ADAMA LTD.
ANNUAL REPORT 2020

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.

March 2021

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 2021 and possible risks in "IX. Outlook of future development of the Company" in Section IV. The major risks of the Company include, among others, exchange rate fluctuations; exposure to interest rate, Israel CPI and NIS exchange rate fluctuations; fluctuations in raw material inputs and prices, and in sales. Investors and other relevant people are cautioned to be sufficiently mindful of investment risks. For the complete "Risk factors and countermeasures" of the Company, please see the relevant section below.

- The pre-plan of the dividend distribution approved by the meeting of the Board of Directors on March 29, 2021 refers to the total outstanding 2,329,811,766 shares of the Company which are entitled to the dividends as of the record day when the profit distribution proposal is implemented as the basis for the distribution as cash dividend of RMB 0.16 (before tax) 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.

Table of Contents

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., 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.
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
SASAC	State Assets Supervision and Administration Commission of China
Syngenta Group	Syngenta Group Co., Ltd., the controlling shareholder of the Company as of June 15, 2020, a wholly-owned subsidiary of CNAC
Report	This 2020 Annual Report
Financial Report	The Financial Reports for the year 2020, as contained in this Report
Reporting Period, this Period, Current Year	Year 2020
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		

II. Contact information

	Board Secretary	Securities Affairs Representative	Investor Relations Manager
Name	Guo Zhi	Wang Zhujun	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)	During the Reporting Period, the controlling shareholder of the Company changed from CNAC to Syngenta Group, a wholly-owned subsidiary of CNAC. For additional information, please refer to the Announcement on the Completion of the Registration of the Transfer of State-owned Shares held by the Controlling Shareholder (Announcement No. 2020-33) disclosed by the Company on June 17, 2020.

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	Mou Zhengfei 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

VI. Main accounting and financial results

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

☐ Yes √ No

	2020	2019	+/- (%)	2018
Operating revenue (RMB'000)	28,444,833	27,563,239	3.20%	26,867,308
Net profit attributable to the shareholders (RMB'000)	352,753	277,041	27.33%	2,447,876
Net profit attributable to the shareholders, excluding non-recurring profit and loss (RMB'000)	287,724	610,059	-52.84%	859,448
Net cash flows from operating activities (RMB'000)	2,023,015	843,487	139.84%	2,299,153
Basic EPS (RMB/share)	0.1505	0.1132	32.89%	1.0005
Diluted EPS (RMB/share)	N/A	N/A	N/A	N/A
Weighted average return on equity	1.61%	1.23%	0.38%	11.66%
	31.12.2020	31.12.2019	+/- (%)	31.12.2018
Total assets (RMB'000)	46,801,034	45,288,940	3.34%	44,135,063
Net assets attributable to the shareholders (RMB'000)	21,353,752	22,371,665	-4.55%	22,744,862

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 2020	Q2 2020	Q3 2020	Q4 2020
Operating revenue	6,782,243	7,338,797	6,768,583	7,555,210
Net profit attributable to the shareholders	(16,707)	221,356	20,409	127,695
Net profit attributable to the shareholders excluding non-recurring profit and loss	16,813	202,960	9,876	58,075
Net cash flows from operating activities	(384,708)	1,619,239	157,469	631,015

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	2020	2019	2018	Note
Gains/losses on the disposal of non-current assets (including the offset part of asset impairment provisions)	69,710	127,073	1,959,005	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)	41,871	27,410	21,089	
Profit or loss of subsidiaries generated before combination date of a business combination involving enterprises under common control	-	38,027	45,414	
Profit or loss arising from contingencies other than those related to normal operating business	-	(45,989)	-	
Recovery or reversal of provision for bad debts which is assessed individually during the years	26,102	25,821	17,303	
Other non-operating income and expenses other than the above	19,989	(40,992)	(11,719)	
Other profit or loss that meets the definition of non-recurring profit or loss	(62,855)	(574,500)	-	Mainly provision for early retirement plan of employees at the Company's Israeli manufacturing facilities.
Less: Income tax effects	29,788	(110,132)	442,664	
NCI (after tax)		-	-	
Total	**65,029**	**(333,018)**	**1,588,428**	

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

The Company is a corporation incorporated in the People's Republic of China.
The Group is a global leader in crop protection, engaging in the development, manufacturing and commercialization of a wide range of crop protection products, that are largely off-patent. The Group provides solutions to farmers to combat weeds, insects and disease, and sells its products in approximately 100 countries, through approximately 60 subsidiaries worldwide.

The Group's business model integrates end-customer access, regulatory expertise, state-of-the art global R&D, production and formulation facilities, thereby providing the Group a significant competitive edge and allowing it to launch new and differentiated products that meet local farmers and customer 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.

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.

Distinctive member of the Syngenta Group

In June 2020, ADAMA Group became a distinctive member of the newly established Syngenta Group, a world leader in agricultural inputs, spanning crop protection, seeds, fertilizers, additional agricultural and digital technologies, as well as an advanced distribution network in China.

ADAMA joined this newly-formed ag-industry leader through the contribution of most of the stake that ChemChina indirectly owned in the Company into Syngenta Group. The Syngenta Group is owned by ChemChina, and as such, ChemChina remains the Company's ultimate controlling shareholder.

ADAMA continues to be headquartered in Israel and remains traded on the Shenzhen Stock Exchange, while maintaining its unique brand and positioning.

Performance in the context of general crop protection market environment

In 2020, the global agrochemical market saw resilient growth, with robust demand for crop protection products despite the ongoing COVID-19 pandemic, demonstrating the industry's importance in the global food production chain.

Crop prices mostly declined in the first half of the year as the demand for some agricultural crops, especially corn, cotton, sugar and some fresh fruits and vegetables, softened in the first half of the year as a result of widespread pandemic-related shutdowns. Crop prices improved significantly in the second half of the year as crop demand recovered, fueled by pandemic-related food security concerns, the recovery of oil prices (benefiting corn and sugar prices) and the recovery in textile demand (benefiting cotton prices). The spike in agricultural import demand is led by China, the world's largest agricultural importer, which is rebuilding its crop reserves. Dryness in Latin America due to the La Niña weather event also pushed crop prices higher in the latter part of 2020.

Overall, worldwide crop protection volumes were strong in 2020, driven by increased global planted acreages, higher pest pressure and improved weather conditions in key growing regions. Growth was also bolstered by demand for crop protection products in developing markets such as India, where pandemic-induced labor shortages encouraged higher use of herbicides.

The non-crop industry, especially the consumer segment, saw strong demand as COVID-19 lockdowns drove investments in the Home & Garden segments.

During most of 2020, prices of active ingredients in China declined as the cost of oil and related basic chemicals decreased sharply at the initial onset of the pandemic. However, towards the end of the year, prices began to increase due to the recovery of oil prices alongside higher raw material costs. This, combined with stronger demand for crop protection products and a strengthening of the RMB when compared to the US dollar, has contributed to a recent increase in the procurement costs of raw materials, intermediates and active ingredients, a trend which is continuing into 2021. This increase in procurement costs, if sustained for an extended period, may challenge the Company's gross margin over the coming quarters. The Company actively manages its procurement and supply chain activities in order to mitigate these higher procurement costs, and adjusts its pricing wherever possible to compensate. However, intense competitive dynamics in markets worldwide may constrain the Company's ability to fully and timely pass on these increases in procurement costs.

2020 saw significant volatility in global currency markets, with the rapid depreciation of many currencies against the US dollar in the first half of the year, most notably the Brazilian Real, Australian dollar, Turkish Lira and Indian Rupee, as well as volatility in the Euro. These trends, although stabilizing to some extent in the second half of the year, impacted the financial performance of multi-national companies throughout the world, including the Company. It should be noted that developed market currencies have strengthened more than those in developing markets where the Company is experiencing its strongest growth, another trend which is continuing into 2021. Furthermore, the relatively strong currencies of the Company's two main production hubs, Israel and China, have brought, and are expected to continue to bring, upward pressure on manufacturing costs in USD terms.

Crop Protection Products

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.

<u>Herbicides</u> - During cultivation, crops are exposed to various weeds that grow in their environment and compete for water, light and nutrients. Herbicides are designed to prevent or stunt the development of such weeds to allow the cultivated crop to develop optimally throughout the different stages of its growth, and therefore to reach optimum yield. The herbicides sold by the Company are both selective (do not affect or harm the crop itself) and non-selective. The best-selling herbicides are those designed to protect soy, corn, cereals, rice and cotton.

<u>Insecticides</u> - Insecticides are designed to control various types of insects and pests in a selective manner (without harming the crop itself). The best-selling insecticides are designed to protect fruits and vegetables, corn, cotton and soy.

<u>Fungicides</u> - Fungicides are designed to combat various diseases and parasitical fungi. In general, when weather conditions in the agricultural season are dry, the prevalence of crop diseases is much smaller, reducing demand for such products. Crops in which fungicides are used most frequently are cereals, fruit, vegetables, soy, grapevines and rice.

Main production processes, and upstream and downstream elements

Production - The Group's manufacturing sites house two types of facilities: (1) dedicated facilities designed to produce a single product or product family; and (2) multi-purpose facilities - comprising the majority of the Group's facilities where several kinds of products may be manufactured. The latter provide the Group with manufacturing flexibility and enable it to prepare for the manufacturing of new products, subject to maintaining and ensuring quality standards.

Value chain - Generally, the value chain between the Group and the end customer who ultimately purchases its products around the world may be characterized as follows: Importer / Formulator -> Distributor -> Retailer -> Farmer. Due to the expansion of the Company's activities and the acquisition and establishment of subsidiary companies in different regions of the world in recent years, in most cases companies owned by the Group carry out the role of the formulator and/or the importer, and occasionally also the role of the distributor and sometimes the retailer. In the past, farmers stored the inventory in their own warehouses, but this trend has changed and today most of inventories are stored either in the importers' or the distributors' warehouses.

Raw materials and suppliers - The Group procures and manufactures a large variety of raw materials, which may not be uniformly characterized, together with complementary raw materials or intermediates required to produce the finished products and/or their formulations. The most significant element of the Group's cost of sales is the cost of raw materials used in its production processes, which is primarily influenced by global changes in the supply of raw materials, and, to a certain extent, extreme fluctuations in international oil prices. Similarly, the cost of purchasing finished products for sale to third parties is also significant. The Group purchases its raw materials from various suppliers, primarily in China, Europe, the U.S.A., and South America. The Group's supplier network has not changed significantly over the past few years, while suppliers from China are still a main source for raw material, due to the wide range of products and competitive prices offered by them, together with the improved quality of the products that are examined by the Group through product quality testing.

Customers - The Company's customers are numerous and are distributed across many countries throughout the world, although in some countries, sales are made to a relatively small number of customers. Generally, the Group's products are primarily sold to regional and local distributors in the different countries, who in turn market them to end customers in that country, some of whom are large cooperatives. The Group also sells, inter alia, to multinational companies and to other producers that manufacture end-use products based on active ingredients sourced from the Group's. The vast majority of sales are made to returning customers, typically without long-term supply contracts, as is customary in the industry. In most countries, purchases are made without long-term advance orders, while in some areas they are made based on (non-binding) rolling sales forecasts and actual orders. The Group's actual production is based on these forecasts.

Distribution and marketing - The Group's marketing operations are global and designed to consistently increase profits and market share. The Group markets its products directly through local representation in all of the largest agricultural markets worldwide by means of local salespeople and commercial activities directed at the distributors, agricultural consultants and farmers.

General environment and the effect of external factors on the Company's operations

Major trends, events and key developments in the Group's macro-economic environment may materially impact the Group's business results and development. The impact of these factors may differ by geographic region and the different products of the Group. Since the Group offers one of the a widest and most diverse product portfolios of crop protection products and since it operates 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 offsetting effects. 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.

For further important additional information and details, please refer to the Annex.

II. Significant changes to main assets

1. Significant changes to main assets

Main Assets	Significant Change
Stock rights/Equity assets	Decrease due to the acquisition of Alfa, a previous joint venture of the Company, after which it became a subsidiary of the Company.
Fixed assets	No significant change
Intangible assets	No significant change
Construction in progress	Investments in relocation projects

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	18,577,615	Israel and globally	Corporate Governance	Corporate Governance	201,814	87%	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 one of the world's leading off-patent companies has given it a deep understanding of the industry and enabled it to build one of the 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 2020, 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 over time has led to 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 certain 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 and formulations. 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 2020 revenue breakdown of approximately 25% in Europe, 26% in Latin America, 19% in North America, 16% in Asia Pacific, and 14% in India, the Middle East and Africa. This regional 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 2020 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 ultimate 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. 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. With its activities in China also forming part of Syngenta Group China, 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 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 85% 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 1,000 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

For general crop protection market environment, please refer to I. Main business of the Company during the Reporting Period of Section III above.

Item	Reporting Period (000'RMB)	Same period of last year as previously reported (000'RMB)	+/-%
Revenues	28,444,833	27,563,239	3.20%
Pre-Tax Profits	575,212	451,572	27.38%
Pre-tax profit margin	2.0%	1.6%	-
Net income	352,753	277,041	27.33%
Net income margin	1.2%	1.0%	-
EBITDA	**4,088,571**	**4,195,328**	-2.54%
EBITDA margin	14.4%	15.2%	-

Item	Reporting Period (000'USD)	Same period of last year as previously reported (000'USD)	+/-%
Revenues	4,127,751	3,996,773	3.28%
Pre-Tax Profits	82,620	68,337	20.90%
Pre-tax profit margin	2.0%	1.6%	-
Net income	51,068	42,790	19.35%
Net income margin	1.2%	1.0%	-
EBITDA	592,480	610,440	-2.94%
EBITDA margin	14.4%	15.2%	-

Note: Since the functional currency of main overseas subsidiaries is the USD, and the Company's management review of the Company's performance is based on the USD results, following explanations and analysis are based on USD-denominated numbers.

Procurement model of major raw materials

Main raw materials	Procurement model	Proportion out of total purchase amount	Significant change in the settlement method	Average price in H1 (RMB/Kg)*	Average price in H2 (RMB/Kg)*
AI Tech	Purchase through multiple channels	41.9%	No	58.3	61.6
Raw Materials		27.2%	No	15.8	21.3
Co-Formulants		5.4%	No	10.8	12.3
Packaging		5.3%	No	1.3	1.4
Other		20.3%	No	4.0	2.1

* Prices in RMB are based on average exchange rates for the relevant period.

Reasons for significant changes in raw material prices compared with the previous reporting period

☐ Applicable √ Not applicable

Whether the Company spends more than 30% of its total production cost on energy supply

☐ Applicable √ Not applicable

Reasons that there is material change to the main energy types during the reporting period

☐ Applicable √ Not applicable

Production technologies of main products

Main Products	Stage of Production Technologies of Main Products	Key Technical Experts	Patents	R&D advantages
Herbicides	Industrialized production	Employed by the Group	Some are patent protected	Off-patent AIs developed into differentiated mixtures and formulations, in combination with new formulation and delivery technologies that provide more efficient ways to deliver the products into the plants
Fungicides	Industrialized production	Employed by the Group	Some are patent protected	Off-patent AIs developed into differentiated mixtures and formulations, in combination with new formulation and delivery technologies that provide more efficient ways to deliver the products into the plants
Insecticides	Industrialized production	Employed by the Group	Some are patent protected	Off-patent AIs developed into differentiated mixtures and formulations, in combination with new formulation and delivery technologies that provide more efficient ways to deliver the products into the plants

Capacity of main products

Main Products	Normal Capacity (tons/year)	Capacity Utilization (%)	Capacity Under Construction (tons/year)	construction Investment in the production of Main Products
Herbicides	53,545	95	13,000	Ongoing
Fungicides	54,802	84	1,500	Ongoing
Insecticides	39,874	79	20,400	Ongoing

Products produced in major chemical industry parks

Major Chemical Industry Parks	Products
Neot Hovav, Israel	Plant for production of insecticides and fungicides active ingredients as well as formulations, R&D center and Non-Agro activity
Ashdod, Israel	Manufacturing of the herbicides' active ingredients, formulations and Non-Agro activity as well
Anpon, China	Plant for the manufacturing of insecticides and herbicides active ingredients, formulations, Flame Retardants and Non-Agro activity
Sanonda, China	Plant for the manufacturing of insecticides active ingredients as well as number of formulations and Non-Agro activity
Taquari, Brazil	Plant for the manufacturing of active ingredients as well as number of formulations used for the manufacturing of insecticides, fungicides and herbicides

EIA approval status that is being applied or newly obtained during the reporting period

√ Applicable ☐ Not applicable

During the reporting period, the Company received the following EIA approvals:

- "Environmental Impact Reporting Form of the Reconstruction Project for Ultra-low Emission".
- "Environmental Impact Reporting Form of the Supporting Engineering Project for the Insecticide Relocation and Upgrading Project".
- "Relocation and Upgrading Project for Ethephon with Annual Capacity of 13,000 Tons". The original annual capacity of the project was 10,000 tons, and the required EIA for the expansion was already obtained.
- "Relocation and Upgrading Project for Pesticide Formulation Facilities with Annual Capacity of 3,500 Tons".

Abnormal production suspension during the reporting period

☐ Applicable √ Not applicable

Relevant approvals, permits and qualifications

√ Applicable ☐ Not applicable

Entity in China	Name of the Certificate	Number	Expiration
ADAMA Ltd.	Pesticide Production Permit	Pesticide Production Permit (E) 0010	March 15th, 2023
	Safety Production Permit	（E）WH [2020] extended No. 0011	March 1st, 2023
	Special Permit for the Manufacturing of Monitored Chemicals	HW-D42I0001	April 3rd, 2024
	Special Permit for the Manufacturing of Monitored Chemicals	HW-C0110173	January 12th, 2022
	National Industrial Production Permit	XK13-008-00019 of Hubei	November 13th, 2023
	Veterinary Drug Production License	（2016）No.17027 for Veterinary Drug Production	December 26th, 2021
	Veterinary Drug GMP Certificate	（2016）No. 17012 for Veterinary Drug GMP	December 26th, 2021
	Business License for Hazardous Chemicals	No. [2019]000348 of Safety Operation of Hubei D	July 5th, 2021
	Port Operation Permit	No.（0045）for Port Operation of Jingzhou of Hubei	January 16th, 2022
	Port Shoreline Use Permit	No. 5, 2015 for Use of Port Shoreline	August 7th, 2061
	Water Extraction Permit	No. 3, 2020 for Water Extraction of Jingzhou of Hubei	August 13th, 2025
	Registration Certificate of Hazardous Chemicals	421012001	December 9th, 2021
	Pollutant Emission Permit	91420000706962287Q001P	December 25th, 2025
ADAMA Anpon (Jiangsu) Ltd.	Safety Production Permit	WH No. [H00029] for Safety Production of Jiangsu	January 17th, 2021
	Business License for Hazardous Chemicals	No. 00394 for Business of Hazardous Chemicals of Huai'an of Jiangsu	November 1st, 2021
	Pesticide Business License	No. 32080020034 for Pesticide Business of Jiangsu	December 26th, 2024
	Pesticide Production Permit	No. 0014 for Pesticide Production of Jiangsu	December 6th, 2022
	Pollutant Emission Permit	91320800139433337K001P	May 31th,2025
	National Industrial Production Permit	XK13-010-00189 of Jiangsu	January 12th, 2024
	National Industrial Production Permit	XK13-008-00007 of Jiangsu	September 23rd, 2023
	National Industrial Production Permit	XK13-014-00235 of Jiangsu	July 11th, 2024
	Mining License	C3200002009096120039192	September 30th, 2025
	Safety Production Permit	FM No. [2020]0801 of Jiangsu	November 25th, 2021
Maidao,	Business License for	No. 00641 for Business of	December 30th, 2022

Entity in China	Name of the Certificate	Number	Expiration
Branch of ADAMA Anpon (Jiangsu) Ltd.	Hazardous Chemicals	Hazardous Chemicals of Jiangsu	
	Safety Production Permit	WH No. [H00015] for Safety Production of Jiangsu	July 22nd, 2021
	Pollutant Emission Permit	91320800MA1NX3QW56001P	November 26th, 2025
Hubei Sanonda Trading Co., Ltd.	Pesticide Business License	No. 42000010083 for Pesticide Business of Hubei	September 3rd, 2023
ADAMA (Beijing) Agricultural Technology Company Limited	Pesticide Business License	No. 11000010005 for Pesticide Business of Beijing	April 11th, 2023
Shanghai Dibai Plant Protection Co., Ltd.	Pesticide Business License	No. 31011420006 for Pesticide Business of Shanghai	September 3rd, 2023

Company focused on oil processing and trade

□Applicable √Not applicable

Company focused on fertilizer

□Applicable √Not applicable

Company focused on agrochemicals

√ Applicable □ Not applicable

Market share - As mentioned herein, ADAMA is a leading company among the crop-protection companies that focus on off-patent crop protection solutions. The Group's global crop protection market share was approximately 6.1% in 2020, based on AgBio Investor's preliminary estimation of the global agrochemical industry in 2020, and 5.5% in 2019.

Registrations - The materials and products marketed by the Group require, at various stages of their production and marketing, registration in every country where the Company intends to market them. The Company has development and registration centers, located in Europe, Israel, Latin America, Brazil, North America, India and Asia. 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 1,000 new product registrations. These capabilities are increasingly important as regulatory requirements continue to increase globally.

Tax policies - In order to assist and effectively support companies located in Hubei province, that have been impacted by the COVID-19 pandemic, the government has provided more preferential tax policies to such companies, including by reducing or by exempting land use tax, and/or by and exempting various employment-related taxation borne by the companies. In addition, the Company can apply for higher value-added tax (VAT) refund rate with regard to some of its products, as of March 20, 2020, benefiting the Company's export business.

Company focused on chlorine alkali and caustic soda business

□Applicable √Not applicable

Company focused on chemical fiber industry

☐Applicable √ Not applicable

Company focused on plastic and rubber making

☐Applicable √ Not applicable

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

Revenues

Revenues grew by 17% in the fourth quarter and by 11% in the full-year period, in constant exchange rates (CER) terms, compared to the corresponding periods last year, driven by a 16% increase in volumes in the quarter and a 10% increase over the full year.

In the fourth quarter, the Company delivered strong, double-digit growth in all key regions in constant currency terms. A particularly strong performance in the quarter in North America saw the region almost fully recover from the severe weather and other challenges seen mainly in the US earlier in the year. Similarly strong growth was achieved in Europe in the quarter, bolstered by good consumption by farmers and the Company’s acquisition in Greece in mid-year, bringing the region into positive growth territory for the full year. Favorable weather conditions in the quarter in Asia-Pacific supported growth across the region, with noteworthy performances seen in Australia, Japan and across south-east Asia. The India, Middle East & Africa region delivered continued growth, with noteworthy performances seen in India and South Africa, which also enjoyed supportive seasonal conditions. The Company continues to grow its market share in Latin America, led by strong business growth in Brazil, despite challenging weather in some parts which delayed the soybean planting season, as well as solid performances in Chile, Peru, Colombia and Mexico.

The robust growth in the fourth quarter drove ADAMA to achieve record-high sales in 2020. The Company saw its strongest growth over the year in the emerging markets of Latin America and the India, Middle East and Africa region, as well as in APAC. Its performance was further bolstered by various acquisitions completed in 2020, including in Greece and Paraguay.

In US dollar terms, sales in the fourth quarter grew by 10% and by 3% in the full-year period, compared to the corresponding periods last year, reflecting the impact of the generally weaker currencies, especially in the emerging market regions where the Company is growing the fastest. The currency weakness constrained sales in US dollar terms by an estimated $71 million in the fourth quarter and by an estimated $293 million over the full year.

(1) Operating revenues

Unit: RMB'000

	2020		2019		YoY +/-%
	Amount	Ratio of the operating revenue	Amount	Ratio of the operating revenue	
Total operating revenue	28,444,833	100%	27,563,239	100%	3.20%
Classified by industries					
Manufacture of chemical raw materials and chemical products	28,444,833	100%	27,563,239	100%	3.20%
Classified by products					
Herbicides	11,763,783	41.4%	11,848,417	42.99%	-0.7%
Fungicides	5,898,321	20.7%	5,189,971	18.83%	13.6%
Insecticides	8,095,679	28.5%	7,867,286	28.54%	2.9%
Ingredients and Intermediates (Formerly referred to as Non-Agro)	2,687,050	9.4%	2,657,565	9.64%	1.1%
Classified by regions					
Europe	7,155,152	25.2%	7,078,409	25.68%	1.1%
North America	5,333,514	18.8%	5,418,509	19.66%	-1.6%
Latin America	7,460,282	26.2%	7,085,817	25.71%	5.3%
Asia-Pacific	4,533,778	15.9%	4,351,929	15.79%	4.2%
India, Middle East and Africa	3,962,107	13.9%	3,628,575	13.16%	9.2%

Unit: USD'000

	2020		2019		YoY +/-%
	Amount	Ratio of the operating revenue	Amount	Ratio of the operating revenue	
Total operating revenue	4,127,751	100%	3,996,773	100%	3.3%
Classified by industries					
Manufacture of chemical raw materials and chemical products	4,127,751	100%	3,996,773	100%	3.3%
Classified by products					
Herbicides	1,707,193	41.4%	1,719,666	43.03%	-0.7%
Fungicides	856,648	20.8%	751,752	18.81%	14.0%
Insecticides	1,174,463	28.4%	1,139,961	28.52%	3.0%
Ingredients and Intermediates (Non-Agro)	389,447	9.4%	385,394	9.64%	1.1%
Classified by regions					
Europe	1,035,865	25.1%	1,030,551	25.78%	0.5%
North America	775,744	18.8%	785,519	19.65%	-1.2%
Latin America	1,087,796	26.4%	1,021,819	25.57%	6.5%
Asia-Pacific	656,276	15.9%	632,542	15.83%	3.8%
India, Middle East and Africa	572,070	13.8%	526,342	13.17%	8.7%

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.

Regional Performance Review

Europe: Sales grew by 10.7% in the fourth quarter and by 1.7% in the full-year period, in CER terms, compared with the corresponding periods last year. The strong double-digit growth in the quarter was driven by good consumption of cereal herbicides by farmers, which more than offset the lower insecticide applications on key crops such as oilseed rape, due to weather challenges. Northern Europe benefited in the quarter from an early start to the 2021 season. The Company continued to deliver a pleasing performance in Greece, following its recent acquisition in the country.

The robust performance in the quarter saw the Company deliver positive growth in the region over the full year period, driven by moderate volume growth which was partially offset by a somewhat softer pricing environment. The Company continues to gain market share in key countries in the region, with strong performances over the full year in Germany, Poland and Ukraine, as well as in Italy and France, despite an overall contraction of the market in the country.

During the quarter, the Company obtained multiple new registrations, including the Company's self-produced prothioconazole-based solution in the UK, a further milestone in the journey of this molecule that is expected to be a key contributor to the Company's future growth. the Company achieved the registration of TIMELINE FX®, a cross-spectrum herbicide for spring cereal, in Lithuania, penetrating an important segment in the region.

In US dollar terms, sales grew by 14.7% in the quarter and by 0.5% in the full-year period, compared to the corresponding periods last year, reflecting the net impact of the relative strengthening of European currencies against the US dollar in the quarter, contrasted with their relatively weaker levels over much of the full-year period.

North America: Sales grew by 14.7% in the fourth quarter but were lower by 0.9% in the full-year period, in CER terms, compared with the corresponding periods last year. The robust business growth in the quarter saw the Company almost fully overcome the severe weather-related challenges and COVID-19 impact seen earlier in the year. Sales of crop protection products in the US and Canada in the quarter benefited from strong demand, especially for fall burndown herbicides, which more than offset a challenging season for cotton growers. The quarter also saw good momentum being generated by the Company's portfolio of recently launched products targeting the Spring 2021 season, among them the FullPage™ rice cropping system, which enjoyed early demand from growers following the considerable increases in rice yields seen in the 2020 season.

Continued growth of the Company's Consumer and Professional Solutions business in the quarter brought a resilient finish and a pleasing performance in what was a challenging year.

In US dollar terms, sales grew by 14.4% in the quarter but were lower by 1.2% in the full-year period, compared to the corresponding periods last year, reflecting the moderate weakening of the Canadian Dollar seen in the first half of the year.

Latin America: grew by a robust 24.9% in the fourth quarter and by 29.9% in the full-year period, in CER terms, compared to the corresponding periods last year, driven by significant volume growth in key countries and continued price increases to partially compensate for the material weakening of the currencies in the region.

In Brazil, a strong performance in the quarter resulted in continued market share gain, despite experiencing unstable weather which delayed soybean planting and reduced cotton acreage, as well as continued COVID-19-related challenges. The Company also recorded strong growth in the quarter in Colombia and Chile, as well as in Peru and Paraguay, bolstered by its recent acquisitions in those countries, and offsetting the impact of severe drought conditions in several countries in the region, including Argentina. Over the full-year period, the Company delivered strong business growth in the region in CER terms, driven by significant volume growth, most notably in Brazil as well as Mexico, Chile and Argentina, alongside local currency price increases, mainly in Brazil.

During the quarter, the Company obtained more than a dozen new product registrations in the region, including ACROSS® broad spectrum fungicide, ARREMATE® triple mode herbicide, both in Brazil, as well as MATTOK® a differentiated combination fungicide and bio-stimulant, in Colombia and Honduras, and PLETHORA® a unique and highly efficient combination insecticide for key crops in Colombia.

In US dollar terms, sales in the region grew by 2.5% in the quarter and 6.5% in the full-year period, compared to the corresponding periods last year, as the robust business growth was heavily impacted by weaker currencies in the region, in particular the significant decline in the Brazilian Real against the US dollar.

Asia-Pacific: Sales grew by 12.9% in the quarter and by 5.4% in the full-year period, in CER terms, compared to the corresponding periods last year.

In Asia-Pacific (outside of China), the Company delivered strong business growth across the region in the quarter, with noteworthy performances seen in Australia and across South East Asia and Japan, benefiting from favorable weather conditions. The strong growth in the quarter capped a pleasing performance over the full year period in this part of the region, despite COVID-related challenges seen throughout the year. During the quarter, the Company launched a new product in New Zealand, GOLTIX GOLD®, featuring a unique formulation with reduced hazard profile and improved efficacy for controlling weeds in beet crops.

In China, the Company recorded double-digit volume growth in the quarter, with strong sales of raw materials and intermediates, albeit at lower prices due to increased supply generally from Chinese producers. In the full-year period, the Company continued to deliver solid growth of its branded, formulated portfolio. The Company significantly enhanced its commercial reach in China, by acquiring a majority stake in Dibai, Jiangsu Huifeng's domestic commercial crop protection business. This transaction is a significant milestone in the Company's continuous commercial expansion in China, and will significantly bolster the Company's commercial activities, positioning and offering in this key strategic market. In addition, the Company continues to work towards the Closing of the second phase of the transaction with Huifeng (the acquisition of a majority stake in most of Huifeng's manufacturing operations), which is currently expected to close during the second quarter of 2021.

In US dollar terms, sales in the region grew by 16.8% in the fourth quarter by 3.8% in the full-year period, compared to the corresponding periods last year, reflecting mainly the strengthening of the Chinese Renminbi and the Australian dollar against the US dollar in the quarter, contrasted with the generally weaker currencies over the full-year period.

India, Middle East & Africa: Sales grew by 12.8% in the quarter and by 13.9% in the full-year period, in CER terms, compared to the corresponding periods last year, driven by strong volume growth.

The growth in the region over the quarter was driven by strong performances in all key countries, notwithstanding the ongoing COVID-19 restrictions, with noteworthy performances seen in India and South Africa, which benefited from favorable weather and cropping conditions. Turkey continued to grow in the quarter, despite experiencing a major earthquake which temporarily suspended commerce in the country, and following challenges seen earlier in the year due to lower demand for cotton as a result of the pandemic. The strong performance over the full year saw the Company take advantage of the good monsoon season in India as well as positive seasonal conditions in South Africa, to drive significant volume-led business growth across the region.

During the quarter, the Company launched multiple new products in India, including ZAMIR®, a systemic and long-acting fungicide in wheat, as well as FLAMBERGE®, a bio-stimulant, strengthening its portfolio in this key segment.

In US dollar terms, sales in the region grew by 10.5% in the quarter and by 8.7% in the full-year period, compared to the corresponding periods last year, reflecting the impact of softer currencies, most notably the Turkish Lira, the Indian Rupee and the South African Rand.

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

√ Applicable ☐ Not applicable

Region	sales in volume (ton)	Revenue (RMB'000)	Average Selling Price for H1 (RMB/ton)	Average Selling Price for H2 (RMB/ton)	YoY sales Change	Reason of the Change (regions sales YOY)
Europe	256,994	7,155,152	81.8	69.2	-15.4%	Different product mix in H2 with lower selling price
North America	526,552	5,333,514	34.2	34.7	1.4%	
Latin America	146,319	7,460,282	50.9	51.4	0.8%	
Asia-Pacific	1,279,504	4,533,778	8.5	5.0	-41.3%	Non Agro segment proportion in H2 much bigger, Average selling price of this segment is lower
India, Middle East and Africa	319,974	3,962,107	48.5	48.5	-0.1%	
Total	**2,529,343**	**28,444,833**	**28.3**	**22.4**	**-21.0%**	

* Sales of crop protection products are directly influenced by the agricultural seasons, weather and crop cycles;

** Prices in RMB are based on average exchange rates for the relevant period

Whether the Company generates more than 10% revenue or net profit from its overseas business against the audited annual revenue and net profit for the most recent accounting year

√ Applicable ☐ Not applicable

Overseas Business	How it operates in foreign markets	Whether the tax policy influences the business overseas	measures it takes during the reporting period
Adama Solutions	The Group develops, purchases, manufactures and markets its products through many companies worldwide. As such, the Group operates through approximately 60 subsidiaries, with each of the Group companies being independent and fulfilling a different role and making a different contribution to the Group's operations, and	No material influence exists.	The Group's services or products are priced based on transfer pricing studies conducted to reflect the market price that would have been determined for these services or products were they to be provided to non-group members. Such transfer prices are reviewed on a quarterly basis.

Overseas Business	How it operates in foreign markets	Whether the tax policy influences the business overseas	measures it takes during the reporting period
	being assessed according to the tax laws in their specific localities.		

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

√ Yes ☐ No

Industries	Items	Units	2020	2019	YoY +/-%
Crop Protection	Sales volume	Ton	768,688	662,752	16.0%
	Production	Ton	491,925	405,518	21.3%
	Inventory	Ton	223,176	213,387	4.6%

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	2020		2019		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)	16,740,996	83.4%	15,463,150	84.3%	8.3%
Industry of manufacturing chemical raw materials and chemical products	Labor cost	1,153,968	5.7%	1,105,014	5.9%	4.4%
Industry of manufacturing chemical raw materials and chemical products	Depreciation expense	669,414	3.3%	660,812	3.5%	1.3%

Explanations:

China Relocation & Upgrade Program

The Company continues to progress on the relocation and upgrade of its production and environmental facilities at both its

Jingzhou (Hubei Province) and Huai'An (Jiangsu Province) sites. Despite the temporary suspension of the Jingzhou site at the outbreak of the COVID-19 pandemic in Q1 2020, and some delays due to severe flooding in the area a few months later, the Company is expecting to start production at the new site in Jingzhou within the next few months. The first phase of the Huai'An relocation is expected to be completed by the end of 2022.

In addition to the significant capital sums being invested in the Relocation & Upgrade program, the Company recorded largely relocation-related costs within its Cost of Goods Sold of approximately RMB 174 million (USD 26 million) in the full-year period compared with RMB 70 million (USD 10 million) in 2019. These charges include mainly (i) higher procurement costs incurred as the Company continued to fulfill demand for its products, in order to protect its market position, through replacement sourcing at significantly higher costs from third-party suppliers, and (ii) non-cash accelerated depreciation charges related to terminated facilities at the old sites.

Excluding the impact of the abovementioned, largely non-recurring and relocation-related costs, over the full-year period, the significant currency weakness constrained gross profit by an estimated USD 247 million, outweighing the Company's robust business growth and lower procurement costs, resulting in lower gross profit when compared to the same period last year.

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

√ Yes ☐ No

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

1. Alfa Agricultural Supplies Commercial and Industrial S.A. - acquired the remaining 51% holdings
2. FNV S.A - acquired 51% of outstanding share
3. Shanghai Dibai Plant Protection Co., Ltd. - acquired 51% of outstanding shares

(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)	1,705,367
Ratio of total sales to top 5 customers to annual total sales	6.00%
Ratio of total sales to related parties (within top 5 customers) to annual total sales	2.49%

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	670,231	2.36%
2	B	281,034	0.99%
3	C	280,336	0.99%
4	D	240,558	0.85%
5	E	233,208	0.82%
Aggregated		**1,705,367**	**6.00%**

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)	2,900,911
Ratio of total purchase to top 5 suppliers to annual total purchase	17.7%
Ratio of total purchase from related parties (within top 5 suppliers) to annual total purchase	6.55%

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	1,075,518	6.55%
2	B	921,307	5.61%
3	C	357,237	2.17%
4	D	303,871	1.85%
5	E	242,978	1.48%
Aggregated		**2,900,911**	**17.66%**

Notes of the other situation of the major suppliers

☐ Applicable √ Not applicable

3. Expenses

	In RMB '000			In USD '000		
	2020	2019	YoY +/-%	2020	2019	YoY +/-%
Sales and Marketing expenses	4,945,345	4,873,256	1.48%	717,453	707,156	1.46%
General and Administrative expenses	1,043,708	1,562,317	-33.19%	151,517	225,707	-32.87%
R&D expenses	478,778	436,325	9.73%	70,058	63,230	10.80%
Financial (income) / expenses	1,847,189	1,665,885	10.88%	269,341	242,331	11.15%
Tax expenses	222,459	174,531	27.46%	31,552	25,547	23.50%

Explanations for the change of above expenses:

Note: As noted above and since functional currency of main overseas subsidiaries is the USD, and the Company's management review of the Company's performance is based on the USD results, following explanations and analysis are based on USD-denominated numbers.

(1) Sales and Marketing expenses

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 ASBE, 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 done in a linear manner on a quarterly basis, most of which have been completed by the end of 2020. Its reported financial impact in the full year of 2020 is RMB 255 million (USD 37 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. These additional amortization charges will continue until 2032 but at a reducing rate, yet will still be at a meaningful level until 2028. Its reported financial impact in the full year of 2020 is RMB 211 million (USD 31 million), while in 2021 it is expected to be further reduced to approximately RMB 151 million (USD 23 million)
- **Amortization of acquisition-related PPA (non-cash) and other acquisition-related costs:** Mainly the non-cash amortization of intangible assets created in the course of acquisitions as well as other M&A-related costs, and has no impact on the ongoing performance of the companies acquired. Its reported financial impact in the full year of 2020 is RMB 64 million (USD 9 million), net of tax.

The Company continues to maintain strong operating cost discipline while accommodating significantly higher sales and the inclusion of acquisitions. Sales and marketing expenses in the 2020 periods benefited from the global currency weakness against the US dollar when compared to prior periods, and were further aided by the impact of COVID-19 restrictions that caused savings on certain expenses.

(2) General and Administrative expenses

The Company is in the process of its multi-year Upgrade & Relocation program in China, where its production assets located in the old production sites in Jingzhou and Huai’An are being relocated to the new sites, both in 2020 and in the coming years. Related to that, the Company recorded in the general and administrative expenses and idleness cost of RMB 134 million (USD 19 million) mainly in Jingzhou site for its temporary suspensions mostly during Q1 2020 at the outbreak of COVID-19 in Hubei Province compared with RMB 342 million (USD 50 million) in 2019 due to environmental inspections carried out at that time). As part of the relocation process, Jingzhou and Huai’An sites began to execute a reduction plan to reduce the number of employees related to which. The fourth quarter of 2019 included one-time severance expenses of RMB 243 (USD 35 million).

This largely explained for the big changes of the general and administrative expenses between 2020 and 2019.

In addition, the Company recorded a provision for an early retirement plan of employees at the Company’s Israeli manufacturing facilities. Its financial impact in the FY is RMB 73 million (USD 11 million), most of which was incurred during Q1 2020.

Despite the above, the Company continues to maintain strong operating cost discipline. General and administrative expenses in the 2020 periods benefited from the global currency weakness against the US dollar when compared to prior periods, and were further aided by the impact of COVID-19 restrictions that caused savings on certain expenses.

(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 1,847 million (USD 269 million) for the full year of 2020 compared with RMB 1,666 million (USD 242 million) for 2019.

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 the hedging transactions on Gains/Losses from Changes in Fair Value and Investment Income, excluding capital gain/loss from realization of companies, is a net gain of RMB 681 million (USD 100 million) in the full year of 2020 compared with RMB 574 million (USD 84 million) for 2019.

The aggregate of Financial Expenses, Gains/Losses from Changes in Fair Value 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 1,166 million (USD 169 million) in the full year of 2020, compared with RMB 1,092 million (USD 158 million) for 2019. The higher financial expenses in the full year period were largely due to the effect on balance sheet positions of the strengthening of the RMB when compared to 2019, alongside higher financing costs on the NIS-denominated, CPI-linked bonds publicly traded at Tel Aviv Stock Exchange due to the expansion of the series in mid-2020, which were partially offset by a lower CPI in Israel over the year.

In addition, Investment Income also mainly includes an amount of RMB 16 million (USD 2 million) in respect of equity accounted investees in the full year of 2020 compared with RMB 20 million (USD 3 million) in the corresponding period in 2019 and RMB 59 million (USD 9 million) recognized as capital gain due to gaining control over an equity investee, bringing the total Gains/Losses from Changes in Fair Value and Investment Income to RMB 747 million (USD 110 million) in the full year of 2020 compared with expense of RMB 594 million (USD 87 million) for 2019.

(4) Tax Expenses

The Company reported net tax expenses of RMB 222 million (USD 32 million) for the full year of 2020 compared to RMB 175 million (USD 26 million) in 2019. It’s largely due to the impact of the significant weakening of the Brazilian Real against the US dollar, which resulted in an increase in non-cash tax expenses.

4. R&D Investment

√ Applicable ☐ Not applicable

In order to capitalize on future opportunities in the agrochemical market, the Group has intensified its efforts in recent years to develop a leading pipeline of crop protection products aimed at providing value-added solutions to farmers around the world and build significant positions in a number of strategic market segments, based on dozens of AIs that are expected to come off-patent in the coming years, under a strategic plan named “Core Leap” adopted by the Company. These newly off-patent AIs will be developed into new differentiated 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. Since the strategy was launched, the Company has already added more than 100 product concepts to its pipeline, some of which have already been launched and are driving growth in key markets. 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

	2020	2019	Change (%)
R&D headcount personnel (person)	259	269	-3.72%
R&D headcount as % of total headcount	3.34%	3.47%	-0.13%
R&D Investment (RMB'000)	478,778	437,802	9.36%
Ratio of R&D investment to operating income	1.68%	1.59%	0.09%
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	2020	2019	YoY +/-%
Subtotal of cash inflows from operating activities	27,729,885	25,613,708	8.26%
Subtotal of cash outflows from operating activities	25,706,870	24,770,221	3.78%
Net cash flows from operating activities	2,023,015	843,487	139.84%
Subtotal of cash inflows from investing activities	110,787	263,924	-58.02%
Subtotal of cash outflows from investing activities	2,442,755	2,942,447	-16.98%
Net cash flows from investing activities	-2,331,968	-2,678,523	-12.94%
Subtotal of cash inflows from financing activities	4,685,824	3,212,045	45.88%
Subtotal of cash outflows from financing activities	4,542,773	3,424,071	32.67%
Net cash flows from financing activities	143,051	-212,026	-167.47%
Net increase in cash and cash equivalents	-484,836	-2,026,289	-76.07%

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

√ Applicable ☐ Not applicable

Cash flow from Operating Activities: The stronger operating cash flow generated in the full-year period reflects the stronger operating income generated this year, alongside a more muted increase in working capital levels this year compared to the marked increase seen over the course of the 2019 period.

Cash flow from Investing Activities: The lower level of cash used in investing activities over the 2020 full-year period reflects the relatively higher spend in 2019 due to the larger acquisitions made in that period, although 2020 did see an increase in investments in fixed assets, predominantly related to the relocations in China.

Cash flow from Financing Activities: Net cash flow from financing activities improved, primarily due to the RMB 693 million (USD 100 million) expansion of the NIS-denominated, CPI-linked bonds of Adama Solutions in May 2020, the lower dividend paid in 2020 compared with the prior year, as well as the fact that in 2019 the Company acquired equity stakes in related parties (reflected in financing activities and not investing activities since the acquired stakes were of related parties). These were partially offset by a lower level of bank loans in 2020 compared to the prior year, as well as the first of the annual repayments in November 2020 of approximately RMB 530 million (USD 80 million) in principal on the NIS-denominated, CPI-linked bonds of Adama Solutions, and the repurchase of approximately RMB 60 million (USD 9 million) of the Company's B-shares in Q4 2020.

Notes to the reason of the significant differences between the net cash flow from the operating activities and the net profits of 2020 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	Recurrence
Investment income	206,502	35.90%	Mainly from realization of hedging derivatives (Refer to explanation to Financial expenses above) as well as 59 million as a result of change in consolidation scope of an equity investee as the group gained control.	No
Gain/loss from change of FV	540,698	94.00%	Mainly foreign currency effect on financial assets and liabilities (refer to explanation to Financial expenses above).	No
Impairment of asset	-164,154	-28.54%		No
Gain from disposal of assets	10,750	1.87%		No
Non-operating income	77,025	13.39%		No
Non-operating loss	39,847	6.93%		No

IV. List of the assets and liabilities

1. List of significant changes of assets

Unit: RMB'000

Item	As at 31 Dec. 2020		As at 31 Dec. 2019		% change	Explanation for any major change
	Amount	% of total assets	Amount	% of total assets		
Cash at bank and on hand	3,863,886	8.26%	4,348,588	9.60%	-1.34%	
Accounts receivable	8,766,869	18.73%	8,004,157	17.67%	1.06%	
Inventories	10,338,273	22.09%	9,932,654	21.93%	0.16%	
Investment property	4,364	0.01%	3,771	0.01%	0%	
Long term equity investments	14,081	0.03%	133,098	0.29%	-0.26%	
Fixed assets	6,576,116	14.05%	6,939,610	15.32%	-1.27%	
Construction in progress	1,405,328	3.00%	788,386	1.74%	1.26%	
Short-term loans	1,205,498	2.58%	2,009,882	4.44%	-1.86%	
Long-term loans	2,387,628	5.10%	927,159	2.05%	3.05%	

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)	29,510	-	-	-	-	(28,257)	1,253
2. Derivative financial assets	508,705	1,439,034	(201,874)	-	337,400	(522,484)	1,560,781
3. Other equity investments	155,062	-	(2,862)	-	-	-	152,200
Total financial assets	693,277	1,439,034	(204,736)	-	337,400	(550,741)	1,714,234
Others	126,812	16,889	-	-	30,535	-	174,236
Total of above	820,089	1,455,923	(204,736)	-	367,935	(550,741)	1,888,470
Financial liabilities	717,057	746,555	-	-	-	-	1,463,612

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 28,815,000 as cash deposit for bills receivable; and other non-current assets of RMB 101,619,000 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
52,081,331	36,425,306	43%

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	2,078,908	04/07/2020	14/12/2020	2,078,908	4,937,231	-5,021,901	No	1,994,238	9.08%	207,744
Banks	No	No	Forward	19,122,640	22/04/2020	19/01/2021	19,122,640	47,144,100	-45,469,816	No	20,796,924	94.69%	484,735
Total				21,201,548	--	--	21,201,548	52,081,331	-50,491,717	No	22,791,162	103.77%	692,479

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 XII 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	27,600	99,337	89,373(Note)	129,381	83%	62,062	Acquisition of 51% Dibai and 51% Kelinong (Note)	62,062
Total	--	**155,999.99**	27,600	99,337	89,373(Note)	129,381	83%	62,062	--	62,062

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, April 28, 2020 and March 31 2021; *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, August 22, 2019 and August 21, 2020.

Note: On May 20, 2020, the Annual Shareholders Meeting approved a Proposal on the Termination of the Use of Raised Funds for Certain Designated Projects included in the Project of Share Issuance for Assets Purchase and Supporting Finance. The Company will no longer use of the raised funds for the following previously designated projects: Projects of product development and registration, and fixed-asset Investment of ADAMA Agricultural Solutions Ltd. (the "Solutions").

On October 28, 2020, the 27th meeting of the 8th session of the Board of Directors and the 14th meeting of the 8th session of the Board of Supervisors approved a Proposal on the Use of the Raised Funds for the Acquisition of the 51% Equity Stake in Jiangsu Kelinong Agrochemical Co., Ltd. as well as that in Shanghai Dibai Plant Protection Co., Ltd.. In order to efficiently use the raised funds, the Company plans to use the balance of the raised funds, in the amount of approximately RMB 893,731,302.67 (balance as at 30 September 2020, including interest income and the actual amount is subject to the bank settlement balance on the date of transfer), and which are no longer designated for previously approved projects according to the resolutions of the Company's Board and Shareholders meeting held on April 27, 2020 and May 20, 2020 respectively, for the payment for the acquisitions of a 51% equity stake in Shanghai Dibai Plant Protection Co., LTD. ("Dibai") and a 51% equity stake in Jiangsu Kelinong Agrochemical Co., Ltd. ("Kelinong") from Jiangsu Huifeng

Agrochemical Co., Ltd. ("Huifeng"). This proposal had been approved by the 4th Interim Shareholders Meeting on 16 November, 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										
Acquisition of Anpon	No	-	40,008	0	40,008	100%	2019	Not applicable	Not applicable	No
Acquisition of 51% Dibai and 51% Kelinong	No	-	89,373	27,600	27,600	31%	Not applicable	Not applicable	Not applicable	No
Huai'an Pesticide Formulation Center	Yes	24,980	-	0	0	0.00%	Not applicable	Not applicable	Not applicable	Yes
Project development and registration	Yes	93,507	13,103	0	13,103	100%	Terminated	Not applicable	Not applicable	Yes
Fixed-asset Investment of ADAMA	Yes	66,204	5,913	0	5,913	100%	Terminated	Not applicable	Not applicable	Yes
Fees for the intermediary agencies and transaction taxes	No	13,600	12,713	0	12,713	100%		Not applicable	Not applicable	Not applicable
Sub-total of Designated Projects	--	198,291 (Note 1)	161,110	27,600	99,337	--	--		--	--
Investment of Extra Funds Raised										
Not Applicable										
How and why the planned progress or expected income is not met (per project)	1 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									

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										
	and exist, is complicated. In order to avoid delays of the project, the Company invested its own capital on the project. Following approval of the 2018 Annual Shareholders Meeting, this project had been replaced by the Anpon acquisition. 2. Development and Registration Since ADAMA Makhteshim Ltd., ADAMA Agan Ltd., and ADAMA Brazil S/A, the subsidiaries of Solutions, are the entities to implement the projects of products development and registration, this project also involves approval procedures for cross boarder investments. In order to avoid delays of this project, the Company invested its own capital in 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 has been completed and delivered for use in May 2020. (3) Investment of the Equipment of Liquid Product Packaging										

Designated Projects and Investment of Extra Funds Raised	Any Project Change (Including Partial Change)	Total Investment Committed	Total Investment after Adjustment (1)	Amount Invested during the Reporting Period	Accumulated Invested Amount by the End of the Reporting Period (2)	Investment Progress by the End of the Reporting Period (3)＝(2)/(1)	Date by which the Project Can be Put into Use as Planned	Benefits Realized during the Reporting Period	Expected Benefits Reached or Not	Any Material Change to Project Feasibility
Designated Projects										
	The project 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 postponed the investment progress of the project and terminated the use of raised funds on this project. (4) Investment for the Relocation of Be'er Sheva Plant and Its Integration with Neot-Hovav 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 terminated the use of raised funds on this project. The proposal on terminating the above projects has been approved by the shareholders of the Company, on May 20, 2020. The Company will no longer use the raised funds for the following previously designated projects: Projects of product development and registration and fixed-asset Investment of Solutions. On October 28, 2020, the 27th meeting of the 8th session of the Board of Directors and the 14th meeting of the 8th session of the Board of Supervisors approved a Proposal on the Use of the Raised Funds for the Acquisition of the 51% Equity Stake in Jiangsu Kelinong Agrochemical Co., Ltd. as well as that in Shanghai Dibai Plant Protection Co., Ltd.. In order to efficiently use the raised funds, the Company plans to use the balance of the raised funds, in the amount of approximately RMB 893,731,302.67 (balance as at 30 September 2020, including interest income and the actual amount is subject to the bank settlement balance on the date of transfer), and which are no longer designated for previously approved projects according to the resolutions of the Company's Board and Shareholders meeting held on April 27, 2020 and May 20, 2020 respectively, for the payment for the acquisitions of a 51% equity stake in Dibai and a 51% equity stake in Kelinong from Huifeng. This proposal had been approved by the 4th Interim Shareholders Meeting on November 16, 2020. As of December 31, 2020, the Company has paid RMB 276 Million and already obtained 51% equity interests in Dibai and has completed corresponding procedures with competent administration for market regulation on the 51% Dibai Transaction..									

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										
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									
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 remaining unused raised funds and interest will continue to be deposited in the corresponding raised funds account. The Company will continue to invest in the acquisition of 51% of Dibai and 51% of Kelinong.									
Problems or other issues in the use raised funds and disclosure	Not applicable									

Note 1: 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

<table>
<tr><th>New Committed Project</th><th>Original Committed Projects</th><th>Total committed investment amount (1)</th><th>Investment amount for the current period</th><th>Accumulated investment amount as at the end of the current period (2)</th><th>Investment progress as at the end of period (%) (3) = (2)/ (1)</th><th>Date of projects reaching intended useable condition</th><th>Realized benefits of the current period</th><th>Whether the expected benefits are achieved</th><th>Whether the feasibility of the project has changed significantly</th></tr>
<tr><td rowspan="2">Acquisition of Anpon</td><td>Huai'an pesticide formulation center project</td><td rowspan="2">40,008</td><td rowspan="2">0</td><td rowspan="2">40,008</td><td rowspan="2">100%</td><td rowspan="2">2019</td><td rowspan="2">N/A</td><td rowspan="2">N/A</td><td rowspan="2">No</td></tr>
<tr><td>ADAMA fixed asset investment project</td></tr>
<tr><td>Acquisition of 51% Dibai and 51% Kelinong</td><td>Product development and registration project</td><td>89,373</td><td>27,600</td><td>27,600</td><td>31%</td><td>N/A</td><td>N/A</td><td>N/A</td><td>N/A</td></tr>
<tr><td>Total</td><td>-</td><td>129,381</td><td>27,600</td><td>67,608</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>The reason for changes, decision-making procedures, and disclosure of information</td><td colspan="9">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 cross-border investment, 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.</td></tr>
</table>

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
	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 Acquisition of 51% Dibai and 51% Kelinong On May 20, 2020, the Company's Annual Shareholding Meeting 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. The Company plans to stop using the raised funds on the projects of products development and registration, and fixed-asset Investment of ADAMA. After the termination of the use of the raised funds for the certain designated projects, the remaining unused raised funds (including the resulting interest) will continue to be deposited in the corresponding raised funds account. The Company will actively deliberate on new investment projects which the remaining raised funds can be used for. 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. Decision-making procedure: On October 28, 2020, the 27th meeting of the 8th session of the Board of Directors and the 14th meeting of the 8th session of the Board of Supervisors approved a Proposal on the Use of the Raised Funds for the Acquisition of the 51% Equity Stake in Jiangsu Kelinong Agrochemical Co., Ltd. as well as that in Shanghai Dibai Plant Protection Co., Ltd.. In order to efficiently use the raised funds, the Company plans to use the balance of the raised funds, in the amount of approximately RMB 893,731,302.67 (balance as at 30 September 2020, including interest income and the actual amount is subject to the bank settlement balance on the date of transfer), and which are no longer designated for previously approved projects according to the resolutions of the Company's Shareholders meeting held on May 20, 2020, for the payment for the acquisitions of a 51% equity stake in Dibai and a 51% equity stake in Kelinong from Huifeng. This proposal had been approved by the 4th Interim Shareholders Meeting on November 16, 2020.								

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
	Information disclosure of the Company: The detailed information please refer to Announcement on the Use of the Raised Funds for the Acquisition of the 51% Equity Stake in Jiangsu Kelinong Agrochemical Co., Ltd. as well as that in Shanghai Dibai Plant Protection Co., Ltd., published on the Cninfo (http://www.cninfo.com.cn), 29, October, 2020.								
Situations failing to meet the planned schedule or achieve expected benefits and the reasons	N/A								
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	38,930,013	15,961,884	26,679,696	676,644	453,237

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
FNV S.A.	Purchase of 51% Share Equity	No significant impact
Alfa Agricultural Supplies Commercial and Industrial S.A.	Purchase of the remainder (51%) Share Equity	No significant impact
Shanghai Dibai Plant Protection Co., Ltd.	Purchase 51% of Share Equity	Dibai's commercial presence, numerous differentiated, patented products and wide portfolio of product registrations are highly complementary to the Company's. This strategic acquisition is a significant milestone in the Company's ongoing, rapid expansion in China, and will significantly bolster the Company's commercial activities, positioning and offering in this key crop protection market.

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, including the Group, five of which are originator companies. 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, resulting in the formation of Syngenta Group. 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.

ADAMA 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 6.1% in 2020, based on AgBio Investor's preliminary estimation of the global agrochemical industry in 2020.

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 30% - 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 understands 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 stemming from the increase of costs relating to environment protection and regulation in China, including by way of limited granting of production permits, shutting down of plants, fines, etc. Active Ingredient prices in China declined through 2020 as the cost of oil and related basic chemicals decreased sharply. However, towards the end of 2020 prices begun to increase again due to the recovery of oil price together with reduced capacities of chemical manufactures caused by higher raw material costs. This together with stronger demand due to crop commodities price increase and a strong RMB has led to the recent increase in the price of Active Ingredients. The Company estimates that prices will continue to increase for some Active Ingredients at least during the first half of 2021.

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 the launching of new patent-protected products; (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) large 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, known as "Listen, Learn, Deliver", 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) 2021 Business plan

In 2021, the Company is expecting moderate growth, supported by higher crop commodity prices, which in recent months have bolstered farmer profitability levels. Overall, the Group is expecting to see revenue growth driven by volume growth and the continued launch of new products. The overall pricing environment is expected to be moderate, as relatively higher crop prices, alongside higher input costs are counterbalanced by intensive competitive dynamics in most key markets across the globe.

Raw material and Active Ingredient (AI) procurement costs are expected to remain relatively high resulting from continued tight supply conditions that have driven recent 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 2021, 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 2021, 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 both 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 25% 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 2020 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. 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 part of the global reform in interest rate benchmarks, the phasing out of LIBOR (the so-called LIBOR fallback) is scheduled for the end of 2021. Three global interest rate benchmarks are expected to transition to alternative risk-free rates and to replace the existing benchmark London Interbank Offered Rates (LIBOR): SOFR (USD), ESTR (EUR) and SONIA (GBP). 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, seven multinational companies, including the Company, lead the global industry. Five of these, Bayer, Syngenta, Corteva, BASF and FMC, are Originator Companies, 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 segment of the market, against 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 industry, the majority of whom have not yet deployed global distribution networks, and are only active locally. These companies often price their products aggressively and at times have lower profit margins than the Group, which may adversely impact 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 timing 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, affect its global position and lead to price erosion.

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

The scope of general agricultural activities worldwide may be negatively affected by many exogenous factors, such as extreme weather conditions, natural disasters, a decrease in agricultural commodity prices, government policies and the economic condition of farmers. A material decline in the scope of agricultural activities would by necessary implication 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 other damages caused by nature may 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 increasing 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 these legislative and regulatory requirements and protection against such legal actions requires the Group to commit considerable human and financial resources (both in terms of substantial ongoing costs and in terms of material one-time investments) 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 liabilities (including due to class actions) or criminal liabilities (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 current or future requirements, should these be significantly increased or changed. In addition, the Group is unable to predict with any certainty the extent of future costs and investments it may incur in order 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 duration, 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 largely 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 regulatory 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 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 has been suffering from revocation of registration for many products around the world. This trend is particularly evident in European countries as well as in many other countries worldwide.

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 are a risk for 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 potentially 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 the Group has not currently 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. As such, the Group's revenues and profit margins from a certain new off-patent 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 relevant market in the future may 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 or patent application of Originator Companies 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 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. Such lawsuits that were concluded involved non-material amounts.

Furthermore, although the Group protects its brands and trade secrets with patents, trademarks and other methods of intellectual property protection, these protective means may not be sufficient for fully 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 actions 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 Groups' cost of sales derives from raw material costs. Hence, significant increases or decreases in raw material costs affect the cost of goods sold, and are, due to the length of the Company's inventory cycle, generally reflected in the Company's financials. Most of the Group's raw materials are distant derivatives of oil prices and therefore, extreme changes or decrease in oil prices may affect the costs of raw materials, although 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, wherever 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 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 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 by implication affect the Group’s results and market share.

Nevertheless, the fact that the Group itself markets some of the products for which herbicide tolerance traits have been developed, 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 relatively 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 from malfunctions and attack. 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 security

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 security, 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 resilience and in proper protection of its systems.

Raw material supply and/or shipping and port service disruptions

Lack of raw materials or other inputs utilized in the manufacture of the Group’s 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 then exports the technical or formulated 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 if the Group is unable to engage with an alternative supplier at similar terms and in accordance with the relevant 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 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 relevant forecasts may result in not achieving the incremental value forecasted, loss of 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 relatively 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 arising from the proportional value of the components of each of the companies in the Group in the various countries, as is 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 position, 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 traded 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, as contained in the bank credit agreements, require meeting 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 worldwide usually involve customer credit as is customary in each market. A portion of these credit lines is 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 dozens of 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 timely 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 may be 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, as well as its ability to meet its financial obligations, may be harmed.

Contagious disease outbreak

Outbreak of a contagious disease and pandemics, 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, may have a material adverse effect on the Company’s activity, such that the Company may encounter difficulties with procurement of raw materials and intermediates, experience a certain decrease of activity within its production facilities due to governmental instructions, and be constrained with respect to its logistics and supply lines. In addition, the Company sales could be potentially impacted by a temporary decrease in demand for 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. Information regarding communication with investors

√ Applicable □ Not applicable

Date	Place	Reception mode	Type of visitor	Name of the visitor	About	Index
April 27, 2020	Not applicable	Phone call	Institutional investors	Everbright Securities, CITIC Securities, CICC, Industrial Securities, TF Securities, Shenwan Hongyuan Securities, North East Securities, Haitong Securities, Dongxing Securities, CMS, Zhongtai Securities	Introduction on the Q1 performance. Corresponding slides was published on the website of the Company.	Record of the Communications between the Company and the Investors (record number-2020-1) published by the Company on April 29, 2020.
August 20, 2020	Not applicable	Phone call	Institutional investors	Everbright Securities, CICC, Industrial Securities, TF Securities, Haitong Securities, Dongxing Securities, CMS, Zhongtai Securities, BOC International, Nanjing Securities, HSBC Qianhai Securities, Banc of America Securities	Introduction on the Q2 performance. Corresponding slides was published on the website of the Company.	Record of the Communications between the Company and the Investors (record number-2020-2) published by the Company on August 23, 2020.

Date	Place	Reception mode	Type of visitor	Name of the visitor	About	Index
August 21, 2020	Not applicable	Webcasting	Institutional and individual investors	Not applicable	Introduction on the H1 and Q2 performance. Corresponding slides was published on the website of the Company.	Record of the Communications between the Company and the Investors (record number-2020-3) published by the Company on August 25, 2020.
October 29, 2020	Not applicable	Phone call	Institutional investors	Everbright Securities, CICC, Industrial Securities, TF Securities, Haitong Securities, Dongxing Securities, CMS, Zhongtai Securities, BOC International, Nanjing Securities, HSBC Qianhai Securities, Guolian Securities, SWHY Securities	Introduction on the Q3 and 9M performance. Corresponding slides was published on the website of the Company.	Record of the Communications between the Company and the Investors (record number-2020-4) published by the Company on November 2, 2020.
October 30, 2020	Not applicable	Webcasting	Institutional and individual investors	Not applicable	Introduction on the Q3 and 9M performance. Corresponding slides was published on the website of the Company.	Record of the Communications between the Company and the Investors (record number-2020-5) published by the Company on November 3, 2020.

Times of reception	5
The number of agencies in reception	5
The number of individuals in reception	2
The number of other objects in reception	0
Whether undisclosed significant information is disclosed, revealed or divulged?	No

Section V - Significant Events

I. 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 2019 Annual General Meeting which was held on May 20, 2020 approved the dividend distribution plan for the year 2019. The Company accordingly published an Announcement of Dividend Distribution for the Year 2019 on June 20, 2020 (announcement No.2020-34).

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:

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 (before 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 (before 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.

2020 profit distribution proposal: based on the total share capital of 2,329,811,766 which are entitled to the dividends as of the record day when this profit distribution proposal is implemented, the Company declared a cash dividend of RMB 0.16 (before 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.

(1) Due to ADAMA Solution's failure to meet the performance commitment in the Company's major asset restructuring in 2017, the Company repurchased 102,432,280 shares from Syngenta Group in accordance with the Performance

Compensation Agreement and completed the cancellation procedures for those shares on July 13, 2020. The Company's total share capital reduced from 2,446,553,582 shares to 2,344,121,302 shares. Up to now, the total share capital of the Company is 2,344,121,302 shares.

(2) During the reporting period, the Company implemented the B-Shares Repurchase Plan. As of the date of the expiration of the repurchase period (December 6, 2020), the Company has repurchased 14,309,536 shares of B-Shares by means of a centralized price bidding transaction through a special securities repurchase account for B-Shares. According to the *Implementation Rules of the Shenzhen Stock Exchange on Share Repurchases of Listed Companies*, the Company's shares deposited in the special securities repurchase account shall be deprived of the right of profit distribution.

According to the Repurchase Plan for Part of the Company's Domestically Listed Foreign Shares (B Share), after the completion of the repurchase of shares, the Board of Directors shall propose to shareholders to approve the cancellation of the repurchased shares, the decrease of the Company's registered capital and the corresponding amendments to the Articles of Association of the Company. The above matters have been reviewed and approved by the 31st meeting of the 8th Board of Directors of the Company and have yet to be reviewed and approved by the shareholders. It is estimated that when the profit distribution proposal is implemented, the Company will have completed the relevant cancellation procedures, and the total share capital of the Company will have been reduced to 2,329,811,766 at that time.

In view of the above reasons, the Company intends to declare a cash dividend of RMB 0.16 (before tax) for every 10 shares to the all shareholders on the basis of 2,329,811,766 shares entitled to dividend distribution on the record day when the profit distribution plan is implemented (excluding the repurchased shares held by the Company which are not entitled to dividend and which, subject to the approval of the Company's Board of Directors and shareholders, shall be cancelled), resulting in a total cash dividend of RMB 37,276,988.26 (before tax).. No share will be distributed as share dividend, as well as no reserve will be transferred to equity capital.

(3) According to the *Implementation Rules of the Shenzhen Stock Exchange on Share Repurchases of Listed Companies*, where a listed company, with cash as the consideration, conducts a share repurchase by means of centralized bidding, the amount already paid for buying back shares in the current year shall be deemed as cash dividends and incorporated into the calculation thereof in a certain proportion for the year.

As of the date of the expiration of the repurchase period (December 6, 2020), the Company has repurchased 14,309,536 shares of B-Shares by means of a centralized price bidding transaction through a special securities repurchase account for B-Shares. The total payment amount for the repurchase is HKD 69,747,209 (including transaction fees, equivalent to RMB 60,399,296，which shall be included in the cash dividend in 2020.

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 (before 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
2020	37,276,988.26	352,753,000	10.57%	60,399,296	17.12%	97,676,284.26	27.69%
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%

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 2020, 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)	0.16
Every 10-share increased the shares' number	0
Equity base of distribution plan (Share)	On the basis of 2,329,811,766 shares entitled to dividend distribution on the record day when the profit distribution plan is implemented
Cash dividend (RMB) (Tax included)	37,276,988.26
Amount of the cash dividend by other methods (e.g. share buyback)	60,399,296
Total cash dividend (RMB) (Tax included)	97,676,284.26
Distributable profits (RMB)	352,753,000
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 352,753,000. 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 2020 is RMB 352,753,000.

The current total share capital of the Company is 2,344,121,302 shares, of which 2,329,811,766 are entitled to dividend distribution and 14,309,536, repurchased by the Company during 2020 and yet to be canceled, are not entitled to dividend distribution. It is estimated that when the profit distribution proposal is implemented, the Company will have completed the relevant cancellation procedures, and the total share capital of the Company will have been reduced to 2,329,811,766 shares at that time.

The proposal for profit distribution for the year 2020 is a distribution of 10% of the total profit available for distribution, calculated as follows with no transfer of reserves into equity:

On the basis of 2,329,811,766 shares entitled to dividend distribution on the record day when the profit distribution plan is implemented (excluding the repurchased shares held by the Company which are not entitled to dividend and which, subject to the approval of the Company's Board of Directors and shareholders, shall be cancelled), the Company plans to declare a cash dividend of RMB 0.16 (before tax) for every 10 shares to the all shareholders, resulting in a total cash dividend of RMB 37,276,988.26 (before tax). No share will be distributed as share dividend, and no reserve shall be 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 ChemChina's subsidiaries - Jiangsu Anpon Electrochemical Co., Ltd., Anhui Petroleum Chemical Group Co., Ltd., Shangdong Dacheng Agrochemical Co., Ltd., Jiamusi Heilong Agrochemicals Co., Ltd., and Hunan Haohua Chemical Co., Ltd. and its subsidiary are the same or similar business as the main business of ADAMA. As for horizontal domestic 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	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	On-going. The committed party complies 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, such that. Jiangmusi Heilong is no longer a subsidiary of ChemChina; (3) Shangdong Dacheng is not a subsidiary of CNAC and doesn't carry out agrochemical

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			competition between ChemChina's controlled subsidiaries and ADAMA. 2. Other than the existing and potential horizontal competition stated in the acquisition report, ChemChina will take effective measures to avoid engagements by itself and its controlled subsidiaries in new business that is in the same or similar business to ADAMA, within the territory in future. 3. If ChemChina or its controlled subsidiaries domestically conduct related business which form horizontal competition with ADAMA, in the future, ChemChina will actively take steps, to gradually eliminate the competition, the concrete measures including but not limited to internal assets reorganization, (including putting the business into ADAMA or operated through ADAMA) to adjust the industrial plan and business structure, to modify technology and to upgrade products, to segment the market so as to distinguish each corporation in terms of products and its end users, thus to avoid and eliminate domestic horizontal competition between ChemChina's controlled subsidiaries and ADAMA.		Electrochemical 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.	business; (4) ChemChina is not the actual controller of Haohua.
	ChemChina	Commitments on the independence of ADAMA and related- party transactions	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, and enter into agreement(s) legally and	September 7, 2013 and January 7, 2020	Long term	On-going. The committed party complies with the commitments.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			go through lawful procedures. ChemChina will honor its disclosure obligations and apply for relevant approvals according to the AoA of ADAMA, rules regarding related-party transactions and relevant regulations, not impairing the lawful rights and interest of ADAMA and its shareholders by related-party transactions. After completion of the acquisition 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 action that may impair the operating independence of ADAMA.			
	ChemChina	Commitments on 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 party complies 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 horizontal 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 will be 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 party complies with the commitments.
			Once Sinofert and Sinochem Agriculture are the subsidiaries of ChemChina, ChemChina will analyze if there are same or similar businesses among the three subsidiaries. If the result will be 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 horizontal competition.	January 7, 2020	Long term	On-going. The committed party complies with the commitments.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			Other than the foregoing, none of the main business of ChemChina and other controlled subsidiaries is the same or similar to that of ADAMA.	January 7, 2020	Long term	On-going. The committed party complies 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 horizontal competition against the domestic business of ADAMA in the future, it 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 horizontal competition with ADAMA.	January 7, 2020	Long term	On-going. The committed party complies with the commitments.
			From the effective date of the Commitment 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 party complies with the commitments.
Commitments	ChemChina	Commitments	The subsidiaries controlled by ChemChina,	October 12,	January 4,	On-going.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
made at the time of assets reorganization		on the horizontal competition	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 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 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.	2016	2022	The committed party complies 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 merged with Maidao and ChemChina's 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	ChemChina will take effective actions to avoid that	October 12,	Long term	On-going.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
		on Potential Horizontal Competition	it or its controlled subsidiaries will add new business in China same or similar to ADAMA. If ChemChina or its controlled subsidiaries will in the future be engaged in business in China that constitutes horizontal competition with 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.	2016		The committed party complies with the commitments.
	ChemChina	Commitment to reduce and standardize related-party transactions	ChemChina will, as required by law, regulation and other specifications, avoid and reduce related party transactions with ADAMA; however, for the 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 related party transaction will be done to impair lawful rights and interest of ADAMA and its shareholders.	August 4, 2016	Long term	On-going. The committed party complies with the commitments.
	ChemChina	Commitment to maintain independence of	After completion of the acquisition transaction, ADAMA will continue to keep complete procurement, production and sales systems and to	August 4, 2016	Long term	On-going. The committed party complies with the

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
		the ADAMA	possess independent intellectual properties, and ChemChina its affiliated parties 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.			commitments.
	CNAC /Syngenta Group	Commitment on share lock-up	All new shares purchased and held through the 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 ADAMA managed by any other person entrusted, except such transfer is required and made between ChemChina and its subsidiaries as a result of state-owned assets reorganization, consolidation or free transfer of stock equity, in which case the transferee must keep such shares obtained locked up until the lock-up period expires. According to 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	October 12, 2016 and January 7, 2020	August 2, 2020	Completed. The restricted shares were released on August 3, 2020.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			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 the Performance Compensation Agreement signed with ADAMA 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 compensation period, then CNAC/Syngenta Group shall compensate ADAMA. The aggregated adjusted actual net profit of the target company for the 2017-2019 period was USD 512.6756 million, implying a	September 13, 2016 and January 7, 2020	December 31, 2019	Completed. Please refer to *Announcement on the Completion of Buyback and Cancellation of the Compensation Shares(Announcement No.36)* for details.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			shortfall of USD 30.7381 million, a 94.34% completion rate of the committed performance. According to the Performance Compensation Agreement and the supplementary agreements, the number of shares to be returned to the Company as compensation is 102,432,280. The cumulative cash dividend distributed during the profit compensation period generated from the compensation shares shall be returned to the Company.			

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

□ Applicable √ Not applicable

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

"Accounting Standards for Business Enterprises Interpretation No. 13"

Interpretation No. 13 revised the three elements that constitute a business and elaborated the criteria for a business. "The concentration test" is introduced as an option, for the acquirer in business combinations involving enterprises not under common control, when determining whether the acquired operation or set of assets constitute a business. At the same time, Interpretation No. 13 further clarifies the definition of related parties.

In addition, Interpretation No. 13 further clarifies that related parties of an enterprise also include joint ventures or associates of other members (including parent company and subsidiaries) of the group to which the enterprise belongs, and other joint ventures and associates of investors who exercise joint control over the enterprise etc.

Interpretation No. 13 was effective from January 1, 2020. Adoption of the interpretation has no significant impact on the Company's financial statements.

"Regulations on Accounting Treatment of Rent Concessions Related to the New Coronary Pneumonia Epidemic" (Caikuai [2020] No. 10)

In June 2020, the Ministry of Finance issued the "Notice on Issuing the "Regulations on Accounting Treatment of Rental Concessions Related to the New COVID-19 Epidemic" (Financial Accounting Policy [2020] No. 10), which can be used in accordance with the accounting treatment regulations for rental concessions related to the COVID-19 in order to apply a simplified approach. The notice did not have a significant impact on the Company's financial statements.

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 Alfa Agricultural Supplies, S.A., FNV S.A., and Shanghai Dibai Plant Protection Co., Ltd. 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)	276
Consecutive years of the audit services provided by domestic Auditor	4
Name of domestic accountants	Mou Zhengfei, and Ma Renjie
Consecutive years of the audit services provided by the domestic accountants	3
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 2020 annual financial reports and 2020 annual internal control of the Company. Total remuneration for the Auditor was RMB 2.76 million.

X. Trading 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 Anpon	ADAMA Anpon	On August 26, 2020, the law enforcement officers of Huai'an Ecological Environment Bureau conducted an inspection and commission test. The air pollutants discharge from Anpon's buprofezi workshop exceeded the emission standard of Jiangsu Province.	Punished by the environmental protection authority.	On November 11, 2020, Huai'an Ecological Environment Bureau made an decision on administrative penalty for Anpon's air pollutants discharge that exceeded the emission limit, and imposed a fine of RMB 100,000 on Anpon.	/	Considering the violation is not serious and the amount of the fine is small, it shall not be deemed as an administrative penalty that shall be disclosed in the ad hoc announcement according to the Listing Rules of SZSE.

Status of Rectification

☐ Applicable √ Not applicable

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

☐ Applicable √ Not applicable

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 currently has several long-term incentive plans according to which it has granted long-term cash rewards to executive officers and employees. These long-term incentive plans are based either on the performance of the Company's shares (phantom cash incentives) and/or the Company's performance.. 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 2020 in the ordinary course of business.

(2) Item XI 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

There were no related-party transactions arising from asset acquisition or sale in the Reporting Period.

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 2019 Annual General Meeting approved the expected related-party transactions in the ordinary business course of the Company in 2020. Please refer to Item X of Section XII “Financial Report” for details of the related-party transactions in the ordinary business course.

(2) The 3rd Interim Shareholders Meeting in 2020 approved the proposal on the renewal of the Financial Service Agreement with ChemChina Finance 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
Amended Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2020 (Announcement No.2020-30)	May 12, 2020	Juchao website www.cninfo.com.cn
Announcement on the Intended Renewal of the Financial Service Agreement with ChemChina Finance Co., Ltd. constituting a related-party transaction (Announcement No.2020-42)	August 21, 2020	Juchao website 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.

2. Significant guarantees

√ Applicable ☐ Not applicable

(1) Guarantees

Unless otherwise specified, the unit hereunder is RMB ‘0000

Guarantees provided by the Company in favor of third parties (excluding 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
--	--	--	--	--	--	--	--	--
Total guarantee line approved in favor of third parties (excluding subsidiaries) during the reporting period (A1)		--		Total amount of the occurred guarantee in favor of third parties (excluding subsidiaries) during the reporting period (A2)			--	
Aggregated guarantee line in favor of third parties (excluding subsidiaries) that has been approved by the end of the reporting period (A3)		5,000		Total guarantee balance in favor of third parties (excluding subsidiaries) by the end of the reporting period (A4)			--	
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	Yes	No

ADAMA Anpon (Jiangsu) Ltd.	August 22, 2019	63,000	October 10,2019	4,000	joint and several liability	Two years after the loan matures	Yes	No
			November 19, 2019	5,000	joint and several liability	Three years after the loan matures	Yes	No
			December 10, 2019	5,000	joint and several liability	Three years after the loan matures	Yes	No
			December 26, 2019	5,000	joint and several liability	Three years after the loan matures	Yes	No
			December 26, 2019	2,000	Joint liability and several liability	Two years after the loan matures	Yes	No
ADAMA Anpon (Jiangsu) Ltd.	February 27,2020	130,900	February 27,2020	2,000	Joint liability and several liability	Two years after the loan matures	Yes	No
			February 26,2020	6,400	Joint liability and several liability	Two years after the loan matures	Yes	No
			April 2, 2020	5,000	Joint liability and several liability	Three years after the loan matures	Yes	No
			May 19, 2020	3,000	Joint liability and several liability	Three years after the loan matures	No	No
			May 27, 2020	5,000	Joint liability and several liability	Three years after the loan matures	Yes	No
			June 16, 2020	2,000	Joint liability and several liability	Two years after the loan matures	Yes	No
			June 29, 2020	5,000	Joint liability and several liability	Three years after the loan matures	No	No
			September 1, 2020	3,000	Joint liability and several liability	Two years after the loan matures	No	No
			July 20, 2020	5,000	Joint liability	Three years	No	No

					and several liability	after the loan matures		
			December 14, 2020	5,000	Joint liability and several liability	Three years after the loan matures	No	No
			December 16, 2020	5,000	Joint liability and several liability	Three years after the loan matures	No	No
			December 22, 2020	2,000	Joint liability and several liability	Two years after the loan matures	No	No
			July 21, 2020	3,000	Joint liability and several liability	Two years after the loan matures	No	No
			August 19, 2020	1,800	Joint liability and several liability	Two years after the loan matures	No	No
Hubei Sanonda Foreign Trade Co., Ltd.	August 21, 2020	20,000	October 28, 2020	3,444	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)		150,900		**Total amount of the occurred guarantee in favor of the subsidiaries during the reporting period (B2)**			56,644	
Aggregated guarantee line that has been approved in favor of the subsidiaries by the end of the reporting period (B3)		293,900		**Total guarantee balance in favor of the subsidiaries by the end of the reporting period (B4)**			82,644	
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	No	No

						limitations period (generally 7 years).		
ADAMA Brazil	Not applicable	27399.55	The guarantee existed before the company was consolidated into the financial statements of the Company.	7,227.29	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.	4,858.05	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 154,354.9k (approximately USD 2,184.38)	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 statements of the Company.	13,471.48	joint and several liability	Valid until cancelled	No	No
Adama Agan	Not applicable	unlimited	The guarantee existed before the company was	14,176.48	joint and several liability	Valid until cancelled	No	No

			consolidated into the financial statements of the Company.					
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.	3,053.68	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.	1,336.89	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 51,608.25 (approximately RMB 336,738.67)	
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 361,703.85		**Total guarantee balance in favor of the subsidiaries by the end of the reporting period (C4)**			USD 51,608.25 (approximately RMB 336,738.67	
Total guarantee amount provided by the Company (total of the above-mentioned three kinds of guarantees)								
Total guarantee line approved during the reporting period (A1+B1+C1)		150,900		**Total actual occurred amount of guarantee during the reporting period (A2+B2+C2)**			393,382.67	
Total guarantee line that has been approved at the end of the reporting period (A3+B3+C3)		660,603.85		**Total actual guarantee balance at the end of the reporting period (A4+B4+C4)**			419,382.67	
Proportion of total guarantee amount (A4+B4+C4) to the net				19.64%				

assets of the Company	
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)	56,288.52
The amount of the guarantee that exceeds 50% of the net assets	0
Total amount of the above three guarantees (D+E+F)	56,288.52
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)	--

(2) Illegal guarantee

□ Applicable √ Not applicable

No illegal guarantees were issued during the Reporting Period.

3. Cash assets management entrustment

(1) Wealth management entrustment

□ Applicable √ Not applicable

No such cases in the Reporting Period.

(2) Entrustment loans

□ Applicable √ Not applicable

No such cases in the Reporting Period.

4. Significant contracts in the routine course of the business

□ Applicable √ Not applicable

5. 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 RMB, 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.

(1) Establishment of Safety Production Management System

The Company held series of activities at both Jingzhou and Huai'an Sites in 2020 to enhance HSE awareness and improve HSE performance. Those activities include drafting, revising and issuing policies, procedures, performance indicators and mid-and long-term improvement plans. The HSE systems that have been materialized at the two production sites are HSE procedures, management regulations, dual prevention mechanism, management of personal protective equipment (PPE), regulations for hot work, environmental management and various rules related to process safety.

(2) Setup and Operation of the Supervisory System

The Company has a well-established supervision system for safety production which has been operating effectively. The HSE committee and the safety director system are set up while the main responsible persons and employee representatives of various functional departments and plants are actively engaged in the safety committee.

The committee promotes the implementation of HSE laws and regulations, communication of HSE performance and the rectification to remove HSE risks. It makes work plans while continuously raising the bar for better HSE performance. A dedicated HSE department has been established for safety production management in accordance with relevant regulations. The department is strongly committed to its duties and cooperates with the main responsible persons to formulate the three-year work plan.

(3) Ongoing Performance of Safety Standardization

The plant has passed the second grade of certification for safety production standardization (for hazardous chemical manufacturers).

Safety standardization and the HSE system support and supplement each other in efficient operation. The Company runs a self-assessment over the ongoing performance of safety production standardization and promptly rectify issues found accordingly.

(4) Investment in Safety Production

The Company invests the full required amount of expense for safety production in strict accordance with the " Management Measures for Allocation and Use of Expense for Safety Production in Enterprises" and the "HSE Expenses Allocation Management Regulations" of its own.

(5) Education and Training for Safety Production

The Company has formulated a relatively comprehensive work plan for safety training. Through the combined internal and external training programs, the safety awareness and operation skills of workers engaged in production of hazardous chemicals have been improved.

The Company has ensured that relevant personnel for safety management and special operations should all hold certificates before being assigned with any work. It also employs a group of registered safety engineers to participate in its safety production management.

(6) Accepting Safety Inspection of the Competent Authorities

In 2020, the Company accepted safety inspections for more than 100 times by SASAC as well as local authorities at all levels. Primarily, there was no major safety hazards found in those inspections and the production sites also rectified the detected problems as required.

(7) Safety Production Accidents

No major safety accidents occurred during the reporting period. The Company adopts the universally applied Injury & Illness rate, IIR, to evaluate its safety performance. The rolling recordable rate of injuries and occupational disease has continued to decline for 12 consecutive months and since August 2020, it has further reduced to below 0.2, which is the global excellence level of industries.

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

During the reporting period, the Company actively response the call of Labors Union of Hubei province and Jingzhou city, and purchased RMB 229,950 goods produced by Xuanen County, a designated poverty alleviation county.

(3) Results of Targeted Poverty Alleviation

Indicator	Unit	Quantity/ Progress
I. Overview	10,000RMB	22.995
Of which, 1. funds	10,000RMB	——
2. goods	10,000RMB	22.995
II. Input Breakdown	——	——
1. Sector development	——	——
Of which, 1.1 Sector of Project	——	
1.2 Number of Project	Project	
1.3 Inputs	10,000RMB	
1.4 No. of people out of poverty	Person	

Indicator	Unit	Quantity/ Progress
2. Employment transfer	——	——
3. Movement and relocation	——	——
4. Education	——	——
5. Health	——	——
6. Ecological conservation	——	——
7. Subsistence support	——	——
8. Social activities	10,000RMB	22.995
a) Investment on East and West Part of China Poverty Alleviation	10,000RMB	——
b) Investment on On-site Poverty Alleviation	10,000RMB	22.995
9. Others	——	——
III. Awards	——	——

(4) Follow-up Plan

The Company will continue to steadily promote poverty alleviation with one-on-one subject following instructions of Jingzhou disciplinary Committee and 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	158.82	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;	5.01	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	No

Company name	Main pollutants and special pollutants	Way of emission	Number of emission points	Layout of emission points	Concentration	Pollution standards applied	Total amount emitted/ discharged	Total amount approved	Exceeding limit
ADAMA	NOx	Continuous	1	Power plant	Within limit	Standard on Air Pollution of Power Plant （GB13223-2011） NOx <200mg/m	24.598	212.22	No
ADAMA	SO2	Continuous	1	Power plant	Within limit	Standard on Air Pollution of Power Plant （GB13223-2011） SO2<200mg/m3	2.467	126.09	No
ADAMA	Fume and dust	Continuous	1	Power plant	Within limit	Standard on Air Pollution of Power Plant （GB13223-2011）	0.457	47.28	No
Anpon	COD	Continuous	3	Centralized Discharge Point	Within Limit	Comprehensive Standard on Discharge of Waste Water (GB8978-2002)，COD<100mg/L	278.716	292.88	None
Anpon	Ammonia Nitrogen	Continuous	3	Centralized Discharge Point	Within Limit	Water Quality Standard for Sewage Discharged into Urban Sewerage（GBT 31962-2015）, Ammonia Nitrogen <45mg/L	2.75	30.11	None
Anpon	Total Phosphorous	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	8.9429	447.366	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
Anpon	SO_2	Continuous	1	Power Plant	Within Limit	Standard on Air Pollution of Power Plant （GB13223-2011） SO_2<50mg/m^3	0.9774	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	1.689	67.105	None

(1) Development and Operation of Environmental Facilities

1. Development and Operation of Waste Water Facilities

The Company has a 20,000 tons/ D wastewater treatment station.The wastewater treatment facilities are running normally. After treatment, the COD, ammonia nitrogen and total phosphorus in the discharged wastewater are within the limit.

Anpon, the subsidiary of the Company, has a 11,000 tons/ D wastewater treatment station. As all its 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 company's coal-fired thermal power plant has carried out ultra-low emission transformation. After the transformation, the environmental protection facilities of the power plant operate normally. Sulfur dioxide, nitrogen oxides and dust in flue gas all meet the ultra-low emission standards.

The exhaust treatment facilities in the coal-based power plants of Anpon are running well. SO2, Nitrogen oxide and fume and dust discharged after the treatment are within the limit. Anpon adopted the pipe network power distribution in the second half of 2020 and shut down its own coal-fired power plants. In addition, the chemical plant had been upgraded to VOC treatment facilities and is now in trial operation.

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

During the reporting period, the Company obtained the approvals on ultra-low emission reconstruction project and pesticide relocation and upgrading project from the local environmental protection authority. The company has also obtained the extension approval on the pollutant discharge permit, which will last until December 25, 2025.

Anbang's "relocation and upgrading project with an annual output of 13,000 tons of ethephon (100%) was approved by the environmental protection department.

(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, Non Methane Hydrocarbon

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

There were no other significant events during the Reporting Period.

XX. Significant events of subsidiaries

☐ Applicable √ Not applicable

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	1,810,887,539	74.02%	--	--	--	-1,810,883,039	-1,810,883,039	4,500	0.0002%
a. State-owned legal person's shares	1,810,883,039	74.02%	--	--	--	-1,810,883,039	-1,810,883,039	0	0.0000%
b. Shares held by domestic investors	4,500	0.00%	--	--	--	--	--	4,500	0.0002%
i. Shares held by domestic legal person	0	0.00%	--	--	--	--	--	0	0.0000%
ii. Shares held by domestic natural person	4,500	0.00%	--	--	--	--	--	4,500	0.0002%
II. Shares not subject to trading moratorium	635,666,043	25.98%	--	--	--	1,708,450,759	1,708,450,759	2,344,116,802	99.9998%
a. RMB ordinary shares	468,616,702	19.15%	--	--	--	1,708,450,759	1,708,450,759	2,177,067,461	92.8735%
b. Domestically listed foreign shares	167,049,341	6.83%				--	--	167,049,341	7.1263%
III. Total shares	2,446,553,582	100.00%	--	--	--	-102,432,280	-102,432,280	2,344,121,302	100.0000%

Reason for the change in shares

√ Applicable □ Not applicable

In July 2017, the Company issued 1,810,883,039 common shares to CNAC in consideration for 100% equity of ADAMA Solutions. These shares were listed on August 2, 2017, with a trading moratorium period of 36 months. Within the context of the above-mentioned major assets restructuring, the Company entered into a *Performance Compensation Agreement* and two supplementary agreements with CNAC. CNAC made a commitment that Solutions' adjusted aggregated net profit for the 2017-2019 period attributed to the Company shall not be lower than USD 543.4137 million. Under the obligation of performance compensation, shares of ADAMA were to be primarily used for the fulfillment of the commitment while cash were to be paid if there was any insufficiency of the amount.

On June 15, 2020, CNAC transferred its 1,810,883,039 shares of the Company to Syngenta Group for free (hereinafter referred to as the “Free Transfer of Shares”). Therefore, Syngenta Group carried on CNAC’s commitment for the lock up of these shares within the remaining lock-up period, and undertook to fulfill CNAC’s relevant compensation obligations under the *Performance Compensation Agreement*.

As the aggregated adjusted actual net profit of ADAMA Solutions for the 2017-2019 period was USD 512.6756 million, implying a shortfall of USD 30.7381 million, a 94.34% completion rate of the committed performance, and to fulfill performance compensation obligations, the Company repurchased the 102,432,280 shares from Syngenta Group and completed the cancellation procedures for those shares on July 13, 2020. After the completion of the repurchase and cancellation, the number of the Company’s shares held by Syngenta Group changed to 1,708,450,759, which have been released since August 3, 2020.

Approval of the change in shares

√ Applicable ☐ Not applicable

1. Regarding the Free Transfer of Shares, the CSRC issued *Approval on a Waiver of a Mandatory Tender Offer Obligation Relating to the Share Transfer Implemented by the Syngenta Group Co., Ltd.* (CSRC License [2020] No.351), and exempted Syngenta Group from a tender offer obligation regarding the share transfer, thus Syngenta Group will hold 1,810,883,039 shares of the Company due to the Free Transfer of Shares.

2. Regarding the repurchase and cancellation of compensation shares, the 25th Meeting of the 8th Session of the Board of Directors and the 2019 Annual General Meeting have approved the *Proposal on the Overall Achievement of the Committed Performance included in the Major Assets Restructuring Project and the Planned Compensation to the Company by the Obligors* and the *Proposal on the Share Buyback and Cancellation and the Decrease of the Registered Capital of the Company*.

The registered status for the change in shares

√ Applicable ☐ Not applicable

1. Regarding the Free Transfer of Shares, On June 16, 2020, Syngenta Group forwarded to the Company the Shares Registration Confirmation Letter issued by China Securities Depository and Clearing Corporation Limited, approving that the registration procedures for the Free Transfer of Shares have been completed, please refer to the *Announcement on the Completion of the Registration of the Transfer of State-owned Shares held by the Controlling Shareholder* (Announcement No. 2020-33) for details.

2. Regarding the repurchase and cancellation of compensation shares, the number of shares returned to the Company as compensation was 102,432,280. The Company has completed the cancellation procedures at the China Securities Depository and Clearing Corporation Limited Shenzhen Branch on July 13, 2020. Please refer to *Announcement on the Completion of Buyback and Cancellation of the Compensation Shares* (Announcement No. 2020-36) for details.

Status of share buyback

√ Applicable ☐ Not applicable

The Company held the 26th Meeting of the 8th Session of the Board of Directors on August 19, 2020 and the 3rd Interim Shareholders Meeting on September 7, 2020, approving the *Repurchase Plan for Part of the Company's Domestically Listed Foreign Shares (B Share)*, and subsequently disclosed the repurchase report and a series of repurchase progress announcements according to relevant regulations.

As of December 6, 2020, the repurchase period has expired. From September 16, 2020 (the first actual occurrence date of the share repurchase) to December 6, 2020, the Company repurchased 14,309,536 shares of B-Shares by means of a centralized price bidding transaction through a special securities repurchase account for B-Shares, which accounts for 0.61% of the Company's total share capital. The highest transaction price is 5.22 HKD/share, the lowest transaction price is 4.27 HKD/share, and the total payment amount is HKD 69,747,209 (including transaction fees). Please refer to the *Announcement on the Expiry of the Repurchase Period and the Results of the B-Shares Repurchase* (Announcement No.2020-71) for details.

According to the Repurchase Plan, after the completion of the repurchase of shares, the Board of Directors shall propose to shareholders to approve the cancellation of the repurchased shares, the decrease of the Company's registered capital and the corresponding amendments to the Articles of Association of the Company. The above matters have been reviewed and approved by the 31st Meeting of the 8th Session of the Board of Directors of the Company, and have yet to be reviewed and approved by the shareholders. After the shareholders' meeting will have reviewed and approved the share cancellation, the reduction of the registered capital and the corresponding amendments to the Company's Articles of Association, the Company will submit applications for the cancellation of the repurchased shares and the reduction of the registered capital to the Shenzhen Stock Exchange and China Registration and Clearing Corporation (Shenzhen Branch), respectively. After the share cancellation will be completed, the Company will make corresponding amendments to the relevant provisions in the Articles of Association of the Company, and file the industrial and commercial registration.

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

The 25th Meeting of the 8th Session of the Board of Directors and the 2019 Annual General Meeting have approved the *Proposal on the Overall Achievement of the Committed Performance included in the Major Assets Restructuring Project and the Planned Compensation to the Company by the Obligors* and the *Proposal on the Share Buyback and Cancellation and the Decrease of the Registered Capital of the Company*. Subsequently, the Company's total share capital reduced from 2,446,553,582 shares to 2,344,121,302 shares. As this is a small reduction l, it has no significant impact on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes in 2019 and 2020.

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
Syngenta Group Co., Ltd.	1,810,883,039	1,708,450,759	0	0	Committed not to trade	August 3, 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	**1,810,887,539**	**1,708,450,759**	**0**	**4,500**	**--**	**--**

Note: CNAC transferred 1,810,883,039 shares of the Company, accounting for 74.02% of the Company's total share capital, to Syngenta Group free of charge, and completed the share transfer registration procedures on June 15, 2020. On July 13, 2020, the Company repurchased and cancelled 102,432,280 shares from Syngenta Group due to performance commitment compensation. After the repurchase and cancellation, the number of the Company’s shares held by Syngenta Group reduced to 1,708,450,759, and these shares have been released on August 3, 2020.

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

The 25th Meeting of the 8th Session of the Board of Directors held on April 27, 2020 and the 2019 Annual General Meeting held on May 20, 2020 have approved the *Proposal on the Overall Achievement of the Committed Performance included in the Major Assets Restructuring Project and the Planned Compensation to the Company by the Obligors* and the *Proposal on the Share Buyback and Cancellation and the Decrease of the Registered Capital of the Company*. The Company repurchased the 102,432,280 compensation shares from the obligor in consideration of 1 RMB, and completed the cancellation procedures at the China Securities Depository and Clearing Corporation Limited Shenzhen Branch on July 13, 2020. The Company's total share capital reduced from 2,446,553,582 shares to 2,344,121,302 shares, and the resisted capital reduced from RMB 2,446,553,582 to RMB 2,344,121,302. The Company will complete the industrial and commercial registration procedures for the above capital reduction.

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	48,018 (the number of ordinary A share shareholders is 33,680; the number of B share shareholders is 14,338)	Total number of shareholders on the 30th trading day before the disclosure date of the annual report	46,509	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
Syngenta Group Co., Ltd.	State-owned legal person	72.88%	1,708,450,759	-102,432,280	--	1,708,450,759	--	--
Jingzhou Sanonda Holding Co., Ltd.	State-owned legal person	5.11%	119,687,202	--	--	119,687,202	--	--
China Cinda Asset Management Co., Ltd.	State-owned legal person	1.33%	31,115,916	-2,441,130	--	31,115,916	--	--
China Structural Reform Fund Co., Ltd.	State-owned legal person	1.27%	29,828,446	-3,728,600	--	29,828,446	--	--
Portfolio No.503 of National Social Security Fund	Others	0.98%	23,000,052	1,499,955	--	23,000,052	--	--
Huarong Ruitong Equity Investment Management Co., Ltd.	State-owned legal person	0.55%	12,885,906	12,885,906	--	12,885,906	--	--
Hong Kong Securities	Overseas	0.25%	5,948,320	2,143,274	--	5,948,320	--	--

Clearing Company Ltd. (HKSCC)	legal person							
Qichun County State-owned Assets Administration	State-owned legal person	0.18%	4,169,266	--	--	4,169,266	--	--
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Overseas legal person	0.17%	4,040,329	-359,243	--	4,040,329	--	--
Zhu Shenglan	Domestic Individual	0.17%	3,920,000	-4,607,200	--	3,920,000	--	--
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 Syngenta Group are related parties, and are acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies. Both Jingzhou Sanonda Holdings Co., Ltd. and Syngenta Group are controlled by ChemChina. 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**
Syngenta Group Co., Ltd.	1,708,450,759	RMB ordinary share	1,708,450,759
Jingzhou Sanonda Holding Co., Ltd.	119,687,202	RMB ordinary share	119,687,202
China Cinda Asset Management Co., Ltd.	31,115,916	RMB ordinary share	31,115,916
China Structural Reform Fund Co., Ltd.	29,828,446	RMB ordinary share	29,828,446
National Social Security Fund Portfolio 503	23,000,052	RMB ordinary share	23,000,052
Huarong Ruitong Equity Investment Management Co., Ltd.	12,885,906	RMB ordinary share	12,885,906
Hong Kong Securities Clearing Company Ltd. (HKSCC)	5,948,320	RMB ordinary share	5,948,320
Qichun County State-owned Assets Administration	4,169,266	RMB ordinary share	4,169,266
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	4,040,329	Domestically listed foreign share	4,040,329
Zhu Shenglan	3,920,000	RMB ordinary share	3,920,000
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 3,920,000 shares of the Company through a credit collateral securities trading account.		

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
Syngenta Group Co., Ltd.	Ning Gaoning	June 27, 2019	91310000MA1FL6MN13	Engaged in technology development, transfer, consultation and services in the fields of agricultural science and technology, biotechnology and information technology, production and management of crop seeds, genetically modified crop seed production, chemical raw materials and products (except dangerous chemicals, monitoring chemicals, civil use of explosives and precursor chemicals) R&D and sales, chemical fertilizer management, warehousing (except dangerous goods), import and export of goods and technology, and economic information consultation. Projects subject to approval according to law, can be carried out after approval by relevant departments
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, Syngenta Group directly holds 52.65% equity of SinoFert Holdings Limited, and indirectly holds 14.42% equity of Jiangsu Yangnong Chemical Co., Ltd. through Jiangsu Yangnong Chemical Group Co., Ltd.; 21.5% equity of Win-All High-tech Seed Co., Ltd. through Sinochem Modern Agriculture Co., Ltd.	

Change of the controlling shareholder during the Reporting Period

√ Applicable □ Not applicable

Name of controlling shareholder	Syngenta Group Co., Ltd.
Change date	June 15, 2020
Index to the disclosed	Announcement on the Completion of the Registration of the Transfer of State-owned Shares held by the Controlling Shareholder (Announcement NO.：2020-33). Disclosed at the website CNINFO www.cninfo.com.cn

Disclosure date	June 17, 2020

On June 15, 2020, CNAC transferred 1,810,883,039 shares of the Company held by it to Syngenta Group free of charge and completed the registration procedures for the above transferred shares. After the completion of the share transfer, Syngenta Group has become the direct controlling shareholder of the Company. The shareholding status of the person acting in concert with Syngenta Group, namely Jingzhou Sanonda Holding Co., Ltd. remains unchanged.

CNAC no longer directly holds the Company's shares, but as both Syngenta Group as well as Jingzhou Sanonda Holding Co., Ltd. are both owned by CNAC, the Company's ultimate controlling shareholder has not changed and remains the State-owned Assets Supervision and Administration Commission of the State Council.

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

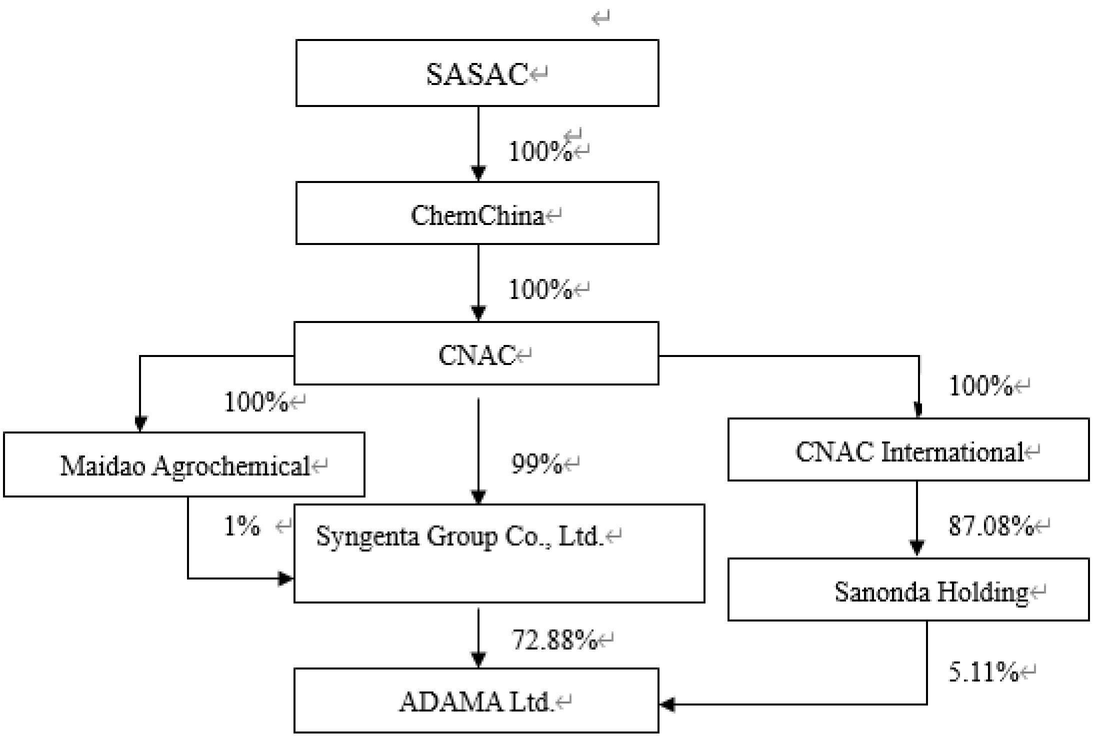
Name of the actual controller	Legal representative / company principal	Date of establishment	Organization code	Business scope
State-owned Assets Supervision and Administration Commission of the State Council	Hao Peng	March 16, 2003	-	-
Shares held by the actual controller in other listed companies by 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. - Convertible Bonds

□ Applicable √ Not applicable

There were no convertible bonds during Reporting Period.

Section IX. - 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	62	April 9, 2020		0	0	0	0	0
Chen Lichtenstein	Director	In Office	Male	53	Sep 29, 2017		0	0	0	0	0
An Liru	Director	In Office	Male	51	Apr 29, 2015		0	0	0	0	0
Xi Zhen	Independent Director	In Office	Male	57	Dec 25, 2017		0	0	0	0	0
Ge Ming	Independent Director	In Office	Male	69	Nov 16, 2020		0	0	0	0	0
Ignacio Dominguez	President & CEO	In Office	Male	61	March 1, 2020		0	0	0	0	0
Aviram Lahav	Chief Financial Officer & Deputy CEO	In Office	Male	61	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	62	Sep 29, 2017		0	0	0	0	0
Jiang Chenggang	Chairman of the Supervisory Board	In Office	Male	46	Jan 6, 2013		6,000	0	0	0	6,000
Li Dejun	Member of the Supervisory Board	In Office	Male	62	March 19, 2018		0	0	0	0	0
Clement Tung	Member of the Supervisory Board	In Office	Male	53	Nov 16, 2020		0	0	0	0	0
Guo Zhi	Secretary of the BOD	In Office	Male	43	Nov 27, 2020		0	0	0	0	0
Yang Xingqiang	Chairman of the BOD	Demission	Male	53	Sep 29, 2017	April 9, 2020	0	0	0	0	0
Tang Yunwei	Independent Director	Demission	Male	76	Dec 25, 2017	Nov 16, 2020	0	0	0	0	0
Guo Zhi	Member of the Supervisory Board	Demission	Male	43	March 19, 2018	Nov 16, 2020	0	0	0	0	0
Li Zhongxi	Secretary of the BOD	Demission	Male	50	Feb 9, 2000	Nov 25, 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

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.
Tang Yunwei	Independent Director	Left the position	Nov 16, 2020	Personal reason
Guo Zhi	Member of the Supervisory Board	Left the position	Nov 16, 2020	Work arrangement
Li Zhongxi	Secretary of the BOD	Left the position	Nov 25, 2020	Work arrangement
Ge Ming	Independent Director	Take up the position	Nov 16, 2020	Elected by the shareholders
Clement Tung	Member of the Supervisory Board	Take up the position	Nov 16, 2020	Elected by the shareholders
Guo Zhi	Secretary of the BOD	Take up the position	Nov 27, 2020	Appointed by the board of directors

III. Resumes of important personnel

Professional background, main working experience and main responsibilities 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 wholly-owned subsidiary, Adama Solutions, CFO of the Syngenta Group (with responsibility also for Strategy, Integration and Productivity), and its wholly-owned subsidiary - 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 wholly-owned subsidiary, Adama Solutions, after holding several executive positions in the Company (Deputy CEO, running global operations and heading corporate development and capital market activities) and serving as the President & CEO of China National Agrochemical Corporation (CNAC).

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.

Mr. Ge Ming, serves as an independent director of the Company. He holds a master's degree in western accounting, and he is a senior accountant, a certified Chinese public accountant as well as an Australian certified public accountant. He previously served as the chairman and chief accountant of Ernst & Young Hua Ming Certified Public Accountants Firm, and as the managing partner, chief accountant and senior advisor of Ernst & Young Hua Ming Certified Public Accountants (special general partnership). Mr. Ge currently serves as an independent director on the boards of China Pingan Group, Focus Media and AsiaInfo. He currently also serves on the supervisory boards of the Bank of Shanghai, Bank of Suzhou, Tencent Foundation, and serves as the executive director and general manager of Beijing Huaming Fulong Accounting Consulting 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, Chief of Hubei Regional Economic Development Research Center, Secretary General of Research Institute of Hubei Province Commission for Restructuring Economic System and Hubei Province Culture and Economy Research Society 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. Clement Tung, with Hong Kong and Australian citizenship, serves as a member of the Supervisory Board of the Company. He holds a bachelor degree in accountancy and a master degree in business administration. He owns Hong Kong CPA, Australian CPA & ACCA (UK) qualifications. He currently serves as the CFO of ADAMA China. He previously served as the audit supervisor of KPMG, as the finance director of AB Mauri, and as the financial controller of ASSA ABLOY Greater China.

Mr. Guo Zhi, serves as the secretary of the Board of Directors and the legal head of ADAMA China. 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. From March 19, 2018 to November 16, 2020, he was a member of the Supervisory Board of the Company.

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
Jiang Chenggang	Jingzhou Sanonda Holdings Co., Ltd.	Deputy Party Secretary, Secretary of the Discipline Inspection Commission	January 2017	--	No

Positions in other units

√ Applicable □ Not applicable

Name of the person holding any post in any shareholder unit	Name of other unit	Position in other unit	Beginning date of office term	Ending date of office term	Receives payment from the other unit?
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	Adama (China) Investment Co., Ltd.	Director and General Manager	November 2018	-	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?
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	November 2020	No
Aviram Lahav	Solutions	CEO & CFO	October 2017	-	Yes
Michal Arlosoroff	Solutions	SVP, General Counsel, Company Secretary & CSR Officer	October 2017	-	Yes
Ge Ming	China Pingan Group	Independent Director	June 2015	--	Yes
Ge Ming	Focus Media	Independent Director	January 2016	--	Yes
Ge Ming	AsiaInfo	Independent Director	December 2018	--	Yes
Ge Ming	Bank of Shanghai	Supervisor	June 2017	--	Yes
Ge Ming	Bank of Suzhou	Supervisor	July 2017	--	Yes
Ge Ming	Tencent Foundation	Supervisor	Jan 2019	--	No
Ge Ming	Beijing Huaming Fulong Accounting Consulting Co., Ltd.	Executive Director and General Manager	December 2001	--	No
Xi Zhen	Nankai University	Professor, Chairman of Department of Chemical Biology, Fellow of the University Committee	August 2002	-	Yes
Xi Zhen	National Agrochemical Engineering Research Center (Tianjin)	Director	May 2014	-	No
Xi Zhen	Division of Chemical Biology of Chinese Chemical Society	Deputy Director	January 2015	-	No
Xi Zhen	Agrochemical Science Division of Chinese Chemical Industry and Engineering Society	Deputy Director	November 2014	-	No
Xi Zhen	Suzhou Ribo Life Science Co., Ltd.	Director	January 2007	-	No
Li Dejun	J.S. Machine	Independent Director	October 2016	-	Yes

* Jingzhou Hongxiang Chemical Co., Ltd. completed the cancellation of registration on November 25, 2020.

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
Erik Fyrwald	Chairman of the BOD	Male	62	Current		Yes
Chen Lichtenstein	Director (former President & CEO)	Male	53	Current		Yes
An Liru	Director	Male	51	Current		No
Ge Ming	Independent Director	Male	69	Current		No
Xi Zhen	Independent Director	Male	57	Current		No
Ignacio Dominguez	President & CEO	Male	61	Current		No
Aviram Lahav	Chief Financial Officer and Deputy CEO	Male	61	Current		No
Michal Arlosoroff	General Legal Counsel	Female	62	Current		No
Jiang Chenggang	Chairman of the Supervisory Board	Male	46	Current		No
Li Dejun	Member of the	Male	63	Current		No

Name	Position	Gender	Age	Current/Former	Total before-tax remuneration gained from the Company	Whether gained remuneration from the related parties of the Company
	Supervisory Board					
Clement Tung	Member of the Supervisory Board	Male	52	Current		No
Guo Zhi	Secretary of the BOD (former Member of the Supervisory Board)	Male	43	Current		No
Yang Xingqiang	Chairman of the BOD	Male	53	Former		Yes
Tang Yunwei	Independent Director	Male	76	Former		No
Li Zhongxi	Secretary of the BOD	Male	50	Former		No
Total					**6,121**	

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)	969
The number of on-duty employees in main subsidiary companies (person)	6,799
The total number of on-duty employees of the Group (person)	7,768
The total number of employees of the Group who received salaries in the period (person)	7,768
The number of retired employees for whom ADAMA Ltd. and main subsidiary companies need to pay retirement expense.	3,267
Specialty classification	
Specialty category	Number
Production personnel	2,718
Sales personnel	2,149
Technicians	1,920
Financial personnel	466
Administrative personnel	515
Total	7,768
Education classification	
Education category	Number
Doctor	10
Master	144
Bachelor	578
College	702
Others	881
Total*	7,768

Note: The figures under "Education Category" represent those of the Company and the domestic subsidiaries held by it and do not cover the Group's 5,453 overseas employees.

2. Employee's remuneration policy

The Company's remuneration policy in 2020 is the same as in 2019. 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 and are assessed at the end of the year. At the end of the year, a total of 295 middle and senior managers and backbones in Jingzhou Site entered SF system for online assessment in 2020. Employees who do not participate in online assessment will conduct offline performance 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)	1,435,704	
Total remuneration paid for service outsourcing (RMB)	23,719,831.92	

Section X. - 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 four interim shareholders' meetings, during which 23 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 10 board meetings during which 52 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 16 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, and conducts its independent and complete business with self-management ability.

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 2020	Interim Shareholders Meeting	75.55%	March 30, 2020	March 31, 2020	Announcement of the Resolutions of the 1st Interim Shareholders Meeting in 2020 (Announcement Number: 2020-17). Disclosed at the website CNINFO www.cninfo.com.cn
2nd Interim Shareholders Meeting in 2020	Interim Shareholders Meeting	78.46%	April 9, 2020	April 10, 2020	Announcement of the Resolutions of the 2nd Interim Shareholders Meeting in 2020 (Announcement Number: 2020-20). Disclosed at the website CNINFO www.cninfo.com.cn
2019 Annual Shareholders Meeting	Annual Shareholders Meeting	76.22%	May 20, 2020	May 21, 2020	Announcement on the Resolutions of 2019 Annual General Meeting (Announcement Number: 2020-31). Disclosed at the website CNINFO www.cninfo.com.cn
3rd Interim Shareholders Meeting in 2020	Interim Shareholders Meeting	74.66%	September 7, 2020	September 8, 2020	Announcement on the Resolutions of the 3rd Interim Shareholders Meeting in 2020 (Announcement Number: 2020-50). Disclosed at the website CNINFO www.cninfo.com.cn
4th Interim Shareholders Meeting in 2020	Interim Shareholders Meeting	2.16%	November 16, 2020	November 17, 2020	Announcement on the Resolutions of the 4th Interim Shareholders Meeting in 2020 (Announcement Number: 2020-67). Disclosed at the website CNINFO

Session	Type	Proportion of investors' participation	Convening date	Disclosure date	Index to the disclosed
					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	8	--	8	--	--	No	5
Xi Zhen	10	--	10	--	--	No	5
Ge Ming	2	--	2	--	--	No	--

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 related-party transactions, engagement of auditors, nomination of directors, dividend distributions, performance compensation, shares repurchase, change of the use of the raised funds, deposit and using of the raised funds, appointment of the secretary of BOD 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, dividend distributions, shares repurchase, 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 remunerations 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	March 31, 2021	
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	68.73%	
Rate of total Operating Income of Units within the Assessment Scope Compared to Total Operating Income in the Consolidated Statements of the Company	66.99%	
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**: Net income related: The corresponding misstatement relates to an amount that is greater than or equal to RMB 80 million. Balance sheet related: The corresponding misstatement relates to an amount that is greater than or equal to RMB 500 million. **Significant Deficiency**: Net income related: The corresponding misstatement relates to an amount that is greater than or equal to RMB 50 million, but less than RMB 80 million. Balance sheet related: The corresponding misstatement relates to an amount that is greater than or equal to RMB 250 million, but less than RMB 500 million. **General Deficiency**: Resulting in other misstatement related amounts.	**Material Deficiency**: Asset Loss ⩾ RMB 150 million **Significant Deficiency**: RMB 80 million ⩽ Asset Loss < 150 million RMB **General Deficiency**: Asset Loss < 80 million RMB
Number of material deficiencies in internal control over financial reporting	0	
Number of material deficiencies in	0	

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

X. Audit report on internal control

√ Applicable □ Not applicable

Audit opinion paragraph in the internal control audit report	
Disclosure of internal control audit report	Disclose
Date of disclosure of internal control audit report	March 31, 2021
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 XI - 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 XII - Financial Report

Type of auditor's opinion	Standard Unqualified Opinion
Audit opinion signoff date	March 29, 2021
Name of the auditor	Deloitte Touche Tohmatsu CPA LLP
Reference number of the audit report	De Shi Bao (Shen) Zi (21) No P01902
Name of CPA	Mou Zhengfei, Ma Renjie

AUDITOR'S REPORT

De Shi Bao (Shen) Zi (21) No. P01902
(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 2020, and the consolidated and the Company's income statements, the consolidated and the Company's statements of changes in shareholders' 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 present fairly, in all material respects, the consolidated and the Company's financial position as of 31 December 2020, 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.

De Shi Bao (Shen) Zi (21) No. P01902
(Page 2 of 7)

III. Key Audit Matters - continued

(I) Cut-off of revenue recognition

Description

ADAMA's sale revenue is mainly contributed by the sales of goods in about 100 countries all over the world. As stated in Note (V), 42 operating income, ADAMA's consolidated principal activities revenue for 2020 was RMB 28,385,744,000, which was significant to the financial statements. As stated in Note (III), 24, ADAMA recognizes revenue when the customer obtains control over relevant commodities, and the Company has a risk of overstating the revenue by late cutoffs. Therefore, we considered the appropriateness of cutoffs and correctness of accounting periods for principal activities revenue recognition as a key audit matter.

Audit response

Our procedures in relation to this matter mainly include:

1、 Testing and assessing the design, implementation and operating effectiveness of internal controls relating to the cut-off of principal activities revenue recognition;
2、 Reviewing the contracts with key customers for the terms and conditions relating to the transfer of controls of goods and services, and assessing whether the timing of principal activities revenue recognition complies with the Accounting Standards for Business Enterprises;
3、 Performing cut-off test by selecting samples from sales of goods recorded in the current year, checking the supporting documents such as sales invoices and inventory transfer documents, and checking whether the income is recorded in the correct accounting period;
4、 Performing 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 analyzing whether there is any abnormality in the sales return of the products.

De Shi Bao (Shen) Zi (21) No. P01902
(Page 3 of 7)

III. Key Audit Matters - continued

(II) Provision for decline in value of inventories

Description

As stated in Note (V), 9, the carrying amount of ADAMA's inventories net of provisions for decline in value was RMB10,338,273,000 as of 31 December 2020, which was significant to the consolidated financial statements. As disclosed in Note (III), 12.3 and 30.2, ADAMA measures inventories at the lower of cost and net realizable value. Provisions for decline in value of inventories are made when the net realizable values are lower than the carrying amounts. The determination of the net realizable value of inventories requires the application of significant accounting estimates, including estimated selling price of inventories, estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes etc. and the effect is significant. Therefore, we considered the provision for decline in value of inventories as a key audit matter.

Audit response

Our procedures in relation to this matter mainly include:

1、 Testing and assessing the design, implementation and operating effectiveness of internal controls relating to the provision for decline in value of inventories;
2、 Reviewing and assessing the reasonableness and consistency of the methodology used by the management to make provision for decline in value of inventories;
3、 Reviewing 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、 Assessing the reasonableness of key assumptions involved in management's determination of the net realizable value of inventories, including
   - sampling check whether the estimated selling price of inventories upon the management's determining the net realizable value of inventories significantly deviated from the actual selling price of inventories subsequent to balance sheet date.
   - for work in progress, sampling to assess the reasonableness of estimated cost of completion on the basis of stage of completion of the work in progress and actual cost of the finished goods;
   - assessing the reasonableness of the estimated costs necessary to make the sale and the related taxes used in the calculation of net realizable value on the basis of historical data.
5、 Testing the accuracy of the calculation of provisions for decline in value of inventories.

De Shi Bao (Shen) Zi (21) No. P01902
(Page 4 of 7)

III. Key Audit Matters - continued

(III) Provision for Impairment of Goodwill on Crop Protection Units

Description

As stated in Note (V), 18, the carrying amount of goodwill was RMB4,584,226,000 as of 31 December 2020, which was mainly allocated to Crop Protection unit. As disclosed in Note III, 19 and 20, ADAMA’s goodwill arising from business combination is measured at the cost less the accumulated impairment loss after initial recognition, and should be entitled to impairment test at least at the end of each year. When performing impairment test of Crop Protection unit with goodwill allocated, the management determined the recoverable amount of relevant assets group of units based on the model of present value determined on future cash flows, which depend on the judgement of the management, it requires the management to estimate the cash flows from relevant assets group of units and select an appropriate discount rate that reflects the time value of money in the current market and the specific risk of the assets. As significant accounting estimates and judgments are involved and the goodwill allocated to Crop Protection unit is significant in amount, we considered the provision for impairment of goodwill on Crop Protection unit as a key audit matter.

Audit response

Our procedures in relation to this matter mainly include:

1. Testing and assessing the design, implementation and operating effectiveness of internal controls relating to the provision for impairment of goodwill on Crop Protection unit;
2. Checking the basis on which the management allocated goodwill to Crop Protection unit and assessing the reasonableness;
3. Reviewing and assessing the reasonableness of the management's adoption of discount cash flow model for the Crop Protection unit containing goodwill.
4. Analyzing and reviewing the significant accounting estimates and judgements used in estimation of future cash flows, including the key parameters such as discount rate and growth rate, etc. We will also involve internal valuation specialist for assistance;
5. Checking the expected future cash flows to historical data and other supporting evidence, and assess the reasonableness;
6. Performing sensitivity analysis on possible changes in relevant key assumptions in impairment test models.

IV. Other Information

Management of the Company is responsible for the other information. The other information comprises the information included in the 2020 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

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable the 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.

De Shi Bao (Shen) Zi (21) No. P01902
(Page 6 of 7)

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

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

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

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

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

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

(5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, 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.

AUDITOR'S REPORT - continued

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

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.

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

Deloitte Touche Tohmatsu CPA LLP

Shanghai China

Chinese Certified Public Accountant

Mou Zhengfei
(Engagement Partner)

Chinese Certified Public Accountant
Ma Renjie

29 March 2021

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.

(Expressed in RMB '000)

Consolidated Balance Sheet

	Notes	December 31 2020	December 31 2019
Current assets			
Cash at bank and on hand	V.1	3,863,886	4,348,588
Financial assets held for trading	V.2	1,253	29,510
Derivative financial assets	V.3	1,560,788	490,113
Bills receivable	V.4	102,082	26,000
Accounts receivable	V.5	8,766,869	8,004,157
Receivables financing	V.6	109,483	78,948
Prepayments	V.7	406,008	377,808
Other receivables	V.8	1,310,029	1,195,253
Inventories	V.9	10,338,273	9,932,654
Other current assets	V.10	769,641	659,195
Total current assets		27,228,312	25,142,226
Non-current assets			
Long-term receivables	V.11	95,329	170,896
Long-term equity investments	V.12	14,081	133,098
Other equity investments	V.13	152,200	155,062
Investment properties		4,364	3,771
Fixed assets	V.14	6,576,116	6,939,610
Construction in progress	V.15	1,405,328	788,386
Right-of-use assets	V.16	483,618	536,034
Intangible assets	V.17	5,226,455	5,835,785
Goodwill	V.18	4,584,226	4,511,193
Deferred tax assets	V.19	773,673	826,696
Other non-current assets	V.20	257,332	246,183
Total non-current assets		19,572,722	20,146,714
Total assets		46,801,034	45,288,940

(Expressed in RMB '000)

Consolidated Balance Sheet (continued)

	Notes	December 31 2020	December 31 2019
Current liabilities			
Short-term loans	V.21	1,205,498	2,009,882
Derivative financial liabilities	V.22	1,463,614	691,475
Bills payable	V.23	369,791	321,674
Accounts payable	V.24	4,557,006	4,205,901
Contract liabilities	V.25	1,092,253	664,228
Employee benefits payable	V.26	1,208,834	1,211,713
Taxes payable	V.27	358,988	369,038
Other payables	V.28	1,075,721	1,049,594
Non-current liabilities due within one year	V.29	1,272,581	1,066,243
Other current liabilities	V.30	315,597	355,243
Total current liabilities		12,919,883	11,944,991
Non-current liabilities			
Long-term loans	V.31	2,387,628	927,159
Debentures payable	V.32	8,078,113	7,965,942
Lease liabilities	V.33	379,190	406,358
Long-term payables		27,327	29,021
Long-term employee benefits payable	V.34	645,755	738,854
Provisions	V.35	163,251	176,822
Deferred tax liabilities	V.19	331,942	323,304
Other non-current liabilities	V.36	434,030	404,824
Total non-current liabilities		12,447,236	10,972,284
Total liabilities		25,367,119	22,917,275
Shareholders' equity			
Share capital	V.37	2,344,121	2,446,554
Capital reserve	V.38	13,023,219	12,903,168
Less: Treasury shares		60,357	-
Other comprehensive income	V.39	(72,055)	1,192,681
Special reserves		15,960	14,927
Surplus reserve	V.40	240,162	240,162
Retained earnings	V.41	5,862,702	5,574,173
Total equity attributed to the shareholders of the company		21,353,752	22,371,665
Non-controlling interests		80,163	-
Total Equity		21,433,915	22,371,665
Total liabilities and equity		46,801,034	45,288,940

Ignacio Dominguez	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 29, 2021.

The notes form part of these financial statements.

(Expressed in RMB '000)

Balance Sheet

	Notes	December 31 2020	December 31 2019
Current assets			
Cash at bank and on hand	XV.1	1,034,812	1,423,051
Accounts receivable	XV.2	387,117	349,109
Receivables financing	XV.3	25,060	11,722
Prepayments		5,973	6,055
Other receivables	XV.4	27,138	14,051
Inventories		141,235	97,861
Other current assets		42,243	19,117
Total current assets		1,663,578	1,920,966
Non-current assets			
Long-term equity investments	XV.5	16,663,212	16,371,411
Other equity investments		85,495	85,495
Investment properties		4,364	3,771
Fixed assets		784,218	777,476
Construction in progress		992,863	504,936
Right-of-use assets		37	486
Intangible assets		220,963	170,053
Deferred tax assets		66,036	84,950
Other non-current assets		238,750	73,668
Total non-current assets		19,055,938	18,072,246
Total assets		20,719,516	19,993,212
Current liabilities			
Short-term loans		100,000	150,000
Bills payables		19,600	90,190
Accounts payables		324,047	124,228
Contract liabilities		17,480	6,748
Employee benefits payable		99,808	204,238
Taxes payable		3,143	3,614
Other payables		240,939	237,266
Non-current liabilities due within one year		39,302	454
Total current liabilities		844,319	816,738
Non-current liabilities			
Long-term loans		941,430	141,960
Lease Liabilities		-	21
Long-term employee benefits payable		89,658	96,826
Provisions		44,743	43,238
Other non-current liabilities		143,770	171,770
Total non-current liabilities		1,219,601	453,815
Total liabilities		2,063,920	1,270,553
Shareholders' equity			
Share capital	V.37	2,344,121	2,446,554
Capital reserve		15,569,929	15,449,878
Less: Treasury shares		60,357	-
Other comprehensive income		47,390	41,308
Special reserves		16,651	12,973
Surplus reserve		240,162	240,162
Retained earnings	V.41	497,700	531,784
Total shareholders' equity		18,655,596	18,722,659
Total liabilities and shareholders' equity		20,719,516	19,993,212

(Expressed in RMB '000)

Consolidated Income Statement

	Notes	Year ended December 31 2020	Year ended December 31 2019
I. Operating income	V.42	28,444,833	27,563,239
Less: Cost of sales	V.42	20,071,035	18,679,512
Taxes and surcharges	V.43	88,591	84,403
Selling and Distribution expenses	V.44	4,945,345	4,873,256
General and administrative expenses	V.45	1,043,708	1,562,317
Research and Development expenses	V.46	478,778	436,325
Financial expenses	V.47	1,847,189	1,665,885
Including: Interest expense		679,225	694,350
Interest income		64,022	81,190
Add: Investment income (loss), net	V.48	206,502	(231,205)
Including: Income from investment in associates and joint ventures		15,584	19,861
Gain (loss) from changes in fair value	V.49	540,698	825,512
Credit impairment reversal (losses)	V.50	(25,949)	(39,405)
Asset impairment reversal (losses)	V.51	(164,154)	(413,816)
Gain from disposal of assets	V.52	10,750	127,073
II. Operating profit		538,034	529,700
Add: Non-operating income		77,025	25,726
Less: Non-operating expenses		39,847	103,854
III. Total profit		575,212	451,572
Less: Income tax expenses	V.53	222,459	174,531
IV. Net profit		352,753	277,041
(1). Classified by nature of operations			
(1.1). Continuing operations		352,753	277,041
(2). Classified by ownership			
(2.1). Shareholders of the Company		352,753	277,041
V. Other comprehensive income, net of tax	V. 39	(1,264,736)	106,365
Other comprehensive income (net of tax) attributable to shareholders of the Company		(1,264,736)	106,365
(1) Items that will not be reclassified to profit or loss:		36,109	(48,181)
(1.1) Re-measurement of defined benefit plan liability		29,618	(50,771)
(1.2) Fair Value changes in other equity investment		6,491	2,590
(2) Items that were or will be reclassified to profit or loss		(1,300,845)	154,546
(2.1) Effective portion of gains or loss of cash flow hedge		(175,187)	(138,917)
(2.2) Translation differences of foreign financial statements		(1,125,658)	293,463
VI. Total comprehensive income for the period attributable to Shareholders of the Company		(911,983)	383,406
VII. Earnings per share	XIV.2		
(1) Basic earnings per share (Yuan/share)		0.15	0.11
(2) Diluted earnings per share (Yuan/share)		N/A	N/A

(Expressed in RMB '000)

Income Statement

		Notes	Year ended December 31 2020	2019
I.	**Operating income**	XV.6	1,516,459	1,405,709
	Less: Operating costs	XV.6	1,177,550	1,024,665
	Taxes and surcharges		6,033	11,992
	Selling and Distribution expenses		46,036	58,172
	General and administrative expenses		179,481	632,515
	Research and Development expenses		49,219	53,447
	Financial expenses (income)		23,671	(13,211)
	Including: Interest expense		9,757	3,941
	Interest income		18,382	26,114
	Add: Investment income (loss), net		(16,173)	2,583
	Credit impairment reversal (losses)		4,071	(2,018)
	Asset Impairment reversal (losses)		(17,655)	(147,421)
	Gain from disposal of assets		4,174	-
II.	**Operating Profit**		8,886	(508,727)
Add:	Non-operating income		13,730	6,726
Less:	Non-operating expenses		1,934	28,739
III.	**Total profit**		20,682	(530,740)
Less:	Income tax expense (income)		25,407	(42,767)
IV.	**Loss (**Continuing operations)		(4,725)	(487,973)
V.	**Other comprehensive income, net of tax**		6,082	(1,859)
(1)	Items that will not be reclassified to profit or loss		6,082	(1,859)
	(1.1) Re-measurement of defined benefit plan liability		(411)	62
	(1.2) FV changes in other equity investment		6,493	(1,921)
VI.	**Total comprehensive income (loss) for the period**		1,357	(489,832)

(Expressed in RMB '000)

Consolidated Cash Flow Statement

		Notes	Year ended December 31 2020	2019
I.	**Cash flows from operating activities:**			
	Cash received from sale of goods and rendering of services		26,822,969	24,860,829
	Refund of taxes and surcharges		213,704	88,042
	Cash received relating to other operating activities	V.55(1)	693,212	664,837
	Sub-total of cash inflows from operating activities		27,729,885	25,613,708
	Cash paid for goods and services		18,671,558	17,877,786
	Cash paid to and on behalf of employees		3,605,027	3,408,818
	Payments of taxes and surcharges		385,056	683,477
	Cash paid relating to other operating activities	V.55(2)	3,045,229	2,800,140
	Sub-total of cash outflows from operating activities		25,706,870	24,770,221
	Net cash flows from (used in) operating activities	V.56(1)a	2,023,015	843,487
II.	**Cash flows from investing activities:**			
	Cash received from disposal of investments		29,808	63,685
	Cash received from returns of investments		55,078	8,424
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		22,678	186,607
	Cash received relating to other investing activities	V.55(3)	3,223	5,208
	Sub-total of cash inflows from investing activities		110,787	263,924
	Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,969,793	1,760,000
	Cash paid for acquisition of investments		53,422	60,500
	Net cash paid to acquire subsidiaries or other business units		371,192	1,121,947
	Cash paid relating to other investing activities	V.55(4)	48,348	-
	Sub-total of cash outflows from investing activities		2,442,755	2,942,447
	Net cash flows used in investing activities		(2,331,968)	(2,678,523)
III.	**Cash flows from financing activities:**			
	Cash received from borrowings		3,772,193	3,032,134
	Cash received from issuance of debentures		692,893	-
	Cash received from other financing activities	V.55(5)	220,738	179,911
	Sub-total of cash inflows from financing activities		4,685,824	3,212,045
	Cash repayments of borrowings		3,405,046	1,486,586
	Cash payment for dividends, profit distributions and interest		728,369	1,000,773
	Including: Dividends paid to non-controlling interest		34,865	43,043
	Cash paid relating to other financing activities	V.55(6)	409,358	936,712
	Sub-total of cash outflows from financing activities		4,542,773	3,424,071
	Net cash from financing activities		143,051	(212,026)
IV.	**Effects of foreign exchange rate changes on cash and cash equivalents**		(318,934)	20,773
V.	**Net decrease in cash and cash equivalents**	V.56(1)b	(484,836)	(2,026,289)
	Add: Cash and cash equivalents at the beginning of the year		4,319,907	6,346,196
VI.	**Cash and cash equivalents at the end of the period**	V.56(2)	3,835,071	4,319,907

(Expressed in RMB '000)

Cash Flow Statement

		Notes	Year ended December 31 2020	2019
I.	**Cash flows from operating activities:**			
	Cash received from sale of goods and rendering of services		1,275,007	1,634,256
	Refund of taxes and surcharges		91,565	54,483
	Cash received relating to other operating activities	XV.7(1)	31,031	33,582
	Sub-total of cash inflows from operating activities		1,397,603	1,722,321
	Cash paid for goods and services		1,032,657	1,043,318
	Cash paid to and on behalf of employees		208,933	213,846
	Payments of taxes and surcharges		9,234	78,567
	Cash paid relating to other operating activities	XV.7(2)	242,563	164,778
	Sub-total of cash outflows from operating activities		1,493,387	1,500,509
	Net cash flows from (used in) operating activities	XV.8	(95,784)	221,812
II.	**Cash flows from investing activities:**			
	Cash received from returns of investments		2,583	4,391
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,357	-
	Sub-total of cash inflows from investing activities		6,940	4,391
	Cash paid to acquire fixed assets, intangible assets and other long-term assets		519,363	400,366
	Cash paid for acquisition of investments		276,000	415,000
	Cash paid for other investing activities	XV.7.(3)	150,000	-
	Sub-total of cash outflows from investing activities		945,363	815,366
	Net cash flows used in investing activities		(938,423)	(810,975)
III.	**Cash flows from financing activities:**			
	Cash received from borrowings		1,094,232	292,000
	Cash received relating to other financing activities	XV.7.(4)	21,177	39,886
	Sub-total of cash inflows from financing activities		1,115,409	331,886
	Cash repayments of borrowings		333,500	92,000
	Cash payment for dividends, profit distributions or interest		34,407	243,733
	Cash paid relating to other financing activities	XV.7.(5)	66,971	14,469
	Sub-total of cash outflows from financing activities		434,878	350,202
	Net cash flow provided by (used in) financing activities		680,531	(18,316)
IV.	**Effects of foreign exchange rate changes on cash and cash equivalents**		(19,560)	(1,840)
V.	**Net decrease in cash and cash equivalents**		(373,236)	(609,319)
	Add: Cash and cash equivalents at the beginning of the year	XV.8(2)	1,395,994	2,005,313
VI.	**Cash and cash equivalents at the end of the period**	XV.8(2)	1,022,758	1,395,994

(Expressed in RMB '000)

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2020

	Attributable to shareholders of the Company									
	Share capital *	Capital reserve *	Less: Treasury shares *	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Total	**Non-controlling interests**	**Total equity**
I. Balance at December 31, 2019	2,446,554	12,903,168	-	1,192,681	14,927	240,162	5,574,173	22,371,665	-	22,371,665
II. Changes in equity for the period	(102,433)	120,051	60,357	(1,264,736)	1,033	-	288,529	(1,017,913)	80,163	(937,750)
1. Total comprehensive income	-	-	-	(1,264,736)	-	-	352,753	(911,983)	-	(911,983)
2. Owner's contributions and reduction	(102,433)	120,051	60,357	-	-	-	-	(42,739)	80,163	37,424
2.1 Repurchase of shares	(102,433)	102,433	60,357	-	-	-	-	(60,357)	-	(60,357)
2.2 Non-controlling interests in respect of business combination	-	-	-	-	-	-	-	-	80,163	80,163
2.3 Other	-	17,618	-	-	-	-	-	17,618	-	17,618
3. Appropriation of profits	-	-	-	-	-	-	(64,224)	(64,224)	-	(64,224)
3.1 Distribution to owners	-	-	-	-	-	-	(29,359)	(29,359)	-	(29,359)
3.2 Distribution to non-controlling interest	-	-	-	-	-	-	(34,865)	(34,865)	-	(34,865)
4. Special reserve	-	-	-	-	1,033	-	-	1,033	-	1,033
4.1 Transfer to special reserve	-	-	-	-	7,511	-	-	7,511	-	7,511
4.2 Amount utilized	-	-	-	-	(6,478)	-	-	(6,478)	-	(6,478)
III. Balance at December 31, 2020	2,344,121	13,023,219	60,357	(72,055)	15,960	240,162	5,862,702	21,353,752	80,163	21,433,915

* For further information of the changes during the year see Note XI.2 – Commitments and Contingent Liabilities

(Expressed in RMB '000)

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2019

	Attributable to shareholders of the Company						
	Share capital	Capital re-serve	Other com-prehen-sive in-come	Special re-serves	Surplus re-serve	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)	-	-	(18,824)
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

(Expressed in RMB '000)

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2020

	Attributable to shareholders of the Company							
	Share capital	Capital reserve	Less: treasury share	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Total
I. Balance at December 31, 2019	2,446,554	15,449,878	-	41,308	12,973	240,162	531,784	18,722,659
II. Changes in equity for the period	(102,433)	120,051	60,357	6,082	3,678	-	(34,084)	(67,063)
1. Total comprehensive income	-	-	-	6,082	-	-	(4,725)	1,357
2. Owner's contributions and reduction	(102,433)	120,051	60,357					(42,739)
2.1 Repurchase of shares	(102,433)	102,433	60,357	-	-	-	-	(60,357)
2.2 Other	-	17,618	-	-	-	-	-	17,618
3. Appropriation of profits	-	-	-	-	-	-	(29,359)	(29,359)
3.1 Transfer to Distribution to shareholders	-	-	-	-	-	-	(29,359)	(29,359)
4. Special reserve	-	-	-	-	3,678	-	-	3,678
4.1 Transfer to special reserve	-	-	-	-	7,511	-	-	7,511
4.2 Amount utilized	-	-	-	-	(3,833)	-	-	(3,833)
Ⅲ. Balance at December 31, 2020	2,344,121	15,569,929	60,357	47,390	16,651	240,162	497,700	18,655,596

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

I BASIC CORPORATE INFORMATION

ADAMA Ltd. (hereinafter the “Company” or the “Group”) is a company limited by shares established in China with its head office located in Hubei Jingzhou.

In June 2020, the controlling shareholder of the Company changed from China National Agrochemical Co,. Ltd. (hereinafter – “CNAC") to Syngenta Group Co., Ltd. (hereinafter “Syngenta Group”). The ultimate controlling shareholder remains 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 March 29, 2021.

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 going concern assessment for the following 12 months from December 31, 2020 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 the Company's consolidated financial position as at December 31, 2020 and the Company's consolidated operating results, changes in shareholders' equity and cash flows for the twelve months then ended.

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

2. Accounting period

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

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.

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.

In a business combination achieved in stages, the Group remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss.

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 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 spot exchange rates on the dates of the transactions; the retained earnings opening balance is previous year's translated retained earnings closing balance; 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. Initial recognition in trade receivables which do not contain a significant financing component, shall be made according to their transaction price.

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.

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

10. Financial instruments - (cont'd)

10.2 Impairment of financial assets - (cont'd)

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.

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 receivables 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%-1.7%.

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.

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

12. Inventories - (cont'd)

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.

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. The difference between initial investment cost and cash paid, non-cash assets transferred and book value of liabilities assumed, is adjusted in capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings.

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 long-term equity investment initial investment cost 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).

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

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

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.

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, 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 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.

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

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

28.1 Hedging (cont'd)

Measurement of derivative financial instruments

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

Cash-flow hedges

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

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

Economic hedge

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

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

"Accounting Standards for Business Enterprises Interpretation No. 13"

Interpretation No. 13 revised the three elements that constitute a business and elaborated the criteria for a business. "The concentration test" is introduced as an option, for the acquirer in business combinations involving enterprises not under common control, when determining whether the acquired operation or set of assets constitute a business. At the same time, Interpretation No. 13 further clarifies the definition of related parties.

In addition, Interpretation No. 13 further clarifies that related parties of an enterprise also include joint ventures or associates of other members (including parent company and subsidiaries) of the group to which the enterprise belongs, and other joint ventures and associates of investors who exercise joint control over the enterprise etc.

Interpretation No. 13 was effective from January 1, 2020. Adoption of the interpretation has no significant impact on the Company's financial statements.

"Regulations on Accounting Treatment of Rent Concessions Related to the New Coronary Pneumonia Epidemic" (Caikuai [2020] No. 10)

In June 2020, the Ministry of Finance issued the "Notice on Issuing the "Regulations on Accounting Treatment of Rental Concessions Related to the New COVID-19 Epidemic" (Financial Accounting Policy [2020] No. 10), which can be used in accordance with the accounting treatment regulations for rental concessions related to the COVID-19 in order to apply a simplified approach. The notice did not have a significant impact on the Company's financial statements.

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

29.1 Changes in significant accounting estimates

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

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% (2019: 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	2020
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	28.0%
ADAMA Northern Europe B.V.	Nether-lands	25.0%
ADAMA Italia S.R.L.	Italy	27.9%
Alligare Inc.	U.S.	27.5%

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

IV. Taxation - (cont'd)

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

(1) Benefits from High-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. The applicable income tax rate from 2020 to 2022 is 15%.

Adama Anpon (Jiangsu) Ltd. (Formally know as 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. 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.

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 constitute 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 2017 tax year are 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 Israel resident company shareholder.

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

IV. Taxation - (cont'd)

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

(2) Benefits under the Law for the Encouragement of Capital Investments - (cont'd)

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 is effective as from January 1, 2017 and 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.

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%. 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.

In addition, as part of the amendment, a temporary provision was enacted, valid until June 30, 2021, which settles tax benefits continuation on income that is eligible to the Preferred Enterprise tax benefits as at June 30, 2016. ADAMA Agricultural Solutions Ltd. (hereinafter: "Solutions") implement and act in accordance with the temporary provision.

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, through a subsidiary, filed an application to the Israeli Tax Authority for settling its eligibility to the tax benefits in accordance with the amendment to the Encouragement 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 2020	December 31 2019
Cash on hand	4,590	6,265
Deposits in banks	3,830,481	4,313,642
Other cash and bank	28,815	28,681
	3,863,886	4,348,588
Including cash and bank placed outside China	2,064,876	2,443,065

As at December 31, 2020, restricted cash and bank balances was 28,815 thousand RMB (as at December 31, 2019- 28,681 thousand RMB) mainly including deposits that guarantee bank acceptance drafts.

2. Financial assets held for trading

	December 31 2020	December 31 2019
Debt instruments	-	15,788
Other	1,253	13,722
	1,253	29,510

3. Derivative financial assets

	December 31 2020	December 31 2019
Economic hedge	1,545,481	436,201
Accounting hedge derivatives	15,307	53,912
	1,560,788	490,113

4. Bills Receivable

	December 31 2020	December 31 2019
Post-dated checks receivable	91,975	13,757
Bank acceptance draft	10,107	12,243
	102,082	26,000

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, 2020				
	Book value		Provision for expected credit losses		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	467,325	5	262,933	56	204,392
Account receivables assessed collectively for impairment	8,661,818	95	99,341	1	8,562,477
	9,129,143	100	362,274	4	8,766,869

	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

b. Aging analysis

	December 31, 2020
Within 1 year (inclusive)	8,610,726
Over 1 year but within 2 years	226,709
Over 2 years but within 3 years	66,495
Over 3 years but within 4 years	58,907
Over 4 years but within 5 years	27,887
Over 5 years	138,419
	9,129,143

(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, 2020		
	Book value	Provision for expected credit loss	Percentage (%)
Credit group A	1,740,928	8,109	0.03-0.75
Credit group B	981,811	12,069	1.23
Credit group C	325,064	17,078	5.25
Credit group D	36,933	1,151	3.12
	3,084,736	38,407	1.25

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

	December 31, 2020		
	Book value	Provision for expected credit loss	Percentage (%)
Accounts receivable that are not overdue	257,117	2,284	0.9
Debts overdue less than 60 days	124,725	3,742	3.0
Debts overdue less than 180 days but more than 60 days	31,502	3,150	10.0
Debts overdue above 180 days	17,759	7,104	40.0
Legal Debtors	33,450	33,450	100.0
	464,553	49,730	10.7

Other geographical locations:

	December 31, 2020		
	Book value	Provision for expected credit loss	Percentage (%)
Other account receivables assessed collectively for impairment	5,112,529	11,204	0.0-4.26

(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, 2020	47,908	350,544	398,452
Addition during the period, net	11,910	38,627	50,537
Write back during the period	-	(26,102)	(26,102)
Write-off during the period	-	(5,703)	(5,703)
First time consolidation	-	13,468	13,468
Exchange rate effect	(7,923)	(60,455)	(68,378)
Balance as of December 31, 2020	51,895	310,379	362,274

d. Five largest accounts receivable at December 31, 2020:

Name	Closing balance	Proportion of Accounts receivable (%)	Allowance of expected credit losses (credit losses has occurred)
Customer 1	155,050	2	-
Customer 2	108,933	1	-
Customer 3	97,462	1	5,416
Customer 4	95,290	1	-
Customer 5	72,563	1	-
Total	529,298	6	5,416

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 Cooperative Rabobank U.A..

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 report date, the Securitization agreement was approved up to October 31, 2021.

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, 2020 - 2,284 million RMB), during the months July through September the maximum scope of the securitization is $300 million (as of December 31, 2020 – 1,957 million RMB) and during the months October through February the maximum scope of the securitization is $250 million (as of December 31, 2020 - 1,631 million RMB). In addition the company has uncommitted facility of $50 million (as of December 31, 2020 - 326 million RMB) which will be applicable each period. 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 and as continuing involvement 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, 2020, 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".

The Company's subsidiary in Brazil (hereinafter - "the subsidiary") entered into a 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.

As at the report date, the subsidiary agreement was approved up to September 1, 2022. The maximum securitization scope as of December 31, 2020 is BRL 364 million (457 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 to profit and loss under financing expenses.

	December 31	**December 31**
	2020	**2019**
Accounts receivables derecognized	2,850,745	2,994,917
Continuing involvement	125,578	134,243
Subordinated note in respect of trade receivables	762,598	808,807
Liability in respect of trade receivables	22,002	26,370

	Year ended December 31	
	2020	**2019**
Loss in respect of sale of trade receivables	73,673	91,006

(Expressed in RMB '000)

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

6. Receivables financing

	December 31 2020	December 31 2019
Bank acceptance draft	109,483	78,948
	109,483	78,948

As at December 31, 2020, bank acceptance endorsed but not yet due amounts to 339,793 thousands RMB.

7. Prepayments

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

	December 31 2020		December 31 2019	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	400,549	99	370,607	98
Over 1 year but within 2 years (inclusive)	3,037	1	3,691	1
Over 2 years but within 3 years (inclusive)	640	-	621	-
Over 3 years	1,782	-	2,889	1
	406,008	100	377,808	100

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

	Amount	Percentage of prepayments (%)
December 31, 2020	175,395	43

(Expressed in RMB '000)

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

8. Other Receivables

(1) Other receivables by nature

	December 31 2020	December 31 2019
Dividends receivable	-	-
Others	1,310,029	1,195,253
	1,310,029	1,195,253

a. Others breakdown by categories

	December 31 2020	December 31 2019
Trade receivables as part of securitization transactions not yet eliminated	125,578	134,243
Subordinated note in respect of trade receivables	762,598	808,807
Financial institutions	231,183	5,107
Receivables in respect of disposal of fixed assets	23,949	28,762
Other	182,867	233,238
Sub total	1,326,175	1,210,157
Provision for expected credit losses - other receivables	(16,146)	(14,904)
	1,310,029	1,195,253

b. Other receivables by aging

	December 31 2020
Within 1 year (inclusive)	1,272,058
Over 1 year but within 2 years	10,020
Over 2 years but within 3 years	16,286
Over 3 years but within 4 years	674
Over 4 years but within 5 years	2,826
Over 5 years	24,311
	1,326,175

(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, 2020
Balance as of January 1 2020,	14,904
Addition during the period	1,514
Written back during the period	-
Write-off during the period	-
Exchange rate effect	(272)
Balance as of December 31, 2020	16,146

(3) Five largest other receivables at December 31, 2020:

Name	Closing balance	Proportion of other receivables (%)	Allowance of expected credit losses
Party 1	762,598	58	-
Party 2	231,184	18	-
Party 3	13,324	1	-
Party 4	10,627	1	-
Party 5	7,921	1	-
Total	1,025,654	79	-

9. Inventories

(1) Inventories by category:

	December 31, 2020		
	Book value	Provision for impairment	Carrying amount
Raw materials	3,060,965	42,945	3,018,020
Work in progress	704,391	-	704,391
Finished goods	6,488,658	153,577	6,335,081
Others	288,218	7,437	280,781
	10,542,232	203,959	10,338,273

	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

(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, 2020

	January 1, 2020	Provision	Reversal or write-off	Other	December 31, 2020
Raw material	22,344	33,540	(10,436)	(2,503)	42,945
Work in progress	5,351	-	(5,339)	(12)	-
Finished goods	184,900	85,296	(105,951)	(10,668)	153,577
Others	8,689	2,195	(2,898)	(549)	7,437
	221,284	121,031	(124,624)	(13,732)	203,959

10. Other Current Assets

	December 31 2020	December 31 2019
Deductible VAT	499,136	459,209
Current tax assets	232,051	170,505
Others	38,454	29,481
	769,641	659,195

11. Long-Term Receivables

	December 31 2020	December 31 2019
Long term account receivables from sale of goods	95,329	170,896
	95,329	170,896

(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 2020	December 31 2019
Investments in joint ventures	14,081	92,695
Investments in associates	-	40,403
	14,081	133,098

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

	January 1, 2020	Investment income	Other Comprehensive income	Declared distribution of cash dividend	Capital investment	Change in consolidation scope	Impairment	December 31, 2020
Joint ventures								
Investee A	75,924	10,841	2,485	(62,600)	51,435	(78,085)	-	-
Investee B	5,441	91	(168)	(2,480)	-	-	-	2,884
Investee C	1,046	-	(113)	-	-	-	-	933
Investee D	10,284	4,652	(3,862)	(810)	-	-	-	10,264
Sub-total	92,695	15,584	(1,658)	(65,890)	51,435	(78,085)	-	14,081
Associates								
Investee E	40,403	-	(326)	-	-	-	(40,077)	-
Sub-total	40,403	-	(326)	-	-	-	(40,077)	-
	133,098	15,584	(1,984)	(65,890)	51,435	(78,085)	(40,077)	14,081

13. Other equity investments

	December 31 2020	December 31 2019	Dividend received during December 31, 2020
Investment A	85,495	85,495	2,583
Investment B	65,034	67,781	4,040
Investment C	1,671	1,786	-
	152,200	155,062	6,623

Other equity investments are non-core businesses that are intended to be held in the foreseeable future.

(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, 2020	3,377,533	14,383,742	119,900	365,798	18,246,973
First time consolidation	1,777	-	7,701	3,477	12,955
Purchases	62,847	250,808	23,408	29,896	366,959
Transfer from construction in progress	71,804	367,046	1,539	1,387	441,776
Disposals	(78,095)	(315,504)	(22,475)	(5,899)	(421,973)
Currency translation adjustment	(136,297)	(703,716)	(7,858)	(23,086)	(870,957)
Balance as at December 31, 2020	3,299,569	13,982,376	122,215	371,573	17,775,733
Accumulated depreciation					
Balance as at January 1, 2020	(1,667,208)	(8,690,076)	(60,679)	(276,110)	(10,694,073)
First time consolidation	(1,005)	-	(6,594)	(2,848)	(10,447)
Charge for the period	(105,642)	(605,857)	(17,388)	(38,839)	(767,726)
Disposals	34,336	227,207	18,867	5,727	286,137
Currency translation adjustment	66,475	421,485	3,570	18,547	510,077
Balance as at December 31, 2020	(1,673,044)	(8,647,241)	(62,224)	(293,523)	(10,676,032)
Provision for impairment					
Balance as at January 1, 2020	(196,295)	(416,011)	(733)	(251)	(613,290)
Charge for the period	(5,392)	(34,202)	-	-	(39,594)
Transfer from construction in progress	-	(3,512)	-	-	(3,512)
Disposals	41,397	86,216	82	-	127,695
Currency translation adjustment	599	4,501	-	16	5,116
Balance as at December 31, 2020	(159,691)	(363,008)	(651)	(235)	(523,585)
Carrying amounts					
As at December 31, 2020	1,466,834	4,972,127	59,340	77,815	6,576,116
As at January 1, 2020	1,514,030	5,277,655	58,488	89,437	6,939,610

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

(Expressed in RMB '000)

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

15. Construction in Progress

(1) Construction in progress

December 31 2020			December 31 2019		
Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
1,431,068	(25,740)	1,405,328	814,126	(25,740)	788,386

(2) Details and Movements of major construction projects in progress during year ended December 31, 2020

	Budget	January 1, 2020	Additions	Currency translation differences	Transfer to fixed assets	December 31, 2020	Actual cost to budget (%)	Project progress (%)	Source of funds
Project A	1,509,420	358,952	364,469	-	(90,765)	632,656	49%	49%	Bank loan
Project B *	722,302	13,064	12,377	-	-	25,441	5%	5%	Bank loan
Project C	226,740	5,246	54,514	(3,300)	-	56,460	25%	25%	Internal finance
Project D	172,055	18,434	42,815	-	(9,847)	51,402	53%	53%	Internal finance
Project E	138,000	8,256	31,530	-	-	39,786	29%	29%	Internal finance
Project F	113,481	-	57,019	(3,097)	-	53,922	48%	48%	Internal finance
Project G	75,689	45,073	18,549	(3,923)	-	59,699	79%	79%	Internal finance

* Project B as of December 31, 2020 include impairment of RMB 14 million which was subsequently disposed.

(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, 2020	456,983	46,714	178,402	3,187	685,286
First time consolidation	4,368	29	3,122	-	7,519
Additions	43,413	2,884	96,051	931	143,279
Disposals	(9,747)	(1,470)	(39,331)	(600)	(51,148)
Currency translation adjustment	(26,496)	(2,828)	(14,330)	(73)	(43,727)
Balance as at December 31, 2020	468,521	45,329	223,914	3,445	741,209
Accumulated depreciation					
Balance as at January 1, 2020	(77,196)	(7,820)	(63,238)	(998)	(149,252)
Charge for the period	(81,554)	(6,934)	(74,393)	(906)	(163,787)
Disposals	7,142	1,456	34,008	283	42,889
Currency translation adjustment	6,382	745	5,390	42	12,559
Balance as at December 31, 2020	(145,226)	(12,553)	(98,233)	(1,579)	(257,591)
Provision for impairment					
Balance as at January 1, 2020	-	-	-	-	-
Balance as at December 31, 2020	-	-	-	-	-
Carrying amounts					
As at December 31, 2020	323,295	32,776	125,681	1,866	483,618
As at January 1, 2020	379,787	38,894	115,164	2,189	536,034

(Expressed in RMB '000)

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

17. Intangible Assets

	Product registra-tion	Intangible assets on Purchase of Products	Software	Marketing rights, trade-name and trade-marks	Customers rela-tions	Land use rights (1)	Others(2)	Total
Costs								
Balance as at January 1, 2020	10,769,146	4,189,417	761,236	743,734	399,193	344,917	326,115	17,533,758
First time consolidation (3)	114,988	-	-	51,034	82,222	-	11,668	259,912
Purchases	571,077	-	153,125	290	-	53,868	13,330	791,690
Currency translation adjustment	(711,343)	(271,010)	(56,447)	(50,832)	(30,407)	28	(21,327)	(1,141,338)
Disposal	(50,837)	-	(1,173)	(166)	-	(5,937)	(9,039)	(67,152)
Balance as at December 31, 2020	10,693,031	3,918,407	856,741	744,060	451,008	392,876	320,747	17,376,870
Accumulated amortization								
Balance as at January 1, 2020	(7,873,186)	(2,278,371)	(513,028)	(441,587)	(196,458)	(65,271)	(164,844)	(11,532,745)
Charge for the period	(806,855)	(344,334)	(62,058)	(32,108)	(37,964)	(7,524)	(34,552)	(1,325,395)
Currency translation adjustment	544,555	166,093	35,658	30,070	14,120	(3)	11,843	802,336
Disposal	29,303	-	1,173	-	-	1,330	4,318	36,124
Balance as at December 31, 2020	(8,106,183)	(2,456,612)	(538,255)	(443,625)	(220,302)	(71,468)	(183,235)	(12,019,680)
Provision for impairment								
Balance as at January 1, 2020	(108,075)	(52,182)	-	-	-	-	(4,971)	(165,228)
Charge for the period	(173)	-	-	-	-	-	-	(173)
Disposal	21,088	-	-	-	-	-	4,721	25,809
Currency translation adjustment	5,481	3,376	-	-	-	-	-	8,857
Balance as at December 31, 2020	(81,679)	(48,806)	-	-	-	-	(250)	(130,735)
Carrying amount								
As at December 31, 2020	2,505,169	1,412,989	318,486	300,435	230,706	321,408	137,262	5,226,455
As at January 1, 2020	2,787,885	1,858,864	248,208	302,147	202,735	279,646	156,300	5,835,785

(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.
(3) First time consolidation includes conclusion of purchase price allocation related to 2019 acquisitions and a provisional purchase price allocation for 2020 Dibai acquisition.

(Expressed in RMB '000)

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

18. Goodwill

Changes in goodwill

The Group allocates goodwill to two cash generating units ("CGU"), Crop Protection (Agro) and a non-core activity included in the Intermediates and ingredients segment. At the end of the year, or more frequently whether indicators for impairment exists, the Group estimates the recoverable amount of each CGU for which goodwill has been allocated to using th DCF model.

The carrying amount of goodwill is mainly allocated to Agro units, which includes RMB 227 million from the acquisition of Shanghai Dibai Plant Protection Co., Ltd. The goodwill allocated to non-core CGU is not significant.

As of December 31, 2020 the fair value of the cash generating units to which goodwill has been allocated to exceeds its carrying amount.

	January 1, 2020	Additions	Currency translation adjustment	Balance at December 31, 2020
Book value	4,511,193	376,006	(302,973)	4,584,226
Impairment provision	-	-	-	-
Carrying amount	4,511,193	376,006	(302,973)	4,584,226

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 2020		December 31 2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deferred tax assets in respect of carry forward losses	785,259	142,312	611,496	136,594
Deferred tax assets in respect of inventories	1,555,528	422,995	1,552,766	413,713
Deferred tax assets in respect of employee benefits	910,081	128,676	973,434	135,422
Other deferred tax asset	1,569,188	366,652	1,606,933	387,109
	4,820,056	1,060,635	4,744,629	1,072,838

(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 2020		December 31 2019	
	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	3,512,629	618,904	3,551,402	569,446
	3,512,629	618,904	3,551,402	569,446

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

	December 31 2020		December 31 2019	
	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	286,962	773,673	246,142	826,696
Deferred tax liabilities	286,962	331,942	246,142	323,304

(4) Details of unrecognized deferred tax assets

	December 31 2020	December 31 2019
Deductible temporary differences	523,951	515,589
Deductible losses carry forward	103,402	142,042
	627,353	657,631

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

	December 31 2020	December 31 2019
2020	-	16,171
2021	2,388	13,031
2022	1,626	1,402
2023	2,105	27,767
2024	1,785	7,599
After 2024	95,498	76,072
	103,402	142,042

(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 2020	December 31 2019
Judicial deposits	93,182	56,347
Assets related to securitization	31,979	38,648
Advances in respect of non-current assets	40,857	58,689
Call option in respect of business combination	18,733	9,216
Others	72,581	83,283
	257,332	246,183

21. Short-Term Loans

Short-term loans by category:

	December 31 2020	December 31 2019
Guaranteed loans	-	414,000
Unsecured loans	1,205,498	1,595,882
	1,205,498	2,009,882

* All guaranteed loans were fully paid during the period. Details of the guarantees are set out in note X.5(2) Related parties and related party transactions.

22. Derivative financial liabilities

	December 31 2020	December 31 2019
Economic hedge	1,197,274	603,009
Accounting hedge derivatives	266,340	88,466
	1,463,614	691,475

(Expressed in RMB '000)

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

23. Bills Payables

	December 31 2020	December 31 2019
Post-dated checks payables	264,402	224,878
Note payables draft	105,389	96,796
	369,791	321,674

As at December 31, 2020, none of the bills payable are overdue.

24. Accounts payable

	December 31 2020	December 31 2019
Within 1 year (including 1 year)	4,523,845	4,172,996
1-2 years (including 2 years)	7,454	10,458
2-3 years (including 3 years)	4,349	2,881
Over 3 years	21,358	19,566
	4,557,006	4,205,901

There are no significant accounts payables aging over one year.

25. Contract liabilities

	December 31 2020	December 31 2019
Discount for customers	633,882	522,614
Advances from customers	458,371	141,614
	1,092,253	664,228

26. Employee Benefits Payable

	December 31 2020	December 31 2019
Short-term employee benefits	660,144	656,272
Post-employment benefits*	122,216	224,035
Share based payment (See note XIII)	85,900	-
Other benefits within one year	306,506	304,366
	1,174,766	1,184,673
Current maturities	34,068	27,040
	1,208,834	1,211,713

* For further information regarding the termination benefits to employees during the periods 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 2020	December 31 2019
Corporate income tax	168,033	157,548
VAT	166,073	180,818
Others	24,882	30,672
	358,988	369,038

28. Other Payables

	December 31 2020	December 31 2019
Dividends payables	3,780	750
Other payables	1,071,941	1,048,844
	1,075,721	1,049,594

(1) Other payables

	December 31 2020	December 31 2019
Accrued expenses	541,250	613,183
Payables in respect of intangible assets	135,176	130,329
Financial institutions	111,863	1,137
Liability in respect of securitization transactions	22,002	26,370
Other payables	261,650	277,825
	1,071,941	1,048,844

As at December 31, 2020, the Group did not have any significant other payables overdue.

29. Non-Current Liabilities Due Within One Year

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

	December 31 2020	December 31 2019
Long-term loans due within one year	587,864	420,086
Lease liabilities due within one year	146,178	148,287
Debentures payable due within one year	538,539	497,870
	1,272,581	1,066,243

(Expressed in RMB '000)

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

30. Other Current Liabilities

	December 31 2020	December 31 2019
Put options to holders of non-controlling interests	87,388	148,886
Provision in respect of returns	194,775	191,065
Provision in respect of claims	33,036	14,901
Others	398	391
	315,597	355,243

31. Long-Term Loans

Long-term loans by category

	December 31		December 31	
	2020	Interest range	2019	Interest range
Long term loans				
Loan secured by tangible assets other than monetary assets	-	-	2,860	2.4%-2.7%
Unsecured loans	2,947,492	1.4%-4.7%	1,344,385	1.5%-6.2%
Total Long term loans	2,947,492		1,347,245	
Less: Long term loans from banks due within 1 year	(559,864)		(420,086)	
Long term loans, net	2,387,628		927,159	

For the maturity analysis, see note VIII.C - Liquidity risk.

There are no long-term loans mortgaged by fixed assets as at Decemer 31, 2020 (31.12.19: 900 thousand RMB). Details of the guarantees are set out in note X(5) Related parties and related party transactions.

32. Debentures Payable

	December 31 2020	December 31 2019
Debentures Series B	8,616,652	8,463,812
Current maturities	(538,539)	(497,870)
	8,078,113	7,965,942

	December 31 2020
First year (current maturities)	538,539
Second year	538,539
Third year	538,539
Fourth year	538,539
Fifth year and thereafter	6,462,496
	8,616,652

(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, 2020

Maturity period	Face value in RMB	Face value NIS	Issuance date	Maturity period	Issuance amount	Balance at January 1, 2020	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, 2020
Debentures Series B	2,673,640	1,650,000	4.12.2006	November 2020-2036	3,043,742	3,839,289	-	220	244,212	(221,067)	(251,265)	3,611,389
Debentures Series B	843,846	513,527	16.1.2012	November 2020-2036	842,579	1,137,246	-	11,424	72,624	(72,334)	(74,622)	1,074,338
Debentures Series B	995,516	600,000	7.1.2013	November 2020-2036	1,120,339	1,417,383	-	5,005	90,284	(84,517)	(92,828)	1,335,327
Debentures Series B	832,778	533,330	1.2.2015	November 2020-2036	1,047,439	1,335,461	-	(3,150)	85,215	(75,123)	(87,339)	1,255,064
Debentures Series B	418,172	266,665	1-6.2015	November 2020-2036	556,941	734,433	-	(8,608)	46,955	(37,562)	(47,911)	687,307
Debentures Series B	497,989	246,499	5.5.2020	November 2020-2036	692,896	-	692,896	(6,606)	55,628	(34,720)	(53,971)	653,227
						8,463,812	692,896	(1,715)	594,918	(525,323)	(607,936)	8,616,652

On May 5, 2020, Solutions issued debentures through an expansion of Series B totaling RMB 498 million, in consideration for 115.6% of the par value. The total proceeds, net of issuance cost, amounted to RMB 693 million.

Series B debentures amounts to NIS 3,810 million par value (3,510 million par value, net of self-purchased) linked to the CPI, bearing basic annual interest of 5.15%. The principal is repaid in 17 equal payments in the years 2020 to 2036.
On November 30, 2020 the Company made the first principal repayment of its Series B debentures, for a total of NIS 219.4 million par value (approximately RMB 525 million).

(Expressed in RMB '000)

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

33. Lease liabilities

	December 31 2020	Interest range	December 31 2019	Interest range
Lease liabilities	525,368	1.3%-6.1%	554,645	1.9% - 6.1%
Less: Lease liabilities due within one year	(146,178)		(148,287)	
Long term lease liabilities, net	379,190		406,358	

34. Long-Term Employee Benefits Payable

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

	December 31 2020	December 31 2019
Total present value of obligation	594,165	651,803
Less: fair value of plan's assets	(92,634)	(104,448)
Net liability related to Post-employment benefits	501,531	547,355
Termination benefits	99,466	70,128
Total recognized liability for defined benefit plan, net (1)	600,997	617,483
Share based payment (See note XIII)	21,088	94,104
Other long-term employee benefits	57,738	54,307
Total long-term employee benefits, net	679,823	765,894
Including: Long-term employee benefits payable due within one year	34,068	27,040
	645,755	738,854

(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	
	2020	2019	2020	2019	2020	2019
Balance as at January 1, 2020	721,931	638,355	104,448	87,492	617,483	550,863
Expense/income recognized in profit and loss:						
Current service cost	34,181	24,910	-	-	34,181	24,910
Interest costs	22,932	22,608	3,270	3,614	19,662	18,994
Losses (gains) on curtailments and settlements	54,959	-	-	-	54,959	-
Changes in exchange rates	41,922	38,499	7,409	7,110	34,513	31,389
Actuarial gain (losses) due to early retirement	(4,670)	(4,125)	-	-	(4,670)	(4,125)
Included in other comprehensive income:						
Actuarial gain (losses) as a result of changes in actuarial assumptions	(43,604)	65,239	(7,941)	7,945	(35,663)	57,294
Foreign currency translation differences in respect of foreign operations	(42,276)	9,348	(6,584)	1,493	(35,692)	7,855
Additional movements:						
Benefits paid	(95,546)	(72,903)	(13,212)	(9,372)	(82,334)	(63,531)
Contributions paid by the Group	-	-	5,244	6,166	(5,244)	(6,166)
New consolidation	3,802	-	-	-	3,802	-
Balance as at December 31, 2020	693,631	721,931	92,634	104,448	600,997	617,483

(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 2020	December 31 2019
Discount rate (%)*	0.6%-3.3%	0.4%-3.3%

*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, 2020	
	Increase of 1%	Decrease of 1%
Change in defined benefit obligation	(48,969)	61,084

35. Provisions

	December 31 2020	December 31 2019
Liabilities in respect of contingencies*	77,138	90,051
Provision in respect of site restoration	79,706	84,211
Long-term liability in respect of business combinations	3,954	-
Other	2,453	2,560
	163,251	176,822

* 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 2020	December 31 2019
Put options to holders of non- controlling interests	290,260	207,472
Long term transactions in derivatives	-	25,582
Long term loans - others	171,770	171,770
	462,030	404,824
Current maturities	(28,000)	-
	434,030	404,824

37. Share Capital

	Balance at January 1, 2020	Issuance of new shares	Buyback of shares	Balance at December 31, 2020
Share capital	2,446,554	-	(102,433)	2,344,121

* For further information of the changes see note XI.2 – Commitments and contingent liabilities.

38. Capital Reserve

	Balance at January 1, 2020	Additions during the period	Reductions during the period	Balance at December 31, 2020
Share premiums	12,550,177	102,433	-	12,652,610
Other capital reserve	352,991	17,618	-	370,609
	12,903,168	120,051	-	13,023,219

* For further information of the changes see note XI.2 – Commitments and contingent liabilities.

39. Other Comprehensive Income, net of tax

	Attributable to shareholders of the company						
	Balance at January 1, 2020	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, 2020
Items that will not be reclassified to profit or loss	**13,824**	**35,663**	**-**	**(446)**	**36,109**	**-**	**49,933**
Re-measurement of changes in liabilities under defined benefit plans	(34,876)	35,663		6,045	29,618	-	(5,258)
Changes in fair value of other equity investment	48,700	-	-	(6,491)	6,491	-	55,191
Items that may be reclassified to profit or loss	**1,178,857**	**(1,319,595)**	**7,937**	**(26,687)**	**(1,300,845)**	**-**	**(121,988)**
Effective portion of gain or loss of cash flow hedge	(45,532)	(189,918)	11,956	(26,687)	(175,187)	-	(220,719)
Translation difference of foreign financial statements	1,224,389	(1,129,677)	(4,019)	-	(1,125,658)	-	98,731
	1,192,681	(1,283,932)	7,937	(27,133)	(1,264,736)	-	(72,055)

(Expressed in RMB '000)

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

40. Surplus reserve

	Balance at January 1, 2020	Additions during the period	Reductions during the period	Balance at December 31, 2020
Statutory surplus reserve	236,348	-	-	236,348
Discretional surplus reserve	3,814	-	-	3,814
	240,162	-	-	240,162

41. Retained Earnings

	2020	2019
Retained earnings as at December 31 of preceding year	5,574,173	5,513,466
Adjustment for business combination under common control (Note 1)	-	115,826
Retained earnings as at January 1	5,574,173	5,629,292
Net profits for the period attributable to shareholders of the Company	352,753	277,041
Dividends to non-controlling Interest	(34,865)	(43,043)
Dividend to the shareholders of the company (Note 2)	(29,359)	(293,628)
Transfer from other comprehensive income	-	4,511
Retained earnings as at December 31	5,862,702	5,574,173

Note 1:

During the first quarter of 2019 the acquisition of Adama Anpon (Jiangsu) 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.

Note 2:

On April 27, 2020, following approval of the 25th meeting of the Company's 8th session of the Board of Directors, the Company declared RMB 0.12 (before tax) per 10 shares as cash dividend to all shareholders, resulting in a total cash dividend of 29,359 thousands RMB (before tax). No shares were distributed as share dividend and no reserve was transferred to equity capital. The proposal was approved by the 2019 Annual General Meeting of the Company held on May 20, 2020 and was fully paid during the third quarter of 2020.

Note 3:

On March 29, 2021, after obtaining the approval of the 31st meeting of the Company's 8th Board of Directors, the Company declared RMB 0.16 (before tax) per 10 shares as cash dividend to all shareholders, resulting in a total cash dividend of 37,277 thousands RMB (before tax). No shares were distributed as share dividend and no reserve was 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 2020		Year ended December 31 2019	
	Income	**Cost of sales**	**Income**	**Cost of sales**
Principal activities	28,385,744	20,033,482	27,486,019	18,609,841
Other businesses	59,089	37,553	77,220	69,671
	28,444,833	20,071,035	27,563,239	18,679,512

43. Taxes and Surcharges

	Year ended December 31	
	2020	**2019**
Tax on turnover	24,690	21,166
Others	63,901	63,237
	88,591	84,403

44. Selling and Distribution Expenses

	Year ended December 31	
	2020	**2019**
Salaries and related expense	1,638,087	1,557,483
Depreciation and amortization	1,404,220	1,405,411
Transportation and Commissions	771,765	708,217
Advertising and sales promotion	302,921	331,763
Travel expenses	70,999	153,501
Warehouse expenses	154,425	147,524
Registration	150,921	121,406
Professional services	88,307	87,048
Insurance	83,293	83,307
Others	280,407	277,596
	4,945,345	4,873,256

(Expressed in RMB '000)

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

45. General and Administrative Expenses

	Year ended December 31	
	2020	2019
Salaries and related expenses	518,889	752,816
Idleness expenses	134,164	342,044
Professional services	105,270	131,593
Depreciation and amortization	86,730	96,137
IT systems	95,734	87,635
Office rent, maintenance and expenses	37,522	54,903
Other	65,399	97,189
	1,043,708	1,562,317

46. Research and development expenses

	Year ended December 31	
	2020	2019
Salaries and related expenses	218,596	185,356
Field trial	45,828	60,787
Professional services	61,927	67,779
Depreciation and amortization	44,112	37,727
Materials	53,596	27,244
Office rent, maintenance and expenses	7,833	8,108
Other	46,886	49,324
	478,778	436,325

47. Financial expenses, net

	Year ended December 31	
	2020	2019
Interest expenses on debentures and loans	700,658	707,098
CPI expense (income) in respect of debentures	(57,101)	23,418
Loss in respect of sale of trade receivables	73,673	91,006
Interest expense in respect of post-employment benefits and early retirement, net	19,473	38,681
Revaluation of put option, net	10,525	(7,605)
Interest income from customers, banks and others	(64,022)	(81,190)
Exchange rate differences, net	1,111,631	859,403
Interest expense on lease liabilities	24,251	25,904
Other expenses	28,101	9,170
	1,847,189	1,665,885

(Expressed in RMB '000)

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

48. Investment income, net

	Year ended December 31	
	2020	2019
Investment income (expenses) from disposal of derivatives	125,300	(253,799)
Income from long-term equity investments accounted for using the equity method	15,584	19,861
Gain from change in consolidation scope	58,995	-
Other	6,623	2,733
	206,502	(231,205)

49. Gain (loss) from Changes in Fair Value

	Year ended December 31	
	2020	2019
Gain from changes in fair value of derivative financial instruments	555,223	828,527
Others	(14,525)	(3,015)
	540,698	825,512

50. Credit impairment reversal (losses)

	Year ended December 31	
	2020	2019
Bills receivable and accounts receivable	(24,435)	(39,323)
Other receivables	(1,514)	(82)
	(25,949)	(39,405)

51. Asset impairment reversal (losses)

	Year ended December 31	
	2020	2019
Inventories	(66,351)	(76,375)
Fixed assets	(39,594)	(285,695)
Construction in progress	(17,265)	(19,763)
Intangible asset	(173)	(22,852)
Long-term equity investment	(40,077)	-
Other	(694)	(9,131)
	(164,154)	(413,816)

52. Gain from Disposal of Assets

	Year ended December 31		Included in non-recurring items
	2020	2019	
Gain from disposal of fixed assets	4,134	127,443	4,134
Gain (loss) from disposal of intangible assets	6,616	(370)	6,616
	10,750	127,073	10,750

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

(Expressed in RMB '000)

53. Income Tax Expenses

	Year ended December 31	
	2020	2019
Current year	327,341	363,279
Deferred tax expenses (income)	(39,919)	(138,294)
Adjustments for previous years, net	(64,963)	(50,454)
	222,459	174,531

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

	Year ended December 31	
	2020	2019
Profit before taxes	575,212	451,572
Statutory tax in china	25%	25%
Tax calculated according to statutory tax in china	143,803	112,893
Tax benefits from Approved Enterprises	(26,140)	(6,928)
Difference between measurement basis of income for financial statement and for tax purposes	104,890	37,323
Taxable income and temporary differences at other tax rate	(20,873)	16,820
Taxes in respect of prior years	(64,963)	(50,454)
Utilization of tax losses prior years for which deferred taxes were not created	(2,968)	(6,720)
Temporary differences and losses in the report year for which deferred taxes were not created	23,293	116,370
Non-deductible expenses and other differences	34,704	(6,795)
Neutralization of tax calculated in respect of the Company’s share in results of equity accounted investees	(5,246)	(6,023)
Effect of change in tax rate in respect of deferred taxes	38,775	(33,631)
Creation and reversal of deferred taxes for tax losses and temporary differences from previous years	(2,816)	1,676
Income tax expenses	222,459	174,531

54. 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)

55. Notes to items in the cash flow statements

(1) **Cash received relating to other operating activities**

	Year ended December 31	
	2020	**2019**
Derivatives transactions	404,824	260,557
Financial institutions	126,770	74,615
Interest income	53,895	61,207
Government subsidies	12,759	5,899
Others	94,964	262,559
	693,212	664,837

(2) **Cash paid relating to other operating activities**

	Year ended December 31	
	2020	**2019**
Transportation, Commissions and Warehouse	847,272	753,643
Advertising and sales promotion	297,623	295,944
Professional services	246,200	264,241
Financial institutions	369,655	118,269
IT and Communication	184,149	179,730
Registration and Field trials	166,551	186,694
Derivatives transactions	183,065	54,030
Travel	93,357	180,303
Insurance	103,038	99,543
Others	554,319	667,743
Net cash flow from operating activities	3,045,229	2,800,140

(3) **Cash received relating to other investing activities**

	Year ended December 31	
	2020	**2019**
Investment grant	3,223	5,208
	3,223	5,208

(4) **Cash paid relating to other investing activities**

	Year ended December 31	
	2020	**2019**
Increase in securitization facility	31,483	-
Other	16,865	-
	48,348	-

(Expressed in RMB '000)

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

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

(5) Cash received from other financing activities

	Year ended December 31	
	2020	**2019**
Cash received in respect of hedging transactions on debentures	186,727	140,025
Deposit for issuing bills payables	34,011	39,886
	220,738	179,911

(6) Cash paid relating to other financing activities

	Year ended December 31	
	2020	**2019**
Repayment of lease liability	160,522	146,610
Payment in respect of hedging transactions on debentures	154,335	325,474
Deposit for issuing bills payable	34,144	14,003
Payment for business combinations under common control	-	415,000
Repurchase of treasury shares	60,357	-
Realization of call option	-	35,625
	409,358	936,712

56. 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	
	2020	**2019**
Net profit	352,753	277,041
Add: Impairment provisions for assets	164,154	413,816
Credit impairment loss	25,949	39,405
Depreciation of fixed assets and investment property	768,076	841,041
Depreciation of right-of-use asset	163,787	160,389
Amortization of intangible asset	1,325,395	1,334,711
Gains on disposal of fixed assets, intangible assets, and other long-term assets, net	(10,750)	(127,073)
Gains from changes in fair value	(540,698)	(825,512)
Financial expenses	1,398,807	1,325,875
Investment loss (income), net	(286,930)	(51,370)
Decrease (increase) in deferred tax assets	(38,515)	(130,959)
Increase (decrease) in deferred tax liabilities	(1,404)	(7,335)
Decrease (increase) in inventories, net	(939,779)	(236,687)
(Increase) in operating receivables	(1,173,437)	(1,080,276)
Increase (decrease) in operating payables	796,618	(1,119,479)
Others	18,989	29,900
Net cash flow from operating activities	2,023,015	843,487

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

(Expressed in RMB '000)

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

b. Net increase (decrease) in cash and cash equivalents

	Year ended December 31	
	2020	2019
Closing balance of cash	3,835,071	4,319,907
Less: Opening balance of cash	4,319,907	6,346,196
Decrease in cash and cash equivalents	(484,836)	(2,026,289)

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

	Year ended December 31	
	2020	2019
Cash paid for business combination not under common control	440,495	1,126,557
Less: cash and cash equivalents of the acquirees at the date of acquisition	69,303	4,610
Net cash paid to acquire subsidiaries	371,192	1,121,947

(3) Details of cash and cash equivalents

	Year ended December 31	
	2020	2019
Cash on hand	4,590	6,265
Bank deposits available on demand without restrictions	3,830,481	4,313,642
	3,835,071	4,319,907

57. Assets with Restricted Ownership or Right of Use

	December 31	
	2020	Reason
Cash	28,815	Pledged
Other non-current assets	101,619	Guarantees
	130,434	

(Expressed in RMB '000)

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

58. Foreign currencies denominated items

(1) Foreign currencies denominated items

	As at December 31, 2020		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Cash and bank balances			
USD	114,714	6.5249	748,499
EUR	31,654	8.0046	253,375
ARS	1,143,009	0.0775	88,628
PLN	44,240	1.7361	76,805
ILS	31,600	2.0295	64,133
CAD	11,959	5.1178	61,204
ZAR	99,708	0.4463	44,500
GBP	4,033	8.9134	35,952
BRL	26,384	1.2556	33,127
Other			277,641
Total			1,683,864
Bills and Accounts receivable			
BRL	1,880,787	1.2556	2,361,489
EUR	84,774	8.0046	678,580
USD	37,506	6.5249	244,723
TRY	208,940	0.8889	185,725
RON	111,417	1.6452	183,304
ZAR	400,804	0.4463	178,880
RUB	1,600,369	0.0883	141,349
CAD	17,396	5.1178	89,032
AUD	14,187	5.0401	71,506
GBP	4,995	8.9134	44,520
HUF	1,378,561	0.0219	30,249
ILS	2,328	2.0295	4,725
Other			379,970
Total			4,594,052
Other receivables			
EUR	77,517	8.0046	620,491
ILS	47,070	2.0295	95,530
BRL	20,558	1.2556	25,812
Other			33,688
Total			775,521
Other current assets			
ILS	67,833	2.0295	137,668
BRL	71,948	1.2556	90,337
EUR	5,221	8.0046	41,792
USD	2,727	6.5249	17,793
UAH	64,155	0.2308	14,805
ARS	131,106	0.0775	10,166
Other			62,470
Total			375,031

(Expressed in RMB '000)

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

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

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

	As at December 31, 2020		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Long-term receivables			
BRL	75,924	1.2556	95,329
Total			95,329
Other non-current assets			
BRL	63,628	1.2556	79,891
Other			3,523
Total			83,414
Short-term loans			
TRY	205,431	0.8889	182,606
UAH	378,003	0.2308	87,231
EUR	8,206	8.0046	65,686
Other			23,392
Total			358,915
Bills and Accounts payable			
ILS	424,631	2.0295	861,796
EUR	58,488	8.0046	468,175
BRL	123,432	1.2556	154,979
USD	9,242	6.5249	60,303
RON	6,798	1.6452	11,184
Other			87,172
Total			1,643,609
Other payables			
ILS	60,307	2.0295	122,394
EUR	10,061	8.0046	80,536
BRL	64,117	1.2556	80,504
ILS CPI	18,497	2.0295	37,540
OTHER			97,529
TOTAL			418,503
Contract liabilities			
EUR	25,441	8.0046	203,642
BRL	59,996	1.2556	75,330
CAD	5,677	5.1178	29,055
TRY	31,116	0.8889	27,659
USD	471	6.5249	3,073
Other			30,367
Total			369,126

(Expressed in RMB '000)

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

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

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

	As at December 31, 2020		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Non-current liabilities due within one year			
ILS CPI	285,550	2.0295	579,529
EUR	24,592	8.0046	196,850
USD	1,249	6.5249	8,150
Other			30,504
Total			815,033
Other current liabilities			
EUR	3,204	8.0046	25,649
UAH	102,863	0.2308	23,738
Other			5,559
Total			54,946
Long-term loan			
EUR	44,542	8.0046	356,540
Total			356,540
Debentures payable			
ILS CPI	3,980,311	2.0295	8,078,113
Total			8,078,113
Provision and Long-term payables			
BRL	45,087	1.2556	56,610
EUR	377	8.0046	3,015
Total			59,625
Other non-current liabilities			
EUR	8,729	8.0046	69,876
ILS CPI	20,444	2.0295	41,492
USD	3,566	6.5249	23,268
GBP	1,111	8.9134	9,905
Other			25,766
Total			170,307

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

58. 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
Alfa Agricultural Supplies, S.A.	01.07.2020	298,783	100%	Stock purchase	Obtained control	129,563	(89)
FNV S.A.	01.10.2020	29,286	51%	Stock purchase	Obtained control	39,354	993
Shanghai Dibai Plant Protection Co., Ltd.	31.12.2020	310,557	51%	Stock purchase	Obtained control	-	-

(2) Acquisition cost and goodwill

Acquisition costs	Alfa Agricultural Supplies, S.A.	FNV S.A.	Shanghai Dibai Plant Protection Co., Ltd.
Total acquisition cost in cash	152,407	12,088	276,000
Contingent consideration	-	3,011	-
Other	-	14,187	34,557
Equity investments held before acquisition date	146,376	-	-
Less: share of the fair value of the identifiable net assets acquired	213,369	15,155	83,435
Goodwill	85,414	14,131	227,122

(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

	Alfa Agricultural Supplies, S.A.	
	Fair value at acquisition date	Book value at acquisition date
Assets:		
Cash and bank balances	53,974	53,974
Bills and Accounts receivable	192,378	192,378
Prepayments	177	177
Other receivables	5,954	5,954
Inventories	97,732	97,732
Fixed assets	906	906
Right-of-use assets	7,519	7,519
Intangible assets	54,236	28
Deferred tax assets	2,280	2,280
Other non-current assets	538	538
Liabilities:		
Short-term loans	46,073	46,073
Bills and Accounts payable	86,228	86,228
Employee benefits payable	2,754	2,754
Taxes payable	11,901	11,901
Other payables	30,477	30,477
Lease liabilities	7,519	7,518
Long-term employee benefits payable	3,802	3,802
Deferred tax liabilities	13,571	559
Net assets	213,369	172,174
Less: Non-controlling interests	-	-
Net assets acquired	213,369	172,174

	FNV S.A.	
	Fair value at acquisition date	Book value at acquisition date
Assets:		
Cash and bank balances	3,364	3,364
Bills and Accounts receivable	43,455	43,455
Prepayments	54	54
Inventories	48,570	48,570
Fixed assets	797	797
Intangible assets	10,597	-
Other assets	8,138	8,138
Liabilities:		
Bills and Accounts payable	78,452	78,452
Other payables	3,759	3,759
Deferred tax liabilities	1,060	-
Other liabilities	16,549	16,549
Net assets	15,155	5,618
Less: Non-controlling interests	-	-
Net assets acquired	15,155	5,618

(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)

	Shanghai Dibai Plant Protection Co., Ltd.	
	Fair value at acquisition date	**Book value at acquisition date**
Assets:		
Cash and bank balances	11,965	11,965
Bills and Accounts receivable	6,256	6,256
Prepayments	78,857	78,857
Inventories	235	235
Fixed assets	805	805
Intangible assets	200,000	-
Other assets	191	191
Liabilities:		
Bills and Accounts payable	-	-
Other payables	17,953	17,953
Deferred tax liabilities	50,557	557
Advances from customers	66,201	66,201
Net assets	163,598	13,598
Less: Non-controlling interests	80,163	6,663
Net assets acquired	83,435	6,935

Until the date of approval of the financial statements, the Group has not yet completed the initial accounting treatmentfor the acquisition of Shanghai Dibai Plant Protection Co., Ltd., including the estimation of the fair value of the acquired assets and the goodwill. Therefore, the fair value of the assets and liabilities is provisional and may be subject to changes.

(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
Adama Anpon (Jiangsu) Ltd.	CHINA	Manufacturing; Distribution	100%		Purchased

2. Interests in joint ventures or associates

	December 31	
	2020	2019
Joint ventures	14,081	92,695
Associates	-	40,403
	14,081	133,098

3. Summarized financial information of joint ventures and associates

	December 31, 2020 and twelve months then ended	December 31, 2019 and twelve months then ended
Joint ventures:		
Total carrying amount	14,081	92,695
The Group's share of the following items:		
Net profit	15,584	19,877
Other comprehensive income	1,658	(697)
Total comprehensive income	17,242	19,180
Associates:		
Total carrying amount	-	40,403
The Group's share of the following items:		
Net profit	-	(16)
Other comprehensive income	(326)	653
Total comprehensive income	(326)	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.

(Expressed in RMB '000)

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 on an ongoing basis. As a result of the Covid-19 pandemic, the Group also closely monitors the economic situation worldwide. Where necessary, the Group operates to limit its exposure to customers.

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, 2020
Past due by less than 90 days	538,084
Past due by more than 90 days	530,116
	1,068,200

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 8,454,382 thousand relate to category of "Lifetime expected credit losses (credit losses has not occurred)" and amounted to RMB 674,761 thousand related to category of "Lifetime expected credit losses (credit losses occurred)". The Group has credit risk exposures for other receivables amounted to RMB 16,146 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, 2020					
	First year	Second year	Third-Fourth year	Fifth year and above	Contractual Cash flow	Carrying amount
Non-derivative financial liabilities						
Short-term loans	1,224,376	-	-	-	1,224,376	1,205,498
Bills payables	369,791	-	-	-	369,791	369,791
Accounts payables	4,557,006	-	-	-	4,557,006	4,557,006
Other payables	1,075,721	-	-	-	1,075,721	1,075,721
Other current liabilities	87,388	-	-	-	87,388	87,388
Debentures payable	941,705	951,594	1,820,243	8,598,976	12,312,518	8,616,652
Long-term loans	634,180	1,209,917	1,139,132	182,263	3,165,492	2,947,492
Long-term payables	1,965	2,063	4,062	29,064	37,154	27,327
Lease Liabilities	167,586	124,045	134,615	212,111	638,357	525,368
Other non-current liabilities	30,061	72,155	273,854	93,280	469,350	462,030
Derivative financial liabilities						
Foreign currency derivatives	1,460,228	-	-	-	1,460,228	1,460,228
CPI/shekel forward transactions	3,386	-	-	-	3,386	3,386
	10,553,393	2,359,774	3,371,906	9,115,694	25,400,767	21,337,887

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, 2020	
	Total assets	**Total liabilities**
In US Dollar	1,613,916	874,986
In Euro	1,670,266	1,510,756
In Brazilian real	2,684,354	311,701
CPI-linked NIS	14,635	8,725,602
In New Israeli Shekel	302,056	1,007,144
Denominated in or linked to other foreign currency	3,321,777	777,569
	9,607,004	13,207,758

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

	December 31, 2020					
	Currency/linkage receivable	**Currency/linkage payable**	**Average expiration date**	**USD thousands Par value**	**RMB thousands Par value**	**Fair value**
Forward foreign currency	**USD**	EUR	21/04/2021	397,183	2,591,580	(400,155)
Contracts and call options	**USD**	PLN	13/04/2021	26,474	172,741	(14,744)
	USD	BRL	28/04/2021	364,202	2,376,382	(103,266)
	USD	GBP	18/03/2021	26,081	170,179	(9,911)
	USD	ZAR	09/02/2021	32,518	212,179	(17,480)
	ILS	USD	20/03/2021	1,461,320	9,534,964	722,001
	USD	OTHER		485,329	3,166,722	(105,249)
CPI forward contracts	**CPI**	ILS	27/05/2021	699,844	4,566,415	25,973

(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, 2020 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, 2020			
	Decrease of 5%		Increase of 5%	
	Equity	Profit (loss)	Equity	Profit (loss)
New Israeli shekel	52,295	41,167	(2,410)	7,657
British pound	(2,397)	1,012	2,397	(1,012)
Euro	(141,835)	(2,898)	133,160	4,090
Brazilian real	(7,570)	897	(3,723)	(10,893)
Polish zloty	(5,651)	(2,434)	5,052	2,141
South African Rand	(1,862)	2,958	723	(3,641)
Chinese Yuan Renminbi	(39,531)	(39,531)	39,531	39,531
CPI-linked NIS	406,466	406,466	(406,466)	(406,466)

(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, 2020
Fixed-rate instruments – unlinked to the CPI	
Financial assets	
Cash at banks	620,625
Other non-current assets	46,849
Financial liabilities	
Long-term loans	1,366,883
Long-term payables	21,839
Other non-current liabilities (1)	171,770
	(893,018)
Fixed-rate instruments – linked to the CPI	
Financial liabilities	
Debentures payable (1)	8,616,652
Variable-rate instruments	
Financial assets	
Cash at banks	123,901
Financial assets at fair value through profit or loss	1,253
Other non-current assets	24,162
Financial liabilities	
Short-term loans and credit from banks	1,205,498
Long-term loans (1)	1,580,609
	(2,636,791)

(1) Including 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, 2020	1,879	(1,887)	1,879	(1,887)

(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, 2020	
	Carrying amount	**Fair value**
Financial assets		
Other non-current assets (a – Level 2)	65,797	64,094
Financial liabilities		
Long-term loans and others (b – Level 2)	3,677,384	3,792,500
Debentures (c – Level 1)	8,616,652	11,488,256

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, 2020
	%
U.S. dollar interest	(0.43) – 1.55
Euro	(0.06) – 0.62

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 2020
Forward contracts and options used for hedging the cash flow (Level 2)	(251,039)
Forward contracts and options used for economic hedging (Level 2)	348,208
Other equity investment (Level 2)	152,200
Other non-current assets (Level 2)	39,038
Receivables financing (Level 2)	109,483
Call option in respect of business combination (Level 2)	25,715
Other (Level 2)	1,253

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
Syngenta Group	Shanghai, China	Production and sales of agrochemicals, fertilizers and GM seeds	11,144,545	72.88%	72.88%

In June 2020, ADAMA became a distinctive member of the newly established Syngenta Group through the contribution of 74.02% of the shares that CNAC owned in ADAMA into the group. As such, there is no change in the Company's ultimate controlling shareholder ChemChina.

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
Innovaroma SA	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
Bluestar (Beijing) Chemical Machinery Co.,Ltd	Common control
Bluestar Engineering Co.,Ltd.	Common control
Chem China Information Center Co., Ltd.	Common control
ChemChina Asset Management co.,Ltd.	Common control
ChemChina Finance Corporation	Common control
China Bluestar Chengrand Research Institute co.,Ltd	Common control
Elkem Silicones Brasil LtdA	Common control
Hangzhou (Torch)Xidoumen Membrane Industry co.,Ltd	Common control
Jiangsu Huaihe Chemical co.,Ltd.	Common control
Jingzhou Sanonda Holdings Co.,Ltd.	Common control
Nidera Seeds ArgentinaSAU	Common control
PT Syngenta Indonesia	Common control
Shandong Dacheng BIO-CHEM	Common control
Shandong Huaxing Petrochemical Group co.,Ltd.	Common control
Sinochem (Hainan) Crop Technology Co. Ltd	Common control
Sinochem Agricultural Ecological Technology (Hubei) Co. Ltd	Common control
Sinochem Agriculture (Xinjiang) Biotechnology Co. Ltd	Common control
Sinochem Agro CO.Ltd	Common control
Sinochem Chongqing Fuling Chemical Co. Ltd	Common control
Sinochem Fertilizer Co., Ltd	Common control
Sinochem Fertilizer Co., Ltd Fujian Branch	Common control
Sinochem Fertilizer Co., Ltd Guangxi Branch	Common control
Sinochem Fertilizer Co., Ltd Hebei Branch	Common control
Sinochem Fertilizer Co., Ltd Jiangsu Branch	Common control
Sinochem Fertilizer Co., Ltd Jiangxi Branch	Common control
Sinochem Fertilizer Co., Ltd Jilin Branch	Common control
Sinochem Fertilizer Co., Ltd Nothwest Branch	Common control
Sinochem Fertilizer Co., Ltd Shandong Branch	Common control
Sinochem Fertilizer Co., Ltd Southwest Branch	Common control
Sinochem Modern Agriculture Co. Ltd. Anhui Branch	Common control
Sinochem Modern Agriculture Co. Ltd. Guangdong Branch	Common control
Sinochem Modern Agriculture Co. Ltd. Jiangxi Branch	Common control
Sinochem Modern Agriculture Sichuan Co. Ltd	Common control
Sinochem Modern Agriculture Xinjiang Co. Ltd	Common control
Sinochem Modern Agriculture (Jiangsu) Co.Ltd	Common control
Sinochem Modern Agriculture (Shandong) Co.Ltd	Common control
Sinochem ModernAgriculture co.Ltd	Common control
Sinochem (Hainan) CropTechnologyCo.,Ltd	Common control
Southwest Researche & Design Institute of Chemical Industry	Common control
Syngenta Agro,S.A.de C.V.	Common control

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

4. Information on other related parties - (cont'd)

Name of other related parties	Related party relationship
Syngenta Agro AG	Common control
Syngenta Australia Pty Limited	Common control
Syngenta Canada Inc.	Common control
Syngents Coml Agr LtdA	Common control
Syngenta Crop Protection ,LLC	Common control
Syngenta Crop Protection Limited	Common control
Syngenta Crop Protection AG	Common control
Syngenta Crop Protection B.V.	Common control
Syngenta Crop Protection N.V.	Common control
Syngenta Crop Protection S.A.	Common control
Syngenta Espana S.A	Common control
Syngenta France S.A.S.	Common control
Syngenta Hellas AEBE	Common control
Syngenta India Limited	Common control
Syngenta Korea Ltd .	Common control
Syngenta Nordics A/S	Common control
Syngenta Polska Sp .z.o.o.	Common control
Syngenta Protecao Cultivos LtdA	Common control
Syngenta S.A (Chile)	Common control
Syngenta Slovakia s.r.o	Common control
Syngenta South Africa (Pty) Ltd .	Common control
Syngenta(China) Investment Co.Ltd	Common control
Syngenta Agro GmbH	Common control
Syngenta Agro S.A.	Common control
Syngenta Crop Protection, LLC	Common control
Syngenta Czech s.r.o.	Common control
Syngenta Hungary Kft.	Common control
Syngenta Italia S.p.A	Common control
Syngenta S.A. (Colombia)	Common control
Syngenta Tarim Sanayive Ticaret A.S.	Common control
Syngenta Vietnam Ltd.	Common control
Zhonglan International Chemical co.,Ltd	Common control
Zhonglan Lianhai (Shanghai) Chemical Engineering Technology Co.,Ltd.	Common control
Zhonglan Lianhai Design Institute Co.,Ltd.	Common control
Jiangsu Ruixiang Chemical co., Ltd .	Associate of the Group
Jiangsu Yangnong Chemical Group co., Ltd .	Associate of the Group
Jiangsu Youjia Plant Protection co., Ltd.	Associate of the Group
Jiangsu Youshi Chemical co., Ltd .	Associate of the Group

(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 2020	Year ended December 31 2019
Summary of purchase of goods/services:			
Purchase of goods/services received	Common control under ChemChina	1,273,820	1,449,486
	Joint venture	1,661	3,938
	Associates	260,570	-
Purchase of fixed assets and other assets	Common control under ChemChina	325,700	201,462
Summary of Sales of goods:			
Sale of goods/ Service rendered	Common control under ChemChina	953,257	752,984
	Joint venture	133,356	153,310
	Associates	43,317	-

(Expressed in RMB '000)

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

5. Transactions and balances with related parties

(2) 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)
Common control under ChemChina	300,000	20/11/2017	20/11/2022	Y
	30,000	01/08/2019	30/07/2020	Y
	2,000	11/02/2020	11/08/2020	Y
	20,000	28/06/2019	18/06/2020	Y
	20,000	01/03/2019	20/02/2020	Y
	50,000	01/06/2019	29/05/2020	Y
	50,000	28/06/2019	27/06/2020	Y
	64,000	19/02/2019	18/02/2020	Y
	80,000	02/02/2019	30/01/2020	Y

(3) Remuneration of key management personnel and directors

	Periods ended December 31	
	2020	2019
Remuneration of key management personnel and directors	56,833	48,952

(4) Receivables from and payables to related parties (including loans)

Receivable Items

		December 31		December 31	
		2020		2019	
Items	**Related Party Relationship**	**Book Balance**	**Expected credit losses**	**Book Balance**	**Expected credit losses**
Trade receivables	Common control under ChemChina	155,050	-	153,197	-
	Joint venture	21,630	-	24,026	-
	Associates	327	-	-	-
Other receivables	Common control under ChemChina	681	-	25,346	-
Prepayments	Common control under ChemChina	17,065	-	69,610	-
	Associates	350	-	-	-
Other assets	Joint venture	-	-	314	-

(Expressed in RMB '000)

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

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

(4) Receivables from and payables to related parties (including loans) - (cont'd)

Payable Items

Items	Related Party Relationship	December 31 2020	December 31 2019
Trade payables	Common control under ChemChina	357,148	239,360
	Joint venture	-	258
	Associates	15,907	-
Other payables	Common control under ChemChina	19,354	23,195
Contract liability	Common control under ChemChina	2,355	-
	Associates	340	-
Other non-current liabilities due within one year	Common control under ChemChina	28,000	-
Other non-current liabilities*	Common control under ChemChina	143,770	171,770

* The liability is a loan from a related party, the interest expense for the twelve months ended December 31, 2020 is 2,096 thousand RMB (twelve months ended December 31, 2019: 2,090 thousand RMB).

(5) Acquisition of a subsidiary

Related Party	Related Party Relationship	December 31 2020	December 31 2019
Parent	Acquisition of a subsidiary	-	415,000

(6) Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was 370,141 thousand RMB (31.12.19: 396,355 thousand RMB) Interest income of bank deposit for the current period was 1,422 thousand RMB (amount for twelve months ended December 31, 2019 is 4,628 thousand RMB).

The closing balance of a loan received from ChemChina Finance corporation was 0 thousand RMB (31.12.19: 100,000 thousand RMB). Interest expenses in the current period was 665 thousand RMB (amount for twelve months ended December 31, 2019 is 1,610 thousand RMB).

(Expressed in RMB '000)

XI. Commitments and contingencies

1. Significant commitments

	December 31 2020	December 31 2019
Investment in Fixed assets	571,367	588,243

2. Commitments and Contingent Liabilities

On December 10, 2018 the 9th meeting of the 8th session of the Board of Directors of the Company approved the extension of the engagement in annual liability insurance policies for directors, supervisors and senior officers of the Company ("D&O Liability Insurance) as originally approved by the 22nd meeting of the 7th session of Board of Directors and the 4th Interim Shareholders Meeting in 2017, and authorized 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. The current D&O Liability Insurance was renewed for an additional one-year term commencing November 15, 2020.

Environmental protection

The manufacturing processes of the Company and the products it produces and market, 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, there are no material environmental issues relating to the Company, there are no material administrative penalties or investigations related to environment, health and safety imposed or initiated by regulatory authorities, and none of the material permits and licenses regarding environmental issues required for the Company's day to day operations have been revoked.

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. As part of the relocation process, the Company and its subsidiary, Anpon, began to execute a reduction plan to reduce the number of employees. The fourth quarter of 2019 includes expenses of RMB 243 million recorded in the Company and its subsidiary Anpon.

Claims against subsidiaries

In the ordinary course of business, legal claims are filed against subsidiaries, including claims for patent infringement. The Company, inter alia like other companies operating in the crop protection market, is exposed to class actions for large amounts, which it must defend against while incurring considerable costs, even if these claims have no basis. In the opinion of the Company's management, which is based, inter alia, on opinions of its legal advisors regarding the prospects of the proceedings, the financial statements include adequate provisions where necessary to cover the exposure resulting from the claims.

On October 20, 2020, a claim and a motion for its approval as a class action (the "Motion") was filed against Monsanto Company and Bayer AG (the "Manufacturers") as well as against ADAMA Agan Ltd., a wholly-owned subsidiary of the Company, with respect to an herbicide bearing the brand name Roundup, which is produced by the Manufacturers and distributed in Israel in small quantities by the subsidiary. The applicants argue that the product allegedly poses a risk to users or those who have been exposed to it. The Company and the subsidiary reject the allegations against the subsidiary in the Motion and in the statement of claim. As the Company is an authorized distributor of the Manufactures, which undertook to fully indemnify, defend and hold harmless ADAMA Agan Ltd., for any monetary compensation or any other remedy it will have to make in connection with the Motion, the Motion and claim are not expected to have any non-negligible effect on the Company's financial results.

XI. Commitments and contingencies - (cont'd)

2. Commitments and Contingent Liabilities - (cont'd)

Claims against subsidiaries (cont'd)

Various immaterial claims have been filed against Group companies in courts throughout the world, in immaterial amounts, for causes of action involving mainly employee-employer relations and various civil claims, for which the Company did not record a provision in the financial statements. Furthermore, claims were filed against the Company for product liability damages, for which the Company has adequate insurance coverage, such that the Company's exposure in respect thereof is limited to the deductible amount or the amount thereof does not exceed the deductible amount.

Performance Compensation Agreement

Within the context of the 2017 combination between the Company and Solutions, the Company entered into a Performance Compensation Agreement with CNAC, then the 100% owner of Solutions and the controlling shareholder of the Company, according to which, CNAC made a commitment regarding Solutions' aggregate net profit in the years 2017-2019 (the "Compensation Period"). In case of failure to meet such commitment, CNAC committed to compensate the Company either through shares or cash according to a predetermined formula.

The calculated net profit of Solutions for the Compensation Period was lower than committed. As a result, Syngenta Group (the current direct shareholder of the Company since June 15, 2020), executed such compensation commitment, which consists of two parts: (1) the buyback and cancellation of 102,432,280 A shares for a consideration of RMB 1, executed on July 13, 2020, and (2) the return of the cumulative dividend declared during the Compensation Period from the Compensation Shares amounting to RMB 17.6 million free of charge, executed on July 14, 2020.

As a result, the Company's total share and registered capital was reduced from 2,446,553,582 to 2,344,121,302, and CNAC's effective ownership in the Company was reduced from 78.9% to 78.0%.

Repurchase of the Company's B-shares

The 3rd Interim Shareholders Meeting held on September 7, 2020 approved a repurchase plan for part of the Company's domestically listed foreign shares (B share) (the "Repurchase Plan").

According to the Repurchase Plan, during the period beginning at September 16, 2020 (the date on which the Company commenced repurchasing of the B-shares) and ending on December 6, 2020 (the end date of the Repurchase Plan), the Company repurchased 14,309,536 B-Shares, which account for 0.61% of the Company's total share capital. The amount paid for the repurchased shares amounted to RMB 60,399,296 (HKD 69,747,209), including transaction fees.

Within three years following the disclosure of the announcement on the results of the B-shares repurchase, the B-Shares that have been repurchased will be cancelled and the registered capital will be reduced accordingly following approval of the shareholders.

XI. Commitments and contingencies - (cont'd)

COVID-19 pandemic

In 2020, the global agrochemical market saw resilient growth, with robust demand for crop protection products despite the ongoing COVID-19 pandemic, demonstrating the industry's importance in the global food production chain.

During the first half of 2020, the global agrochemical market, amongst many others, was impacted by the unprecedented COVID-19 pandemic, and as a result thereof, farmers' incomes have been negatively impacted in most regions by lower crop prices, reduced demand due to the relative shutdown of the food sector, and labor shortages owing to mobility restrictions, all leading to increased costs for farmers. However, crop prices improved significantly in the second half of the year as crop demand recovered, fueled by pandemic-related food security concerns, the recovery of oil prices (benefiting corn and sugar prices) and the recovery in textile demand (benefiting cotton prices).

One of the most widespread economic consequences of the pandemic is the significant volatility in global currency markets, with the rapid depreciation of many currencies against the US dollar in the first half of the year, most notably the Brazilian Real, Australian dollar, Turkish Lira and Indian Rupee, as well as volatility in the Euro. These trends, although stabilizing to some extent in the second half of the year, impacted the financial performance of the Company. It should be noted that developed market currencies have strengthened more than those in developing markets where the Company is experiencing its strongest growth. Furthermore, the relatively strong currencies of the Company's main production hubs in Israel have brought, and are expected to continue to bring, upward pressure on manufacturing costs in USD terms.

XIII. Share-based Payments

1. In February 2019, the remuneration committee and Solutions Board of Directors (as well as the General Meeting with respect to theformer 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 the grant date of February 21, 2019. During 2019, 1,206,081 additional 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 of the Company on the Shenzhen Stock Exchange, as it will be on the exercise date up, to the ceiling that was determined under the plan.

The fair value of the granted warrants as aforesaid was estimated using the binomial pricing model.

The cost of the benefit embodied in the warrants that were allocated as aforesaid, based on the fair value at the grant date, amounted to a total of 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 and the Company’s share price at the end of the reporting period.

Statement of share based payments in the period	**Phantom warrants**
Total number of Phantom warrants at the beginning of the period	67,226,416
Total number of Phantom warrants granted in current period	1,613,348
Total number of Phantom warrants exercised in current period	-
Total number of Phantom warrants forfeited in current period	(8,792,697)
Total number of Phantom warrants at the end of the period	60,047,067
The exercise prices and the remainder of the contractual period for Phantom warrants outstanding at the end of period	RMB 9.92 – 10.85 5 years

The parameters used in implementing the model at the grant date 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)	79,862
Expenses arising from cash-settled share-based payments in current period (in thousands RMB)	19,431

(Expressed in RMB '000)

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

2. In September 2019, the remuneration committee and Solutions 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 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 2019, an additional 90,130 Alternative 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:	
Total number of Phantom warrants at the beginning of the period	24,266,876
Total number of Phantom warrants granted in current period	-
Total number of Phantom warrants exercised in current period	-
Total number of Phantom warrants forfeited in current period	(3,527,734)
Total number of Phantom warrants at the end of the period	20,739,142

The range of the exercise prices and the remainder of the contractual period	RMB 9.42
for Phantom warrants outstanding at the end of period	5.75 years

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

The parameters used in implementing the model at the grant date 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 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)	27,126
Expenses (income) arising from cash-settled share-based payments in current period related to the alternative plan (in thousands RMB)	(443)

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

  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 payablesand 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	
	2020	2019	2020	2019	2020	2019	2020	2019
Operating income from external customers	25,757,783	24,905,674	2,687,050	2,657,565	-	-	28,444,833	27,563,239
Inter-segment operating income	-	-	1,519	1,428	(1,519)	(1,428)	-	-
Interest in the profit or loss of associates and joint ventures	10,841	8,423	4,743	11,438	-	-	15,584	19,861
Segment's results	1,599,829	1,670,516	149,950	(127,505)	-	-	1,749,779	1,543,011
Financial expenses, net							(1,847,189)	(1,665,885)
Gain (loss) from changes in fair value							540,698	825,512
Investment income							131,924	(251,066)
Profit before tax							575,212	451,572
Income tax expense							222,459	174,531
Net profit							352,753	277,041

	Crop Protection		Intermediates and ingredients		Unallocated assets and liabilities		Total	
	December 31		December 31		December 31		December 31	
	2020	2019	2020	2019	2020	2019	2020	2019
Total assets	36,454,726	35,506,894	2,135,310	2,392,909	8,210,998	7,389,137	46,801,034	45,288,940
Total liabilities	5,037,016	4,682,416	268,972	286,109	20,061,131	17,948,750	25,367,119	22,917,275

(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, right of used 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	
	2020	2019
Europe	7,155,152	7,078,409
North America	5,333,514	5,418,509
Latin America	7,460,282	7,085,817
Asia Pacific	4,533,778	4,351,929
Africa, Middle East and India	3,962,107	3,628,575
	28,444,833	27,563,239

	Specified non-current assets	
	December 31	December 31
	2020	2019
Europe	1,039,248	1,047,505
Latin America	2,122,291	2,298,654
North America	1,169,812	1,282,267
Asia Pacific	3,550,785	2,709,786
Africa, Middle East and India	10,489,849	11,512,105
	18,371,985	18,850,317

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	352,753	277,041

Shares	Amount for the current period	Amount for the prior period
Number of ordinary shares outstanding at the beginning of the year	2,446,553,582	2,446,553,582
Add: weighted average number of ordinary shares issued during the year	-	-
Less: weighted average number of ordinary shares repurchased during the year (1)	(45,076,938)	-
Weighted average number of ordinary shares outstanding at the end of the year	2,401,476,644	2,446,553,582

(1) Reduction of the shares during the year relates to the Performance Compensation Agreement and the repurchase of Company's B-shares. For further information see note XI.2 – Commitments and contingent liabilities.

	Amount for the current period	Amount for the prior period
Calculated based on net profit attributable to ordinary shareholders		
Basic earnings per share	0.15	0.11
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.15	0.11
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 2020	December 31 2019
Deposits in banks	1,022,758	1,395,994
Other cash and bank	12,054	27,057
	1,034,812	1,423,051

As at December 31, 2020, restricted cash and bank balances was 12,054 thousand RMB (as at December 31, 2019: 27,057 thousand RMB).

2. Accounts receivable

a. By category

	December 31, 2020				
	Book value		Provision for expected credit losses		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	13,879	3	13,879	100	-
Account receivables assessed collectively for impairment	387,132	97	15	-	387,117
	401,011	100	13,894	3	387,117

	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

b. Aging analysis

	December 31, 2020
Within 1 year (inclusive)	387,133
Over 1 year but within 2 years	1
Over 2 years but within 3 years	1
Over 3 years but within 4 years	1,699
Over 4 years but within 5 years	2,634
Over 5 years	9,543
	401,011

(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, 2020
Balance as of January 1	131,423
Addition during the year, net	10
Write back during the year	(4,094)
Write-off during the year	(113,445)
Exchange rate effect	-
Balance as of December 31	13,894

d. Five largest accounts receivable at December 31, 2020:

Name	Closing balance	Proportion of Accounts receivable (%)	Allowance of expected credit losses
Party 1 (1)	331,931	83	-
Party 2	24,891	6	7
Party 3	12,505	3	-
Party 4	6,705	2	2
Party 5	3,140	1	1
	379,172	95	10

(1) The amount include intergroup balances with Solutions and it’s subsidiaries.

3. Receivable financing

	December 31 2020	December 31 2019
Bank acceptance draft	25,060	11,722
	25,060	11,722

As at December 31, 2020, bank acceptance endorsed but not yet due amounts to 175,926 thousand RMB.

(Expressed in RMB '000)

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

4. Other Receivables

	December 31 2020	December 31 2019
Interest receivable	-	64
Other receivables	27,138	13,987
	27,138	14,051

(1) Other receivables

a. Other receivables by categories

	December 31 2020	December 31 2019
Other	32,819	19,655
Provision for expected credit losses	(5,681)	(5,668)
	27,138	13,987

b. Other receivables by aging

	December 31, 2020
Within 1 year (inclusive)	14,176
Over 1 year but within 2 years	-
Over 2 years but within 3 years	13,679
Over 3 years but within 4 years	-
Over 4 years but within 5 years	10
Over 5 years	4,954
	32,819

(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, 2020
Balance as of January 1, 2020	5,668
Addition during the period	333
Written back during the period	(320)
Write-off during the period	-
Balance as of December 31, 2020	5,681

d. Five largest other receivables at December 31 2020:

Name	Closing balance	Proportion of other receivables (%)	Credit loss provision
Party 1	13,322	41	-
Party 2	11,744	36	-
Party 3	3,125	9	3,125
Party 4	1,753	5	-
Party 5	548	2	548
	30,492	93	3,673

(Expressed in RMB '000)

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

5. Long-term equity investments

	December 31, 2020			December 31, 2019		
	Amount balance	Impairment loss	Book value	Amount balance	Impairment loss	Book value
Invest in subsidiaries.	16,663,212	-	16,663,212	16,390,275	18,864	16,371,411
	16,663,212	-	16,663,212	16,390,275	18,864	16,371,411

Investments in subsidiaries

Invested unit	Opening balance	Increase	Decrease	Closing balance	Current provision Impairment loss	Balance provision Impairment loss
ADAMA Agricultural Solutions Ltd.	15,890,213	-	-	15,890,213	-	-
Adama Anpon (Jiangsu) Ltd.	450,449	-	-	450,449	-	-
Jingzhou Hongxiang Chemical Co. Ltd.	18,756	-	18,756	-	-	-
Hubei Sanonda Foreign Trade Co. Ltd.	11,993	-	-	11,993	-	-
Shanghai Dibai Plant Protection Co., Ltd	-	310,557	-	310,557	-	-
	16,371,411	310,557	18,756	16,663,212	-	-

6. Operating Income and operating costs

	Year ended December 31, 2020		Year ended December 31, 2019	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	1,463,475	1,149,768	1,338,579	969,902
Other operations	52,984	27,782	67,130	54,763
	1,516,459	1,177,550	1,405,709	1,024,665

(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, 2020	Year ended December 31, 2019
Interest income	18,382	26,114
Government subsidies	5,923	4,414
Other	6,726	3,054
	31,031	33,582

(2) Other cash paid relevant to operating activities

	Year ended December 31, 2020	Year ended December 31, 2019
Professional services	114,444	86,915
Transportation and Commissions	46,601	51,660
Other	81,518	26,203
	242,563	164,778

(3) Cash paid for other investing activities

	Year ended December 31, 2020	Year ended December 31, 2019
Special borrowing	150,000	-

The amount include intergroup balances with Anpon.

(4) Other cash received relevant to financing activities

	Year ended December 31, 2020	Year ended December 31, 2019
Deposit for issuing bills payables	21,177	39,886

(5) Other cash paid relevant to financing activities:

	Year ended December 31, 2020	Year ended December 31, 2019
Repurchase of treasury shares	60,357	-
Deposit for issuing bills payables	6,174	14,003
Other	440	466
	66,971	14,469

(Expressed in RMB '000)

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

8. Supplementary information to cash flow statement

(1) Reconciliation of net profit to net cash flows generated from operating activities:

	Year ended December 31	
	2020	2019
Net profit	(4,725)	(487,973)
Add: Assets impairment loss	17,655	147,421
Credit impairment loss	(4,071)	2,018
Depreciation of fixed assets	144,061	198,193
Depreciation of-right-of use assets	449	430
Amortization of intangible assets	5,018	4,694
Loss (gain) on disposal of fixed assets, intangible assets and other long-term assets	(3,644)	572
Financial expenses	41,827	12,113
Investment loss (income)	16,173	(2,583)
Decrease (increase) in deferred income tax assets	25,407	(44,146)
Decrease (increase) in inventory	(49,395)	43,479
Increase in accounts receivable from operating activities	(146,241)	336,662
Increase in payables from operating activities	(138,298)	10,932
Net cash flows generated from operating activities	(95,784)	221,812

(2) Net increase in cash and cash equivalents

Closing balance of cash	1,022,758	1,395,994
Less: Opening balance of cash	1,395,994	2,005,313
Net increase in cash and cash equivalents	(373,236)	(609,319)

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 RMB)	Shareholding percentage	Percentage of voting rights
Syngenta Group	Shanghai, China	Production and sales of agrochemicals, fertilizers and GM seeds	11,144,545	72.88%	72.88%

The ultimate controlling shareholder is ChemChina.

(2) Information on the subsidiaries of the Company

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

(3) Transactions with related parties

a. Transactions of goods and services

	Related Party Relationship	Year ended December 31 2020	Year ended December 31 2019
Summary of Purchase of goods/services received:			
Purchase of goods/services received	Common control under ChemChina	8,536	12,210
	Subsidiary	92,475	125,800
Purchase of fixed assets and other assets	Common control under ChemChina	310,976	192,489
	Subsidiary	4,752	-
Summary of Sales of goods:			
Sale of goods	Associated enterprises under ChemChina	32,809	-
	Subsidiary	923,077	514,469
Sale of raw materials	Subsidiary	8,791	2,633

(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. 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	Y
	40,000	10/10/2019	09/10/2020	Y
	50,000	30/12/2019	25/12/2020	Y
	50,000	12/12/2019	09/12/2020	Y
	50,000	21/11/2019	18/11/2020	Y
	50,000	19/11/2019	18/11/2020	Y
	30,000	21/07/2020	21/01/2021	N
	18,000	19/08/2020	19/02/2021	N
	30,000	01/09/2020	17/08/2021	N
	50,000	20/07/2020	14/07/2021	N
	30,000	19/05/2020	18/05/2021	N
	20,000	22/12/2020	16/12/2021	N
	50,000	16/12/2020	15/12/2021	N
	50,000	14/12/2020	13/12/2021	N
	50,000	29/06/2020	27/06/2021	N
	20,438	30/10/2020	30/04/2021	N
	14,004	17/12/2020	17/06/2021	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)
Common control under ChemChina	300,000	20/11/2017	20/11/2022	Y

(Expressed in RMB '000)

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

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

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

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

Receivable Items

Items	Related Party Relationship	December 31 2020 Book Balance	December 31 2020 Expected credit losses	December 31 2019 Book Balance	December 31 2019 Expected credit losses
Trade receivables	Subsidiary	344,436	-	424,182	117,491
Other non-current assets	Subsidiary	212,771	-	-	-
Other receivables	Subsidiary	11,744	-	-	-

Payable Items

Items	Related Party Relationship	December 31 2020	December 31 2019
Trade payables	Common control under ChemChina	127,082	9,195
Other payables	Subsidiary	143,840	163,877
	Common control under ChemChina	108	97
Contract liability	Associated enterprises under ChemChina	340	-
Other non-current liabilities due within one year *	Common control under ChemChina	28,000	-
Other non-current liabilities*	Common control under ChemChina	143,770	171,770

* loans from related party, the interest expense for the 12 months ended December 31, 2020 was 2,096 thousand RMB (2,090 thoussand RMB in 2019).

d. Acquisition of a subsidiary

Related Party	Related Party Relationship	Year ended December 31 2020	Year ended December 31 2019
Parent	Acquisition of a subsidiary	-	415,000

e. Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was 170,210 thousand RMB (31.12.19: 163,630 thousand RMB). Interest income of bank deposit for the current period was 776 thousand RMB (amount for 12 months ended December, 2019 is 2,883 thousand RMB).

The closing balance of a loan received from ChemChina Finance corporation was 0 thousand RMB (31.12.19: 100,000 thousand RMB). Interest expense in the current period was 370 thousand RMB (amount for 12 months ended December 31, 2019 is 1,610 thousand RMB).

Supplementary information
(Expressed in RMB '000)

1. Extraordinary Gain and Loss

	Year ended December 31, 2020
Disposal of non-current assets	69,710
Government grants recognized through profit or loss	41,871
Recovery or reversal of expected credit losses which is assessed individually during the years	26,102
Other non-operating income or expenses other than the above	19,989
Other profit or loss that meets the definition of non-recurring profit or loss	(62,855)
Tax effect	(29,788)
	65,029

Note 1: Extraordinary gain and loss items listed above are presented in the amount before taxation

2. Return on net assets and earnings per share ("EPS")

The information of Return on net assets and EPS is in accordance with the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on net assets and Earnings per share (2010 Amendment) issued by China Securities Regulatory Commission.

Profit during the reporting period	Weighted average rate of return on net assets	Basic EPS (RMB/share)	Diluted EPS (RMB/share)
Net profit attributable to ordinary shareholders of the Company	1.61	0.15	N/A
Net profit after deduction of extraordinary gains/losses attributable to ordinary shareholders of the Company	1.32	0.12	N/A

Section XIII - 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

March 29, 2021