ADAMA LTD.
ANNUAL REPORT 2019

ADAMA Ltd. is a global leader in crop protection, providing solutions to farmers across the world to combat weeds, insects and disease. ADAMA has one of the widest and most diverse portfolios of active ingredients in the world, state-of-the art R&D, manufacturing and formulation facilities, together with a culture that empowers our people in markets around the world to listen to farmers and ideate from the field. This uniquely positions ADAMA to offer a vast array of distinctive mixtures, formulations and high-quality differentiated products, delivering solutions that meet local farmer and customer needs in over 100 countries globally.

For further important additional information and details, please refer to the Annex to the Company's Announcement on the 2019 Full-Year Financial Preview dated March 31, 2020 (announcement no. 2020-19), (available at www.cninfo.com.cn).

April 2020

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 statements, misleading presentations or material omissions, and assume joint and several legal liability arising therefrom.

- Ignacio Dominguez, the person leading the Company (President and Chief Executive Officer) as well as its legal representative, and Aviram Lahav, the person leading the accounting function (Chief Financial Officer & Deputy Chief Executive Officer), hereby assert and confirm the truthfulness, accuracy and completeness of the Financial Report.

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

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

- The Company has described its future development strategies, work plan for 2020 and possible risks in "IX. Outlook of future development of the Company" in Section IV.

- The pre-plan of the dividend distribution approved by the meeting of the Board of Directors on April 2**7**, 2020 refers to the total outstanding 2,446,553,582 shares of the Company as of February 28, 2020 as the basis for the distribution of RMB 0.12 (including tax) as cash dividend per 10 shares, to all the shareholders of the Company. No shares will be distributed as share dividend, and no reserve will be transferred to equity capital.

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

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Definitions

In this Report, the following terms have the meaning appearing alongside them, unless otherwise specified:

General Terms	Definition
Company, the Company	ADAMA Ltd.
Adama Solutions	Adama Agricultural Solutions Ltd., a wholly-owned subsidiary of the Company, incorporated in Israel according to its laws
Anpon, ADAMA Anpon	ADAMA Anpon (Jiangsu) Ltd. (previously named Jiangsu Anpon Electrochemical Co., Ltd.), a wholly-owned subsidiary of the Company
Board of Directors/Board	The Board of Directors of the Company
Board of Supervisors	The Board of Supervisors of the Company
Articles of Association / AOA	The Articles of Association of the Company
Group, the Group, ADAMA	The Company, including all its subsidiaries, unless expressly stated otherwise
ChemChina	China National Chemical Co., Ltd.
ChemChina-Syngenta Transaction	The acquisition of Syngenta AG by ChemChina in 2017
CNAC	China National Agrochemical Co., Ltd., the controlling shareholder of the Company, a wholly-owned subsidiary of ChemChina
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
SASAC	State Assets Supervision and Administration Commission of China
Syngenta Group	Syngenta Group Co., Ltd,, a newly-formed agriculture industry leader, registered in Shanghai and owned by ChemChina, being created through the bringing together of the agricultural businesses of ChemChina and Sinochem, as announced on January 2020 by ChemChina and Sinochem.
Report	This 2019 Annual Report
Financial Report	The Financial Reports for the year 2019, as contained in this Report
Reporting Period, this Period, Current Year	Year 2019
The Combination Transaction, the Major Assets Restructuring	In July 2017, the Company acquired 100% of the shares of Adama Solutions from CNAC in exchange for the issuance and allotment of 1,810,883,039 new A-shares of the Company to CNAC. In addition, the Company issued 104,697,982 new A-shares to selected investors in an A-Share Private Placement conducted as Supporting Finance for the transaction.
Company Law	Company Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
Listing Rules	Listing Rules of the SZSE

Section II - Corporate Profile and Financial Results

I. Corporate information

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

(*) On February 26, 2020 the 21st Meeting of the 8th Session of the Board of Directors of the Company appointed Mr. Ignacio Dominguez as the President & CEO of the Company, and as the legal representative of the Company. The appointment is effective as of March 1, 2020. Due to the impact of the COVID-19 novel coronavirus epidemic, the Company will register Mr. Ignacio Dominguez as the legal representative in Hubei Administration for Market Regulation Bureau when the circumstances shall enable it.

II. Contact information

	Board Secretary	Securities Affairs Representative	Investor Relations Manager
Name	Li Zhongxi	Liang Jiqin	Wang Zhujun
Address	6/F, No.7 Office Building, No.10 Courtyard, Chaoyang Park South Road, Chaoyang District, Beijing		
Tel.	010-56718110	010-56718110	010-56718110
Fax	010-59246173	010-59246173	010-59246173
E-mail	irchina@adama.com	irchina@adama.com	irchina@adama.com

III. Information disclosure

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

IV. Company registration and alteration

Credibility code	91420000706962287Q
Changes in main business activities of the Company after going public (if any)	None in the reporting period.
Changes of controlling shareholder (if any)	None in the reporting period.

V. Other information

Company's Auditors	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Office address	30/F, Bund Center, 222 Yan An Road East, Shanghai PRC
	Signing Certified Public Accountant	Hu Ke and Ma Renjie

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

☐ Applicable √ Not applicable

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

√ Applicable □ Not applicable

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

VI. Main accounting and financial results

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

√ Yes ☐ No

	2019	2018		+/- (%)	2017	
		Before adjustments	After adjustments		Before adjustments	After adjustments
Operating revenue (RMB'000)	27,563,239	25,615,119	26,867,308	2.59%	23,819,568	25,463,024
Net profit attributable to the shareholders (RMB'000)	277,041	2,402,462	2,447,876	-88.68%	1,545,879	1,581,202
Net profit attributable to the shareholders, excluding non-recurring profit and loss (RMB'000)	610,059	859,448	859,448	-29.02%	382,275	382,275
Net cash flows from operating activities (RMB'000)	843,487	2,002,139	2,299,153	-63.31%	3,958,389	4,291,976
Basic EPS (RMB/share)	0.1132	0.9820	1.0005	-88.69%	0.6601	0.6463
Diluted EPS (RMB/share)	N/A	N/A	N/A	N/A	N/A	N/A
Weighted average return on equity	1.23%	11.68%	11.66%	-10.43%	9.05%	8.67%
	31.12.2019	31.12.2018		+/- (%)	31.12.2017	
		Before adjustments	After adjustments		Before adjustments	Adjustments
Total assets (RMB'000)	45,288,940	42,812,505	44,135,063	2.61%	39,613,922	41,164,689
Net assets attributable to the shareholders (RMB'000)	22,371,665	22,280,126	22,744,862	-1.64%	18,778,013	19,272,227

Current issued corporate bonds

☐ Yes √ No

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

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

☐ Applicable √ Not applicable

None during the Reporting Period.

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

☐ Applicable √ Not applicable

None during the Reporting Period.

3. Explanation on the differences in accounting data

☐ Applicable √ Not applicable

VIII. Main Financial results by quarter

Unit: RMB'000

	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Operating revenue	6,787,751	6,828,281	6,666,043	7,281,164
Net profit attributable to the shareholders	366,756	221,882	206,095	-517,692
Net profit attributable to the shareholders excluding non-recurring profit and loss	285,087	145,183	192,235	-12,446
Net cash flows from operating activities	-1,289,484	984,534	399,211	749,226

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

☐ Yes √ No

IX. Non-Recurring profit/loss

√ Applicable ☐ Not applicable

Unit: RMB'000

Item	2019	2018	2017	Note
Gains/losses on the disposal of non-current assets (including the offset part of asset impairment provisions)	127,073	1,959,005	-3,000	2018 amount is mainly from divestment in Europe, related to the ChemChina-Syngenta Transaction.
Government grants charged to the profit/loss for the Reporting Period (except for the government grants closely related to the business of the Company and given at a fixed quota or amount in accordance with the State's uniform standards)	27,410	21,089	14,628	
Profit or loss of subsidiaries generated before combination date of a business combination involving enterprises under common control	38,027	45,414	1,183,120	2017 includes the acquisition of Solutions as well as Anpon. 2018-2019 relates only to Anpon.
Profit or loss arising from contingencies other than those related to normal operating business	-45,989	-	-15,671	
Recovery or reversal of provision for bad debts which is assessed individually during the years	25,821	17,303	22,204	
Other non-operating income and expenses other than the above	-40,992	-11,719	4,036	
Other profit or loss that meets the definition of non-recurring profit or loss	-574,500	-	-	Mainly asset impairment and severance charges due to plant relocations in Jingzhou and Huai'an.
Less: Income tax effects	-110,132	442,664	6,390	
NCI (after tax)	-	-	-	
Total	**-333,018**	**1,588,428**	**1,198,927**	

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

□ Applicable √ Not applicable

No such cases during the Reporting Period.

Section III - Business Profile

I. Main business of the Company during the Reporting Period

Is the Company required to abide by disclosure requirements specific to the industry in which it operates?

No

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

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

The Group's business model integrates end-customer access, regulatory expertise, global R&D and production capabilities, thereby providing the Group a significant competitive edge and allowing it to launch new and differentiated products that address farmers' needs in key markets.

The Group's primary operations are global, spanning activities in 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.

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

In addition, the Group leverages its core capabilities in the agricultural and chemical fields and operates in several other non-agricultural areas, none of which, individually, is material for the Group. These activities, collectively reported as Intermediates and Ingredients , 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 influence of these factors may differ depending on the geographic region and the different products of the Group. Since the Group maintains a wide product portfolio and since it is active in many geographic regions, the aggregate effect of these factors in any given year, and during 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 expiries and growth in volumes of off-patent products; the global agricultural markets and volatile weather conditions; regulatory changes; government policies; world ports, international monetary policies and the financial markets.

Syngenta Group

In January 2020, ChemChina and Sinochem (also a major economic conglomerate controlled by the Chinese Government, whose chairman, Mr. Frank Ning, also serves as the chairman of the ChemChina group) announced the formation of the Syngenta Group, a newly-formed ag-industry leader, registered in Shanghai and owned by ChemChina, being created through the bringing together of the agricultural businesses of ChemChina and Sinochem (the "**Syngenta Group**" - as defined above). Syngenta Group is expected to become one of the world's leading agriculture inputs companies, spanning crop protection, seeds, fertilizers, additional agricultural and digital technologies, as well as an advanced distribution network in China, reaching farmers nationwide.

Syngenta Group is expected to further bolster the coordination between the Syngenta Group's member companies, including the Company, and capitalize the value creation and business opportunities including by the Company. In this context, the Syngenta Group companies are exploring various initiatives to capitalize their synergies and have significantly advanced and strengthened their collaboration over the last year, generating meaningful additional revenue through, but not limited to, the potential provision of reciprocal access to certain products in specific territories, as well as exploiting opportunities aimed at optimizing the utilization of the companies' operational facilities benefiting from procurement and operational savings.

For further important additional information and details, please refer to the Annex to the Company's Announcement on the 2019 Full-Year Financial Preview dated March 31, 2020 (announcement no. 2020-19), (available at www.cninfo.com.cn)**.**

II. Significant changes to main assets

1. Significant changes to main assets

Main Assets	Significant Change
Stock rights/Equity assets	No significant change
Fixed assets	No significant change
Intangible assets	No significant change
Construction in progress	CIP transferred to fixed assets

2. Main overseas assets

√ Applicable □ Not applicable

Specific contents of the assets	Reason	Scale (Amount) of the assets (RMB'000)	Location	Operation /Management mode	Control measures to guarantee safety of the assets	Net Profit of the assets (RMB'000)	Proportion of overseas assets out of total net assets (%)	Significant impairment risk?
Equity investment in Adama Solutions	Acquired through Major Assets Restructuring	19,675,633	Israel and globally	Corporate Governance	Corporate Governance	797,763	88%	No
Other explanations								

III. Core competitiveness analysis

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

- **Off-patent Industry Leader.** The Group's success as a leading off-patent company has given it a deep understanding of the industry and enabled it to build one of the world's most extensive off-patent product offerings, giving it the ability to provide efficient, value-added solutions to farmers of every major crop around the world. Moreover, the breadth of the Group's product portfolio, with no single active ingredient constituting more than 5% of its sales in 2019, combined with its extensive geographic reach, provide effective diversification and enhanced stability. The Group strives to continue to gain market share, building on its leading role in the market, farmer-centric focus and broad product portfolio. Furthermore, the Group's addressable market continues to expand as the crop protection market globally continues to shift towards off-patent products, the segment of the market on which the Group focuses. This shift is the result of significant increases in the costs and risks of discovering and developing novel and effective Active Ingredients (AIs), which has led to significantly fewer introductions of new molecules each year by the Company's Research-Based Company (RBC) competitors. The Group believes that its strength in the off-patent market provides it with a competitive advantage relative to RBCs, as it is able, with its research, technology and know-how, to access off-patent crop protection products developed by all of the various major RBCs. This allows the Group to enhance existing crop protection products and introduce unique mixtures, formulations and applications. In parallel, the Group's global scale, registration expertise and manufacturing footprint are competitive advantages in comparison to many of its off-patent peers.

- **Global Reach and Strength in Emerging Markets.** The Group has an industry leading global footprint with extensive market presence. The Group enjoys broad geographic diversification by selling in over 100 countries with a balanced regional split, as evidenced by its 2019 revenue breakdown of approximately 26% in both Europe and Latin America, 20% in North America, 16% in Asia Pacific, and 13% in India, the Middle East and Africa. This balance enhances the Group's growth profile and provides diversification across different countries, climates, crops and planting seasons. The Group has a particularly strong presence in emerging markets, where growth is expected to outpace developed markets, and from which it derived more than half of its 2019 sales.
- **Unique Positioning and Access to China.** The Group believes that the foundation provided by the integration of Adama Solutions with the operational and commercial infrastructure of the Company in China, together with its unique relationship with its controlling shareholder, ChemChina, provides it with a clear advantage in penetrating the Chinese market, one of the largest and fastest growing agricultural markets in the world. Following the consummation of the Combination Transaction, the Group is one of the only global crop protection providers with a significant integrated commercial and operational infrastructure within China. The Group intends to leverage this infrastructure to pursue a leading position in the Chinese crop protection market and capitalize on the growing importance of high-quality global brands in China. As part of the ChemChina group, the Group believes it is uniquely positioned to capitalize on the trend toward consolidation within the high-growth, highly fragmented Chinese crop protection market. In addition to helping it become a leader in the Chinese crop protection market, the integration of the Company's China-based manufacturing facilities into the Group's global manufacturing operations provides it with the ability to more effectively develop and commercialize advanced, differentiated products, as well as benefit from improved cost positions in key molecules, enhance the optimization of its global supply chain over time, drive greater efficiency throughout the organization, and secure both revenue growth as well as increased profitability.
- **Collaborations with members of the Syngenta Group**.
  The Group is working together with the other companies within the Syngenta Group to create value for itself and the Syngenta Group through increasing the Group's sales, reducing costs and improving processes. Such efforts include various collaboration agreements and initiatives for the sale and distribution of finished products, raw materials supply and procurement, logistics and supply chain, as well as in the R&D and products' registration fields.
- **Vertically Integrated Business with Global Scale.** The Group is one of the few off-patent crop protection providers that is active across virtually the entire value chain, from worldwide marketing, sales and distribution, to

registration, production and R&D. As a result, the Group is able to efficiently manage its product portfolio and operations in response to the dynamic needs of farmers, changing weather conditions, government policies and regulations, and capture value at each point in the value chain. Approximately 80% of the Group's products are produced, formulated or both in its world-class, well-invested facilities across the globe. Having deep knowledge, expertise and experience in all aspects of the development process, integrated chemical synthesis and formulation production and control over the entire supply chain, provides the Group with cost and control advantages, and the agility to address market challenges and capture value. Further, its global registration network, providing local registration capabilities in over 100 countries, enables the Group to efficiently introduce new products in all major markets and provide farmers with a comprehensive portfolio of crop protection solutions. In the last five years, the Group's registration network of highly-skilled professionals has obtained approximately 1,100 new product registrations. These capabilities are increasingly important as regulatory requirements continue to increase globally. The Group's sales and marketing infrastructure is characterized by its local sales forces in each of its strategic markets, who build strong relationships with local distributors and with the end users, the farmers, to better understand their needs. This drives demand at the wholesale, retail and farmer level and provides the Group with valuable market insight and understanding.

- **Extensive, Differentiated Offering.** The Group offers farmers a hybrid portfolio of increasingly differentiated products and solutions that are tailored to the specific needs of each geographic region and each type of crop. The Group utilizes an integrated, solutions-based approach to its entire offering in order to meet the unique demands of its global customer base. The Group strives to offer farmers a branded portfolio that is comprised of both high-value differentiated products as well as high-volume off-patent products, alongside an increasing number of unique mixtures and formulations and novel, innovative products and services, aimed to provide solutions to farmers in nearly every region, and for all major crops. The Group's extensive portfolio is composed of over 200 centrally managed AIs and over 1,400 mixtures and formulations.
- **Experienced and Empowered Management Team.** With a deep understanding of the crop protection industry and firm focus on sustaining the Group's leadership and financial strength, its management team is a cohesive and integrated team that has the knowledge, skills and experience required to guide the Group on its path to achieving its ambition of global leadership. The Group believes in empowering its teams and creating leaders from its strongest performers, with the result that its management team is composed of the people who have successfully managed its business, and developed and executed its strategy over the last few years, continuing its track record of consistent, profitable growth.

Section IV - Performance Discussion and Analysis

I. Overview

Item	Reporting Period (000'RMB)	Same period of last year as previously reported (000'RMB)	+/-%	Same period of last year as restated (000'RMB)	+/-%
Revenues	27,563,239	25,615,119	7.61%	26,867,308	2.59%
Gross profit	8,799,324	8,439,682	4.26%	8,713,685	0.98%
Gross margin	32%	**33%**	-	32%	-
Pre-Tax Profits	451,572	3,235,708	-86.04%	3,299,137	-86.31%
Pre-tax profit margin	2%	**13%**	-	12%	-
Net income	277,041	2,402,462	-88.47%	2,447,876	-88.68%
Net income margin	1%	**9%**	-	9%	-
EBITDA	**4,195,328**	6,236,972	-32.73%	**6,428,734**	-34.74%
EBITDA margin	15%	**24%**	-	24%	-

Item	Reporting Period (000'USD)	Same period of last year as previously reported (000'USD)	+/-%	Same period of last year as restated (000'USD)	+/-%
Revenues	3,996,773	3,880,783	2.98%	4,070,289	-1.81%
Gross profit	1,277,011	1,279,882	-0.01%	1,321,303	-3.35%
Gross margin	32%	**33%**	-	32%	-
Pre-Tax Profits	68,337	507,372	-86.53%	517,090	-86.78%
Pre-tax profit margin	2%	**13%**	-	13%	-
Net income	42,790	377,617	-88.66%	384,607	-88.87%
Net income margin	1%	**10%**	-	9%	-
EBITDA	610,440	959,408	-36.37%	988,527	-38.25%
EBITDA margin	15%	**25%**	-	24%	-

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

Performance in Context of Market Environment

In 2019, the global crop protection market experienced challenging weather conditions in many regions, most notably flooding in North America and droughts in Southeast Asia and Australia, limiting crop protection application, delaying harvesting and reducing planted areas in key crops.

In Europe, channel inventories remained elevated, limiting sales into distribution and putting pressure on prices and margins.

The US-China trade tensions continued to affect global agricultural crop trading patterns, most notably with soybean growers in South America benefiting from a shift of Chinese import demand away from the US.

Despite these challenging market conditions, the Company delivered record sales in the fourth quarter and full year, compared with the same period as previously reported, driven by a combination of solid business growth as well as higher prices and the introduction of new and differentiated products, which have supported penetration and continued share gains in markets across the globe.

The Company continues to maintain cost discipline and raise prices wherever demand allows, mitigating to the extent possible the continued impact of shortages in certain raw materials and intermediates mostly owing to increased environmental focus in China. While some production capacity returned to the market in the second half of 2019, procurement costs remained generally elevated compared to the prior year.

Corporate Development

During 2019, ADAMA executed a number of acquisitions and investments in support of its growth strategy. In the fourth quarter, the Group acquired two companies: the Peruvian crop protection company AgroKlinge, providing a leading commercial platform countrywide as well as a comprehensive portfolio of solutions for Peruvian farmers; the French-Swiss company SFP, strengthening ADAMA's PGR (plant growth regulator) and fungicide franchises in Europe. In addition, the Company acquired a minority stake in Agricover SA, one of Romania's leading distributors of agricultural inputs.

These follow two acquisitions performed by ADAMA earlier in the year: in the first quarter, the Group acquired Bonide Products Inc., a US provider of pest-control solutions for the consumer Home & Garden market, as well as Jiangsu Anpon Electrochemical Co., Ltd., a backward-integrated manufacturer of key active ingredients used in crop protection markets worldwide.

Innovation, Development, Research and Registrations

In 2019, the Company made significant progress in the development of its advanced product portfolio, complementing its existing offering and strengthening its position in global crop protection markets.

Highlights include:

- ARMERO®, a broad-spectrum systemic fungicide containing Prothioconazole and Mancozeb, launched in Paraguay, the first market globally where ADAMA is launching a product containing Prothioconazole;
- BRAZEN®, a herbicide for the protection of spring wheat and barley, launched in Canada as the world's first alternative Pinoxaden herbicide; Pinoxaden is one of the world's leading post-emergence grassy weed-herbicides for spring wheat and barley, and prior to its launch by ADAMA had only been available from one source;
- BARAZIDE®, a differentiated combination insecticide for the treatment of lepidoptera in multiple crops, launched in India, and PLEMAX®, a broad-spectrum mixture insecticide launched in Turkey; both products contain ADAMA's own proprietary active ingredient Novaluron, now in unique combinations with other complementary active ingredients, providing dual modes of action and increased breadth of coverage;
- COMISSARIO®, a dual mixture insecticide developed for use in cotton plantations, launched in Brazil;
- FOLPAN®, ADAMA's proprietary fungicide, launched in Germany as a solution for resistant Septoria leaf blotch in wheat;
- MERPLUS®, a differentiated fungicide controlling apple scab in pome fruits, launched in Europe; and
- EXELGROW®, a unique seaweed-based biostimulant promoting plant growth, launched in Europe.

During the fourth quarter, ADAMA and Tel Aviv University announced the launch of 'The ADAMA Center for Novel Crop Protection Delivery Systems', a unique research and teaching center for the development of innovative delivery systems for crop protection products, combining the worlds of industry and academia. This initiative is tied to ADAMA's vision for the next generation of differentiated, advanced formulations and delivery systems.

China Facilities Upgrade and Relocation Update

ADAMA continues to progress the upgrade and relocation of its production and environmental facilities at both its Jingzhou (Hubei Province) and Huai'An (Jiangsu Province) sites.

The Company expects to realize significant operational efficiencies from upgrading of processes and technology at the sites, including automated control and data systems, machinery and laboratory equipment, as well as the termination of less profitable production lines. As the Company is reaching the final stages of relocation of the old sites, and expecting to commence production of the relocated products at the new Jingzhou site in the second half of 2020, in its fourth quarter 2019 financial reports the Company has recorded a one-time, non-cash asset impairment charge related to terminated facilities at the old sites in both Jingzhou and Huai'An, together with related implementation costs, of approximately $50 million. In addition, the upgraded sites and their level of automation will allow for a more skilled, smaller workforce, a process which is expected to be largely completed by the end of 2020. As such, the Company has recorded a one-time provision for employee severance costs of approximately $35 million in the fourth quarter of 2019.

Going forward, these actions are expected to deliver ongoing annual savings of up to $34-47 million per year, commencing in 2020, including the elimination of most idleness charges, which were approximately $42 million in 2019.

ADAMA is aiming to complete most of the relocations and be operational with improved cost and efficiency at its new sites at Jingzhou by year-end 2020 and at Huai'An by mid-2021. The transformed new sites are designed to be more profitable than the old ones, and ready to accommodate additional new molecules emerging from the Company's strong development pipeline.

Over the longer term, the Company is working towards the commercialization of all its vacated old sites, subject to receipt of the required approvals. As a result, the Company aims to be able to recover the remainder of its upgrade and relocation investments, with the anticipated gains from the realization of this significant value expected to be included in the Company's reported net income in the coming years.

COVID-19 Impact

The ramp-up of production at the Jingzhou site was temporarily interrupted from late January to the end of February 2020 due to the COVID-19 novel coronavirus outbreak in Hubei province in the first few months of the year. Although the ramp-up of production at the site has since resumed, the Company will nevertheless see related idleness costs reflecting the temporary interruption. Although logistics in Hubei province are starting to open up, certain restrictions remain, impacting the free transport of goods to the ports.

The Company's operations at its Huai'An, Jiangsu site have continued without material interruption during 2020. Relevant supply and transport lines are open.

As a result of the COVID-19 outbreak, the Company is again seeing some renewed tightening of supply of raw materials and intermediates sourced from third parties in China and sold through the Company's global channels.

The Company is actively managing its response to the outbreak in order to ensure the safety of its employees and limit the impact on the performance of the Company. Actions being taken include extending and strengthening distribution channels, use of expedited transport options where possible, working collaboratively with supply chain partners, and raising prices wherever possible to accommodate the increased logistics costs.

ADAMA becoming part of the Syngenta Group

ADAMA announced in January 2020 that it is becoming a distinctive member of the Syngenta Group, a newly-formed ag-industry leader being created through the bringing together of the agricultural businesses of ChemChina and Sinochem. The Syngenta Group, comprising ADAMA, Syngenta AG and Sinochem's agriculture-related activities, is expected to become one of the world's leading agriculture inputs companies, spanning crop protection, seeds, fertilizers, additional agricultural and digital technologies, as well as an advanced distribution network in China, reaching farmers nationwide.

ADAMA is joining this new industry leader through the contribution of the stake that ChemChina currently owns in ADAMA into the Syngenta Group, which will also be owned by ChemChina. As such, there is no change in the Company's ultimate controlling shareholder. ADAMA will continue to be headquartered in Israel, and remain traded on the Shenzhen Stock Exchange, as well as maintain its unique brand and positioning.

Chen Lichtenstein, former President and CEO of ADAMA, has taken up the position of CFO of Syngenta Group, with responsibility also for Strategy and Integration. Frank Ning, Chairman of ChemChina and Sinochem, is the Chairman of the new Syngenta Group. In this context, and following the Company's shareholders' approval, as of April 2020, Erik Fyrwald, CEO of the new Syngenta Group, has replaced Yang Xingqiang as Chairman of the board of directors of the Company and Chen Lichtenstein will remain on ADAMA's board of directors.

The various companies within the Syngenta Group have made significant advances in their intra-Group collaboration over the last year, generating meaningful additional revenue through cross-sales and benefiting from procurement and operational savings. The forming of the Syngenta Group will further bolster the alignment between the companies and capitalize on the value creation and synergy opportunities identified.

II. Main business analysis

1. Overview

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

2. Revenues and costs

(1) Operating revenues

Unit: RMB'000

	2019		2018 (Restated)		YoY +/-%
	Amount	Ratio of the operating revenue	Amount	Ratio of the operating revenue	
Total operating revenue	27,563,239	100%	26,867,308	100%	2.6%
Classified by industries					
Manufacture of chemical raw materials and chemical products	27,563,239	100%	26,867,308	100%	2.6%
Classified by products					
Herbicides	11,848,417	42.99%	11,859,646	44.14%	-0.1%
Fungicides	5,189,971	18.83%	4,859,715	18.09%	6.8%
Insecticides	7,867,286	28.54%	7,414,994	27.60%	6.1%
Ingredients and Intermediates (Formerly referred to as Non-Agro)	2,657,565	9.64%	2,732,953	10.17%	-2.8%
Classified by regions					
Europe	7,078,409	25.68%	6,983,002	25.99%	1.4%
North America	5,418,509	19.66%	5,038,834	18.75%	7.5%
Latin America	7,085,817	25.71%	6,172,800	22.98%	14.8%
Asia-Pacific	4,351,929	15.79%	5,057,860	18.83%	-14.0%
India, Middle East and Africa	3,628,575	13.16%	3,614,812	13.45%	0.4%

Unit: USD'000

	2019		2018 (Restated)		YoY +/-%
	Amount	Ratio of the operating revenue	Amount	Ratio of the operating revenue	
Total operating revenue	3,996,773	100%	4,070,289	100%	-1.8%
Classified by industries					
Manufacture of chemical raw materials and chemical products	3,996,773	100%	4,070,289	100%	-1.8%
Classified by products					
Herbicides	1,719,666	43.03%	1,796,577	44.14%	-4.3%
Fungicides	751,752	18.81%	736,263	18.09%	2.1%
Insecticides	1,139,961	28.52%	1,123,397	27.60%	1.5%
Ingredients and Intermediates (Non-Agro)	385,394	9.64%	414,052	10.17%	-6.9%
Classified by regions					
Europe	1,030,551	25.78%	1,057,898	25.99%	-2.6%
North America	785,519	19.65%	763,363	18.75%	2.9%
Latin America	1,021,819	25.57%	935,154	22.98%	9.3%
Asia-Pacific	632,542	15.83%	766,245	18.83%	-17.4%
India, Middle East and Africa	526,342	13.17%	547,629	13.45%	-3.9%

Note: the sales split per product category is provided for convenience purposes only, and is not representative of the way the Company is managed or in which it makes its operational decisions.

Revenues. In the full year, the Company continued its strong performance, achieved despite the significant headwinds encountered throughout the year, including the impact of continued supply constraints, in particular RMB 1,410 million ($204 million) in missing sales of Jingzhou old site products, as well as challenging weather conditions in many regions.

Regional Performance Review

Europe: The Company delivered a robust performance in Europe in the fourth quarter, driven by business growth, which more than offset the impact of lower prices. This, together with the strong performance in the third quarter, brought sales in the region over the full year to be only slightly lower than the prior year, largely recovering from the supply-and weather-impacted performance in the first half of the year.

North America: The performance over the full year was further bolstered by the joining of Bonide and the contribution from sales of backward-integrated products produced at the Company's newly acquired Anpon (Huai'An, Jiangsu) operations, but impacted by the record flooding seen in the US in the first half of the year and the effect of global trade tensions on US agriculture, as well as the impact of lost sales from the Jingzhou old site.

Latin America: The Company delivered strong business growth over the full year in the region, alongside continued price increases, which more than offset the continued impact of constrained supply, missed sales of Jingzhou old site products and a severe drought across the region in the second half of the year. Brazil delivered another year of stellar growth, leveraging its differentiated product portfolio, with a robust contribution from CRONNOS®, the triple-action fungicide for soybean rust, and was complemented by strong performances throughout key markets in the region, including Argentina, Colombia and Peru.

Asia-Pacific: In the full year, business growth and price increases were tempered by constrained supply of Jingzhou old site products and severe drought conditions in Southeast Asia.

In China, a pleasing performance of products produced at newly acquired Anpon compensated for part of the missing sales of Jingzhou old site products and reduced consumption of wheat herbicides resulting from drought in some areas. The Company continues to see strong demand for its differentiated, formulated and branded products in China. ADAMA launched two more herbicides for winter wheat in the quarter, bringing a total of 14 new product launches for 2019 in China.

The Company saw robust growth in the full year in New Zealand, Indonesia and Japan, benefiting from favorable weather conditions, while a resilient performance was recorded in Australia, recovering from extreme weather conditions seen throughout the year.

India, Middle East & Africa: The Company was impacted in the full year by shortages of key products produced at the Jingzhou old site.

Over the full year, ADAMA saw another year of strong growth in both its branded activities in India as well as in Turkey, offsetting the impact of the missing sales of Jingzhou old site products. The Company enjoyed a strong contribution from its recently launched differentiated products, including the NIMITZ® suite of products, as well as TAKAF® and ZOHAR™, two differentiated mixture insecticides in India.

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

√ Applicable □ Not applicable

Unit: RMB'000

	Operating revenues	Operating cost	Gross margin	YoY increase/decrease of the operating revenues	YoY increase/decrease of the operating cost	YoY increase/decrease of the gross margin
Classified by industries						
Manufacture of chemical raw materials and chemical products	27,563,239	18,679,512	32.23%	2.59%	3.07%	-0.96%
Classified by products						
Crop Protection (formerly referred to as Agro)	24,905,674	16,602,484	33.34%	3.20%	3.62%	-0.80%
Ingredients and Intermediates (formerly referred to as Non-Agro)	2,657,565	2,077,028	21.84%	-2.76%	-1.13%	-5.6%
Classified by regions						
	--	--	--	--	--	--

If the scope of the Company's main business was adjusted during the reporting period, the Company's annual financial data of main business according to the adjusted scope at the end of the year is disclosed as follows

☐ Applicable √ Not applicable

(3) Whether the Company's revenue from sale of goods exceed the revenue from services

√ Yes □ No

Industries	Items	Units	2019	2018	YoY +/-%
Crop Protection (formerly referred to as Agro)	Sales volume	Ton	662,752	629,310	+5.3%
	Production	Ton	405,518	495,680	-18.2%
	Inventory	Ton	213,387	216,895	-1.6%

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

□ Applicable √ Not applicable

(4) Execution of the significant sales contracts signed by the Company up to the Reporting Period

☐ Applicable √ Not applicable

(5) Composition of Operating Costs

Category of the industries

Unit: RMB'000

Industries	Items	2019		2018		YoY +/-%
		Amount	Ratio of the operating costs	Amount	Ratio of the operating costs	
Industry of manufacturing chemical raw materials and chemical products	Cost of materials (procurement costs)	15,463,150	84.3%	14,702,340	81.5%	4.9%
Industry of manufacturing chemical raw materials and chemical products	Labor cost	1,105,014	5.9%	1,073,544	5.9%	2.9%
Industry of manufacturing chemical raw materials and chemical products	Depreciation expense	660,812	3.5%	753,762	4.2%	-12.3%

Explanations:

Due to the continued high environmental and safety focus in China causing industry-wide shortages in certain raw materials and intermediates, while some capacity is returning to the market, supply of such products still remains generally constrained, and procurement costs are elevated compared to 2018. Despite this, solid growth of the Company's differentiated portfolio, significantly higher prices supported by strong demand and the contribution of joiners, managed to largely offset the RMB 554 million ($80 million) gross profit impact of missing Jingzhou old site product sales, as well as higher procurement costs and weaker currencies. In addition, RMB 276 million (USD 40 million) idleness costs related to Jingzhou old site disruption were classified under general and administrative costs.

(6) Has the consolidated scope changed during the Reporting Period

√ Yes ☐ No

During the reporting period, the Group executed a number of acquisitions:

1. Jiangsu Anpon Electrochemical Co. Ltd. (China), acquired through business combination under common control
2. Bonide Products Inc. (USA)
3. Agro Klinge S.A. (Peru)
4. SFP (France and Switzerland)

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

☐ Applicable √ Not applicable

(8) List of major trade debtors and major suppliers

List of the major trade debtors of the Company

Total sales to top 5 customers (RMB'000)	2,188,754
Ratio of total sales to top 5 customers to annual total sales	7.9%
Ratio of total sales to related parties (within top 5 customers) to annual total sales	2.11%

Information of the Top 5 Customers

	Customers	Sales Amount (RMB'000)	Ratio of the sales to this customer to the annual total sales
1	A	580,992	2.11%
2	B	480,618	1.74%
3	C	419,667	1.52%
4	D	409,356	1.49%
5	E	298,121	1.08%
Aggregated		2,188,754	7.9%

Notes of other situation of the major customers

☐ Applicable √ Not applicable

List of the major suppliers of the Company

Total purchase to top 5 suppliers (RMB'000)	3,227,888
Ratio of total purchase to top 5 suppliers to annual total purchase	21.9%
Ratio of total purchase from related parties (within top 5 suppliers) to annual total purchase	12.2%

Information of the Top 5 Suppliers

	Suppliers	Purchase Amount (RMB'000)	Ratio of the purchases to this supplier to the annual total sales
1	A	1,111,309	7.54%
2	B	733,199	4.98%
3	C	685,063	4.65%
4	D	405,317	2.75%
5	E	293,000	1.99%
Aggregated		3,227,888	21.9%

Notes of the other situation of the major suppliers

☐ Applicable √ Not applicable

3. Expenses

	In RMB '000			In USD '000		
	2019	2018	YoY +/-%	2019	2018	YoY +/-%
Sales and Marketing expenses	4,873,256	4,701,936	3.64%	707,156	710,909	-0.53%
General and Administrative expenses	1,562,317	998,133	56.52%	225,707	151,259	49.22%
Financial (income) / expenses	1,665,885	570,392	192.06%	242,331	87,600	176.63%
R&D expenses	436,325	442,253	-1.34%	63,230	66,163	-4.43%

Explanations for the change of above expenses:

Note: As the Company's functional currency is USD, following explanations and analysis are based on USD-denominated numbers.

(1) Sales and Marketing expenses

Sales and marketing expenses for the full year of 2019 were slightly below the numbers presented at the time for the same period of 2018, largely reflecting the containment of expenses, lower logistics costs due to the Jingzhou old site disruption, and reduction from strengthening of the US Dollar, more than offsetting the inclusion of joiner's expenses, the amortization of the written-up value of assets transferred from Syngenta in connection with the 2017 ChemChina-Syngenta transaction as well as amortization of acquisition PPAs (see additional details below).

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 (non-cash)**: Under PRC GAAP, since the first combined reporting for Q3 2017, the Company has inherited the historical "legacy" amortization charge that ChemChina was previously incurring in respect of its acquisition of Solutions in 2011. This amortization is performed in a linear manner on a quarterly basis, and will conclude by the end of 2020, resulting in the complete elimination of these charges from 2021 onward. Its reported financial impact in the full year of 2019 is RMB 262 million (USD 38 million), net of tax.
- **Amortization of Transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash)**: 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 were 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 full year of 2019 is RMB 242 million (USD 35 million), this amortization is expected to be reduced to approximately RMB 209 million ($30 million), while in the year 2021 it is expected to further reduce to RMB 153 ($22 million).
- **Amortization of acquisition-related PPA (non-cash):** The amortization of non-cash intangible assets was created in the course of acquisitions, and has no impact on the ongoing performance of the companies acquired. Its reported financial impact in the full year of 2019 is RMB 47million (USD 7 million), net of tax.

(2) General and Administrative expenses

The increase in general and administrative expenses is mainly the result of:

- the recording of Jingzhou old-site related idleness costs of RMB 276 million (USD 40 million) in the full year, as it advances its gradual ramp-up in production;
- a one-time provision in respect of employee severance costs and other related expenses of approximately RMB 243 million (USD 35 million) in the fourth quarter. These costs are related to the upgrade and relocation of the

Company's production and environmental facilities at both the Jingzhou (Hubei Province) and Huai'An (Jiangsu Province) sites, which are reaching the final stage of relocation and upgrading, and will allow for a more skilled and smaller workforce;

Despite the above, the Company continued its strong containment of expenses, and managed to effectively reduce the balance of its general and administrative expenses, which also benefited from strengthening of the US Dollar.

(3) Financial expenses

Financial Expenses alone mainly reflect interest payments on corporate bonds and bank 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 impact of Financial Expenses (before hedging) is RMB 1,666 million (USD 242 million) for the full year of 2019 compared with RMB 570 million (USD 88 million) for 2018. The increase mostly reflects the negative impact of currency translations on balance sheet positions (before hedging), mainly due to the effect of the appreciation of the Israeli Shekel against the US Dollar on Solutions' debentures, as well as the higher interest expenses on a higher borrowing base.

Given the global nature of its operational activities and the composition of its assets and liabilities, the Company, 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 combined impact of Gains/Losses from Changes in Fair Value and Investment Income (excluding income from investment in associates and joint venture) is a net gain of RMB 574 million (USD 84 million) in 2019 compared with RMB -358 million (USD -53 million) in 2018.

The aggregate of Financial Expenses, Gains/Losses from Changes in Fair Value and Investment Income (hereinafter as "Total Net Financial Expenses and Investment Income"), which more comprehensively reflects the financial expenses of the Company in supporting its main business and protecting its monetary assets/liabilities, amounts to RMB 1,092 million (USD 158 million) in 2019 compared with RMB 928 million (USD 141 million) in 2018. Higher Total Net Financial Expenses and Investment Income over the full year reflect higher interest payment out of the higher borrowing base, the effect on balance sheet positions of a moderate weakening of the RMB in 2019 compared to its more marked weakening during 2018, as well as the impact of accounting changes related to IFRS 16 / ASBE 21, offset to some extent by the reduction in financing costs on the NIS-denominated, CPI-linked bonds due to a lower CPI in Israel.

4. R&D Investment

√ Applicable □ Not applicable

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

List of the R&D investment of the Group

	2019	2018	Change (%)
R&D headcount personnel (person)	269	254	5.91%
R&D headcount as % of total headcount	3.47%	3.84%	-0.37%
R&D Investment (RMB'000)	437,802	442,253	-1.01%
Ratio of R&D investment to operating income	1.59%	1.65%	-0.06%
Amount of capitalized R&D investment (RMB'000)	-	-	-
Ratio of capitalized R&D investment to total R&D investment	-	-	-

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

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

5. Cash flow

Unit: RMB'000

Item	2019	2018 (Restated)	YoY +/-%
Subtotal of cash inflows from operating activities	25,613,708	25,316,658	1.17%
Subtotal of cash outflows from operating activities	24,770,221	23,017,505	7.61%
Net cash flows from operating activities	843,487	2,299,153	-63.31%
Subtotal of cash inflows from investing activities	263,924	2,473,130	-89.33%
Subtotal of cash outflows from investing activities	2,942,447	3,397,934	-13.40%
Net cash flows from investing activities	-2,678,523	-924,804	189.63%
Subtotal of cash inflows from financing activities	3,212,045	912,246	252.10%
Subtotal of cash outflows from financing activities	3,424,071	4,087,906	-16.24%
Net cash flows from financing activities	-212,026	-3,175,660	-93.32%
Net increase in cash and cash equivalents	-2,026,289	-1,633,306	24.06%

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

√ Applicable □ Not applicable

Cash flow from Operating Activities: The lower operating cash flow generation for the full year mainly reflects the lower profit in the year, mainly impacted by the disruption from the Jingzhou old site, alongside the build-up of working capital. The higher level of trade working capital reflects increased trade receivables resulting from the Company's robust growth in the fourth quarter, alongside somewhat lower payable days resulting from changes in the Company's supplier mix in light of the continued supply-constrained environment. Inventory levels, excluding those acquired with joiners, were only slightly above those of the same point last year, due to the higher procurement costs.

Cash flow from Investing Activities: Investing activities in the full year include increased investments in the relocation and upgrading of manufacturing and environmental facilities in Jingzhou, as well as acquisitions made during the period. 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, in parallel with the outflow of a lesser net amount for the transfer of a similar portfolio of products.

Cash flow from Financing Activities: Net cash flow from financing activities reflects the dividend payment, lower net repayment of bank loans compared with 2018, in parallel with inflow from higher borrowings.

Notes to the reason of the significant differences between the net cash flow from the operating activities and the net profits of 2019 of the Company during the Reporting Period

√ Applicable ☐ Not applicable

Please refer to the notes provided above under this item.

III. Analysis of the non-core business

√ Applicable □ Not applicable

Unit: RMB'000

	Amount	% of total profit	Explanation	Existence of Recurring
Investment income	-231,205	-51.20%	Please refer to explanation to Financial expenses as above	No
Gain/loss from change of FV	825,512	182.81%	Mainly foreign currency effect on financial assets and liabilities. Please refer to explanation to Financial expenses as above	No
Impairment of asset	-413,816	-91.64%	Mainly impairment in Jingzhou and Huai'an operation assets, due to relocation.	No
Gain from disposal of assets	127,073	28.14%	Gain from the expropriation of land in Israel.	No
Non-operating income	25,726	5.70%		No
Non-operating loss	103,854	23.00%		No

IV. List of the assets and liabilities

1. List of significant changes of assets

Unit: RMB'000

Item	As at 31 Dec. 2019		As at 1 Jan. 2019		% change	Explanation for any major change
	Amount	% of total assets	Amount	% of total assets		
Cash at bank and on hand	4,348,588	9.60%	6,400,190	14.34%	-4.74%	
Accounts receivable	8,004,157	17.67%	6,573,100	14.72%	2.95%	
Inventories	9,932,654	21.93%	9,433,876	21.13%	0.80%	
Investment property	3,771	0.01%	4,094	0.01%	0.00%	
Long term equity investments	133,098	0.29%	108,350	0.24%	0.05%	
Fixed assets	6,939,610	15.32%	7,256,949	16.26%	-0.94%	
Construction in progress	788,386	1.74%	487,204	1.09%	0.65%	
Short-term loans	2,009,882	4.44%	1,122,774	2.52%	1.92%	
Long-term loans	927,159	2.05%	235,819	0.53%	1.52%	

2. Assets and liabilities measured at fair value

√ Applicable □ Not applicable

Unit: RMB'000

Item	Opening balance	Fair value change recognized in P&L	Fair value change recognized in equity	Impairment recognized	Purchase	Sale	Closing balance
Financial assets							
1. Financial assets measured at FVTPL (excluding derivative financial assets)	46,095	-	-	-	-	-16,585	29,510
2. Derivative financial assets	517,726	-57,972	-157,576	-	260,557	-54,030	508,705
3. Other equity investments	91,559	-	6,018	-	67,781	-10,296	155,062
Total financial assets	655,380	-57,972	-151,558	-	328,338	-80,911	693,277
Others	106,104	14,962	-	-	13,927	-8,181	126,812
Total of above	761,484	-43,010	-151,558	-	342,265	-89,092	820,089
Financial liabilities	1,451,670	-734,613	-	-	-	-	717,057

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

□ Applicable √ Not applicable

3. Restriction / limitation on asset rights

At the end of the Reporting Period, restricted assets including Company's bank balance of RMB 28,681,000 as cash deposit for bills receivable; fixed assets of RMB 900,000 as mortgage for loans; and other non-current assets of RMB 107,613,000 as deposit for asset securitization and legal suits.

V. List of the investment

1. Overall condition

√ Applicable □ Not applicable

Investment during the Reporting Period (RMB'000)	Investment during the Same Period Last Year (RMB'000)	+/-% YoY
36,425,306	36,640,029	-1%

2. List of the significant equity investment during the Reporting Period

☐ Applicable √ Not applicable

3. List of the significant non-equity investments executed during the Reporting Period

☐ Applicable √ Not applicable

4. Investment on the financial assets

(1) List investments in securities

☐ Applicable √ Not applicable

No such investments were executed during the Reporting Period.

(2) Investment 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	19/11/2019	17/2/2020	3,362,968	2,776,528	-4,060,588	No	2,078,908	9.29%	225,744
Banks	No	No	Forward	11,634,236	10/9/2019	12/5/2020	11,634,236	34,186,571	-26,698,167	No	19,122,640	85.50%	526,736
Total				14,997,204	--	--	14,997,204	36,963,099	-30,758,755	--	21,201,548	94.79%	752,480
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.)				The aforesaid refers to short term hedging currency transactions made with banks. The Group's transactions are not traded in the market. The Transactions are between the applicable company in the Group and the applicable bank until the expiration date of the transaction, therefore no market risk is involved. Regarding credit and liquidity risk, the Group is working with large and substantial banks only and with some of them the Group has ISDA agreements.									

	As to operational risk, the Group is working with relevant software, which is its back office for all transactions. No legal risk is involved. The actions taken in order to further reduce risks are: • The relevant subsidiaries have specific guidelines, under the Group's policy, which were approved by the subsidiaries' financial statements committee of the board, which specifies, inter alia, the hedging policy, the persons that have the authorization to deal with hedging, the tools, ranges etc. The only subsidiary that has hedging positions in the Group in the period was Solutions and its subsidiaries. • The relevant subsidiaries apply management designed procedures and controls, which among other things, monitor the working process and the controls of the hedging transactions and are quarterly reviewed and annually audited. • The controllers of the relevant subsidiaries are involved in the process and are monitoring the hedging accounting treatment. • Every 2-3 years the internal audit of the relevant subsidiaries' department is auditing the entire procedure.
Market price or fair value change of investments during the Reporting Period. Specific methodology and assumptions should be disclosed in the analysis of fair value of the investments	The aforesaid refers to short time hedging currency transactions made by the relevant subsidiary with banks. Segregation of duties as follows: For the fair value evaluation, the relevant subsidiary is usually using external experts. The relevant subsidiary hedges currencies only; the relevant transactions are simple (Options and forwards) for short terms. For fair value methodology see section XI of this report, note IX. Fair Value. The exchange rates are provided by the accounting department of the relevant subsidiary and all other parameters are provided by the experts.
Explanation for any significant changes in accounting policies and principles, compared with last reporting period	N/A
Independent Directors' opinion on the investment in derivative financial instruments and related risk controls	The derivative investments carried by the Company are for hedging and narrowing down the risk of market fluctuations. The investments respond to the Company's routine business demands and are in accordance with the relevant laws and regulations. Additionally, the Company has adopted Currency Risk Hedging Policy to strengthen the risk management and control which benefit the Company's ability to protect against market risk. The derivative investments do not harm the interests of the Company and its shareholders.

5. Use of raised funds

√ Applicable □ Not applicable

(1) Overall Situation of Use of the Funds Raised

√ Applicable □ Not applicable

RMB'0000

Year of Raising	Type of Raising	Total Amount Raised	Total Amount Used during the Reporting Period	Accumulated Amount Used	Total Amount of Fund with Purpose Being Changed during the Reporting Period	Accumulated Amount of Fund with Purpose Being Changed	Proportion of Accumulated Amount of Fund with Purpose Being Changed against Total Amount Raised	Total Amount Not Used Yet	Usage and Destination of Funds Not Used Yet	Amount of Funds Being Idle for over Two Years
2017	Non-public offering of shares	155,999.99	40,008	71,737	40,008	40,008	25.65%	88,361	Deposited in the special account of the raised funds.	88,361(Note)
Total	--	**155,999.99**	40,008	71,737	40,008	40,008	25.65%	88,361	--	88,361
General Summary of Use of Raised Funds										
The Company received the raised funds on December 27, 2017. More details of the usage of the raised funds can be founded in the annual *Special Reports on the Deposit and Actual Usage of the Raised Funds* disclosed by the Company on March 29, 2018, March 21, 2019 and April 28, 2020; *Special Reports on the Deposit* and *Actual Usage of the Raised Funds in the First-Half Year* disclosed by the Company on August 28, 2018 and August 22, 2019.										
Note: The 25th meeting of the 8th session of the Board of Directors of the Company approved a Proposal on Terminating the Use of Raised Funds on Certain Designated Projects Included in the Project of Share Issuance for Assets Purchase and Supporting Finance. After further approval by the shareholders of the Company, the remaining raised funds will not be used for certain designated projects. For details, please see the Announcement on Terminating the Use of Raised Funds for Certain Designated Projects published by the Company on April 28, 2020.										

(2) The Status of Designated Projects of Raised Funds

√ Applicable □ Not applicable

RMB'0000

Designated Projects and Investment of Extra Funds Raised	Any Project Change (Including Partial Change)	Total Investment Committed	Total Investment after Adjustment (1)	Amount Invested during the Reporting Period	Accumulated Invested Amount by the End of the Reporting Period (2)	Investment Progress by the End of the Reporting Period (3)=(2)/(1)	Date by which the Project Can be Put into Use as Planned	Benefits Realized during the Reporting Period	Expected Benefits Reached or Not	Any Material Change to Project Feasibility
Designated Projects										
Consideration of the acquisition of Anpon	No	-	40,008	40,008	40,008	100%	2019	Not applicable	Not applicable	No
The project of Huai'an Pesticide Formulation Center	Yes	24,980	-	0	0	0.00%	Not applicable	Not applicable	Not applicable	Yes
The projects of project development and registration	No	93,507	93,507	0	13,103	14%	2019	Not applicable	Not applicable	Yes
Fixed-asset Investment of ADAMA	Yes	66,204	51,176	0	5,913	12%	2019	Not applicable	Not applicable	Yes
Fees for the intermediary agencies and transaction taxes	No	13,600	13,600	0	12,713 (Note 1)	93%		Not applicable	Not applicable	Not applicable
Sub-total of Designated Projects	--	198,291 (Note 2)	198,291 (Note 2)	40,008	71,737	--	--		--	--
Investment of Extra Funds Raised										
Not Applicable										
How and why the planned progress or expected income is not met (per project)	1. Project of the Construction of Huai'an Pesticide Formulation Center Since Adama Pesticide (Jiangsu) Co., Ltd., a subsidiary company of the third-tier subsidiary of Solutions, is the entity to implement the construction project of Huai'an Pesticide Formulation Center, the Company needs to increase the capital of Solutions first, and then increase the capital of the subsidiaries by Solutions. The time and process required for the relevant approval process, such as funds entry and exist, is complicated. In order to avoid delays of the project, the Company invested its own capital on the project. With the approval of 2018 Annual Shareholders Meeting, this project had been replaced by the project of Anpon acquisition.									

Designated Projects and Investment of Extra Funds Raised	Any Project Change (Including Partial Change)	Total Investment Committed	Total Investment after Adjustment (1)	Amount Invested during the Reporting Period	Accumulated Invested Amount by the End of the Reporting Period (2)	Investment Progress by the End of the Reporting Period (3)=(2)/(1)	Date by which the Project Can be Put into Use as Planned	Benefits Realized during the Reporting Period	Expected Benefits Reached or Not	Any Material Change to Project Feasibility
Designated Projects										
	2. Project of Development and Registration Since ADAMA Makhteshim Ltd., ADAMA Agan Ltd., and ADAMA Brazil S/A, the subsidiaries of Solutions, are the entity to implement the projects of products development and registration, this project also involves in the approval procedures for funds outbound. In order to avoid delays of this project, the Company invested its own capital on the project. 3. ADAMA Fixed-Assets Investment (1) Capacity Expansion Project for Pesticide Product A Since Product A is the Company's newly developed product, it takes time to develop the market. In view of this, the management made changes to the time schedule of original expansion plan and suspended the investment in the second phase after careful deliberation. While adjusting the capacity expansion of the first stage in accordance with the needs of the market, the process is optimized to further enhance the product's market advantage. Based on the changes in the market environment and in order to reduce the investment risk of raised funds, the Company decided to complete its replacement of the raised funds in 2017 (RMB 6.84 million). The follow-up investment of this project will be carried out by the Company with its own capital. (2) Equipment Investment for Fungicide product B for Brazilian market & Project on Capacity Expansion Investment for New Fragrance Ingredient Product C The above two projects started in 2017. Both projects involve cross-border investment by the Company, while the local approval process for cross-border investment might take some time. In order to meet the increasing demand of the market for Fungicide product B and New Fragrance Ingredient Product C as soon as possible, the Company decided that its overseas subsidiaries shall be responsible for meeting project investment needs through their own funds and local financing. The fungicide project for Brazilian market was carried out in accordance with the original investment plan and officially delivered for use in January 2020, and the fragrance ingredient product project is expected to be completed in May 2020. (3) Project on the Investment of the Equipment of Liquid Product Packaging The project aims to increase liquid packaging capacity to cope with expected future incremental demand and make inventory management more flexible and effective. However, due to the continuous climate change in Europe and North America in the past two years, there has been some changes in the incremental demand of the market. Based on the principle of prudence, the Company									

Designated Projects and Investment of Extra Funds Raised	Any Project Change (Including Partial Change)	Total Investment Committed	Total Investment after Adjustment (1)	Amount Invested during the Reporting Period	Accumulated Invested Amount by the End of the Reporting Period (2)	Investment Progress by the End of the Reporting Period (3)=(2)/(1)	Date by which the Project Can be Put into Use as Planned	Benefits Realized during the Reporting Period	Expected Benefits Reached or Not	Any Material Change to Project Feasibility
Designated Projects										
	postponed the investment progress of the project and planned not to use raised funds on the project. (4) Investment for the Relocation of Beer Shava Plant and Its Integration with NeotHovav Plant in Israel The purpose of this project is to improve the overall production efficiency and product quality through the integration and optimization of the two plants in production and operation. Since the integration of the plants involves a wide range, it will take a long time to carry out master planning procedures in Israel. At present, the project is in the planning and design stage. The Company believes that there will be some differences in the implementation time of the project and the schedule of use of raised funds. Therefore, the Company intends to terminate the use of raised funds on this project. The proposal on terminating the above projects has been approved by the 25th meeting of the 8th session of the Board of Directors of the Company, pending further approval by the shareholders of the Company. For details, please see the Announcement on Terminating the Use of Raised Funds on Certain Designated Projects on April 28, 2020.									
Explanation on material change to project feasibility	Please see the above the reasons why planned progress is not met.									
Amount, purpose of use and progress of extra funds raised	Not applicable									
Change of location of designated projects	Not applicable									
Adjustment to way of execution of designated projects	Not applicable									

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

Note 1: During the reporting period, the Company received a tax refund of RMB 3.09 million related to the raised funds.

Note 2: The Company intends to raise funds of no more than 198,291 RMB'0000 in the supporting finance program, while the actual funds raised was 155,999.99 RMB'0000 on December 27, 2017.

(3) Change to the Designated Projects of Raised Funds

√ Applicable □ Not applicable

Unit: RMB '0000

New Committed Project	Original Committed Projects	Total committed investment amount (1)	Investment amount for the current period	Accumulated investment amount as at the end of the current period (2)	Investment progress as at the end of period (%) (3) = (2)/ (1)	Date of projects reaching intended useable condition	Realized benefits of the current period	Whether the expected benefits are achieved	Whether the feasibility of the project has changed significantly
Consideration of the acquisition of Anpon	Huai'an pesticide formulation center project ADAMA fixed asset investment project	40,008	40,008	40,008	100%	2019	N/A	N/A	No
Total	-	40,008	40,008	40,008	-	-	-	-	-
The reason for changes, decision-making procedures, and disclosure of information	1. Project of the Construction of Huai'an Pesticide Formulation Center Since Adama Pesticide (Jiangsu) Co., Ltd., a subsidiary company of the third-tier subsidiary of Solutions, is the entity to implement the construction project of Huai'an Pesticide Formulation Center, the Company needs to increase the capital of Solutions first, and then increase the capital of the subsidiaries by Solutions. The time and process required for the relevant approval process, such as funds entry and exist, is complicated. In order to avoid delays of the project, the Company invested its own capital into the project. 2. Fixed Assets Investment-Product A 600t/a The project also needs to be carried out through the Company's capital increase for its subsidiaries, involving the relevant approval process for funds exit, which takes a long time. Product A is an innovative product. The market needs to accept innovative products for a certain period. Additionally, due to the extreme weather in the European market, the project has been delayed. Therefore, the Company replaced this original designated project. Decision-making Procedures: The matter on change of fund use was approved by the 12th Meeting of the 8th BOD and 2018 Annual Shareholder meeting. The Company's independent directors, the Board of Supervisors and the agency for continuous supervision have provided clear consent on this matter. Information Disclosure: Please refer to the Announcement on the Change of Certain Designated Projects disclosed on March 21st, 2019 at www.cninfo.com.cn								
Situations failing to meet the	N/A								

New Committed Project	Original Committed Projects	Total committed investment amount (1)	Investment amount for the current period	Accumulated investment amount as at the end of the current period (2)	Investment progress as at the end of period (%) (3) = (2)/ (1)	Date of projects reaching intended useable condition	Realized benefits of the current period	Whether the expected benefits are achieved	Whether the feasibility of the project has changed significantly
planned schedule or achieve expected benefits and the reasons									
Explanation of the new committed project whose feasibility changed significantly	N/A								

VI. Sale of significant assets and equities

1. Sale of significant assets

☐ Applicable √ Not applicable

No selling of significant assets occurred during the reporting period.

2. Sale of significant equities

☐ Applicable √ Not applicable

VII. Analysis of major controlling and stock-participating companies

√ Applicable □ Not applicable

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

Unit: RMB'000

Name	Type	Main services	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Adama Solutions	Subsidiary	Development, manufacturing and marketing of agrochemicals, intermediate materials for other industries, food additives and synthetic aromatic products, mainly for export.	720,085	37,586,112	16,621,007	25,430,808	1,381,918	1,059,962

Subsidiaries acquired or disposed during the Reporting Period

√ Applicable □ Not applicable

Company Name	Way of Acquirement or Disposal	Impact on the Business Operation and Performance of the Company
ADAMA Anpon (Jiangsu) Co., Ltd.	Purchase of Share Equity	ADAMA Anpon's main business has a high degree of synergy with the Group's main business. Significant synergies are generated by selling ADAMA Anpon's AgChem products through ADAMA's China domestic distribution channels as well as Group's broad global network.
Bonide Products, Inc. ("**Bonide**")	Purchase of Share Equity	Bonide is a US provider of pest-control solutions for the consumer Home & Garden market. The acquisition allows the Group to bring its advanced technologies and differentiated portfolio of pest-control and turf solutions directly to the benefit of the consumer.

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

□ Applicable √ Not applicable

IX. Outlook of the Company's future development

(I) Industry structure and trends

1. **The competitive structure of crop protection industry**

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

The global crop protection market is dominated by seven multinational companies, four of which are originator companies with annual revenues exceeding USD six billion in the crop protection segment (excluding seeds activities). In recent years, a number of mergers and acquisitions were completed among the largest players in the crop protection industry – the merger between Dow and DuPont to create Corteva; the acquisition of Monsanto by Bayer; the acquisition of a large part of DuPont's crop protection portfolio, including products under development and R&D infrastructure, by FMC; the acquisition of Arysta by UPL, and the acquisition of Syngenta by ChemChina. Nonetheless, the crop protection industry as a whole is relatively decentralized, with a number of local manufacturers competing in each country against the global multinational companies. The Group believes that entry barriers for the crop protection market are relatively high, although they vary from region to region.

The Company is a leading company (in sales terms) among the crop-protection companies that focus on off-patent crop protection solutions. The Group's global crop protection market share was approximately 5.5% in 2019, based on AgBio Investor's preliminary estimation of the global agrochemical industry in 2019.

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

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

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

The chemicals industry in China, which the Company believes to be the largest in the world, as well as the agrochemicals industry, includes thousands of companies who have invested in manufacturing infrastructure, of which most of their production capacity is currently aimed at exports, intended for sale through small and large companies across the world, including the Group and its competitors. The growth in production capacity, on one hand, and the price levels and competitiveness of the products produced in China on the other, affect the structure of competition in the entire industry. However, price levels of the products manufactured in China have risen in recent years, mainly in light of the trend of rising manufacturing costs in China. This trend mainly stems from the increase in costs relating to environmental protection, as well as from increased regulatory activity in China, including by way of limited granting of production permits, shutting down of plants, fines, etc. Due to the shutting down of some of the plants and the suspension of production in others in the years 2018-2019, shortages of agrochemicals products, including those of the Group's products, were created. The Company estimates that high price level and the decrease in availability of products are expected to continue into 2020.

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

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

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

(II) Development strategy of the Company

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

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

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

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

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

  The Group intends to capitalize on its status in China and its relationship with ChemChina, as well as the combination with Solutions, to increase its commercial activity in the country, where it is already building additional infrastructure. The Group's commercial teams are working closely together. Through the commercial collaborations, the Group has an operational infrastructure and commercial foundation upon which a leading Chinese domestic distribution network has been built, and which the Group believes will make it one of the only global crop protection providers with significant integrated commercial and operational infrastructures both within and outside of China.

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

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

- **Collaboration of the Company with Syngenta and Sinochem as members of the Syngenta Group.** The Company engaged with Syngenta in collaboration agreements for sale and distribution of finished products, raw materials supply, joint ventures in the fields of procurement, logistics, production and supply chain as well as in the R&D and products' registration fields, in order to reduce costs, to improve processes and to increase the Company's sales.

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

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

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

- **Continue to Capitalize on the Global Portfolio Integration and Rebranding Initiative**. In 2014 the ADAMA brand was launched, integrating dozens of legacy brands across the globe to form a single, streamlined sales and distribution entity under a unified brand name. In 2019, following extensive farmer and customer research in 13 major markets, the Company further evolved its brand, creating a unique and compelling brand story that elevates ADAMA's distinct entrepreneurial and agile culture; increases its relevance to its customers (channel partners and growers); and further differentiates the Company from key competitors. The evolved brand positioning focuses on a process of listening to customer needs, bringing insights from the field and combining them with the extensive know-how and experience in the Company; and delivering solutions that meet local farmer and customer pain points. The Core Leap strategy discussed above provides the platform needed to create distinct mixtures and formulations based on farmer needs. With this new brand positioning the Company is investing in platforms to ensure ongoing and intimate farmer and customer interactions which will provide the source for future product and solution ideation.

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

(III) 2020 Business plan

In 2020, the Company is expecting moderate growth, despite continued subdued crop commodity prices which continue to challenge farmer profitability levels. Overall, the Group is expecting to see revenue growth emanating from both volume growth and, potentially, generally stronger pricing, driven by an improved product offering mix and continued launch of new products. The overall strengthening of pricing is expected to be only moderate, since the Company is expecting continued pressure on selling prices in Brazil and other markets of Latin America, where major players attempt to defend their positions.

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

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

In 2020, the Group will continue to pursue its comprehensive portfolio development strategy, driven by further momentum and investment in Innovation, Research and Development, and focusing on all aspects of development of its portfolio – product development, obtaining of registrations, development of advanced formulations and innovative delivery technologies, as well as differentiated mixtures, alongside further investments in chemical R&D.

During 2020, the Group will remain focused on the ongoing optimization and implementation of its global AI synthesis layout transformation, a long-term initiative that seeks to align the Group's AI synthesis layout with the Group's identified pipeline opportunities.

Furthermore, in the coming year the Group will continue to focus on the upgrading and relocation of the production facilities in Jingzhou and Huai'An, as well as the continued build-up of its commercial and operational presence in China, including potential acquisitions it intends to make in the near future.

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

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

(IV) Company's financing and credit

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

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

(V) Risk factors and countermeasures

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

Exchange rate fluctuations

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

On an annual perspective, approximately 26% 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, the industry's global market is shared by seven global companies, five of which are Originator Companies that control 60% of the global market with annual sales of over USD six billions in the crop protection field (not including the seeds activity), these being Corteva, Bayer, BASF Syngenta and FMC, which develop, manufacture and market both patent-protected as well as off-patent products. The Group competes with the original products with the aim of maintaining and increasing its market share.

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

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

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

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

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

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

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

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

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

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

Legislative, standard and regulatory changes in product registration

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

Nevertheless, 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).

In addition, natural and/or biological substances that attack weeds, pests and diseases are potential alternatives for the Company’s products, though as of the date of the report, their efficiency is limited and they are commercialized in a relatively small volumes.

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.

Contagious disease outbreak

Outbreak of a contagious disease, or other adverse public health developments, in territories where significant production activity is taking place or from which raw materials are supplied to a significant extent, might have a material adverse effect on the Company's activity, such that the Company might encounter difficulties with procurement of raw materials and intermediates, experience a certain decrease of activity within its production facilities due to governmental instructions, and to be constrained with respect to its logistics and supply lines. In addition, the Company sales could be potentially impacted by temporary demand's decrease of its products, as well as by temporary disruption of the Company's ability to sell and distribute products as mentioned above.

X. Information regarding communication with investors

1. Particulars about researches, visits and interviews received in this Reporting Period

√ Applicable □ Not applicable

Reception time	Reception mode	Type of reception object	Index of investigation information
January 10, 2019	Online Roadshow	Institutional/Retail	Introduction of the whole situation, future development plan and recent M&A of the company
January 14, 2019	Roadshow	Institutional	Introduction of recent M&A and future development plan of the company
January 15, 2019	Sell-side conference	Institutional	Introduction of recent M&A and future development plan of the company
January 16, 2019	Sell-side conference	Institutional	Introduction of the whole situation, future development plan and recent M&A of the company and answered the questions which investors concerned
January 17, 2019	Roadshow	Institutional	Introduction of the whole situation, future development plan and recent M&A of the company and answered the questions which investors concerned

Reception time	Reception mode	Type of reception object	Index of investigation information
January 28-31, 2019	Roadshow	Institutional	Introduction of the whole situation, future development plan and recent M&A of the company and answered the questions which investors concerned
February 12, 2019	Roadshow	Institutional	Introduction of the whole situation, future development plan and recent M&A of the company and the trend of the global industry
February 13, 2019	Roadshow	Institutional	Introduction of recent M&A and future development plan of the company and the market outlook in 2019
February 13, 2019	Phone Call	Retail	The impact of suspended production of Sanonda old plants as well as when to resume production
March 19， 2019	Phone Call	Retail	Answer the question about how to deal with the B share of the company
March 20， 2019	Phone Call	Institutional	Introduction of the full-year and Q4 results in 2018
March 20， 2019	Phone Call	Retail	Answered the questions related to the full-year and Q4 results in 2018
March 26， 2019	Roadshow	Institutional	Introduction of the full-year and Q4 results in 2018
March 27， 2019	Roadshow	Institutional	Introduction of the full-year and Q4 results in 2018
April 3, 2019	Phone Call	Institutional	Introduction of the current situation of the company
May 7, 2019	Sell-side conference	Institutional	Introduction of 2019 Q1 results
May 9, 2019	Field Trip	Institutional	Field trip of investors to production and research facilities of the company
May 14, 2019	Roadshow	Institutional	Introduction of 2019 Q1 results
May 16, 2019	Roadshow	Institutional	Introduction of 2019 Q1 results
May 27-30, 2019	Roadshow	Institutional	Introduction of 2019 Q1 results
June 4-6, 2019	Roadshow	Institutional	Introduction of 2019 Q1 results
June 10, 2019	Field Trip	Institutional	Introduction of the current situation of the company
June 12, 2019	Sell-side conference	Institutional	Introduction of 2019 Q1 results
June 13, 2019	Investor Day	Retail/Institutional	Answer the questions that investors

Reception time	Reception mode	Type of reception object	Index of investigation information
			concerned online
June 19, 2019	Sell-side conference	Institutional	Introduction of 2019 Q1 results
June 25, 2019	Sell-side conference	Institutional	Introduction of the current situation of the company, global industry outlook and its impact
July 4, 2019	Sell-side conference	Institutional	Introduction of 2019 Q1 results and answer the questions that investors concerned
July 8-9, 2019	Field Trip	Institutional	The outlook of the global industry, introduction of some major market of the company, as well as the registration business
August 13, 2019	Phone Call	Institutional	Answer the questions that related to the company business by the investors
August 21, 2019	Phone Call	Institutional	Introduction of 2019 semi-annual results
September 3, 2019	Roadshow	Institutional	Introduction of 2019 semi-annual results
September 18, 2019	Field Trip	Institutional	Introduction of the global business of the company
October 30, 2019	Phone Call	Institutional	Introduction of 2019 Q3 results after the announcement
November 4, 2019	Roadshow	Institutional	Introduction of 2019 Q3 results after the announcement
November 27-29, 2019	Roadshow	Institutional	Introduction of 2019 Q3 results after the announcement and updated the company operation

Times of reception	35
The number of agencies in reception	33
The number of individuals in reception	5
The number of other objects in reception	0
Whether undisclosed significant information is disclosed, revealed or divulged?	No

Section V - Significant Events

I. Dividend distribution of Company's securities and turning capital reserve into share capital of the Company

Dividend distribution policies, especially the formulation, execution or the adjustment of the cash dividend policies during the Reporting Period

√ Applicable ☐ Not applicable

The Company did not revise its dividend distribution policy over the Reporting Period. The 2nd Interim Shareholders Meeting of the Company in 2019 which was held on May 30, 2019 approved the dividend distribution plan for the year 2018. The Company accordingly published an Announcement of Dividend Distribution for the Year 2018 on July 17, 2019 (announcement No.2019-40).

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

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

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

2018 profit distribution proposal: based on the total share capital on February 28, 2019, after obtaining the approval of Board of Directors, the Company declared a cash dividend of RMB 0.97 (including tax) for every 10 shares to the all shareholders. No share will be distributed as share dividend, as well as no reserve will be transferred to equity capital.

2019 profit distribution proposal: based on the total share capital on February 28, 2020, after obtaining the approval of Board of Directors, the Company declared a cash dividend of RMB 0.12 (including tax) for every 10 shares to the all shareholders. No share will be distributed as share dividend, as well as no reserve will be transferred to equity capital.

Cash dividend distribution of the common shares of the Company in the last 3 years (including the Reporting Period):

Unit: RMB

Dividend year	Amount of cash dividend (including tax)	Net profit belonging to shareholders of the listed company in consolidated statement of dividend year	The ratio of the cash dividends accounting in net profit which belongs to shareholders of the listed company in consolidated statement	Amount of the cash dividend by other methods (such as share buyback)	Ratio of the cash dividend by other methods accounting in net profit which belongs to shareholders of the listed company in consolidated statement	Total amount of cash dividend (including other ways)	The ratio of total amount of cash dividend (including other ways) accounting in net profit which belongs to shareholders of the listed company in consolidated statement
2019	29,358,642.98	277,041,000	10.6%	0.00	0.00%	29,358,642.98	10.6%
2018	237,315,697.45	2,402,462,000	9.88%	0.00	0.00%	237,315,697.45	9.88%
2017	154,132,875.67	1,545,879,000	9.97%	0.00	0.00%	154,132,875.67	9.97%

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

☐ Applicable √ Not applicable

II. Situations for dividend distribution and turning capital reserve into share capital for the Reporting Period

√ Applicable □ Not applicable

The Company plans to distribute cash dividends for the year 2019, and does not intend to issue bonus shares or transfer capital reserve to share capital.

Bonus shares for every 10-share (Share)	Not Applicable.
Dividends for every 10-share (RMB) (Tax included)	0.12
Every 10-share increased the shares' number	0
Equity base of distribution plan (Share)	2,446,553,582
Cash dividend (RMB) (Tax included)	29,358,642.98
Amount of the cash dividend by other methods (e.g. share buyback)	0
Total cash dividend (RMB) (Tax included)	29,358,642.98
Distributable profits (RMB)	277,041,000
Ratio of the Cash dividend (including the amount to be distributed in other ways) accounting in the total amount of the distributed dividend	100%
Cash dividends of This Time	

If the development phase of the Company was the mature period with significant funds expenditures arrangement, the proportion of the cash dividend should at least reach 40% of the total profit distribution.

Detailed Description on the Pre-Plan for Profit Allocation or Turning Capital Reserve into Share Capital

As audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the net profit attributable to shareholders of the Company is RMB 277,041,000. As there is no transfer to statutory surplus reserve (10% of the net profit on a standalone basis of the Reporting Period is RMB 0), profit available for distribution for the year 2019 is RMB 277,041,000.

The proposal for profit distribution for the year 2019 is a distribution of 10% of the total profit available for distribution, calculated as follows with no transfer of reserves into equity:

Taking the total outstanding 2,446,553,582 shares of the Company dated February 28, 2020 as the basis, to distribute RMB 0.12 (including tax) per 10 shares as cash dividend to all shareholders, resulting in a total cash dividend of RMB 29,358,642.98 (including tax), and zero shares as share dividend, as well as no reserve transferred to equity capital.

III. Performance of commitments

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

√ Applicable □ Not applicable

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitment on share reform						
Commitment in the acquisition report or the report on equity changes	ChemChina	Commitments on the horizontal competition	1. The business of the ChemChina's subsidiaries - Jiangsu Anpon Electrochemical Co., Ltd., Anhui Petroleum Chemical Group Co., Ltd., Shangdong Dacheng Agrochemical Co., Ltd. and Jiamusi Heilong Agrochemicals Co., Ltd., and Hunan Haohua Chemical Co., Ltd. and its subsidiary had the same or similar situations with the main business of ADAMA, and aimed at the domestic horizontal competition, ChemChina committed to gradually eliminate such kind of horizontal competition in the future and to fight for the internal assets reconstruction, to adjust the industrial plan and business structure, to transform technology and to upgrade products, to divide the market so as to make each corporation differ in the products and its ultimate users according to the securities laws and regulations and industry policy within 7 years, thus to eliminate the current domestic horizontal competition between ChemChina's controlling subsidiaries and ADAMA. 2. Excepting the competition situation disclosed in the offer	September 7, 2013	Regarding commitment 1, September 6, 2020 (According to the commitments made by ChemChina on October 12, 2016, the date to eliminate the domestic horizontal competition between the Company and Jiangsu Anpon Electrochemical	On-going. The committed parties comply with the commitments:(1) ChemChina had transferred its shares in Anpon to ADAMA; (2) ChemChina had transferred its shares in Jiamusi Heilong to a third party. Jiangmusi Heilong is no longer a subsidiary of ChemChina; (3) Shangdong

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			acquisition report, ChemChina takes effective measures to avoid itself and its controlling subsidiaries (excepting Commitments respectively made in acquisition report by Celsius Property B.V. and MAI)' new increased business engaged in the same or similar business with ADAMA, Ltd. within the territory in future. 3. If ChemChina or its controlling subsidiaries (excepting Commitments respectively made in acquisition report by Celsius Property B.V. and MAI) domestically conduct related business which form horizontal competition with ADAMA, Ltd. in future, ChemChina will actively take steps, gradually eliminate the competition, the concrete measures including but not limited to fight for internal assets reconstruction, (including putting the business into ADAMA, Ltd. or operated through ADAMA, Ltd.) to adjust the industrial plan and business structure, to transform technology and to upgrade products, to divide the market so as to make each corporation differ in the products and its ultimate users, thus to avoid and eliminate the current domestic horizontal competition between ChemChina's controlling subsidiaries and ADAMA.		Co., Ltd., Anhui Petroleum Chemical Group Co., Ltd., and Jiamusi Heilong Agrochemicals Co., Ltd., is January 4, 2022). Regarding commitments 2 and 3, long term effective.	Dacheng is not a subsidiary of CNAC and doesn't carry out agrochemical business; (4) ChemChina is not the actual controller of Haohua.
	ChemChina	Commitments on the independence of the Company and the related-party transaction	ChemChina will comply with laws, regulations and other regulatory documents to avoid and reduce related-party transactions with ADAMA. However, for related-party transactions that are inevitable or based on reasonable grounds, ChemChina will follow the market principles of just, fairness and openness, enter into agreement(s) legally and go through lawful procedures. ChemChina will honor its disclosure obligations and apply for relevant approvals according to the AoA of ADAMA,	September 7, 2013 and January 7, 2020	Long term effective	On-going. The committed parties comply with the commitments.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			rules regarding related-party transactions and relevant regulations, not damaging the lawful rights and interest of ADAMA and its shareholders by related-party transactions.50177 159163 After completion of this transaction, ADAMA will continue to keep complete procurement, production and sales systems and to possess independent intellectual properties. ChemChina and its affiliated parties will be completely independent from ADAMA in terms of staff, assets, finance, business and organization. ADAMA will have full capacity of operation in Chinese agricultural chemical market. ChemChina will continue to follow the Company Law and Securities Law so as to avoid any business operation that may impact the independence of ADAMA.			
	ChemChina	Commitments on the horizontal competition	ChemChina will keep taking appropriate measures to resolve the same issue between ADAMA and Anhui Petrochemical Co., Ltd. within four years after ADAMA buys 100% shares of ADAMA Solutions through the issuance of shares to CNAC and finishes the raising of supporting finance in accordance with the original commitments as well as various the requirements of securities laws and regulations and industry policies.	January 7, 2020	January 4, 2022	On-going. The committed parties comply with the commitments. Note: On January 4, 2018, ADAMA completed the purchase of the shares of ADAMA Agricultural Solutions Ltd. and the raising of supporting finance.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			Based on a preliminary review, ChemChina believes that Syngenta A.G. and ADAMA may have peer competition to some extent. It will further analyze, confirm and specify if the two companies share the same or similar businesses and products in terms of business content, suppliers and customers, product substitution, processes and core technologies and distribution channels, etc. If the result shows positive, ChemChina will gradually solve the issue within 5 years after the issuance of this Letter by taking appropriate measures, including but not limited to internal asset restructuring, industrial planning and business structure adjustment, technology transformation and product upgrading, market segmentation or other feasible solutions in accordance with the requirements of securities laws and regulations and industry policies.	January 7, 2020	January 7, 2025	On-going. The committed parties comply with the commitments.
			Once Sinofert and Sinochem Agriculture are the subsidiaries of ChemChina, ChemChina will analyze if there are identical or similar businesses among the three subsidiaries. If the result shows positive, ChemChina will then propose corresponding solutions for any business or product that constitutes competition in accordance with the requirements of applicable laws, regulations and regulations to solve the issue of peer competition.	January 7, 2020	Long term effective	On-going. The committed parties comply with the commitments.
			ChemChina will continue to take effective measures to prevent itself and its other subsidiaries from adding new businesses in the future that are the same as or similar to those of ADAMA. If ChemChina or any of its other subsidiaries develops related businesses that constitutes peer competition against the domestic business of ADAMA in the future, it	January 7, 2020	Long term effective	On-going. The committed parties comply with the commitments.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			will actively take relevant measures, including but not limited to asset restructuring, adjustment of industrial planning and business structure, technological transformation and Product upgrades, market segmentation and other feasible solutions, so that each enterprise will be different in their portfolio and end users and avoid and eliminate the peer competition against ADAMA.			
			From the effective date of this Letter, if ChemChina violates the above commitments, it should compensate ADAMA for the losses or expenses suffered or incurred by the violation.	January 7, 2020	Long term effective	On-going. The committed parties comply with the commitments.
Commitments made at the time of assets reorganization	ChemChina	Commitments on the horizontal competition	The subsidiaries controlled by ChemChina, namely Anpon, HH, Maidao, Anhui Petrochemical and Heilong as well as their subsidiaries are in similar or the same business as ADAMA. For the horizontal competition in China, ChemChina commits itself to take appropriate actions to solve the horizontal competition between its subsidiaries and ADAMA step-by-step in an appropriate way within 4 years after completion of the reorganization, in accordance with securities laws, regulations and sector/industrial policies. The means by which ChemChina addresses the horizontal competition include but are not limited to the following, ADAMA acquires crop protection-related assets under ChemChina. ADAMA holds or controls other crop protection-related assets of ChemChina in line with national laws and by reasonable commercial means such as entrusted operation. ChemChina divests other	October 12, 2016	January 4, 2022	On-going. The committed parties comply with the commitments: (1) the reorganization, i.e. the issuance of shares to CNACA for purchasing assets and implementation of private placement, completed on January 4, 2018; (2) Anpon absorbed Maidao and ChemChina's

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			crop protection-related assets or transfers the control power of such subsidiaries to external parties. ChemChina reorganizes internal assets, adjusts sector planning and business structure, upgrades technologies and products and makes market segmentation so that each company will differentiate its products and end users to eliminate horizontal competition between the subsidiaries controlled by ChemChina and ADAMA.			shares in Anpon had been transferred to ADAMA; (3) ChemChina had transferred its shares in Heilong to a third party. Heilong is no longer a subsidiary of ChemChina; (4) HH withdrew from the agrochemical business.
	ChemChina	Commitments on Potential Horizontal Competition	ChemChina will take effective actions to avoid adding new business in China same or similar to ADAMA by itself and its controlled subsidiaries. If ChemChina or its controlled subsidiaries are in the future engaged in the business in China that constitute horizontal competition against ADAMA, ChemChina will take active actions, including but not limited to reorganizing internal assets, adjusting sector planning and business structure, upgrading technologies and products and making market segmentation so that each company will differentiate its products and end users to avoid and eliminate horizontal competition between the subsidiaries controlled by ChemChina and ADAMA.	October 12, 2016	Long term effective	On-going. The committed parties comply with the commitments.
	ChemChina	Commitment to reduce and standardize	ChemChina will, as required by law, regulation and other specifications, avoid and reduce connected transactions with ADAMA; however, for the connected transactions	August 4, 2016	Long term effective	On-going. The committed parties comply

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
		related-party transactions	that are inevitable or based on reasonable grounds, ChemChina will follow the just, fairness and open principles in market, legally enter into agreement(s) by law, go through lawful procedures, and perform its disclosure obligations and approving procedures as required by related systems and regulations. ChemChina warrants that no connected transaction will be done to impair lawful rights and interest of ADAMA and its shareholders.			with the commitments.
	ChemChina	Commitment to maintain independence of the listed company	After completion of this acquisition transaction, ADAMA will continue to keep complete procurement, production and sales systems and to possess independent intellectual properties, and ChemChina and its affiliated party will be completely independent from ADAMA in terms of staff, assets, finance, business and organization, and ADAMA will have full capacity of operation in Chinese agricultural chemical market. ChemChina will follow related regulations in Company Law and Securities Law, and avoid engagement in any action that impairs the operating independence of ADAMA.	August 4, 2016	Long term effective	On-going. The committed parties comply with the commitments.
	CNAC /Syngenta Group	Commitment on share lock-up	All new shares purchased and held by share issuance for assets purchase shall be prohibited from transfer in whatever forms within 36 months after date of listing, including but not limited to public transfer via securities market or transfer by agreements and will not have such shares of the listed company managed by any other person entrusted, except such transfer is required and made between ChemChina and its subsidiaries as a result of state-owned assets reorganization, consolidation or free transfer of stock equity, in which	October 12, 2016 and January 7, 2020	August 2, 2020	On-going. The committed party complies with the commitments..

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			case the transferee must keep such shares obtained locked up until the lock-up period expires. According to regulations in Article 48 of the Administrative Measures for the Material Asset Reorganizations of Listed Companies, if within a period of 6 months after completion of this transaction, the closing price of the listed company is lower than the offering price in any continuous 20 trading days, or if within a period of 6 months after completion of this transaction, the closing price at the end of such 6-month period is lower than the offering price, then the lock-up period of shares held will be extended automatically by at least 6 months. Upon expiry of the lock-up period, such shares shall be subject to applicable laws, regulations and CSRC and SZSE rules.			
	CNAC /Syngenta Group	Commitments on performance compensation	CNAC /Syngenta Group shall fulfill the performance compensation obligations in the transaction in accordance with Performance Compensation Agreement signed with the listed company and relevant laws and regulations. In the event that a performance compensation obligation takes place, CNAC /Syngenta Group shall first fulfill the obligation of compensation with the shares of ADAMA and the deficient portion (if any) shall be made up in cash. CNAC /Syngenta Group commits that the net profits of ADAMA attributable to the parent company after deducting non-recurring gains and losses shall not be less than USD 147,675,000, USD 173,321,900 and USD 222,416,800 respectively in 2017, 2018, 2019. After the expiry of the profit compensation period, if the impairment amount is larger than compensated amount by CNAC during the profit	September 13, 2016 and January 7, 2020	December 31, 2019	On-going. The committed party complies with the commitments. Please refer to the announcement disclosed by the Company on April 28, 2020.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			compensation period, then CNAC/Syngenta Group shall compensate ADAMA.			
	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 performed the commitments during the Reporting Period. The shares have been unlocked on January 21, 2019.

2. Assets or projects with profit forecast, still relevant for forecast period

√ Applicable □ Not applicable

Assets or project with profit forecasted	Start of period	End of period	Current forecast performance (in USD'0000)	Current actual performance (in USD'0000)	Reasons for failure to achieve the forecast number (if applicable)	Disclosure date for former prediction	Index
Solutions	Jan 1, 2017	Dec 31, 2019	54,341.37	51,267.56	This shortfall was caused entirely by the impact of the Divestment & Transfer of several products that Solutions implemented to facilitate the approval by the EU Commission of the acquisition of Syngenta by ChemChina, which caused an aggregate of $66 million in incremental non-cash amortization charges related to the written-up value of the assets received from Syngenta. Absent these non-cash amortization charges, Solutions would have exceeded the profit commitment by around $35 million.	July 5, 2017	www.cninfo.com.cn Report of ADAMA, Ltd. on Share Issuance for Assets Purchase and Supporting Funds Raise & Related Party Transactions

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

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

√ Applicable ☐ Not applicable

Within the context of the 2017 combination between the Company (formerly: "Hubei Sanonda Co. Ltd." and Adama Solutions, the Company entered into a Performance Compensation Agreement with CNAC, then the 100% owner of Adama Solutions and the controlling shareholder of the Company. Under this agreement, CNAC made a commitment regarding Adama Solutions' aggregate net profit in 2017, 2018 and 2019. In case of failure to meet the commitment, CNAC is required to compensate the Company either through shares or cash according to a predetermined formula. The aggregate net profit commitment for the 2017-2019 period, as agreed to by CNAC, was an amount of $543.41 million. Despite ADAMA Solutions' strong performance during the three-year period, due to exogenous reasons, the calculated net profit of ADAMA Solutions for this period has now been determined to be approximately $512.68 million, implying a completion rate of 94.34% and a shortfall of approximately $31 million. This shortfall was caused entirely by the impact of the Divestment & Transfer of several products that ADAMA Solutions implemented to facilitate the approval by the EU Commission of the acquisition of Syngenta by ChemChina, which caused an aggregate of $66 million in incremental non-cash amortization charges related to the written-up value of the assets received from Syngenta. Absent these non-cash amortization charges, ADAMA Solutions would have exceeded the profit commitment by around $35 million.

As a result, CNAC shall return to the Company at 1 RMB 102,432,280 out of the 1,810,883,039 shares it received in the Company in exchange for the transfer of 100% of Solutions to the Company, and return approximately RMB 17.62 million (approximately $2.5 million) in dividends it received in respect of such shares. Following their receipt, these shares will be canceled by the Company. As a result, the total number of shares in issue will be reduced to 2,344,121,302, and CNAC's ownership (directly and indirectly) in the Company will go from 78.9% to 78.0%.

Additionally, according to the Impairment Test Report of Solutions due to the Expiration of the Compensation Period of Major Assets Restructuring Project issued by Deloitte, there was no impairment of Solutions on December 31, 2019.

In view of CNAC is transferring the shares directly held by it in the Company to the Syngenta Group, CNAC and Syngenta Group will compensate the Company. For details, please refer to the Announcement on the Overall Achievement of the Committed Performance in the Major Assets Restructuring and the Planned Compensations to the Company by the Obligors disclosed by the Company on April28, 2020 on the website www.cninfo.com.cn.

Fulfillment of committed profit and its impact to goodwill impairment test

Please see above paragraph for the fulfillment of the commitment. The Company performed the annual goodwill impairment test according to ASBE 8 Asset Impairment. As of December 31, 2019, the fair value of the cash generating units to which the goodwill relates exceeds its carrying amount. As such, no goodwill impairment was needed.

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

□ Applicable √ Not applicable

No such situation occurred during the Reporting Period.

V. Explanation by the Board of Directors and the Supervisory Board regarding "non-standard audit report" issued by Company's auditor for the Reporting Period

□ Applicable √ Not applicable

VI. Changes in accounting standards, accounting estimates and accounting methods compared to last financial report

√ Applicable □ Not applicable

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

The Group began to adopt revised Accounting Standards for Business Enterprises 21 Leases ("ASBE 21"), promulgated by Ministry of Finance in 2018, from January 1, 2019.

Group prepare annual financial statements according to the Notice on Revising the Format of 2019 Financial Statements for General Enterprises (CaiKuai [2019] No.6, hereinafter “CaiKuai No.6”) promulgated by Ministry of Finance on April 30, 2019. CaiKuai No.6 revised accounts in balance sheets, income statements, statements of cash flows and statements of changes in shareholders’ equity, including:

- “Notes and accounts receivable” is split into “Notes receivable” and “Accounts receivable”;
- “Notes and accounts payable” is split into “Notes payable” and “Accounts payable”;
- Newly added “Receivables financing” and “Special reserve”;
- Make clear or revise the contents presented within the accounts of “Other receivables”, “Non-current assets due within one year”, “Other payables”, “Deferred income”, “Other equity instruments”, “Research and Development expenses”, “Interest income” and “ Interest expenses” as subitems of “Finance expenses”, “Other income”, “Non-operating income”, “Non-operating expenses”, and “Capital injected by holders of other equity instruments”.
- Added disclosure requirements for provision of loss allowance, for loan commitments and financial guarantee contracts;
- Added “Gain from derecognition of financial assets at amortized cost” as a subitem of “Investment income”;
- Adjusted the sequence of some items within the income statements;
- Make clear of the items in the cash flow statements, for the cash flows related to government grants.

The above modifications were retrospectively adjusted for comparative numbers. There is no significant impact to the Company’s financial statements from implementation Caikuai No.6.

VII. Financial re-statement during the Reporting Period

☐ Applicable √ Not applicable

No such cases during the Reporting Period.

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

√ Applicable □ Not applicable

During the reporting period, the Group acquired Jiangsu Anpon Electrochemical co. LTD. through business combination under common control, Bonide Products INC., Agro Klinge S.A., and SFP through business combination not under common control.

IX. Engagement of Company’s Auditor

Auditor engaged at present

Name of domestic Auditor	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration for domestic Auditor for the Reporting Period (RMB Ten Thousand Yuan)	290
Consecutive years of the audit services provided by domestic Auditor	3

Name of domestic accountants	Hu Ke, and Ma Renjie
Consecutive years of the audit services provided by the domestic accountants	2
Name of overseas Auditor	Not applicable
Remuneration for overseas Auditor for the Reporting Period (RMB Ten Thousand Yuan)	--
Consecutive years of the audit services provided by overseas Auditor	--
Name of overseas accountants	--
Consecutive years of the audit services provided by the overseas accountants	--

Change of the Auditor at Reporting Period

□ Yes √ No

Engagement of the Auditor for internal control, financial adviser or sponsor

√ Applicable □ Not applicable

In the Reporting Period, the Company continued to engage Deloitte Touche Tohmatsu Certified Public Accountants LLP as the auditor of the Company for 2019 annual financial reports and 2019 annual internal control of the Company. Total remuneration for the Auditor was RMB 2,900,000.

X. Trading suspension/ termination of Company's securities that the Company will face after the disclosure of this annual report

□ Applicable √ Not applicable

XI. Bankruptcy and reorganization

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XII. Material Legal Claims/proceedings

☐ Applicable √ Not applicable

No such cases in the Reporting Period.

XIII. Punishment and rectification

√ 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

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 2019, 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.

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

☐ Applicable √ Not applicable

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

XV. Stock incentive plans, ESOPs or other employee incentives

□ Applicable √ Not applicable

To the date of the report, the Company does not have stock incentive plans, ESOP or other staff incentives. It shall be noted, that Adama Solutions 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). In September 2019, the cash rewards granted according to the 2017 plan were replaced by cash rewards granted according to an approved replacement plan. Adama Solutions has further adopted an incentive plan linked to the increase in the Syngenta Group EBITDA.

XVI. Significant related-party transactions

1. Related-party transactions in the ordinary course of business

☐ Applicable √ Not applicable

(1) Please see item 5 below for information on the related party transactions made in 2019 in the ordinary course of business.

(2) Item X of Section XI "Financial Report" sets out the related parties and the related-party transactions of the Company.

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

□ Applicable √ Not applicable

On March 29, 2019 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-party transitions with joint investments

☐ Applicable √ Not applicable

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

4. Credits and liabilities with related parties

√ Applicable □ Not applicable

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

□ Yes √ No

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

5. Other material 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 XI "Financial Report" 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 2018 Annual Shareholders Meeting approved a guarantee provided by the Company's subsidiary Jiangsu Anpon Electrochemical Co., Ltd. in favor of Jiangsu Huaihe Chemicals Co., Ltd., a related party of the Company.

(4) 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.

(5) The 17th meeting of the BOD approved to sign an Extended Agreement for Engineering, Procurement and Construction with BlueStar Engineering Co., Ltd.

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
Announcement on an External Guarantee in a Related Party Transaction (announcement no. 2019-22)	March 30, 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
Announcement on Signing an Extended Agreement for Engineering, Procurement and Construction (EPC) Between ADAMA Ltd. and Its Related Party Bluestar Engineering Co., Ltd. (announcement no. 2019-51)	October 31, 2019	www.cninfo.com.cn

XVII. Particulars regarding material contracts and execution thereof

1. Particulars about trusteeship, contract and lease

(1) Trusteeship

☐ Applicable √ Not applicable

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

(2) Contract Operation

☐ Applicable √ Not applicable

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

(3) Lease

□ Applicable √Not applicable

There is no major lease in the reporting period..

The lease whose profits reaching more than 10% of the total profits of the Company in the Reporting Period

☐ Applicable √ Not applicable

There was no lease whose profits reaching more than 10% of the total profits of the Company in the Reporting Period.

2. Significant guarantees

☐ Applicable √ Not applicable

Unless otherwise specified, the unit hereunder is RMB '0000

<table>
<tr><th colspan="9">Guarantees provided by the Company in favor of third parties (excluding subsidiaries)</th></tr>
<tr><th>Guaranteed party</th><th>Disclosure date of the announcement</th><th>Planned guarantee amount</th><th>Actual occurrence date</th><th>Actual guarantee amount</th><th>Type of guarantee</th><th>Period of guarantee</th><th>expired or not</th><th>Guarantee for a related party or not</th></tr>
<tr><td>Jiangsu Huaihe Chemicals Co., Ltd.</td><td>March 10, 2019</td><td>5,000</td><td>April 10, 2019</td><td>5,000</td><td>joint and several liability</td><td>Two months</td><td>expired</td><td>Yes</td></tr>
<tr><td colspan="3">Total guarantee line approved in favor of third parties (excluding subsidiaries) during the reporting period (A1)</td><td colspan="2">5,000</td><td colspan="3">Total amount of the occurred guarantee in favor of third parties (excluding subsidiaries) during the reporting period (A2)</td><td>5,000</td></tr>
<tr><td colspan="3">Aggregated guarantee line in favor of third parties (excluding subsidiaries) that has been approved by the end of the reporting period (A3)</td><td colspan="2">5,000</td><td colspan="3">Total guarantee balance in favor of third parties (excluding subsidiaries) by the end of the reporting period (A4)</td><td>0</td></tr>
</table>

Guarantees provided by the Company in favor of its subsidiaries								
Guaranteed party	**Disclosure date of the announcement**	**Planned guarantee amount**	**Actual occurrence date**	**Actual guarantee amount**	**Type of guarantee**	**Period of guarantee**	**expired or not**	**Guarantee for a related party or not**
ADAMA Anpon (Jiangsu) Ltd.	May 18, 2019	80,000	November 13, 2019	5,000	joint and several liability	Two years after the loan matures	No	No
ADAMA Anpon (Jiangsu) Ltd.	August 22, 2019	63,000	November 19, 2019	5,000	joint and several liability	Two years after the loan matures	No	No
			December 10, 2019	5,000	joint and several liability	Two years after the loan matures	No	No
			December 26, 2019	5,000	joint and several liability	Two years after the loan matures	No	No
			October 10, 2019	4,000	Joint liability and several liability	Two years after the loan matures	No	No
			December 2, 2019	2,000	Joint liability and several liability	Two years after the loan matures	No	No
Total guarantee line approved in favor of the subsidiaries during the reporting period (B1)		143,000		**Total amount of the occurred guarantee in favor of the subsidiaries during the reporting period (B2)**			26,000	
Aggregated guarantee line that has been approved in favor of the subsidiaries by the end of the reporting period (B3)		143,000		**Total guarantee balance in favor of the subsidiaries by the end of the reporting period (B4)**			26,000	
Guarantees provided by subsidiaries in favor of subsidiaries (USD ’0000)								
Guaranteed party	**Disclosure date of the announcement**	**Planned guarantee amount**	**Actual occurrence date**	**Actual guarantee amount**	**Type of guarantee**	**Period of guarantee**	**expired or not**	**Guarantee for a related party or not**
Control Solutions, Inc.	October 31, 2018	1,300	October 30, 2018	1,300	joint and several liability	Generally 7 years (subject to the overseas laws)	No	No

Control Solutions, Inc.	January 10, 2019	4,000	January 9, 2019	4,000	joint and several liability	The loan term (5 years) and any applicable statute of limitations period (generally 7 years).	No	No
ADAMA Brazil	Not applicable	27399.55	The guarantee existed before the company was consolidated into the financial statements of the Company.	7,314.05	joint and several liability	Valid until cancelled	No	No
Adama India Private Ltd.	Not applicable	9,019.2	The guarantee existed before the company was consolidated into the financial statements of the Company.	5,163.9	joint and several liability	Valid until cancelled	No	No
ADAMA (Beijing) Agricultural Technology Company Limited	Not applicable	2,500	The guarantee existed before the company was consolidated into the financial statements of the Company.	0	joint and several liability	Valid until cancellation	No	No
ADAMA Turkey Tarım Sanayi ve Ticaret Limited Şirketi	Not applicable	3,850	The guarantee existed before the company was consolidated into the financial statements of the Company.	TRY 48,354.9k (approximately USD 810.91)	joint and several liability	Valid until cancelled	No	No
Adama Makhteshim	Not applicable	unlimited	The guarantee existed before the company was consolidated into the financial	5,315.6	joint and several liability	Valid until cancelled	No	No

			statements of the Company.					
Adama Agan	Not applicable	unlimited	The guarantee existed before the company was consolidated into the financial statements of the Company.	6,091.6	joint and several liability	Valid until cancelled	No	No
ADAMA Agricultural Solutions UK Ltd.	Not applicable	365.64	The guarantee existed before the company was consolidated into the financial statements of the Company.	0	joint and several liability	Valid until cancelled	No	No
ADAMA CELSIUS BV, Curacao branch, & ADAMA Fahrenheit BV, Curacao Branch	Not applicable	4,500	The guarantee existed before the company was consolidated into the financial statements of the Company.	106.06	joint and several liability	Valid until cancelled	No	No
ADAMA Ukraine LLC	Not applicable	2,500	The guarantee existed before the company was consolidated into the financial statements of the Company.	1,080.8	joint and several liability	Valid until cancelled	No	No
Total guarantee line approved in favor of the subsidiaries during the reporting period (C1)		Not applicable		**Total amount of the guarantee in favor of the subsidiaries occurred during the reporting period (C2)**			USD 31,182.92 (approximately RMB 217,538.29)	
Aggregated guarantee line that has been approved in favor of the subsidiaries by the end of the reporting period (C3)		USD 55,434.39(approximately RMB 386,721.39)		**Total guarantee balance in favor of the subsidiaries by the end of the reporting period (C4)**			USD 31,182.92 (approximately RMB 217,538.29)	
Total guarantee amount provided by the Company (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved		14,800		**Total actual occurred amount of**			248,538.29	

during the reporting period (A1+B1+C1)		guarantee during the reporting period (A2+B2+C2)	
Total guarantee line that has been approved at the end of the reporting period (A3+B3+C3)	534,721.39	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)	243,538.29
Proportion of total guarantee amount (A4+B4+C4) to the net assets of the Company		10.89%	
Of which:			
The balance of the guarantee provided in favor of the controlling shareholder and related party.		0	
Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (E)		31,657	
The amount of the guarantee that exceeds 50% of the net assets		0	
Total amount of the above three guarantees (D+E+F)		31,657	
As for undue guarantee, liability to guarantee has happened or joint liquidated liability may be undertaken during this Reporting Period (if existing)		--	
Regulated procedures are violated to offer guarantee (if existing)		--	

Note: The relevant guarantees provided by subsidiaries in favor of subsidiaries existed before Solutions and its subsidiaries were consolidated into the financial statements of the Company.

3. Cash assets management entrustment

(1) Wealth management entrustment

☐ Applicable √ Not applicable

No such cases in the Reporting Period.

(2) Entrustment loans

☐ Applicable √ Not applicable

No such cases in the Reporting Period.

4. Other significant contracts

☐ Applicable √ Not applicable

No such cases in the Reporting Period.

XVIII. Social responsibilities

1. Perform social responsibilities

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

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

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

Every two years,, the Group publishes a Corporate Social Responsibility report. Please refer them on the Company's website www.adama.com.

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 and ChemChina on Poverty Alleviation.

(2) Annual Overview

The Company's one-on-one poverty alleviation subject is Sanzhou Village of Guanyindang Township. On March 3, 2019, certain employees of the Company visited the Sanzhou Village and donated RMB 6,000 to the poverty alleviation fund. In May 2019, the Company donated RMB 50,000 to support the Sanzhou Village to develop a "rice and shrimp nesting" project. And in October 2019, according to the opinions of the government of Jingzhou Development Zone, the Company donated RMB 20,000 to help Tanqiao Town to improve its infrastructure and donated RMB 1,000 to a poor family in Yuedi Village, Tanqiao Town.

In response to the call of ChemChina, the Company purchased RMB 686,500 goods produced by Gulang County, a designated poverty alleviation county.

(3) Results of Targeted Poverty Alleviation

Indicator	Unit	Quantity/ Progress
I. Overview	10,000RMB	76.35
Of which, 1. funds	10,000RMB	7.7
II. Input Breakdown	——	68.65
1. Sector development	——	——

Indicator	Unit	Quantity/ Progress
Of which, 1.1 Sector of Project	——	
1.2 Number of Project	Project	
1.3 Inputs	10,000RMB	
1.4 No. of people out of poverty	Person	
2. Employment transfer	——	——
3. Movement and relocation	——	——
4. Education	——	——
5. Health	——	——
6. Ecological conservation	——	——
7. Subsistence support	——	——
8. Social activities	10,000RMB	74.25
a) Investment on East and West Part of China Poverty Alleviation	10,000RMB	68.65
b) Investment on On-site Poverty Alleviation	10,000RMB	5.6
9. Others	——	2.1
III. Awards	——	——

(4) Follow-up Plan

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

3. Environmental Protection

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

Yes

Company name	Main pollutants and special pollutants	Way of emission	Number of emission points	Layout of emission points	Concentration	Pollution standards applied	Total amount emitted/ discharged	Total amount approved	Exceeding limit
ADAMA	COD	Continuous	2	Centralized discharge point	Within limit	(1) for the old site: Comprehensive Standard on Discharge of Waste Water (GB8978-2002), COD<100mg/L; (2) for the new site: Discharge Standards for Pollutants from Urban Sewage Treatment Plant (GB 18918 – 2002), COD <50mg/L	147	391.3	No
ADAMA	Ammonia nitrogen	Continuous	2	Centralized discharge point	Within limit	(1) for the old site: Comprehensive Standard on Discharge of Waste Water (GB8978-2002), ammonia nitrogen<15mg/L; (2) for the new site: Discharge Standards for Pollutants from Urban Sewage Treatment Plant (GB 18918 – 2002), ammonia nitrogen<8mg/L;	14.8	50	No
ADAMA	Total Phosphorous	Continuous	2	Centralized Discharge Point	Within Limit	for the old site & new site: 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

Company name	Main pollutants and special pollutants	Way of emission	Number of emission points	Layout of emission points	Concentration	Pollution standards applied	Total amount emitted/ discharged	Total amount approved	Exceeding limit
									exceeded the maximum allowable emission in January. For details, please refer to the Announcement on Receiving a Notice Prior to Administrative Punishment (Hearing) and Decision Notice of Production Suspension and Rectification (announcement number 2019-9).
ADAMA	NOx	Continuous	1	Power plant	Within limit	Standard on Air Pollution of Power Plant （GB13223-2011） NOx <200mg/m	261.5	564.7	No
ADAMA	SO2	Continuous	1	Power plant	Within limit	Standard on Air Pollution of Power Plant （GB13223-2011） SO2<200mg/m3	151	380	No
ADAMA	Fume and dust	Continuous	1	Power plant	Within limit	Standard on Air Pollution of Power Plant （GB13223-2011）	22.25	80	No
Anpon	COD	Continuous	3	Centralized Discharge Point	Within Limit	Comprehensive Standard on Discharge of Waste Water (GB8978-2002)，COD<100mg/L	232.82	292.88	None
Anpon	Ammonia Nitrogen	Continuous	3	Centralized Discharge	Within Limit	Water Quality Standard for Sewage Discharged into Urban Sewerage（GBT	13.88	30.11	None

Company name	Main pollutants and special pollutants	Way of emission	Number of emission points	Layout of emission points	Concentration	Pollution standards applied	Total amount emitted/ discharged	Total amount approved	Exceeding limit
				Point		31962-2015）, Ammonia Nitrogen <45mg/L			
Anpon	Total Phosphorou s	Continuous	3	Centralized Discharge Point	Within Limit	For Anpon: Water Quality Standard for Sewage Discharged into Urban Sewerage （GBT 31962-2015）, total phosphorous <8mg/L; For Anpon's branch Maidao: Agreement on Waste Water Discharge, total phosphorous <3mg/L;	N/A	N/A	None
Anpon	NOx	Continuous	1	Power Plant	Within Limit	Standard on Air Pollution of Power Plant （GB13223-2011）NOx <100mg/m^3	98.86	447.366	None
Anpon	SO_2	Continuous	1	Power Plant	Within Limit	Standard on Air Pollution of Power Plant （GB13223-2011）SO_2<50mg/m^3	44.67	447.366	None
Anpon	Fume and Dust	Continuous	1	Power Plant	Within Limit	Standard on Air Pollution of Power Plant （GB13223-2011）Fume and Dust<20mg/m^3	5.62	67.105	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 local authority has approved the environmental impact assessment 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 environmental information

At the end of January 2019, preceding the Spring Festival, the Company voluntarily suspended operations at Sanonda's old site in Jingzhou, which is in the process of being relocated to a nearby advanced site, due to recording of higher than permitted levels of wastewater compounds. The Company was subsequently instructed by the local government not to resume operations before rectification. The Company 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 RMB 276 million in related idleness costs during the whole 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.

XIX. Other significant events

☐ Applicable √ Not applicable

1. As mentioned in Section III above, in January 2020 the Company announced that it is becoming a distinctive member of the Syngenta Group.

CNAC and Syngenta Group have signed a Share Transfer Agreement on January 5, 2020 to transfer the State-owned 74.02% shares of the Company directly held by CNAC to Syngenta Group Co., Ltd. which is also owned by ChemChina. The Company will maintain its unique brand and positioning.

2. In this context, Mr. Chen Lichtenstein ceased to serve as the President and CEO of the Company (while continuing to

serve as a director) effective as of March 1, 2020, following his nomination as CFO of Syngenta Group, with responsibility also for strategy and Integration; Mr. Ignacio Dominguez was appointed on February 26, 2020 as the President and CEO of the Company also acting as its legal representative, effective from March 1, 2020, after serving as the CCO of the Company's subsidiary - Adama Solutions for the last 6 years, and in other executive positions prior to that. Due to the impact of the coronavirus pandemic, the Company will register Ignacio Dominguez as the legal representative in Hubei Administration for Market Regulation Bureau when circumstance permits; Mr. Aviram Lahav, the CFO of the Company was also appointed as Deputy CEO, concurrently with his appointment as Solutions' CEO (on top of his role as Solution's CFO).

Additionally, on April 9, 2020, the shareholders meeting approved the nomination of Mr. Erik Fyrwald, the CEO of Syngenta Group, CEO and Executive Director of Syngenta AG, as director and the Chairman of the Board of Directors of the Company, replacing Mr. Yang Xingqiang, and the continuous nomination of Mr. Chen Lichtenstein, CFO of the Syngenta Group and Syngenta AG, as a director of the Board of Directors of the Company. Concurrently, Mr. Ignacio Dominguez was nominated as the Chairman of the board of directors of Adama Solutions, replacing Mr. Yang Xingqiang.

XX. Significant events of subsidiaries

□ Applicable √ Not applicable

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

Section VI. - Change in Shares & Shareholders

I. Changes in shares

Unit: share

	Before the change		Increase/decrease (+/-)					After the change	
	Amount	Proportion	Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	Amount	Proportion
I. Restricted shares	1,915,585,521	78.30%	--	--	--	-104,697,982	-104,697,982	1,810,887,539	74.02%
a. State-owned legal person's shares	1,810,883,039	74.02%	--	--	--	--	--	1,810,883,039	74.02%
b. Shares held by domestic investors	104,702,482	4.28%	--	--	--	-104,697,982	-104,697,982	4,500	0
i. Shares held by domestic legal person	104,697,982	4.28%	--	--	--	-104,697,982	-104,697,982	0	0
ii. Shares held by domestic natural person	4,500	0.00%	--	--	--	--	--	4,500	0.00%
II. Shares not subject to trading moratorium	530,968,061	21.70%	--	--	--	104,697,982	104,697,982	635,666,043	25.98%
a. RMB ordinary shares	363,918,720	14.87%	--	--	--	104,697,982	104,697,982	468,616,702	19.15%
b. Domestically listed foreign shares	167,049,341	6.83%						167,049,341	6.83%
III. Total shares	2,446,553,582	100.00%	--	--	--	--	--	2,446,553,582	100.00%

Reason for the change in shares

√ Applicable □ Not applicable

The 104,697,982 shares issued in the 2017 non-public offering were released from trading moratorium from January 21, 2019.

Approval of the change in shares

☐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

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

2. Changes in restricted shares

√ Applicable □ Not applicable

Shareholders	Restricted shares at the opening of the Reporting Period	Shares released in the Reporting Period	Restricted shares increased in the Reporting Period	Ending shares restricted	Restricted reasons	Date for released
China Structural Reform Fund Co., Ltd.	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	4,697,990	4,697,990	0	0	Committed not to trade	Jan 21, 2019

Shareholders	Restricted shares at the opening of the Reporting Period	Shares released in the Reporting Period	Restricted shares increased in the Reporting Period	Ending shares restricted	Restricted reasons	Date for released
Life Insurance, Private Placement Portfolio of Penghua Fund Management Co., Ltd Entrusted by China Life Insurance (Group) Company						
Penghua Fund-Pingan Bank—Huarun Shenguotou 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. (Note)	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**	--	--

Note: CNAC and Syngenta Group have signed a Share Transfer Agreement on January 5, 2020 to transfer the State-owned 74.02% shares of the Company held by CNAC to Syngenta Group.

II. Issuance and listing of securities

1. Issuance of securities (excluding preferred stock) during the Reporting Period

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

3. Shares held by internal staffs of the Company as a measure of the reform of State-Owned Enterprises

☐ Applicable √ Not applicable

III. Particulars about the shareholders and actual controller

1. Total number of shareholders and their shareholding

Unit: share

Total number of shareholders as of the end of the Reporting Period	48,058 (the number of ordinary A share shareholders is 32,384; the number of B share shareholders is 15,674)	Total number of shareholders on the 30th trading day before the disclosure date of the annual report	51,151	Total number of preferred stockholder with vote right restored (if any)	0	Total number of preferred stockholder with vote right restored on the 30th trading day before the disclosure date of the annual report	0

Shareholding of shareholders holding more than 5% shares								
Name of shareholder	Nature of shareholder	Holding percentage (%)	Number of shareholding at the end of the Reporting Period	Increase and decrease of shares during Reporting Period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Pledged or frozen shares	
							Status of shares	Amount
China National Agrochemical Co., Ltd. (Note)	State-owned legal person	74.02%	1,810,883,039	--	1,810,883,039	--	--	--
Jingzhou Sanonda Holding Co., Ltd.	State-owned legal person	4.89%	119,687,202	--	--	119,687,202	--	--
China Cinda Asset Management Co., Ltd.	State-owned legal person	1.37%	33,557,046	--	--	33,557,046	--	--
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	0.88%	21,500,097	15,300,176	--	21,500,097	--	--
CCB Principal-ICBC-Avic Trust, Trust Plan of Pooled Funds of CCB Principal	Others	0.53%	12,885,906	-	-	12,885,906	--	--

Private Placement Investment, Tianqi (2016) No. 293 of Avic Trust								
Zhu Shenglan	Domestic Individual	0.35%	8,527,200	7,150,900	--	8,527,200	--	--
Industrial Bank Co., Ltd, Mixed Securities Investment Fund, Aegon-Industrial Trend Investment (LOF)	Others	0.22%	5,420,337	-2,633,399	-	5,420,337	--	--
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	Overseas legal person	0.18%	4,399,572	-514,572	--	4,399,572	--	--
Strategic investors or the general legal person due to the placement of new shares become the top 10 shareholders (if any)		Not applicable						
Explanation on associated relationship or/and persons		Jingzhou Sanonda Holdings Co., Ltd. and CNAC are related parties, and are acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies. Sanonda Holding is a 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.						

Details of shares held by top 10 shareholders not subject to trading moratorium

Name of shareholder	Number of shares held not subject to trading moratorium at the end of the period	Type of share	
		Type of share	Amount
Jingzhou Sanonda Holding Co., Ltd.	119,687,202	RMB ordinary share	119,687,202
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
National Social Security Fund Portfolio 503	21,500,097	RMB ordinary share	21,500,097
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
Zhu Shenglan	8,527,200	RMB ordinary share	8,527,200
Industrial Bank Co., Ltd, Mixed Securities Investment Fund, Aegon-Industrial Trend Investment (LOF)	5,420,337	RMB ordinary share	5,420,337
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	4,399,572	Domestically listed foreign share	4,399,572
Qichun County State-owned Assets Administration	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)	Shareholder Zhu Shenglan held 3,797,200 shares of the Company through a credit collateral securities trading account and held 4,730,000 shares of the Company through a common securities account, who thus held 8,527,200 shares of the Company in total.		

Note: CNAC and Syngenta Group have signed a *Share Transfer Agreement* on January 5, 2020 to transfer the State-owned 74.02% shares of the Company held by CNAC to Syngenta Group.

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

☐ Yes √ No

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

2. Particulars about the controlling shareholder

Nature of controlling shareholder: The central state-owned

Type of controlling shareholder: legal person

By the end of the Reporting Period, the particulars of the Company's controlling shareholder are as follows:

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

Change of the controlling shareholder during the Reporting Period

□ Applicable √ Not applicable

The controlling shareholder was not changed during the Reporting Period.

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

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

Type of actual controller: Legal person

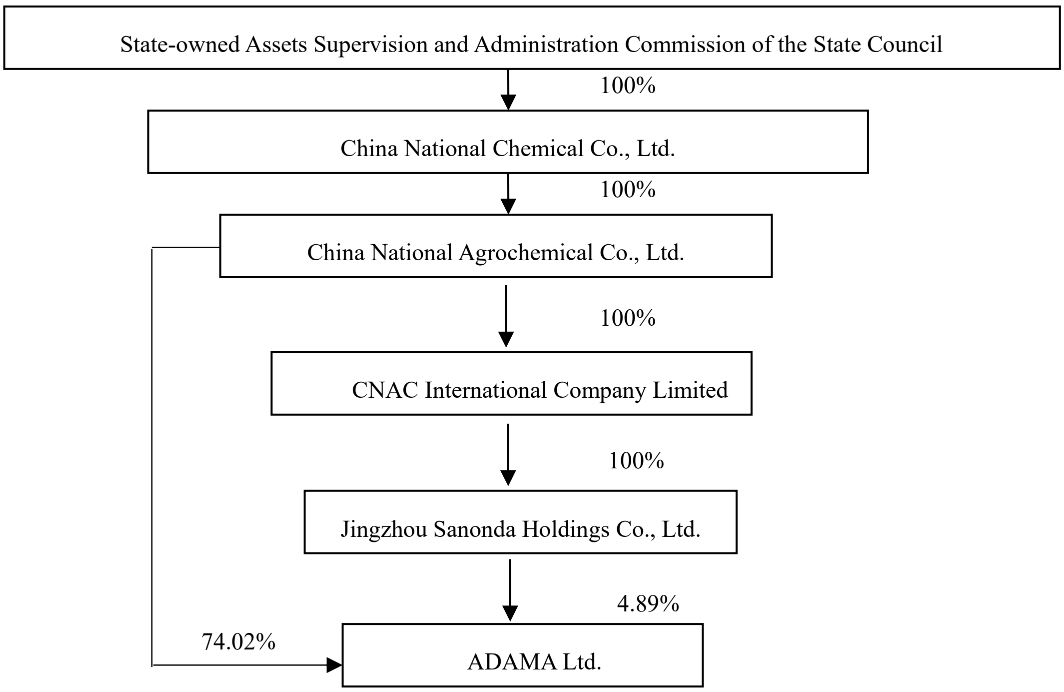
Name of the actual controller	Legal representative / company principal	Date of establishment	Organization code	Business scope
State-owned Assets Supervision and Administration Commission of the State Council	Hao Peng	March 16, 2003	-	-
Shares held by the actual controller in other listed companies by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

Change of the actual controller during the Reporting Period

□ Applicable √ Not applicable

The actual controller did not change during the Reporting Period.

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



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

□ Applicable √ Not applicable

4. Particulars regarding other corporate shareholders with over 10% holdings

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

Section VII. - Preferred stock

□ Applicable √ Not applicable

There was no preferred stock during Reporting Period.

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

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

Name	Position	Office Status	Gender	Age	Beginning date of office term	Ending date of office term	Shares held at the year-begin (share)	Amount of shares increased at the Reporting Period (share)	Amount of shares decreased at the Reporting Period (share)	Other changes increase/decrease	Shares held at the end of the Reporting Period (share)
Erik Fyrwald	Chairman of the BOD	In Office	Male	61	April 9, 2020		0	0	0	0	0
Chen Lichtenstein	Director	In Office	Male	52	Sep 29, 2017		0	0	0	0	0
An Liru	Director	In Office	Male	50	Apr 29, 2015		0	0	0	0	0
Tang Yunwei	Independent Director	In Office	Male	75	Dec 25, 2017		0	0	0	0	0
Xi Zhen	Independent Director	In Office	Male	56	Dec 25, 2017		0	0	0	0	0
Ignacio Dominguez	President & CEO	In Office	Male	60	March 1, 2020		0	0	0	0	0
Aviram Lahav	Chief Financial Officer & Deputy CEO	In Office	Male	60	Sep 29, 2017 (Deputy		0	0	0	0	0

Name	Position	Office Status	Gender	Age	Beginning date of office term	Ending date of office term	Shares held at the year-begin (share)	Amount of shares increased at the Reporting Period (share)	Amount of shares decreased at the Reporting Period (share)	Other changes increase/decrease	Shares held at the end of the Reporting Period (share)
					CEO as of March 1, 2020)						
Michal Arlosoroff	General Legal Counsel	In Office	Female	61	Sep 29, 2017		0	0	0	0	0
Jiang Chenggang	Chairman of the Supervisory Board	In Office	Male	45	Jan 6, 2013		6,000	0	0	0	6,000
Li Dejun	Member of the Supervisory Board	In Office	Male	61	March 19, 2018		0	0	0	0	0
Guo Zhi	Member of the Supervisory Board	In Office	Male	43	March 19, 2018		0	0	0	0	0
Li Zhongxi	Secretary of the BOD	In Office	Male	49	Feb 9, 2000		0	0	0	0	0
Yang Xingqiang	Chairman of the BOD	Demission	Male	52	Sep 29, 2017	April 9, 2020	0	0	0	0	0
Total	--		--	--	--	--	**6,000**	**0**	**0**	**0**	**6,000**

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

□ Applicable √ Not applicable

Note: No director, supervisor or senior executive was replaced over the Reporting Period. From January 1, 2020 to the disclosure date of this Report, the changes of director and senior executive are as follows.

Name	Position	Type	Date	Reason
Yang Xingqiang	Chairman of the Board of Directors	Left the position	April 9, 2020	Due to work arrangements by ChemChina.
Chen Lichtenstein	President & CEO	Left the position	March 1, 2020	Nomination as the CFO of Syngenta Group responsible also for strategy alignment.

III. Resumes of important personnel

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

Mr. Erik Fyrwald, American, serves as the Chairman of the Board of Directors of the Company. He is currently the CEO of Syngenta Group, CEO and Executive Director of Syngenta A.G. and Chairman of Syngenta Foundation for Sustainable Agriculture. He currently also serves on the board of directors of CropLife International, the Swiss-American Chamber of Commerce and the listed entities Bunge Limited and Eli Lilly & Company. Previously served as President and CEO of Univar, a leading distributor of chemistry and related services, President of Ecolab, a cleaning and sanitation, water treatment, and oil and gas products and services provider, and Chairman, President and CEO of Nalco, a water treatment and oil and gas products and services company, and Group Vice President of the Agriculture and Nutrition Division of the DuPont Company. He graduated from the University of Delaware with a bachelor's degree in Chemical Engineering and completed the Advanced Management Program at Harvard Business School.

Mr. Chen Lichtenstein, Israeli, serves as a Director of the Company and its fully-owned subsidiary, Adama Solutions, CFO of the Syngenta Group (with responsibility also for Strategy and Integration), CFO of the Syngenta AG. He holds joint doctoral degrees from Stanford University's Graduate School of Business and School of Law, and B.Sc. (Physics) and LL.B. from the Hebrew University of Jerusalem. He previously served as the President & CEO of the Company and its fully owned subsidiary, Adama Solutions, after holding several executive positions in Solutions (deputy CEO, heading corporate development and capital market activities and running global operations) and the CEO of China National Agrochemical Co., Ltd.

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

Adama (Beijing) Agricultural Technology Co., Ltd., Chairman of Directors of Adama Agrochemical (Jiangsu) Co., Ltd., Executive Director and General Manager of Jingzhou Hongxiang Chemical Co., Ltd.

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

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

Mr. Ignacio Dominguez, Spanish, serves as the President & Chief Executive Officer of the Company. He was the CCO of Solutions and has been with Solutions for more than a decade. Prior to joining Solutions, Ignacio held various management positions in companies such as Syngenta and American Cyanamid, boasting more than 20 years of experience in the agrochemical industry. He holds a master's degree in physics from Complutense University of Madrid.

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

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

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

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

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

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

Positions in shareholder units

√ Applicable □ Not applicable

Name of the person holding any post in any shareholder unit	Name of the shareholder unit	Position in the shareholder unit	Beginning date of office term	Ending date of office term	Receives payment from the shareholder unit?
Erik Fyrwald	Syngenta Group	CEO	January 2020	--	No
	Syngenta AG	CEO and Executive Director	June 2016	--	Yes
Chen Lichtenstein	Syngenta Group (*)	CFO	March, 2020	--	Yes
	Syngenta AG	CFO	March, 2020	--	Yes
An Liru	Jiangsu Anpon Electrochemical Co., Ltd.	Executive director	April 2015	February 25, 2019	No
Jiang Chenggang	Jingzhou Sanonda Holdings Co., Ltd.	Deputy Party Secretary, Secretary of the Discipline Inspection Commission	January 2017		No

(*) Syngenta Group is under the process of establishment, to be completed shortly.

Positions in other units

√ Applicable □ Not applicable

Name of the person holding any post in any shareholder unit	Name of other unit	Position in other unit	Beginning date of office term	Ending date of office term	Receives payment from the other unit?
Erik Fyrwald	CropLife International	Director of the Board	2016	-	No
	Swiss-American Chamber of Commerce	Director of the Board	2016	-	No
	Bunge Limited	Director of the Board	2018	-	Yes
	Eli Lilly & Co.	Director of the Board	2005	-	Yes
Chen Lichtenstein	Solutions	Director	October 2017	-	Yes (as of March 1, 2020)
Chen Lichtenstein	Solutions	President & CEO	October 2017	March 2020	Yes
Chen Lichtenstein	The Israeli democracy institute	Director of the Board		-	No
Chen Lichtenstein	Friends of Tel Aviv University	Member of the Board of Trustees		-	No
An Liru	Solutions	Director	February 2014	-	Yes
An Liru	Solutions	Head of China Cluster	September 2017	-	Yes
An Liru	Jiangsu Anpon Electrochemical Co., Ltd.	Executive director	April 2015	February 2019	No
An Liru	Adama (China) Investment Co., Ltd.	Director and General Manager	November 2018	-	No
An Liru	Adama (Beijing) Agricultural Technology Co., Ltd.	Chairman of Directors	November 2018	-	No
An Liru	Adama Agrochemical (Jiangsu) Co., Ltd.	Chairman of Directors	June 2017	-	No
An Liru	Jingzhou Hongxiang Chemical Co., Ltd.	Executive Director and General Manager	December 2017	-	No
Aviram Lahav	Solutions	CEO & CFO	October 2017	-	Yes
Michal Arlosoroff	Solutions	SVP, General Counsel, Company Secretary & CSR Officer	October 2017	-	Yes
Tang Yunwei	Universal Scientific Industrial (Shanghai) Co., Ltd.	Independent Director	April 2017	-	Yes
Xi Zhen	Nankai University	Professor, Chairman of Department of Chemical Biology, Fellow of the University Committee	August 2002	-	Yes
Xi Zhen	National Agrochemical Engineering Research Center (Tianjin)	Director	May 2014	-	No

Name of the person holding any post in any shareholder unit	Name of other unit	Position in other unit	Beginning date of office term	Ending date of office term	Receives payment from the other unit?
Xi Zhen	Division of Chemical Biology of Chinese Chemical Society	Deputy Director	January 2015	-	No
Xi Zhen	Agrochemical Science Division of Chinese Chemical Industry and Engineering Society	Deputy Director	November 2014	-	No
Xi Zhen	Suzhou Ribo Life Science Co., Ltd.	Director	January 2007	-	No
Li Dejun	The Economic System Reform Institute of Hubei Province	Secretary General	December 2009	-	No
Li Dejun	J.S. Machine	Independent Director	October 2016	-	Yes
Li Dejun	Angel Yeast Co., Ltd.	Independent Director	April 2013	April 2019	Yes

Particulars regarding the Company's current directors, supervisors and senior managers who received punishments, if any, from Securities Regulatory Institution during the recent three years (including the Reporting Period)

□ Applicable √ Not applicable

IV. Remuneration of directors, supervisors and senior management

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

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

Independent directors are entitled to receive annual allowance and would not receive salary by the Company. The Company also adopted a remuneration plan of the non-independent directors. A non-independent director who holds a management position in the Company and/or any of its subsidiaries, shall receive the remuneration set for such position and will not be entitled to any additional remuneration for serving as a director; A non-independent director who doesn’t hold a management position in the Company or any of its subsidiaries, may receive a monthly remuneration. For details, please see the Announcement of the Resolutions of 25th meeting of the 7th Session of the Board of Directors (Announcement no. 2018-5) and the Announcement of the Resolutions of 21st meeting of the 8th Session of the Board of Directors (Announcement no. 2020-7).

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

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

For details, please see the Announcement of the Resolutions of 4th meeting of the 8th Session of the Board of Supervisors (Announcement no. 2018-25).

Total remuneration of the directors, supervisors and senior management of the Company during the Reporting Period is as follow:

Unit RMB'0000

Name	Position	Gender	Age	Current/Former	Total before-tax remuneration gained from the Company	Whether gained remuneration from the related parties of the Company
Chen Lichtenstein	Director (former President & CEO)	Male	52	Current		No
An Liru	Director	Male	50	Current		No
Tang Yunwei	Independent Director	Male	75	Current		No
Xi Zhen	Independent Director	Male	56	Current		No
Aviram Lahav	Chief Financial Officer and Deputy CEO	Male	60	Current		No
Michal Arlosoroff	General Legal Counsel	Female	61	Current		No
Jiang Chenggang	Chairman of the Supervisory Board	Male	45	Current		No
Li Dejun	Member of the Supervisory Board	Male	61	Current		No
Guo Zhi	Member of the Supervisory Board	Male	43	Current		No
Li Zhongxi	Secretary of the BOD	Male	49	Current		No
Yang Xingqiang	Chairman of the BOD	Male	52	Former		Yes
Total					**5,319.7**	

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

□ Applicable √ Not applicable

V. Particulars regarding Group's employees

1. Number of employees, specialty structure and educational background

The number of on-duty employees in ADAMA Ltd. (person)	1,206
The number of on-duty employees in main subsidiary companies (person)	6,545
The total number of on-duty employees of the Group (person)	7,751
The total number of employees of the Group who received salaries in the period (person)	7,751
The number of retired employees for whom ADAMA Ltd. and main subsidiary companies need to pay retirement expense.	3,188
Specialty classification	
Specialty category	Number
Production personnel	2,894
Sales personnel	1,954
Technicians	1,920
Financial personnel	443
Administrative personnel	540
Total	7,751
Education classification	
Education category	Number
Doctor	1
Master	26
Bachelor	396
College	607
Others	1,265
Total*	7,751

Note: The figures under "Education Category" represent those of the Company and the domestic subsidiaries directly held by it since such classification is not currently available regarding the Group's overseas employees.

2. Employee's remuneration policy

The Company's remuneration policy in 2019 is the same as in 2018. It is still a salary structure that integrates post salary, quarterly performance bonus and annual performance bonus.

The Company established an online and offline assessment model. Online assessment is carried out by SF system. Individual goals are set at the beginning of the year. At the end of the year, a total of 100 middle and senior managers and backbones in Jingzhou Site entered SF system for online assessment in 2019. Employees who do not participate in online assessment will conduct offline performance assessment. In the future, the Company will gradually achieve full coverage of online assessment.

3. Employee’s training plan

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

4. Labor outsourcing

√ Applicable □ Not applicable

Details of ADAMA Ltd. on labor sourcing are as follows.

Total number of hours of service outsourcing (hours)	1,285,776
Total remuneration paid for service outsourcing (RMB)	20,227,262.27

Section IX. - Corporate Governance

I. Basic details of corporate governance

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

1. About Shareholders and the Shareholders' meeting

During the Reporting Period, the Company has ensured that all shareholders, especially small and medium shareholders, are treated equal and able to fully exercise their rights. It held one annual general meeting of shareholders and two interim shareholders' meetings, during which 12 proposals in total were reviewed and approved. Lawyers were invited to attend all the meetings mentioned above for testimony and issuing legal opinions. Online voting has been applied during all above-mentioned meetings to ensure that all shareholders, especially small and medium shareholders, enjoy equal status and fully exercise their rights. Notices of shareholders' meeting, meeting proposals, discussion procedures, voting on proposals and information disclosure all meet the requirements. Every major decision of the Company has been decided by the shareholders' meeting according to laws and regulations with lawyers as the witness to ensure that the right to know, to participate and vote on major issues of all shareholders, especially the small and medium shareholders are properly protected.

2. About Directors and the Board of Directors

During the Reporting Period, the number, composition and qualifications of the board of directors were in compliance with the laws and regulations as well as the Articles of Association of the Company. All board members are diligent and responsible for attending the board and shareholders' meetings in accordance with the relevant provisions of *the Company Law* and the Articles of Association. During the Reporting Period, the Company held 9 board meetings during which 37 proposals were reviewed. The organizing, convening and formation of resolutions were carried out in accordance with relevant provisions of the Articles of Association and *the Rules of Procedure for the Board of Directors*. The Company has established an independent director system in accordance with relevant regulations. Each of the independent directors have expressed independent opinions on important business of the Company during the Reporting Period. The Company's board of directors consists of one strategy committee, one nomination committee, one audit committee and one remuneration and assessment committee, all of which are functioning with respective implementation rules to ensure the scientific and compliant decision-making by the board of directors.

3. About Supervisors and the Board of Supervisors

During the Reporting Period, the board of supervisors of the Company consisted of three supervisors, including an external one. The number, composition and qualifications of the Board of Supervisors were in compliance with laws and regulations as well as *the Articles of Association of the Company*. During the Reporting Period, four meetings were held and 17 proposals were reviewed. All meetings were organized and convened in accordance with the procedures of the *Articles of Association* and *the Rules of Procedure for the Board of Supervisors*. All supervisors have earnestly performed their duties by reviewing the company's periodic reports and other matters and issuing verification opinions with a strong sense of responsibilities to the shareholders. All of them have effectively fulfilled their duties and safeguarded the legitimate rights and interests of the Company and its shareholders

4. About Investors' Relations

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

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

□ Yes √ No

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

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

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

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

3. In respect of assets: The assets relationship between the Company and the controlling shareholder is clear. The company has complete control over all its assets. There is no such thing as a free possession or usage by the controlling shareholder.

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

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

III. Horizontal competition

√ Applicable □ Not applicable

Type	Name of Controlling Shareholder	Nature of Controlling Shareholder	Cause of the problem	Solutions	Work-schedule and follow-up plan
Horizontal competition and related party transactions	ChemChina	State-owned enterprise	The subsidiaries controlled by ChemChina are in similar or the same business as the Company or the supplier or the client of the Company.	ChemChina commits itself to take appropriate actions to solve the horizontal competition and related party transactions between its subsidiaries and the Company. For details, please refer to III Performance of commitments of Section V of the Annual Report.	In process/ performance.

IV. Particulars regarding the annual shareholders' general meeting and special shareholders' general meetings held during the Reporting Period

1. Particulars regarding the shareholders' general meeting during Reporting Period

Session	Type	Proportion of investors' participation	Convening date	Disclosure date	Index to the disclosed
1st Interim Shareholders Meeting in 2019	Interim Shareholders Meeting	3.84%	March 11, 2019	March 12, 2019	Announcement of the 1st 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
2nd Interim Shareholders Meeting in 2019	Interim Shareholders Meeting	74.64%	May 30, 2019	May 31, 2019	Announcement of the 2nd Interim Shareholders Meeting in 2019 (Announcement Number:2019-38). Disclosed at the website CNINFO www.cninfo.com.cn

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

☐ Applicable √ Not applicable

V. Performance of the Independent Directors

1. Particulars regarding independent directors' attendance to board sessions and shareholders' general meetings

1. Details of the independent directors' attendance to board sessions and shareholders' meetings							
Independent director	Sessions required to attend during the Reporting Period	On-Site Attendance	Attendance by way of communication	Entrusted presence (times)	Absence rate	Non-attendance in person for two consecutive times	Attendance to shareholder meetings
Tang Yunwei	9		9			No	3
Xi Zhen	9		9			No	3

2. Particulars regarding independent directors' objections

Whether independent directors objected to various events

□ Yes √ No

During the Reporting Period, no independent directors proposed any objection on relevant events of the Company.

3. Other explanations regarding the independent directors' duty performance

Whether advices independent directors' advice were adopted

√ Yes □ No

Explanation regarding advices of independent directors:

According to the Company Law, the Listed Corporate Governance Standards, "Articles of Association" and "Company of the Independent Director System", the independent directors, in general, including during the Reporting Period, focus actively over Company's operation, and independently performs their duties, render professional suggestions to the Company's information disclosure and daily management decision-making, etc. issue independent and impartial advice to name change of the Company (when relevant), related-party transactions, engagement of auditors, guaranty matters, dividend distributions, accounting policy change, assets write-off, change of the use of the raised funds, deposit and using of the raised funds, remunerations of the senior management, and other events which requires the independent directors' advice. The independent directors play a proper role in improving the supervision, and safeguard the legitimate rights and interests of the Company and its shareholders. The independent directors especially pay attention (and paid attention - during the Reporting Period) to the Company's operation state, dynamic state of the industry, public opinion and dynamic state report of the Company. They actively and effectively perform the duties of independent directors and well maintained overall benefits of the Company and the legal interests of all shareholders, especially the middle and small shareholders. Their roll is required for positive, normal, stable and healthy development of the Company.

VI. Performance of the Special Committees under the Board during the Reporting Period

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

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

VII. Performance of the Supervisory Committee

Has the Supervisory Committee, during the Reporting Period, found a risk in the Company within its supervisory activity

□ Yes √ No

The Supervisory Committee had no objection on the supervised events during the Reporting Period.

VIII. Performance Evaluation and Incentive Mechanism for Senior Management

The performance evaluation and incentives of the senior executives of the Company are based on the Remuneration Policy for Senior Executives. The remuneration of senior executives is composed of three parts: (i) base salary; (ii) variable components - medium and short-term incentives which includes annual bonuses based on results and contingent upon targets; (iii) long term incentives - Share-based cash reward and/or other long-term incentive in the form of cash. The Remuneration Policy establishes a fair and reasonable performance evaluation and incentives system, which helps giving full play to the 'talents' of the senior executives and promote the long-term and healthy development of the Company. For details, please refer to the Remuneration Policy of Senior Executives published by the Company on February 22, 2019 on the website www.cninfo.com.cn .

IX. Internal Control

1. Particulars regarding material deficiencies found in the internal control during the Reporting Period

☐ Yes √ No

2. Self-assessment report on internal control

Date of disclosure of self-assessment report on internal control	April 28, 2020
Reference website of self-assessment report on internal control	www.cninfo.com.cn
Rate of total Assets of Units within the Assessment Scope Compared to Total Assets in the Consolidated Statements of the Company	71.01%
Rate of total Operating Income of Units within the Assessment Scope Compared to Total Operating Income in the Consolidated Statements of the Company	68.90%

Criteria of Deficiency		
Categories	Internal control over financial reporting	Internal control not related to financial reporting
Qualitative criteria	**Material Deficiency**: Resulting in an adverse opinion or disclaimer of opinion, by a CPA, on the Company's financial statements; or resulting in a material correction of the Company's publicly announced financial statements. **Significant Deficiency**: Resulting in a qualified opinion, by a CPA, on the Company's financial statements; or resulting in an adverse opinion or disclaimer of opinion, by a CPA, on the Company's material subsidiaries' (i.e. Solutions) financial statements; or resulting in a significant correction of the Company's material subsidiaries' (i.e. Solutions) publicly announced financial statements. **General Deficiency**: Resulting in an unqualified opinion, with an explanatory paragraph, by a CPA, on the Company's financial statements; or resulting in a qualified opinion, or unqualified opinion with an explanatory paragraph, by a CPA, on the Company's subsidiaries' financial statements.	**Material Deficiency**: 1) Fraud committed in the Company by any of its directors, supervisors and senior management personnel; 2) The Company materially violates material laws and regulations, resulting in a material effect on the Company's business; 3) Material design deficiencies in the Company's relevant management system; 4) The Company materially violates the decision-making process thereby causing a material negative impact on the Company's business (generally related to matters that need to be approved by the shareholders meeting or the board of directors). 5) Material impact to the Company's reputation. **Significant Deficiency**: 1) Significant fraud committed by any department head of the Company; 2) Significant fraud committed by a head of any of the Company's material subsidiaries; 3) The Company violates significant laws and

		regulations, resulting in significant fines as well as a significant effect on the Company's business; 4) Significant design deficiencies found in the Company's relevant management system; Material design deficiencies are found in the relevant management systems of subsidiaries; 5) The Company violates material decision-making procedures, resulting in a significant effect on the Company's business (generally referred to matters subject to senior management's decision); 6) Material Subsidiaries violate decision-making process, thereby causing a material negative impact on the Company's business (generally referred to matters that need to be decided by the shareholders' meeting or the board of directors). 7) Significant impact to the Company's reputation. **General Deficiency**: 1) Fraud committed by any other personnel in the Company; 2) Fraud committed by any other personnel in material subsidiaries; 3) The Company materially violates material internal regulations or non-materially violates material laws and regulations, resulting in negative feedback from regulatory authorities; 4) There are other violations of laws and regulations or internal regulations found in material subsidiaries. 5) There are general design deficiencies in the relevant management system of the Company; other design deficiencies exist in the relevant management system of the material subsidiaries; 6) The Company violates the decision-making process, resulting in a negative impact on the Company's business; 7) Material Subsidiaries violate decision-making process, resulting in a negative impact on the Company's business.
Quantitative criteria	**Material Deficiency**: Misstatement in Financial Report relates to an amount that is greater than or equal to RMB 100 million. **Significant Deficiency**: Misstatement in Financial Report relates to an amount that is greater than or equal to RMB 50 million, but less than RMB 100 million. **General Deficiency**: Resulting in other misstatement related amounts.	**Material Deficiency**: Asset Loss ⩾ RMB 150 million **Significant Deficiency**: RMB 80 million ⩽ Asset Loss < 150 million RMB **General Deficiency**: Asset Loss < 80 million RMB
Number of material	0	

deficiencies in internal control over financial reporting	
Number of material deficiencies in internal control not related to financial reporting	0
Number of significant deficiencies in internal control over financial reporting	0
Number of significant deficiencies in internal control not related to financial reporting	0

X. Audit report on internal control

√ Applicable □ Not applicable

Audit opinion paragraph in the internal control audit report	
Disclosure of internal control audit report	Disclose
Date of disclosure of internal control audit report	April 28, 2020
Reference website of internal control audit report	www.cninfo.com.cn
Type of audit opinion in the internal control audit report	Unqualified opinion.
Is there any material deficiencies in internal control not related to financial reporting	No.

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

☐ Yes √ No

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

√ Yes ☐ No

Section X - Corporate Bonds

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

□ Applicable √ Not applicable

Section XI - Financial Report

Auditor's Report

Type of auditor's opinion	Standard Unqualified Opinion
Audit opinion signoff date	April 17, 2020
Name of the auditor	Deloitte Touche Tohmatsu CPA LLP
Reference number of the audit report	De Shi Bao (Shen) Zi (10) No P00109
Name of CPA	Hu Ke, Ma Renjie

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (20) No P00109
Page 1 of 7

To the shareholders of ADAMA Ltd.：

I. Opinion

We have audited the financial statements of ADAMA Ltd. (hereinafter referred to as the "Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2019, and the consolidated and the Company's income statements, the consolidated and the Company's statements of changes in equity and the consolidated and the Company's statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements of the Group present fairly, in all material respects, the consolidated and the Company's financial position as of 31 December 2019, and the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinion

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

III. Key Audit Matters

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

AUDITOR'S REPORT - continued

De Shi Bao (Shen) Zi (20) No P00109

III. Key Audit Matters - continued

1. Revenue recognition

Description

As stated in Note V, 42 of ADAMA Financial Statements, the revenue of 2019 was RMB27,563,239thousand, which was significant for the consolidated financial statements. ADAMA's sales revenue mainly contributed by sales of products in about 100 countries all over the world. As stated in Note III, 24, the company recognises the revenue when the customer obtains control of the relevant commodities, and the company has a risk of overstating the revenue by late cutoffs. Therefore, we assessed the appropriateness of cutoffs for revenue recognition and the correctness of accounting periods for revenue recognition as a key audit matter.

Audit response

Our procedures in relation to revenue recognition mainly included:

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

AUDITOR'S REPORT - continued

III. Key Audit Matters - continued

2. Provision for impairment of inventories

Description

As stated in Note V, 9, the carrying amount of inventories net of provisions for impairment of the ADAMA Group was RMB9,932,654 thousand as of 31 December 2019, which was significant for the consolidated financial statements. As disclosed in Note III, 12.3 and 30.2, ADAMA measures inventories at the lower of cost and net realisable value. Provisions for impairment of inventories are made when the net realisable values are lower than the carrying amounts. The determination of the net realisable value of inventories requires management to estimate the expected selling prices of the inventories, the costs to be incurred when they are completed, the sales expenses, and the related taxes and fees, which involved management estimates and judgements.

Audit response

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

5、 Testing the accuracy of the calculation in provisions for impairment of inventories.

AUDITOR'S REPORT - continued

IV. Other Information

Management of the Company is responsible for the other information. The other information comprises the information included in the 2019 annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

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

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

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

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

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

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

AUDITOR'S REPORT - continued

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

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

Deloitte Touche Tohmatsu CPA LLP	Chinese Certified Public Accountant
Shanghai China	Hu Ke(Engagement Partner)
	Chinese Certified Public Accountant Ma Renjie
	27 April 2020

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

ADAMA Ltd.
(Expressed in RMB '000)

Consolidated Balance Sheet

	Notes	December 31 2019	December 31 2018 (Restated)
Current assets			
Cash at bank and on hand	V.1	4,348,588	6,400,190
Financial assets held for trading	V.2	29,510	46,095
Derivative financial assets	V.3	490,113	517,726
Bills receivable	V.4	26,000	40,569
Accounts receivable	V.5	8,004,157	6,573,100
Receivables financing	V.6	78,948	73,216
Prepayments	V.7	377,808	410,506
Other receivables	V.8	1,195,253	1,079,332
Inventories	V.9	9,932,654	9,433,876
Non-current assets due within one year	V.20	-	48
Other current assets	V.10	659,195	660,806
Total current assets		25,142,226	25,235,464
Non-current assets			
Long-term receivables	V.11	170,896	157,600
Long-term equity investments	V.12	133,098	108,350
Other equity investments	V.13	155,062	91,559
Investment properties		3,771	4,094
Fixed assets	V.14	6,939,610	7,263,866
Construction in progress	V.15	788,386	487,204
Right-of-use assets	V.16	536,034	N/A
Intangible assets	V.17	5,835,785	5,741,962
Goodwill	V.18	4,511,193	4,085,945
Deferred tax assets	V.19	826,696	741,737
Other non-current assets	V.20	246,183	217,282
Total non-current assets		20,146,714	18,899,599
Total assets		45,288,940	44,135,063

ADAMA Ltd.
(Expressed in RMB '000)

Consolidated Balance Sheet (continued)

	Notes	December 31 2019	December 31 2018 (Restated)
Current liabilities			
Short-term loans	V.21	2,009,882	1,122,774
Derivative financial liabilities	V.22	691,475	1,451,670
Bills payable	V.23	321,674	445,533
Accounts payable	V.24	4,205,901	4,627,936
Contract liabilities	V.25	664,228	848,402
Employee benefits payable	V.26	1,211,713	944,175
Taxes payable	V.27	369,038	616,780
Other payables	V.28	1,049,594	1,197,579
Non-current liabilities due within one year	V.29	1,066,243	301,814
Other current liabilities	V.30	355,243	578,184
Total current liabilities		11,944,991	12,134,847
Non-current liabilities			
Long-term loans	V.31	927,159	235,819
Debentures payable	V.32	7,965,942	7,649,098
Lease Liabilities	V.33	406,358	N/A
Long-term payables		29,021	25,106
Long-term employee benefits payable	V.34	738,854	620,646
Provisions	V.35	176,822	132,351
Deferred tax liabilities	V.19	323,304	392,404
Other non-current liabilities	V.36	404,824	199,930
Total non-current liabilities		10,972,284	9,255,354
Total liabilities		22,917,275	21,390,201
Shareholders' equity			
Share capital	V.37	2,446,554	2,446,554
Capital reserve	V.38	12,903,168	13,324,491
Other comprehensive income	V.39	1,192,681	1,090,827
Special reserves		14,927	13,536
Surplus reserve	V.40	240,162	240,162
Retained earnings	V.41	5,574,173	5,629,292
Total shareholders' equity		22,371,665	22,744,862
Total liabilities and shareholders' equity		45,288,940	44,135,063

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

These financial statements were approved by the Board of Directors of the Company on ~~March~~ April ~~30~~27, 2020.

The notes on pages 132 to 244 form part of these financial statements.

ADAMA Ltd.
(Expressed in RMB '000)

Balance Sheet

	Notes	December 31 2019	December 31 2018 (Restated)
Current assets			
Cash at bank and on hand	XV.1	1,423,051	2,058,253
Accounts receivable	XV.2	349,109	692,199
Receivables financing	XV.3	11,722	19,917
Prepayments		6,055	10,500
Other receivables	XV.4	14,051	31,748
Inventories		97,861	147,975
Other current assets		19,117	1,343
Total current assets		1,920,966	2,961,935
Non-current assets			
Long-term equity investments	XV.5	16,371,411	15,939,826
Other equity investments		85,495	80,119
Investment properties		3,771	4,094
Fixed assets		777,476	1,012,674
Construction in progress		504,936	188,020
Right-of-use assets		486	N/A
Intangible assets		170,053	174,997
Deferred tax assets		84,950	48,103
Other non-current assets		73,668	54,060
Total non-current assets		18,072,246	17,501,893
Total assets		19,993,212	20,463,828
Current liabilities			
Short-term loans		150,000	20,000
Bills payables		90,190	209,700
Accounts payables		124,228	182,110
Contract liabilities		6,748	9,983
Employee benefits payable		204,238	25,758
Taxes payable		3,614	55,198
Other payables		237,266	187,762
Non-current liabilities due within one year		454	72,000
Total current liabilities		816,738	762,511
Non-current liabilities			
Long-term loans		141,960	-
Lease Liabilities		21	-
Long-term employee benefits payable		96,826	100,144
Provisions		43,238	16,454
Other non-current liabilities		171,770	171,770
Total non-current liabilities		453,815	288,368
Total liabilities		1,270,553	1,050,879
Shareholders' equity			
Share capital	V.38	2,446,554	2,446,554
Capital reserve		15,449,878	15,414,429
Other comprehensive income		41,308	43,167
Special reserves		12,973	11,564
Surplus reserve		240,162	240,162
Retained earnings	V.41	531,784	1,257,073
Total shareholders' equity		18,722,659	19,412,949
Total liabilities and shareholders' equity		19,993,212	20,463,828

(Expressed in RMB '000)

Consolidated Income Statement

	Notes	Year ended Decemer 31 2019	2018 (Restated)
I. Operating income	V.42	27,563,239	26,867,308
Less: Cost of sales	V.42	18,679,512	18,043,111
Taxes and surcharges	V.43	84,403	110,512
Selling and Distribution expenses	V.44	4,873,256	4,701,936
General and administrative expenses	V.45	1,562,317	998,133
Research and Development expenses	V.46	436,325	442,253
Financial expenses	V.47	1,665,885	570,392
Including: Interest expense		694,350	570,464
Interest income		81,190	81,578
Add: Investment income, net	V.48	(231,205)	628,257
Including: Income from investment in associates and joint ventures		19,861	7,001
Gain (loss) from changes in fair value	V.49	825,512	(979,334)
Credit impairment loss	V.50	(39,405)	(59,409)
Asset impairment losses	V.51	(413,816)	(237,284)
Gain from disposal of assets	V.52	127,073	1,966,155
II. Operating profit		529,700	3,319,356
Add: Non-operating income		25,726	16,741
Less: Non-operating expenses	V.53	103,854	36,960
III. Total profit		451,572	3,299,137
Less: Income tax expenses	V.54	174,531	851,261
IV. Net profit		277,041	2,447,876
(1). Classified by nature of operations			
(1.1). Continuing operations		277,041	2,447,876
(2). Classified by ownership			
(2.1). Shareholders of the Company		277,041	2,447,876
V. Other comprehensive income, net of tax	V. 39	106,365	1,194,875
Other comprehensive income (net of tax) attributable to shareholders of the Company		106,365	1,194,875
(1) Items that will not be reclassified to profit or loss:		(48,181)	26,757
(1.1) Re-measurement of defined benefit plan liability		(50,771)	26,757
(1.2) Fair Value changes in other equity investment		2,590	-
(2) Items that were or will be reclassified to profit or loss		154,546	1,168,118
(2.1) Effective portion of gains or loss of cash flow hedge		(138,917)	354,335
(2.2) Translation differences of foreign financial statements		293,463	813,783
VI. Total comprehensive income for the period attributable to Shareholders of the Company		383,406	3,642,751
VII. Earnings per share	XIV.2		
(1) Basic earnings per share (Yuan/share)		0.11	1.00
(2) Diluted earnings per share (Yuan/share)		N/A	N/A

For business combination under common control, net profit of the acquiree from the beginning of the year to the business combination was 38,027 thousand RMB; net profit of the acquiree in the comparative period (twelve months ended December 31, 2018) was 46,811 thousand RMB. See note VI.2 – Business combinations under common control.

(Expressed in RMB '000)

Income Statement

	Notes	Year ended December 31 2019	2018
I. Operating income	XV.6	1,405,709	3,112,153
Less: Operating costs	XV.6	1,024,665	2,048,073
Taxes and surcharges		11,992	29,965
Selling and Distribution expenses		58,172	179,097
General and administrative expenses		632,515	205,669
Research and Development expenses		53,447	121,307
Financial expenses (income)		(13,211)	(46,324)
Including: Interest expense		3,941	8,375
Interest income		26,114	25,827
Add: Investment income, net		2,583	1,808
Credit impairment loss		(2,018)	(116,171)
Asset Impairment losses		(147,421)	(75,080)
II. Operating Profit		(508,727)	384,923
Add: Non-operating income		6,726	1,872
Less: Non-operating expenses		28,739	1,847
III. Total profit		(530,740)	384,948
Less: Income tax expense (income)		(42,767)	61,552
IV. Net profit		(487,973)	323,396
Continuing operations		(487,973)	323,396
V. Other comprehensive income, net of tax		(1,859)	(7,454)
(1) Items that will not be reclassified to profit or loss		(1,859)	(7,454)
(1.1) Re-measurement of defined benefit plan liability		62	(7,454)
(1.2) FV changes in other equity investment		(1,921)	-
VI. Total comprehensive income for the period		(489,832)	315,942

(Expressed in RMB '000)

Consolidated Cash Flow Statement

		Notes	Year ended December 31 2019	2018 (Restated)
I.	**Cash flows from operating activities:**			
	Cash received from sale of goods and rendering of services		24,860,829	24,538,058
	Refund of taxes and surcharges		88,042	41,766
	Cash received relating to other operating activities	V.56(1)	664,837	736,834
	Sub-total of cash inflows from operating activities		25,613,708	25,316,658
	Cash paid for goods and services		17,877,786	16,266,684
	Cash paid to and on behalf of employees		3,408,818	3,272,940
	Payments of taxes and surcharges		683,477	656,195
	Cash paid relating to other operating activities	V.56(2)	2,800,140	2,821,686
	Sub-total of cash outflows from operating activities		24,770,221	23,017,505
	Net cash flows from operating activities	V.57(1)a	843,487	2,299,153
II.	**Cash flows from investing activities:**			
	Cash received from disposal of investments		63,685	11,500
	Cash received from returns of investments		8,424	8,354
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		186,607	2,452,866
	Cash received relating to other investing activities	V.56(3)	5,208	410
	Sub-total of cash inflows from investing activities		263,924	2,473,130
	Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,760,000	3,378,010
	Cash paid for acquisition of investments		60,500	6,566
	Net cash paid to acquire subsidiaries or other business units	V.57(2)	1,121,947	13,344
	Cash paid relating to other investing activities		-	14
	Sub-total of cash outflows from investing activities		2,942,447	3,397,934
	Net cash flows used in investing activities		(2,678,523)	(924,804)
III.	**Cash flows from financing activities:**			
	Cash received from borrowings		3,032,134	912,246
	Cash received from other financing activities	V.56(4)	179,911	-
	Sub-total of cash inflows from financing activities		3,212,045	912,246
	Cash repayments of borrowings		1,486,586	3,280,749
	Cash payment for dividends, profit distributions and interest		1,000,773	749,154
	Including: Dividends paid to non-controlling interest		43,043	28,703
	Cash paid relating to other financing activities	V.56(5)	936,712	58,003
	Sub-total of cash outflows from financing activities		3,424,071	4,087,906
	Net cash from financing activities		(212,026)	(3,175,660)
IV.	**Effects of foreign exchange rate changes on cash and cash equivalents**		20,773	168,005
V.	**Net decrease in cash and cash equivalents**	V.57(1)b	(2,026,289)	(1,633,306)
	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)	4,319,907	6,346,196

(Expressed in RMB '000)

Cash Flow Statement

	Notes	Year ended December 31 2019	2018
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		1,634,256	2,625,527
Refund of taxes and surcharges		54,483	12,981
Cash received relating to other operating activities	XV.7(1)	33,582	31,675
Sub-total of cash inflows from operating activities		1,722,321	2,670,183
Cash paid for goods and services		1,043,318	1,145,495
Cash paid to and on behalf of employees		213,846	184,110
Payments of taxes and surcharges		78,567	94,110
Cash paid relating to other operating activities	XV.7(2)	164,778	172,885
Sub-total of cash outflows from operating activities		1,500,509	1,596,600
Net cash flows from operating activities	XV.8	221,812	1,073,583
II. Cash flows from investing activities:			
Cash received from returns of investments		4,391	-
Sub-total of cash inflows from investing activities		4,391	-
Cash paid to acquire fixed assets, intangible assets and other long-term assets		400,366	133,531
Cash paid for acquisition of investments		415,000	-
Sub-total of cash outflows from investing activities		815,366	133,531
Net cash flows used in investing activities		(810,975)	(133,531)
III.Cash flows from financing activities:			
Cash received from borrowings		292,000	20,000
Cash received relating to other financing activities	XV.7.(3)	39,886	-
Sub-total of cash inflows from financing activities		331,886	20,000
Cash repayments of borrowings		92,000	196,590
Cash payment for dividends, profit distributions or interest		243,733	162,613
Cash paid relating to other financing activities	XV.7.(4)	14,469	449,975
Sub-total of cash outflows from financing activities		350,202	809,178
Net cash flow used in financing activities		(18,316)	(789,178)
IV. Effects of foreign exchange rate changes on cash and cash equivalents		(1,840)	(9,564)
V. Net increase in cash and cash equivalents		(609,319)	141,310
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	1,395,994	2,005,313

(Expressed in RMB '000)

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2019

	Attributable to shareholders of the Company						
	Share capital	**Capital reserve**	**Other comprehen-sive income**	**Special re-serves**	**Surplus reserve**	**Retained earnings**	**Total**
I. Balance at December 31, 2018	2,446,554	12,975,456	1,090,952	13,536	240,162	5,513,466	22,280,126
Add: Business combination under common control*	-	349,035	(125)	-	-	115,826	464,736
II. Balance at January 1, 2019	2,446,554	13,324,491	1,090,827	13,536	240,162	5,629,292	22,744,862
III. Changes in equity for the period	-	(421,323)	101,854	1,391	-	(55,119)	(373,197)
1. Total comprehensive income	-	-	106,365	-	-	277,041	383,406
2. Owner's contributions and reduction	-	(421,323)	-	-	-	-	(421,323)
2.1 Consideration for Business combination under common control	-	(415,000)	-	-	-	-	(415,000)
2.2 Other	-	(6,323)	-	-	-	-	(6,323)
3. Appropriation of profits	-	-	-	-	-	(336,671)	(336,671)
3.1 Distribution to owners	-	-	-	-	-	(293,628)	(293,628)
3.2 Distribution to non-controlling interest	-	-	-	-	-	(43,043)	(43,043)
4. Transfers within owners' equity	-	-	(4,511)	-	-	4,511	-
4.1 Others	-	-	(4,511)	-	-	4,511	-
5. Special reserve	-	-	-	1,391	-	-	1,391
5.1 Transfer to special reserve	-	-	-	19,675	-	-	19,675
5.2 Amount utilized	-	-	-	(18,284)	-	-	(18,284)
IV. Balance at December 31, 2019	2,446,554	12,903,168	1,192,681	14,927	240,162	5,574,173	22,371,665

* See note VI.2 – Business combinations under common control.

(Expressed in RMB '000)

Consolidated Statement of Changes in Shareholders' Equity (continued)

For the year ended December 31, 2018

	Attributable to shareholders of the Company						
	Share capital	**Capital reserve**	**Other comprehensive income**	**Special reserves**	**Surplus reserve**	**Retained earnings**	**Total**
I. Balance at December 31, 2017	2,446,554	12,982,277	(154,701)	9,349	207,823	3,286,711	18,778,013
Add: Changes in accounting 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	-	(6,821)	1,194,875	4,187	32,339	2,248,055	3,472,635
1. Total comprehensive income	-	-	1,194,875	-	-	2,447,876	3,642,751
2. Owner's contributions and reduction	-	(6,821)	-	-	-	-	(6,821)
2.1 Others	-	(6,821)	-	-	-	-	(6,821)
3. Appropriation of profits	-	-	-	-	32,339	(199,821)	(167,482)
3.1 Transfer to surplus reserve	-	-	-	-	32,339	(32,339)	-
3.2 Distribution to owners	-	-	-	-	-	(154,133)	(154,133)
3.3 Distribution to non-controlling interest	-	-	-	-	-	(28,715)	(28,715)
3.4 Other	-	-	-	-	-	15,366	15,366
4. Special reserve	-	-	-	4,187	-	-	4,187
4.1 Transfer to special reserve	-	-	-	22,200	-	-	22,200
4.2 Amount utilized	-	-	-	(18,013)	-	-	(18,013)
IV. Balance at December 31, 2018	2,446,554	13,324,491	1,090,827	13,536	240,162	5,629,292	22,744,862

* See note VI.2 – Business combinations under common control

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2019

	Attributable to shareholders of the Company						
	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Total
I. Balance at December 31, 2018	2,446,554	15,414,429	43,167	11,564	240,162	1,257,073	19,412,949
II. Changes in equity for the period	-	35,449	(1,859)	1,409	-	(725,289)	(690,290)
1. Total comprehensive income	-	-	(1,859)	-	-	(487,973)	(489,832)
2. Owner's contributions and reduction	-	35,449	-	-	-	-	35,449
2.1 Other	-	35,449	-	-	-	-	35,449
3. Appropriation of profits	-	-	-	-	-	(237,316)	(237,316)
3.1 Transfer to Distribution to shareholders	-	-	-	-	-	(237,316)	(237,316)
4. Special reserve	-	-	-	1,409	-	-	1,409
4.1 Transfer to special reserve	-	-	-	10,924	-	-	10,924
4.2 Amount utilized	-	-	-	(9,515)	-	-	(9,515)
Ⅲ. Balance at December 31, 2019	2,446,554	15,449,878	41,308	12,973	240,162	531,784	18,722,659

For the year ended December 31, 2018

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

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 Agro-chemical 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 April 27, 2020.

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

II BASIS OF PREPARATION

1. Basis of preparation

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

II BASIS OF PREPARATION - (cont'd)

2. Accrual basis and measurement principle

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

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

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

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

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

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

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

3. Going concern

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

The Group has performed an assessment of the going concern for the following 12 months from December 31, 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 December 31, 2019 and consolidated and the Company's operating results, changes in shareholders' equity and cash flows for the six months then ended.

2. Accounting period

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

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

3. Business cycle

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

4. Reporting currency

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

5. Business combinations

5.1 Business combinations involving enterprises under common control

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

During March 2019, the acquisition of Jiangsu Anpon Electrochemical co. LTD. (Hereinafter – "Anpon"), a wholly-owned subsidiary of CNAC, was successfully completed. Anpon became a wholly owned subsidiary of the Company. The combination was considered as a business combination under common control. On March 29, 2019 the entire share capital of Anpon was transferred from CNAC to the Company - (See note VI.2 – Business combinations under common control).

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

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

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

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

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

5. Business combinations - (cont'd)

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

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

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

6. Basis for preparation of consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

7. Classification and accounting methods of joint arrangement

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

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

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

8. Cash and cash equivalents

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

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

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

9.1 Transactions denominated in foreign currencies

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

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

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

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

9.2 Translation of financial statements denominated in foreign currency

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

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

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

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

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

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

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

10. Financial instruments

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

10.1 Classification and measurement of financial assets

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

10.1.1 Financial assets at amortised cost

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

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

10.1.1.1 Effective interest method and amortised cost

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

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

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

10. Financial instruments - (cont'd)

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

10.1.2 Financial assets at FVTOCI

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

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

10.1.3 Financial assets at FVTPL

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

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

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

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

10.1.4 Designated financial assets at FVTOCI

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

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

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

10. Financial instruments - (cont'd)

10.2 Impairment of financial assets

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

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

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

10.2.1 Significant increases in credit risk

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

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

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

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

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

10. Financial instruments - (cont'd)

10.2 Impairment of financial assets - (cont'd)

10.2.2 Credit-impaired financial asset

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

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

10.2.3 Recognition of expected credit losses

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

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

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

The Group measures expected credit losses of a financial instrument in a way that reflects:

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

10.2.4 Written-off of financial assets

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

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

10. Financial instruments - (cont'd)

10.3 Transfer of financial asset

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

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

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

10.4 Classification and measurement of financial liabilities

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

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

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

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

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

10. Financial instruments - (cont'd)

10.5 Derecognition of financial liabilities

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

10.6 Derivatives

Derivative financial instruments include forward exchange contracts, currency swaps and foreign exchange options, etc. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognized in profit or loss unless the derivative is designated and highly effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship (Note III 28.1).

10.7 Offsetting financial assets and financial liabilities

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

10.8 Equity instruments

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

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

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

11. Receivables

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

Expected credit losses in respect of a receivable is measured at an amount equal to lifetime expected credit losses. The assessment is made collectively for account receivables, where receivables share similar credit risk characteristics based on geographical location, using the expected credit losses model including inter-alia aging analysis, historical loss experiences adjusted by the observable factors reflecting current and expected future economic conditions. The ratio of the collective provision for non-overdue account receivables is between 0%-1.4%.

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

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

12. Inventories

12.1 Categories of inventories and initial measurement

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

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

12.2 Valuation method of inventories upon delivery

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

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

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

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

12.4 The perpetual inventory system is maintained for stock system.

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

13. Long-term equity investments

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

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

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

13.1 Determination of investment cost

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

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

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

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

13.2 Subsequent measurement and recognition of profit or loss

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

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

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

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

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

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

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

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

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

If the recoverable amounts of the investments to subsidiaries, joint ventures and associates are less than their carrying amounts, an impairment loss should be recognized to reduce the carrying amounts to the recoverable amounts (Note III 20).

13.5 The disposal of long-term equity investment

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

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

14. Investment properties

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

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

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

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

15. Fixed assets

15.1 Recognition criteria for fixed assets

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

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

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

(Expressed in RMB '000)

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

15. Fixed assets - (cont'd)

15.2 Depreciation of each category of fixed assets

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

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

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

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

Land owned by the Group is not depreciated.

15.3 Other explanations

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

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

16. Construction in progress

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

The difference between recoverable amounts of the construction in progress under the carrying amount is referred to as impairment loss (Note III 20).

(Expressed in RMB '000)

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

17. Borrowing costs

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

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

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

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

18. Intangible assets

18.1 Valuation methods, useful life, impairment test

The Group's intangible assets include product registration assets, intangible assets upon purchase of products, marketing rights and rights to use tradenames and trademarks, land use rights, software and customer relations. 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
Marketing rights, 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 – Impairment of long-term assets).

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 – Impairment of long-term assets). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

20. Impairment of long-term assets

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

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

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

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

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

21. Employee benefits

21.1 Short-term employee benefits

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

21.2 Post-employment benefits

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

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

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

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

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

21. Employee benefits - (cont'd)

21.3 Termination benefits

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

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

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

21.4 Other long-term employee benefits

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

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

22. Share-based payment

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

22.1 Cash-settled share-based payment

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

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

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

23. Provisions

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

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

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

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

24. Revenue

Revenue of the Group is mainly from sale of goods.

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

<u>Significant financing component</u>

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.

<u>Sale with a right of return</u>

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

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

25. Government grants

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

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

Government grants are either related to assets or income.

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

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

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

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

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

26. Current and deferred tax

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

26.1 Current income tax

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

26.2 Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

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

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

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

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

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

26.3 Offset of income tax

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

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

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

27. Leases

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

27.1 Determining whether an arrangement contains a lease

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

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

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

27.2 Initial recognition of leased assets and lease liabilities

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

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

27.3 The lease term

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

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

27.4 Variable lease payments

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

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

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

27. Leases (cont'd)

27.5 Subsequent measurement

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

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

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

28. Other significant accounting policies and accounting estimates

28.1 Hedging

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

Hedge accounting

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

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

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

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

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

Measurement of derivative financial instruments

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

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

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

28.1 Hedging (cont'd)

Cash-flow hedges

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

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

Economic hedge

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

Derivatives that are not used for hedging

Changes in the fair value of derivatives that are not used for hedging are recognized in profit or loss as gain (loss) from changes in fair value or investment income.

28.2 Securitization of assets

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

28.3 Segment reporting

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

(Expressed in RMB '000)

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

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

28.3 Segment reporting - (cont'd)

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

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

28.4 Profit distributions to shareholders

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

29. Changes in significant accounting policies and accounting estimates

29.1 Changes in significant accounting policies

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

(Expressed in RMB '000)

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

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

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

<table>
<tr><th>The contents and reasons for the changes of accounting policies</th><th>Process for management approval</th></tr>
<tr><td>For operating leases before the initial application date, the Group adopts the simplifying approaches below for each lease:

- When determining lease liabilities, the same discount rate will be used for leases with similar characteristics;
- For leases with options to extend or terminate, the Group determines the lease term based on the actual exercise of options before the initial application date and other most updated information;
- As a substitute of impairment test for right-of-use assets, the Group applies ASBE13 Contingencies, to assess if the contract containing a lease is a loss contract and adjust the right of-use assets based on the loss incurred at the initial application date.
- For lease modifications before the initial application date, the Group makes accounting treatments based on the final lease arrangements after the lease modification.

On January 1, 2019, as a result of the implementation of the standard, the lease liabilities increased by 506,863 thousands RMB, and right-of-use assets by 506,863 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%.</td><td></td></tr>
<tr><td>In preparation of 2019 interim financial report, the Group began to adopt the Notice on Revising the Format of 2019 Financial Statements for General Enterprises (CaiKuai [2019] No.6, hereinafter "CaiKuai No.6") promulgated by Ministry of Finance on April 30, 2019. CaiKuai No.6 revised accounts in balance sheets, income statements, statements of cash flows and statements of changes in shareholders' equity, including:

- "Notes and accounts receivable" is split into "Notes receivable" and "Accounts receivable";
- "Notes and accounts payable" is split into "Notes payable" and "Accounts payable";
- Newly added "Receivables financing" and "Special reserve";
- Make clear or revise the contents presented within the accounts of "Other receivables", "Non-current assets due within one year", "Other payables", "Deferred income", "Other equity instruments", "Research and Development expenses", "Interest income" and "Interest expenses" as subitems of "Finance expenses", "Other income", "Non-operating income", "Non-operating expenses", and "Capital injected by holders of other equity instruments".
- Added disclosure requirements for provision of loss allowance, for loan commitments and financial guarantee contracts;
- Added "Gain from derecognition of financial assets at amortized cost" as a subitem of "Investment income";
- Adjusted the sequence of some items within the income statements;
- Make clear of the items in the cash flow statements, for the cash flows related to government grants.
The above modifications were retrospectively adjusted for comparative numbers. There is no significant impact to the Company's financial statements from implementation Caikuai No.6.</td><td>The accounting policy change was approved by the board of directors meeting in 21.8.2019</td></tr>
</table>

(Expressed in RMB '000)

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

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

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

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

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

29.2 Changes in significant accounting estimates

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

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

30. Significant accounting estimates and judgments

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

Notes V.34, Note VIII, Note IX and Note XIII contain information about the assumptions and their risk factors relating to post-employment benefits – defined benefit plans, fair value of financial instruments and share-based payments. Other key sources of estimation uncertainty are as follows:

30.1 Expected credit loss of trade receivables

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

30.2 Provision for impairment of inventories

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

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

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

30.3 Impairment of assets other than inventories and financial assets

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

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

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

As described in Note III.15 and III.18, assets such as fixed assets and intangible assets are depreciated and amortised over their useful lives after taking into account residual value. The estimated useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and the estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

30.5 Income taxes and deferred income tax

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

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

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

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

30.6 Contingent liabilities

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

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

30.7 Employee benefits

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

30.8 Derivative financial instruments

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

(Expressed in RMB '000)

IV. Taxation

1. Main types of taxes and corresponding tax rates:

The income tax rate in China is 25% (2018: 25%). The subsidiaries outside of China are assessed based on the tax laws in the country of their residence.

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

Name of subsidiary	Location	2019
ADAMA agriculture solutions Ltd.	Israel	23.0%
ADAMA Makhteshim Ltd.	Israel	7.5%
ADAMA Agan Ltd.	Israel	16.0%
ADAMA Brasil S/A	Brazil	34.0%
Makhteshim Agan of North America Inc.	U.S.	24.7%
ADAMA India Private Ltd	India	25.2%
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	31.0%
ADAMA Northern Europe B.V.	Netherlands	25.0%
ADAMA Italia S.R.L.	Italy	27.9%
Alligare Inc.	U.S.	26.5%

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

IV. Taxation - (cont'd)

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

(1) Benefits from Hi-Tech Certificate

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

Jiangsu Anpon Electrochemical Co. Ltd, a subsidiary of the Company, was jointly approved as new and high-tech enterprise, by the Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province, Jiangsu Provincial Office of the State Administration of Taxation, and the applicable income tax rate from 2018 to 2020 is 15%.

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

Industrial enterprises of subsidiaries in Israel were granted "Approved Enterprise" or "Beneficiary Enterprise" status under the Israeli Law for the Encouragement of Capital Investments, 1959. Should a dividend be distributed from the retained earning produced in which the company was considered as an "Approved Enterprise" or "Beneficiary Enterprise", the company may be liable for tax at the time of distribution.

On December 29, 2010 the Knesset approved the Economic Policy Law for 2011-2012, which includes an amendment to the Law for the Encouragement of Capital Investments - 1959 (hereinafter - "the Amendment"). The Amendment is effective from January 1, 2011 and its provisions apply to preferred income derived or accrued in 2011 and thereafter by a preferred company, per the definition of these terms in the Amendment.

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

The Amendment provides that only companies in Development Area A will be entitled to the grants track and that they will be entitled to receive benefits under this track and under the tax benefits track at the same time. The tax benefit tracks under the law are: a preferred enterprise and a special preferred enterprise, which mainly provide a uniform and reduced tax rate for all the company's income entitled to benefits. Tax rates on preferred income as from the 2017 tax year as follows: 7.5% for Development Area A and 6% for the rest of the country.

The amendment further determined that no tax shall apply to dividend distributed out of preferred income to shareholder who is Israel resident company.

On December 21, 2016 the Knesset plenum passed the second and third reading of the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) – 2016 in which the Encouragement Law was also amended (hereinafter: "the Amendment"). The Amendment added new tax benefit tracks for a "preferred technological enterprise" and a "special preferred technological enterprise" which award reduced tax rates to a technological industrial enterprise for the purpose of encouraging activity relating to the development of qualifying intangible assets.

The benefits will be awarded to a "preferred company" that has a "preferred technological enterprise" or a "special preferred technological enterprise" with respect to taxable "preferred technological income" per its definition in the Encouragement Law.

IV. Taxation - (cont'd)

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

Preferred technological income that meets the conditions required in the law, will be subject to a reduced corporate tax rate of 12%, and if the preferred technological enterprise is located in Development Area A to a tax rate of 7.5%. A company that owns a special preferred technological enterprise will be subject to a reduced corporate tax rate of 6% regardless of the development area in which the enterprise is located. The Amendment is effective as from January 1, 2017.

On May 16, 2017 the Knesset Finance Committee approved Encouragement of Capital Investment Regulations (Preferred Technological Income and Capital Gain of Technological Enterprise) – 2017 (hereinafter: "the Regulations"), which provides rules for applying the "preferred technological enterprise" and "special preferred technological enterprise" tax benefit tracks including the Nexus formula that provides the mechanism for allocating the technological income eligible for the benefits.

Solutions applied to the Tax Authority in order to be included under the applicability of the amended law.

(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 submission of a consolidated report together with Adama Agan as of 2017) and amortization of know-how over 8 years, higher rates of depreciation.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements

1. Cash at Bank and On Hand

	December 31 2019	December 31 2018 (Restated)
Cash on hand	6,265	1,380
Deposits in banks	4,313,642	6,344,816
Other cash and bank	28,681	53,994
	4,348,588	6,400,190
Including cash and bank placed outside China	2,443,065	3,873,638

As at December 31, 2019, restricted cash and bank balances was 28,681 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

	December 31 2019	December 31 2018 (Restated)
Debt instruments	15,788	22,108
Other	13,722	23,987
	29,510	46,095

3. Derivative financial assets

	December 31 2019	December 31 2018 (Restated)
Economic hedge	436,201	389,068
Accounting hedge derivatives	53,912	128,658
	490,113	517,726

4. Bills Receivable

	December 31 2019	December 31 2018 (Restated)
Post-dated checks receivable	13,757	31,935
Bank acceptance draft	12,243	8,634
	26,000	40,569

All bills receivables are due within 1 year.

(Expressed in RMB '000)

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

5. Accounts Receivable

a. By category

	December 31, 2019				
	Book value		Provision for expected credit losses		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	534,532	6	299,267	56	235,265
Account receivables assessed collectively for impairment	7,868,077	94	99,185	1	7,768,892
	8,402,609	100	398,452	5	8,004,157

	December 31, 2018 (Restated)				
	Book value		Provision for expected credit losses		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	458,217	7	335,873	73	122,344
Account receivables assessed collectively for impairment	6,548,131	93	97,375	1	6,450,756
	7,006,348	100	433,248	6	6,573,100

b. Aging analysis

	December 31, 2019
Within 1 year (inclusive)	7,967,217
Over 1 year but within 2 years	170,380
Over 2 years but within 3 years	74,199
Over 3 years but within 4 years	31,407
Over 4 years but within 5 years	25,386
Over 5 years	134,020
	8,402,609

(Expressed in RMB '000)

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

5. Accounts Receivable – (cont'd)

Main groups of account receivables assessed collectively for impairment based on geographical location:

Geographical location A:

Account receivables in geographical location A are grouped based on similar credit risk:

	December 31, 2019		
	Book value	Provision for expected credit loss	Percentage (%)
A	1,470,749	6,717	0.05 - 0.97
B	607,056	9,740	1.60
C	290,753	15,963	5.49
D	52,875	2,022	3.83
	2,421,433	34,442	1.42

Geographical location B:

Account receivables in geographical location B are grouped based on aging analysis:

	December 31, 2019		
	Book value	Provision for expected credit loss	Percentage (%)
Accounts receivable that are not overdue	535,591	4,759	0.9
Debts overdue less than 60 days	100,537	3,016	3.0
Debts overdue less than 180 days but more than 60 days	26,341	2,634	10.0
Debts overdue above 180 days	14,697	5,879	40.0
Legal Debtors	39,748	39,748	100.0
	716,914	56,036	7.8

Other geographical locations:

	December 31, 2019		
	Book value	Provision for expected credit loss	Percentage (%)
Other account receivables assessed collectively for impairment	4,729,730	8,707	0.0 - 2.2

(Expressed in RMB '000)

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

5. Accounts Receivable – (cont'd)

c. Addition, written-back and written-off of provision for expected credit losses during the period

Addition of provision for expected credit loss 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	-	26,446	26,446
Addition during the period, net	-	68,303	68,303
Write back during the period	(5,384)	(23,596)	(28,980)
Write-off during the period	-	(95,495)	(95,495)
Exchange rate effect	717	(5,787)	(5,070)
Balance as of December 31, 2019	47,908	350,544	398,452

d. Five largest accounts receivable at December 31, 2019:

Name	Closing balance	Proportion of Accounts receivable (%)	Allowance of expected credit losses
Party 1	152,779	2	-
Party 2	98,818	1	-
Party 3	94,011	1	-
Party 4	79,808	1	-
Party 5	54,624	1	-
Total	480,040	6	-

e. Derecognition of accounts receivable due to transfer of financial assets

Certain subsidiaries of the group entered into a securitization transaction with Rabobank International for sale of trade receivables (hereinafter – "the Securitization Program" and/or "the Securitization Transaction").

Pursuant to the Securitization Program, the companies will sell their trade receivables debts, in various different currencies, to a foreign company that was set up for this purpose and that is not owned by the Adama Ltd. (hereinafter – "the Acquiring Company"). Acquisition of the trade receivables by the Acquiring Company is financed by a U.S. company, Nieuw Amsterdam Receivables Corporation for the Rabobank International Group.

The trade receivables included as part of the Securitization Transaction are trade receivables that meet the criteria provided in the agreement.

Every year the credit facility is re approved in accordance with the Securitization Program. As at the date of the report, the Securitization Agreement was approved up to July 16, 2020.

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

5. Accounts Receivable – (cont'd)

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

The maximum scope of the securitization is adjusted for the seasonal changes in the scope of the Company's activities, as follows: during the months March through June the maximum scope of the securitization is $350 million (as of December 31, 2019 - 2,442 million RMB), during the months July through September the maximum scope of the securitization is $300 million (as of December 31, 2019 - 2,093 million RMB) and during the months October through February the maximum scope of the securitization is $250 million (as of December 31, 2019 - 1,744 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 December 31, 2019, Solutions was in compliance with the financial covenants.

The accounting treatment of sale of the trade receivables included as part of the Securitization Program is:

The Company is not controlling the Acquiring Company, therefore the Acquiring Company is not consolidated in the financial statements.

The Company continues to recognize the trade receivables included in the Securitization Program based on the extent of its continuing involvement therein.

In respect of the part of the trade receivables included in the securitization Program with respect to which cash proceeds were not yet received, however regarding which the Company has transferred the credit risk, a subordinated note is recorded.

The continuing involvement and subordinated note recorded in the balance sheet as part of the "other receivables" line item.

(Expressed in RMB '000)

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

5. Accounts Receivable – (cont'd)

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

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

In the third quarter of 2019, a subsidiary in Brazil (hereinafter - "the subsidiary") renewed a 3 years securitization agreement 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 300 million (as of December 31, 2019 - 520 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 95% of the credit risk in respect of the customers whose debts were sold such that the entity has the right of recourse of 5% 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 (5% right of recourse) and also recognizes an associated liability in the same amount.

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

	December 31 2019	December 31 2018 (Restated)
Accounts receivables derecognized	2,994,917	2,541,443
Continuing involvement	134,243	129,893
Subordinated note in respect of trade receivables	808,807	622,362
Liability in respect of trade receivables	26,370	35,572

	Year ended December 31	
	2019	2018
Loss in respect of sale of trade receivables	91,006	79,060

(Expressed in RMB '000)

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

6. Receivables financing

	December 31 2019	December 31 2018 (Restated)
Bank acceptance draft	78,948	73,216
	78,948	73,216

As at December 31, 2019, bank acceptance endorsed but not yet due amounts to 409,660 thousands RMB.

7. Prepayments

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

	December 31 2019		December 31 2018 (Restated)	
	Amount	Percentage(%)	Amount	Percentage(%)
Within 1 year (inclusive)	370,607	98	401,674	98
Over 1 year but within 2 years (inclusive)	3,691	1	3,810	1
Over 2 years but within 3 years (inclusive)	621	-	1,840	-
Over 3 years	2,889	1	3,182	1
	377,808	100	410,506	100

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

	Amount	Percentage of prepayments (%)
December 31, 2019	142,017	38

(Expressed in RMB '000)

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

8. Other Receivables

(1) Other receivables by nature

	December 31 2019	December 31 2018 (Restated)
Dividends receivable	-	5,245
Others	1,195,253	1,074,087
	1,195,253	1,079,332

a. Other receivables by categories

	December 31 2019	December 31 2018 (Restated)
Trade receivables as part of securitization transactions not yet eliminated	134,243	129,893
Subordinated note in respect of trade receivables	808,807	622,362
Financial institutions	5,107	98,837
Receivables in respect of disposal of fixed assets	28,762	28,551
Other	233,238	214,512
Sub total	1,210,157	1,094,155
Provision for expected credit losses - other receivables	(14,904)	(14,823)
	1,195,253	1,079,332

b. Other receivables by aging

	December 31 2019
Within 1 year (inclusive)	1,178,555
Over 1 year but within 2 years	3,457
Over 2 years but within 3 years	3,103
Over 3 years but within 4 years	2,830
Over 4 years but within 5 years	15,640
Over 5 years	6,572
	1,210,157

(Expressed in RMB '000)

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

8. Other Receivables - (cont'd)

(2) Additions, recovery or reversal and written-off of provision for expected credit losses during the period:

	Year ended December 31, 2019
Balance as of January 1 2019,	14,823
Addition during the period	532
Written back during the period	(450)
Write-off during the period	(1)
Balance as of December 31, 2019	14,904

(3) Five largest other receivables at December 31, 2019:

Name	Closing balance	Proportion of other receivables (%)	Allowance of expected credit losses
Party 1	808,807	67	-
Party 2	38,209	3	-
Party 3	25,289	2	-
Party 4	22,987	2	-
Party 5	15,437	1	-
Total	910,729	75	-

9. Inventories

(1) Inventories by category:

	December 31, 2019		
	Book value	Provision for impairment	Carrying amount
Raw materials	3,100,027	22,344	3,077,683
Work in progress	633,731	5,351	628,380
Finished goods	6,131,386	184,900	5,946,486
Others	288,794	8,689	280,105
	10,153,938	221,284	9,932,654

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

(Expressed in RMB '000)

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

9. Inventories - (cont'd)

(2) Provision for impairment of inventories:

For the year ended December 31, 2019

	January 1, 2019	Provision	Reversal or write-off	Other*	December 31, 2019
Raw material	20,232	10,137	(6,690)	(1,335)	22,344
Work in progress	1,576	1,514	(331)	2,592	5,351
Finished goods	158,053	84,610	(69,601)	11,838	184,900
Others	10,514	1,373	(2,713)	(485)	8,689
	190,375	97,634	(79,335)	12,610	221,284

* Includes amount of 10,377 RMB related to first time consolidation.

10. Other Current Assets

	December 31 2019	December 31 2018 (Restated)
Deductible VAT	459,209	476,706
Current tax assets	170,505	142,412
Others	29,481	41,688
	659,195	660,806

11. Long-Term Receivables

	December 31 2019	December 31 2018 (Restated)
Long term account receivables from sale of goods	170,896	157,600
	170,896	157,600

(Expressed in RMB '000)

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

12. Long-Term Equity Investments

(1) Long-term equity investments by category:

	December 31 2019	December 31 2018 (Restated)
Investments in joint ventures	92,695	68,584
Investments in associates	40,403	39,766
	133,098	108,350

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

	January 1 2019	Investment income (loss)	Other Comprehensive income	Declared distribution of cash dividend	Other	Balance at the end of the period
Joint ventures						
Company A	62,696	8,423	(355)	-	5,160	75,924
Company B	4,598	756	87	-	-	5,441
Company C	1,290	-	(244)	-	-	1,046
Company D	-	10,698	(185)	(661)	432	10,284
Sub-total	68,584	19,877	(697)	(661)	5,592	92,695
Associates						
Company E	39,766	(16)	653	-	-	40,403
Sub-total	39,766	(16)	653	-	-	40,403
	108,350	19,861	(44)	(661)	5,592	133,098

13. Other equity investments

	December 31 2019	December 31 2018 (Restated)
Company A	85,495	79,554
Company B	67,781	-
Company C	1,786	1,709
Company D	-	564
Company E	-	9,574
Other	-	158
	155,062	91,559

Other equity investments are non-core businesses that are intended to be held in the foreseeable future. For the twelve months period ended at December 31, 2019 the company did not recognize dividend income from other equity investments.

(Expressed in RMB '000)

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

14. Fixed assets

	Land & Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
Cost					
Balance as at January 1, 2019	3,233,536	13,687,403	101,078	321,424	17,343,441
Changes in accounting policy *	(9,855)	(1,221)	-	-	(11,076)
Purchases	40,243	195,315	26,628	44,207	306,393
Transfer from construction in progress	75,246	342,457	-	1,503	419,206
Disposals	(79,418)	(24,242)	(10,589)	(10,138)	(124,387)
Currency translation adjustment	29,575	144,799	1,355	4,863	180,592
First time consolidation	88,206	39,231	1,428	3,939	132,804
Balance as at December 31, 2019	3,377,533	14,383,742	119,900	365,798	18,246,973
Accumulated depreciation					
Balance as at January 1, 2019	(1,478,842)	(7,959,325)	(51,531)	(242,697)	(9,732,395)
Changes in accounting policy *	3,198	961	-	-	4,159
Charge for the period	(151,340)	(635,661)	(16,952)	(36,111)	(840,064)
Disposals	16,589	28,048	9,100	10,000	63,737
Currency translation adjustment	(16,231)	(94,799)	(301)	(3,822)	(115,153)
First time consolidation	(40,582)	(29,300)	(995)	(3,480)	(74,357)
Balance as at December 31, 2019	(1,667,208)	(8,690,076)	(60,679)	(276,110)	(10,694,073)
Provision for impairment					
Balance as at January 1, 2019	(68,702)	(278,223)	(8)	(247)	(347,180)
Charge for the period **	(147,704)	(137,266)	(725)	-	(285,695)
Disposals	20,307	753	-	-	21,060
Currency translation adjustment	(196)	(1,275)	-	(4)	(1,475)
Balance as at December 31, 2019	(196,295)	(416,011)	(733)	(251)	(613,290)
Carrying amounts					
As at December 31, 2019	1,514,030	5,277,655	58,488	89,437	6,939,610
As at January 1, 2019	1,685,992	5,449,855	49,539	78,480	7,263,866

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

* See note III.29.1 – Change in significant accounting policies.

** For further information regarding the impairment during the period see note XI.2 – Commitments and contingent liabilities.

(Expressed in RMB '000)

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

15. Construction in Progress

(1) Construction in progress

December 31 2019			December 31 2018 (Restated)		
Book value	Provision for impairment*	Carrying amount	Book value	Provision for impairment	Carrying amount
814,126	(25,740)	788,386	493,181	(5,977)	487,204

(2) Details and Movements of major construction projects in progress during the year ended December 31, 2019

	Budget	January 1, 2019	Additions	Currency translation differences	Transfer to fixed assets	Provision for impairment	December 31, 2019	Actual cost to budget (%)	Project progress (%)	Source of funds
Project A	1,509,420	120,412	256,584	-	-	-	376,996	25	25	Bank loan
Project B	505,643	1,220	11,844	-	-	-	13,064	3	3	Internal finance
Project C	172,055	58,177	15,559	-	(29,563)	(25,740)	18,433	43	43	Internal finance
Project D	80,924	42,476	1,876	721	-	-	45,073	56	56	Internal finance
Project E	32,000	16,593	15,319	-	-	-	31,912	100	100	Bank loan
Project F	44,760	13,818	6,181	-	-	-	19,999	45	45	Bank loan
Project G	138,000	-	8,256	-	-	-	8,256	6	6	Internal finance
Project H	34,374	31,358	1,085	171	(32,614)	-	-	94	100	Internal finance
Project I	75,622	2,457	43,910	764	(47,131)	-	-	62	62	Internal finance

* For further information regarding the impairment during the period see note XI.2 – Commitments and contingent
liabilities.

(Expressed in RMB '000)

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

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	103,893	3,526	74,371	518	182,308
Disposals	(6,002)	(618)	(16,759)	(176)	(23,555)
Currency translation adjustment	5,384	748	2,412	50	8,594
Balance as at December 31, 2019	456,983	46,714	178,402	3,187	685,286
Accumulated depreciation					
Balance as at January 1, 2019 *	(3,198)	(961)	-	-	(4,159)
Charge for the period	(77,181)	(7,117)	(74,952)	(1,139)	(160,389)
Disposals	4,012	351	12,446	155	16,964
Currency translation adjustment	(829)	(93)	(732)	(14)	(1,668)
Balance as at December 31, 2019	(77,196)	(7,820)	(63,238)	(998)	(149,252)
Provision for impairment					
Balance as at January 1, 2019	-	-	-	-	-
Balance as at December 31, 2019	-	-	-	-	-
Carrying amounts					
As at December 31, 2019	379,787	38,894	115,164	2,189	536,034
As at January 1, 2019	350,510	42,097	118,378	2,795	513,780

* See note III.29.1 – Change in significant accounting policies.

(Expressed in RMB '000)

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

17. Intangible Assets

	Product registration	Intangible assets on Purchase of Products	Software	Marketing rights, trade-name 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	589,690	-	99,345	1,014	-	441	13,607	704,097
Currency translation adjustment	177,548	67,858	11,199	11,908	6,624	643	4,816	280,596
Disposal	(172)	-	(2,034)	(297)	-	(3,134)	-	(5,637)
First time consolidation	280,625	-	4,248	270,469	200,392	-	-	755,734
Balance as at December 31, 2019	10,769,146	4,189,417	761,236	743,734	399,193	344,917	326,115	17,533,758
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	(784,036)	(379,821)	(63,442)	(28,559)	(33,956)	(7,820)	(37,077)	(1,334,711)
Currency translation adjustment	(122,221)	(35,068)	(7,670)	(7,013)	(3,179)	(295)	(2,171)	(177,617)
Disposal	-	-	2,028	241	-	1,055	-	3,324
First time consolidation	(102,397)	-	(4,248)	(174)	-	-	-	(106,819)
Balance as at December 31, 2019	(7,873,186)	(2,278,371)	(513,028)	(441,587)	(196,458)	(65,271)	(164,844)	(11,532,745)
Provision for impairment								
Balance as at January 1, 2019	(84,026)	(51,337)	-	-	-	-	(4,721)	(140,084)
Charge for the period	(22,407)	-	-	-	-	-	(445)	(22,852)
Currency translation adjustment	(1,642)	(845)	-	-	-	-	195	(2,292)
Disposal	-	-	-	-	-	-	-	-
Balance as at December 31, 2019	(108,075)	(52,182)	-	-	-	-	(4,971)	(165,228)
Carrying amount								
As at December 31, 2019	2,787,885	1,858,864	248,208	302,147	202,735	279,646	156,300	5,835,785
As at January 1, 2019	2,772,897	2,206,740	208,782	54,558	32,854	288,756	177,375	5,741,962

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

(2) Mainly non-compete.

(Expressed in RMB '000)

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

18. Goodwill

Changes in goodwill

The Group identified two cash generating units ("CGU"), Crop Protection (Agro) and Intermediates and ingredients (formerly known as "Other") 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 Crop Protection and Intermediates and ingredients 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 as well as the DCF model analysis in order to benchmark each of its CGU's valuation against that of the markets peer companies.

As of December 31, 2019 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 December 31, 2019
Book value	4,085,945	355,715	69,533	4,511,193
Impairment provision	-	-	-	-
Carrying amount	4,085,945	355,715	69,533	4,511,193

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

	December 31 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	611,496	136,594	576,498	82,516
Deferred tax assets in respect of inventories	1,552,766	413,713	1,651,046	442,237
Deferred tax assets in respect of employee benefits	973,434	135,422	660,472	101,026
Other deferred tax asset	1,606,933	387,109	1,236,811	340,984
	4,744,629	1,072,838	4,124,827	966,763

(Expressed in RMB '000)

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

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

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

	December 31 2019		December 31 2018 (Restated)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Deferred tax liabilities in respect of fixed assets and intangible assets	3,551,402	569,446	3,886,541	617,430
	3,551,402	569,446	3,886,541	617,430

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

	December 31 2019		December 31 2018 (Restated)	
	The offset amount of deferred tax assets and liabilities	Deferred tax assets or liabilities after offset	The offset amount of deferred tax assets and liabilities	Deferred tax assets or liabilities after offset
Presented as:				
Deferred tax assets	246,142	826,696	225,026	741,737
Deferred tax liabilities	246,142	323,304	225,026	392,404

(4) Details of unrecognized deferred tax assets

	December 31 2019	December 31 2018 (Restated)
Deductible temporary differences	515,589	82,886
Deductible losses carry forward	142,042	162,186
	657,631	245,072

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

	December 31 2019	December 31 2018 (Restated)
2020	16,171	15,909
2021	13,031	13,537
2022	1,402	1,380
2023	27,767	27,739
After 2023	83,671	103,621
	142,042	162,186

(Expressed in RMB '000)

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

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

(6) Unrecognized deferred tax liabilities

When calculating the deferred taxes, taxes that would have applied in the event of realizing investments in subsidiaries were not taken into account since it is the Company's intention to hold these investments and not realize them.

20. Other Non-Current Assets

	December 31 2019	December 31 2018 (Restated)
Asset related to securitization deposit	38,648	62,395
Advances in respect of non-current assets	58,689	55,282
Judicial deposits	56,347	51,906
Call option in respect of business combination	9,216	11,880
Long term loan	-	48
Others	83,283	35,819
Sub total	246,183	217,330
Due within one year	-	(48)
	246,183	217,282

21. Short-Term Loans

Short-term loans by category:

	December 31 2019	December 31 2018 (Restated)
Guaranteed loans	414,000	570,000
Unsecured loans	1,595,882	552,774
	2,009,882	1,122,774

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

22. Derivative financial liabilities

	December 31 2019	December 31 2018 (Restated)
Economic hedge	603,009	1,430,497
Accounting hedge derivatives	88,466	21,173
	691,475	1,451,670

(Expressed in RMB '000)

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

23. Bills Payables

	December 31 2019	December 31 2018 (Restated)
Post-dated checks payables	224,878	235,833
Note payables draft	96,796	209,700
	321,674	445,533

As at December 31, 2019, none of the bills payable are overdue.

24. Accounts payable

	December 31 2019	December 31 2018 (Restated)
Within 1 year (including 1 year)	4,172,996	4,587,719
1-2 years (including 2 years)	10,458	12,545
2-3 years (including 3 years)	2,881	16,749
Over 3 years	19,566	10,923
	4,205,901	4,627,936

There are no significant accounts payables aging over one year.

25. Contract liabilities

	December 31 2019	December 31 2018 (Restated)
Discount for customers	522,614	525,982
Advances from customers	141,614	322,420
	664,228	848,402

26. Employee Benefits Payable

	December 31 2019	December 31 2018 (Restated)
Short-term employee benefits	656,272	608,839
Post-employment benefits*	224,035	18,050
Other benefits within one year	304,366	277,191
	1,184,673	904,080
Current maturities	27,040	40,095
	1,211,713	944,175

* For further information regarding the termination benefits to employees during the period see note XI.2 – Commitments and contingent liabilities.

(Expressed in RMB '000)

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

27. Taxes Payable

	December 31 2019	December 31 2018 (Restated)
Corporate income tax	157,548	407,457
VAT	180,818	186,939
Others	30,672	22,384
	369,038	616,780

28. Other Payables

	December 31 2019	December 31 2018 (Restated)
Dividends payables	750	750
Other payables	1,048,844	1,196,829
	1,049,594	1,197,579

(1) Other payable

	December 31 2019	December 31 2018 (Restated)
Accrued expenses	613,183	640,507
Liability in respect of securitization transactions	26,370	35,572
Payables in respect of intangible assets	130,329	131,396
Financial institutions	1,137	44,336
Other payables	277,825	345,018
	1,048,844	1,196,829

As at December 31, 2019, the Group did not have any significant overdue other payables.

(Expressed in RMB '000)

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

29. Non-Current Liabilities Due Within One Year

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

	December 31 2019	December 31 2018 (Restated)
Long-term loans due within one year	420,086	301,629
Lease liabilities due within one year	148,287	N/A
Debentures payable due within one year	497,870	-
Long-term payables due within one year	-	185
	1,066,243	301,814

30. Other Current Liabilities

	December 31 2019	December 31 2018 (Restated)
Put options to holders of non-controlling interests	148,886	404,463
Provision in respect of returns	191,065	149,686
Provision in respect of claims	14,901	23,644
Others	391	391
	355,243	578,184

(Expressed in RMB '000)

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

31. Long-Term Loans

Long-term loans by category

	December 31		December 31 2018 (Restated)	
	2019	Interest range	2018	Interest range
Long term loans				
Loan secured by tangible assets other than monetary assets	2,860	2.4%-2.7%	741	5.5%
Guaranteed loans	-	-	72,000	4.5%
Unsecured loans	1,344,385	1.5%-6.2%	464,707	5.1%-6.1%
Total Long term loans	1,347,245		537,448	
Less: Long term loans due within 1 year	(420,086)		(301,629)	
Long term loans, net	927,159		235,819	

For the maturity analysis, see note VIII.C - Liquidity risk.

The long-term loans were mortgaged by fixed assets with carrying amounts of 900 thousand RMB as at December 31, 2019 (31.12.18: 5,926 thousand RMB)
Details of the guarantees are set out in note X(5) Related parties and related party transactions.

32. Debentures Payable

	December 31 2019	December 31 2018 (Restated)
Debentures Series B	8,463,812	7,649,098
Current maturities	(497,870)	-
	7,965,942	7,649,098

	December 31 2019
First year (current maturities)	497,870
Second year	497,870
Third year	497,870
Fourth year	497,870
Fifth year and thereafter	6,472,332
	8,463,812

(Expressed in RMB '000)

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

32. Debentures Payable - (cont'd)

Movements of debentures payable:

For the year ended December 31, 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 December 31, 2019
Debentures Series B	2,673,640	1,650,000	4.12.2006	November 2020-2036	3,043,742	3,471,674	-	242	304,289	-	63,084	3,839,289
Debentures Series B	843,846	513,527	16.1.2012	November 2020-2036	842,579	1,018,314	-	10,491	89,825	-	18,616	1,137,246
Debentures Series B	995,516	600,000	7.1.2013	November 2020-2036	1,120,339	1,277,399	-	4,638	112,108	-	23,238	1,417,383
Debentures Series B	832,778	533,330	1.2.2015	November 2020-2036	1,047,439	1,210,195	-	(2,913)	106,229	-	21,950	1,335,461
Debentures Series B	418,172	266,665	1-6.2015	November 2020-2036	556,941	671,516	-	(8,103)	58,911	-	12,109	734,433
						7,649,098	-	4,355	671,362	-	138,997	8,463,812

Series B debentures issued by Solutions, in the amount of NIS 3,563.5 million par value, are linked to the Israeli CPI and bear interest at base annual rate of 5.15%. The debenture principal is to be repaid in 17 equal payments in the years 2020 through 2036.

(Expressed in RMB '000)

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

33. Lease liabilities

	December 31 2019	Interest range
Lease liabilities	554,645	1.9% - 6.1%
Less: Lease liabilities due within one year	(148,287)	
Long term lease liabilities, net	406,358	

See note III.29.1 – Change in significant accounting policies.

34. Long-Term Employee Benefits Payable

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

	December 31 2019	December 31 2018 (Restated)
Total present value of obligation	651,803	533,574
Less: fair value of plan's assets	(104,448)	(87,492)
Net liability related to Post-employment benefits	547,355	446,082
Termination benefits	70,128	104,781
Total recognized liability for defined benefit plan, net (1)	617,483	550,863
Share based payment (See note XIII)	94,104	61,961
Other long-term employee benefits	54,307	47,917
Total long-term employee benefits, net	765,894	660,741
Including: Long-term employee benefits payable due within one year	27,040	40,095
	738,854	620,646

(1) Movement in the net liability and assets in respect of defined benefit plans, early retirement and their components

	Defined benefit obligation and early retirement		Fair value of plan's assets		Total	
	2019	2018	2019	2018	2019	2018
Balance as at January 1, 2019	638,355	703,679	87,492	97,614	550,863	606,065
Expense/income recognized in profit and loss:						
Current service cost	24,910	30,808	-	46	24,910	30,762
Past service cost	-	4,840	-	-	-	4,840
Interest costs	22,608	20,770	3,614	3,286	18,994	17,484
Changes in exchange rates	38,499	(39,965)	7,110	(7,161)	31,389	(32,804)
Actuarial gain (losses) due to early retirement	(4,125)	(3,490)	-	-	(4,125)	(3,490)
Included in other comprehensive income:						
Actuarial gain (losses) as a result of changes in actuarial assumptions	65,239	(34,820)	7,945	(4,827)	57,294	(29,993)
Foreign currency translation differences in respect of foreign operations	9,348	27,767	1,493	4,068	7,855	23,699
Additional movements:						
Benefits paid	(72,903)	(71,234)	(9,372)	(11,307)	(63,531)	(59,927)
Contributions paid by the Group	-	-	6,166	5,773	(6,166)	(5,773)
Balance as at December 31, 2019	721,931	638,355	104,448	87,492	617,483	550,863

(Expressed in RMB '000)

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

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

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

(2) Actuarial assumptions and sensitivity analysis

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

	December 31 2019	December 31 2018 (Restated)
Discount rate (%)*	0.4%-3.3%	1.4%-3.5%

*According to the demographic and the benefit components

The assumptions regarding the future mortality rate are based on published statistical data and acceptable mortality rates.

Possible reasonable changes as of the date of the report in the discount rate, assuming the other assumptions remain unchanged, would have affected the defined benefit obligation as follows:

	As of December 31, 2019	
	Increase of 1%	Decrease of 1%
Discount rate	(54,016)	66,696

35. Provisions

	December 31 2019	December 31 2018 (Restated)
Liabilities in respect of contingencies*	90,051	92,542
Provision in respect of site restoration	84,211	36,515
Other	2,560	3,294
	176,822	132,351

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

(Expressed in RMB '000)

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

36. Other Non-Current Liabilities

	December 31 2019	December 31 2018 (Restated)
Put options to holders of non- controlling interests	207,472	-
Long term transactions in derivatives	25,582	14
Deferred income	-	28,146
Long term loans - others	171,770	171,770
	404,824	199,930

37. Share Capital

	Balance at January 1, 2019	Issuance of new shares	Cancellations of shares	Balance at December 31, 2019
Share capital	2,446,554	-	-	2,446,554

38. Capital Reserve

	Balance at January 1, 2019	Additions during the period	Reductions during the period*	Balance at December 31, 2019
Share premiums	12,965,177	-	(415,000)	12,550,177
Other capital reserve	359,314	-	(6,323)	352,991
	13,324,491	-	(421,323)	12,903,168

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

(Expressed in RMB '000)

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

39. Other Comprehensive Income, net of tax

	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 December 31, 2019**
Items that will not be reclassified to profit or loss	**66,516**	**(47,264)**	**-**	**917**	**(48,181)**	**4,511**	**13,824**
Re-measurement of changes in liabilities under defined benefit plans	15,895	(57,294)	-	(6,523)	(50,771)	-	(34,876)
Changes in fair value of other equity investment	50,621	10,030	-	7,440	2,590	4,511	48,700
Items that may be reclassified to profit or loss	**1,024,311**	**313,639**	**177,752**	**(18,659)**	**154,546**	**-**	**1,178,857**
Effective portion of gain or loss of cash flow hedge	93,385	20,176	177,752	(18,659)	(138,917)	-	(45,532)
Translation difference of foreign financial statements	930,926	293,463	-	-	293,463	-	1,224,389
	1,090,827	266,375	177,752	(17,742)	106,365	4,511	1,192,681

(Expressed in RMB '000)

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

40. Surplus reserve

	Balance at January 1, 2019	Additions during the period	Reductions during the period	Balance at December 31, 2019
Statutory surplus reserve	236,348	-	-	236,348
Discretional surplus reserve	3,814	-	-	3,814
	240,162	-	-	240,162

41. Retained Earnings

	2019	2018
Retained earnings as at December 31 of preceding year	5,513,466	3,286,711
Changes in accounting policy	-	39,481
Adjustment for business combination under common control (Note 1)	115,826	55,045
Retained earnings as at January 1	5,629,292	3,381,237
Net profits for the period attributable to shareholders of the Company	277,041	2,447,876
Appropriation to statutory surplus reserve	-	(32,339)
Dividends to non-controlling Interest	(43,043)	(28,715)
Dividend to the shareholders of the company (Note 2)	(293,628)	(154,133)
Transfer from other comprehensive income	4,511	-
Other	-	15,366
Retained earnings as at December 31	5,574,173	5,629,292

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, and paid during the third quarter.

B. On April 27, 2020, after obtaining the approval of the 25th meeting of the company's 8th Board of Directors, the Company declared RMB 0.12 (including tax) per 10 shares as cash dividend to all shareholders, resulting in a total cash dividend of 29,359 thousands RMB (including tax), and zero shares as share dividend, as well as no reserve transferred to equity capital.

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

(Expressed in RMB '000)

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

42. Operating Income and Cost of Sales

	Year ended December 31 2019		Year ended December 31 2018 (Restated)	
	Income	Cost of sales	Income	Cost of sales
Principal activities	27,486,019	18,609,841	26,792,123	18,005,437
Other businesses	77,220	69,671	75,185	37,674
	27,563,239	18,679,512	26,867,308	18,043,111

43. Taxes and Surcharges

	Year ended December 31	
	2019	2018 (Restated)
Tax on turnover	21,166	49,101
Others	63,237	61,411
	84,403	110,512

44. Selling and Distribution Expenses

	Year ended December 31	
	2019	2018 (Restated)
Salaries and related expense	1,557,483	1,480,430
Depreciation and amortization	1,405,411	1,200,375
Transportation and Commissions	708,217	767,571
Advertising and sales promotion	331,763	326,707
Travel expenses	153,501	144,154
Warehouse expenses	147,524	132,629
Registration	121,406	108,600
Professional services	87,048	76,084
Insurance	83,307	75,095
Others	277,596	390,291
	4,873,256	4,701,936

(Expressed in RMB '000)

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

45. General and Administrative Expenses

	Year ended December 31	
	2019	2018 (Restated)
Salaries and related expenses	752,816	467,864
Idleness expenses*	342,044	74,141
Professional services	131,593	137,532
Depreciation and amortization	96,137	68,452
IT systems	87,635	69,632
Office rent, maintenance and expenses	54,903	76,526
Other	97,189	103,986
	1,562,317	998,133

* See note XI.2 - Commitments and contingencies (environmental protection).

46. Research and development expenses

	Year ended December 31	
	2019	2018 (Restated)
Salaries and related expenses	185,356	168,405
Field trial	60,787	53,663
Professional services	67,779	54,435
Depreciation and amortization	37,727	28,953
Materials	27,244	77,755
Office rent, maintenance and expenses	8,108	7,708
Other	49,324	51,334
	436,325	442,253

47. Financial expenses, net

	Year ended December 31	
	2019	2018 (Restated)
Interest expenses on debentures and loans	707,098	619,134
CPI expense in respect of debentures	23,418	85,533
Loss in respect of sale of trade receivables	91,006	79,060
Interest expense in respect of post-employment benefits and early re-tirement, net	38,681	17,484
Revaluation of put option, net	(7,605)	49,654
Interest income from customers, banks and others	(81,190)	(81,580)
Exchange rate differences, net	859,403	(203,422)
Other expenses	35,074	4,529
	1,665,885	570,392

(Expressed in RMB '000)

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

48. Investment income, net

	Year ended December 31	
	2019	2018 (Restated)
Investment income (expenses) from disposal of derivatives	(253,799)	619,447
Income from long-term equity investments accounted for using the equity method	19,861	7,001
Other	2,733	1,809
	(231,205)	628,257

49. Gain (loss) from Changes in Fair Value

	Year ended December 31	
	2019	2018 (Restated)
Gain (loss) from changes in fair value of derivative financial instruments	828,527	(974,413)
Others	(3,015)	(4,921)
	825,512	(979,334)

50. Credit impairment loss

	Year ended December 31	
	2019	2018 (Restated)
Bills receivable and accounts receivable	(39,323)	(51,154)
Other receivables	(82)	(8,255)
	(39,405)	(59,409)

51. Asset impairment losses

	Year ended December 31	
	2019	2018 (Restated)
Inventories	(76,375)	(80,698)
Fixed assets	(285,695)	(134,091)
Constructions in progress	(19,763)	-
Intangible asset	(22,852)	(17,777)
Other	(9,131)	(4,718)
	(413,816)	(237,284)

52. Gain from Disposal of Assets

	Year ended December 31		Included in non-recurring items
	2019	2018 (Restated)	
Gain (loss) from disposal of fixed assets	127,443	(67,059)	127,443
Gain (loss) from disposal of intangible assets	(370)	2,033,214	(370)
	127,073	1,966,155	127,073

(Expressed in RMB '000)

Notes to the Financial Statements

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

53. Non-Operating Expenses

	Year ended December 31		Included in non-recurring items
	2019	2018 (Restated)	
Donation expenses	13,364	12,474	13,364
Other	90,490	24,486	79,093
	103,854	36,960	92,457

54. Income Tax Expenses

	Year ended December 31	
	2019	2018 (Restated)
Current year	363,279	530,037
Deferred tax expenses (income)	(138,294)	235,645
Adjustments for previous years, net	(50,454)	85,579
	174,531	851,261

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

	Year ended December 31	
	2019	2018 (Restated)
Profit before taxes	451,572	3,299,137
Statutory tax in china	25%	25%
Tax calculated according to statutory tax in china	112,893	824,784
Tax benefits from Approved Enterprises	(6,928)	(83,538)
Difference between measurement basis of income for financial statement and for tax purposes	37,323	107,435
Taxable income and temporary differences at other tax rate	16,820	(72,198)
Taxes in respect of prior years	(50,454)	85,579
Utilization of tax losses prior years for which deferred taxes were not created	(6,720)	(58,723)
Temporary differences and losses in the report year for which deferred taxes were not created	116,370	31,034
Non-deductible expenses and other differences	(6,795)	10,747
Neutralization of tax calculated in respect of the Company's share in results of equity accounted investees	(6,023)	(2,911)
Effect of change in tax rate in respect of deferred taxes	(33,631)	(5,662)
Creation and reversal of deferred taxes for tax losses and temporary differences from previous years	1,676	14,714
Income tax expenses	174,531	851,261

55. Other comprehensive income

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

(Expressed in RMB '000)

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

56. Notes to items in the cash flow statements

(1) Cash received relating to other operating activities

	Year ended December 31	
	2019	**2018 (Restated)**
Derivatives transactions	260,557	471,597
Financial institutions	74,615	140,559
Interest income	61,207	62,632
Government subsidies	5,899	3,665
Others	262,559	58,381
	664,837	736,834

(2) Cash paid relating to other operating activities

	Year ended December 31	
	2019	**2018 (Restated)**
Transportation, Commissions and Warehouse	753,643	759,084
Advertising and sales promotion	295,944	300,452
Professional services	264,241	267,799
Registration and Fiels trial	186,694	144,840
Travel	180,303	157,704
IT and Communication	179,730	163,834
Financial institutions	118,269	162,681
Insurance	99,543	78,846
Derivatives transactions	54,030	128,503
Others	667,743	657,943
Net cash flow from operating activities	2,800,140	2,821,686

(3) Cash received relating to other investing activities

	Year ended December 31	
	2019	**2018 (Restated)**
Investment grant	5,208	-
Other	-	410
	5,208	410

(4) Cash received from other financing activities

	Year ended December 31	
	2019	**2018 (Restated)**
Cash received in respect of hedging transactions on debentures	140,025	-
Deposit for issuing bills payables	39,886	-
	179,911	-

(Expressed in RMB '000)

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

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

(5) Cash paid relating to other financing activities

	Year ended December 31	
	2019	2018 (Restated)
Payment for business combinations under common control	415,000	-
Payment in respect of hedging transactions on debentures	325,474	-
Repayment of lease liability	146,610	-
Realization of call option	35,625	-
Deposit for issuing bills payable	14,003	48,340
Other	-	9,663
	936,712	58,003

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:

	Year ended December 31	
	2019	2018 (Restated)
Net profit	277,041	2,447,876
Add: Impairment provisions for assets	413,816	237,284
Credit impairment loss	39,405	59,409
Depreciation of fixed assets and investment property	841,041	816,364
Amortization of right-of-use asset	160,389	-
Amortization of intangible asset	1,334,711	1,235,178
Gains on disposal of fixed assets, intangible assets, and other long-term assets, net	(127,073)	(1,966,155)
Loss (gain) from changes in fair value	(825,512)	979,334
Financial expenses	1,325,875	47,879
Investment loss (income), net	(51,370)	(628,257)
Decrease (increase) in deferred tax assets	(130,959)	109,945
Increase (decrease) in deferred tax liabilities	(7,335)	125,700
Decrease (increase) in inventories, net	(236,687)	(1,579,698)
Increase in operating receivables	(1,080,276)	(557,665)
Increase in operating payables	(1,119,479)	971,494
Others	29,900	465
Net cash flow from operating activities	843,487	2,299,153

(Expressed in RMB '000)

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

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

b. Net increase (decrease) in cash and cash equivalents

	Year ended December 31	
	2019	2018 (Restated)
Closing balance of cash	4,319,907	6,346,196
Less: Opening balance of cash	6,346,196	7,979,502
Net decrease in cash and cash equivalents	(2,026,289)	(1,633,306)

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

	Year ended December 31
	2019
Cash paid for business combination	1,126,557
Less: Cash and cash equivalents of the acquiree at the date of acquisition	4,610
Net cash paid to acquire a subsidiary	1,121,947

(3) Details of cash and cash equivalents

	December 31 2019	January 1 2019
Cash on hand	6,265	1,380
Bank deposits available on demand without restrictions	4,313,642	6,344,816
	4,319,907	6,346,196

58. Assets with Restricted Ownership or Right of Use

	December 31 2019	Reason
Cash	28,681	Pledged
Fixed assets	900	Mortgage
Other non-current assets	107,613	Guarantees
	137,194	

(Expressed in RMB '000)

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

59. Foreign currencies denominated items

(1) Foreign currencies denominated items

	As at December 31, 2019		
	Foreign currency at the end of the period	**Exchange rate**	**RMB at the end of the period**
Cash and bank balances			
USD	55,223	6.9762	385,246
EUR	29,929	7.8288	234,310
ILS	96,267	2.0186	194,322
PLN	55,458	1.8370	101,873
CAD	10,897	5.3564	58,370
BRL	35,454	1.7308	61,363
ZAR	59,508	0.4960	29,516
Other			228,415
Total			1,293,415
Bills and Accounts receivable			
BRL	698,855	1.7308	1,209,554
EUR	77,196	7.8288	604,348
USD	44,169	6.9762	308,132
RON	129,196	1.6373	211,532
RUB	1,453,298	0.1127	163,773
CAD	25,846	5.3564	138,443
TRY	130,061	1.1744	152,744
ZAR	269,016	0.4960	133,434
Other			355,117
Total			3,277,077
Other receivables			
EUR	68,331	7.8288	534,949
GBP	9,111	9.2046	83,861
ILS	39,844	2.0186	80,429
BRL	19,682	1.7308	34,065
Other			110,231
Total			843,535
Other current assets			
ILS	66,034	2.0186	133,294
BRL	59,247	1.7308	102,543
EUR	9,123	7.8288	71,422
UAH	118,242	0.2945	34,825
Other			39,715
Total			381,799
Long-term receivables			
BRL	98,740	1.7308	170,896
Total			170,896

(Expressed in RMB '000)

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

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

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

	As at December 31, 2019		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Other non-current assets			
BRL	56,216	1.7308	97,297
Other			4,089
Total			101,386
Short-term loans			
UAH	256,000	0.2945	75,399
TRY	52,220	1.1744	61,328
EUR	3,386	7.8288	26,510
Other			17,252
Total			180,489
Bills and Accounts payable			
ILS	387,124	2.0186	781,439
EUR	61,947	7.8288	484,964
BRL	126,350	1.7308	218,683
COP	33,508,757	0.0021	71,332
Other			148,961
Total			1,705,379
Other payables			
ILS	68,201	2.0186	137,669
EUR	12,654	7.8288	99,062
BRL	48,542	1.7308	84,014
UAH	198,325	0.2945	58,412
ILS CPI	18,462	2.0186	37,267
Other			59,979
Total			476,403
Contract liabilities			
EUR	19,512	7.8288	152,758
BRL	60,742	1.7308	105,131
TRY	18,771	1.1744	22,045
GBP	1,849	9.2046	17,015
Other			28,155
Total			325,104

(Expressed in RMB '000)

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

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

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

	As at December 31, 2019		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Non-current liabilities due within one year			
EUR	25,444	7.8288	199,198
ILS CPI	264,225	2.0186	533,358
USD	525	6.9762	3,663
BRL	822	1.7308	1,423
Other			30,982
Total			768,624
Other current liabilities			
EUR	3,901	7.8288	30,542
UAH	76,199	0.2945	22,442
Other			5,840
Total			58,824
Long-term loan			
EUR	66,151	7.8288	517,878
Total			517,878
Debentures payable			
ILS CPI	3,946,316	2.0186	7,965,941
			7,965,941
Provision and Long-term payables			
BRL	40,674	1.7308	70,397
Other			2,972
Total			73,369
Other non-current liabilities			
EUR	8,138	7.8288	63,714
ILS CPI	23,860	2.0186	48,164
USD	5,105	6.9762	35,614
GBP	1,150	9.2046	10,590
ZAR	16,837	0.4960	8,351
Other			39,157
Total			205,590

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
ADAMA France S.A.S	France	Distribution	USD
ADAMA Brasil S/A	Brazil	Manufacturing; Distribution; Registration	USD
ADAMA Deutschland GmbH	Germany	Distribution; Registration	USD
ADAMA India Private Ltd.	India	Manufacturing Distribution; Registration	INR
Makhteshim Agan of North America Inc.	United States	Manufacturing; Distribution; Registration	USD
Control Solutions Inc.	United States	Manufacturing; Distribution; Registration	USD
ADAMA Agan Ltd.	Israel	Manufacturing; Distribution; Registration	USD
ADAMA Makhteshim Ltd.	Israel	Manufacturing; Distribution; Registration	USD
ADAMA Australia Pty Limited	Australia	Distribution	AUD
ADAMA Italia SRL	Italy	Distribution	USD
ADAMA Northern Europe B.V.	Netherlands	Distribution	USD
Alligare LLC	United States	Manufacturing; Distribution; Registration	USD

The functional currency of the subsidiaries above is the main currency that represent the principal economic environment.

(Expressed in RMB '000)

VI. Change in consolidation Scope

1. Business combinations involving enterprises not under common control

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

Name of the Company	Acquisition date	Cost of equity investment	Proportion of equity investment	Acquisition method	Basis of acquisition date determination	From acquisition date till period end	
						Revenue	Net profit
Bonide Products INC.	07.01.2019	833,383	100%	Stock purchase	Obtained control	455,477	27,369
Agro Klinge S.A.	29.10.2019	174,911	100%	Stock purchase	Obtained control	38,368	3,777
Financiere de Pontarlier S.A. (SFP)	19.11.2019	118,263	100%	Stock purchase	Obtained control	-	-

(2) Acquisition cost and goodwill

Acquisition costs	Agro Klinge S.A.	Financiere de Pontarlier S.A. (SFP)	Bonide Products INC.
Total acquisition cost in cash	174,911	118,263	833,383
Less: share of the fair value of the identifiable net assets acquired	89,428	56,772	638,786
Currency translation differences	(806)	1,112	(14,449)
Goodwill	86,289	60,379	209,046

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 833 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 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 financial statements, the Group has not yet completed the initial important treatment of SFP and AK's business combination, including the estimation of the fair value of the acquired assets and the goodwill. Therefore, some of the fair value data are still provisional and may be subject to changes affecting the data as included in these financial statements.

(Expressed in RMB '000)

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

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

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

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

	Agro Klinge S.A.	
	Fair value at acquisition date	Book value at acquisition date
Assets:		
Cash and bank balances	1,549	1,549
Bills and Accounts receivable	59,738	59,738
Inventories	37,769	37,769
Intangible assets	95,837	9,555
Other assets	12,192	12,192
Liabilities:		
Short term loans	17,944	17,944
Bills and Accounts payable	89,833	89,833
Other Liabilities	9,880	9,880
Net assets	89,428	3,146
Less: Non-controlling interests	-	-
Net assets acquired	89,428	3,146

(Expressed in RMB '000)

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

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

(3) Identifiable assets and liabilities of the acquiree, at acquisition date - (cont'd)

	Financiere de Pontarlier S.A. (SFP)	
	Fair value at acquisition date	Book value at acquisition date
Assets:		
Bills and Accounts receivable	29,021	29,021
Inventories	21,494	21,494
Intangible assets	96,313	35,934
Other assets	7,297	7,297
Liabilities:		
Short term and long term loans	27,214	27,214
Bills and Accounts payable	59,137	59,137
Other non-current liabilities	11,002	11,002
Net assets	56,772	(3,607)
Less: Non-controlling interests	-	-
Net assets acquired	56,772	(3,607)

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		For the twelve month period ended on December 31, 2018	
					Revenue	Net income	Revenue	Net income
Jiangsu Anpon Electrochemical co. LTD.	100%	Both of the combining enterprises are ultimately controlled by China National Agrochemical Corporation, and the control is not transitory.	March 29th, 2019	Obtained control	393,990	38,027	1,507,474	46,811

(Expressed in RMB '000)

VI. Change in consolidation Scope (cont'd)

2. Business combinations under common control (cont'd)

(2) Acquisition cost

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

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

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

(Expressed in RMB '000)

VII. Interest in Other Entities

1. Interests in subsidiaries

Composition of the largest subsidiaries of the Group in respect of assets and operating income

Name of the Subsidiary	Registration & Principal place of business	Business nature	Direct	Indirect	Method of obtaining the subsidiary
ADAMA France S.A.S	FRANCE	Distribution		100%	Established
ADAMA Brasil S/A	BRAZIL	Manufacturing; Distribution; Registration		100%	Purchased
ADAMA Deutschland GmbH	GERMANY	Distribution; Registration;		100%	Established
ADAMA India Private Ltd.	INDIA	Manufacturing; Distribution; Registration		100%	Established
Makhteshim Agan of North America Inc.	UNITED STATES	Manufacturing; Distribution; Registration		100%	Established
Control Solutions Inc.	UNITED STATES	Manufacturing; Distribution; Registration		67%	Purchased
ADAMA Agan Ltd.	ISRAEL	Manufacturing; Distribution; Registration		100%	Restructure
ADAMA Makhteshim Ltd.	ISRAEL	Manufacturing; Distribution; Registration		100%	Restructure
ADAMA Australia Pty Limited	AUSTRALIA	Distribution		100%	Purchased
ADAM Italia SRL	ITALY	Distribution		100%	Established
ADAMA Northern Europe B.V.	NETHERLANDS	Distribution		55%	Purchased
Alligare LLC	UNITED STATES	Manufacturing; Distribution; Registration		100%	Purchased
Jiangsu Anpon Electrochemical co. Ltd..	CHINA	Manufacturing; Distribution	100%		Purchased

2. Interests in joint ventures or associates

	December 31 2019	December 31 2018
Joint ventures	92,695	68,584
Associates	40,403	39,766
	133,098	108,350

3. Summarized financial information of joint ventures and associates

	December 31, 2019 and twelve months then ended	December 31, 2018 and twelve months then ended
Joint ventures:		
Total carrying amount	92,695	68,584
The Group's share of the following items:		
Net profit	19,877	7,001
Other comprehensive income	(697)	-
Total comprehensive income	19,180	7,001
Associates:		
Total carrying amount	40,403	39,766
The Group's share of the following items:		
Net profit	(16)	-
Other comprehensive income	653	-
Total comprehensive income	637	-

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.5.e.

In April 2019, a two-years agreement with an international insurance company was renewed. The amount of the insurance coverage was fixed at $150 million cumulative per year. The indemnification is limited to about 90% of the debt.

The Group’s exposure to credit risk is influenced mainly by the personal characterization of each customer, and by the demographic characterization of the customer’s base, including the risk of insolvency of the industry and geographic region in which the customer operates. No single customer accounted for greater than 5% of total accounts receivable.

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

B. Credit risk - (cont'd)

The Company management has prescribed a credit policy, whereby the Company performs current ongoing credit evaluations of existing and new customers, and every new customer is examined thoroughly regarding the quality of his credit, before offering him the Group's customary shipping and payment terms. The examination made by the Group includes an outside credit rating, if any, and in many cases, receipt of documents from an insurance company. A credit limit is prescribed for each customer, outstanding amount of the accounts receivable balance. These limits are examined annually. Customers that do not meet the Group's criteria for credit quality may do business with the Group on the basis of a prepayment or against furnishing of appropriate collateral.

Most of the Group's customers have been doing business with it for many years. In monitoring customer credit risk, the customers were grouped according to a characterization of their credit, based on geographical location, industry, aging of receivables, maturity, and existence of past financial difficulties. Customers defined as "high risk" are classified to the restricted customer list and are supervised by management. In certain countries, mainly, Brazil, customers are required to provide property collaterals (such as agricultural lands and equipment) against execution of the sales, the value of which is examined on a current ongoing basis by the Company. In these countries, in a case of expected credit risk, the Company records a provision for the amount of the debt less the value of the collaterals provided and acts to realize the collaterals.

The Group closely monitors the economic situation in Eastern Europe and South America where necessary it operates to limit its exposure to customers in countries having significantly unstable economies.

The Group recognizes an impairment provision, which reflects its assessment regarding the credit risk of account receivables, Other receivables and investments on a lifetime expected credit loss basis. See also notes Ⅲ.10 – Financial instruments and Ⅲ.11 – Receivables.

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:

	December 31, 2019
Past due by less than 90 days	506,284
Past due by more than 90 days	605,941
	1,112,225

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 for groups of similar assets 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 7,686,751 thousand relate to category of "Lifetime expected credit losses (credit losses has not occurred)" and amounted to RMB 715,856 thousand related to category of "Lifetime expected credit losses (credit losses occurred)". The Group has credit risk exposures for other receivables amounted to RMB 14,832 thousand related to category of "Lifetime expected credit losses (credit losses occurred)". The credit risk exposures for all remaining balance of financial assets at amortised cost and financial assets at FVTOCI are related to "12-month expected credit losses".

C. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligation when they come due. The Group's approach to managing its liquidity risk is to assure, to the extent possible, an adequate degree of liquidity for meeting its obligations timely, under ordinary conditions and under pressure conditions, without sustaining unwanted losses or hurting its reputation.

The cash-flow forecast is determined both at the level of the various entities as well as of the consolidated level. The Company examines the current forecasts of its liquidity requirements in order to ascertain that there is sufficient cash for the operating needs, including the amounts required in order to comply with the financial liabilities, while taking strict care that at all times there will be unused credit frameworks so that the Company will not exceed the credit frameworks granted to it and the financial covenants with which it is required to comply with. These forecasts take into consideration matters such as the Company's plans to use debt for financing its activities, compliance with required financial covenants, compliance with certain liquidity ratios and compliance with external requirements such as laws or regulation.

The surplus cash held by the Group subsidiaries, which is not required for financing the current ongoing operations, is invested in short-term interest-bearing investment channels.

(Expressed in RMB '000)

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

C. Liquidity risk - (cont'd)

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

	As at December 31, 2019					
	First year	Second year	Third-Fourth year	Fifth year and above	Contractual Cash flow	Carrying amount
Non-derivative financial liabilities						
Short-term loans	2,036,745	-	-	-	2,036,745	2,009,882
Bills payables	321,674	-	-	-	321,674	321,674
Accounts payables	4,205,901	-	-	-	4,205,901	4,205,901
Other payables	1,049,594	-	-	-	1,049,594	1,049,594
Other current liabilities	148,886	-	-	-	148,886	148,886
Debentures payable	866,339	915,040	1,752,568	8,872,715	12,406,662	8,463,812
Long-term loans	448,887	327,926	574,925	77,204	1,428,942	1,347,245
Long-term payables	2,025	3,979	4,050	28,605	38,659	29,021
Lease Liabilities	166,478	130,109	149,022	243,621	689,230	554,645
Other non-current liabilities	2,061	30,690	267,821	87,946	388,518	379,242
Derivative financial liabilities						
Foreign currency derivatives	667,491	25,582	-	-	693,073	693,073
CPI/shekel forward transactions	23,984	-	-	-	23,984	23,984
	9,940,065	1,433,326	2,748,386	9,310,091	23,431,868	19,226,959

D. Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, CPI, interest rates and prices of capital instruments, will affect the Group's revenues or the value of its holdings in its financial instruments. The objective of market risk management is to manage and monitor the exposure to market risks within acceptable parameters, while optimizing the return.

During the ordinary course of business, the Group purchases and sells derivatives and assumes financial liabilities for the purpose of managing market risks.

(1) CPI and foreign currency risks

Currency risk

The Group is exposed to currency risk from its sales, purchases, expenses and loans denominated in currencies that differ from the Group's functional currency. The main exposure is in Euro, Brazilian real, USD and in NIS. In addition, there are smaller exposures to various currencies such as the British pound, Polish zloty, Australian dollar, Indian rupee, Argentine peso, Canadian dollar, South African Rand, Ukraine Hryunia, the Turkish lira and Chinese Yuan Renminbi.

The Group uses foreign currency derivatives – forward transactions and currency options – in order to hedge the cash flows risk, which derive from existing monetary assets and liabilities and anticipated sales and purchases, which may be affected by exchange rate fluctuations.

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

D. Market risks - (cont'd)

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

The Group hedged a part of the estimated currency exposure to anticipate sales and purchases for the subsequent year. Likewise, the Group hedges most of its monetary assets and liabilities denominated in a non- U.S. dollar currency. The Group uses foreign currency derivatives to hedge its currency risk, mostly with maturity dates of less than one year from the reporting date.

Solutions debentures are linked to the NIS-CPI and, therefore, an increase in the NIS-CPI, as well as changes in the NIS exchange rate, could cause significant exposure with respect to the subsidiary functional currency – the U.S. dollar. As of the approval date of the financial statements, the subsidiary had hedged most of its exposure deriving from issuance of the debentures, in options and forward contracts.

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

	December 31, 2019	
	Total assets	Total liabilities
In US Dollar	1,244,617	716,185
In Euro	1,498,223	1,590,204
In Brazilian real	1,687,912	410,758
CPI-linked NIS	-	8,584,738
In New Israeli Shekel	418,628	921,089
Denominated in or linked to other foreign currency	3,082,603	737,736
	7,931,983	12,960,710

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

	December 31, 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	2020/06/08	336,670	2,348,675	(236,437)
Contracts and call options	**USD**	PLN	2020/04/25	23,960	167,147	(516)
	USD	BRL	2020/03/25	200,564	1,399,172	(21,836)
	USD	GBP	2020/06/12	35,530	247,864	(9,941)
	USD	ZAR	2020/01/30	22,385	156,161	(9,990)
	ILS	USD	2020/02/06	1,367,668	9,541,128	138,240
	USD	OTHER		372,373	2,597,746	(33,862)
CPI forward contracts	**CPI**	ILS	2020/04/02	679,977	4,743,655	(34,009)

(Expressed in RMB '000)

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

D. Market risks - (cont'd)

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

(C) Sensitivity analysis

The appreciation or depreciation of the Dollar against the following currencies as of December 31, 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.

	December 31, 2019			
	Decrease of 5%		Increase of 5%	
	Equity	Profit (loss)	Equity	Profit (loss)
New Israeli shekel	51,930	33,358	(7,239)	11,333
British pound	(7,672)	2,522	7,672	(2,522)
Euro	(138,949)	(6,908)	142,929	10,888
Brazilian real	5,262	22,230	(5,262)	(22,230)
Polish zloty	(9,949)	(2,494)	9,949	2,494
South African Rand	(387)	647	387	(647)
Chinese Yuan Renminbi	(21,880)	(21,880)	21,880	21,880
CPI-linked NIS	271,296	271,296	(271,296)	(271,296)

(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 and Euro Libor interest. As a result, most of the variable interest exposure of those loans is to the Libor interest. Due to market conditions, the variable interest rates on cash are relatively low.

The Company prepares a quarterly summary of exposure to a change in the Libor interest rate. As at the approval date of the financial statements, the Company had not hedged this exposure.

(Expressed in RMB '000)

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

D. Market risks - (cont'd)

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

(A) Type of interest

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

	December 31, 2019
Fixed-rate instruments – unlinked to the CPI	
Financial assets	
Cash at banks	883,607
Other non-current assets	1,151
Financial liabilities	
Long-term loans	149,313
Long-term payables	21,417
Other non-current liabilities	171,770
	542,258
Fixed-rate instruments – linked to the CPI	
Financial liabilities	
Debentures payable	8,463,812
Variable-rate instruments	
Financial assets	
Cash at banks	508,224
Financial assets at fair value through profit or loss	29,510
Other non-current assets	11,350
Financial liabilities	
Short-term loans and credit from banks	2,009,882
Long-term loans(1)	1,197,932
	(2,658,730)

(1) Including long-term loans current maturities.

(B) Sensitivity analysis of cash flows regarding variable-interest instruments

A change of 5% in the interest rates on the reporting date would increase or reduce equity and profit or loss by the amounts presented below. This analysis assumes that all the remaining variables, among others exchange rates, remained fixed.

	Profit or loss		**Equity**	
	Increase in interest	**Decrease in interest**	**Increase in interest**	**Decrease in interest**
As at December 31, 2019	1,401	(1,409)	1,401	(1,409)

(Expressed in RMB '000)

IX. Fair Value

The fair value of forward contracts on foreign currency is based on their listed market price, if available. In the absence of market prices, the fair value is estimated based on the discounted difference between the stated forward price in the contract and the current forward price for the residual period until redemption, using an appropriate interest rate.

The fair value of foreign currency options is based on bank quotes. The reasonableness of the quotes is evaluated through discounting future cash flow estimates, based on the conditions and duration to maturity of each contract, using the market interest rates of a similar instrument at the measurement date and in accordance with the Black & Scholes model.

1. Financial instruments measured at fair value for disclosure purposes only

The carrying amount of certain financial assets and liabilities, including cash at bank and on hand, bills and accounts receivable, receivables financing, other receivables, derivatives financial assets, short-term loans, bills and accounts payable and other payable, are the same or proximate to their fair value.

The following table details the carrying amount in the books and the fair value of groups of non-current financial instruments presented in the financial statements not in accordance with their fair values:

	December 31, 2019	
	Carrying amount	**Fair value**
Financial assets		
Other non-current assets (a – Level 2)	21,522	20,877
Financial liabilities		
Long-term loans and others (b – Level 2)	2,103,986	2,129,912
Debentures (c – Level 1)	8,463,812	11,393,618

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:

	December 31, 2019
	%
Brazilian real interest	4.30 – 5.26
U.S. dollar interest	1.97 – 2.05
Euro	(0.38) – 0.38

(Expressed in RMB '000)

IX. Fair Value - (cont'd)

3. Fair value hierarchy of financial instruments measured at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The table below presents an analysis of financial instruments measured at fair value. The various levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active market for identical instrument.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The Company's forward contracts and options are carried at fair value and are evaluated by observable inputs and therefore are concurrent with the definition of level 2.

	December 31 2019
Forward contracts and options used for hedging the cash flow (Level 2)	(50,333)
Forward contracts and options used for economic hedging (Level 2)	(158,018)
Debt instruments (Level 1)	15,788
Other equity investment (Level 2)	155,062
Other non-current asset (Level 2)	38,648
Receivables financing (Level 2)	78,948
Call option in respect of business combination (Level 2)	9,216
Other (Level 2)	13,722

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.

No transfer between any levels of the fair value hierarchy in the reporting period.

No change in the valuation techniques in the reporting period.

X. Related parties and related party transactions

1. Information on parent Company

Company name	Registered place	Business nature	Registered capital (Thousand RMB)	Shareholding percentage	Percentage of voting rights
CNAC	Beijing, China	Production and sales of agrochemicals	3,338,220	78.91%	78.91%

The ultimate controller of the company is China National Chemical Corporation.

2. Information on the largest subsidiaries of the Company

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

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

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

Name of entity	Relationship with the Company
Alfa Agricultural Supplies S.	Joint venture of the Group
Innovaroma SA	Joint venture of the Group
Agribul Ltd.	Joint venture of the Group

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

4. Information on other related parties

Name of other related parties	Related party relationship
Jingzhou Sanonda holdings co. LTD	Common control
CNAC International Co., Ltd. (SPV Company) (Headquarter)	Common control
ChemChina Asset Management Co., Ltd.	Common control
ChemChina Information Center Co., Ltd.	Common control
Syngenta Crop Protection AG	Common control
Syngenta Supply AG	Common control
Syngenta Crop Protection LLC.	Common control
Syngenta Romania SRL	Common control
Syngenta France SAS	Common control
Syngenta Australia Pty Ltd	Common control
Syngenta Agro Sociedad Anonima	Common control
Syngenta Protecao De Cultivos LTDA	Common control
Syngenta Czech s.r.o.	Common control
Syngenta Espana S.A.	Common control
Syngenta India Limited	Common control
Syngenta Agro AG	Common control
Syngenta Polska Sp. z o.o.	Common control
Syngenta Agro, S.A. DE C.V.	Common control
Syngenta Italia S.p.A.	Common control
Syngenta Crop Protection Lda.	Common control
Syngenta Crop Protection NV	Common control
Syngenta Nordics A.S.	Common control
Syngenta Tarim Sanayi ve Ticaret A.S.	Common control
Syngenta Agro GmbH	Common control
Syngenta Kazakhstan Limited Liability Partnership	Common control
Syngenta Slovakia S.R.O.	Common control
Syngenta Hungary Kft.	Common control
Syngenta UK Ltd	Common control
Syngenta Ireland Ltd	Common control
China Bluestar Lehigh Engineering Corp.	Common control
China National Bluestar Co., Ltd.	Common control
China Bluestar Chengrand	Common control
Bluestar (Beijing) Chemical Machinery Co., Ltd.	Common control
Hangzhou (Torch) Xidoumen Membrane Industry Co., Ltd	Common control
Shandong Dacheng International Trading	Common control
Shandong Dacheng agricultural chemical co. LTD.	Common control
Southwest Chemical Research and Design Institute Co., Ltd.	Common control
Jiangsu Lianhai Testing Co., Ltd.	Common control
Beijing Guangyuan Yinong Chemical Co., Ltd.	Common control
Anhui Research Institute of Chemical Industry	Common control
Haohua engineering co. LTD.	Common control
Shanghai branch of China blue lianhai design and research institute.	Common control
Jiangsu Huaihe Chemical Co.,Ltd.	Common control
Zhonglan International Chemical Co., Ltd	Common control

(Expressed in RMB '000)

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

5. Transactions and balances with related parties

(1) Transactions with related parties

Type of purchase	Related Party Relationship	Year ended December 31 2019	Year ended December 31 2018 (Restated)
Summary of purchase of goods/services:			
Purchase of goods/services received	Common control under ChemChina	1,449,486	1,570,819
Purchase of fixed assets and other assets	Common control under ChemChina	201,462	2,189,652
Purchase of goods/services received	Joint venture	3,938	7,950
Summary of Sales of goods:			
Sale of goods/ Service rendered	Common control under ChemChina	752,984	572,242
Sale of goods/ Service rendered	Joint venture	153,310	157,803

(2) Leases

The Group as lessor

Type of leased assets	Lessee	December 31 2019	December 31 2018 (Restated)
Building and Structures	Common control under ChemChina	-	19

(Expressed in RMB '000)

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

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

(3) Guarantee

The Group as the guarantee receiver

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

(4) Remuneration of key management personnel and directors

	Year ended December 31	
	2019	2018 (Restated)
Remuneration of key management personnel	48,952	46,734
Directors Fee	600	600

(Expressed in RMB '000)

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

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

(5) Receivables from and payables to related parties (including loans)

Receivable Items

Items	Related Party Relationship	December 31 2019		December 31 2018 (Restated)	
			Expected credit losses		Expected credit losses
Trade receivables	Common control under ChemChina	153,197	-	39,420	-
Trade receivables	Joint venture	24,026	-	30,562	-
Other receivables	Common control under ChemChina	25,346	-	42,969	-
Prepayments	Common control under ChemChina	69,610	-	37,945	-
Other assets	Joint venture	314	-	7,543	-

Payable Items

Items	Related Party Relationship	December 31 2019	December 31 2018 (Restated)
Trade payables	Common control under ChemChina	239,360	352,492
Trade payables	Joint venture	258	397
Other payables	Common control under ChemChina	23,195	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 twelve months ended December 31, 2019 is 2,090 thousand RMB (twelve months ended December 31,2018: 2,090 thousand RMB).

(6) Acquisition of a subsidiary

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

(7) Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was 396,355 thousand RMB (31.12.18: 407,593 thousand RMB) Interest income of bank deposit for the current period was 4,628 thousand RMB (amount for twelve months ended December 31, 2018 is 2,107 thousand RMB).

The closing balance of a loan received from ChemChina Finance corporation was 100,000 thousand RMB (31.12.18: 0 thousand RMB). Interest expenses in the current period was 1,610 thousand RMB (amount for twelve months ended December 31, 2018 is 2,411 thousand RMB).

(Expressed in RMB '000)

XI. Commitments and contingencies

1. Significant commitments

	December 31 2019	December 31 2018 (Restated)
Investment in Fixed assets	588,243	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 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 fined and instructed by the local government not to resume operations before rectification. The Company made rectification 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.

Other

Two of the company's production sites, Jingzhou old site in Jingzhou, Hubei Province and Anpon old site in Huai'An, Jiangsu Province (hereinafter the "Sites") are in the process of relocating to new sites. The Sites estimated the recoverable amounts of the fixed assets and construction in progress based on the present value of the future cash flow for the relevant facilities. For those assets that the recoverable amount was lower than the carrying amount, an impairment loss of RMB 305 million was recognized during the fourth quarter of 2019.

As part of the relocation process, the number of employees of the Companies will be reduced. The Companies began to execute the employees' reduction plan during the fourth quarter of 2019, and it will be continued through 2020. The fourth quarter of 2019 include an expenses of RMB 243 million with regards to termination benefits to employees.

XI. Commitments and contingencies - (cont'd)

2. Commitments and Contingent Liabilities - (cont'd)

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

As part of the 2017 combination between the Company, CNAC and Solutions, whereas the Company issued and transferred to CNAC 1,810,883,039 new share in exchange for the transfer of the entire share capital of Solutions, the Company entered into a Performance Compensation Agreement with CNAC regarding Solutions' aggregate net profit, after deducting non-recurring profit or loss, for the years 2017-2019 (hereinafter "Compensation period").

In case Solutions' fails to meet the aggregate net profit of the Compensation Period, CNAC will be required to compensate the Company either through shares or cash according to a predetermined formula.

As of December 31, 2019, Solutions' actual accumulative net profit for 2017-2019 was lower than the committed.

As a result, CNAC will be required to return to the Company 102,432,280 shares out of the 1,810,883,039 shares it received in exchange for 1 RMB, and transfer to the Company any dividends received in respect of such shares during the Compensation Period free of charge. Following their receipt, these shares will be canceled by the Company.

As a result, the total number of shares in issue will be reduced from 2,446,553,582 to 2,344,121,302, and CNAC's effective ownership in the Company will go from 78.9% to 78.0%.

In addition to the profit commitment, and as required by the relevant regulations, a valuation of Solutions' has been performed in order to assess any potential requirement for asset impairment in respect of the value of Solutions. Following the performance of such a valuation, it has been determined that no such impairment is required.

XII. Events subsequent to the balance sheet date (cont'd)

COVID-19 pandemic

During the first quarter of 2020, the global agrochemical market, amongst many others, was materially impacted by the unprecedented coronavirus pandemic, COVID-19. The pandemic, which started early in the quarter and now continues to rage throughout the rest of the world, has had a number of adverse effects on ADAMA's performance in the first quarter, the most significant of which were:

- In China, while operations at the Company's Huai'An, Jiangsu site have continued without material interruption, operations at the Jingzhou site in Hubei province were temporarily suspended from late January until the end of February due to the coronavirus outbreak in the province. Although operations at the site recommenced at the beginning of March, restrictions on logistics remained, impacting the free transport of goods to and from the sites and to the ports;

- Renewed tightening of supply of raw materials and intermediates sourced from third parties in China and around the world, as well as restrictions on global trading and sales through the Company's global channels, as well as increased costs of global logistics;

- Lower demand in the Company's US Consumer & Professional (non-crop) businesses, as retailers slow their restocking of products due to the coronavirus outbreak;

- Significant impacts on global currency markets, which have seen the rapid depreciation of many currencies against the US dollar, most notably the Brazilian Real, Australian dollar, Turkish Lira and Indian Rupee, as well as increased volatility in the Euro. These movements have negatively impacted the Company's performance in the first quarter compared to the corresponding period last year.

The ongoing spread of the pandemic is expected to continue to negatively impact the performance of the Company in the second quarter, and potentially beyond. The Company is actively managing its response to the outbreak in order to ensure the safety of its employees and limit the impact on the Company's performance. Actions being taken include extending and strengthening distribution channels, use of expedited transport options where possible, working collaboratively with supply chain partners, and raising prices wherever possible to accommodate the increased logistics costs.

XIII. Share-based Payments

1. In February 2019, the remuneration committee and the Company's Board of Directors (and the General Meeting with respect to the CEO and 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"), out of which 75,814,897 phantom warrants were granted at grant date. The allocation date is February 21, 2019. During the year, additional 1,206,081 phantom warrants were granted.

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 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 approximately 186 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	77,020,978
Total number of Phantom warrants exercised in current period	-
Total number of Phantom warrants forfeited in current period	(9,794,562)
Total number of Phantom warrants at the end of the period	67,226,416
The exercise prices and the remainder of the contractual period for Phantom warrants outstanding at the end of period	RMB 9.93 – 10.85 6 years
The parameters used in implementing the model are as follows:	
Stock price (RMB)	10.85
Exercise increment (RMB)	10.03/10.85
Expected volatility	43.97%
Risk-free interest rate	3.06%
Economic value as of February 21, 2019 (in thousands RMB)	186,206

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)	65,937
Expenses arising from cash-settled share-based payments in current period (in thousands RMB)	65,023

(Expressed in RMB '000)

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

2. In September 2019, the remuneration committee and the Company's Board of Directors (and the General Meeting with respect to the CEO and Vice President who also serves as a director) approved the cancellation of 45,503,271 warrants allocated under the 2017 Plan against the allocation of 28,258,248 warrants in accordance with the long-term phantom compensation plan (hereinafter - "The Alternative Warrants" and "The Alternative Plan"), The cancellation and allocation date is September 26, 2019. During the year, additional 90,130 phantom warrants were granted.

The alternative warrants will vest in four equal portions, where the first quarter is exercisable after one year, the second quarter after two years, the third quarter after three years and the fourth quarter after four years from October 1, 2019. The warrants will be exercisable, in whole or in part, in accordance with the terms of the Alternative Plan, and subject to achieving financial targets as determined in the plan. The warrants will be exercisable until October 1, 2026.

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 parent 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 total granted alternative Warrants at the allocated date is equal to the fair value of the total warrants canceled from the 2017 plan.

The cost of the benefit embodied in the warrants that were allocated as aforesaid, based on the fair value at the cancellation and allocation date, amounted to a total of approximately 69 million RMB. The liability in the financial statements at the end of the reporting period was recorded at the fair value estimated using the binomial option pricing model and by the vesting period from the original grant date of the 2017 plan to the end of the service period determined by the alternative plan, taking into account the extent of the service that the employees provided until that date and the stock price at the reporting date.

Statement of share based payments in the period

	Phantom warrants
Changes in the number of 2017 Plan:	
Balance as of January 1st, 2019	48,101,391
Granted in current period	-
Forfeited in current period	(2,598,120)
Canceled in current period	(45,503,271)
Total number of Phantom warrants at the end of the period	-
Changes in the number of The Alternative Plan:	
Balance as of January 1st, 2019	-
Granted in current period	28,348,378
Forfeited in current period	(4,081,502)
Total number of Phantom warrants at the end of the period	24,266,876
The range of the exercise prices and the remainder of the contractual period	RMB 9.43
for Phantom warrants outstanding at the end of period	6.75 years

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

The parameters used in implementing the model are as follows:

Stock price (RMB)	9.23
Exercise increment (RMB)	9.43
Expected volatility	40.29%
Risk-free interest rate	3.14%
Economic value as of September 26, 2019 (in thousands RMB)	68,836

The methods for the determination of the fair value of liabilities arising from cash-settled share-based payments related to 2017 Plan	The binomial pricing model
Accumulated amount of liabilities arising from cash-settled share-based payments related to 2017 Plan (in thousands RMB)	-
Income arising from cancellation of cash-settled share-based payments related to 2017 plan in current period (in thousands RMB)	(64,356)

The methods for the determination of the fair value of liabilities arising from cash-settled share-based payments related to the alternative plan	The binomial pricing model
Accumulated amount of liabilities arising from cash-settled share-based payments related to the alternative plan (in thousands RMB)	28,167
Expenses arising from cash-settled share-based payments in current period related to the alternative plan (in thousands RMB)	28,251

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.

- Intermediates and ingredients (formerly known as "Other")

  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 Crop Protection products segment.

Segment results reported to the chief operating decision maker include items directly attributable to a segment as well as items that can be allocated on a reasonable basis. Unallocated items comprise mainly financing expenses, net, gains from changes in fair value, investment income and tax expenses.

All assets and liabilities that can be attributed to a specific segment were allocated accordingly. Attributed assets include: accounts and bills receivables, receivables financing, inventory, fixed assets, right-of-use assets, construction in progress, intangible assets, goodwill, non-current trade receivables and long-term equity investments. Attributed liabilities include account payables, bill payables, contractual liabilities, deferred income and lease liabilities. All other assets and liabilities which are not attributable to a specific segment are presented as unallocated assets and liabilities.

(Expressed in RMB '000)

XIV. Other significant items - (cont'd)

1. Segment reporting - (cont'd)

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

	Crop Protection		Intermediates and ingredients		Elimination among segments		Total	
	Year ended December 31		Year ended December 31		Year ended December 31		Year ended December 31	
	2019	2018 (Restated)	2019	2018 (Restated)	2019	2018 (Restated)	2019	2018 (Restated)
Operating income from external customers	24,905,674	24,134,355	2,657,565	2,732,953	-	-	27,563,239	26,867,308
Inter-segment operating income	-	-	1,428	719	(1,428)	(719)	-	-
Interest in the profit or loss of associates and joint ventures	8,423	6,207	11,438	794	-	-	19,861	7,001
Segment's results	1,670,516	4,050,508	(127,505)	177,100	-	-	1,543,011	4,227,608
Financial expenses, net							(1,665,885)	(570,392)
Gain (loss) from changes in fair value							825,512	(979,334)
Investment income							(251,066)	621,255
Profit before tax							451,572	3,299,137
Income tax expense							174,531	851,261
Net profit							277,041	2,447,876

	Crop Protection		Intermediates and ingredients		Unallocated assets and liabilities		Total	
	December 31 2019	December 31 2018 (Restated)	December 31 2019	December 31 2018 (Restated)	December 31 2019	December 31 2018 (Restated)	December 31 2019	December 31 2018 (Restated)
Total assets	35,506,894	32,310,319	2,392,909	2,404,190	7,389,137	9,420,554	45,288,940	44,135,063
Total liabilities	4,682,416	4,800,772	286,109	300,843	17,948,750	16,288,586	22,917,275	21,390,201

(Expressed in RMB '000)

XIV. Other significant items - (cont'd)

1. Segment reporting - (cont'd)

Geographic information

The following tables sets out information about the geographical segments of the Group's operating income based on the location of customers (sales target) and the Group's non-current assets (including fixed assets, right-of-use assets, construction in progress, investment properties intangible assets and goodwill). In the case of investment property, fixed assets and construction in progress, the geographical location of the assets is based on its physical location. In case of intangible assets and goodwill, the geographical location of the company which owns the assets.

	Operating income from external customers	
	Year ended December 31	
	2019	2018 (Restated)
Europe	7,078,409	6,983,002
North America	5,418,509	5,038,834
Latin America	7,085,817	6,172,800
Asia Pacific	4,351,929	5,057,860
Africa, Middle East (including Israel) and India	3,628,575	3,614,812
	27,563,239	26,867,308

	Specified non-current assets	
	December 31 2019	December 31 2018 (Restated)
Europe	1,047,505	733,855
Latin America	2,298,654	2,065,089
North America	1,282,267	503,093
Asia Pacific	2,709,786	2,815,195
Africa, Middle East (including Israel) and India	11,512,105	11,659,701
	18,850,317	17,776,933

The dependency on major customers

No single customer's proportion of the total amount of sales is over 10%.

(Expressed in RMB '000)

XIV. Other significant items - (cont'd)

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

	Amount for the current period	Amount for the prior period
Net profit from continuing operations attributable to ordinary shareholders	277,041	2,447,876

Thousands shares	Amount for the current period	Amount for the prior period
Number of ordinary shares outstanding at the beginning of the year	2,446,554	2,341,856
Add: weighted average number of ordinary shares issued during the year	-	104,698
Less: weighted average number of ordinary shares repurchased during the year	-	-
Weighted average number of ordinary shares outstanding at the end of the year	2,446,554	2,446,554

In December 2017, non-publicly offered 104,697,982 ordinary shares (A-share) at nominal value of RMB 1 per share to specific investors. The Company received proceeds of 1,531,920 thousand RMB, net of the issuing cost of 28,080 thousand RMB on December 27, 2017.

	Amount for the current period	Amount for the prior period
Calculated based on net profit attributable to ordinary shareholders		
Basic earnings per share	0.11	1.00
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.11	1.00
Diluted earnings per share	N/A	N/A
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

(Expressed in RMB '000)

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

1. Cash at bank and on hand

	December 31 2019	December 31 2018
Deposits in banks	1,395,994	2,005,313
Other cash and bank	27,057	52,940
	1,423,051	2,058,253

As at December 31, 2019, restricted cash and bank balances was 27,057 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

	December 31, 2019				
	Book value		Provision for expected credit losses		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	131,375	27	131,375	100	-
Account receivables assessed collectively for impairment	349,157	73	48	-	349,109
	480,532	100	131,423	27	349,109

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

b. Aging analysis

	December 31, 2019
Within 1 year (inclusive)	350,756
Over 1 year but within 2 years	74,635
Over 2 years but within 3 years	42,964
Over 3 years but within 4 years	2,634
Over 4 years but within 5 years	1,235
Over 5 years	8,308
	480,532

(Expressed in RMB '000)

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

2. Accounts receivable - (cont'd)

c. Addition, written-back and written-off of provision for expected credit losses during the period

	Year ended December 31, 2019
Balance as of January 1,	129,941
Addition during the year, net	3,480
Write back during the year	(1,998)
Write-off during the year	-
Exchange rate effect	-
Balance as of December 31	131,423

d. Five largest accounts receivable at December 31, 2019:

Name	Closing balance	Proportion of Accounts receivable (%)	Allowance of expected credit losses
Party 1	284,525	59	-
Party 2	117,491	25	117,491
Party 3	20,385	4	11
Party 4	11,166	2	-
Party 5	10,999	2	-
	444,566	92	117,502

3. Receivable financing

	December 31 2019	December 31 2018
Bank acceptance draft	11,722	19,917
	11,722	19,917

As at December 31, 2019, bank acceptance endorsed but not yet due amounts to 132,160 thousands RMB.

(Expressed in RMB '000)

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

4. Other Receivables

	December 31 2019	December 31 2018
Interest receivable	64	-
Dividends receivable	-	1,808
Other receivables	13,987	29,940
	14,051	31,748

(1) Dividends receivable

a. Dividends receivable by categories

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

As at December 31, 2019, the Company did not have any dividends receivable exceeded 1 year.

(2) Other receivables

a. Other receivables by categories

	December 31 2019	December 31 2018
Other	19,655	35,072
Provision for expected credit losses	(5,668)	(5,132)
	13,987	29,940

b. Other receivables by aging

	December 31, 2019
Within 1 year (inclusive)	839
Over 1 year but within 2 years	13,679
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	5,055
	19,655

(Expressed in RMB '000)

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

4. Other Receivables - (cont'd)

(2) Other receivables - (cont'd)

c. Additions, recovery or reversal and written-off of provision for expected credit losses during the period:

	Year ended December 31, 2019
Balance as of January 1, 2019	5,132
Addition during the period	536
Written back during the period	-
Write-off during the period	-
Balance as of December 31, 2019	5,668

d. Five largest other receivables at December 31 2019:

Name	Closing balance	Proportion of other receivables (%)	Credit loss provision
Party 1	13,322	68	-
Party 2	3,125	16	3,125
Party 3	548	3	548
Party 4	510	3	-
Party 5	350	1	349
	17,855	91	4,022

(Expressed in RMB '000)

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

5. Long-term equity investments

	December 31, 2019			December 31, 2018		
	Amount balance	Impairment loss	Book value	Amount balance	Impairment loss	Book value
Invest in subsidiaries.	16,390,275	18,864	16,371,411	15,939,826	-	15,939,826
	16,390,275	18,864	16,371,411	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	-	18,864	18,756	18,864	18,864
Hubei Sanonda foreign trade co. LTD.	11,993	-	-	11,993	-	-
Jiangsu Anpon Electro-chemical co. LTD.	-	450,449	-	450,449	-	-
ADAMA Agricultural Solutions Ltd	15,890,213	-	-	15,890,213	-	-
	15,939,826	450,449	18,864	16,371,411	18,864	18,864

6. Operating Income and operating costs

	Year ended December 31, 2019		Year ended December 31, 2018	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	1,338,579	969,902	3,008,298	1,959,089
Other operations	67,130	54,763	103,855	88,984
	1,405,709	1,024,665	3,112,153	2,048,073

(Expressed in RMB '000)

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

7. Notes to items in the cash flow statements

(1) Other cash received relevant to operating activities

	Year ended December 31, 2019	Year ended December 31, 2018
Interest income	26,114	25,827
Government subsidies	4,414	2,628
Other	3,054	3,220
	33,582	31,675

(2) Other cash paid relevant to operating activities

	Year ended December 31, 2019	Year ended December 31, 2018
Professional services	86,915	71,188
Transportation and Commissions	51,660	77,477
Other	26,203	24,220
	164,778	172,885

(3) Other cash received relevant to financing activities

	Year ended December 31, 2019	Year ended December 31, 2018
Deposit for issuing bills payables	39,886	-

(4) Other cash paid relevant to financing activities:

	Year ended December 31, 2019	Year ended December 31, 2018
Repurchase of B shares	-	393,025
Deposit for issuing bills payables	14,003	48,340
Other	466	8,610
	14,469	449,975

(Expressed in RMB '000)

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

8. Supplementary information to cash flow statement

	Year ended December 31	
	2019	**2018**
a. Reconciliation of net profit to net cash flows generated from operating activities:		
Net profit	(487,973)	323,396
Add: Assets impairment loss	147,421	75,080
Credit impairment loss	2,018	116,171
Depreciation of fixed assets	198,193	218,783
Amortization of intangible assets	4,694	5,516
Amortization of-right-of use assets	430	N/A
Loss on disposal of fixed assets, intangible assets and other long-term assets	572	1,457
Financial expenses	12,113	(21,476)
Investment gains	(2,583)	(1,808)
Decrease (increase) in deferred income tax assets	(44,146)	(21,533)
Decrease (increase) in inventory	43,479	25,153
Increase in accounts receivable from operating activities	336,662	153,415
Increase in payables from operating activities	10,932	199,429
Net cash flows generated from operating activities	221,812	1,073,583

b. Net increase in cash and cash equivalents

Closing balance of cash	1,395,994	2,005,313
Less: Opening balance of cash	2,005,313	1,864,003
Net increase in cash and cash equivalents	(609,319)	141,310

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

		Year ended December 31	
		2019	2018
Summary of Purchase of goods/services received:	**Related Party Relationship**		
Purchase of goods/services received	Common control under ChemChina	12,210	15,733
Purchase of fixed assets and other assets	Common control under ChemChina	192,489	74,308
Purchase of goods/services received	Subsidiary	125,800	220,671
Summary of Sales of goods:			
Sale of goods	Subsidiary	514,469	864,946
Sale of raw materials	Subsidiary	2,633	54,999
Sale of fixed assets	Subsidiary	-	1,528

(Expressed in RMB '000)

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

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

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

b. Leases

The Company as lessor

Type of leased assets	Lessee	December 31 2019	December 31 2018
Building and Structures	Common control under ChemChina	-	19

c. Guarantees

The Company as the guarantor

	Amount of guaranteed loan	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y/ N)
Subsidiary	20,000	26/12/2019	25/12/2020	N
	40,000	10/10/2019	09/10/2020	N
	50,000	30/12/2019	25/12/2020	N
	50,000	12/12/2019	09/12/2020	N
	50,000	21/11/2019	18/11/2020	N
	50,000	19/11/2019	18/11/2020	N

The Company as the guarantee receiver

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

(Expressed in RMB '000)

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

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

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

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

Receivable Items

Items	Related Party Relationship	December 31 2019 Book Balance	December 31 2019 Expected credit losses	December 31 2018 Book Balance	December 31 2018 Expected credit losses
Trade receivables	Subsidiary	424,182	117,491	753,369	113,245
Prepayments	Common control under ChemChina	-	-	298	-

Payable Items

Items	Related Party Relationship	December 31 2019	December 31 2018
Trade payables	Common control under ChemChina	9,195	184
Other payables	Subsidiary	163,877	105,164
Other payables	Common control under ChemChina	97	240
Other non-current liabilities*	Common control under ChemChina	171,770	171,770

* loans from related party, the interest expense for the 12 months ended December 31, 2019 and 2018 was 2,090 thousand RMB for each of the periods.

e. Acquisition of a subsidiary

Related Party	Related Party Relationship	Year ended December 31 2019	Year ended December 31 2018
Parent	Acquisition of a subsidiary	415,000	-

f. Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was 163,630 thousand RMB (31.12.18: 295,661 thousand RMB) Interest income of bank deposit for the current period was 2,883 thousand RMB (amount for twelve months ended December 31, 2018 is 1,456 thousand RMB).

The closing balance of a loan received from ChemChina Finance corporation was 100,000 thousand RMB. Interest expenses in the current period was 1,610 thousand RMB.

Supplementary information
(Expressed in RMB '000)

1. Extraordinary Gain and Loss

	Year ended December 31, 2019
Disposal of non-current assets	127,073
Government grants recognized through profit or loss	27,410
Profit of subsidiaries generated before combination date of a business combination involving enterprises under common control	38,027
Recovery or reversal of expected credit losses which is assessed individually during the years	25,821
Profit or loss arising from contingencies other than those related to normal operating business	(45,989)
Other non-operating income or expenses other than the above	(40,992)
Other profit or loss that meets the definition of non-recurring profit or loss	(574,500)
Tax effect	110,132
	(333,018)

Note 1: Extraordinary gain and loss items listed above are presented in the amount before taxation
Note 2: The company accrued impairment losses and severance payment under the relocation process in 2019.

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	1.23%	0.11	N/A
Net profit after deduction of extraordinary gains/losses attributable to ordinary shareholders of the Company	2.72%	0.25	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)	December 31 2019
Current assets			
Cash at bank and on hand	7,984,102	6,400,190	4,348,588
Financial assets at fair value through profit or loss	23,000	46,095	29,510
Derivative financial assets	455,153	517,726	490,113
Bills receivables	29,927	40,569	26,000
Accounts receivable	5,229,446	6,573,100	8,004,157
Receivables financing	282,645	73,216	78,948
Prepayments	298,036	410,506	377,808
Other receivables	1,083,330	1,079,332	1,195,253
Inventories	7,669,358	9,433,876	9,932,654
Assets held for sale	403,297	-	-
Non-current assets due within one year	46	48	-
Other current assets	614,957	660,806	659,195
Total current assets	24,073,297	25,235,464	25,142,226
Non-current assets			
Long-term receivables	192,968	157,600	170,896
Long-term equity investments	102,384	108,350	133,098
Other equity investments	91,090	91,559	155,062
Investment properties	4,408	4,094	3,771
Fixed assets	6,872,164	7,263,866	6,939,610
Construction in progress	841,100	487,204	788,386
Right-of-use assets	N/A	N/A	536,034
Intangible assets	4,102,983	5,741,962	5,835,785
Goodwill	3,890,097	4,085,945	4,511,193
Deferred tax assets	870,030	741,737	826,696
Other non-current assets	209,815	217,282	246,183
Total non-current assets	17,177,039	18,899,599	20,146,714
Total assets	41,250,336	44,135,063	45,288,940

Supplementary information - (cont'd)

(Expressed in RMB '000)

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

	January 1, 2018 (Restated)	December 31 2018 (Restated)	December 31 2019
Current liabilities			
Short-term loans	3,080,912	1,122,774	2,009,882
Derivative financial liabilities	789,050	1,451,670	691,475
Bills payable	311,557	445,533	321,674
Accounts payable	3,983,018	4,627,936	4,205,901
Contract liabilities	781,374	848,402	664,228
Employee benefits payable	1,013,830	944,175	1,211,713
Taxes payable	437,457	616,780	369,038
Other payables	1,062,400	1,197,579	1,049,594
Non-current liabilities due within one year	448,504	301,814	1,066,243
Other current liabilities	466,078	578,184	355,243
Total current liabilities	12,374,180	12,134,847	11,944,991
Non-current liabilities			
Long-term loans	514,320	235,819	927,159
Debentures payable	7,777,410	7,649,098	7,965,942
Lease liabilities	N/A	N/A	406,358
Long-term payables	23,909	25,106	29,021
Long-term employee benefits payable	652,071	620,646	738,854
Provisions	186,020	132,351	176,822
Deferred tax liabilities	224,613	392,404	323,304
Other non-current liabilities	225,586	199,930	404,824
Total non-current liabilities	9,603,929	9,255,354	10,972,284
Total liabilities	21,978,109	21,390,201	22,917,275
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	1,192,681
Special reserves	9,349	13,536	14,927
Surplus reserve	207,823	240,162	240,162
Retained earnings	3,381,237	5,629,292	5,574,173
Total shareholders' equity	19,272,227	22,744,862	22,371,665
Total liabilities and shareholders' equity	41,250,336	44,135,063	45,288,940

Section XII - Documents Available for Reference

(I) Financial Statements carried with signatures and seals of Legal Representative and Accounting Principal, as well as Head of the Accounting Organ;

(II) Original of the Auditor's Report with the seals of accounting firm and the signatures and seals of certified public accountants;

(III) In the reporting period, originals of all documents of the Company ever disclosed publicly in media designated by China Securities Regulatory Commission as well as the originals of all the public notices were deposited in the office of the Company.

ADAMA Ltd.

Legal Representative：Ignacio Dominguez

April 27, 2020