ADAMA Ltd.

ENGLISH TRANSLATION OF AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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AUDITOR'S REPORT

To the shareholders of ADAMA Ltd.:

I. Opinion

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

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

II. Basis for Opinion

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

III. Key Audit Matters

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

III. Key Audit Matters - continued

1. Revenue recognition

Description

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

Audit response

Our procedures in relation to revenue recognition mainly included:

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

III. Key Audit Matters - continued

2. Provision for impairment of inventories

Description

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

Audit response

Our procedures in relation to provision for impairment of inventories mainly included:
1、 Evaluating and assessing the design, implementation and operating effectiveness of internal controls relating to the provision for impairment of inventories;
2、 Evaluating the appropriateness and consistency of the methodology of the impairment test；
3、 Evaluating the inventory age and turnover conditions, and checking the management's identification of the damaged and slow moving inventories with the inventory monitoring procedures；
4、 Corroborating the key assumptions involved in management's determination of the net realisable value of inventories, including：

- Testing the actual sales prices of the relevant inventories subsequent to end of the reporting period on a sample basis;
- For work in progress, according to their work progress and the actual costs of the relevant finished goods, assessing the costs to be incurred, on a sample basis;
- Assessing the reasonableness of the estimated sales expenses and the related taxes and fees on a sample basis based on the historical data of the Group.

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

IV. Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu CPA LLP

Shanghai China

Chinese Certified Public Accountant

Hu Ke(Engagement Partner)

Chinese Certified Public Accountant

Ma Renjie

27 April 2020

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

ADAMA Ltd.
(Expressed in RMB '000)

Consolidated Balance Sheet

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

ADAMA Ltd.
(Expressed in RMB '000)

Consolidated Balance Sheet (continued)

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

Ignacio Dominguez~~Chen Lichtenstein~~
Legal representative

Aviram Lahav
Chief of accounting work & Chief of accounting organ

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

The notes on pages 18 to 130 form part of these financial statements.

ADAMA Ltd.
(Expressed in RMB '000)

Balance Sheet

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

Consolidated Income Statement

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

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

Income Statement

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

Consolidated Cash Flow Statement

	Notes	Year ended Decemer 31 2019	2018 (Restated)
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		24,860,829	24,538,058
Refund of taxes and surcharges		88,042	41,766
Cash received relating to other operating activities	V.56(1)	664,837	736,834
Sub-total of cash inflows from operating activities		25,613,708	25,316,658
Cash paid for goods and services		17,877,786	16,266,684
Cash paid to and on behalf of employees		3,408,818	3,272,940
Payments of taxes and surcharges		683,477	656,195
Cash paid relating to other operating activities	V.56(2)	2,800,140	2,821,686
Sub-total of cash outflows from operating activities		24,770,221	23,017,505
Net cash flows from operating activities	V.57(1)a	843,487	2,299,153
II. Cash flows from investing activities:			
Cash received from disposal of investments		63,685	11,500
Cash received from returns of investments		8,424	8,354
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		186,607	2,452,866
Cash received relating to other investing activities	V.56(3)	5,208	410
Sub-total of cash inflows from investing activities		263,924	2,473,130
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,760,000	3,378,010
Cash paid for acquisition of investments		60,500	6,566
Net cash paid to acquire subsidiaries or other business units	V.57(2)	1,121,947	13,344
Cash paid relating to other investing activities		-	14
Sub-total of cash outflows from investing activities		2,942,447	3,397,934
Net cash flows used in investing activities		(2,678,523)	(924,804)
III. Cash flows from financing activities:			
Cash received from borrowings		3,032,134	912,246
Cash received from other financing activities	V.56(4)	179,911	-
Sub-total of cash inflows from financing activities		3,212,045	912,246
Cash repayments of borrowings		1,486,586	3,280,749
Cash payment for dividends, profit distributions and interest		1,000,773	749,154
Including: Dividends paid to non-controlling interest		43,043	28,703
Cash paid relating to other financing activities	V.56(5)	936,712	58,003
Sub-total of cash outflows from financing activities		3,424,071	4,087,906
Net cash from financing activities		(212,026)	(3,175,660)
IV. Effects of foreign exchange rate changes on cash and cash equivalents		20,773	168,005
V. Net decrease in cash and cash equivalents	V.57(1)b	(2,026,289)	(1,633,306)
Add: Cash and cash equivalents at the beginning of the year		6,346,196	7,979,502
VI. Cash and cash equivalents at the end of the period	V.57(3)	4,319,907	6,346,196

Cash Flow Statement

	Notes	Year ended Decemer 31 2019	2018
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		1,634,256	2,625,527
Refund of taxes and surcharges		54,483	12,981
Cash received relating to other operating activities	XV.7(1)	33,582	31,675
Sub-total of cash inflows from operating activities		1,722,321	2,670,183
Cash paid for goods and services		1,043,318	1,145,495
Cash paid to and on behalf of employees		213,846	184,110
Payments of taxes and surcharges		78,567	94,110
Cash paid relating to other operating activities	XV.7(2)	164,778	172,885
Sub-total of cash outflows from operating activities		1,500,509	1,596,600
Net cash flows from operating activities	XV.8	221,812	1,073,583
II. Cash flows from investing activities:			
Cash received from returns of investments		4,391	-
Sub-total of cash inflows from investing activities		4,391	-
Cash paid to acquire fixed assets, intangible assets and other long-term assets		400,366	133,531
Cash paid for acquisition of investments		415,000	-
Sub-total of cash outflows from investing activities		815,366	133,531
Net cash flows used in investing activities		(810,975)	(133,531)
III.Cash flows from financing activities:			
Cash received from borrowings		292,000	20,000
Cash received relating to other financing activities	XV.7.(3)	39,886	-
Sub-total of cash inflows from financing activities		331,886	20,000
Cash repayments of borrowings		92,000	196,590
Cash payment for dividends, profit distributions or interest		243,733	162,613
Cash paid relating to other financing activities	XV.7.(4)	14,469	449,975
Sub-total of cash outflows from financing activities		350,202	809,178
Net cash flow used in financing activities		(18,316)	(789,178)
IV. Effects of foreign exchange rate changes on cash and cash equivalents		(1,840)	(9,564)
V. Net increase in cash and cash equivalents		(609,319)	141,310
Add: Cash and cash equivalents at the beginning of the year	XV.1	2,005,313	1,864,003
VI. Cash and cash equivalents at the end of the period	XV.1	1,395,994	2,005,313

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2019

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

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

Consolidated Statement of Changes in Shareholders' Equity (continued)

For the year ended December 31, 2018

	Attributable to shareholders of the Company						
	Share capital	**Capital reserve**	**Other comprehensive income**	**Special reserves**	**Surplus reserve**	**Retained earnings**	**Total**
I. Balance at December 31, 2017	2,446,554	12,982,277	(154,701)	9,349	207,823	3,286,711	18,778,013
Add: Changes in accounting policy	-	-	50,621	-	-	39,481	90,102
Business combination under common control*	-	349,035	32	-	-	55,045	404,112
II. Balance at January 1, 2018	2,446,554	13,331,312	(104,048)	9,349	207,823	3,381,237	19,272,227
III. Changes in equity for the period	-	(6,821)	1,194,875	4,187	32,339	2,248,055	3,472,635
1. Total comprehensive income	-	-	1,194,875	-	-	2,447,876	3,642,751
2. Owner's contributions and reduction	-	(6,821)	-	-	-	-	(6,821)
2.1 Others	-	(6,821)	-	-	-	-	(6,821)
3. Appropriation of profits	-	-	-	-	32,339	(199,821)	(167,482)
3.1 Transfer to surplus reserve	-	-	-	-	32,339	(32,339)	-
3.2 Distribution to owners	-	-	-	-	-	(154,133)	(154,133)
3.3 Distribution to non-controlling interest	-	-	-	-	-	(28,715)	(28,715)
3.4 Other	-	-	-	-	-	15,366	15,366
4. Special reserve	-	-	-	4,187	-	-	4,187
4.1 Transfer to special reserve	-	-	-	22,200	-	-	22,200
4.2 Amount utilized	-	-	-	(18,013)	-	-	(18,013)
IV. Balance at December 31, 2018	2,446,554	13,324,491	1,090,827	13,536	240,162	5,629,292	22,744,862

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

Statement of Changes in Shareholders' Equity

For the year ended December 31, 2019

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

For the year ended December 31, 2018

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

I BASIC CORPORATE INFORMATION

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

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

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

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

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

The Company’s consolidated financial statements had been approved by the Board of Directors of the Company on April 27, 2020.

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

II BASIS OF PREPARATION

1. Basis of preparation

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

II BASIS OF PREPARATION - (cont'd)

2. Accrual basis and measurement principle

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

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

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

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

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

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

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

3. Going concern

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

The Group has performed an assessment of the going concern for the following 12 months from December 31, 2019 and have not identified any significant doubtful matter or event on the going concern, as such the financial statement have been prepared on the going concern basis.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance

These financial statements are in compliance with the Accounting Standards for Business Enterprises to truly and completely reflect consolidated and the Company's financial position as at December 31, 2019 and consolidated and the Company's operating results, changes in shareholders' equity and cash flows for the six months then ended.

2. Accounting period

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

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

3. Business cycle

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

4. Reporting currency

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

5. Business combinations

5.1 Business combinations involving enterprises under common control

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

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

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

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

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

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

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

5. Business combinations - (cont'd)

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

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

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

6. Basis for preparation of consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

7. Classification and accounting methods of joint arrangement

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

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

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

8. Cash and cash equivalents

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

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

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

9.1 Transactions denominated in foreign currencies

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

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

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

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

9.2 Translation of financial statements denominated in foreign currency

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

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

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

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

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

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

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

10. Financial instruments

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

10.1 Classification and measurement of financial assets

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

10.1.1 Financial assets at amortised cost

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

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

10.1.1.1 Effective interest method and amortised cost

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

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

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

10. Financial instruments - (cont'd)

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

10.1.2 Financial assets at FVTOCI

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

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

10.1.3 Financial assets at FVTPL

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

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

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

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

10.1.4 Designated financial assets at FVTOCI

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

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

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

10. Financial instruments - (cont'd)

10.2 Impairment of financial assets

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

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

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

10.2.1 Significant increases in credit risk

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

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

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

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

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

10. Financial instruments - (cont'd)

10.2 Impairment of financial assets - (cont'd)

10.2.2 Credit-impaired financial asset

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

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

10.2.3 Recognition of expected credit losses

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

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

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

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

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

10.2.4 Written-off of financial assets

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

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

10. Financial instruments - (cont'd)

10.3 Transfer of financial asset

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

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

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

10.4 Classification and measurement of financial liabilities

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

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

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

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

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

10. Financial instruments - (cont'd)

10.5 Derecognition of financial liabilities

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

10.6 Derivatives

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

10.7 Offsetting financial assets and financial liabilities

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

10.8 Equity instruments

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

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

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

11. Receivables

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

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

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

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

12. Inventories

12.1 Categories of inventories and initial measurement

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

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

12.2 Valuation method of inventories upon delivery

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

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

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

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

12.4 The perpetual inventory system is maintained for stock system.

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

13. Long-term equity investments

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

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

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

13.1 Determination of investment cost

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

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

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

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

13.2 Subsequent measurement and recognition of profit or loss

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

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

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

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

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

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

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

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

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

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

13.5 The disposal of long-term equity investment

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

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

14. Investment properties

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

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

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

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

15. Fixed assets

15.1 Recognition criteria for fixed assets

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

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

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

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).

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

17. Borrowing costs

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

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

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

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

18. Intangible assets

18.1 Valuation methods, useful life, impairment test

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

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

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

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

Item	Amortization period (years)
Land use rights	49-50 years
Product registration	8 years
Intangible assets on purchase of products	7-11, 20 years
Marketing rights, tradename and trademarks	4-10, 30 years
Software	3-5 years
Customer relations	5-10 years

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

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

18. Intangible assets - (cont'd)

18.2 Research and development expenditure

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

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

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

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

19. Goodwill

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

Goodwill is not amortized and is stated in the balance sheet at cost less accumulated impairment losses (see Note III 20 – Impairment of long-term assets). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

20. Impairment of long-term assets

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

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

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

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

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

21. Employee benefits

21.1 Short-term employee benefits

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

21.2 Post-employment benefits

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

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

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

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

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

21. Employee benefits - (cont'd)

21.3 Termination benefits

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

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

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

21.4 Other long-term employee benefits

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

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

22. Share-based payment

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

22.1 Cash-settled share-based payment

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

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

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

23. Provisions

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

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

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

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

24. Revenue

Revenue of the Group is mainly from sale of goods.

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

Significant financing component

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

Sale with a right of return

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

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

25. Government grants

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

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

Government grants are either related to assets or income.

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

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

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

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

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

26. Current and deferred tax

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

26.1 Current income tax

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

26.2 Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

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

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

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

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

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

26.3 Offset of income tax

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

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

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

27. Leases

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

27.1 Determining whether an arrangement contains a lease

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

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

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

27.2 Initial recognition of leased assets and lease liabilities

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

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

27.3 The lease term

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

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

27.4 Variable lease payments

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

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

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

27. Leases (cont'd)

27.5 Subsequent measurement

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

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

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

28. Other significant accounting policies and accounting estimates

28.1 Hedging

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

Hedge accounting

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

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

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

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

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

Measurement of derivative financial instruments

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

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

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

28.1 Hedging (cont'd)

Cash-flow hedges

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

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

Economic hedge

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

Derivatives that are not used for hedging

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

28.2 Securitization of assets

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

28.3 Segment reporting

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

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

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

28.3 Segment reporting - (cont'd)

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

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

28.4 Profit distributions to shareholders

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

29. Changes in significant accounting policies and accounting estimates

29.1 Changes in significant accounting policies

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

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

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

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

The contents and reasons for the changes of accounting policies	Process for management approval
For operating leases before the initial application date, the Group adopts the simplifying approaches below for each lease: - When determining lease liabilities, the same discount rate will be used for leases with similar characteristics; - For leases with options to extend or terminate, the Group determines the lease term based on the actual exercise of options before the initial application date and other most updated information; - As a substitute of impairment test for right-of-use assets, the Group applies ASBE13 Contingencies, to assess if the contract containing a lease is a loss contract and adjust the right of-use assets based on the loss incurred at the initial application date. - For lease modifications before the initial application date, the Group makes accounting treatments based on the final lease arrangements after the lease modification. On January 1, 2019, as a result of the implementation of the standard, the lease liabilities increased by 506,863 thousands RMB, and right-of-use assets by 506,863 thousands RMB. For operating leases before the initial application date, the Group measures the lease liability at the present value of the lease payments, with the incremental borrowing rate as the discount rate. The borrowing rates are between 1.9% to 6.1%.	
In preparation of 2019 interim financial report, the Group began to adopt the Notice on Revising the Format of 2019 Financial Statements for General Enterprises (CaiKuai [2019] No.6, hereinafter "CaiKuai No.6") promulgated by Ministry of Finance on April 30, 2019. CaiKuai No.6 revised accounts in balance sheets, income statements, statements of cash flows and statements of changes in shareholders' equity, including: - "Notes and accounts receivable" is split into "Notes receivable" and "Accounts receivable"; - "Notes and accounts payable" is split into "Notes payable" and "Accounts payable"; - Newly added "Receivables financing" and "Special reserve"; - Make clear or revise the contents presented within the accounts of "Other receivables", "Non-current assets due within one year", "Other payables", "Deferred income", "Other equity instruments", "Research and Development expenses", "Interest income" and "Interest expenses" as subitems of "Finance expenses", "Other income", "Non-operating income", "Non-operating expenses", and "Capital injected by holders of other equity instruments". - Added disclosure requirements for provision of loss allowance, for loan commitments and financial guarantee contracts; - Added "Gain from derecognition of financial assets at amortized cost" as a subitem of "Investment income"; - Adjusted the sequence of some items within the income statements; - Make clear of the items in the cash flow statements, for the cash flows related to government grants. The above modifications were retrospectively adjusted for comparative numbers. There is no significant impact to the Company's financial statements from implementation Caikuai No.6.	The accounting policy change was approved by the board of directors meeting in 21.8.2019

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

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

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

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

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

29.2 Changes in significant accounting estimates

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

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

30. Significant accounting estimates and judgments

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

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

30.1 Expected credit loss of trade receivables

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

30.2 Provision for impairment of inventories

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

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

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

30.3 Impairment of assets other than inventories and financial assets

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

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

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

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

30.5 Income taxes and deferred income tax

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

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

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

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

30.6 Contingent liabilities

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

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

30.7 Employee benefits

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

30.8 Derivative financial instruments

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

IV. Taxation

1. Main types of taxes and corresponding tax rates:

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

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

Name of subsidiary	Location	2019
ADAMA agriculture solutions Ltd.	Israel	23.0%
ADAMA Makhteshim Ltd.	Israel	7.5%
ADAMA Agan Ltd.	Israel	16.0%
ADAMA Brasil S/A	Brazil	34.0%
Makhteshim Agan of North America Inc.	U.S.	24.7%
ADAMA India Private Ltd	India	25.2%
ADAMA Deutschland GmbH	Germany	32.5%
Control Solutions Inc.	U.S.	24.0%
Adama Australia Pty Ltd	Australia	30.0%
ADAMA France S.A.S	France	31.0%
ADAMA Northern Europe B.V.	Netherlands	25.0%
ADAMA Italia S.R.L.	Italy	27.9%
Alligare Inc.	U.S.	26.5%

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

IV. Taxation - (cont'd)

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

(1) Benefits from Hi-Tech Certificate

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

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

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

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

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

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

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

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

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

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

IV. Taxation - (cont'd)

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

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

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

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

(3) Benefits under the Law for the Encouragement of Industry (Taxes), 1969

Under the Israeli Law for the Encouragement of Industry (Taxes) 1969, Solutions is an Industrial Holding Company and some of the subsidiaries in Israel are "Industrial Companies". The main benefit under this law is the filing of consolidated income tax returns (Solutions files a consolidated income tax return with Adama Makhteshim and submission of a consolidated report together with Adama Agan as of 2017) and amortization of know-how over 8 years, higher rates of depreciation.

V. Notes to the consolidated financial statements

1. Cash at Bank and On Hand

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

As at December 31, 2019, restricted cash and bank balances was 28,681 thousand RMB (as at December 31, 2018 – 53,994 thousand RMB) mainly including deposits that guarantee bank acceptance drafts.

2. Financial assets held for trading

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

3. Derivative financial assets

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

4. Bills Receivable

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

All bills receivables are due within 1 year.

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

5. Accounts Receivable

a. By category

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

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

b. Aging analysis

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

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

5. Accounts Receivable – (cont'd)

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

Geographical location A:

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

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

Geographical location B:

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

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

Other geographical locations:

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

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

5. Accounts Receivable – (cont'd)

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

Addition of provision for expected credit loss during the period

	Lifetime expected credit loss (credit losses has not occurred)	Lifetime expected credit loss (credit losses has occurred)	Total
January 1, 2019	52,575	380,673	433,248
First time consolidation	-	26,446	26,446
Addition during the period, net	-	68,303	68,303
Write back during the period	(5,384)	(23,596)	(28,980)
Write-off during the period	-	(95,495)	(95,495)
Exchange rate effect	717	(5,787)	(5,070)
Balance as of December 31, 2019	47,908	350,544	398,452

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

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

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

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

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

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

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

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

5. Accounts Receivable – (cont'd)

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

The maximum scope of the securitization is adjusted for the seasonal changes in the scope of the Company's activities, as follows: during the months March through June the maximum scope of the securitization is $350 million (as of December 31, 2019 - 2,442 million RMB), during the months July through September the maximum scope of the securitization is $300 million (as of December 31, 2019 - 2,093 million RMB) and during the months October through February the maximum scope of the securitization is $250 million (as of December 31, 2019 - 1,744 million RMB). The proceeds received from those customers whose debts were sold are used for acquisition of new trade receivables.

The price at which the trade receivables debts are sold is the amount of the debt sold less a discount calculated based on, among other things, the expected length of the period between the date of sale of the trade receivable and its anticipated repayment date. In the month following acquisition of the debt, the Acquiring Company pays in cash most of the debt while the remainder is recorded as a subordinated note that is paid after collection of the debt sold. If the customer does not pay its debt on the anticipated repayment date, the Company bears interest up to the earlier of the date on which the debt is actually repaid or the date on which debt collection is transferred to the insurance company (the actual costs are not significant and are not expected to be significant).

The Acquiring Company bears 95% of the credit risk in respect of the customers whose debts were sold and will not have a right of recourse to the Company in respect of the amounts paid in cash, except regarding debts with respect to which a commercial dispute arises between the companies and their customers, that is, a dispute the source of which is a claim of non-fulfillment of an obligation of the seller in the supply agreement covering the product, such as: a failure to supply the correct product, a defect in the product, delinquency in the supply date, and the like.

The Acquiring Company appointed a policy manager who will manage for it the credit risk involved with the trade receivables sold, including an undertaking with an insurance company.

Pursuant to the Receivables Servicing Agreement, the Group subsidiaries handle collection of the trade receivables as part of the Securitization Transaction for the benefit of the Acquiring Company.

As part of the agreement, Solutions is committed to comply with certain financial covenants, mainly the ratio of the liabilities to equity and profit ratios. As of December 31, 2019, Solutions was in compliance with the financial covenants.

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

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

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

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

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

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

5. Accounts Receivable – (cont'd)

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

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

In the third quarter of 2019, a subsidiary in Brazil (hereinafter - "the subsidiary") renewed a 3 years securitization agreement with Rabobank Brazil for sale of trade receivables. Under the agreement, the subsidiary will sell its trade receivables to a securitization structure (hereinafter - "the entity") that was formed for this purpose where the subsidiary has subordinate rights of 5% of the entity's capital.

The maximum securitization scope amounts to BRL 300 million (as of December 31, 2019 - 520 million RMB).

On the date of the sale of the trade receivables, the entity pays the full amount which is the debt amount sold net of discount calculated, among others, over the expected length of the period between the date of sale of the customer receivable and its anticipated repayment date.

The entity bears 95% of the credit risk in respect of the customers whose debts were sold such that the entity has the right of recourse of 5% of the unpaid amount. The subsidiary should make a pledged deposit equal to the amount the entity's right of recourse.

The subsidiary handles the collection of receivables included in the securitization for the entity.

The subsidiary does not control the entity and therefore the entity is not consolidated in the group's financial statements.

The subsidiary continues to recognize the trade receivables sold to the entity based on the extent of its continuing involvement therein (5% right of recourse) and also recognizes an associated liability in the same amount.

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

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

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

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

6. Receivables financing

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

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

7. Prepayments

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

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

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

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

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

8. Other Receivables

(1) Other receivables by nature

	December 31 2019	December 31 2018 (Restated)
Dividends receivable	-	5,245
Others	1,195,253	1,074,087
	1,195,253	1,079,332

a. Other receivables by categories

	December 31 2019	December 31 2018 (Restated)
Trade receivables as part of securitization transactions not yet eliminated	134,243	129,893
Subordinated note in respect of trade receivables	808,807	622,362
Financial institutions	5,107	98,837
Receivables in respect of disposal of fixed assets	28,762	28,551
Other	233,238	214,512
Sub total	1,210,157	1,094,155
Provision for expected credit losses - other receivables	(14,904)	(14,823)
	1,195,253	1,079,332

b. Other receivables by aging

	December 31 2019
Within 1 year (inclusive)	1,178,555
Over 1 year but within 2 years	3,457
Over 2 years but within 3 years	3,103
Over 3 years but within 4 years	2,830
Over 4 years but within 5 years	15,640
Over 5 years	6,572
	1,210,157

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

8. Other Receivables - (cont'd)

(2) Additions, recovery or reversal and written-off of provision for expected credit losses during the period:

	Year ended December 31, 2019
Balance as of January 1 2019,	14,823
Addition during the period	532
Written back during the period	(450)
Write-off during the period	(1)
Balance as of December 31, 2019	14,904

(3) Five largest other receivables at December 31, 2019:

Name	Closing balance	Proportion of other receivables (%)	Allowance of expected credit losses
Party 1	808,807	67	-
Party 2	38,209	3	-
Party 3	25,289	2	-
Party 4	22,987	2	-
Party 5	15,437	1	-
Total	910,729	75	-

9. Inventories

(1) Inventories by category:

	December 31, 2019		
	Book value	Provision for impairment	Carrying amount
Raw materials	3,100,027	22,344	3,077,683
Work in progress	633,731	5,351	628,380
Finished goods	6,131,386	184,900	5,946,486
Others	288,794	8,689	280,105
	10,153,938	221,284	9,932,654

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

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

9. Inventories - (cont'd)

(2) Provision for impairment of inventories:

For the year ended December 31, 2019

	January 1, 2019	Provision	Reversal or write-off	Other*	December 31, 2019
Raw material	20,232	10,137	(6,690)	(1,335)	22,344
Work in progress	1,576	1,514	(331)	2,592	5,351
Finished goods	158,053	84,610	(69,601)	11,838	184,900
Others	10,514	1,373	(2,713)	(485)	8,689
	190,375	97,634	(79,335)	12,610	221,284

* Includes amount of 10,377 RMB related to first time consolidation.

10. Other Current Assets

	December 31 2019	December 31 2018 (Restated)
Deductible VAT	459,209	476,706
Current tax assets	170,505	142,412
Others	29,481	41,688
	659,195	660,806

11. Long-Term Receivables

	December 31 2019	December 31 2018 (Restated)
Long term account receivables from sale of goods	170,896	157,600
	170,896	157,600

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

12. Long-Term Equity Investments

(1) Long-term equity investments by category:

	December 31 2019	December 31 2018 (Restated)
Investments in joint ventures	92,695	68,584
Investments in associates	40,403	39,766
	133,098	108,350

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

	January 1 2019	Investment income (loss)	Other Comprehensive income	Declared distribution of cash dividend	Other	Balance at the end of the period
Joint ventures						
Company A	62,696	8,423	(355)	-	5,160	75,924
Company B	4,598	756	87	-	-	5,441
Company C	1,290	-	(244)	-	-	1,046
Company D	-	10,698	(185)	(661)	432	10,284
Sub-total	68,584	19,877	(697)	(661)	5,592	92,695
Associates						
Company E	39,766	(16)	653	-	-	40,403
Sub-total	39,766	(16)	653	-	-	40,403
	108,350	19,861	(44)	(661)	5,592	133,098

13. Other equity investments

	December 31 2019	December 31 2018 (Restated)
Company A	85,495	79,554
Company B	67,781	-
Company C	1,786	1,709
Company D	-	564
Company E	-	9,574
Other	-	158
	155,062	91,559

Other equity investments are non-core businesses that are intended to be held in the foreseeable future. For the twelve months period ended at December 31, 2019 the company did not recognize dividend income from other equity investments.

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

14. Fixed assets

	Land & Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
Cost					
Balance as at January 1, 2019	3,233,536	13,687,403	101,078	321,424	17,343,441
Changes in accounting policy *	(9,855)	(1,221)	-	-	(11,076)
Purchases	40,243	195,315	26,628	44,207	306,393
Transfer from construction in progress	75,246	342,457	-	1,503	419,206
Disposals	(79,418)	(24,242)	(10,589)	(10,138)	(124,387)
Currency translation adjustment	29,575	144,799	1,355	4,863	180,592
First time consolidation	88,206	39,231	1,428	3,939	132,804
Balance as at December 31, 2019	3,377,533	14,383,742	119,900	365,798	18,246,973
Accumulated depreciation					
Balance as at January 1, 2019	(1,478,842)	(7,959,325)	(51,531)	(242,697)	(9,732,395)
Changes in accounting policy *	3,198	961	-	-	4,159
Charge for the period	(151,340)	(635,661)	(16,952)	(36,111)	(840,064)
Disposals	16,589	28,048	9,100	10,000	63,737
Currency translation adjustment	(16,231)	(94,799)	(301)	(3,822)	(115,153)
First time consolidation	(40,582)	(29,300)	(995)	(3,480)	(74,357)
Balance as at December 31, 2019	(1,667,208)	(8,690,076)	(60,679)	(276,110)	(10,694,073)
Provision for impairment					
Balance as at January 1, 2019	(68,702)	(278,223)	(8)	(247)	(347,180)
Charge for the period **	(147,704)	(137,266)	(725)	-	(285,695)
Disposals	20,307	753	-	-	21,060
Currency translation adjustment	(196)	(1,275)	-	(4)	(1,475)
Balance as at December 31, 2019	(196,295)	(416,011)	(733)	(251)	(613,290)
Carrying amounts					
As at December 31, 2019	1,514,030	5,277,655	58,488	89,437	6,939,610
As at January 1, 2019	1,685,992	5,449,855	49,539	78,480	7,263,866

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

* See note III.29.1 – Change in significant accounting policies.

** For further information regarding the impairment during the period see note XI.2 – Commitments and contingent liabilities.

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

15. Construction in Progress

(1) Construction in progress

December 31 2019			December 31 2018 (Restated)		
Book value	Provision for impairment*	Carrying amount	Book value	Provision for impairment	Carrying amount
814,126	(25,740)	788,386	493,181	(5,977)	487,204

(2) Details and Movements of major construction projects in progress during the year ended December 31, 2019

	Budget	January 1, 2019	Additions	Currency translation differences	Transfer to fixed assets	Provision for impairment	December 31, 2019	Actual cost to budget (%)	Project progress (%)	Source of funds
Project A	1,509,420	120,412	256,584	-	-	-	376,996	25	25	Bank loan
Project B	505,643	1,220	11,844	-	-	-	13,064	3	3	Internal finance
Project C	172,055	58,177	15,559	-	(29,563)	(25,740)	18,433	43	43	Internal finance
Project D	80,924	42,476	1,876	721	-	-	45,073	56	56	Internal finance
Project E	32,000	16,593	15,319	-	-	-	31,912	100	100	Bank loan
Project F	44,760	13,818	6,181	-	-	-	19,999	45	45	Bank loan
Project G	138,000	-	8,256	-	-	-	8,256	6	6	Internal finance
Project H	34,374	31,358	1,085	171	(32,614)	-	-	94	100	Internal finance
Project I	75,622	2,457	43,910	764	(47,131)	-	-	62	62	Internal finance

* For further information regarding the impairment during the period see note XI.2 – Commitments and contingent liabilities.

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

16. Right-of-use assets

	Land & Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
Cost					
Balance as at January 1, 2019 *	353,708	43,058	118,378	2,795	517,939
Additions	103,893	3,526	74,371	518	182,308
Disposals	(6,002)	(618)	(16,759)	(176)	(23,555)
Currency translation adjustment	5,384	748	2,412	50	8,594
Balance as at December 31, 2019	456,983	46,714	178,402	3,187	685,286
Accumulated depreciation					
Balance as at January 1, 2019 *	(3,198)	(961)	-	-	(4,159)
Charge for the period	(77,181)	(7,117)	(74,952)	(1,139)	(160,389)
Disposals	4,012	351	12,446	155	16,964
Currency translation adjustment	(829)	(93)	(732)	(14)	(1,668)
Balance as at December 31, 2019	(77,196)	(7,820)	(63,238)	(998)	(149,252)
Provision for impairment					
Balance as at January 1, 2019	-	-	-	-	-
Balance as at December 31, 2019	-	-	-	-	-
Carrying amounts					
As at December 31, 2019	379,787	38,894	115,164	2,189	536,034
As at January 1, 2019	350,510	42,097	118,378	2,795	513,780

* See note III.29.1 – Change in significant accounting policies.

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

17. Intangible Assets

	Product registration	Intangible assets on Purchase of Products	Software	Marketing rights, tradename and trademarks	Customers relations	Land use rights [1]	Others[2]	Total
Costs								
Balance as at January 1, 2019	9,721,455	4,121,559	648,478	460,640	192,177	346,967	307,692	15,798,968
Purchases	589,690	-	99,345	1,014	-	441	13,607	704,097
Currency translation adjustment	177,548	67,858	11,199	11,908	6,624	643	4,816	280,596
Disposal	(172)	-	(2,034)	(297)	-	(3,134)	-	(5,637)
First time consolidation	280,625	-	4,248	270,469	200,392	-	-	755,734
Balance as at December 31, 2019	10,769,146	4,189,417	761,236	743,734	399,193	344,917	326,115	17,533,758
Accumulated amortization								
Balance as at January 1, 2019	(6,864,532)	(1,863,482)	(439,696)	(406,082)	(159,323)	(58,211)	(125,596)	(9,916,922)
Charge for the period	(784,036)	(379,821)	(63,442)	(28,559)	(33,956)	(7,820)	(37,077)	(1,334,711)
Currency translation adjustment	(122,221)	(35,068)	(7,670)	(7,013)	(3,179)	(295)	(2,171)	(177,617)
Disposal	-	-	2,028	241	-	1,055	-	3,324
First time consolidation	(102,397)	-	(4,248)	(174)	-	-	-	(106,819)
Balance as at December 31, 2019	(7,873,186)	(2,278,371)	(513,028)	(441,587)	(196,458)	(65,271)	(164,844)	(11,532,745)
Provision for impairment								
Balance as at January 1, 2019	(84,026)	(51,337)	-	-	-	-	(4,721)	(140,084)
Charge for the period	(22,407)	-	-	-	-	-	(445)	(22,852)
Currency translation adjustment	(1,642)	(845)	-	-	-	-	195	(2,292)
Disposal	-	-	-	-	-	-	-	-
Balance as at December 31, 2019	(108,075)	(52,182)	-	-	-	-	(4,971)	(165,228)
Carrying amount								
As at December 31, 2019	2,787,885	1,858,864	248,208	302,147	202,735	279,646	156,300	5,835,785
As at January 1, 2019	2,772,897	2,206,740	208,782	54,558	32,854	288,756	177,375	5,741,962

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

(2) Mainly non-compete.

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

18. Goodwill

Changes in goodwill

The Group identified two cash generating units ("CGU"), Crop Protection (Agro) and Intermediates and ingredients (formerly known as "Other") units. Operations are allocated into either one of the two cash generating units according to their business.

At the end of the year, or more frequently whether indicators for impairment exists, the Group estimates the recoverable amount of Crop Protection and Intermediates and ingredients units, which are the cash generating units of the Group that contain goodwill.

For the purpose of evaluating the groups Goodwill, the Group used a comparable trading multiple as well as the DCF model analysis in order to benchmark each of its CGU's valuation against that of the markets peer companies.

As of December 31, 2019 the fair value of the cash generating units to which the goodwill relates exceeds its carrying amount.

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

	January 1, 2019	Additions	Currency translation adjustment	Balance at December 31, 2019
Book value	4,085,945	355,715	69,533	4,511,193
Impairment provision	-	-	-	-
Carrying amount	4,085,945	355,715	69,533	4,511,193

19. Deferred Tax Assets and Deferred Tax Liabilities

(1) Deferred tax assets without taking into consideration of the offsetting of balances within the same tax jurisdiction

	December 31 2019		December 31 2018 (Restated)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deferred tax assets in respect of carry forward losses	611,496	136,594	576,498	82,516
Deferred tax assets in respect of inventories	1,552,766	413,713	1,651,046	442,237
Deferred tax assets in respect of employee benefits	973,434	135,422	660,472	101,026
Other deferred tax asset	1,606,933	387,109	1,236,811	340,984
	4,744,629	1,072,838	4,124,827	966,763

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

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

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

	December 31 2019		December 31 2018 (Restated)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Deferred tax liabilities in respect of fixed assets and intangible assets	3,551,402	569,446	3,886,541	617,430
	3,551,402	569,446	3,886,541	617,430

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

	December 31 2019		December 31 2018 (Restated)	
	The offset amount of deferred tax assets and liabilities	Deferred tax assets or liabilities after offset	The offset amount of deferred tax assets and liabilities	Deferred tax assets or liabilities after offset
Presented as:				
Deferred tax assets	246,142	826,696	225,026	741,737
Deferred tax liabilities	246,142	323,304	225,026	392,404

(4) Details of unrecognized deferred tax assets

	December 31 2019	December 31 2018 (Restated)
Deductible temporary differences	515,589	82,886
Deductible losses carry forward	142,042	162,186
	657,631	245,072

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

	December 31 2019	December 31 2018 (Restated)
2020	16,171	15,909
2021	13,031	13,537
2022	1,402	1,380
2023	27,767	27,739
After 2023	83,671	103,621
	142,042	162,186

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

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

(6) Unrecognized deferred tax liabilities

When calculating the deferred taxes, taxes that would have applied in the event of realizing investments in subsidiaries were not taken into account since it is the Company's intention to hold these investments and not realize them.

20. Other Non-Current Assets

	December 31 2019	December 31 2018 (Restated)
Asset related to securitization deposit	38,648	62,395
Advances in respect of non-current assets	58,689	55,282
Judicial deposits	56,347	51,906
Call option in respect of business combination	9,216	11,880
Long term loan	-	48
Others	83,283	35,819
Sub total	246,183	217,330
Due within one year	-	(48)
	246,183	217,282

21. Short-Term Loans

Short-term loans by category:

	December 31 2019	December 31 2018 (Restated)
Guaranteed loans	414,000	570,000
Unsecured loans	1,595,882	552,774
	2,009,882	1,122,774

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

22. Derivative financial liabilities

	December 31 2019	December 31 2018 (Restated)
Economic hedge	603,009	1,430,497
Accounting hedge derivatives	88,466	21,173
	691,475	1,451,670

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

23. Bills Payables

	December 31 2019	December 31 2018 (Restated)
Post-dated checks payables	224,878	235,833
Note payables draft	96,796	209,700
	321,674	445,533

As at December 31, 2019, none of the bills payable are overdue.

24. Accounts payable

	December 31 2019	December 31 2018 (Restated)
Within 1 year (including 1 year)	4,172,996	4,587,719
1-2 years (including 2 years)	10,458	12,545
2-3 years (including 3 years)	2,881	16,749
Over 3 years	19,566	10,923
	4,205,901	4,627,936

There are no significant accounts payables aging over one year.

25. Contract liabilities

	December 31 2019	December 31 2018 (Restated)
Discount for customers	522,614	525,982
Advances from customers	141,614	322,420
	664,228	848,402

26. Employee Benefits Payable

	December 31 2019	December 31 2018 (Restated)
Short-term employee benefits	656,272	608,839
Post-employment benefits*	224,035	18,050
Other benefits within one year	304,366	277,191
	1,184,673	904,080
Current maturities	27,040	40,095
	1,211,713	944,175

* For further information regarding the termination benefits to employees during the period see note XI.2 – Commitments and contingent liabilities.

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

27. Taxes Payable

	December 31 2019	December 31 2018 (Restated)
Corporate income tax	157,548	407,457
VAT	180,818	186,939
Others	30,672	22,384
	369,038	616,780

28. Other Payables

	December 31 2019	December 31 2018 (Restated)
Dividends payables	750	750
Other payables	1,048,844	1,196,829
	1,049,594	1,197,579

(1) Other payable

	December 31 2019	December 31 2018 (Restated)
Accrued expenses	613,183	640,507
Liability in respect of securitization transactions	26,370	35,572
Payables in respect of intangible assets	130,329	131,396
Financial institutions	1,137	44,336
Other payables	277,825	345,018
	1,048,844	1,196,829

As at December 31, 2019, the Group did not have any significant overdue other payables.

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

29. Non-Current Liabilities Due Within One Year

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

	December 31 2019	December 31 2018 (Restated)
Long-term loans due within one year	420,086	301,629
Lease liabilities due within one year	148,287	N/A
Debentures payable due within one year	497,870	-
Long-term payables due within one year	-	185
	1,066,243	301,814

30. Other Current Liabilities

	December 31 2019	December 31 2018 (Restated)
Put options to holders of non-controlling interests	148,886	404,463
Provision in respect of returns	191,065	149,686
Provision in respect of claims	14,901	23,644
Others	391	391
	355,243	578,184

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

31. Long-Term Loans

Long-term loans by category

	December 31		December 31 2018 (Restated)	
	2019	Interest range	2018	Interest range
Long term loans				
Loan secured by tangible assets other than monetary assets	2,860	2.4%-2.7%	741	5.5%
Guaranteed loans	-	-	72,000	4.5%
Unsecured loans	1,344,385	1.5%-6.2%	464,707	5.1%-6.1%
Total Long term loans	1,347,245		537,448	
Less: Long term loans due within 1 year	(420,086)		(301,629)	
Long term loans, net	927,159		235,819	

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

The long-term loans were mortgaged by fixed assets with carrying amounts of 900 thousand RMB as at December 31, 2019 (31.12.18: 5,926 thousand RMB)
Details of the guarantees are set out in note X(5) Related parties and related party transactions.

32. Debentures Payable

	December 31 2019	December 31 2018 (Restated)
Debentures Series B	8,463,812	7,649,098
Current maturities	(497,870)	-
	7,965,942	7,649,098

	December 31 2019
First year (current maturities)	497,870
Second year	497,870
Third year	497,870
Fourth year	497,870
Fifth year and thereafter	6,472,332
	8,463,812

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

32. Debentures Payable - (cont'd)

Movements of debentures payable:

For the year ended December 31, 2019

	Face value in RMB	Face value NIS	Issuance date	Maturity period	Issuance amount	Balance at January 1, 2019	Issuance during the period	Amortization of discounts or premium	CPI and exchange rate effect	Repayment during the period	Currency translation adjustment	Balance at December 31, 2019
Debentures Series B	2,673,640	1,650,000	4.12.2006	November 2020-2036	3,043,742	3,471,674	-	242	304,289	-	63,084	3,839,289
Debentures Series B	843,846	513,527	16.1.2012	November 2020-2036	842,579	1,018,314	-	10,491	89,825	-	18,616	1,137,246
Debentures Series B	995,516	600,000	7.1.2013	November 2020-2036	1,120,339	1,277,399	-	4,638	112,108	-	23,238	1,417,383
Debentures Series B	832,778	533,330	1.2.2015	November 2020-2036	1,047,439	1,210,195	-	(2,913)	106,229	-	21,950	1,335,461
Debentures Series B	418,172	266,665	1-6.2015	November 2020-2036	556,941	671,516	-	(8,103)	58,911	-	12,109	734,433
						7,649,098	-	4,355	671,362	-	138,997	8,463,812

Series B debentures issued by Solutions, in the amount of NIS 3,563.5 million par value, are linked to the Israeli CPI and bear interest at base annual rate of 5.15%. The debenture principal is to be repaid in 17 equal payments in the years 2020 through 2036.

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

33. Lease liabilities

	December 31	
	2019	Interest range
Lease liabilities	554,645	1.9% - 6.1%
Less: Lease liabilities due within one year	(148,287)	
Long term lease liabilities, net	406,358	

See note III.29.1 – Change in significant accounting policies.

34. Long-Term Employee Benefits Payable

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

	December 31	December 31
	2019	2018 (Restated)
Total present value of obligation	651,803	533,574
Less: fair value of plan's assets	(104,448)	(87,492)
Net liability related to Post-employment benefits	547,355	446,082
Termination benefits	70,128	104,781
Total recognized liability for defined benefit plan, net (1)	617,483	550,863
Share based payment (See note XIII)	94,104	61,961
Other long-term employee benefits	54,307	47,917
Total long-term employee benefits, net	765,894	660,741
Including: Long-term employee benefits payable due within one year	27,040	40,095
	738,854	620,646

(1) Movement in the net liability and assets in respect of defined benefit plans, early retirement and their components

	Defined benefit obligation and early retirement		Fair value of plan's assets		Total	
	2019	2018	2019	2018	2019	2018
Balance as at January 1, 2019	638,355	703,679	87,492	97,614	550,863	606,065
Expense/income recognized in profit and loss:						
Current service cost	24,910	30,808	-	46	24,910	30,762
Past service cost	-	4,840	-	-	-	4,840
Interest costs	22,608	20,770	3,614	3,286	18,994	17,484
Changes in exchange rates	38,499	(39,965)	7,110	(7,161)	31,389	(32,804)
Actuarial gain (losses) due to early retirement	(4,125)	(3,490)	-	-	(4,125)	(3,490)
Included in other comprehensive income:						
Actuarial gain (losses) as a result of changes in actuarial assumptions	65,239	(34,820)	7,945	(4,827)	57,294	(29,993)
Foreign currency translation differences in respect of foreign operations	9,348	27,767	1,493	4,068	7,855	23,699
Additional movements:						
Benefits paid	(72,903)	(71,234)	(9,372)	(11,307)	(63,531)	(59,927)
Contributions paid by the Group	-	-	6,166	5,773	(6,166)	(5,773)
Balance as at December 31, 2019	721,931	638,355	104,448	87,492	617,483	550,863

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

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

(2) Actuarial assumptions and sensitivity analysis

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

	December 31 2019	December 31 2018 (Restated)
Discount rate (%)*	0.4%-3.3%	1.4%-3.5%

*According to the demographic and the benefit components

The assumptions regarding the future mortality rate are based on published statistical data and acceptable mortality rates.

Possible reasonable changes as of the date of the report in the discount rate, assuming the other assumptions remain unchanged, would have affected the defined benefit obligation as follows:

	As of December 31, 2019	
	Increase of 1%	Decrease of 1%
Discount rate	(54,016)	66,696

35. Provisions

	December 31 2019	December 31 2018 (Restated)
Liabilities in respect of contingencies*	90,051	92,542
Provision in respect of site restoration	84,211	36,515
Other	2,560	3,294
	176,822	132,351

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

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

36. Other Non-Current Liabilities

	December 31 2019	December 31 2018 (Restated)
Put options to holders of non- controlling interests	207,472	-
Long term transactions in derivatives	25,582	14
Deferred income	-	28,146
Long term loans - others	171,770	171,770
	404,824	199,930

37. Share Capital

	Balance at January 1, 2019	Issuance of new shares	Cancellations of shares	Balance at December 31, 2019
Share capital	2,446,554	-	-	2,446,554

38. Capital Reserve

	Balance at January 1, 2019	Additions during the period	Reductions during the period*	Balance at December 31, 2019
Share premiums	12,965,177	-	(415,000)	12,550,177
Other capital reserve	359,314	-	(6,323)	352,991
	13,324,491	-	(421,323)	12,903,168

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

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

39. Other Comprehensive Income, net of tax

	Attributable to shareholders of the company						
	Balance at January 1, 2019	**Before tax amount**	**Less: transfer to profit or loss**	**Less: Income tax expenses**	**Net –of-tax amount**	**Less: transfer to retained earnings**	**Balance at December 31, 2019**
Items that will not be reclassified to profit or loss	**66,516**	**(47,264)**	**-**	**917**	**(48,181)**	**4,511**	**13,824**
Re-measurement of changes in liabilities under defined benefit plans	15,895	(57,294)	-	(6,523)	(50,771)	-	(34,876)
Changes in fair value of other equity investment	50,621	10,030	-	7,440	2,590	4,511	48,700
Items that may be reclassified to profit or loss	**1,024,311**	**313,639**	**177,752**	**(18,659)**	**154,546**	**-**	**1,178,857**
Effective portion of gain or loss of cash flow hedge	93,385	20,176	177,752	(18,659)	(138,917)	-	(45,532)
Translation difference of foreign financial statements	930,926	293,463	-	-	293,463	-	1,224,389
	1,090,827	266,375	177,752	(17,742)	106,365	4,511	1,192,681

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

40. Surplus reserve

	Balance at January 1, 2019	Additions during the period	Reductions during the period	Balance at December 31, 2019
Statutory surplus reserve	236,348	-	-	236,348
Discretional surplus reserve	3,814	-	-	3,814
	240,162	-	-	240,162

41. Retained Earnings

	2019	2018
Retained earnings as at December 31 of preceding year	5,513,466	3,286,711
Changes in accounting policy	-	39,481
Adjustment for business combination under common control (Note 1)	115,826	55,045
Retained earnings as at January 1	5,629,292	3,381,237
Net profits for the period attributable to shareholders of the Company	277,041	2,447,876
Appropriation to statutory surplus reserve	-	(32,339)
Dividends to non-controlling Interest	(43,043)	(28,715)
Dividend to the shareholders of the company (Note 2)	(293,628)	(154,133)
Transfer from other comprehensive income	4,511	-
Other	-	15,366
Retained earnings as at December 31	5,574,173	5,629,292

Note 1:

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

Note 2:

A. On March 19, 2019, after obtaining the approval of the 12th meeting of the company's 8th Board of Directors, the Company declared RMB 0.97 (including tax) per 10 shares as cash dividend to all shareholders, resulting in a total cash dividend of 237,316 thousands RMB (including tax), and zero shares as share dividend, as well as no reserve transferred to equity capital. The proposal was approved by the Company's shareholders at the 2nd interim shareholders' meeting held on May 30, 2019, and paid during the third quarter.

B. On April 27, 2020, after obtaining the approval of the 25th meeting of the company's 8th Board of Directors, the Company declared RMB 0.12 (including tax) per 10 shares as cash dividend to all shareholders, resulting in a total cash dividend of 29,359 thousands RMB (including tax), and zero shares as share dividend, as well as no reserve transferred to equity capital.

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

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

42. Operating Income and Cost of Sales

	Year ended December 31 2019		Year ended December 31 2018 (Restated)	
	Income	Cost of sales	Income	Cost of sales
Principal activities	27,486,019	18,609,841	26,792,123	18,005,437
Other businesses	77,220	69,671	75,185	37,674
	27,563,239	18,679,512	26,867,308	18,043,111

43. Taxes and Surcharges

	Year ended December 31	
	2019	2018 (Restated)
Tax on turnover	21,166	49,101
Others	63,237	61,411
	84,403	110,512

44. Selling and Distribution Expenses

	Year ended December 31	
	2019	2018 (Restated)
Salaries and related expense	1,557,483	1,480,430
Depreciation and amortization	1,405,411	1,200,375
Transportation and Commissions	708,217	767,571
Advertising and sales promotion	331,763	326,707
Travel expenses	153,501	144,154
Warehouse expenses	147,524	132,629
Registration	121,406	108,600
Professional services	87,048	76,084
Insurance	83,307	75,095
Others	277,596	390,291
	4,873,256	4,701,936

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

45. General and Administrative Expenses

	Year ended December 31	
	2019	2018 (Restated)
Salaries and related expenses	752,816	467,864
Idleness expenses*	342,044	74,141
Professional services	131,593	137,532
Depreciation and amortization	96,137	68,452
IT systems	87,635	69,632
Office rent, maintenance and expenses	54,903	76,526
Other	97,189	103,986
	1,562,317	998,133

* See note XI.2 - Commitments and contingencies (environmental protection).

46. Research and development expenses

	Year ended December 31	
	2019	2018 (Restated)
Salaries and related expenses	185,356	168,405
Field trial	60,787	53,663
Professional services	67,779	54,435
Depreciation and amortization	37,727	28,953
Materials	27,244	77,755
Office rent, maintenance and expenses	8,108	7,708
Other	49,324	51,334
	436,325	442,253

47. Financial expenses, net

	Year ended December 31	
	2019	2018 (Restated)
Interest expenses on debentures and loans	707,098	619,134
CPI expense in respect of debentures	23,418	85,533
Loss in respect of sale of trade receivables	91,006	79,060
Interest expense in respect of post-employment benefits and early retirement, net	38,681	17,484
Revaluation of put option, net	(7,605)	49,654
Interest income from customers, banks and others	(81,190)	(81,580)
Exchange rate differences, net	859,403	(203,422)
Other expenses	35,074	4,529
	1,665,885	570,392

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

48. Investment income, net

	Year ended December 31	
	2019	2018 (Restated)
Investment income (expenses) from disposal of derivatives	(253,799)	619,447
Income from long-term equity investments accounted for using the equity method	19,861	7,001
Other	2,733	1,809
	(231,205)	628,257

49. Gain (loss) from Changes in Fair Value

	Year ended December 31	
	2019	2018 (Restated)
Gain (loss) from changes in fair value of derivative financial instruments	828,527	(974,413)
Others	(3,015)	(4,921)
	825,512	(979,334)

50. Credit impairment loss

	Year ended December 31	
	2019	2018 (Restated)
Bills receivable and accounts receivable	(39,323)	(51,154)
Other receivables	(82)	(8,255)
	(39,405)	(59,409)

51. Asset impairment losses

	Year ended December 31	
	2019	2018 (Restated)
Inventories	(76,375)	(80,698)
Fixed assets	(285,695)	(134,091)
Constructions in progress	(19,763)	-
Intangible asset	(22,852)	(17,777)
Other	(9,131)	(4,718)
	(413,816)	(237,284)

52. Gain from Disposal of Assets

	Year ended December 31		Included in non-recurring items
	2019	2018 (Restated)	
Gain (loss) from disposal of fixed assets	127,443	(67,059)	127,443
Gain (loss) from disposal of intangible assets	(370)	2,033,214	(370)
	127,073	1,966,155	127,073

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

53. Non-Operating Expenses

	Year ended December 31		Included in non-recurring items
	2019	2018 (Restated)	
Donation expenses	13,364	12,474	13,364
Other	90,490	24,486	79,093
	103,854	36,960	92,457

54. Income Tax Expenses

	Year ended December 31	
	2019	2018 (Restated)
Current year	363,279	530,037
Deferred tax expenses (income)	(138,294)	235,645
Adjustments for previous years, net	(50,454)	85,579
	174,531	851,261

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

	Year ended December 31	
	2019	2018 (Restated)
Profit before taxes	451,572	3,299,137
Statutory tax in china	25%	25%
Tax calculated according to statutory tax in china	112,893	824,784
Tax benefits from Approved Enterprises	(6,928)	(83,538)
Difference between measurement basis of income for financial statement and for tax purposes	37,323	107,435
Taxable income and temporary differences at other tax rate	16,820	(72,198)
Taxes in respect of prior years	(50,454)	85,579
Utilization of tax losses prior years for which deferred taxes were not created	(6,720)	(58,723)
Temporary differences and losses in the report year for which deferred taxes were not created	116,370	31,034
Non-deductible expenses and other differences	(6,795)	10,747
Neutralization of tax calculated in respect of the Company's share in results of equity accounted investees	(6,023)	(2,911)
Effect of change in tax rate in respect of deferred taxes	(33,631)	(5,662)
Creation and reversal of deferred taxes for tax losses and temporary differences from previous years	1,676	14,714
Income tax expenses	174,531	851,261

55. Other comprehensive income

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

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

56. Notes to items in the cash flow statements

(1) Cash received relating to other operating activities

	Year ended December 31	
	2019	**2018 (Restated)**
Derivatives transactions	260,557	471,597
Financial institutions	74,615	140,559
Interest income	61,207	62,632
Government subsidies	5,899	3,665
Others	262,559	58,381
	664,837	736,834

(2) Cash paid relating to other operating activities

	Year ended December 31	
	2019	**2018 (Restated)**
Transportation, Commissions and Warehouse	753,643	759,084
Advertising and sales promotion	295,944	300,452
Professional services	264,241	267,799
Registration and Fiels trial	186,694	144,840
Travel	180,303	157,704
IT and Communication	179,730	163,834
Financial institutions	118,269	162,681
Insurance	99,543	78,846
Derivatives transactions	54,030	128,503
Others	667,743	657,943
Net cash flow from operating activities	2,800,140	2,821,686

(3) Cash received relating to other investing activities

	Year ended December 31	
	2019	**2018 (Restated)**
Investment grant	5,208	-
Other	-	410
	5,208	410

(4) Cash received from other financing activities

	Year ended December 31	
	2019	**2018 (Restated)**
Cash received in respect of hedging transactions on debentures	140,025	-
Deposit for issuing bills payables	39,886	-
	179,911	-

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

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

(5) Cash paid relating to other financing activities

	Year ended December 31	
	2019	**2018 (Restated)**
Payment for business combinations under common control	415,000	-
Payment in respect of hedging transactions on debentures	325,474	-
Repayment of lease liability	146,610	-
Realization of call option	35,625	-
Deposit for issuing bills payable	14,003	48,340
Other	-	9,663
	936,712	58,003

57. Supplementary Information on Cash Flow Statement

(1) Supplementary information on Cash Flow Statement

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

	Year ended December 31	
	2019	**2018 (Restated)**
Net profit	277,041	2,447,876
Add: Impairment provisions for assets	413,816	237,284
Credit impairment loss	39,405	59,409
Depreciation of fixed assets and investment property	841,041	816,364
Amortization of right-of-use asset	160,389	-
Amortization of intangible asset	1,334,711	1,235,178
Gains on disposal of fixed assets, intangible assets, and other long-term assets, net	(127,073)	(1,966,155)
Loss (gain) from changes in fair value	(825,512)	979,334
Financial expenses	1,325,875	47,879
Investment loss (income), net	(51,370)	(628,257)
Decrease (increase) in deferred tax assets	(130,959)	109,945
Increase (decrease) in deferred tax liabilities	(7,335)	125,700
Decrease (increase) in inventories, net	(236,687)	(1,579,698)
Increase in operating receivables	(1,080,276)	(557,665)
Increase in operating payables	(1,119,479)	971,494
Others	29,900	465
Net cash flow from operating activities	843,487	2,299,153

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

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

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

	Year ended December 31	
	2019	2018 (Restated)
Closing balance of cash	4,319,907	6,346,196
Less: Opening balance of cash	6,346,196	7,979,502
Net decrease in cash and cash equivalents	(2,026,289)	(1,633,306)

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

	Year ended December 31
	2019
Cash paid for business combination	1,126,557
Less: Cash and cash equivalents of the acquiree at the date of acquisition	4,610
Net cash paid to acquire a subsidiary	1,121,947

(3) Details of cash and cash equivalents

	December 31 2019	January 1 2019
Cash on hand	6,265	1,380
Bank deposits available on demand without restrictions	4,313,642	6,344,816
	4,319,907	6,346,196

58. Assets with Restricted Ownership or Right of Use

	December 31 2019	Reason
Cash	28,681	Pledged
Fixed assets	900	Mortgage
Other non-current assets	107,613	Guarantees
	137,194	

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

59. Foreign currencies denominated items

(1) Foreign currencies denominated items

	As at December 31, 2019		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Cash and bank balances			
USD	55,223	6.9762	385,246
EUR	29,929	7.8288	234,310
ILS	96,267	2.0186	194,322
PLN	55,458	1.8370	101,873
CAD	10,897	5.3564	58,370
BRL	35,454	1.7308	61,363
ZAR	59,508	0.4960	29,516
Other			228,415
Total			1,293,415
Bills and Accounts receivable			
BRL	698,855	1.7308	1,209,554
EUR	77,196	7.8288	604,348
USD	44,169	6.9762	308,132
RON	129,196	1.6373	211,532
RUB	1,453,298	0.1127	163,773
CAD	25,846	5.3564	138,443
TRY	130,061	1.1744	152,744
ZAR	269,016	0.4960	133,434
Other			355,117
Total			3,277,077
Other receivables			
EUR	68,331	7.8288	534,949
GBP	9,111	9.2046	83,861
ILS	39,844	2.0186	80,429
BRL	19,682	1.7308	34,065
Other			110,231
Total			843,535
Other current assets			
ILS	66,034	2.0186	133,294
BRL	59,247	1.7308	102,543
EUR	9,123	7.8288	71,422
UAH	118,242	0.2945	34,825
Other			39,715
Total			381,799
Long-term receivables			
BRL	98,740	1.7308	170,896
Total			170,896

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

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

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

	As at December 31, 2019		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Other non-current assets			
BRL	56,216	1.7308	97,297
Other			4,089
Total			101,386
Short-term loans			
UAH	256,000	0.2945	75,399
TRY	52,220	1.1744	61,328
EUR	3,386	7.8288	26,510
Other			17,252
Total			180,489
Bills and Accounts payable			
ILS	387,124	2.0186	781,439
EUR	61,947	7.8288	484,964
BRL	126,350	1.7308	218,683
COP	33,508,757	0.0021	71,332
Other			148,961
Total			1,705,379
Other payables			
ILS	68,201	2.0186	137,669
EUR	12,654	7.8288	99,062
BRL	48,542	1.7308	84,014
UAH	198,325	0.2945	58,412
ILS CPI	18,462	2.0186	37,267
Other			59,979
Total			476,403
Contract liabilities			
EUR	19,512	7.8288	152,758
BRL	60,742	1.7308	105,131
TRY	18,771	1.1744	22,045
GBP	1,849	9.2046	17,015
Other			28,155
Total			325,104

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

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

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

	As at December 31, 2019		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Non-current liabilities due within one year			
EUR	25,444	7.8288	199,198
ILS CPI	264,225	2.0186	533,358
USD	525	6.9762	3,663
BRL	822	1.7308	1,423
Other			30,982
Total			768,624
Other current liabilities			
EUR	3,901	7.8288	30,542
UAH	76,199	0.2945	22,442
Other			5,840
Total			58,824
Long-term loan			
EUR	66,151	7.8288	517,878
Total			517,878
Debentures payable			
ILS CPI	3,946,316	2.0186	7,965,941
			7,965,941
Provision and Long-term payables			
BRL	40,674	1.7308	70,397
Other			2,972
Total			73,369
Other non-current liabilities			
EUR	8,138	7.8288	63,714
ILS CPI	23,860	2.0186	48,164
USD	5,105	6.9762	35,614
GBP	1,150	9.2046	10,590
ZAR	16,837	0.4960	8,351
Other			39,157
Total			205,590

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

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

(2) Major foreign operations

Name of the Subsidiary	Registration & Principal place of business	Business nature	Functional currency
ADAMA France S.A.S	France	Distribution	USD
ADAMA Brasil S/A	Brazil	Manufacturing; Distribution; Registration	USD
ADAMA Deutschland GmbH	Germany	Distribution; Registration	USD
ADAMA India Private Ltd.	India	Manufacturing Distribution; Registration	INR
Makhteshim Agan of North America Inc.	United States	Manufacturing; Distribution; Registration	USD
Control Solutions Inc.	United States	Manufacturing; Distribution; Registration	USD
ADAMA Agan Ltd.	Israel	Manufacturing; Distribution; Registration	USD
ADAMA Makhteshim Ltd.	Israel	Manufacturing; Distribution; Registration	USD
ADAMA Australia Pty Limited	Australia	Distribution	AUD
ADAMA Italia SRL	Italy	Distribution	USD
ADAMA Northern Europe B.V.	Netherlands	Distribution	USD
Alligare LLC	United States	Manufacturing; Distribution; Registration	USD

The functional currency of the subsidiaries above is the main currency that represent the principal economic environment.

VI. Change in consolidation Scope

1. Business combinations involving enterprises not under common control

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

Name of the Company	Acquisition date	Cost of equity investment	Proportion of equity investment	Acquisition method	Basis of acquisition date determination	From acquisition date till period end	
						Revenue	Net profit
Bonide Products INC.	07.01.2019	833,383	100%	Stock purchase	Obtained control	455,477	27,369
Agro Klinge S.A.	29.10.2019	174,911	100%	Stock purchase	Obtained control	38,368	3,777
Financiere de Pontarlier S.A. (SFP)	19.11.2019	118,263	100%	Stock purchase	Obtained control	-	-

(2) Acquisition cost and goodwill

Acquisition costs	Agro Klinge S.A.	Financiere de Pontarlier S.A. (SFP)	Bonide Products INC.
Total acquisition cost in cash	174,911	118,263	833,383
Less: share of the fair value of the identifiable net assets acquired	89,428	56,772	638,786
Currency translation differences	(806)	1,112	(14,449)
Goodwill	86,289	60,379	209,046

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

Bonide was purchased for a consideration of approximately 833 million RMB. As of January 7, 2019 (hereinafter: “date of the business combination”), control has been achieved and the Group consolidates the results of Bonide in its consolidated financial statements. Upon the consolidation of Bonide, the identified tangible assets, identifiable intangible assets and identifiable liabilities were included in the consolidated statement of financial position, as of the date of the business combination, at their fair value based on the information held by the management of the Company and the management of Bonide on the date close to the date of acquisition, and based, inter alia, on external consultants in this matter.

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

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

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

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

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

	Agro Klinge S.A.	
	Fair value at acquisition date	Book value at acquisition date
Assets:		
Cash and bank balances	1,549	1,549
Bills and Accounts receivable	59,738	59,738
Inventories	37,769	37,769
Intangible assets	95,837	9,555
Other assets	12,192	12,192
Liabilities:		
Short term loans	17,944	17,944
Bills and Accounts payable	89,833	89,833
Other Liabilities	9,880	9,880
Net assets	89,428	3,146
Less: Non-controlling interests	-	-
Net assets acquired	89,428	3,146

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

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

(3) Identifiable assets and liabilities of the acquiree, at acquisition date - (cont'd)

	Financiere de Pontarlier S.A. (SFP)	
	Fair value at acquisition date	**Book value at acquisition date**
Assets:		
Bills and Accounts receivable	29,021	29,021
Inventories	21,494	21,494
Intangible assets	96,313	35,934
Other assets	7,297	7,297
Liabilities:		
Short term and long term loans	27,214	27,214
Bills and Accounts payable	59,137	59,137
Other non-current liabilities	11,002	11,002
Net assets	56,772	(3,607)
Less: Non-controlling interests	-	-
Net assets acquired	56,772	(3,607)

2. Business combinations under common control

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

Name of the Company	Equity Proportion obtained from combination	Basis of judgement as business combination involving enterprises under common control	Acquisition date	Basis of determining acquisition date	Beginning of the Year till acquisition date set out as follows		For the twelve month period ended on December 31, 2018	
					Revenue	Net income	Revenue	Net income
Jiangsu Anpon Electrochemical co. LTD.	100%	Both of the combining enterprises are ultimately controlled by China National Agrochemical Corporation, and the control is not transitory.	March 29th, 2019	Obtained control	393,990	38,027	1,507,474	46,811

VI. Change in consolidation Scope (cont'd)

2. Business combinations under common control (cont'd)

(2) Acquisition cost

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

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

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

VII. Interest in Other Entities

1. Interests in subsidiaries

Composition of the largest subsidiaries of the Group in respect of assets and operating income

Name of the Subsidiary	Registration & Principal place of business	Business nature	Direct	Indirect	Method of obtaining the subsidiary
ADAMA France S.A.S	FRANCE	Distribution		100%	Established
ADAMA Brasil S/A	BRAZIL	Manufacturing; Distribution; Registration		100%	Purchased
ADAMA Deutschland GmbH	GERMANY	Distribution; Registration;		100%	Established
ADAMA India Private Ltd.	INDIA	Manufacturing; Distribution; Registration		100%	Established
Makhteshim Agan of North America Inc.	UNITED STATES	Manufacturing; Distribution; Registration		100%	Established
Control Solutions Inc.	UNITED STATES	Manufacturing; Distribution; Registration		67%	Purchased
ADAMA Agan Ltd.	ISRAEL	Manufacturing; Distribution; Registration		100%	Restructure
ADAMA Makhteshim Ltd.	ISRAEL	Manufacturing; Distribution; Registration		100%	Restructure
ADAMA Australia Pty Limited	AUSTRALIA	Distribution		100%	Purchased
ADAM Italia SRL	ITALY	Distribution		100%	Established
ADAMA Northern Europe B.V.	NETHERLANDS	Distribution		55%	Purchased
Alligare LLC	UNITED STATES	Manufacturing; Distribution; Registration		100%	Purchased
Jiangsu Anpon Electrochemical co. Ltd..	CHINA	Manufacturing; Distribution	100%		Purchased

2. Interests in joint ventures or associates

	December 31 2019	December 31 2018
Joint ventures	92,695	68,584
Associates	40,403	39,766
	133,098	108,350

3. Summarized financial information of joint ventures and associates

	December 31, 2019 and twelve months then ended	December 31, 2018 and twelve months then ended
Joint ventures:		
Total carrying amount	92,695	68,584
The Group's share of the following items:		
Net profit	19,877	7,001
Other comprehensive income	(697)	-
Total comprehensive income	19,180	7,001
Associates:		
Total carrying amount	40,403	39,766
The Group's share of the following items:		
Net profit	(16)	-
Other comprehensive income	653	-
Total comprehensive income	637	-

VIII. Risk Related to Financial Instruments

A. General

The Group has extensive international operations, and, therefore, it is exposed to credit risks, liquidity risks and market risks (including currency risk, interest risk and other price risk). In order to reduce the exposure to these risks, the Group uses financial derivatives instruments, including forward transactions and options (hereinafter - "derivatives").

Transactions in derivatives are undertaken with major financial institutions, and therefore, in the opinion of Group Management the credit risk in respect thereof is low.

This note provides information on the Group's exposure to each of the above risks, the Group's objectives, policies and processes regarding the measurement and management of the risk. Additional quantitative disclosure is included throughout the consolidated financial statements.

The Board of Directors has overall responsibility for establishing and monitoring the framework of the Group's risk management policy. The Finance Committee is responsible for establishing and monitoring the Group's actual risk management policy. The Chief Financial Officer reports to the Finance Committee on a regular basis regarding these risks.

The Group's risk management policy, established to identify and analyze the risks facing the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The policy and methods for managing the risks are reviewed regularly, in order to reflect changes in market conditions and the Group's activities. The Group, through training, and management standards and procedures, aims to develop a disciplined and constructive control environment in which all the employees understand their roles and obligations.

B. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and derives mainly from trade receivables and other receivables as well as from cash and deposits in financial institutions.

Accounts and other receivables

The Group's revenues are derived from a large number of widely dispersed customers in many countries. Customers include multi-national companies and manufacturing companies, as well as distributors, agriculturists, agents and agrochemical manufacturers who purchase the products either as finished goods or as intermediate products for their own requirements.

The Company entered into an agreement for the sale of trade receivables in a securitization transaction, for details see note V.5.e.

In April 2019, a two-years agreement with an international insurance company was renewed. The amount of the insurance coverage was fixed at $150 million cumulative per year. The indemnification is limited to about 90% of the debt.

The Group's exposure to credit risk is influenced mainly by the personal characterization of each customer, and by the demographic characterization of the customer's base, including the risk of insolvency of the industry and geographic region in which the customer operates. No single customer accounted for greater than 5% of total accounts receivable.

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

B. Credit risk - (cont'd)

The Company management has prescribed a credit policy, whereby the Company performs current ongoing credit evaluations of existing and new customers, and every new customer is examined thoroughly regarding the quality of his credit, before offering him the Group's customary shipping and payment terms. The examination made by the Group includes an outside credit rating, if any, and in many cases, receipt of documents from an insurance company. A credit limit is prescribed for each customer, outstanding amount of the accounts receivable balance. These limits are examined annually. Customers that do not meet the Group's criteria for credit quality may do business with the Group on the basis of a prepayment or against furnishing of appropriate collateral.

Most of the Group's customers have been doing business with it for many years. In monitoring customer credit risk, the customers were grouped according to a characterization of their credit, based on geographical location, industry, aging of receivables, maturity, and existence of past financial difficulties. Customers defined as "high risk" are classified to the restricted customer list and are supervised by management. In certain countries, mainly, Brazil, customers are required to provide property collaterals (such as agricultural lands and equipment) against execution of the sales, the value of which is examined on a current ongoing basis by the Company. In these countries, in a case of expected credit risk, the Company records a provision for the amount of the debt less the value of the collaterals provided and acts to realize the collaterals.

The Group closely monitors the economic situation in Eastern Europe and South America where necessary it operates to limit its exposure to customers in countries having significantly unstable economies.

The Group recognizes an impairment provision, which reflects its assessment regarding the credit risk of account receivables, Other receivables and investments on a lifetime expected credit loss basis. See also notes Ⅲ.10 – Financial instruments and Ⅲ.11 – Receivables.

Cash and deposits in banks

The Company holds cash and deposits in banks with a high credit rating. These banks are also required to comply with capital adequacy or maintain a level of security based on different situations.

Guarantees

The Company's policy is to provide financial guarantees only to investee companies.

Aging of receivables and expected credit risk

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

	December 31, 2019
Past due by less than 90 days	506,284
Past due by more than 90 days	605,941
	1,112,225

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

B. Credit risk - (cont'd)

The company measure the provision for credit losses on a collective group basis, where receivables share similar credit risk characteristics based on geographical locations. The examination for expected credit losses is performed using model including aging analysis and historical loss experiences, and adjusted by the observable factors reflecting current and expected future economic conditions.
When credit risk on a receivable has increased significantly since initial recognition, the group records specific provision or general provision which is determined for groups of similar assets in countries in which there are large number of customers with immaterial balances.

The Group has credit risk exposures for accounts receivables amounted to RMB 7,686,751 thousand relate to category of "Lifetime expected credit losses (credit losses has not occurred)" and amounted to RMB 715,856 thousand related to category of "Lifetime expected credit losses (credit losses occurred)". The Group has credit risk exposures for other receivables amounted to RMB 14,832 thousand related to category of "Lifetime expected credit losses (credit losses occurred)". The credit risk exposures for all remaining balance of financial assets at amortised cost and financial assets at FVTOCI are related to "12-month expected credit losses".

C. Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligation when they come due. The Group's approach to managing its liquidity risk is to assure, to the extent possible, an adequate degree of liquidity for meeting its obligations timely, under ordinary conditions and under pressure conditions, without sustaining unwanted losses or hurting its reputation.

The cash-flow forecast is determined both at the level of the various entities as well as of the consolidated level. The Company examines the current forecasts of its liquidity requirements in order to ascertain that there is sufficient cash for the operating needs, including the amounts required in order to comply with the financial liabilities, while taking strict care that at all times there will be unused credit frameworks so that the Company will not exceed the credit frameworks granted to it and the financial covenants with which it is required to comply with. These forecasts take into consideration matters such as the Company's plans to use debt for financing its activities, compliance with required financial covenants, compliance with certain liquidity ratios and compliance with external requirements such as laws or regulation.

The surplus cash held by the Group subsidiaries, which is not required for financing the current ongoing operations, is invested in short-term interest-bearing investment channels.

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

C. Liquidity risk - (cont'd)

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

	As at December 31, 2019					
	First year	Second year	Third-Fourth year	Fifth year and above	Contractual Cash flow	Carrying amount
Non-derivative financial liabilities						
Short-term loans	2,036,745	-	-	-	2,036,745	2,009,882
Bills payables	321,674	-	-	-	321,674	321,674
Accounts payables	4,205,901	-	-	-	4,205,901	4,205,901
Other payables	1,049,594	-	-	-	1,049,594	1,049,594
Other current liabilities	148,886	-	-	-	148,886	148,886
Debentures payable	866,339	915,040	1,752,568	8,872,715	12,406,662	8,463,812
Long-term loans	448,887	327,926	574,925	77,204	1,428,942	1,347,245
Long-term payables	2,025	3,979	4,050	28,605	38,659	29,021
Lease Liabilities	166,478	130,109	149,022	243,621	689,230	554,645
Other non-current liabilities	2,061	30,690	267,821	87,946	388,518	379,242
Derivative financial liabilities						
Foreign currency derivatives	667,491	25,582	-	-	693,073	693,073
CPI/shekel forward transactions	23,984	-	-	-	23,984	23,984
	9,940,065	1,433,326	2,748,386	9,310,091	23,431,868	19,226,959

D. Market risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, CPI, interest rates and prices of capital instruments, will affect the Group's revenues or the value of its holdings in its financial instruments. The objective of market risk management is to manage and monitor the exposure to market risks within acceptable parameters, while optimizing the return.

During the ordinary course of business, the Group purchases and sells derivatives and assumes financial liabilities for the purpose of managing market risks.

(1) CPI and foreign currency risks

Currency risk

The Group is exposed to currency risk from its sales, purchases, expenses and loans denominated in currencies that differ from the Group's functional currency. The main exposure is in Euro, Brazilian real, USD and in NIS. In addition, there are smaller exposures to various currencies such as the British pound, Polish zloty, Australian dollar, Indian rupee, Argentine peso, Canadian dollar, South African Rand, Ukraine Hryunia, the Turkish lira and Chinese Yuan Renminbi.

The Group uses foreign currency derivatives – forward transactions and currency options – in order to hedge the cash flows risk, which derive from existing monetary assets and liabilities and anticipated sales and purchases, which may be affected by exchange rate fluctuations.

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

D. Market risks - (cont'd)

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

The Group hedged a part of the estimated currency exposure to anticipate sales and purchases for the subsequent year. Likewise, the Group hedges most of its monetary assets and liabilities denominated in a non- U.S. dollar currency. The Group uses foreign currency derivatives to hedge its currency risk, mostly with maturity dates of less than one year from the reporting date.

Solutions debentures are linked to the NIS-CPI and, therefore, an increase in the NIS-CPI, as well as changes in the NIS exchange rate, could cause significant exposure with respect to the subsidiary functional currency – the U.S. dollar. As of the approval date of the financial statements, the subsidiary had hedged most of its exposure deriving from issuance of the debentures, in options and forward contracts.

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

	December 31, 2019	
	Total assets	**Total liabilities**
In US Dollar	1,244,617	716,185
In Euro	1,498,223	1,590,204
In Brazilian real	1,687,912	410,758
CPI-linked NIS	-	8,584,738
In New Israeli Shekel	418,628	921,089
Denominated in or linked to other foreign currency	3,082,603	737,736
	7,931,983	12,960,710

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

	December 31, 2019					
	Currency/ linkage receivable	**Currency/ linkage payable**	**Average expiration date**	**USD thousands Par value**	**RMB thousands Par value**	**Fair value**
Forward foreign currency	**USD**	EUR	2020/06/08	336,670	2,348,675	(236,437)
Contracts and call options	**USD**	PLN	2020/04/25	23,960	167,147	(516)
	USD	BRL	2020/03/25	200,564	1,399,172	(21,836)
	USD	GBP	2020/06/12	35,530	247,864	(9,941)
	USD	ZAR	2020/01/30	22,385	156,161	(9,990)
	ILS	USD	2020/02/06	1,367,668	9,541,128	138,240
	USD	OTHER		372,373	2,597,746	(33,862)
CPI forward contracts	**CPI**	ILS	2020/04/02	679,977	4,743,655	(34,009)

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

D. Market risks - (cont'd)

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

(C) Sensitivity analysis

The appreciation or depreciation of the Dollar against the following currencies as of December 31, 2019 and the increase or decrease in the CPI would increase (decrease) the equity and profit or loss by the amounts presented below. This analysis assumes that all the remaining variables, among others interest rates, remains constant.

	December 31, 2019			
	Decrease of 5%		Increase of 5%	
	Equity	Profit (loss)	Equity	Profit (loss)
New Israeli shekel	51,930	33,358	(7,239)	11,333
British pound	(7,672)	2,522	7,672	(2,522)
Euro	(138,949)	(6,908)	142,929	10,888
Brazilian real	5,262	22,230	(5,262)	(22,230)
Polish zloty	(9,949)	(2,494)	9,949	2,494
South African Rand	(387)	647	387	(647)
Chinese Yuan Renminbi	(21,880)	(21,880)	21,880	21,880
CPI-linked NIS	271,296	271,296	(271,296)	(271,296)

(2) Interest rate risks

The Group has exposure to changes in the variable interest rate. The Group has different assets and liabilities in different countries which bear interest according to the economic environment in each country. Most of the loans, other than the debentures, bear Dollar and Euro Libor interest. As a result, most of the variable interest exposure of those loans is to the Libor interest. Due to market conditions, the variable interest rates on cash are relatively low.

The Company prepares a quarterly summary of exposure to a change in the Libor interest rate. As at the approval date of the financial statements, the Company had not hedged this exposure.

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

D. Market risks - (cont'd)

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

(A) Type of interest

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

	December 31, 2019
Fixed-rate instruments – unlinked to the CPI	
Financial assets	
Cash at banks	883,607
Other non-current assets	1,151
Financial liabilities	
Long-term loans	149,313
Long-term payables	21,417
Other non-current liabilities	171,770
	542,258
Fixed-rate instruments – linked to the CPI	
Financial liabilities	
Debentures payable	8,463,812
Variable-rate instruments	
Financial assets	
Cash at banks	508,224
Financial assets at fair value through profit or loss	29,510
Other non-current assets	11,350
Financial liabilities	
Short-term loans and credit from banks	2,009,882
Long-term loans(1)	1,197,932
	(2,658,730)

(1) Including long-term loans current maturities.

(B) Sensitivity analysis of cash flows regarding variable-interest instruments

A change of 5% in the interest rates on the reporting date would increase or reduce equity and profit or loss by the amounts presented below. This analysis assumes that all the remaining variables, among others exchange rates, remained fixed.

	Profit or loss		Equity	
	Increase in interest	Decrease in interest	Increase in interest	Decrease in interest
As at December 31, 2019	1,401	(1,409)	1,401	(1,409)

IX. Fair Value

The fair value of forward contracts on foreign currency is based on their listed market price, if available. In the absence of market prices, the fair value is estimated based on the discounted difference between the stated forward price in the contract and the current forward price for the residual period until redemption, using an appropriate interest rate.

The fair value of foreign currency options is based on bank quotes. The reasonableness of the quotes is evaluated through discounting future cash flow estimates, based on the conditions and duration to maturity of each contract, using the market interest rates of a similar instrument at the measurement date and in accordance with the Black & Scholes model.

1. Financial instruments measured at fair value for disclosure purposes only

The carrying amount of certain financial assets and liabilities, including cash at bank and on hand, bills and accounts receivable, receivables financing, other receivables, derivatives financial assets, short-term loans, bills and accounts payable and other payable, are the same or proximate to their fair value.

The following table details the carrying amount in the books and the fair value of groups of non-current financial instruments presented in the financial statements not in accordance with their fair values:

	December 31, 2019	
	Carrying amount	**Fair value**
Financial assets		
Other non-current assets (a – Level 2)	21,522	20,877
Financial liabilities		
Long-term loans and others (b – Level 2)	2,103,986	2,129,912
Debentures (c – Level 1)	8,463,812	11,393,618

a) The fair value of the other non-current assets is based on a discounted future cash flows, using the acceptable interest rate for similar investment having similar characteristics (Level 2).
b) The fair value of the long-term loans and others is based on a discounted future cash flows, using the acceptable interest rate for similar loans having similar characteristics (Level 2).
c) The fair value of the debentures is based on stock exchange quotes (Level 1).

2. The interest rates used in determining fair value

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

	December 31, 2019
	%
Brazilian real interest	4.30 – 5.26
U.S. dollar interest	1.97 – 2.05
Euro	(0.38) – 0.38

IX. Fair Value - (cont'd)

3. Fair value hierarchy of financial instruments measured at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The table below presents an analysis of financial instruments measured at fair value. The various levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active market for identical instrument.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The Company's forward contracts and options are carried at fair value and are evaluated by observable inputs and therefore are concurrent with the definition of level 2.

	December 31 2019
Forward contracts and options used for hedging the cash flow (Level 2)	(50,333)
Forward contracts and options used for economic hedging (Level 2)	(158,018)
Debt instruments (Level 1)	15,788
Other equity investment (Level 2)	155,062
Other non-current asset (Level 2)	38,648
Receivables financing (Level 2)	78,948
Call option in respect of business combination (Level 2)	9,216
Other (Level 2)	13,722

Financial Instrument	Fair value
Forward contracts	Fair value measured on the basis of discounting the difference between the stated forward price in the contract and the current forward price for the residual period until redemption using an appropriate interest rates.
Foreign currency options	The fair value is measured based on the Black&Scholes model.

No transfer between any levels of the fair value hierarchy in the reporting period.

No change in the valuation techniques in the reporting period.

X. Related parties and related party transactions

1. Information on parent Company

Company name	Registered place	Business nature	Registered capital (Thousand RMB)	Shareholding percentage	Percentage of voting rights
CNAC	Beijing, China	Production and sales of agrochemicals	3,338,220	78.91%	78.91%

The ultimate controller of the company is China National Chemical Corporation.

2. Information on the largest subsidiaries of the Company

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

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

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

Name of entity	Relationship with the Company
Alfa Agricultural Supplies S.	Joint venture of the Group
Innovaroma SA	Joint venture of the Group
Agribul Ltd.	Joint venture of the Group

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

4. Information on other related parties

Name of other related parties	Related party relationship
Jingzhou Sanonda holdings co. LTD	Common control
CNAC International Co., Ltd. (SPV Company) (Headquarter)	Common control
ChemChina Asset Management Co., Ltd.	Common control
ChemChina Information Center Co., Ltd.	Common control
Syngenta Crop Protection AG	Common control
Syngenta Supply AG	Common control
Syngenta Crop Protection LLC.	Common control
Syngenta Romania SRL	Common control
Syngenta France SAS	Common control
Syngenta Australia Pty Ltd	Common control
Syngenta Agro Sociedad Anonima	Common control
Syngenta Protecao De Cultivos LTDA	Common control
Syngenta Czech s.r.o.	Common control
Syngenta Espana S.A.	Common control
Syngenta India Limited	Common control
Syngenta Agro AG	Common control
Syngenta Polska Sp. z o.o.	Common control
Syngenta Agro, S.A. DE C.V.	Common control
Syngenta Italia S.p.A.	Common control
Syngenta Crop Protection Lda.	Common control
Syngenta Crop Protection NV	Common control
Syngenta Nordics A.S.	Common control
Syngenta Tarim Sanayi ve Ticaret A.S.	Common control
Syngenta Agro GmbH	Common control
Syngenta Kazakhstan Limited Liability Partnership	Common control
Syngenta Slovakia S.R.O.	Common control
Syngenta Hungary Kft.	Common control
Syngenta UK Ltd	Common control
Syngenta Ireland Ltd	Common control
China Bluestar Lehigh Engineering Corp.	Common control
China National Bluestar Co., Ltd.	Common control
China Bluestar Chengrand	Common control
Bluestar (Beijing) Chemical Machinery Co., Ltd.	Common control
Hangzhou (Torch) Xidoumen Membrane Industry Co., Ltd	Common control
Shandong Dacheng International Trading	Common control
Shandong Dacheng agricultural chemical co. LTD.	Common control
Southwest Chemical Research and Design Institute Co., Ltd.	Common control
Jiangsu Lianhai Testing Co., Ltd.	Common control
~~Jiamusi Black Dragon Pesticide Chemical Co., Ltd.~~	~~Common control~~
Beijing Guangyuan Yinong Chemical Co., Ltd.	Common control
Anhui Research Institute of Chemical Industry	Common control
Haohua engineering co. LTD.	Common control
Shanghai branch of China blue lianhai design and research institute.	Common control
Jiangsu Huaihe Chemical Co.,Ltd.	Common control
Zhonglan International Chemical Co., Ltd	Common control

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

5. Transactions and balances with related parties

(1) Transactions with related parties

		Year ended December 31	
		2019	2018 (Restated)
Type of purchase	**Related Party Relationship**		
Summary of purchase of goods/services:			
Purchase of goods/services received	Common control under ChemChina	1,449,486	1,570,819
Purchase of fixed assets and other assets	Common control under ChemChina	201,462	2,189,652
Purchase of goods/services received	Joint venture	3,938	7,950
Summary of Sales of goods:			
Sale of goods/ Service rendered	Common control under ChemChina	752,984	572,242
Sale of goods/ Service rendered	Joint venture	153,310	157,803

(2) Leases

The Group as lessor

		December 31	December 31
Type of leased assets	**Lessee**	2019	2018 (Restated)
Building and Structures	Common control under ChemChina	-	19

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

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

(3) Guarantee

The Group as the guarantee receiver

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

(4) Remuneration of key management personnel and directors

	Year ended December 31	
	2019	2018 (Restated)
Remuneration of key management personnel	48,952	46,734
Directors Fee	600	600

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

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

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

Receivable Items

Items	Related Party Relationship	December 31 2019		December 31 2018 (Restated)	
			Expected credit losses		Expected credit losses
Trade receivables	Common control under ChemChina	153,197	-	39,420	-
Trade receivables	Joint venture	24,026	-	30,562	-
Other receivables	Common control under ChemChina	25,346	-	42,969	-
Prepayments	Common control under ChemChina	69,610	-	37,945	-
Other assets	Joint venture	314	-	7,543	-

Payable Items

Items	Related Party Relationship	December 31 2019	December 31 2018 (Restated)
Trade payables	Common control under ChemChina	239,360	352,492
Trade payables	Joint venture	258	397
Other payables	Common control under ChemChina	23,195	21,636
Other non-current liabilities *	Common control under ChemChina	171,770	171,770

* The liability is a loan from a related party, the interest expense for the twelve months ended December 31, 2019 is 2,090 thousand RMB (twelve months ended December 31,2018: 2,090 thousand RMB).

(6) Acquisition of a subsidiary

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

(7) Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was 396,355 thousand RMB (31.12.18: 407,593 thousand RMB) Interest income of bank deposit for the current period was 4,628 thousand RMB (amount for twelve months ended December 31, 2018 is 2,107 thousand RMB).

The closing balance of a loan received from ChemChina Finance corporation was 100,000 thousand RMB (31.12.18: 0 thousand RMB). Interest expenses in the current period was 1,610 thousand RMB (amount for twelve months ended December 31, 2018 is 2,411 thousand RMB).

XI. Commitments and contingencies

1. Significant commitments

	December 31 2019	December 31 2018 (Restated)
Investment in Fixed assets	588,243	667,785

2. Commitments and Contingent Liabilities

On December 10, 2018 the 9th meeting of the 8th session of the Board of Directors of the Company resolved to approve the extension of the engagement in annual liability insurance policies for directors, supervisors and senior officers of the Company as approved by the 22nd meeting of the 7th session of Board of Directors and the 4th interim Shareholders meeting, and to authorize the management to annually deal with all matters relating to renewal/extension of the customary D&O liability insurance policies, with up to 20% flexibility in the relevant terms of the original policy. On December 26, 2018 the 3rd interim Shareholders meeting approved the above resolution.

Environmental protection

The manufacturing processes of the Company, and the products it produces and markets, entail environmental risks that impact the environment. The Company invests substantial resources in order to comply with the applicable environmental laws and attempts to prevent or minimize the environmental risks that could occur as a result of its activities. To the best of the Company's knowledge, at the balance sheet date, none of its applicable permits and licenses with respect to environmental issues have been revoked.

At the end of January 2019, the Company suspended operations at Sanonda's old site in Jingzhou, which is in the process of being relocated to a nearby advanced site, due to recording of higher than permitted levels of wastewater compounds. The Company was subsequently fined and instructed by the local government not to resume operations before rectification. The Company made rectification and at the beginning of April 2019 resumed operations at the old site. Following the resumption, the Company is advancing the gradual ramp-up of production. As the ramp-up of production proceeds, the site continues to remain under inspection of the relevant authorities with whom the Company is working in close and constant collaboration.

Other

Two of the company's production sites, Jingzhou old site in Jingzhou, Hubei Province and Anpon old site in Huai'An, Jiangsu Province (hereinafter the "Sites") are in the process of relocating to new sites. The Sites estimated the recoverable amounts of the fixed assets and construction in progress based on the present value of the future cash flow for the relevant facilities. For those assets that the recoverable amount was lower than the carrying amount, an impairment loss of RMB 305 million was recognized during the fourth quarter of 2019.

As part of the relocation process, the number of employees of the Companies will be reduced. The Companies began to execute the employees' reduction plan during the fourth quarter of 2019, and it will be continued through 2020. The fourth quarter of 2019 include an expenses of RMB 243 million with regards to termination benefits to employees.

XI. Commitments and contingencies - (cont'd)

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

Claims against subsidiaries

In the ordinary course of business, legal claims are filed against subsidiaries, including lawsuits, regarding claims for patent infringement. Inter alia, from time to time, the Company, similar to other companies operating in the plant protection industry, is exposed to class actions for large amounts, which it must defend against while incurring considerable costs, even if these claims, from the start, have no basis. In the estimation of the Company's management, based, inter alia, on opinions of its legal counsel regarding the prospects of the proceedings, the financial statements include appropriate provisions where necessary to cover the exposure resulting from the claims.

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

XII. Events subsequent to the balance sheet date

As part of the 2017 combination between the Company, CNAC and Solutions, whereas the Company issued and transferred to CNAC 1,810,883,039 new share in exchange for the transfer of the entire share capital of Solutions, the Company entered into a Performance Compensation Agreement with CNAC regarding Solutions' aggregate net profit, after deducting non-recurring profit or loss, for the years 2017-2019 (hereinafter "Compensation period").

In case Solutions' fails to meet the aggregate net profit of the Compensation Period, CNAC will be required to compensate the Company either through shares or cash according to a predetermined formula.

As of December 31, 2019, Solutions' actual accumulative net profit for 2017-2019 was lower than the committed.

As a result, CNAC will be required to return to the Company 102,432,280 shares out of the 1,810,883,039 shares it received in exchange for 1 RMB, and transfer to the Company any dividends received in respect of such shares during the Compensation Period free of charge. Following their receipt, these shares will be canceled by the Company.

As a result, the total number of shares in issue will be reduced from 2,446,553,582 to 2,344,121,302, and CNAC's effective ownership in the Company will go from 78.9% to 78.0%.

In addition to the profit commitment, and as required by the relevant regulations, a valuation of Solutions' has been performed in order to assess any potential requirement for asset impairment in respect of the value of Solutions. Following the performance of such a valuation, it has been determined that no such impairment is required.

XII. Events subsequent to the balance sheet date (cont'd)

COVID-19 pandemic

During the first quarter of 2020, the global agrochemical market, amongst many others, was materially impacted by the unprecedented coronavirus pandemic, COVID-19. The pandemic, which started early in the quarter and now continues to rage throughout the rest of the world, has had a number of adverse effects on ADAMA's performance in the first quarter, the most significant of which were:

- In China, while operations at the Company's Huai'An, Jiangsu site have continued without material interruption, operations at the Jingzhou site in Hubei province were temporarily suspended from late January until the end of February due to the coronavirus outbreak in the province. Although operations at the site recommenced at the beginning of March, restrictions on logistics remained, impacting the free transport of goods to and from the sites and to the ports;

- Renewed tightening of supply of raw materials and intermediates sourced from third parties in China and around the world, as well as restrictions on global trading and sales through the Company's global channels, as well as increased costs of global logistics;

- Lower demand in the Company's US Consumer & Professional (non-crop) businesses, as retailers slow their restocking of products due to the coronavirus outbreak;

- Significant impacts on global currency markets, which have seen the rapid depreciation of many currencies against the US dollar, most notably the Brazilian Real, Australian dollar, Turkish Lira and Indian Rupee, as well as increased volatility in the Euro. These movements have negatively impacted the Company's performance in the first quarter compared to the corresponding period last year.

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

XIII. Share-based Payments

1. In February 2019, the remuneration committee and the Company's Board of Directors (and the General Meeting with respect to the CEO and Vice President who also serves as a director) approved the allocation of 77,864,910 phantom warrants to officers and employees in accordance with the long-term phantom compensation plan (hereinafter - "the 2019 Plan"), out of which 75,814,897 phantom warrants were granted at grant date. The allocation date is February 21, 2019. During the year, additional 1,206,081 phantom warrants were granted.

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

Upon exercise of each warrant, the offeree will be entitled to receive cash payment equal to the difference between the base price as determined at the time of the grant and the closing price of one share the company on the Shenzhen Stock Exchange, as it will be on the exercise date up to the ceiling that was determined under the plan.

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

The cost of the benefit embodied in the warrants that were allocated as aforesaid, based on the fair value at the grant date, amounted to a total of approximately 186 million RMB. The liability at the end of the reporting period was recorded according to the vesting period as determined in the plan, taking into account the extent of the service that the employees provided until that date.

Statement of share based payments in the period	**Phantom warrants**
Total number of Phantom warrants at the beginning of the period	-
Total number of Phantom warrants granted in current period	77,020,978
Total number of Phantom warrants exercised in current period	-
Total number of Phantom warrants forfeited in current period	(9,794,562)
Total number of Phantom warrants at the end of the period	67,226,416
The exercise prices and the remainder of the contractual period for Phantom warrants outstanding at the end of period	RMB 9.93 – 10.85 6 years
The parameters used in implementing the model are as follows:	
Stock price (RMB)	10.85
Exercise increment (RMB)	10.03/10.85
Expected volatility	43.97%
Risk-free interest rate	3.06%
Economic value as of February 21, 2019 (in thousands RMB)	186,206

The methods for the determination of the fair value of liabilities arising from cash-settled share-based payments	The binomial pricing model
Accumulated amount of liabilities arising from cash-settled share-based payments (in thousands RMB)	65,937
Expenses arising from cash-settled share-based payments in current period (in thousands RMB)	65,023

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

2. In September 2019, the remuneration committee and the Company's Board of Directors (and the General Meeting with respect to the CEO and Vice President who also serves as a director) approved the cancellation of 45,503,271 warrants allocated under the 2017 Plan against the allocation of 28,258,248 warrants in accordance with the long-term phantom compensation plan (hereinafter - "The Alternative Warrants" and "The Alternative Plan"), The cancellation and allocation date is September 26, 2019. During the year, additional 90,130 phantom warrants were granted.

The alternative warrants will vest in four equal portions, where the first quarter is exercisable after one year, the second quarter after two years, the third quarter after three years and the fourth quarter after four years from October 1, 2019. The warrants will be exercisable, in whole or in part, in accordance with the terms of the Alternative Plan, and subject to achieving financial targets as determined in the plan. The warrants will be exercisable until October 1, 2026.

Upon exercise of each warrant, the offeree will be entitled to receive cash payment equal to the difference between the base price as determined at the time of the grant and the closing price of one share of the parent company on the Shenzhen Stock Exchange, as it will be on the exercise date up to the ceiling that was determined under the plan.

The fair value of the total granted alternative Warrants at the allocated date is equal to the fair value of the total warrants canceled from the 2017 plan.

The cost of the benefit embodied in the warrants that were allocated as aforesaid, based on the fair value at the cancellation and allocation date, amounted to a total of approximately 69 million RMB. The liability in the financial statements at the end of the reporting period was recorded at the fair value estimated using the binomial option pricing model and by the vesting period from the original grant date of the 2017 plan to the end of the service period determined by the alternative plan, taking into account the extent of the service that the employees provided until that date and the stock price at the reporting date.

Statement of share based payments in the period

	Phantom warrants
Changes in the number of 2017 Plan:	
Balance as of January 1st, 2019	48,101,391
Granted in current period	-
Forfeited in current period	(2,598,120)
Canceled in current period	(45,503,271)
Total number of Phantom warrants at the end of the period	-
Changes in the number of The Alternative Plan:	
Balance as of January 1st, 2019	-
Granted in current period	28,348,378
Forfeited in current period	(4,081,502)
Total number of Phantom warrants at the end of the period	24,266,876
The range of the exercise prices and the remainder of the contractual period	RMB 9.43
for Phantom warrants outstanding at the end of period	6.75 years

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

The parameters used in implementing the model are as follows:

Stock price (RMB)	9.23
Exercise increment (RMB)	9.43
Expected volatility	40.29%
Risk-free interest rate	3.14%
Economic value as of September 26, 2019 (in thousands RMB)	68,836

The methods for the determination of the fair value of liabilities arising from cash-settled share-based payments related to 2017 Plan	The binomial pricing model
Accumulated amount of liabilities arising from cash-settled share-based payments related to 2017 Plan (in thousands RMB)	-
Income arising from cancellation of cash-settled share-based payments related to 2017 plan in current period (in thousands RMB)	(64,356)

The methods for the determination of the fair value of liabilities arising from cash-settled share-based payments related to the alternative plan	The binomial pricing model
Accumulated amount of liabilities arising from cash-settled share-based payments related to the alternative plan (in thousands RMB)	28,167
Expenses arising from cash-settled share-based payments in current period related to the alternative plan (in thousands RMB)	28,251

XIV. Other significant items

1. Segment reporting

The Company presents its segment reporting based on a format that is based on a breakdown by business segments:

- Crop Protection (Agro)

  This is the main area of the Company's operations and includes the manufacture and marketing of conventional agrochemical products.

- Intermediates and ingredients (formerly known as "Other")

  This field of activity includes a large number of sub-fields, including: Lycopan (an oxidization retardant), aromatic products, and other chemicals. It combines all the Company's activities not included in the Crop Protection products segment.

Segment results reported to the chief operating decision maker include items directly attributable to a segment as well as items that can be allocated on a reasonable basis. Unallocated items comprise mainly financing expenses, net, gains from changes in fair value, investment income and tax expenses.

All assets and liabilities that can be attributed to a specific segment were allocated accordingly. Attributed assets include: accounts and bills receivables, receivables financing, inventory, fixed assets, right-of-use assets, construction in progress, intangible assets, goodwill, non-current trade receivables and long-term equity investments. Attributed liabilities include account payables, bill payables, contractual liabilities, deferred income and lease liabilities. All other assets and liabilities which are not attributable to a specific segment are presented as unallocated assets and liabilities.

XIV. Other significant items - (cont'd)

1. Segment reporting - (cont'd)

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

	Crop Protection		Intermediates and ingredients		Elimination among segments		Total	
	Year ended December 31		Year ended December 31		Year ended December 31		Year ended December 31	
	2019	2018 (Restated)	2019	2018 (Restated)	2019	2018 (Restated)	2019	2018 (Restated)
Operating income from external customers	24,905,674	24,134,355	2,657,565	2,732,953	-	-	27,563,239	26,867,308
Inter-segment operating income	-	-	1,428	719	(1,428)	(719)	-	-
Interest in the profit or loss of associates and joint ventures	8,423	6,207	11,438	794	-	-	19,861	7,001
Segment's results	1,670,516	4,050,508	(127,505)	177,100	-	-	1,543,011	4,227,608
Financial expenses, net							(1,665,885)	(570,392)
Gain (loss) from changes in fair value							825,512	(979,334)
Investment income							(251,066)	621,255
Profit before tax							451,572	3,299,137
Income tax expense							174,531	851,261
Net profit							277,041	2,447,876

	Crop Protection		Intermediates and ingredients		Unallocated assets and liabilities		Total	
	December 31	December 31	December 31	December 31	December 31	December 31	December 31	December 31
	2019	2018 (Restated)	2019	2018 (Restated)	2019	2018 (Restated)	2019	2018 (Restated)
Total assets	35,506,894	32,310,319	2,392,909	2,404,190	7,389,137	9,420,554	45,288,940	44,135,063
Total liabilities	4,682,416	4,800,772	286,109	300,843	17,948,750	16,288,586	22,917,275	21,390,201

XIV. Other significant items - (cont'd)

1. Segment reporting - (cont'd)

Geographic information

The following tables sets out information about the geographical segments of the Group's operating income based on the location of customers (sales target) and the Group's non-current assets (including fixed assets, right-of-use assets, construction in progress, investment properties intangible assets and goodwill). In the case of investment property, fixed assets and construction in progress, the geographical location of the assets is based on its physical location. In case of intangible assets and goodwill, the geographical location of the company which owns the assets.

	Operating income from external customers	
	Year ended December 31	
	2019	2018 (Restated)
Europe	7,078,409	6,983,002
North America	5,418,509	5,038,834
Latin America	7,085,817	6,172,800
Asia Pacific	4,351,929	5,057,860
Africa, Middle East (including Israel) and India	3,628,575	3,614,812
	27,563,239	26,867,308

	Specified non-current assets	
	December 31 2019	December 31 2018 (Restated)
Europe	1,047,505	733,855
Latin America	2,298,654	2,065,089
North America	1,282,267	503,093
Asia Pacific	2,709,786	2,815,195
Africa, Middle East (including Israel) and India	11,512,105	11,659,701
	18,850,317	17,776,933

The dependency on major customers

No single customer's proportion of the total amount of sales is over 10%.

XIV. Other significant items - (cont'd)

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

	Amount for the current period	Amount for the prior period
Net profit from continuing operations attributable to ordinary shareholders	277,041	2,447,876

Thousands shares	Amount for the current period	Amount for the prior period
Number of ordinary shares outstanding at the beginning of the year	2,446,554	2,341,856
Add: weighted average number of ordinary shares issued during the year	-	104,698
Less: weighted average number of ordinary shares repurchased during the year	-	-
Weighted average number of ordinary shares outstanding at the end of the year	2,446,554	2,446,554

In December 2017, non-publicly offered 104,697,982 ordinary shares (A-share) at nominal value of RMB 1 per share to specific investors. The Company received proceeds of 1,531,920 thousand RMB, net of the issuing cost of 28,080 thousand RMB on December 27, 2017.

	Amount for the current period	Amount for the prior period
Calculated based on net profit attributable to ordinary shareholders		
Basic earnings per share	0.11	1.00
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.11	1.00
Diluted earnings per share	N/A	N/A
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

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

1. Cash at bank and on hand

	December 31 2019	December 31 2018
Deposits in banks	1,395,994	2,005,313
Other cash and bank	27,057	52,940
	1,423,051	2,058,253

As at December 31, 2019, restricted cash and bank balances was 27,057 thousand RMB (as at December 31, 2018- 52,940 thousand RMB) mainly including deposits that guarantee bank acceptance drafts.

2. Accounts receivable

a. By category

	December 31, 2019				
	Book value		Provision for expected credit losses		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	131,375	27	131,375	100	-
Account receivables assessed collectively for impairment	349,157	73	48	-	349,109
	480,532	100	131,423	27	349,109

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

b. Aging analysis

	December 31, 2019
Within 1 year (inclusive)	350,756
Over 1 year but within 2 years	74,635
Over 2 years but within 3 years	42,964
Over 3 years but within 4 years	2,634
Over 4 years but within 5 years	1,235
Over 5 years	8,308
	480,532

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

2. Accounts receivable - (cont'd)

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

	Year ended December 31, 2019
Balance as of January 1,	129,941
Addition during the year, net	3,480
Write back during the year	(1,998)
Write-off during the year	-
Exchange rate effect	-
Balance as of December 31	131,423

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

Name	Closing balance	Proportion of Accounts receivable (%)	Allowance of expected credit losses
Party 1	284,525	59	-
Party 2	117,491	25	117,491
Party 3	20,385	4	11
Party 4	11,166	2	-
Party 5	10,999	2	-
	444,566	92	117,502

3. Receivable financing

	December 31 2019	December 31 2018
Bank acceptance draft	11,722	19,917
	11,722	19,917

As at December 31, 2019, bank acceptance endorsed but not yet due amounts to 132,160 thousands RMB.

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

4. Other Receivables

	December 31 2019	December 31 2018
Interest receivable	64	-
Dividends receivable	-	1,808
Other receivables	13,987	29,940
	14,051	31,748

(1) Dividends receivable

a. Dividends receivable by categories

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

As at December 31, 2019, the Company did not have any dividends receivable exceeded 1 year.

(2) Other receivables

a. Other receivables by categories

	December 31 2019	December 31 2018
Other	19,655	35,072
Provision for expected credit losses	(5,668)	(5,132)
	13,987	29,940

b. Other receivables by aging

	December 31, 2019
Within 1 year (inclusive)	839
Over 1 year but within 2 years	13,679
Over 2 years but within 3 years	72
Over 3 years but within 4 years	10
Over 4 years but within 5 years	-
Over 5 years	5,055
	19,655

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

4. Other Receivables - (cont'd)

(2) Other receivables - (cont'd)

c. Additions, recovery or reversal and written-off of provision for expected credit losses during the period:

	Year ended December 31, 2019
Balance as of January 1, 2019	5,132
Addition during the period	536
Written back during the period	-
Write-off during the period	-
Balance as of December 31, 2019	5,668

d. Five largest other receivables at December 31 2019:

Name	Closing balance	Proportion of other receivables (%)	Credit loss provision
Party 1	13,322	68	-
Party 2	3,125	16	3,125
Party 3	548	3	548
Party 4	510	3	-
Party 5	350	1	349
	17,855	91	4,022

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

5. Long-term equity investments

	December 31, 2019			December 31, 2018		
	Amount balance	Impairment loss	Book value	Amount balance	Impairment loss	Book value
Invest in subsidiaries.	16,390,275	18,864	16,371,411	15,939,826	-	15,939,826
	16,390,275	18,864	16,371,411	15,939,826	-	15,939,826

Investments in subsidiaries

Invested unit	Opening balance	Increase	Decrease	Closing balance	Current provision Impairment loss	Balance provision Impairment loss
Jingzhou Hongxiang chemical co. LTD.	37,620	-	18,864	18,756	18,864	18,864
Hubei Sanonda foreign trade co. LTD.	11,993	-	-	11,993	-	-
Jiangsu Anpon Electrochemical co. LTD.	-	450,449	-	450,449	-	-
ADAMA Agricultural Solutions Ltd	15,890,213	-	-	15,890,213	-	-
	15,939,826	450,449	18,864	16,371,411	18,864	18,864

6. Operating Income and operating costs

	Year ended December 31, 2019		Year ended December 31, 2018	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	1,338,579	969,902	3,008,298	1,959,089
Other operations	67,130	54,763	103,855	88,984
	1,405,709	1,024,665	3,112,153	2,048,073

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

7. Notes to items in the cash flow statements

(1) Other cash received relevant to operating activities

	Year ended December 31, 2019	Year ended December 31, 2018
Interest income	26,114	25,827
Government subsidies	4,414	2,628
Other	3,054	3,220
	33,582	31,675

(2) Other cash paid relevant to operating activities

	Year ended December 31, 2019	Year ended December 31, 2018
Professional services	86,915	71,188
Transportation and Commissions	51,660	77,477
Other	26,203	24,220
	164,778	172,885

(3) Other cash received relevant to financing activities

	Year ended December 31, 2019	Year ended December 31, 2018
Deposit for issuing bills payables	39,886	-

(4) Other cash paid relevant to financing activities:

	Year ended December 31, 2019	Year ended December 31, 2018
Repurchase of B shares	-	393,025
Deposit for issuing bills payables	14,003	48,340
Other	466	8,610
	14,469	449,975

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

8. Supplementary information to cash flow statement

	Year ended December 31	
	2019	2018
a. Reconciliation of net profit to net cash flows generated from operating activities:		
Net profit	(487,973)	323,396
Add: Assets impairment loss	147,421	75,080
Credit impairment loss	2,018	116,171
Depreciation of fixed assets	198,193	218,783
Amortization of intangible assets	4,694	5,516
Amortization of-right-of use assets	430	N/A
Loss on disposal of fixed assets, intangible assets and other long-term assets	572	1,457
Financial expenses	12,113	(21,476)
Investment gains	(2,583)	(1,808)
Decrease (increase) in deferred income tax assets	(44,146)	(21,533)
Decrease (increase) in inventory	43,479	25,153
Increase in accounts receivable from operating activities	336,662	153,415
Increase in payables from operating activities	10,932	199,429
Net cash flows generated from operating activities	221,812	1,073,583
b. Net increase in cash and cash equivalents		
Closing balance of cash	1,395,994	2,005,313
Less: Opening balance of cash	2,005,313	1,864,003
Net increase in cash and cash equivalents	(609,319)	141,310

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

9. Related parties and related parties transactions

(1) Information on parent Company

Company name	Registered place	Business nature	Registered capital (Thousand)	Shareholding percentage (%)	Percentage of voting rights (%)
CNAC	Beijing, China	Production and sales of agrochemicals	3,338,220	78.91	78.91

The ultimate controller of the company is China National Chemical Corporation.

(2) Information on the subsidiaries of the Company

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

(3) Transactions with related parties

a. Transactions of goods and services

		Year ended December 31	
		2019	2018
Summary of Purchase of goods/services received:	Related Party Relationship		
Purchase of goods/services received	Common control under ChemChina	12,210	15,733
Purchase of fixed assets and other assets	Common control under ChemChina	192,489	74,308
Purchase of goods/services received	Subsidiary	125,800	220,671
Summary of Sales of goods:			
Sale of goods	Subsidiary	514,469	864,946
Sale of raw materials	Subsidiary	2,633	54,999
Sale of fixed assets	Subsidiary	-	1,528

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

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

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

b. Leases

The Company as lessor

Type of leased assets	Lessee	December 31 2019	December 31 2018
Building and Structures	Common control under ChemChina	-	19

c. Guarantees

The Company as the guarantor

	Amount of guaranteed loan	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y/ N)
Subsidiary	20,000	26/12/2019	25/12/2020	N
	40,000	10/10/2019	09/10/2020	N
	50,000	30/12/2019	25/12/2020	N
	50,000	12/12/2019	09/12/2020	N
	50,000	21/11/2019	18/11/2020	N
	50,000	19/11/2019	18/11/2020	N

The Company as the guarantee receiver

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

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

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

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

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

Receivable Items

Items	Related Party Relationship	December 31 2019 Book Balance	December 31 2019 Expected credit losses	December 31 2018 Book Balance	December 31 2018 Expected credit losses
Trade receivables	Subsidiary	424,182	117,491	753,369	113,245
Prepayments	Common control under ChemChina	-	-	298	-

Payable Items

Items	Related Party Relationship	December 31 2019	December 31 2018
Trade payables	Common control under ChemChina	9,195	184
Other payables	Subsidiary	163,877	105,164
Other payables	Common control under ChemChina	97	240
Other non-current liabilities*	Common control under ChemChina	171,770	171,770

* loans from related party, the interest expense for the 12 months ended December 31, 2019 and 2018 was 2,090 thousand RMB for each of the periods.

e. Acquisition of a subsidiary

Related Party	Related Party Relationship	Year ended December 31 2019	Year ended December 31 2018
Parent	Acquisition of a subsidiary	415,000	-

f. Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was 163,630 thousand RMB (31.12.18: 295,661 thousand RMB) Interest income of bank deposit for the current period was 2,883 thousand RMB (amount for twelve months ended December 31, 2018 is 1,456 thousand RMB).

The closing balance of a loan received from ChemChina Finance corporation was 100,000 thousand RMB. Interest expenses in the current period was 1,610 thousand RMB.

Supplementary information
(Expressed in RMB '000)

1. Extraordinary Gain and Loss

	Year ended December 31, 2019
Disposal of non-current assets	127,073
Government grants recognized through profit or loss	27,410
Profit of subsidiaries generated before combination date of a business combination involving enterprises under common control	38,027
Recovery or reversal of expected credit losses which is assessed individually during the years	25,821
Profit or loss arising from contingencies other than those related to normal operating business	(45,989)
Other non-operating income or expenses other than the above	(40,992)
Other profit or loss that meets the definition of non-recurring profit or loss	(574,500)
Tax effect	110,132
	(333,018)

Note 1: Extraordinary gain and loss items listed above are presented in the amount before taxation
Note 2: The company accrued impairment losses and severance payment under the relocation process in 2019.

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

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

Profit during the reporting period	Weighted average rate of return on net assets (%)	Basic EPS (RMB/share)	Diluted EPS (RMB/share)
Net profit attributable to ordinary shareholders of the Company	1.23%	0.11	N/A
Net profit after deduction of extraordinary gains/losses attributable to ordinary shareholders of the Company	2.72%	0.25	N/A

Supplementary information - (cont'd)

(Expressed in RMB '000)

3. Supplementary information for retrospective restatement

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

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

	January 1, 2018 (Restated)	**December 31 2018 (Restated)**	**December 31 2019**
Current assets			
Cash at bank and on hand	7,984,102	6,400,190	4,348,588
Financial assets at fair value through profit or loss	23,000	46,095	29,510
Derivative financial assets	455,153	517,726	490,113
Bills receivables	29,927	40,569	26,000
Accounts receivable	5,229,446	6,573,100	8,004,157
Receivables financing	282,645	73,216	78,948
Prepayments	298,036	410,506	377,808
Other receivables	1,083,330	1,079,332	1,195,253
Inventories	7,669,358	9,433,876	9,932,654
Assets held for sale	403,297	-	-
Non-current assets due within one year	46	48	-
Other current assets	614,957	660,806	659,195
Total current assets	24,073,297	25,235,464	25,142,226
Non-current assets			
Long-term receivables	192,968	157,600	170,896
Long-term equity investments	102,384	108,350	133,098
Other equity investments	91,090	91,559	155,062
Investment properties	4,408	4,094	3,771
Fixed assets	6,872,164	7,263,866	6,939,610
Construction in progress	841,100	487,204	788,386
Right-of-use assets	N/A	N/A	536,034
Intangible assets	4,102,983	5,741,962	5,835,785
Goodwill	3,890,097	4,085,945	4,511,193
Deferred tax assets	870,030	741,737	826,696
Other non-current assets	209,815	217,282	246,183
Total non-current assets	17,177,039	18,899,599	20,146,714
Total assets	41,250,336	44,135,063	45,288,940

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

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

	January 1, 2018 (Restated)	December 31 2018 (Restated)	December 31 2019
Current liabilities			
Short-term loans	3,080,912	1,122,774	2,009,882
Derivative financial liabilities	789,050	1,451,670	691,475
Bills payable	311,557	445,533	321,674
Accounts payable	3,983,018	4,627,936	4,205,901
Contract liabilities	781,374	848,402	664,228
Employee benefits payable	1,013,830	944,175	1,211,713
Taxes payable	437,457	616,780	369,038
Other payables	1,062,400	1,197,579	1,049,594
Non-current liabilities due within one year	448,504	301,814	1,066,243
Other current liabilities	466,078	578,184	355,243
Total current liabilities	12,374,180	12,134,847	11,944,991
Non-current liabilities			
Long-term loans	514,320	235,819	927,159
Debentures payable	7,777,410	7,649,098	7,965,942
Lease liabilities	N/A	N/A	406,358
Long-term payables	23,909	25,106	29,021
Long-term employee benefits payable	652,071	620,646	738,854
Provisions	186,020	132,351	176,822
Deferred tax liabilities	224,613	392,404	323,304
Other non-current liabilities	225,586	199,930	404,824
Total non-current liabilities	9,603,929	9,255,354	10,972,284
Total liabilities	21,978,109	21,390,201	22,917,275
Shareholders' capital			
Share capital	2,446,554	2,446,554	2,446,554
Capital reserve	13,331,312	13,324,491	12,903,168
Other comprehensive income	(104,048)	1,090,827	1,192,681
Special reserves	9,349	13,536	14,927
Surplus reserve	207,823	240,162	240,162
Retained earnings	3,381,237	5,629,292	5,574,173
Total shareholders' equity	19,272,227	22,744,862	22,371,665
Total liabilities and shareholders' equity	41,250,336	44,135,063	45,288,940