u>156,275</u>

47. Financial Expenses, net

	Six months ended June 30	
	2019	2018 (Restate d)
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
	<u>938,196</u>	<u>347,554</u>

48. Investment income, net

	Six months ended June 30	
	2019	2018 (Restate d)
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
	<u>(514,443)</u>	<u>147,053</u>

49. Gain (loss) from Changes in Fair Value

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

Notes to the Financial Statements

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)
	<u>3,347</u>	<u>(6,097)</u>

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)
	<u>(23,809)</u>	<u>(37,783)</u>

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)
	<u>115,514</u>	<u>1,997,170</u>	<u>115,514</u>

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
	<u>16,016</u>	<u>8,827</u>	<u>13,735</u>

Notes to the Financial Statements

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)
	<u>140,537</u>	<u>737,558</u>

(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	<u>182,294</u>
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	<u>1,378</u>
Income tax expenses	<u>140,537</u>

55. Other comprehensive income

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

Notes to the Financial Statements

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	-

Notes to the Financial Statements

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 (Restate d)
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 (Restate d)
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)

Notes to the Financial Statements

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

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

(3) Details of cash and cash equivalents

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

58. Assets with Restricted Ownership or Right of Use

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

Notes to the Financial Statements

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
			<u>1,694,279</u>
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
			<u>3,456,805</u>
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
			<u>916,103</u>
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
			<u>481,436</u>
Long-term receivables			
BRL	97,131	1.7939	174,246
			<u>174,246</u>

Notes to the Financial Statements

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

Notes to the Financial Statements

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		
	<u>Foreign currency at the end of the period</u>	<u>Exchange rate</u>	<u>RMB at the end of the period</u>
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			<u>165,021</u>
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
			<u>79,224</u>
Long-term loan			
EUR	35,599	7.8211	278,425
BRL	57	1.7939	103
			<u>278,528</u>
Debentures payable			
ILS CPI	4,229,066	1.9278	8,152,989
			<u>8,152,989</u>
Provision and Long-term payables			
BRL	41,659	1.7939	74,734
OTHER			27,723
			<u>102,457</u>
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
			<u>185,821</u>

Notes to the Financial Statements

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

Notes to the Financial Statements

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.

Notes to the Financial Statements

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

Notes to the Financial Statements

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 29 th , 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

Notes to the Financial Statements

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
	<u>135,075</u>	<u>108,350</u>

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

Notes to the Financial Statements

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.

Notes to the Financial Statements

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
	<u>1,067,063</u>

Notes to the Financial Statements

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.

Notes to the Financial Statements

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					Contractual Cash flow	Carrying amount
	First year	Second year	Third- Fourth year	Fifth year and above			
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	
	<u>10,583,016</u>	<u>1,293,464</u>	<u>2,271,429</u>	<u>9,920,699</u>	<u>24,068,608</u>	<u>19,755,507</u>	

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.

Notes to the Financial Statements

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
CPI forward contracts	USD	OTHER		411,176	2,826,714	(23,986)
	CPI	ILS	2020/01/13	602,916	4,144,870	15,370

Notes to the Financial Statements

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.

Notes to the Financial Statements

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:

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

(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.

	<u>Profit or loss</u>		<u>Equity</u>	
	<u>Increase in interest</u>	<u>Decrease in interest</u>	<u>Increase in interest</u>	<u>Decrease in interest</u>
As at June 30, 2019	<u>2,118</u>	<u>(2,134)</u>	<u>2,118</u>	<u>(2,134)</u>

Notes to the Financial Statements

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

Notes to the Financial Statements

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.**

Notes to the Financial Statements

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

Notes to the Financial Statements

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

Notes to the Financial Statements

X. Related parties and related party transactions - (cont'd)

5. Transactions and balances with related parties

(1) Transactions with related parties

<u>Type of purchase</u>	<u>Related Party Relationship</u>	<u>Six months ended June 30</u>	
		<u>2019</u>	<u>2018 (Restated)</u>
<u>Summary of purchase of goods/services:</u>			
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
<u>Summary of Sales of goods:</u>			
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

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

Notes to the Financial Statements

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	-

Notes to the Financial Statements

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		December 31	
		2019		2018 (Restated)	
			Bad debt Provision		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		December 31	
		2019		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		December 31	
		2019		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).

Notes to the Financial Statements

XI. Commitments and contingencies

1. Significant commitments

	June 30	December 31
	2019	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.

Notes to the Financial Statements

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

Notes to the Financial Statements

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

Notes to the Financial Statements

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.

Notes to the Financial Statements

XIV. Other significant items - (cont'd)

1. Segment reporting - (cont'd)

Information regarding the results and assets and liabilities of each reportable segment is included below:

	Crop Protection (Agro)		Other (Non Agro)		Elimination among segments		Total	
	Six months ended June 30		Six months ended June 30		Six months ended June 30		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	December 31	June 30	December 31	June 30	December 31	June 30	December 31
	2019	2018 (Restated)	2019	2018 (Restated)	2019	2018 (Restated)	2019	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

Notes to the Financial Statements

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%.

Notes to the Financial Statements

XIV. Other significant items - (cont'd)

2. Calculation of Earnings per share and Diluted earnings per share

	<u>Amount for the current period</u>	<u>Amount for the prior period</u>
Net profit from continuing operations attributable to ordinary shareholders	588,638	2,389,167
Thousands shares	<u>Amount for the current period</u>	<u>Amount for the prior period</u>
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	<u>2,446,554</u>	<u>2,446,554</u>

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.

	<u>Amount for the current period</u>	<u>Amount for the prior period</u>
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

Notes to the Financial Statements

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

1. Cash at bank and on hand

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

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

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

	<u>December 31, 2018</u>				<u>Carrying amount</u>
	<u>Book value</u>		<u>Provision for bad and doubtful debts</u>		
	<u>Amount</u>	<u>Percentage (%)</u>	<u>Amount</u>	<u>Percentage (%)</u>	
Account receivables assessed individually for impairment	190,376	23	127,406	67	62,970
Account receivables assessed collectively for impairment	<u>631,764</u>	<u>77</u>	<u>2,535</u>	<u>-</u>	<u>629,229</u>
	<u>822,140</u>	<u>100</u>	<u>129,941</u>	<u>16</u>	<u>692,199</u>

b. Aging analysis

	<u>June 30, 2019</u>
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
	<u>383,635</u>

Notes to the Financial Statements

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	<u>131,565</u>

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

<u>Name</u>	<u>Closing balance</u>	<u>Proportion of Accounts receivable (%)</u>	<u>Allowance of doubtful debts</u>
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	-
	<u>353,648</u>	<u>92</u>	<u>117,483</u>

3. Receivable financing

	<u>June 30</u>	<u>December 31</u>
	<u>2019</u>	<u>2018</u>
Bank acceptance draft	46,331	19,917
	<u>46,331</u>	<u>19,917</u>

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

Notes to the Financial Statements

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

4. Other Receivables

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

(1) Dividends receivable

a. Dividends receivable by categories

	<u>June 30</u>	<u>December 31</u>
	<u>2019</u>	<u>2018</u>
Items/Invested companies		
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

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

b. Other receivables by aging

	<u>June 30, 2019</u>
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
	<u>19,053</u>

Notes to the Financial Statements

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

Notes to the Financial Statements

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

Notes to the Financial Statements

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

Notes to the Financial Statements

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	<u>282,521</u>	<u>481,655</u>
b. Net increase in cash and cash equivalents		
Closing balance of cash	2,132,174	1,761,572
Less: Opening balance of cash	<u>2,005,313</u>	<u>1,864,003</u>
Net increase in cash and cash equivalents	<u>126,861</u>	<u>(102,431)</u>

Notes to the Financial Statements

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	<u>Six months ended June 30</u>	
		<u>2019</u>	<u>2018</u>
<u>Summary of Purchase of goods/services received:</u>			
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
<u>Summary of Sales of goods:</u>			
Sale of goods	Subsidiary	260,266	419,636
Sale of raw materials	Subsidiary	331	54,210
Sale of fixed assets	Subsidiary	-	1,528

Notes to the Financial Statements

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

<u>Type of leased assets</u>	<u>Lessee</u>	<u>June 30</u> <u>2019</u>	<u>December 31</u> <u>2018</u>
Building and Structures	Common control under ChemChina	-	10

The Company as the guarantee receiver

<u>Guarantee provider</u>	<u>Amount of guaranteed loan</u>	<u>Inception date of guaranty</u>	<u>Maturity date of guaranty</u>	<u>Guaranty completed (Y/ N)</u>
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

Notes to the Financial Statements

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		December 31	
		Book Balance	Bad debt Provision	Book Balance	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	December 31
		2019	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).

Supplementary information

(Expressed in RMB '000)

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)
	<u>158,368</u>

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

Supplementary information - (cont'd)

(Expressed in RMB '000)

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	<u>24,073,297</u>	<u>25,235,464</u>	<u>25,976,276</u>
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	<u>17,177,039</u>	<u>18,899,599</u>	<u>19,833,813</u>
Total assets	<u>41,250,336</u>	<u>44,135,063</u>	<u>45,810,089</u>

Supplementary information - (cont'd)
(Expressed in RMB '000)

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

Section XI Documents Available for Reference

- (I) Financial Statements carried with signatures and seals of Legal Representative and Accounting Principal as well as Head of the Accounting Organ;
- (II) In the Reporting Period, originals of all documents of the Company ever disclosed publicly in media designated by China Securities Regulatory Commission as well as the originals of all the public notices were deposited in the office of the Company.

ADAMA Ltd.

Legal Representative: Chen Lichtenstein

August 21, 2019