SANONDA
沙隆達

HUBEI SANONDA CO., LTD.

SEMI-ANNUAL REPORT 2018

Adama Agricultural Solutions Ltd., one of the world's leading crop protection companies, and Hubei Sanonda Co., Ltd. have combined, creating the only integrated, publicly traded Global-China crop protection company.

At ADAMA, we strive to Create Simplicity in Agriculture - offering farmers effective products and services that simplify their lives and help them grow. With one of the most comprehensive and diversified portfolios of differentiated, quality products, our 6,600 strong team reaches farmers in over 100 countries, providing them with solutions to control weeds, insects and disease, and improve their yields.

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

August 2018

Section I Important Notice, Table of Contents and Definitions

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

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

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

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

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

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

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

Table of Contents

Definitions

Term		Definition
Company, the Company		Hubei Sanonda Co., Ltd.
Adama Solutions		Adama Agricultural Solutions Ltd., a wholly-owned subsidiary of the Company, incorporated in Israel according to its laws
Board of Directors/Board		The Board of Directors of the Company
Board of Supervisors		The Board of Supervisors of the Company
Group, the Group		The Company and its subsidiaries
CSRC		China Securities Regulatory Commission
SZSE		Shenzhen Stock Exchange
Reporting Period, this period		January 1, 2018 - June 30, 2018
ChemChina		China National Chemical Co., Ltd.
CNAC		China National Agrochemical Co., Ltd., the controlling shareholder of the Company, a wholly-owned subsidiary of ChemChina

Section II Corporate Profile and Financial Results

I Corporate Information

Stock name	Sanonda A, Sanonda B	Stock code	000553, 200553
Stock exchange	Shenzhen Stock Exchange		
Company name in Chinese	湖北沙隆达股份有限公司		
Abbr.	沙隆达		
Company name in English	Hubei Sanonda Co., Ltd.		
Abbr.	SANONDA		
Legal representative	Chen Lichtenstein		

II Contact Information

	Board Secretary	Securities Affairs Representative
Name	Li Zhongxi	Liang Jiqin
Address	No. 93, Beijing East Road, Jingzhou, Hubei	No. 93, Beijing East Road, Jingzhou, Hubei
Tel.	0716-8208632	0716-8208232
Fax	0716-8321099	0716-8321099
E-mail	zhongxi.li@adama.com	jiqin.liang@adama.com

III Other Information

1. Ways to Contact the Company

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

□ Applicable √ Not applicable

No changes occurred to the said information during the Reporting Period, which can be found in the 2017 Annual Report.

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

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

□ Applicable √ Not applicable

The newspapers designated by the Company for information disclosure, the website designated by the CSRC for the publication of this Report and the location where this Report is kept did not change during the Reporting Period. The said information can be found in the 2017 Annual Report.

IV Main Accounting Data and Financial Indexes

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

√ Yes □ No

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

	Reporting Period	Same period of last year		+/- (%)
		Before adjustment	After adjustment	After adjustment
Operating revenues (RMB'000)	13,026,258	1,465,703	12,770,064	2.01%
Net profit attributable to shareholders of the Company (RMB'000)	2,362,781	169,191	1,316,994	79.41%
Net profit attributable to shareholders of the Company excluding non-recurring profit and loss (RMB'000)	790,296	167,054	167,054	373.08%
Net cash flow from operating activities (RMB'000)	779,518	221,244	2,249,146	-65.34%
Basic EPS (RMB/share)	0.9658	0.2849	0.5624	71.73%
Diluted EPS (RMB/share)	N/A	N/A	N/A	
Weighted average return on net assets	11.65%	8.09%	7.62%	4.03%
	End of Reporting Period	End of last year		+/- (%)
		Before adjustment	After adjustment	After adjustment
Total assets (RMB'000)	41,577,798	39,613,922	39,685,756 (Note 1)	4.77%
Net assets attributable to shareholders of the Company (RMB'000)	21,543,425	18,778,013	18,849,847 (Note 1)	14.29%

Note 1:

The amounts specified are 2018 opening balance amounts rather than 2017 closing balance amounts. As of January 1, 2018, the Company began to adopt the revised Accounting Standards for Business Enterprises ("ASBE") regarding financial instruments and revenue, promulgated by Ministry of Finance in 2017. According to the transitional requirements of relevant revised ASBEs, the opening balances of total assets and net assets attributable to the shareholders of the Company have been adjusted. The total assets and net assets attributable to the shareholders of the Company as at December 31, 2017 were RMB'000 39,613,922 and RMB'000 18,778,013, respectively.

V Differences in Accounting Data under Domestic and Foreign Accounting Standards

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

□ Applicable √ Not applicable

No such differences for the Reporting Period.

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

□ Applicable √ Not applicable

No such differences for the Reporting Period.

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

□ Applicable √ Not applicable

VI Non-Recurring Profit/Loss

√ Applicable □ Not applicable

Unit: RMB'000

Item	Reporting Period	Note
Gains/losses on the disposal of non-current assets (including the offset part of asset impairment provisions)	1,997,170	Divestment in Europe and US, due to the Syngenta Transaction.
Government grants recognized through profit or loss (excluding government grants closely related to business of the Company and given at a fixed quota or amount in accordance with government's uniform standards)	10,787	
Recovery or reversal of provision for bad debts which is assessed individually during the years	13,249	
Other non-operating income and expenses other than the above	(787)	
Less: Income tax effects	447,934	
NCI (after tax)	-	
Total	1,572,485	

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

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Section III Business Profile

I Main Business of the Company during the Reporting Period

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

No.

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

The Group engages in the development, manufacturing and marketing of off-patent crop protection products, and is one of the leading companies in the world in this field. The Group supplies solutions to farmers in approximately 100 countries across the globe, through approximately 60 subsidiary companies throughout the world.

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

Adama-Sanonda combination - The combination of Adama Solutions and the Company was successfully completed, whereby on July 4, 2017, the entire share capital of Adama Solutions was transferred from CNAC to the Company, in return for the issuance of new shares in the Company to CNAC and their registration for trade on the SZSE which was completed on August 2, 2017 (together the "**Combined Company**"; the "**Combination Transaction**"). Subsequently, the Company is consolidating Adama Solutions' financial statements as of the third quarter 2017.

The Group's primary operations are focused on Europe, North America, Latin America, Asia-Pacific and the India, Middle-East and Africa region. In total, the Group sells its products in approximately 100 countries worldwide.

The Group is focused on the development, manufacturing and marketing of off-patent crop protection products (which are mainly herbicides, fungicides and insecticides designed to protect agricultural and other crops), and utilizes its expertise for the development and adaptation of similar products for non-agricultural purposes (Consumer and Professional Solutions).

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

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

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

II Significant Changes in Main Assets

1. Significant Changes in Main Assets

Main assets	Explanations regarding significant change
Stock rights/Equity assets	No significant changes
Fixed assets	No significant changes
Intangible assets	Portfolio of products acquired from Syngenta.
Construction in progress / On-going construction projects	No significant changes
Trade receivables	Seasonal increase
Financial assets at fair value through profit or loss	Additional investment
Derivative financial assets	Revaluation of derivatives
Bills receivable	Mainly endorsed to suppliers
Prepayments	Mainly due to payment timing
Other receivables	Mainly decrease in subordinated note in respect of securitization transaction
Assets held for sale	Divestment transaction completed

2. Main Assets Overseas

√ Applicable □ Not applicable

Specific contents of the assets	Reason	Scale of the assets (RMB'000)	Location	Operation mode	Control measures to guarantee safety of the assets	P/L of the assets (RMB'000)	Proportion of overseas assets out of the net assets (%)	Significant impairment risk?
Equity investment in Adama Solutions	Acquired through major assets restructuring.	18,097,813	Israel and globally	Crop Protection	Corporate Governance	2,114,843	84%	No
Other explanations	See item I above regarding the completion of the Combination Transaction in July 2017.							

III Core Competitiveness Analysis

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

No.

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

Section IV Performance Discussion and Analysis

I Overview

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

Financial Highlights

Revenues. The increase in revenues was driven by robust volume growth. Especially strong performance was recorded in the Americas, China and the India, Middle East and Africa region. In Europe, revenues over the half-year grew slightly, with a recovery in the second quarter after a delayed start to the season in the first quarter. In addition to the volume growth, improved demand conditions facilitated a stronger pricing environment, allowing the passing on of some of the impact of the constrained supply and higher procurement costs.

Gross profit. The increase in gross profit reflects the strong volume growth of a better product mix, as well as higher prices, which were partially offset by the increased procurement costs of raw materials and intermediates.

Operating expenses. The increase in Sales and Marketing expenses resulted primarily from an increase in sales-related personnel marketing and product development teams in growing geographies and an increase in other variable expenses as a result of the increase in sales volumes. The increase in R&D, General and Administrative expenses resulted primarily from increased spend on strategic research and development projects. In addition to these factors, part of the increase in total operating expenses stemmed from the impact of the strengthening of most currencies against the US dollar, mainly in the first quarter.

Financial expenses and investment income. The increase in financial expenses and investment income in the half-year period was primarily due to the adoption of a new accounting standard which classifies part of interest income on sales as revenue, partially offset by foreign exchange income related to balance sheet positions.

Tax expenses. The higher tax expenses stem from increased profits accrued at the Group's selling entities worldwide, as well as the non-cash impact of the devaluation of the Brazilian Real, which resulted in a lower value of local currency-denominated tax assets. Notably, the comparatively low tax expenses recorded in the first half of last year reflected a benefit from the utilization of tax loss carryforwards in the first quarter of 2017.

Working capital. Higher working capital served to accommodate the higher sales growth momentum. Inventories were higher due to significant product preparation in advance of the season in the southern hemisphere, as well as the higher procurement costs. Receivables were higher due to the strong sales growth, partially offset by an increase in payables.

Cash Flow. Notwithstanding the stronger growth momentum requiring increased inventories in advance of the season, due to the continued implementation of advanced supply chain alignment, the Group maintains its inventory days at their historically low levels. Additionally, continued tight control of credit allowed the receivable days of the Group to be at record best mid-year levels. This working capital discipline facilitated the generation of strong operating cash flow, while accommodating the significant sales growth.

Additions to assets includes investments in product registrations and other intangible and fixed assets, including the transfer of products in Europe from Syngenta in the first quarter of 2018. Proceeds from disposal of assets includes the divestment of certain products in Europe in the first quarter of 2018 in connection with the approval of the European Commission for ChemChina's acquisition of Syngenta, while in 2017 similarly includes one-time proceeds resulting from the sale of non-core assets.

Leverage: The significantly reduced balance sheet net debt at the end of June puts the Group's net debt/EBITDA ratio at 0.7x, compared to 1.2x at the same time last year.

II Analysis of Main Business

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

Year-on-year changes of main financial data:

Unit: RMB'000

	Reporting Period/ Closing Balance	Same period of last year/ Opening Balance	+/-%	Reason for change
Financial assets at fair value through profit or loss	32,693	23,000	42.14%	Additional investment
Derivative financial assets	940,225	455,153	106.57%	Revaluation of derivatives
Bills receivable	88,285	180,030	(50.96%)	Mainly endorsed to suppliers
Accounts receivables	6,614,644	5,085,911	30.06%	Mainly due to seasonality
Prepayments	286,942	202,111	41.97%	Mainly due to payment timing
Other receivables	707,725	1,029,557	(31.26%)	Mainly decrease in subordinated note in respect of securitization transaction
Assets held for sale	-	403,297	(100%)	Divestment transaction completed
Intangible assets	5,895,824	4,036,588	46.06%	Mainly purchase of intangible from Syngenta AG
Short term loans	384,482	2,280,912	(83.14%)	Repayment of short term loans
Derivative financial liabilities	1,209,687	789,050	53.31%	Revaluation of derivatives
Bills payable	144,991	311,557	(53.46%)	Cheques paid
Taxes payable	595,224	431,275	38.01%	Mainly due to increase in corporate income tax due to increase in taxable profit
Dividend payables	154,383	250	61,653.20%	Dividend to shareholders
Other payables	1,991,600	1,375,993	44.74%	Mainly increase in liability in respect of securitization transaction and liabilities for

	Reporting Period/ Closing Balance	Same period of last year/ Opening Balance	+/-%	Reason for change
				discounts
Long-term loans	320,382	514,320	(37.71%)	Mainly due to repayment of loans
Provision	113,041	163,913	(31.04%)	Decrease in provision in respect of contingencies
Deferred tax liability	471,942	224,613	110.11%	Mainly due to utilization of losses carry forward due to gain from disposal of intangible assets.
Other comprehensive income	401,339	(104,080)	(485.61%)	Mainly due to revaluation of hedge transactions and translation effect of foreign operations
Special reserves	14,259	9,349	52.52%	Additions to safety production cost
Retained earnings	5,500,544	3,307,924	66.28%	Mainly net profit
Financing Expense	330,018	911,916	(63.81%)	Mainly exchange rate differences
Income tax expenses	727,264	142,257	411.23%	Mainly due to gain from disposal of intangible assets and devaluation of the Brazilian Real which resulted in a decrease in the local tax assets reduced
Operating income	13,026,258	12,770,064	2.01%	
Cost of goods sales	8,571,417	8,179,694	4.79%	
Selling and Distribution expenses	2,223,934	2,122,890	4.76%	
General and administrative expenses	637,129	559,398	13.90%	
Net cash flows from operating activities	779,518	2,249,146	(65.34%)	Includes mainly an increase in working capital, due to an increase in inventory due to significant product preparation in advance of the season in the southern hemisphere, as well as the higher procurement costs.
Net cash flows used in investing activities	(264,623)	(484,293)	(45%)	Reduction in net investment due to proceeds from disposal of intangible assets.
Net cash flows used in financing activities	(2,356,158)	(966,091)	144%	Cash repayment of loans
Net increase (decrease) in cash and cash equivalents	(1,842,878)	703,907	(361.81%)	See explanations above regarding cash flow

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

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Breakdown of main business:

Unit: RMB'000

	Operating revenues	Cost of goods sold	Gross margin (%)	YoY increase/decrease of the operating revenues	YoY increase/decrease of the cost of goods sold	YoY increase/decrease of the gross margin
Classified by industries						
Industry of manufacturing chemical raw materials and chemical products	13,026,258	8,571,417	34.20%	2.01%	4.79%	-2.95%
Classified by products						
Agro	12,132,725	7,899,306	34.89%	2.29%	5.22%	-2.66%
Classified by regions						
--	--	--	--	--	--	--

III Analysis of Non-Core Business

√ Applicable □ Not applicable

Unit:RMB'000

	Amount	**Proportion in total profit**	**Reasons**	**Whether sustained**
Investment income	147,053	5%	--	No
Gain/loss from change of Fair Value	-243,376	-8%	--	No
Impairment of asset	43,880	1%	--	No
Non-operating income	1,997,170	64.63%	Divestment in Europe due to the Syngenta Transaction	No
Non-operating loss	29,004	0.94%	--	No

IV Analysis of Assets and Liabilities

1. Significant Changes in Asset Composition

Unit: RMB'000

	End of Reporting Period		End of same period of last year		Change in percentage (%)	Reason for significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Cash at bank and on hand	6,049,530	14.55%	4,544,474	12.09%	2.46%	no significant change
Accounts receivable	6,614,644	15.91%	6,436,524	17.12%	-1.21%	no significant change
Inventories	8,274,820	19.90%	7,344,645	19.53%	0.37%	no significant change
Investment properties	4,251	0.01%	4,565	0.01%	0.00%	no significant change
Long term equity investment	119251	0.29		0.27%	0.02%	no significant change
Fixed assets	6,150,140	14.79%	6,480,834	17.24%	-2.45%	no significant change

	End of Reporting Period		End of same period of last year		Change in percentage (%)	Reason for significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Construction in progress	871,046	2.09%	587,248	1.56%	0.53%	no significant change
Intangible assets	5,895,824	14.18%	4,349,139	11.57%	2.61%	no significant change
Goodwill	3,939,153	9.47%	3,987,019	10.60%	-1.13%	no significant change
Deferred tax assets	623,619	1.50%	708,345	1.88%	-0.38%	no significant change
Short term loans	384,482	0.92%	537,567	1.43%	-0.51%	no significant change
Accounts payables	4,221,331	10.15%	3,745,730	9.96%	0.19%	no significant change
Employee benefits payable	766,690	1.84%	986,126	2.62%	-0.78%	no significant change
Long-term loans	320,382	0.77%	492,644	1.31%	-0.54%	no significant change
Debentures payable	7,548,581	18.16%	8,026,553	21.35%	-3.19%	no significant change

2. Assets and Liabilities Measured at Fair Value

√ Applicable □ Not applicable

Unit: RMB'000

Item	Opening balance	Profit/loss on fair value changes in the Reporting Period	Cumulative fair value changes charged to equity	Impairment provided in the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Closing balance
Financial assets							
Financial assets measured at fair value through profit or loss (excluding derivative financial assets)	23,000	-2,877	-309	-	64,969	-52,090	32,693
Derivative financial assets (including long term)	455,153	43,621	335,385	-	-	128,503	962,662
Other equity investments	91,090	-	-64	-	-	-	91,154
Total financial assets	569,243	40,744	335,012	-	64,969	76,413	1,086,509
Other							
Total of above	569,307	40,744	335,012	-	64,969	76,413	1,086,509
Financial liabilities	789,050	431,600	-	-	-	-	1,220,650

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

□ Yes √ No

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

At the end of this Reporting Period, restricted assets included RMB 28.150 million - restricted cash, most of which is as guarantee for bank acceptance bills ; RMB 6.134 million - fixed assets, as mortgage for loans; and RMB 130.128 million - other non-current assets, mainly as guarantee for asset securitization and law suits.

V Investments Made

1. Overall Condition of the Total Investments Made

√ Applicable □ Not applicable

Investment during the Reporting Period (RMB'000)	Investment during the Same Period Last Year (RMB'000)	+/-% YoY
27,502,683	0	+100%

2. Significant Equity Investments Made in the Reporting Period

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

4. Financial Investments

(1) Securities Investments

□ Applicable √ Not applicable

No such cases in the Reporting Period.

(2) Investments in Derivative Financial Instruments

√ Applicable □ Not applicable Unit: RMB'000

The party that operates the investment	Relation with the Company	Related party transaction or not?	Type	Initial investment amount	Starting date	Expiring date	Investment amount at beginning of the period	Amount purchased during the reporting period	Amount sold during the reporting period	Impairment accrued (if any)	Investment amount at end of the period	Percentage of investment amount divided by net asset at end of the period	Gain/loss during the reporting period
Banks	No	No	Option	52,274	24/04/2018	24/12/2018	52,274	6,409,987	-1,228,530	No	5,233,731	24.31%	-3,711
Banks	No	No	Forwards	15,911,923	03/04/2018	30/10/2018	15,911,923	21,092,696	-24,582,737	No	12,421,882	50.70%	-367,360
Total				15,964,197	--	--	15,964,197	27,502,683	-25,811,267		17,655,613	82.01%	-371,071

Source of fund for the investment	Internal
Litigation-related situations (if applicable)	N/A
Date of disclosure of Board approval (if any)	December 30, 2017
Date of disclosure of Shareholders' approval (if any)	N/A
Risk and control analysis for the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)	The aforesaid refers to short term hedging currency transactions made with banks. The Group's transactions are not traded in the market. The transactions are between the applicable company in the Group and the applicable bank until the expiration date of the transaction, therefore no market risk is involved. Regarding credit and liquidity risk, the Group is working with large and substantial banks only and with some of them the Group has ISDA agreements. As to operational risk, the Group is working with approved software for all transactions. No legal risk is involved. The controls taken in order to further reduce said risks are: • The relevant subsidiaries have specific guidelines, under the Group's policy, which were approved by the subsidiaries' Financial Statements Committee of the Board, which specifies, inter alia, the hedging policy, the persons that have the authorization to deal with hedging, the tools, ranges etc. The only subsidiary that has hedging positions in the Group in the period was Adama Solutions and its subsidiaries. • The relevant subsidiaries apply local SOX audits that audit the working process and the controls of the hedging transactions, in addition to the quarterly audit. • The controllers of the relevant subsidiaries are involved and monitor the hedging accounting treatment. Every 2-3 years the internal audit of the relevant subsidiaries department is auditing the entire procedure.

Market price or fair value change of investments during the reporting period. Specific methodology and assumptions should be disclosed in the analysis of fair value of the investments	The aforesaid refers to short term hedging currency transactions made by the relevant subsidiary with banks. Segregation of duties as follows: For the fair value evaluation, the relevant subsidiary is using external experts. The relevant subsidiary hedges currencies only; the relevant transactions are simple (options and forwards) for up to 1.5 years. Therefore, the valuation is straightforward, and the exchange rates are provided by the accounting department of the relevant subsidiary and all other parameters are provided by the external experts.
Explanation for any significant changes in accounting policies and principles, compared with last reporting period	N/A
Independent Directors' opinion on the investment in derivative financial instruments and related risk controls	The derivative investments carried by the Company are for hedging and avoiding the risk of market fluctuations. The investments respond to the Company's routine business demands and are in accordance with the relevant laws and regulations. Additionally, the Company has adopted Currency Risk Hedging Policy to strengthen the risk management and control which benefit the Company's ability to protect against market risk. The derivative investments do not harm the interests of the Company and its shareholders.

VI Sale of Major Assets and Equity Interests

1. Sale of Major Assets

□ Applicable √ Not applicable

No such cases in the Reporting Period.

The Company successfully concluded and executed the transfer and divestment process relating to ChemChina's acquisition of Syngenta mentioned in Item VI in Section IV (Performance Discussion and Analysis) of the 2017 Annual Report (the "**Syngenta Transaction**"), with effective integration of the product portfolio transferred from Syngenta as well as the simultaneous transition of divested products, ensuring continuity of supply, maintenance of quality and minimal disruption to customers.

2. Sale of Major Equity Interests

□ Applicable √ Not applicable

VII Main Controlled and Joint Stock Companies

√ Applicable □ Not applicable

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

Unit: RMB'000

Name	Type	Main services	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Adama Solutions	Subsidiary	Development, manufacturing and marketing of agrochemicals, intermediate materials for other industries, food additives and synthetic aromatic products, mainly for export	720,085	33,891,178	14,823,296	11,783,305	2,926,319	2,235,906

Subsidiaries acquired or disposed during the Reporting Period

□ Applicable √ Not applicable

VIII Structured Entities Controlled by the Company

□ Applicable √ Not applicable

IX Performance Forecast for January-September 2018

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

□ Applicable √ Not applicable

X Risks Facing the Company and Countermeasures

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

Exchange rate fluctuations

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

On an annual perspective, approximately 33% of Adama Solutions' sales are to the European market and therefore the impact of long-term trends on the Euro may affect the Company's results and profitability.

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

Adama Solutions uses commonly accepted financial instruments to hedge most of its substantial net balance sheet exposure to any particular currency. Nonetheless, since as part of these operations Adama Solutions hedges against most of its balance sheet exposure and against only part of its economic exposure, exchange rate volatility might impact Adama Solutions' results and profitability. Adama Solutions has hedged most of its balance sheet exposure for the first six months of 2018 as it is on the date of publication of this report

In addition, as the Company's product sales depend directly on the cyclical nature of the agricultural seasons, therefore the Company's income and its exposure to the various currencies is not evenly distributed over the year. Countries in the northern hemisphere have similar agricultural seasons and therefore, in these countries, the highest sales are usually during the first half of the calendar year. During this period, the Company is most exposed to the Euro, the Polish Zloty and the British Pound. In the southern hemisphere, the seasons are opposite and most of the local sales are carried out during the second half of the year. During these months, most of the Company's exposure pertains to the Brazilian Real. The Company has more sales in markets in the northern hemisphere and therefore, the Company's sales volume during the first half of the year is higher than the sales volume during the second half of the year.

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

The main portion of the debentures issued by Adama Solutions, material subsidiary of the Company, is linked to the Israel Consumer Price Index (CPI) and therefore an increase in the CPI might lead to a significant increase in its financing expenses. As of the date of approval of the financial statements, Adama Solutions hedged most of its exposure to this risk on an ongoing basis, through CPI hedging transactions.

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

Business operations in emerging markets

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

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

Operating in a competitive market

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

The Originator Companies possess resources enabling them to compete aggressively, in the short-to-medium term, on price and profit margins, so as to protect their market share. Loss of market share or inability to acquire additional market share from the Originator Companies can affect the Group's position in the market and adversely affect its financial results. For details regarding the Group’s competitive advantages see section III - subsection III of the 2017 annual report of the Company.

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

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

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

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

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

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

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

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

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

Legislative, standard and regulatory changes in product registration

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

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

Product liability

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

Successful market penetration and product diversification

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

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

Intellectual property rights of the Group and of third parties

The Group's ability to develop off-patent products is dependent, inter alia, on its ability to oppose patents of an

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

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

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

Fluctuations in raw material inputs and prices, and in costs of goods sold

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

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

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

Exposure due to recent developments in the genetically modified seeds market

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

Operational risks

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

Raw material supply and/or shipping and port services disruptions

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

Failed mergers and acquisitions; difficulties in integrating acquired operations

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

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

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

Production concentration in limited plants

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

International taxation

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

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

The Group’s Financial Statements do not include a material provision for exposure for international taxation, as stated above, based on professional counsel it has received.

Risks arising from the Group's debt

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

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

Exposure to customer credit risks

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

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

The Group's working capital and cash flow needs

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

Section V Significant Events

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

1. Meetings of Shareholders Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to disclosed information
1st Interim Shareholders Meeting in 2018	Interim Shareholders Meeting	74.06%	March 19, 2018	March 20, 2018	Announcement of the 1st Interim Shareholders Meeting in 2018 (Announcement Number:2018-11). Disclosed at the website CNINFO www.cninfo.com.cn
2017 Annual Shareholders Meeting	Annual Shareholders Meeting	82.09%	June 28, 2018	June 29, 2018	Announcement of the Annual Shareholders Meeting (Announcement Number:2018-35). Disclosed at the website CNINFO www.cninfo.com.cn

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

□ Applicable √ Not applicable

II Proposal for Profit Distribution and Converting Capital Reserve into Share Capital for the Reporting Period

□ Applicable √ Not applicable

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

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

☐ Applicable √ Not applicable

No such cases in the Reporting Period.

IV Engagement and Disengagement of CPA Firm

Has the semi-annual financial report been audited?

□Yes √ No

This Semi-Annual Report is unaudited.

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

VII Bankruptcy and Restructuring

□ Applicable √ Not applicable

No such cases in the Reporting Period.

VIII Litigation and Arbitration Matters

Significant litigations or arbitrations:

□ Applicable √ Not applicable

No such cases in the Reporting Period.

Other litigations or arbitrations:

☐ Applicable √ Not applicable

No substantial litigation or arbitrations in the Reporting Period.

IX Punishments and Rectifications

□ Applicable √ Not applicable

No such cases in the Reporting Period.

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

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

XII Significant Related Transactions

1. Related Transactions Relevant to Routine Operations

□Applicable √ Not applicable

(1) There are no significant related-party transactions during the reporting period.

(2) Item XII of Section X "Financial Statements" has set out the related parties and the related-party transactions of the Company.

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

□ Applicable √ Not applicable

The Company was not involved in any related-party transactions arising from asset acquisition or sale during the Reporting Period.

3. Related Transactions Regarding Joint Investments in Third Parties

□ Applicable √ Not applicable

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

4. Credits and Liabilities with Related Parties

√ Applicable □ Not applicable

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

□ Yes √ No

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

5. Other significant related-party transactions

√ Applicable □Not applicable

The 2017 Annual Shareholders Meeting approved the expected related-party transactions in the ordinary business course of the Company in 2018. Please refer to Item XII of Section X "Financial Statements" for details of the related-party transactions in the ordinary business course.

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

Name of the interim announcement	Disclosure date of the interim announcement	Website to disclose the interim announcement
Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2018	June 8, 2018	www.cninfo.com.cn

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

□ Applicable √ Not applicable

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

XIV. Significant Contracts and Execution

1. Entrustment, Contracting and Leasing

(1) Entrustment

□ Applicable √ Not applicable

No such cases in the Reporting Period.

(2) Contracting

□ Applicable √ Not applicable

No such cases in the Reporting Period.

(3) Leasing

□Applicable√ Not applicable

No significant leasing in the Reporting Period.

2. Significant Guarantees

□Applicable √Not applicable

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

3. Other Significant Contracts

□ Applicable √ Not applicable

No such cases in the Reporting Period.

XV. Social Responsibilities

1. Information on the Environmental Situation

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

Company name	Main pollutants and special pollutants	Way of emission	Number of emission points	Layout of emission points	Concentration	Pollution standards applied	Total amount emitted/discharged	Total amount approved	Exceeding limit
Sanonda	COD	Continuous	1	Centralized discharge point	Within limit	Comprehensive Standard on Discharge of Waste Water (GB8978-1996) ， COD<100mg/L	137.85	391.3	No
Sanonda	Ammonia nitrogen	Continuous	1	Centralized discharge point	Within limit	Comprehensive Standard on Discharge of Waste Water (GB8978-1996), Ammonia nitrogen<15mg/L	13.91	50	No
Sanonda	NOx	Continuous	1	Power plant	Within limit	Standard on Air Pollution of Power Plant （GB13223-2011） NOx <200mg/m3	205.91	564.7	No
Sanonda	SO2	Continuous	1	Power plant	Within limit	Standard on Air Pollution of Power Plant （GB13223-2011） SO2<200mg/m3	171.12	380	No
Sanonda	Fume and dust	Continuous	1	Power plant	Within limit	Standard on Air Pollution of Power Plant （GB13223-2011） Fume and dust<30mg/m3	25.3	80	No

(1) Development and Operation of Environmental Facilities

① Development and Operation of Waste Water Facilities

The Company has a waste water treatment facility whose capacity is designed at 12,400 tons per day. The waste water facility is running well and COD (chemical oxygen demand) and ammonia nitrogen concentration after treatment meet the standards.

② Development and Operation of Waste Gas Facilities

The treatment facility for the Company's coal-based power plant is running well. SO_2, NO_x and dust in the waist gas after treatment meet the standards.

③ The Company discloses production and pollution information according the Interim Measures on Environmental Information Disclosure and transfers information of main waste water and air pollutants to the provincial information platform on a daily basis.

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

No.

(3) Contingency plan of environmental accidents

The contingency plan is developed with a purpose of implementing a precautionary approach for environmental safety, ensuring quick response to potential environmental emergencies and carrying out rescue in a well-organized way according to pre-made rescue plan.

① Composition of the command team

② Emergency response

㈠ Alarm and Telecommunication

㈡ Field Rescue

③ Relief and Rescue of Environmental Pollution Accidents

㈠ Pollutants and Main Sources

㈡ Cause Analysis of Environmental Pollution

㈢ Relief and Rescue Measures

㈣ Handling and Precautionary Measures of Environmental Pollution Accidents

④ Supporting Measures

㈠ Supply support

㈡ System support

⑤ Training and Exercises

(4) Environment self-monitoring plan

The Company developed the 2018 Environment Self-Monitoring Plan according to relevant government requirements, to enhance environmental management, understand emissions and discharge of pollutants of the Company, evaluate their impact on the surrounding environment, enhance management of pollutants discharge and emissions in the process of production, be subject to supervision of environmental agencies and provide basis to pollution prevention and control.

① Monitored Indicators

Waste water: COD, NH_3-N, PH, SS, BOD (Biochemical Oxygen Demand), Petroleum, TP, Volatile Phenol.

Air Pollutant: SO_2, NO_X, Dust.

Noise: Noise by site border

② Frequency

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

Manual sampling: SS, BOD, Petroleum, TP, Volatile Phenol, once a month.

Noise: once a quarter.

(5) Other environmental information that should be disclosed

No.

(6) Other related information on environmental protection

No.

2. Perform the social responsibility of targeted poverty alleviation

(1) Targeted Poverty Alleviation Planning

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

(2) **Half-year Overview**

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

(3) Performance of Targeted Poverty Alleviation

Indicator	Measurement unit	Number/Progress
I. General condition	——	——
Of which: 1. Capital	RMB'0,000	0.6
II. Itemized investment	——	——
1. Out of poverty by industrial development	——	——
Of which: 1.1 type of industrial development out of poverty	——	
1.2 number of industrial development out of poverty	Unit	
1.3 investment amount of industrial development out of poverty	RMB'0,000	
1.4 the number of people out of poverty who were helped to establish card for archives	Number	
2. Out of poverty by transferring employment	——	——

Indicator	Measurement unit	Number/Progress
3. Out of poverty by relocating	——	——
4. Out of poverty by education	——	——
5. Out of poverty by improving health	——	——
6. Out of poverty by protecting ecological environment	——	——
7. Subsidy for the poorest	——	——
8. Social poverty alleviation	RMB'0,000	0.6
9. Other items	——	——
III. Received awards(contents and rank)	——	——

(4) Follow-up Plan

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

XVI. Other Significant Events

□ Applicable √ Not applicable

Note that the Company completed the non-public offering to raise matching funds. The listing date of newly-issued shares is January 17, 2018. For details, please see the announcements disclosed on the website of www.cninfo.com.cn on July 7, 2017 and January 16, 2018.

XVII. Significant Events of Subsidiaries

□ Applicable √ Not applicable

Please refer to the Syngenta Transaction, mentioned in Section IV 6. above.

Section VI Share Changes and Shareholders' Profile

I. Changes in shares

1. Changes in shares

Unit: share

	Before this change		Increase/decrease (+, -)					After the change	
	Amount	Proportion	Issuance of new shares	Bonus share	Capitalization of public reserve fund	Other	Subtotal	Amount	Proportion
I. Shares subject to trading Moratorium (Restricted Shares)	1,930,596,116	82.44%	104,697,982			-5,344	104,692,638	2,035,288,754	83.19%
1. State's shares	--	--	--	--	--	--	--	--	--
2. State-owned legal person's shares	1,930,570,241	82.44%	67,114,092				67,114,092	1,997,684,333	81.65%
3. Shares held by other domestic investors	25,875	0.00%	37,583,890			-5,344	37,578,546	37,604,421	1.54%
Among which: (1) Shares held by domestic legal person;			37,583,890				37,583,890	37,583,890	1.54%
(2) Shares held by domestic natural person	25,875	0.00%				-5,344	-5,344	20,531	0.00%
II. Shares not subject to trading moratorium	411,259,484	17.56%				5,344	5,344	411,264,828	16.81%
Ordinary shares denominated in RMB	244,210,143	10.43%				5,344	5,344	244,215,487	9.98%
Domestically listed foreign shares	167,049,341	7.13%						167,049,341	6.83%
III. Total of shares	2,341,855,600	100.00%	104,697,982				104,697,982	2,446,553,582	100.00%

Reasons for changes in share

√ Applicable □ Not applicable

The listing date of the newly-issued 104,697,982 shares in the non-public offering under which the Company raised is January 17, 2018. The total amount of the shares of the Company listed is 2,446,553,582.

Approval of share changes

√ Applicable □ Not applicable

On September 13, 2016, the Company held the 15th meeting of the 7th session of the BOD, on which proposals related to share issuance for assets purchase and supporting funds raising and connected transactions, and proposal on the buyback and cancellation of B shares from Adama Celsius B.V. were approved.

On January 9, 2017, the Company held the 17th meeting of the 7th session of the BOD, on which the Report (draft) on the share issuance to purchase assets, the raising of supporting funds and the connected transactions was considered and adopted.

On February 24, 2017, the Company held the 18th meeting of the 7th session of the BOD, on which the proposals on the Plan and the Report (draft & revision) on the share issuance to purchase assets, the raising of supporting funds and the connected transactions were considered and adopted.

On March 27, 2017, the Company held the first interim shareholders meeting of 2017, on which the proposal on the Report (draft & revision) on the share issuance to purchase assets, the raising of supporting funds and the connected transactions, and the proposal on the buyback and cancellation of the B shares were considered and adopted.

On May 12, 2017, the Company held the 7th interim meeting of the 7th session of the BOD, on which the proposals on the Plan and the Report (draft & revision) on the share issuance to purchase assets, the raising of supporting funds and the connected transactions were considered and adopted.

On July 3, 2017, the Company received the Approval on Issuing Shares by Hubei Sanonda Co., Ltd. to China National Agrochemical Corporation for Acquiring Assets and Raising Supporting Funds (CSRC license No. [2017]1096).

The registered status for the change in shares

√ Applicable ☐ Not applicable

The Shenzhen Branch of China Securities Depository and Clearing Corporation Limited accepted the registration application of the issuance of shares to certain investors on January 4, 2018, and issued an Acceptance Confirmation Letter on Share Registration Application. The Company has completed the registration of the additional 104,697,982 shares issued for private placement.

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

☐ Applicable √ Not applicable

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

□ Applicable √ Not applicable

2. Changes in Restricted Shares

√ Applicable □ Not applicable

Shareholder	Restricted shares at the beginning of the reporting period	Restricted shares released during the reporting period	Restricted shares increased during the reporting period	Restricted shares at the end of the reporting period	Reason for restricting	Released date
China Structural Reform Fund Co., Ltd.	0	0	33,557,046	33,557,046	Committed not to trade	Jan 16, 2019
Industrial Bank Co., Ltd, Mixed Securities Investment Fund, Xingquan New Vision Investment	0	0	4,026,800	4,026,800	Committed not to trade	Jan 16, 2019
Industrial Bank Co., Ltd, Mixed Securities Investment Fund, Aegon-Industrial Trend Investment (LOF)	0	0	8,053,736	8,053,736	Committed not to trade	Jan 16, 2019
CCB Principal-ICBC-Avic Trust, Trust Plan of Pooled Funds of CCB Principal Private Placement Investment, Tianqi (2016) No. 293 of Avic Trust	0	0	12,885,906	12,885,906	Committed not to trade	Jan 16, 2019
Caitong Fund Xiangyun No.2 Asset Management Plan	0	0	536,912	536,912	Committed not to trade	Jan 16, 2019
Caitong Fund Fuchun Chuangyi Private Placement No.3 Asset Management Plan		0	4,697,986	4,697,986	Committed not to trade	Jan 16, 2019
Penghua Fund-CCB-China Life Insurance, Private Placement Portfolio of Penghua Fund Management Co., Ltd Entrusted by China Life Insurance (Group) Company	0	0	4,697,990	4,697,990	Committed not to trade	Jan 16, 2019
Penghua Fund-Pingan Bank—Huarun Shenguotou Trust-Huren Single Trust	0	0	2,684,560	2,684,560	Committed not to trade	Jan 16, 2019
China Cinda Asset Management Co., Ltd.	0	0	33,557,046	33,557,046	Committed not to trade	Jan 16, 2019
Liu Zhiming	21,375	5,344	0	16,031	Locked shares for former senior executive	25% release on the first trading day of every year
Total	21,375	5,344	104,697,982	104,714,013	--	--

II. Issuance and Listing of Securities

The listing date of the newly-issued 104,697,982 shares in the non-public offering under which the Company raised is January 17, 2018. The total amount of the shares of the Company listed is 2,446,553,582.

√ Applicable □Not applicable

Name of stock and derivative securities	Issue date	Issue price (or interest rate)	Number of issue	Date of listing	Number of permitted listed transactions	Date of termination of the transaction	Index of disclosure	Disclosure date
Stock								
Sanonda A	Jan 4, 2018	RMB14.9 per share	104,697,982	Jan 17, 2018	104,697,982	--	Announcement of Sanonada on Implementation of MAR project and Listing of New Shares www.cninfo.com.cn	Jan 16, 2018

Description of the issue of securities in the reporting period

During the reporting period, the Company issued 104,697,982 shares to investors as a part of the material assets restructuring project. The listing date for such shares is Jan 17, 2018. Such shares shall be prohibited from transfer in whatever form within 12 months after date of listing.

III. Total Number of Shareholders and Their Shareholdings

Unit: share

<table>
<tr><td colspan="3">Total number of common shareholders at the end of the Reporting Period</td><td colspan="2">48,361
(the number of ordinary A share shareholders is 32,348;
the number of B share shareholders is 16,013)</td><td colspan="2">Total number of preferred shareholders that had resumed their voting right at the end of the Reporting Period (if any)</td><td colspan="2">0</td></tr>
<tr><td colspan="9">Shareholding of common shareholders holding more than 5% shares or the top 10 shareholders</td></tr>
<tr><td rowspan="2">Name of shareholder</td><td rowspan="2">Nature of shareholder</td><td rowspan="2">Holding percentage (%)</td><td rowspan="2">Number of shares held</td><td rowspan="2">Increase / decrease of shares during Reporting Period</td><td rowspan="2">Number of restricted shares held</td><td rowspan="2">Number of shares held not subject to trading moratorium</td><td colspan="2">Pledged or frozen shares</td></tr>
<tr><td>Status</td><td>Number</td></tr>
<tr><td>China National Agrochemical Co., Ltd.</td><td>State-owned legal person</td><td>74.02%</td><td>1,810,883,039</td><td>-</td><td>1,810,883,039</td><td>0</td><td>-</td><td>-</td></tr>
</table>

Jingzhou Sanonda Holding Co., Ltd.	State-owned legal person	4.89%	119,687,202	-	119,687,202	0	-	-
China Cinda Asset Management Co., Ltd.	State-owned legal person	1.37%	33,557,046	33,557,046	33,557,046	0	-	-
China Structural Reform Fund Co., Ltd.	State-owned legal person	1.37%	33,557,046	33,557,046	33,557,046	0	-	-
CCB Principal-ICBC-Avic Trust, Trust Plan of Pooled Funds of CCB Principal Private Placement Investment, Tianqi (2016) No. 293 of Avic Trust	Others	0.53%	12,885,906	12,885,906	12,885,906	0	-	-
Portfolio No.118 of National Social Security Fund	Others	0.39%	9,504,717	500,000	0	9,504,717	-	-
Industrial Bank Co., Ltd, Mixed Securities Investment Fund, Aegon-Industrial Trend Investment (LOF)	Others	0.33%	8,053,736	8,053,736	8,053,736	0	-	-
Portfolio No.412 of National Social Security Fund	Others	0.20%	4,878,812	4,878,812	0	4,878,812		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign legal person	0.20%	4,838,647	312,402	0	4,838,647	-	-
Penghua Fund-CCB-China Life Insurance, Private Placement Portfolio of Penghua Fund Management Co., Ltd Entrusted by China Life Insurance (Group) Company	Others	0.19%	4,697,990	4,697,990	4,697,990	0	-	-
Strategic investors or the general legal person due to the placement of new shares become the top 10 shareholders (if any) (note 3)	Not applicable							
Explanation on associated relationship or/and persons	Jingzhou Sanonda Holdings Co., Ltd. and CNAC are related parties, and are acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies. Sanonda Holding is a wholly-controlled subsidiary of CNAC. It is unknown whether the other shareholders are related parties or acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies.							

Particulars about shares held by top 10 common shareholders not subject to trading moratorium			
Name of shareholder	Number of shares held not subject to trading moratorium at the end of the Period	Type of share	
		Type of share	Number
Portfolio No.118 of National Social Security Fund	9,504,717	RMB ordinary share	9,504,717
Portfolio No.412 of National Social Security Fund	4,878,812	RMB ordinary share	4,878,812
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	4,838,647	Domestically listed foreign share	4,838,647
Qichun County State-owned Assets Administration	4,169,266	RMB ordinary share	4,169,266
Portfolio No.503 of National Social Security Fund	2,999,750	RMB ordinary share	2,999,750

Agricultural Bank of China Limited - CSI 500 Exchange Traded Fund	2,973,962	RMB ordinary share	2,973,962
Wu Feng	2,646,437	RMB ordinary share	2,646,437
Aegon-Industrial Fund － Industrial Bank － Aegon-Industrial － Asset Management Plan for Stock Dividend of Specified Customers	2,637,517	RMB ordinary share	2,637,517
Xie Qingjun	2,500,000	Domestically listed foreign share	2,500,000
Aegon-Industrial Fund － Agricultural Bank of China － China Pacific Life Insurance － Entrusted Investment by Private Placement Strategic Product (Assured Amount Bonus)	2,493,609	RMB ordinary share	2,493,609
Explanation on associated relationship among the top ten shareholders of tradable share not subject to trading moratorium, as well as among the top ten shareholders of tradable share not subject to trading moratorium and top ten shareholders, or explanation on acting-in-concert	Qichun County Administration of State-Owned Assets held shares of the Company on behalf of the government. It is unknown whether the other shareholders are related parties or acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies		
Particular about shareholder participate in the securities lending and borrowing business (if any) (note 4)	Shareholder Wu Feng held 775,726 shares of the Company through a credit collateral securities trading account and held 1,870,711 shares of the Company through a common securities account, who thus held 2,646,437 shares of the Company in total.		

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

□ Yes √ No

The top 10 common shareholders or the top 10 common shareholders not subject to trading moratorium of the Company had not carried out any agreed buy-back in the Reporting Period.

IV. Change of the Controlling Shareholder or the Actual Controller

Change of the controlling shareholder in the Reporting Period

□ Applicable √ Not applicable

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

Change of the actual controller in the Reporting Period

□ Applicable √ Not applicable

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

Section VII Preference Shares

□ Applicable √ Not applicable

No preference shares in the Reporting Period.

Section VIII Directors, Supervisors and Senior Management

I Changes in Shareholdings of Directors, Supervisors and Senior Management

□ Applicable √ Not applicable

No such cases in the Reporting Period. For details, see Annual Report 2017.

II Changes in Directors, Supervisors and Senior Management

√ Applicable □ Not applicable

Name	Office title	Type of change	Date	Reason
Fu Liping	Supervisor	Demission	March 19, 2018	Expiration of the term of office
Ding Shaojun	Supervisor	Demission	March 19, 2018	Expiration of the term of office
Dong Chunji	Supervisor	Demission	March 19, 2018	Expiration of the term of office
Xu Yan	Supervisor	Demission	March 19, 2018	Expiration of the term of office
Li Dejun	Supervisor	In Office	March 19, 2018	Nominated by the Board of Supervisors
Guo Zhi	Supervisor	In Office	March 19, 2018	Nominated by the Board of Supervisors

On July 25, 2018, the Board of Directors of the Company received a notice from director Ren Jianxin informing the Company of his resignation due to his retirement. On July 26, 2018, the 6th meeting of the 8th session of the Board of Directors approved the nomination of Mr. Ning Gaoning to be a director of the Board of Director as proposed by CNAC.

Section IX Corporate Bonds

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

No

Section X Financial Report

I. Audit report

Was the half-year report audited?

☐ Yes √ No

The half-year report was not audited.

II. Financial Statements

Notes to the financial statements are presented in RMB’000.

HUBEI SANONDA CO., LTD.
(Expressed in RMB '000)

Consolidated Balance Sheet

	Notes	June 30, 2018	January 1, 2018
Current assets			
Cash at bank and on hand	V.1	**6,049,530**	7,868,858
Financial assets at fair value through profit or loss	V.2	**32,693**	23,000
Derivative financial assets	V.3	**940,225**	455,153
Bills receivables	V.4	**88,285**	180,030
Accounts receivable	V.5	**6,614,644**	5,085,911
Prepayments	V.6	**286,942**	202,111
Other receivables	V.7	**707,725**	1,029,557
Inventories	V.8	**8,274,820**	7,488,238
Assets held for sale	V.9	**-**	403,297
Non-current assets due within one year	V.19	**46**	46
Other current assets	V.10	**548,960**	614,925
Total current assets		**23,543,870**	23,351,126
Non-current assets			
Long-term receivables	V.11	**146,399**	192,968
Long-term equity investments	V.12	**119,251**	102,383
Other equity investments	V.13	**91,154**	91,090
Investment properties		**4,251**	4,408
Fixed assets	V.14	**6,150,140**	6,141,490
Construction in progress	V.15	**871,046**	803,421
Intangible assets	V.16	**5,895,824**	4,036,588
Goodwill	V.17	**3,939,153**	3,890,097
Deferred tax assets	V.18	**623,619**	870,518
Other non-current assets	V.19	**193,091**	201,667
Total non-current assets		**18,033,928**	16,334,630
Total assets		**41,577,798**	39,685,756

The notes on pages 13 to 115 form part of these financial statements.

HUBEI SANONDA CO., LTD.
(Expressed in RMB '000)

Consolidated Balance Sheet (continued)

	Notes	June 30, 2018	January 1, 2018
Current liabilities			
Short-term loans	V.20	**384,482**	2,280,912
Derivative financial liabilities	V.21	**1,209,687**	789,050
Bills payable	V.22	**144,991**	311,557
Accounts payable	V.23	**4,221,331**	3,906,481
Advances from customers	V.24	**169,950**	226,711
Employee benefits payable	V.25	**766,690**	995,637
Taxes payable	V.26	**595,224**	431,275
Interest payable	V.27	**43,245**	46,491
Dividends payable	V.41	**154,383**	250
Other payables	V.28	**1,991,600**	1,375,993
Non-current liabilities due within one year	V.29	**487,951**	448,504
Other current liabilities	V.30	**528,978**	482,583
Total current liabilities		**10,698,512**	11,295,444
Non-current liabilities			
Long-term loans	V.31	**320,382**	514,320
Debentures payable	V.32	**7,548,581**	7,777,410
Long-term payables		**23,490**	24,203
Long-term employee benefits payable	V.33	**631,479**	610,714
Provisions	V.34	**113,041**	163,913
Deferred income	V.35	**44,212**	-
Deferred tax liabilities	V.18	**471,942**	224,613
Other non-current liabilities	V.36	**182,734**	225,292
Total non-current liabilities		**9,335,861**	9,540,465
Total liabilities		**20,034,373**	20,835,909
Shareholders' capital			
Share capital	V.37	**2,446,554**	2,446,554
Capital reserve	V.38	**12,972,906**	12,982,277
Other comprehensive income	V.39	**401,339**	(104,080)
Special reserve		**14,259**	9,349
Surplus reserve	V.40	**207,823**	207,823
Retained earnings	V.41	**5,500,544**	3,307,924
Total shareholders' equity		**21,543,425**	18,849,847
Total liabilities and shareholders' equity		**41,577,798**	39,685,756

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

These financial statements were approved by the Board of Directors of the Company on August 27, 2018.

HUBEI SANONDA CO., LTD.

(Expressed in RMB '000)

Balance Sheet

	Notes	June 30, 2018	January 1, 2018
Current assets			
Cash at bank and on hand	XIV.1	**1,789,722**	1,868,603
Bills receivable		**45,079**	146,525
Accounts receivable	XIV.2	**942,706**	850,034
Prepayments		**14,238**	24,019
Other receivables		**2,535**	1,140
Inventories		**163,155**	177,402
Other current assets		**566**	1,406
Total current assets		**2,958,001**	3,069,129
Non-current assets			
Long-term equity investments	XIV.3	**15,939,826**	15,939,826
Other equity investments		**80,119**	80,119
Investment properties		**4,251**	4,408
Fixed assets		**1,199,768**	1,262,330
Construction in progress		**127,228**	81,993
Intangible assets		**206,517**	183,920
Deferred tax assets		**31,831**	26,892
Other non-current assets		**12,934**	11,000
Total non-current assets		**17,602,474**	17,590,488
Total assets		**20,560,475**	20,659,617
Current liabilities			
Short-term loans		**20,000**	70,000
Bills payable		**105,000**	23,000
Accounts payable		**238,400**	234,615
Advances from customers		**10,699**	63,904
Employee benefits payable		**28,881**	30,491
Taxes payable		**54,879**	19,301
Interest payable		**257**	105
Dividends payable		**154,383**	250
Other payables		**139,541**	482,503
Non-current liabilities due within one year		**152,000**	126,590
Total current liabilities		**904,040**	1,050,759
Non-current liabilities			
Long-term loans		**-**	72,000
Long-term employee benefits payable		**90,443**	93,025
Provisions		**15,671**	15,671
Other non-current liabilities		**171,770**	171,770
Total non-current liabilities		**277,884**	352,466
Total liabilities		**1,181,924**	1,403,225
Shareholders' equity			
Share capital	V.37	**2,446,554**	2,446,554
Capital reserve		**15,413,663**	15,423,034
Other comprehensive income		**50,230**	50,621
Special reserve		**13,711**	10,040
Surplus reserve		**207,823**	207,823
Retained earnings		**1,246,570**	1,118,320
Total shareholders' equity		**19,378,551**	19,256,392
Total liabilities and shareholders' equity		**20,560,475**	20,659,617

(Expressed in RMB '000)

Consolidated Income Statement

	Notes	Six months ended June 30 2018	2017 Restated
I. Total operating income		**13,026,258**	12,770,064
Including: Operating income	V.42	**13,026,258**	12,770,064
Less: Total operating costs		**11,857,951**	11,862,383
Including: Cost of sales	V.42	**8,571,417**	8,179,694
Taxes and surcharges	V.43	**51,573**	41,229
Selling and Distribution expenses	V.44	**2,223,934**	2,122,890
General and administrative expenses	V.45	**637,129**	559,398
Financial expenses, net	V.46	**330,018**	911,916
Impairment losses, net	V.47	**43,880**	47,256
Add: Gains (loss) from changes in fair value	V.48	**(243,376)**	222,276
Investment income, net	V.49	**147,053**	269,449
Including: Income from investment in associates and joint ventures		**12,758**	2,086
Gain from disposal of assets	V.50	**1,997,170**	57,758
II. Operating profit		**3,069,154**	1,457,164
Add: Non-operating income		**29,004**	10,348
Less: Non-operating expenses	V.51	**8,113**	8,261
III. Total profit		**3,090,045**	1,459,251
Less: Income tax expense	V.52	**727,264**	142,257
IV. Net profit		**2,362,781**	1,316,994
(1) Classified by nature of operations			
(1.1). Continuing operations		**2,362,781**	1,316,994
(2) Classified by ownership			
(2.1). Shareholders of the Company		**2,362,781**	1,316,994
V. Other comprehensive income, net of tax	V.39	**505,419**	(586,015)
Other comprehensive income, net of tax attributable to shareholders of the Company		**505,419**	(586,015)
(1) Items that will not be reclassified to profit or loss:		**11,106**	(6,457)
(1.1) Re-measurement of defined benefit plan liability		**11,106**	(6,457)
(2) Items that were or will be reclassified to profit or loss:		**494,313**	(579,558)
(2.1) Effective portion of gains or loss of cash flow hedge		**293,473**	(353,198)
(2.2) Translation differences of foreign financial statements		**200,840**	(226,360)
VI. Total comprehensive income for the year attributable to:		**2,868,200**	730,979
Shareholders of the Company		**2,868,200**	730,979
VII. Earnings per share			
(1) Basic earnings per share (Yuan/share)	XIII(2)	**0.9658**	0.5624
(2) Diluted earnings per share (Yuan/share)		**N/A**	N/A

(Expressed in RMB '000)

Income Statement

	Notes	Six months ended June 30 2018	2017
I. Operating income	XIV.4	**1,666,573**	1,442,065
Less: Operating cost	XIV.4	**1,169,757**	1,120,773
Taxes and surcharges		**21,211**	8,566
Selling and Distribution expenses		**69,533**	42,425
General and administrative expenses		**88,107**	54,470
Financial expenses (income), net		**(20,437)**	12,192
Impairment losses		**3,978**	8,051
Add: Loss from changes in fair value, net		**-**	(206)
Investment income (loss)		**-**	-
Including: Income (expense) from investment in associates and joint ventures		**-**	-
Loss from disposal of assets		**-**	(410)
II. Operating Profit		**334,424**	194,972
Add: Non-operating income		**975**	3,271
Less: Non-operating expenses		**123**	667
III. Total profit		**335,276**	197,576
Less: Income tax expense		**52,893**	49,763
IV. Net profit		**282,383**	147,813
Continuing operations		**282,383**	147,813
Discontinued operations		**-**	-
V. Other comprehensive income, net of tax		**(391)**	-
(1) Item that will not be reclassified to profit or loss		**(391)**	
(1.1) Re-measurement of defined benefit plan liability		**(391)**	-
(2) Item that may be reclassified to profit or loss		**-**	-
VI. Total comprehensive income for the year		**281,992**	147,813

(Expressed in RMB '000)

Consolidated Cash Flow Statement

	Notes	Six months ended June 30 2018	2017 Restated
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		**11,967,687**	12,106,889
Refund of taxes and surcharges		**15,282**	27,392
Cash received relating to other operating activities	V.54(1)	**260,796**	571,398
Sub-total of cash inflows from operating activities		**12,243,765**	12,705,679
Cash paid for goods and services		**8,171,959**	7,407,112
Cash paid to and on behalf of employees		**1,720,446**	1,498,465
Payments of taxes and surcharges		**216,103**	188,899
Cash paid relating to other operating activities	V.54(2)	**1,355,739**	1,362,057
Sub-total of cash outflows from operating activities		**11,464,247**	10,456,533
Net cash flows from operating activities	V.55(1)(a)	**779,518**	2,249,146
II. Cash flows from investing activities:			
Cash received from disposal of investments		**9,792**	20,544
Net cash received from disposal of fixed assets, intangible asse and other long-term assets		**2,412,977**	93,522
Net cash received from disposal of subsidiaries or other business units		**-**	100,139
Cash received relating to other investing activities	V.54(3)	**57**	31,767
Sub-total of cash inflows from investing activities		**2,422,826**	245,972
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**2,678,117**	723,024
Net cash paid to acquire subsidiaries or other business units		**9,332**	-
Cash paid relating to acquisition of investments		**-**	7,241
Sub-total of cash outflows from investing activities		**2,687,449**	730,265
Net cash flows used in investing activities		**(264,623)**	(484,293)
III. Cash flows from financing activities:			
Cash received from loans		**-**	105,000
Cash received from other financing activities	V.54(4)	**-**	7,800
Sub-total of cash inflows from financing activities		**-**	112,800
Cash repayments of loans		**2,048,383**	624,679
Cash payment for dividends, profit distributions and interest		**276,486**	347,392
Including: Dividends paid to non-controlling interest		**16,028**	32,509
Cash paid relating to other financing activities	V.54(5)	**31,289**	106,820
Sub-total of cash outflows from financing activities		**2,356,158**	1,078,891
Net cash flows used in financing activities		**(2,356,158)**	(966,091)
IV. Effects of foreign exchange rate changes on cash and cash equivalents		**(1,615)**	(94,855)
V. Net increase (decrease) in cash and cash equivalent	V.55(1)(b)	**(1,842,878)**	703,907
Add: Cash and cash equivalents at the beginning of the period		**7,864,258**	3,833,747
VI. Cash and cash equivalents at the end of the period	V.55(2)	**6,021,380**	4,537,654

(Expressed in RMB '000)

Cash Flow Statement

	Notes	Six months ended June 30 2018	2017
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		**1,289,145**	597,839
Refund of taxes and surcharges		**166**	2,884
Cash received relating to other operating activities	XIV.5(1)	**15,192**	3,487
Sub-total of cash inflows from operating activities		**1,304,503**	604,210
Cash paid for goods and services		**587,656**	448,790
Cash paid to and on behalf of employees		**91,839**	93,886
Payments of taxes and surcharges		**57,171**	42,282
Cash paid relating to other operating activities	XIV.5(2)	**86,182**	60,775
Sub-total of cash outflows from operating activities	XIV.6	**822,848**	645,733
Net cash flows from (used in) operating activities		**481,655**	(41,523)
II. Cash flows from investing activities:			
Cash paid to acquire fixed assets, intangible assets and other long-ter assets		**48,465**	50,423
Sub-total of cash outflows from investing activities		**48,465**	50,423
Net cash flows used in investing activities		**(48,465)**	(50,423)
III.Cash flows from financing activities:			
Cash received from loans		**-**	55,000
Cash received relating to other financing activities	XIV.5(3)	**-**	7,800
Sub-total of cash inflows from financing activities		**-**	62,800
Cash repayments of loans		**96,590**	52,500
Cash payment for dividends, profit distributions or interest		**4,767**	8,498
Cash paid relating to other financing activities	XIV.5(4)	**424,313**	106,820
Sub-total of cash outflows from financing activities		**525,670**	167,818
Net cash used in financing activities		**(525,670)**	(105,018)
IV. Effects of foreign exchange rate changes on cash and cash equivalents		**(9,951)**	(15)
V. Net increase (decrease) in cash and cash equivalents		**(102,431)**	(196,979)
Add: Cash and cash equivalents at the beginning of the period	XIV.6	**1,864,003**	249,740
VI. Cash and cash equivalents at the end of the period	XIV.6	**1,761,572**	52,761

(Expressed in RMB '000)

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended June 30, 2018

	Attributable to shareholders of the Company						
	Share capital	**Capital reserve**	**Other comprehensive income**	**Special reserve**	**Surplus reserve**	**Retained earnings**	**Total**
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 policies*	**-**	**-**	**50,621**	**-**	**-**	**21,213**	**71,834**
II. Balance at January 1, 2018	**2,446,554**	**12,982,277**	**(104,080)**	**9,349**	**207,823**	**3,307,924**	**18,849,847**
III. Changes in equity for the period	**-**	**(9,371)**	**505,419**	**4,910**	**-**	**2,192,620**	**2,693,578**
1. Total comprehensive income	**-**	**-**	**505,419**	**-**	**-**	**2,362,781**	**2,868,200**
2. Owner's contributions and reduction	**-**	**(9,371)**	**-**	**-**	**-**	**-**	**(9,371)**
2.1 Others		**(9,371)**	**-**	**-**	**-**	**-**	**(9,371)**
3. Appropriation of profits	**-**	**-**	**-**	**-**	**-**	**(170,161)**	**(170,161)**
3.1 Dividend to Shareholders			**-**	**-**	**-**	**(154,133)**	**(154,133)**
3.2 Distribution to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(16,028)**	**(16,028)**
4. Special reserve	**-**	**-**	**-**	**4,910**	**-**	**-**	**4,910**
4.1 Transfer to special reserve	**-**	**-**	**-**	**6,644**	**-**	**-**	**6,644**
4.2 Amount utilized	**-**	**-**	**-**	**(1,734)**	**-**	**-**	**(1,734)**
IV. Balance at June 30, 2018	**2,446,554**	**12,972,906**	**401,339**	**14,259**	**207,823**	**5,500,544**	**21,543,425**

*See Note III 30(1).

(Expressed in RMB '000)

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended June 30, 2017

	Attributable to shareholders of the Company							
	Share capital	**Capital reserve**	**Treasury shares**	**Other comprehensive income**	**Special reserve**	**Surplus reserve**	**Retained earnings**	**Total**
I. Balance at December 31, 2016	593,923	263,064	-	-	19,862	190,699	937,510	2,005,058
Add: Business combination under common control	-	13,397,765	(359,431)	1,027,107	-	-	847,295	14,912,736
II. Balance at January 1, 2017	593,923	13,660,829	(359,431)	1,027,107	19,862	190,699	1,784,805	16,917,794
III. Changes in equity for the period (Restated)	-	-	-	(586,015)	1,058	-	1,284,485	699,528
1. Total comprehensive income	-	-	-	(586,015)	-	-	1,316,994	730,979
2. Appropriation of profits	-	-	-	-	-	-	(32,509)	(32,509)
2.1 Dividend to non-controlling interest	-	-	-	-	-	-	(32,509)	(32,509)
3. Special reserve	-	-	-	-	1,058	-	-	1,058
3.1 Transfer to special reserve	-	-	-	-	4,180	-	-	4,180
3.2 Amount utilized	-	-	-	-	(3,122)	-	-	(3,122)
III. Balance at June 30, 2017	593,923	13,660,829	(359,431)	441,092	20,920	190,699	3,069,290	17,617,322

(Expressed in RMB '000)

Statement of Changes in Shareholders' Equity

For the six months ended June 30, 2018

	Attributable to shareholders of the Company						
	Share capital	**Capital reserve**	**Other comprehensive income**	**Special reserve**	**Surplus reserve**	**Retained earnings**	**Total**
I. 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 policies*	-	-	50,621	-	-	7,671	58,292
II. Balance at January 1, 2018	2,446,554	15,423,034	50,621	10,040	207,823	1,118,320	19,256,392
III. Changes in equity for the period	-	(9,371)	(391)	3,671	-	128,250	122,159
1. Total comprehensive income	-	-	(391)	-	-	282,383	281,992
2. Owner's contributions and reduction	-	(9,371)	-	-	-	-	(9,371)
2.1 Others	-	(9,371)	-	-	-	-	(9,371)
3. Appropriation of profits	-	-	-	-	-	(154,133)	(154,133)
3.1 Dividend to Shareholders	-	-	-	-	-	(154,133)	(154,133)
4. Special reserve	-	-	-	3,671	-	-	3,671
4.1 Transfer to special reserve	-	-	-	5,215	-	-	5,215
4.2 Amount utilized	-	-	-	(1,544)	-	-	(1,544)
IV. Balance at June 30, 2018	2,446,554	15,413,663	50,230	13,711	207,823	1,246,570	19,378,551

*Please refer to Note III 30(1).

For the six months ended June 30, 2017

	Attributable to shareholders of the Company					
	Share capital	**Capital reserve**	**Special reserve**	**Surplus reserve**	**Retained earnings**	**Total**
I. Balance at January 1, 2017	593,923	263,800	14,893	190,699	956,529	2,019,844
II. Changes in equity for the period	-	-	1,058	-	147,813	148,871
1. Total comprehensive income	-	-	-	-	147,813	147,813
2. Special reserve	-	-	1,058	-	-	1,058
2.1 Transfer to special reserve	-	-	4,180	-	-	4,180
2.2 Amount utilized	-	-	(3,122)	-	-	(3,122)
III. Balance at June 30, 2017	593,923	263,800	15,951	190,699	1,104,342	2,168,715

Notes to the Financial Statements

I BASIC CORPORATE INFORMATION

Hubei Sanonda CO., Ltd (the "Company") 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").

On July 4, 2017 the entire share capital of Solutions was transferred from CNAC to the Company, in return for the issuance of 1,810,883,039 new shares of the Company to CNAC and their registration for trade on the Shenzhen Stock Exchange (which was completed on August 2, 2017).

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").

On December 2017, a non-publicly offered 104,697,982 ordinary shares (A-share) at nominal value of RMB 1 per share to the specific investors. On December 27th, 2017, the Company received proceeds of 1,531,920 thousand RMB, net of the issuing cost of 28,080 thousand RMB. The listing date of the newly-issued 104,697,982 shares was January 17, 2018.

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 subsidiaries of the Company, refer to Note VII.

The Company's and consolidated financial statements had been approved by the Board of Directors of the Company on August 27, 2018.

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 of the scope of consolidation".

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).

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, 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 month from 30 June 2018 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 30 June 2018 and consolidated and the Company's operating results 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.

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

(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 July 2017 a major assets restructuring was successfully completed, with the acquisition of Solutions, a wholly-owned subsidiary of CNAC. On July 4, 2017 the entire share capital of Solutions was transferred from CNAC to the Company, in return for the issuance of 1,810,883,039 new shares of the Company to CNAC and their registration for trade on the Shenzhen Stock Exchange which was completed on August 2, 2017.

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

5. Business combination (cont'd)

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. Therefore, the comparative financial information for the six month ended June 30, 2017 was restated so that the profit or loss, cash flow and equity movement, notes and additional information, includes the information of the consolidated information, in accordance with the Accounting Standards for Business Enterprises.

(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.

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.

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

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

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. For those subsidiaries acquired through business combinations not involving enterprises under common control, the identifiable assets and liabilities recorded in the financial statements of the acquired subsidiaries should be adjusted based on the fair value determined at the acquisition date.

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.

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.

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

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

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.

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

(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 should be recorded as other comprehensive income, and will be reclassified to profit or loss upon disposal of the foreign operations.

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

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

(1) Transactions denominated in foreign currencies (cont'd)

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.

(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.

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.

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

10. Financial instruments

The Group recognises 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 recignised 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, transaction fees and discount or premium paid forming an integral part of the effective interest rate 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 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 recognising the gains and losses on them on different bases.

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

10.1.3 Designated financial assets at FVTOCI

At initial recognition, the Group can makes an irrevocable election to designate to FVTOCI an investment in an equity instrument that is held for trading.

With the designation, a gain or loss from the financial asset is recognised in other comprehensive income. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income, is reclassified to retained earnings.

10.2 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on a financial asset that is measured at amortised cost.

The Group always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not contain a significant financing component.

For financial assets other than trade receivables, the Group measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses or lifetime 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 recognises 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.

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

10. Financial instruments (cont'd)

10.2 Impairment of financial assets (cont'd)

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's ability to meet its debt obligations.
(d) an actual or expected significant change in the operating results of the receivable.
(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 receivable.
(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 receivable.
(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.

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 reorganisation;

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

10. Financial instruments (cont'd)

10.2 Impairment of financial assets (cont'd)

10.2.3 Recognition of expected credit losses

For the purpose of determining significant increases in credit risk and recognising 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 instruemnts 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 recognised 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.

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.

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

10. Financial instruments (cont'd)

10.3 Transfer of financial asset (cont'd)

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 dercognizing 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

Based on the economic substance rather than the form of legal contracts, along with the definition of financial liabilities and equity instruments, the Group shall classify the financial instruments or its components as financial liability or equity instrument at initial recognition.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

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.

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 29).

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

10. Financial instruments (cont'd)

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 recognised 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.

11. Receivables

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

Lifetime or 12-month expected credit losses in respect of a receivable is calculated based on the assessment of whether the credit risk on a receivable has increased significantly since initial recognition. Impairment losses are recognised in profit or loss. For account receivables, the Group always measure the loss allowance at an amount equal to lifetime expected credit losses.

(1) Receivables individually significant for which provision for impairment is assessed individually

Basis or monetary criteria for determining an individually significant receivable	A receivable with an amount greater than RMB 125 million
Method of provisioning for bad and doubtful debts for receivables that are assessed individually	Determined mostly according to familiarity with the customer, its quality and the collateral amount the customer provides.

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

11. Receivables (cont'd)

(2) Receivables for which provision for impairment is assessed collectively

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%-5%.

For overdue account receivables, the expected credit losses assessment is as follows:

Aging	Ratio of the provision for accounts receivable (%)
Overdue up to 60 days	3-5
Overdue between 60 and 180 days	10
Overdue more than 180 days	40
Legal	100

(3) Other individually not significant receivables but individually tested for impairment:

Reasons for making individual bad debt provision	There is objective evidence to demonstrate that the Group is not able to fully recover the receivables according to the original terms and conditions of the receivables.
Method of provisioning for bad and doubtful debts for receivables that are assessed individually	Determined mostly according to familiarity with the customer, its quality and the collateral amount the customer provides.

12. Inventories

(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.

(2) Valuation method of inventories upon delivery

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

(3) Basis for determining net realizable value of inventories and provision methods for decline in value of inventories

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

12. Inventories (cont'd)

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.

(4) The perpetual inventory system is maintained for stock system.

13. Assets held for Sale

When the Group realizes the carrying value of a non-current asset or a disposal group through sale instead of continuing operation, such asset is classified as an asset held for sale.

All the following conditions should be met for the non-current asset or disposal group to be classified as held for sale: (1) ready to be sold in current condition, based on similar transactions or common practices; (2) the sale is more than likely to happen, i.e. the Group has approved the sale in a resolution and obtained a certain purchase commitment, and the sale will be closed within one year.

The Group measures the assets held for sales at the lower of book value and fair value less the cost of the sale. If the carrying value is higher than the fair value less the cost of the sale, the difference is recognized as asset impairment loss. If the fair value of the asset held for sale recovered subsequent to the balance sheet date, the recovery is recognized, limited to the original carrying amount of the asset, and relevant asset impairment loss is reversed.

Asset held for sale is not depreciated or amortized.

14. 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.

Notes to the Financial Statements

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

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

(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.

(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.

(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.

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

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

(3) Basis for determining control, joint control and significant influence over investee (cont'd)

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.

(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 21).

(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.

15. 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.

(Expressed in RMB '000)

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

16. Fixed assets

(1) Recognition criteria for fixed assets

Fixed assets include buildings and structures, 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.

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.

(2) Depreciation of each category of fixed assets

Fixed asset is depreciated based on the cost of the 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

(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 21).

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

17. 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 21).

18. 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.

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

19. Intangible assets

(1) Valuation methods, service life, impairment test

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

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

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

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

Item	*Amortization period (years)*
Land use rights	49-50 years
Product registration	8 years
Intangible assets upon purchased products	1-20 years (Mainly 7-11, 20)
Marketing rights and Rights to use trademarks	4-10 years
Software	3-5 years

The difference between recoverable amounts of the intangible assets under the carrying amount is referred to as impairment loss (III 21).

(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.

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

19. Intangible assets (cont'd)

(2) Research and development expenditure (cont'd)

Expenditures that do not meet all of the above conditions 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.

20. 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 amortised and is stated in the balance sheet at cost less accumulated impairment losses (see Note III 21). 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.

21. 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, 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.

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 subsequent periods.

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

22. Employee benefits

(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.

(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 recognised in other comprehensive income.

(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 recognised 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.

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

22. Employee benefits (cont'd)

(3) Termination benefits (cont'd)

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.

(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.

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.

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

24. Share-based payment

Share-based payment refers to the transaction in order to aquire 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.

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 or loss.

25. Revenue

Revenue of the Group is mainly from sale of goods.

The Group recognises revenue when transferring goods to a customer, at the amount of the transaction price. An asset is transferred when the customer obtains control of that asset. 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 recognise 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 when they transfer to the customer. The difference between the amount of consideration and the cash selling price of the goods, is amortized in the contract period with the 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.

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

25. Revenue (cont'd)

Sale with a right of return

For sale with a right if return, the Group recognizd 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 recognise revenue when it transfers products to customers but shall recognise those amounts received (or receivable) as a refund liability. An asset recognised 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.

26. 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 attaching 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. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

(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.

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

27. Deferred tax assets/deferred tax liabilities

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

(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.

(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.

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.

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

27. Deferred tax assets/deferred tax liabilities (cont'd)

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.

(3) Offset of income tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate 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.

28. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(1) The Group as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period.

(2) The Group as lessor under operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred.

(3) The Group as lessee under finance leases

At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognizes a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is deferred. Besides, initial direct costs that are attributable to the leased item incurred during the process of negotiating and securing the lease agreement are also added to the amount recognized for the leased asset.

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

28. Leases (cont'd)

(4) The Group as lessee under finance leases

The deferred expense are recognized as financial expenses in profit or loss using the effective interest method over the lease term. Contingent rents are credited to profit or loss in the period in which they are actually incurred. The net amount of minimum lease payments less deferred expense is separated into long-term liabilities and the portion of long-term liabilities due within one year for presentation.

29. Other significant accounting policies and accounting estimates

29.1 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
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.

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 exsists 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.

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)

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

29.1 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 financing income or expenses.

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 financing income or expenses.

29.2. Securitization of assets

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

29.3. Segment reporting

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

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.

29.4. Profit distributions to shareholders

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

(Expressed in RMB '000)

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

30. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

The contents and reasons for the changes of accounting policiesh	Process for management approval
The Group began to adopt the following revised Accounting Standards for Business Enterprises ("ASBE") promulgated by Ministry of Finance from January 1, 2018: "Revised ASBE 22 - Financial Instruments Recognition and Measurement", "Revised ASBE 23 - Transfer of Financial Assets", "Revised ASBE 24 - Hedging", "Revised ASBE 37 - Presentation and Disclosures of Financial insturments" ("new financial instrument standards"), and "Revised ASBE 14 - Revenue" ("new revenue standard"), promulgated on 2017. Financial Instruments According to new financial instrument standards, financial assets are classified as one of the following three categories: financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income (FVTOCI), and financial assets measured at fair value through profit and loss (FVTPL), based on the "business model" and "contractual cash flow characteristics". The categories of loans and receivables, held-to-maturity investments and available-for-sale financial assets in the old financial instrument standards are cancelled. Equity investments are normally classified as financial assets at FVTPL, while it is permitted to irrevocably designate non-trading equity investments as financial assets at FVTOCI, and cumulative gain or loss previously recognised in other comprehensive income should not be classified to profit or loss upon derecognition. Impairment requirements in new financial instrument standards are applied to financial assets at amortised cost and FVTOCI, based on the "expected credit loss method". The new impairment model requires a three-stage model, to recognize 12-month or lifetime expected credit losses, depending on whether credit risk on a financial instrument has increased significantly since initial recognition. An entity shall always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables that do not have a significant financing component. Revenue New revenue standards introduced the 5-step approach, and provides more guidances for special transactions and events. Refer to Note III.25 for details of the Group's revenue recognition and measurement. According to the new standards, opening balances should be adjusted for accumulated impact, with regards to retained earnings and other relevant accounts, with no adjustments for comparative information.	The change in the accounting policy was approved by the board of directors meeting in 2018.4.26.

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

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

(1) Changes in significant accounting policies (cont'd)

Note 1: Transfer from loans and receivables to fair value

According to the Standard, the classification of financial assets that constitute debt instruments is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Trade receivables that are included in the securitization transaction for which consideration has not yet been received, are measured at fair value through profit or loss.

As a result of the implementation of the Standard, as at January 1, 2018, the balance of other receivables decreased by 8,279 thousand RMB with a corresponding decrease in retained earnings.

Note 2: Transfer from available-for-sale financial assets to other equity investments

As at January 1, 2018, available-for-sale financial assets were designated as financial assets at FVTOCI and reclassified to other equity investments. Such equity investments are not expected to be sold within the foreseeable future.

Since those equity investments are not quoted in an active market, according to old financial instrument standards, the investments were measured at cost.

Commencing January 1, 2018, such equity investments are measured at FVTOCI. Impairment loss recognised in prior periods of RMB 11,991 was reclassified from retained earnings to OCI, the investments were revaluated through OCI in the amount of RMB 71,546 and the deferred tax assets decreased by RMB 8,934. The OCI was increased by net amount of RMB 50,621.

Note 3: Expected credit loss

Commencing from January 1, 2018, the Group recognise credit loss impairment in accordance with new financial instrument standards.

The Standard includes a new model for the recognition of expected credit loss ('expected credit loss' model) for financial assets that are not measured at fair value through profit or loss. As a result of the implementation of the Standard, as of January 1, 2018, the provision for impairment of trade receivables increased by RMB 42,345, the deferred tax assets increased by RMB 12,277 with a corresponding decrease of RMB 30,068 in retained earnings.

Note 4: Significant financing component in revenue recognition

In assessing whether a contract contains a significant financing component, the Group examines, among other things, the expected length of time between the date on which the Group transfers the goods to the customer and the date on which the customer pays for the goods less than one year. In cases where the difference is one year or less, the Group applies the practical relief prescribed in the Standard and does not separate the significant financing component.

(Expressed in RMB '000)

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

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

(1) Changes in significant accounting policies (cont'd)

Note 4: Significant financing component in revenue recognition (cont'd)

As a result of the implementation of the Standard, as of January 1, 2018, the balance of trade receivables increased by RMB 71,406 and deferred tax assets decreased by RMB 23,837, with a corresponding increase of RMB 47,569 in retained earnings.

Summary of impacts to assets, liabilities and owners' equity from adoption of new revenue standards and new financial instrument standards, as at January 1, 2018:

Items	December 31, 2017	Impact from adoption of new revenue standards	Impact from adoption of new financial instrument standards	January 1, 2018
Accounts receivable	5,056,850	71,406	(42,345)	5,085,911
Other receivable	1,037,836	-	(8,279)	1,029,557
Available for sale financial assets	19,544	-	(19,544)	
Other equity investments		-	91,090	91,090
Deferred tax assets	891,012	(23,837)	3,343	870,518
Total impact to assets	**39,613,922**	**47,569**	**24,265**	**39,685,756**
Other comprehensive income	(154,701)	-	50,621	(104,080)
Retained earnings	3,286,711	47,569	(26,356)	3,307,924
Total impact to shareholders' equity	**18,778,013**	**47,569**	**24,265**	**18,849,847**

(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)

32. 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 recognised in the period in which the estimate is revised and in any future periods affected.

Notes V.33, Note IX and Note XII 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:

32.1 Impairment of trade receivables

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

32.2 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 recognised 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)

32. Significant accounting estimates and judgments (cont'd)

32.3 Impairment of assets other than inventories and financial assets

As described in Note III.21, assets other than inventories and financial assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is recognised.

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.

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

As described in Note III.16 and 19, 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.

32.5 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 recognises 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)

32. Significant accounting estimates and judgments (cont'd)

32.6 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.

32.7 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.

32.8 Derivative financial instruments

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

(Expressed in RMB '000)

IV TAXATION

1. Main types of taxes and corresponding tax rates:

The income tax rate in China to the Company is 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	2018
ADAMA agriculture solutions Ltd.	Israel	23.0%
ADAMA Makhteshim	Israel	7.5%
ADAMA Agan	Israel	16.0%
ADAMA Brasil S/A	Brazil	34.0%
ADAMA of North America Inc.	U.S.	24.7%
ADAMA India Private Ltd	India	34.6%
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	32.2%
ADAMA Andina B.V. Sucursal Colombia	Colombia	34.0%
ADAMA Italia S.R.L.	Italy	27.9%
Alligare Inc.	U.S.	27.5%

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

A. 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%.

B. 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. Part of the income deriving from the “Approved Enterprise” or “Beneficiary Enterprise” during the benefit period is subject to tax at the rate of up to 25% (the total benefit period is seven years and in certain circumstances up to ten years, but may not exceed 14 years from the date of the Letter of Approval and 12 years from the date the “Approved Enterprise” commenced operations or not more than 12 years from the election year for a “Beneficiary Enterprise”).

Other industrial enterprises of subsidiaries in Israel are entitled to a tax exemption for periods of between two and six years and a tax rate of up to 25% for the remainder of the benefits period. Should a dividend be distributed from the tax-exempt income, the subsidiaries will be liable for tax on the income from which the dividend was distributed at a rate of 25%.

IV. Taxation (cont'd)

2. Tax preferential

The aforementioned benefits are conditional upon compliance with certain conditions specified in the Law, related Regulations and the Letters of Approval, in accordance with which the investments in the Approved Enterprises were made. Failure to meet these conditions may lead to cancellation of the benefits, in whole or in part, and to repayment of any benefits already received, together with interest. Management believes that the companies are in compliance with these conditions.

C. Amendment to the Law for the Encouragement of Capital Investments, 1959.

On December 29, 2010 the Israeli parliament 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. Companies can choose not to be included in the scope of the amendment to the Encouragement Law and to stay in the scope of the law before its amendment until the end of the benefits period of its approved/beneficiary enterprise.

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

he Amendment provides that only companies in Development Area A will be entitled to the grants track. Further, they will be entitled to receive benefits both under this track and under the tax benefits track at the same time. In addition, the existing tax benefit tracks were eliminated (the tax exempt track, the “Ireland” track and the “Strategic” track) and two new tax tracks were introduced in their place, 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.

On August 5, 2013 the Israeli Parliament passed the Law for Changes in National Priorities (Legislative Amendments for Achieving Budget Objectives in the Years 2013 and 2014) – 2013, which cancelled the planned tax reduction so that as from the 2014 tax year the tax rate on preferred income will be 9% for Development Area A and 16% for the rest of the country.

On December 22, 2016, the Israeli Parliament passed the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the years 2017 and 2018) – 2016, by which, inter alia, preferred enterprise in Development Area A, will be subject to tax rate of 7.5% instead of 9% effective from January 1, 2017 and thereafter (the tax rate applicable to preferred enterprises located in other areas remains at 16%)

The amendment further determined that no tax shall apply to dividend distributed out of preferred income to shareholder who is Israel resident company. On dividend distributed out of preferred income to a single shareholder or a foreign resident subject to double taxation treaties, tax of 20% shall apply.

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

Under the Israeli Law for the Encouragement of Industry (Taxes) 1969, the Company 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 (the Company files a consolidated income tax return with Adama Makhteshim) and amortization of know-how over 8 years.

(Expressed in RMB '000)

V. Notes to the consolidated financial statements

1. Cash at Bank and On Hand

	June 30 2018	January 1 2018
Cash on hand	1,065	2,267
Deposits in banks	6,020,315	7,861,991
Other cash at bank	28,150	4,600
	6,049,530	7,868,858
Including cash and bank placed outside China	3,931,947	5,580,592

As at 30 June 2018, restricted cash and bank balances was 28,150 thousand RMB (as at January 1, 2018: 4,600 thousand RMB) mainly including deposits that guarantee bank acceptance drafts.

2. Financial Assets at Fair Value through Profit or Loss

	June 30 2018	January 1 2018
Financial assets held for trading:		
Debt instruments	13,610	14,225
Other	19,083	8,775
	32,693	23,000

3. Derivative financial assets

	June 30 2018	January 1 2018
Economic hedge	849,346	449,553
Hedge accounting derivatives	90,879	5,600
	940,225	455,153

(Expressed in RMB '000)

4. Bills Receivable

(1) Bills receivable by category

	June 30 2018	January 1 2018
Post-dated checks receivable	10,335	19,969
Bank acceptance draft	77,950	160,061
	88,285	180,030

All bills receivables are due within one year.

(2) Bills receivable which had endorsed by the Company

	June 30 2018
Bank acceptance draft	211,682
	211,682

5. Accounts Receivable

(1) Accounts receivable by category

	June 30, 2018				
	Book value		Provision for bad and doubtful debts		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed collectively for impairment	6,459,562	92	93,425	1	6,366,137
Account receivables assessed individually for impairment	553,412	8	304,905	55	248,507
	7,012,974	100	398,330	6	6,614,644

	January 1, 2018				
	Book value		Provision for bad and doubtful debts		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed collectively for impairment	4,935,888	90	104,712	2	4,831,176
Account receivables assessed individually for impairment	578,799	10	324,064	56	254,735
	5,514,687	100	428,776	8	5,085,911

(Expressed in RMB '000)

5. Accounts Receivable (cont'd)

(2) Addition, written-back and written-off of provision for bad and doubtful debts during the years:

	Six months ended ended June 30
	2018
Balance as of January 1,	428,776
Addition during the year,	28,367
Write back during the year	(22,742)
Write-off during the year	(1,986)
Exchange rate effect	(34,085)
Balance as of June 30,	398,330

(3) Five largest accounts receivable by debtor at June 30, 2018:

	June 30, 2018		
	Closing balance	As a percentage of total accounts (%) receivable	Provision for bad debts at the end of the year
Party A	119,105	2	-
Party B	116,465	2	5,823
Party C	81,060	1	-
Party D	75,661	1	-
Party E	75,290	1	-
Total	467,581	7	5,823

(4) 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 Agricultural Solutions Group (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 31, 2018. Subsequent to the report date, the Securitization Agreement was extended up to July 31, 2019.

5. Accounts Receivable (cont'd)

(4) 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, during the months July through September the maximum scope of the securitization is $300 million and during the months October through February the maximum scope of the securitization is $250 million. 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 the Acquiring Company is indemnified by the insurance company (the actual costs are not significant and are not expected to be significant).

The Acquiring Company bears 90% 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 companies handle collection of the trade receivables as part of the Securitization Transaction for the benefit of the Acquiring Company.

As part of the agreement, the subsidiary committed to comply with certain financial covenants, mainly the ratio of the liabilities to equity and profit ratios. As of June 30, 2018 the subsidiary 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 is not consolidated the Acquiring Company in its 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 loss from sale of the trade receivables is recorded at the time of sale in the statement of income in the "financing expenses" category.

(Expressed in RMB '000)

5. Accounts Receivable (cont'd)

(4) Derecognition of accounts receivable due to transfer of financial assets (cont'd)

In the fourth quarter of 2016, a subsidiary in Brazil (hereinafter - "the subsidiary") entered into a 3 years securitization transaction with Rabobank Brazil for sale of trade receivables. Under the agreement, the subsidiary will sell its trade receivables to a securitization structure (hereinafter - "the entity") that was formed for this purpose where the subsidiary has subordinate rights of 5% of the entity's capital.

The maximum securitization scope amounts to BRL 200 million (as of June 30, 2018 - 343 million RMB).

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

The entity bears 90% of the credit risk in respect of the customers whose debts were sold such that the entity has the right of recourse of 10% of the unpaid amount. The subsidiary should make a pledged deposit equal to the amount the entity's right of recourse.

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

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

The subsidiary continues to recognize the trade receivables sold to the entity based on the extent of its continuing involvement therein (10% right of recourse) and also recognizes an associated liability in the same amount.

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

	June 30 2018	January 1 2018
Accounts receivables derecognized	2,451,986	2,513,554
Continuing involvement	217,177	227,887
Subordinated note in respect of trade receivables	273,861	575,865
Liability in respect of trade receivables	242,962	37,957

	Six months ended June 30	
	2018	2017
		Restated
Loss in respect of sale of trade receivables	32,186	30,739
	32,186	30,739

(Expressed in RMB '000)

6. Prepayments

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

	June 30 2018		January 1 2018	
	Amount	Percentage	Amount	Percentage
Within 1 year (inclusive)	267,654	94	193,322	96
Over 1 year but within 2 years (inclusive)	14,907	5	4,404	2
Over 2 years but within 3 years (inclusive)	3,421	1	3,600	2
Over 3 years	960	-	785	-
	286,942	100	202,111	100

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

	Amount	Percentage of prepayments (%)
June 30, 2018	103,179	36

7. Other Receivables

(1) Other receivables by category

	June 30, 2018				
	Book value		Provision for bad and doubtful debts		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed collectively for impairment	705,728	99	149	-	702,579
Account receivables assessed individually for impairment	7,848	1	5,702	73	2,146
	713,576	100	5,851	1	707,725

	January 1, 2018				
	Book value		Provision for bad and doubtful debts		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed collectively for impairmentbasis	1,027,087	99	77	-	1,027,010
Account receivables assessed individually for impairment	7,849	1	5,302	68	2,547
	1,034,936	100	5,379	1	1,029,557

(Expressed in RMB '000)

7. Other Receivables (cont'd)

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

	Six months ended June 30 2018
Balance as of January 1,	5,379
Addition during the year	472
Written back during the year	-
Write-off during the year	-
Exchange rate effect	-
Balance as of June 30,	5,851

(3) Other receivables by nature

	June 30 2018	January 1 2018
Trade receivables as part of securitization transactions not yet eliminated	217,177	227,887
Subordinated note in respect of trade receivables	273,861	575,865
Financial institutions	31,938	60,742
Other	190,600	170,442
Sub total	713,576	1,034,936
Provision for doubtful debts - other receivables	(5,851)	(5,379)
	707,725	1,029,557

Financial institutions represent deposits made by the company with regard to derivatives transactions.

(4) Total of five largest other receivables by debtor at the end of the period:

	Amount	Percentage of other receivables
June 30, 2018	405,803	57

The total five largest other receivables includes the subordinated note in respect of trade receivables.

(Expressed in RMB '000)

8. Inventories

(1) Inventories by category:

	June 30, 2018		
	Book value	Provision for impairment of inventories	Carrying amount
Raw materials	2,984,847	8,842	2,976,005
Work in progress	416,129	788	415,341
Finished goods	4,796,740	163,701	4,633,039
Others	257,918	7,483	250,435
	8,455,634	180,814	8,274,820

	January 1, 2018		
	Book value	Provision for impairment of inventories	Carrying amount
Raw materials	2,272,637	11,545	2,261,092
Work in progress	522,668	417	522,251
Finished goods	4,623,078	149,252	4,473,826
Others	238,355	7,286	231,069
	7,656,738	168,500	7,488,238

(2) Provision for impairment of inventories:

For the six monthes ended June 30, 2018

	January 1, 2018	Provision	Reversal or write-off	Other	June 30, 2018
Raw material	11,545	2,767	(5,411)	(59)	8,842
Work in progress	417	1,064	(693)	-	788
Finished goods	149,252	43,652	(31,111)	1,908	163,701
Others	7,286	452	(350)	95	7,483
	168,500	47,935	(37,565)	1,944	180,814

(Expressed in RMB '000)

9. Assets held for sale

Item	January 1, 2018	Decrease	Currency translation adjustment	June 30, 2018
Intangible assets – registration and Intangilbe assets on purchased products	403,297	(392,403)	10,894	-

The assets held for sales were divested on March 2018, for further information see Note V.16 Intangible assets.

10. Other Current Assets

	June 30 2018	January 1 2018
Deductible VAT	449,313	477,117
Current tax assets	60,681	90,350
Others	38,966	47,458
	548,960	614,925

11. Long-Term Receivables

	June 30 2018	January 1 2018
Long term account receivables from sale of goods	146,399	192,968

(Expressed in RMB '000)

12. Long-Term Equity Investments

(1) Long-term equity investments by category:

	June 30 2018	January 1 2018
Investments in joint ventures	80,913	64,523
Investments in associates	38,338	37,860
	119,251	102,383

(2) Movements of long-term equity investments for the six months ended June 30, 2018 are as follows:

	Balance at January 1, 2018	Investment presented as liability as at January 1, 2018	Net balance at January 1, 2018	Investment income (loss)	Translation differences of foreign operations	Other	Balance at June 30, 2018
Joint ventures							
Company A	54,362	-	54,362	12,394	(1,217)	3,748	69,287
Company B	6,247	-	6,247	777	109	-	7,133
Company D	3,914	-	3,914	-	122	-	4,036
Company F*	-	(7,652)	(7,652)	(413)	225	8,297	457
Sub-total	64,523	(7,652)	56,871	12,758	(761)	12,045	80,913
Associates							
Company E	37,860	-	37,860	-	478	-	38,338
Sub total	37,860	-	37,860	-	478	-	38,338
	102,383	(7,652)	94,731	12,758	(283)	12,045	119,251

* Negev Aroma (Ramat Hovav) Ltd. (hereinafter "Negev Aroma"), a joint venture accounted for using the equity method, was presented as a liability in 2017 due to the group's obligation to support Negev Aroma.

13. Other equity investments

	June 30 2018	January 1 2018
Other equity investments	91,154	91,090

(Expressed in RMB '000)

14. Fixed assets

	Land & Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
Cost					
Balance as at January 1, 2018	2,473,955	11,126,188	100,180	293,399	13,993,722
Purchases	19,054	105,806	2,917	11,624	139,401
Transfer from construction in progress	34,011	104,366	-	2,656	141,033
Disposals	(885)	(9,283)	(8,919)	(3,840)	(22,927)
Currency translation adjustment	7,694	107,769	1,237	1,954	118,654
Balance as at June 30, 2018	2,533,829	11,434,846	95,415	305,793	14,369,883
Accumulated depreciation					
Balance as at January 1, 2018	(1,089,200)	(6,290,024)	(53,061)	(220,477)	(7,652,762)
Charge for the year	(42,530)	(250,305)	(5,898)	(13,373)	(312,106)
Disposals	885	6,946	7,347	3,643	18,821
Currency translation adjustment	(8,017)	(63,024)	(530)	(1,069)	(72,640)
Balance as at June 30, 2018	(1,138,862)	(6,596,407)	(52,142)	(231,276)	(8,018,687)
Provision for impairment					
Balance as at January 1, 2018	(19,151)	(180,077)	-	(242)	(199,470)
Charge for the year	-	(121)	-	(299)	(420)
Disposals	-	6	-	-	6
Currency translation adjustment	(205)	(952)	-	(15)	(1,172)
Balance as at June 30, 2018	(19,356)	(181,144)	-	(556)	(201,056)
Carrying amounts					
As at June 30, 2018	1,375,611	4,657,295	43,273	73,961	6,150,140
As at January 1, 2018	1,365,604	4,656,087	47,119	72,680	6,141,490

*The land is located outside of china, owned by some of the group subsidiaries outside of china and reported as fixed assets.

(Expressed in RMB '000)

15. Construction in Progress

(1) Construction in progress

June 30 2018			January 1 2018		
Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
871,046	-	871,046	803,421	-	803,421

(2) Details and Movements of major construction projects in progress during the six months ended June 30, 2018

	Budget	**Balance at January 1, 2018**	**Additions during the year**	**Transfer to fixed assets**	**Currency translation differences**	**Balance at June 30, 2018**	**Percentage of actual cost to budget (%)**	**Project progress(%)**	**Source of funds**
Project A	359,659	302,821	24,825	-	379	328,025	91	91	Internal finance
Project B	177,067	125,738	15,535	-	2,195	143,468	81	81	Internal finance
Project C	1,509,420	50,693	27,441	-	-	78,134	5	5	Internal finance and bank loan
Project D	41,704	34,011	6,991	-	702	41,704	100	100	Internal finance

(Expressed in RMB '000)

16. Intangible Assets

(1) Intangible Assets

	Product registration	Intangible assets on Purchased Products (1)	Software	Marketing rights and trademarks	Land use rights (2)	Others	Total
Cost							
Balance as at January 1, 2018	8,955,414	1,986,450	559,576	472,190	326,521	352,126	12,652,277
Purchases	185,846	1,966,144	32,638	-	25,100	116,712	2,326,440
Currency translation adjustment	111,061	96,911	7,636	4,441	487	8,173	228,709
Disposal	(35,503)	(80,253)	(2,305)	(32,396)	(206)	13	(150,650)
Balance as at June 30, 2018	9,216,818	3,969,252	597,545	444,235	351,902	477,024	15,056,776
Accumulated amortization							
Balance as at January 1, 2018	(5,889,539)	(1,520,132)	(365,732)	(400,535)	(61,242)	(227,331)	(8,464,511)
Charge for the year	(370,897)	(126,162)	(28,930)	(10,119)	(3,065)	(18,103)	(557,276)
Currency translation adjustment	(84,890)	(19,211)	(4,806)	(4,098)	(153)	(3,483)	(116,641)
Disposal	22,582	74,484	1,446	32,396	206	(13)	131,101
Balance as at June 30, 2018	(6,322,744)	(1,591,021)	(398,022)	(382,356)	(64,254)	(248,930)	(9,007,327)
Provision for impairment							
Balance as at January 1, 2018	(70,230)	(48,876)	-	-	(32,072)	-	(151,178)
Charge for the year	-	-	(134)	(51)	-	(726)	(911)
Currency translation adjustment	(885)	(616)	(5)	(2)	-	(28)	(1,536)
Balance as at June 30, 2018	(71,115)	(49,492)	(139)	(53)	(32,072)	(754)	(153,625)
Carrying amount							
As at June 30, 2018	2,822,959	2,328,739	199,384	61,826	255,576	227,340	5,895,824
As at January 1, 2018	2,995,645	417,442	193,844	71,655	233,207	124,795	4,036,588

(1) The subsidiaries, wholly-controlled by the Company, signed several agreements with Aventis and Syngenta A.G and Bayer Crop Science A.G in 2001, 2002, 2017 and 2018, for the acquisition of intellectual property rights, trademarks, brand name, technological know-how, information on customers and suppliers of materials and distribution rights in the field of agrochemicals.

(2) Part of the land in Israel has not yet been registered in the name of the Group companies at the Land Registry Office, mostly due to registration procedures or technical problems.

16. Intangible Assets (cont'd)

(2) Additional information

As part of the development of its business and in order to obtain the necessary regulatory approvals to CNAC from the China National Chemical Corporation group (hereinafter- "CC") for the acquisition of Syngenta AG ("Syngenta"), the Company agreed with CC and Syngenta to sell several of its products against receiving products with similar characteristics and economic value from Syngenta, including Syngenta's bearing of all expenses and taxes the Company will be required to pay.

Accordingly, during 2017, the Company received certain products and rights from Syngenta in the United States, against the sale of a number of the Company's products to Amvac Chemical Corporation for the purpose of obtaining approval from the US Authority (FTC). The proceeds received for the sold products and the cost of the acquired properties in the US are not material.

On March 16, 2018, the transaction for the sale of the Company's registrations assets in certain European countries to Nufarm Limited was completed, while the Company retained its right to continue to sell these products in other countries outside and sometimes also within Europe, in addition to signing supply and formulation agreements for a period of two years. The consideration received from Nufarm for the sale of the assets and for the supply and formulation agreements amounted to 2,511 million RMB (including deferred income of 93 million RMB). The capital gain generated from the sale amounted to 1,998 million RMB. The tax expenses in respect of the capital gain amounted to approximately 442 million RMB.

Concurrent with the sale of said assets in Europe, the transaction for the acquisition of certain registration and marketing rights in Europe from Syngenta by the Company was completed. The cost of purchased intangible assets amounted to 2,072 million RMB.
As a result of these transactions, the addition to intangible assets amounted to 2,137 million RMB that was recorded under intangible assets.

Approximately 2,025 million RMB in respect of acquisition of registration assets and marketing rights are recorded as assets in the purchase of products and is amortized over the economic life of the assets, ranging from 1 to 14 years (mainly between 7 and 11 years).

An amount of approximately 112 million RMB was recorded as non-competitive and is amortized over the non-competition period which is five years or over the economic life of the related assets if it is less than 5 years.
The valuation model used to allocate the consideration to the acquired assets is Discounted Cash Flow (DCF).

(Expressed in RMB '000)

17. Goodwill

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

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

As at the reporting period, there were no indicators for impairment. The fair value of the cash generating units to which the goodwill relates exceeds its carrying amount.

	Balance at January 1, 2018	**Changes during the period**	**Currency translation adjustment**	**Balance at June 30, 2018**
Book value	3,890,097	-	49,056	3,939,153
Impairment provision	-	-	-	-
Carrying amount	3,890,097	-	49,056	3,939,153

18. Deferred Tax Assets and Deferred Tax Liabilities

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

	June 30 2018		**January 1 2018**	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deferred tax assets in respect of inventories	1,435,611	365,428	1,372,337	353,544
Deferred tax assets in respect of employee benefits	799,927	104,213	863,820	114,255
Deferred tax assets in respect of carry forward losses	655,998	43,001	2,363,524	462,184
Other deferred tax asset	911,869	278,208	1,210,681	321,112
	3,803,405	790,850	5,810,362	1,251,095

(Expressed in RMB '000)

18. Deferred tax assets and Deferred Tax Liabilities (cont'd)

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

	June 30 2018		January 1 2018	
	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	4,043,564	639,173	3,800,871	605,190
	4,043,564	639,173	3,800,871	605,190

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

	June 30 2018		January 1 2018	
	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	167,231	623,619	380,577	870,518
Deferred tax liabilities	167,231	471,942	380,577	224,613

(4) Details of unrecognised deferred tax assets

	June 30 2018	January 1 2018
Deductible temporary differences	45,936	10,018
Deductible losses carry forward	101,309	96,041
	147,245	106,059

(Expressed in RMB '000)

18. Deferred tax assets and Deferred Tax Liabilities (cont'd)

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

	June 30 2018	January 1 2018
2018	-	-
2019	-	-
2020	19,803	19,831
2021	14,161	35,737
2022	5,670	18,008
After 2022	61,675	22,465
	101,309	96,041

(6) Unrecognised 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.

Deferred tax assets in respect of losses carried forward for tax purposes as of January 1, 2018 are mainly in respect of subsidiaries in Israel. Deferred tax assets were recognized because future taxable income was expected against which the unutilized tax losses could be utilized, mainly due to capital gain from the closing of the transaction for selling certain products in Europe during the first quarter of 2018, as described in Note 16 Intangible Assets, or up to the balance of deferred tax liability.

19. Other Non-Current Assets

	June 30 2018	January 1 2018
Assets related to securitization transactions	62,123	88,832
Judicial deposits	49,823	50,150
Call option in respect of business combination	12,876	13,545
Advances in respect of non current assets	13,463	11,196
Long term loan	7,450	7,606
Others	47,402	30,384
Sub total	193,137	201,713
Due within one year	(46)	(46)
	193,091	201,667

(Expressed in RMB '000)

20. Short-Term Loans

Short-term loans by category:

	June 30 2018	January 1 2018
Guaranteed loans	20,000	70,000
Unsecured loans	364,482	2,210,912
	384,482	2,280,912

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

21. Derivative financial liabilities

	June 30 2018	January 1 2018
Economic hedge	1,152,625	485,530
Hedge accounting derivatives	57,062	303,520
	1,209,687	789,050

22. Bills Payable

	June 30 2018	January 1 2018
Post-dated checks payables	39,991	288,557
Note Payables draft	105,000	23,000
	144,991	311,557

All of the above bills payable are due within one year and none are overdue.

23. Accounts Payable

	June 30 2018	January 1 2018
Within 1 year (including 1 year)	4,209,592	3,892,238
1-2 years (including 2 years)	5,970	8,190
2-3 years (including 3 years)	788	1,176
Over 3 years	4,981	4,877
	4,221,331	3,906,481

(Expressed in RMB '000)

24. Advances from customers

	June 30 2018	January 1 2018
Within 1 year (including 1 year)	167,338	224,350
1-2 years (including 2 years)	483	351
2-3 years (including 3 years)	123	305
Over 3 years	2,006	1,705
	169,950	226,711

25. Employee Benefits Payable

	June 30 2018	January 1 2018
Short-term employee benefits	432,396	572,037
Post-employment benefits-defined contribution plans	21,008	20,367
Other benefits within one year	272,521	263,362
	725,925	855,766
Current maturities	40,765	139,871
	766,690	995,637

26. Taxes Payable

	June 30 2018	January 1 2018
VAT	193,852	153,328
Corporate income tax	381,589	250,046
Others	19,783	27,901
	595,224	431,275

27. Interest Payable

	June 30 2018	January 1 2018
Accrued interest in respect of debenture	32,190	33,174
Accrued interest in respect of bank loans	2,996	3,346
Accrued interest in respect of other liabilities	8,059	9,971
	43,245	46,491

As at 30 June 2018, the Group did not have any overdue interest.

(Expressed in RMB '000)

28. Other Payables

	June 30 2018	January 1 2018
Liabilities for discounts	722,447	503,362
Accrued expenses	617,284	534,437
Payables in respect of intangible assets	151,183	176,378
Financial institutions	107,804	20,838
Liability in respect of investment in equity-accounted investee company	-	7,652
Liability in respect of securitizations transactions	242,962	37,957
Others payables	149,920	95,369
	1,991,600	1,375,993

As at 30 June 2018, the Group did not have any significant overdue other payables.

29. Non-Current Liabilities Due Within One Year

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

	June 30 2018	January 1 2018
Long-term loans due within one year	440,160	447,779
Long-term payables due within one year	542	725
Long-term deferred income due within one year	47,249	-
	487,951	448,504

30. Other Current Liabilities

	June 30 2018	January 1 2018
Put options to holders of non-controlling interests	349,575	285,329
Provision in respect of returns	128,905	161,643
Provision in respect of claims	27,512	18,714
Deferred income	22,602	16,505
Others	384	392
	528,978	482,583

(Expressed in RMB '000)

31. Long-Term Loans

Long-term loans by category

	June 30		January 1	
	2018	**Annual range**	**2018**	**Annual range**
Long term loans				
Loan secured by tangible assets other than monetary assets	913	5.5%	1,294	5.5%
Guaranteed loans	152,000	4.5%	198,590	4.75%
Unsecured loans	607,629	5.05%-6.80%	762,215	4.22%-6.06%
Toal long term loans	760,542		962,099	
Less: Long term loans due within 1 year	(440,160)		(447,779)	
Total long term loans, net	320,382		514,320	

For the maturity analysis, see note VIII (c)

The long-term loans were mortgaged by fixed assets with carrying amounts of 6,134 thousand RMB as at June 30th, 2018. Details of the guarantees are set out in note X (5) Related parties and related party transactions.

32. Debentures Payable

	June 30	January 1
	2018	**2018**
Debentures Series B	7,548,581	7,777,410
Total Debentures payable	7,548,581	7,777,410
Due within one year	-	-
Debentures payable, net	7,548,581	7,777,410

	June 30
	2018
First year (current maturities)	-
Second year	-
Third year	444,034
Fourth year	444,034
Fifth year and thereafter	6,660,513
	7,548,581

(Expressed in RMB '000)

32. Debentures Payable (Cont'd)

Movements of debentures payable:

For the six months ended June 30, 2018

	Face value in RMB	Face value NIS	Issuance date	Maturity period	Issuance amount	Balance at January 1, 2018	Issuance during the period	Amortization of discounts or premium	CPI and exchange rate effect	Repayment during the period	Currency translation adjustment	Balance at June 30, 2018
Debentures Series B	2,673,640	1,650,000	4.12.2006	November 2020-2036	3,043,742	3,531,088	-	108	(143,484)	-	38,992	3,426,704
Debentures Series B	843,846	513,527	16.1.2012	November 2020-2036	842,579	1,027,019	-	4,230	(41,988)	-	11,493	1,000,754
Debentures Series B	995,516	600,000	7.1.2013	November 2020-2036	1,120,339	1,295,327	-	1,892	(52,690)	-	14,359	1,258,888
Debentures Series B	832,778	533,330	1.2.2015	November 2020-2036	1,047,439	1,233,624	-	(1,179)	(50,187)	-	13,573	1,195,831
Debentures Series B	418,172	266,665	1-6.2015	November 2020-2036	556,941	690,352	-	(3,370)	(28,069)	-	7,491	666,404
						7,777,410	-	1,681	(316,418)	-	85,908	7,548,581

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

(Expressed in RMB '000)

33. Long-Term Employee Benefits Payable

	June 30 2018	January 1 2018
Total present value of obligation	513,090	530,333
Less: fair value of plan's assets	(90,687)	(97,614)
Post-employment benefits -Net liability arising from defined benefit plan	422,403	432,719
Termination benefits	112,533	138,948
Share based payment (See note XII)	102,332	55,260
Other long-term employee benefits	34,976	123,658
Total long-term employee benefits, net	672,244	750,585
Including: Long-term employee benefits payable due within one year	40,765	139,871
	631,479	610,714

(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 assets		Total	
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
Balance as of January 1,	669,281	620,286	97,614	131,005	571,667	489,281
Expense/income recognized in profit and loss:						
Current service cost	10,928	11,310	-	-	10,928	11,310
Past service cost	(757)	-	-	-	(757)	-
Interest costs	10,078	10,663	1,490	2,149	8,588	8,514
Settlements	-	(50,212)	-	(40,114)	-	(10,098)
Changes in exchange rates	(26,394)	53,681	(4,783)	8,762	(21,611)	44,919
Actuarial gain/losses due to early retirement	(366)	(854)	-	-	(366)	(854)
Included in other comprehensive income:						
Actuarial gain/losses as a result of changes in actuarial assumptions	(13,723)	7,072	(1,643)	(242)	(12,080)	7,314
Foreign currency translation differences in respect of foreign operations	6,242	(16,085)	925	(2,510)	5,317	(13,575)
Additional movements:						
Benefits paid	(29,666)	(40,249)	(6,145)	(4,761)	(23,521)	(35,488)
Contributions paid by the Group	-	-	3,229	4,536	(3,229)	(4,536)
Balance as at June 30,	625,623	595,612	90,687	98,825	534,936	496,787

(Expressed in RMB '000)

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

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

(2) Actuarial assumptions and sensitivity analysis

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

	June 30 2018	January 1 2018
Discount rate (%)*	1.1-4.5%	1.1%-4.5%

*According to the demographic and the benefit components

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

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

	As of June 30, 2018	
	Increase of 1%	Decrease of 1%
Discount rate	(41,123)	50,404

34. Provisions

	June 30 2018	January 1 2018	Reasons
Liabilities in respect of contingencies	74,814	124,882	Obligations of pending litigations, where an outflow of resources had been reliably estimated
Other	38,227	39,031	
	113,041	163,913	

35. Deferred income

	Balance at January 1, 2018	Additions	Decrease	Current maturities	Balance at June 30, 2018
Long term deferred income	-	93,153	(1,692)	(47,249)	44,212
	-	93,153	(1,692)	(47,249)	44,212

*See Note V. 16(2).

(Expressed in RMB '000)

36. Other Non-Current Liabilities

	June 30 2018	January 1 2018
Long term loans - others	171,770	171,770
Long term transactions in derivatives	10,964	13
Put options to holders of non- controlling interests	-	53,509
	182,734	225,292

37. Share Capital

	Balance at January 1, 2018	Issuance of new shares	Cancellations of shares	Balance at June 30, 2018
Share capital	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. The listing date of the newly-issued 104,697,982 shares was January 17, 2018. The total amount of the shares of the Company is 2,446,553,582.

38. Capital Reserve

	Balance at January 1, 2018	Additions during the year	Reductions during the year	Balance at June 30, 2018
Share premiums	12,973,782	-	(9,371)	12,964,411
Other capital reserves	8,495	-	-	8,495
	12,982,277	-	(9,371)	12,972,906

(Expressed in RMB '000)

39. Other Comprehensive Income

	Attributable to shareolders of the Company					
	January 1, 2018	Before tax amount	Less: transfer to profit or loss	Less: Income tax expenses	Net –of-tax amount	June 30, 2018
Items that will not be reclassified to profit or loss						
Re-measurement of changes in liabilities under defined benefit plans	(10,862)	12,080	-	974	11,106	244
Fair value changes in other equity investments	50,621	-	-	-	-	50,621
Items that may be reclassified to profit or loss						
Effective portion of gain or loss of cash flow hedge	(260,950)	72,586	(262,799)	41,912	293,473	32,523
Translation difference of foreign financial statements	117,111	200,840	-	-	200,840	317,951
	(104,080)	285,506	(262,799)	42,886	505,419	401,339

(Expressed in RMB '000)

40. Surplus reserves

	Balance at January 1, 2018	Additions during the period	Reductions during the period	Balance at June 30, 2018
Statutory surplus reserve	204,009	-	-	204,009
Discretional surplus reserve	3,814	-	-	3,814
	207,823	-	-	207,823

41. Retained Earnings

	2018	2017
Retained earnings at December 31 of preceding year	3,286,711	937,510
Opening balance adjustment (Note 1)	21,213	847,295
Retained earnings as at January 1,	3,307,924	1,784,805
Net profits for the period attributable to shareholders of the Company	2,362,781	1,316,994
Dividends to non-controlling Interest	(16,028)	(32,509)
Dividend to the shareholders of the company (Note 2)	(154,133)	-
Retained earnings as at June 30,	5,500,544	3,069,290

Note 1: The opening balance in current period was adjusted for RMB 21,213 thousands due to adoption of revised CASs for financial instruments and revenue see Note III 30(1). The opening balance in prior period was adjusted for RMB 847,295 thousands due to a business combination under common control.

Note 2: On March, 27, 2018, after obtaining the approval of the second meeting of the company's 8th Board of Directors, the Company declared RMB 0.63 (including tax) per 10 shares as cash dividend to all shareholders, resulting in a total cash dividend of 154,133 thousand 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 2017 annual general meeting held on June 28, 2018.

42. Operating Income and Cost of Sale

	Six months ended June 30			
	2018		2017 (Restated)	
	Income	Cost of sales	Income	Cost of sales
Principal activities	13,000,909	8,553,494	12,752,443	8,163,543
Other businesses	25,349	17,923	17,621	16,151
	13,026,258	8,571,417	12,770,064	8,179,694

(Expressed in RMB '000)

43. Taxes and Surcharges

	Six months ended June 30	
	2018	2017
		Restated
Tax on turnover	17,620	13,819
Others	33,953	27,410
	51,573	41,229

44. Selling and Distribution Expenses

	Six months ended June 30	
	2018	2017
		Restated
Salaries and related expense	734,813	681,720
Delivery and Commissions costs	354,115	357,625
Advertising and sales promotion	156,329	150,608
Depreciation and amortization	541,154	502,029
Registration	48,757	47,170
Insurance	34,252	41,323
Professional services	32,447	35,964
Royalties	13,185	14,840
Others	308,882	291,611
	2,223,934	2,122,890

45. General and Administrative Expenses

	Six months ended June 30	
	2018	2017
		Restated
Salaries and related expenses	318,466	298,373
Depreciation and amortization	36,553	36,703
Professional services	83,339	70,660
Office rent, maintenance and expenses	37,514	33,933
IT systems	33,560	31,077
Other	127,697	88,652
	637,129	559,398

(Expressed in RMB '000)

46. Financial Expenses, net

	Six months ended June 30	
	2018	2017
		Restated
Interest expenses on debentures and loans	288,408	358,317
Interest income from customers, banks and others	(41,219)	(129,587)
Loss in respect of sale of trade receivables	32,186	30,739
Interest expense in respect of defined benefit obligation and early retirement, net	8,588	8,514
Revaluation of put option, net	8,027	(2,857)
CPI expense in respect of debentures	64,891	56,668
Exchange rate differences, net	(31,251)	583,822
Other expenses	388	6,300
	330,018	911,916

47. Impairment Losses

	Six months ended June 30	
	2018	2017
		Restated
Inventories	36,214	15,721
Trade and other receivables	6,097	31,535
Fixed assets	420	-
Intangible assets	911	-
Other	238	-
	43,880	47,256

48. Gains (losses) from Changes in Fair Value

	Six months ended June 30	
	2018	2017
		Restated
Gain (loss) from changes in fair value of derivative financial instruments	(242,567)	229,039
Others	(809)	(6,763)
	(243,376)	222,276

(Expressed in RMB '000)

49. Investment Income

	Six months ended June 30	
	2018	**2017**
		Restated
Investment income from disposal of derivatives	134,295	278,733
Income from long-term equity investments accounted for using the equity method	12,758	2,086
Loss from disposal of long-term equity investment	-	(11,370)
	147,053	269,449

50. Gain from Disposal of Assets

	Six months ended June 30		Included in
	2018	**2017**	**non-recurring items**
		Restated	
Gain from disposal of intangible assets	1,997,096	58,293	1,997,706
Gain (loss) from disposal of fixed assets	74	(535)	74
	1,997,170	57,758	

See note 16.

51. Non-Operating Expenses

	Six months ended June 30		Included in
	2018	**2017**	**non-recurring items**
		Restated	
Donation expenses	4,267	5,264	4,267
Other	3,846	2,997	3,846
	8,113	8,261	

(Expressed in RMB '000)

52. Income Tax Expenses

	Six months ended June 30	
	2018	2017
		Restated
Current year	301,718	257,282
Adjustments for previous years, net	(13,831)	(12,731)
Deferred tax expenses (income)	439,377	(102,294)
	727,264	142,257

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

	Six months ended June 30
	2018
Profit before taxes	3,090,045
Company's main tax rate	25%
Tax calculated according to the main tax rate	772,511
Tax benefits from Approved Enterprises	(59,124)
Difference between measurement basis of income for financial statement and for tax purposes	82,208
Taxable income and temporary differences at other tax rate	(84,860)
Taxes in respect of prior years	(13,831)
Utilization of tax losses from prior years for which deferred taxes were not created	(4,545)
Temporary differences and losses in the report year for which deferred taxes were not created	11,484
Non-deductible expenses and other differences	25,709
Neutralization of tax calculated in respect of the Company’s share in results of equity accounted investees	(3,186)
Effect of change in tax rate in respect of deferred taxes	725
Creation and reversal of deferred taxes for tax losses and temporary differences from previous years	173
Income tax expenses	727,264

53. Other comprehensive income

Details of the Other comprehensive income are set out in Note V.5 (39)

(Expressed in RMB '000)

54. Notes to items in the cash flow statements

(1) Other cash received relevant to operating activities

	Six months ended June 30	
	2018	2017
		Restated
Financial institutions	135,686	427
Derivatives transactions	-	378,358
Interest income	24,209	156,289
Deferred income	96,946	-
Others	3,955	36,324
Total cash received relevant to operating activities	260,796	571,398

(2) Other cash paid relevant to operating activities

	Six months ended June 30	
	2018	2017
		Restated
Transportation and Commissions	342,353	324,023
Advertising and sales promotion	150,284	127,283
Professional services	133,685	106,294
Derivatives transactions	128,503	-
Registration	54,057	46,475
Financial institutions	23,511	122,179
Insurance	20,217	20,630
Others	503,129	615,173
Total cash paid relevant to operating activities	1,355,739	1,362,057

(3) Other cash received relevant to investment activities

	Six months ended June 30	
	2018	2017
		Restated
Investment grant	-	28,705
Other	57	3,062
Total cash received relevant to investments activities	57	31,767

(Expressed in RMB '000)

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

(4) Other cash received relevant to financing activities

	Six months ended June 30 2018	2017 Restated
Other	-	7,800
Total cash received relevant to financing activities	-	7,800

(5) Other cash paid relevant to financing activities

	Six months ended June 30 2018	2017 Restated
Financing deposit	-	100,000
Restricted cash	28,150	6,820
Other	3,139	-
Total cash paid relevant to financing activities	31,289	106,820

55. Supplementary Information on Cash Flow Statement

(1) Supplementary information on Cash Flow Statement

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

	Six months ended June 30 2018	2017 Restated
Net profit	2,362,781	1,316,994
Add: Impairment provisions for assets	43,880	47,256
Depreciation of fixed assets	312,106	346,102
Amortization of intangible asset	557,276	516,658
Gains on disposal of fixed assets, intangible assets, and other long-term assets, net	(1,997,170)	(57,758)
Losses (gains) on changes in fair value	243,376	(222,276)
Financial expenses (income)	(78,474)	1,092,678
Losses arising from investments	(147,053)	(269,449)
Decrease (increase) in deferred tax assets	233,849	(102,293)
Increase (decrease) in deferred tax liabilities	205,528	(290)
Decrease (increase) in inventories, net	(801,625)	6,883
Decrease in operating receivables	(1,126,210)	(1,034,228)
Increase (decrease) in operating payables	926,606	608,869
Others	44,648	-
Net cash flow from operating activities	779,518	2,249,146

(Expressed in RMB '000)

55. Supplementary Information on Cash Flow Statement (Cont'd)

(1) Supplementary information on Cash Flow Statement (Cont'd)

	Six months ended June 30	
	2018	2017
		Restated
b. Net increase in cash and cash equivalents		
Closing balance of cash and cash equivalents	6,021,380	4,537,654
Less: Opening balance of cash and cash equivalents	(7,864,258)	(3,833,747)
Net increase in cash and cash equivalents	(1,842,878)	703,907

(2) Details of cash and cash equivalents

	June 30, 2018	January 1, 2018
Cash at bank and on hand		
Including: Cash on hand	1,065	2,267
Bank deposits available on demand without restrictions	6,020,315	7,861,991
Cash and cash equivalents as of June 30	6,021,380	7,864,258

56. Assets with Restricted Ownership or Right of Use

	June 30 2018	Reason
Cash	28,150	Pledged
Fixed assets	6,134	Mortgaged
Other non-current assets	130,128	Guarantees
	164,412	

(Expressed in RMB '000)

57. Foreign currencies denominated items

(1) Foreign currencies denominated items:

	As at June 30, 2018		
	Foreign currency at the end of the year	Exchange rate	RMB at the end of the year
Cash and bank balances			
USD	31,450	6.6166	208,093
EUR	83,021	7.7135	640,381
BRL	287,234	1.7160	492,897
ILS	57,710	1.8128	104,615
PLN	97,363	1.7673	172,065
Other			357,911
Total			1,975,962
Financial liabilities at fair value through profit or loss			
BRL	10,595	1.7160	18,182
Total			18,182
Accounts and Bills receivable			
USD	68,474	6.6166	453,065
EUR	106,831	7.7135	824,038
BRL	333,288	1.7160	571,926
PLN	107,471	1.7673	189,929
RON	179,840	1.6528	297,238
CAD	55,780	5.0050	279,181
HUF	7,050,654	0.0235	165,395
TRY	104,185	1.4508	151,150
Other			632,468
Total			3,564,390
Other receivables			
EUR	46,596	7.7135	359,415
BRL	54,695	1.7160	93,858
ILS	38,879	1.8128	70,478
Other			114,863
Total			638,614
Other current assets			
EUR	931	7.7135	7,179
BRL	41,404	1.7160	71,049
ILS	123,735	1.8128	224,303
RMB	19,770	1.0000	19,770
ARS	60,989	0.2293	13,988
Other			37,039
Total			373,328
Long-term receivables			
BRL	85,313	1.7160	146,399
Total			146,399
Other non-current assets			
BRL	66,212	1.7160	113,620
Other			15,052
Total			128,672
Short-term loans			
UAH	250,995	0.2526	63,413
TRY	65,063	1.4508	94,392
Other			4,705
Total			162,510

(Expressed in RMB '000)

57. Foreign currencies denominated items (Cont'd)

(1) Foreign currencies denominated items: (Cont'd)

	As at June 30, 2018		
	Foreign currency at the end of the year	Exchange rate	RMB at the end of the year
Accounts payable and Bills payable			
USD	7,521	6.6166	49,763
EUR	58,255	7.7135	449,353
BRL	35,396	1.7160	60,740
ILS	180,208	1.8128	326,675
Other			92,976
Total			979,507
Advances from customers			
BRL	65,548	1.7160	112,482
Total			112,482
Interest payable			
ILS CPI	17,757	1.8128	32,190
Total			32,190
Other payables			
USD	1,349	6.6166	8,926
EUR	51,776	7.7135	399,371
BRL	53,079	1.7160	91,084
ILS	46,609	1.8128	84,492
PLN	21,427	1.7673	37,867
CAD	8,307	5.0050	41,579
CHF	4,993	6.6661	33,281
Other			75,489
Total			772,089
Other current liabilities			
EUR	3,768	7.7135	29,067
ILS	14,272	1.8128	25,871
Other			18,082
Total			73,020
Long-term loan			
BRL	297	1.7160	509
Other			543
Total			1,052
Debentures payable			
ILS CPI	4,164,121	1.8128	7,548,581
Total			7,548,581
Other non-current liabilities			
BRL	9,026	1.7160	15,489
Total			15,489

57. Foreign currencies denominated items (Cont'd)

(2) Major foreign operations

Name of the Subsidiary	Registration & Principal place of business	Business nature	Functional currency	The basis of selecting functional currency
ADAMA France S.A.S	FRANCE	Distribution	USD	The main currency that represent the principal economic environment
ADAMA Brasil S/A	BRAZIL	Manufacturing; Distribution; Registration;	USD	The main currency that represent the principal economic environment
ADAMA Deutschland GmbH	GERMANY	Distribution; Registration	USD	The main currency that represent the principal economic environment
ADAMA India Private Ltd.	INDIA	Manufacturing	INR	The main currency that represent the principal economic environment
Makhteshim Agan of North America, Inc.	UNITED STATES	Manufacturing; Distribution; Registration;	USD	The main currency that represent the principal economic environment
Control Solutions Inc.	UNITED STATES	Manufacturing; Distribution; Registration;	USD	The main currency that represent the principal economic environment
ADAMA Agan Ltd.	ISRAEL	Manufacturing	USD	The main currency that represent the principal economic environment
ADAMA Makhteshim Ltd.	ISRAEL	Manufacturing	USD	The main currency that represent the principal economic environment
ADAMA Australia Pty Limited	AUSTRALIA	Distribution	AUD	The main currency that represent the principal economic environment
ADAM Italia SRL	ITALY	Distribution	USD	The main currency that represent the principal economic environment
ADAMA Northern Europe B.V.	NETHERLANDS	Distribution	USD	The main currency that represent the principal economic environment
Alligare LLC	UNITED STATES	Manufacturing; Distribution; Registration;	USD	The main currency that represent the principal economic environment

VI . Changes in consolidation Scope

There was no change in the consolidation scope during the reporting period.

(Expressed in RMB '000)

VII . Interests in Other Entities

1. Interests in subsidiaries

(1) 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		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		100%	Restructure
ADAMA Makhteshim Ltd.	ISRAEL	Manufacturing		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;		80%	Purchased

(Expressed in RMB '000)

VII . Interests in Other Entities (Cont'd)

2. Interests in joint ventures or associates

	June 30 2018	January 1 2018
Joint ventures:		
Immaterial joint ventures	80,913	56,871
Associates		
Immaterial associates	38,338	37,860
	119,251	94,731

	June 30, 2018 and six months then ended	June 30, 2017 and six months then ended
Joint ventures:		
Total carrying amount	80,913	62,555
The Group's share of the following items:		
Net profit	12,758	2,367
Total comprehensive income	12,758	2,367
Associates:		
Total carrying amount	38,338	39,346
The Group's share of the following items:		
Net profit	-	(281)
Total comprehensive income	-	(281)

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, swaps and options (hereinafter – "derivatives").

Transactions in derivatives are undertaken with major financial 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.

VIII. Risk Related to Financial Instruments (Cont'd)

A. General (Cont'd)

The Group's risk management policy are established to identify and analyze the risks facing the Group, to set appropriate risk limits and controls and monitoring the 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 account 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 (4).

In April 2018, a two-year 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.

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, setting the maximum 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 a doubtful debt, the Company records a provision for the amount of the debt less the value of the collaterals provided and acts to realize the collaterals.

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

B. Credit risk (cont'd)

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

The Group recognizes an impairment provision, which reflects its assessment regarding the credit risk of account receivables, other receivables and investments on a lifetime expected credit loss basis. See also notes III.10 and III.11.

Cash and deposits in banks

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

Guarantees

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

Aging of receivables and allowance for doubtful accounts
Presented below is the aging of the past due trade receivables:

	June 30 2018
Past due by less than 90 days	466,592
Past due by more than 90 days	544,385
	1,010,977

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 companies, which is not required for financing the current ongoing operations, is invested in short-term interest-bearing investment channels.

(Expressed in RMB '000)

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

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

	As at June 30, 2018					
	First year	**Second year**	**Third-Fourth year**	**Fifth year and above**	**Contractual Cash flow**	**Carrying amount**
Non-derivative financial liabilities						
Short-term loans	395,910	-	-	-	395,910	384,482
Bills payable	144,991	-	-	-	144,991	144,991
Accounts payables	4,221,331	-	-	-	4,221,331	4,221,331
Other payables	1,991,600	-	-	-	1,991,600	1,991,600
Dividend payable	154,383	-	-	-	154,383	154,383
Other current liabilities	349,575	-	-	-	349,575	349,575
Debentures payable (a)	392,073	392,073	1,633,672	9,311,998	11,729,816	7,548,581
Long-term loans (a)	483,261	206,879	143,097	-	833,237	760,542
Long-term payable (a)	1,605	1,784	3,356	26,375	33,120	24,031
Other non-current liabilities	2,061	2,061	32,751	148,295	185,168	171,770
Derivative financial liabilities						
Foreign currency derivatives	1,209,632	10,964	-	-	1,220,596	1,220,596
CPI/shekel forward transactions	55	-	-	-	55	55
	9,346,477	613,761	1,812,876	9,486,668	21,259,782	16,971,937

(a) Including related Non current liabilities due within one year and interest payables.

(Expressed in RMB '000)

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

(2) Interest rate risks

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

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

(A) Type of interest

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

	June 30 2018
Fixed-rate instruments – unlinked to the CPI	
Financial assets	
Cash at banks	421,735
Other non-current assets	8,357
Financial liabilities	
Short-term loans	341,348
Long-term loans	152,913
Long-term payables	17,832
Other non-current liabilities	171,770
	(253,771)
Fixed-rate instruments – linked to the CPI	
Financial liabilities	
Debentures payable	7,584,581
	7,584,581

(Expressed in RMB '000)

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

(A) Type of interest (Cont'd)

	June 30 2018
Variable-rate instruments	
Financial assets	
Cash at banks	536,296
Financial assets at fair value through profit or loss	32,693
Other non-current assets	48,857
Financial liabilities	
Short-term loans	43,134
Long-term loans	607,629
	(32,917)

(B) Sensitivity analysis regarding variable-interest instruments

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

	Profit or loss		Equity	
	Increase in interest	Decrease in interest	Increase in interest	Decrease in interest
As at June 30, 2018	1,262	(1,278)	1,262	(1,278)

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.

(Expressed in RMB '000)

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

(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, Turkish lira and Chinese 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.

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-USD 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.

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

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

	June 30, 2018	
	Total Assets	**Total liabilities**
Denominated in or linked to the Dollar	1,111,720	1,120,955
In Euro	1,903,875	913,713
In Brazilian real	1,507,931	287,960
CPI-linked NIS	-	7,580,771
In New Israeli Shekel	445,872	437,040
Denominated in or linked to other foreign currency	3,185,293	480,000
Total	8,154,691	10,820,439

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

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

	June 30, 2018					
	Currency/ linkage receivable	Currency/ linkage payable	Average expiration date	USD thousands Par value	RMB thousands Par value	Fair value
Forward foreign currency contracts and call options	USD	EUR	2019/02/15	610,531	4,039,642	(164,455)
	USD	PLN	2018/10/10	54,182	358,504	39,154
	USD	BRL	2018/08/22	220,471	1,455,963	77,290
	USD	GBP	2018/11/16	20,396	134,953	8,934
	USD	ZAR	2018/07/24	15,850	104,870	12,704
	ILS	USD	2018/12/07	1,270,284	8,404,963	(390,208)
	USD	Others		477,091	3,156,717	127,372
CPI forward contracts	CPI	ILS	2018/12/17	698,630	4,622,556	31,221

(C) Sensitivity analysis

The appreciation or depreciation of the Dollar against the following currencies as of June 30, 2018 and the increase or decrease in the CPI would increase or decrease the equity and profit or loss by the amounts presented below. This analysis assumes that all the remaining variables, among others interest rates, remains constant.

	June 30, 2018			
	Decrease of 5%		Increase of 5%	
	Equity	Profit (loss)	Equity	Profit (loss)
New Israeli shekel	6,021	(1,346)	657	8,024
British pound	(354)	1,230	354	(1,230)
Euro	(106,949)	6,833	127,970	(4,105)
Brazilian real	(3,859)	14,222	3,859	(14,222)
Polish zloty	(2,403)	658	2,403	(658)
South African Rand	269	269	(269)	(269)
Chinese Yuan Renminbi	2,473	2,473	(2,473)	(2,473)
CPI-linked NIS	167,939	167,939	(167,939)	(167,939)

E. Cash flow hedge accounting

The table below presents the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur and impact the P&L:

	June 30, 2 0 1 8				
	Carrying amount	Expected cash flows	6 months or less	6-12 months	Second year
Forward contracts and options on exchange rates:	**40,752**	**40,752**	**(29,318)**	**63,210**	**6,861**

(Expressed in RMB '000)

IX. Fair Value

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

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

(1) Financial instruments measured at fair value for disclosure purposes only

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

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

	June 30, 2018	
	Carrying amount	Fair value
Financial assets		
Other non-current assets (a – Level 2)	56,135	59,103
Financial liabilities		
Long-term loans and others (b – Level 2)	957,528	992,306
Debentures (c – Level 1)	7,584,581	9,426,908

(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 determining fair value

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

	June 30, 2018
	%
Brazilian real interest	8.46 - 11.39
U.S. dollar interest	2.66 - 4.00
Indian Rupee	6.69 - 8.22

IX. Fair Value (cont'd)

(3) Fair value hierarchy of financial instruments measured at fair value

The table below presents an analysis of financial instruments measured at fair value. The various levels have been defined as follows:

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

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

	June 30 2018
Forward contracts and options used for hedging the cash flow (Level 2)	40,752
Forward contracts and options used for economic hedging (Level 2)	(298,739)
Debt instruments (Level 1)	13,610
Other equity investments (Level 2)	91,154
Other (Level 2)	19,083
	(134,140)

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

(4) No transfer between any levels of the fair value fierarchy in the reporting period.

(5) No change in the valuation techniques in the reporting period.

X. Related parties and related party transactions

1. Information on parent Company

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

The ultimate controller of the company is China National Chemical Corporation (hereinafter - "CC").

2. Information on the subsidiaries of the Company

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

3. Information on 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 the period or the previous period are as follows:

Name of entity	Relationship with the Company
Negev Aroma (Ramat Hovav) Ltd.	Joint venture of the Group
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
China National Agrochemical Corporation	Parent company (Direct holding)
Jingzhou Sanonda holdings co. LTD	Common control
Syngenta Crop Protection AG	Common control
Syngenta Supply AG	Common control
Syngenta Crop Protection LLC.	Common control
Syngenta France SAS	Common control
Syngenta Canada INC	Common control
Syngenta Agro Sociedad Anonima	Common control
Syngenta Proteção de Cultivos Ltda.	Common control
Syngenta Czech s.r.o.	Common control
Syngenta España 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 BV	Common control
Syngenta AGRO S.R.L.	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 Wien	Common control
Syngenta Agro GmbH Maintal	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
Bluestar Silicones USA Corp.	Common control
Bluestar Lehigh Engineering Institute Institute Co., Ltd.	Common control
China Bluestar Chengrand	Common control
Bluestar (Beijing) Chemical Machinery Co., Ltd.	Common control
Beijing Grand AgroChem Co., Ltd.	Common control
Shandong Dacheng International Trading co. LTD.	Common control
Shandong dacheng agricultural chemical co. LTD.	Common control
Shandong Dacheng Pesticide Co., Ltd.	Common control
Southwest Chemical Research and Design Institute Co., Ltd.	Common control
Jiangsu Anpon Electrochemical Co., Ltd	Common control
Jiangsu Lianhai Testing Co., Ltd.	Common control
Jiamusi Black Dragon Pesticide Chemical Co., Ltd.	Common control
Anhui Kelihua 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
China National Chemical Information Center	Common control
Beijing guangyuan yiong chemical co. LTD.	Common control

(Expressed in RMB '000)

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

5. Transactions and balances with related parties

(1) Transactions with related parties

Summary of Purchase of goods/services received and fixed assets

		Six months ended June 30	
		2018	2017
			Restaed
Type of purchase	**Related party relationship**		
Purchase of goods/services received			
	Common control under CC	858,609	136,346
	Joint venture	6,325	4,820
Purchase of fixed assets and other assets	Common control under CC	2,129,457	78,580
Summary of Sales of goods:			
Sale of goods/ Service rendered	Common control under CC	258,409	47,011
	Joint venture	99,823	134,994

(2) Leases

The Group as lessor

		Six months ended June 30	
		2018	2017
			Restated
Type of leased assets	**Lessee**		
Building and Structures	Common control under CC	10	57

(3) Guarantee (as guarantee receiver)

	Amount of guaranteed loan	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y / N)
As At June 30, 2018				
Common control under CC	303,000	20/02/2017	19/02/2020	Y
Parent	50,000	18/10/2017	18/10/2021	N
	50,000	10/01/2017	10/01/2020	Y
	300,000	20/11/2017	20/11/2022	N
	100,000	13/06/2018	12/06/2022	N
Ultimate controller	200,000	25/09/2013	25/09/2020	N
	160,000	27/05/2014	09/06/2021	N
	150,000	30/09/2013	13/10/2020	N

(Expressed in RMB '000)

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

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

(4) Remuneration of key management personnel and directors

	Six months ended June 30 2018	Six months ended June 30 2017
Remuneration of key management personnel	24,999	850

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

Receivable Items

Items	Related Party Relationship	June 30 2018	June 30 2018 Bad debt Provision	January 1 2018	January 1 2018 Bad debt Provision
Trade receivables					
	Common control under CC	84,982	-	28,565	-
	Joint venture	18,560	-	33,710	-
Other receivables					
	Common control under CC	14,731	-	22,780	-
	Joint venture	602	-	-	-
Prepayments	Common control under CC	117	-	12,357	-
Other non-current assets	Joint venture	7,404	-	7,514	-

Payable Items

Items	Related Party Relationship	June 30 2018	January 1 2018
Trade payables	Common control under CC	210,089	78,614
	Joint venture	-	320
Other non-current liabilities *	Common control under CC	171,770	171,770

* The interest expense related to this liability recognized in the current period is 1,042 thousand RMB (amount for prior period is 1,042 thousand RMB).

(Expressed in RMB '000)

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

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

(6) Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was 226 thousand RMB (2017.12.31 – 155,700 thousand RMB). Interest income of bank deposit in current period is 738 thousand RMB (amount for prior period is 0 thousand RMB).

XI. Commitments and contingencies

Significant commitments

(1) Capital commitments

	June 30 2018	January 1 2018
Investment in Fixed assets	653,409	590,043

(2) Operating lease commitments

The total future minimum lease payments under non-cancellable operating leases of fixed assets

	June 30 2018	January 1 2018
Within 1 year (including 1 year)	137,847	138,827
1-2 years (including 2 years)	104,067	100,043
2-3 years (including 3 years)	78,765	69,263
Over 3 years	142,025	126,804
	462,704	434,937

XI. Commitments and contingencies (cont'd)

Commitments and Contingent Liabilities

On October 30, 2017, the 22nd meeting of the 7th session of Board of Directors of Hubei Sanonda Co., Ltd. (hereinafter referred to as the "Company") resolved to approve as a frame work decision, the Company's engagement in annual liability insurance policies for directors, supervisors and senior officers of the Company. On November 15, 2017 the 4th interim Shareholders Meeting approved the above resolution.

According to the Policy between the Company and Ping An Property & Casualty Insurance Company of China, Ltd., for one year insurance (from October 1st, 2017 to September 30, 2018), the liability limit is $50 million for any one Claim and in the annual aggregate and the actual premium is negligible.

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. The Company has insurance coverage for sudden, unexpected environmental contamination.

Claims against subsidiaries

In the ordinary course of business, legal claims were 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 Solutions 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. Share-based Payments

(1) In December 2017, the remuneration committee and the Board of Directors (and the General Meeting with respect to the CEO) of Adama solutions, a wholly-owned subsidiary, approved the allocation of 49,042,146 phantom warrants to officers and employees in accordance with the long-term phantom compensation plan ("the Plan"). The allocation date is December 28, 2017.

The warrants will vest in four equal portions, where the first and second quarters are exercisable after one year, the third quarter after two years and the fourth quarter after three years from January 1, 2018. The warrants will be exercisable, in whole or in part, in accordance with the terms of the plan, and subject to achieving financial targets as determined in the plan. The warrants may be exercised until the end of 2023.

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

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

The cost of the benefit embodied in the warrants that were allocated as aforesaid, based on the fair value at the end of the reporting period, amounted to a total of 206 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 year	**Phantom warrants**
Total number of Phantom warrants granted in current period	198,417
Total number of Phantom warrants exercised in current period	-
Total number of Phantom warrants forfeited in current period	679,585
Total number of Phanom warrents at the end of the period	48,560,977
The range of the exercise prices and the remainder of the contractual period for Phantom warrants outstanding at the end of period	15.13 RMB 5.5 years

The parameters used in implementing the model are as follows:	
Stock price (RMB)	15.81
Original exercise increment (RMB)	15.13
Expected volatility	46.73%
Risk-free interest rate	3.45%
Economic value as of June 30, 2018 (in thousands RMB)	206,041

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)	102,332
Expenses arising from cash-settled share-based payments in current period (in thousands RMB)	44,648

XIII. 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 and operations in the seeds sector.
- Other (Non Agro)

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

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

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

(Expressed in RMB '000)

XIII. Other significant items (cont'd)

(1) Segment reporting (cont'd)

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

	Crop Protection (Agro)		Other (Non Agro)		Elimination among segments		Total	
	Six months ended June 30		Six months ended June 30		Six months ended June 30		Six months ended June 30	
	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated	2018	2017 Restated
Operating income from external customers	12,132,725	11,860,787	893,533	909,277	-	-	13,026,258	12,770,064
Inter-segment operating income	-	-	380	4,382	(380)	(4,382)	-	-
Interest in the profit or loss of associates and joint ventures	12,394	5,819	364	(3,733)	-	-	12,758	2,086
Segment's results	3,481,515	1,801,891	47,629	79,637	-	-	3,529,144	1,881,528
Financial expenses, net							(330,018)	(911,916)
Gains from changes in fair value							(243,376)	222,276
Investment income							134,295	267,363
Profit/loss before tax							3,090,045	1,459,251
Income tax expense							(727,264)	(142,257)
Net profit							2,362,781	1,316,994

	Crop Protection (Agro)		Other (Non Agro)		Unallocated assets and liabilities		Total	
	June 30, 2018	January 1, 2018	June 30, 2018	January 1, 2018	June 30, 2018	January 1, 2018	June 30, 2018	January 1, 2018
Total assets	30,938,535	27,358,558	1,652,066	1,777,897	8,987,197	10,549,301	41,577,798	39,685,756
Total liabilities	4,214,113	4,027,089	196,420	198,600	15,623,840	16,610,220	20,034,373	20,835,909

(Expressed in RMB '000)

XIII. Other significant items (cont'd)

(1) Segment reporting (cont'd)

(2) 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, construction in progress, investment properties, intangible assets and goodwill). In the case of investment property, fixed assets and construction in progress, the geographical location of the assets is based on its physical location. In case of intangible assets and goodwill, the geographical location of the company which owns the assets.

	Operating income from external customers	
	Six months ended June 30	
	2018	2017
		Restated
Europe	4,469,617	4,716,623
North America	2,589,664	2,482,507
Latin America	1,978,828	1,826,603
Asia Pacific	2,267,794	2,191,368
Africa, Middle East (including Israel) and India	1,720,355	1,552,963
	13,026,258	12,770,064

	Specified non-current assets	
	June 30	January 1
	2018	2018
Europe	723,016	732,024
Latin America	2,053,806	1,030,652
North America	474,496	464,183
Asia Pacific	2,220,746	2,186,442
Africa, Middle East (including Israel) and India	11,535,894	10,592,839
	17,007,958	15,006,140

(3)Dependency on major customers

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

(Expressed in RMB '000)

XIII. Other significant items (cont'd)

(2) Calculation of basic earnings per share and Diluted earnings per share

	Amount for the current period	Amount for the prior period
		Restated
Net profit for the current period attributable to shareholders of the company	2,362,781	1,316,994
Including: Net profit from continuing operations	2,362,781	1,316,994
Net profit for the current period attributable to ordinary shareholders	2,362,781	1,316,994

Thousands shares	Amount for the current period	Amount for the prior period
		Restated
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 period	-	-
Less: weighted average number of ordinary shares repurchased during the period	-	-
Number of ordinary shares outstanding at the end of the period	2,446,554	2,341,856

On July 4, 2017 the entire share capital of Solutions was transferred from CNAC to the Company, in return for the issuance of 1,810,883,039 new shares of the Company to CNAC, which is a business combination under common control. According to “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”, in a business combination involving enterprises under common control when calculating the basic earnings per share during the comparative period, the shares shall be treated as issued at the beginning of the comparative period.

	Six months ended June 30, 2018	Six months ended June 30, 2017
		Restated
Calculated based on net profit attributable to ordinary shareholders		
Basic earnings per share	0.9658	0.5624
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.9658	0.5624
Diluted earnings per share	N/A	N/A
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

(Expressed in RMB '000)

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

1. Cash at bank and on hand

	June 30, 2018	January 1, 2018
Deposits in bank	1,761,572	1,864,003
Other cash at bank	28,150	4,600
Total	1,789,722	1,868,603

As at June 30, 2018, restricted cash and bank balances was 28,150 thousand (as at January 1, 2018): 4,600 thousand RMB) mainly including deposits that guarantee bank acceptance drafts.

2. Accounts receivable

(1) Accounts receivable classification disclosure

	June 30, 2018				
	Book value		Provision for bad and doubtful debts		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed collectively for impairment	855,056	89	4,414	1	850,642
Account receivables assessed individually for impairment	106,582	11	14,518	14	92,064
	961,638	100	18,932	2	942,706

	January 1, 2018				
	Book value		Provision for bad and doubtful debts		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed collectively for impairment	830,914	96	1,879	-	829,035
Account receivables assessed individually for impairment	35,209	4	14,210	13	20,999
	866,123	100	16,089	2	850,034

(Expressed in RMB '000)

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

2. Accounts receivable (Cont'd)

(2) Addition, written-back and written-off of provision for bad and doubtful debts during the years:

	Six months ended June 30, 2018
Balance as of January 1,	16,089
Addition during the year, net	2,889
Write back during the year	(28)
Write-off during the year	(18)
Balance as of June 30	18,932

(3) Five largest accounts receivable by debtor:

Accounts receivable	Closing balance	As a percentage of total accounts receivable(%)	Provision for bad debts at the end of the year
Party 1	583,244	61	-
Party 2	183,530	19	-
Party 3	89,047	9	-
Party 4	50,027	5	2,501
Party 5	5,842	1	292
Total	911,690	95	2,793

3. Long-term equity investment

	June 30, 2018			January 1, 2018		
	Amount balance	Impairment loss	Book value	Amount balance	Impairment loss	Book value
Investment in subsidiaries	15,939,826	-	15,939,826	15,939,826	-	15,939,826
Total	15,939,826	-	15,939,826	15,939,826	-	15,939,826

(Expressed in RMB '000)

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

3. Long-term equity investment (Cont'd)

(1) Investments in subsidiaries

	January 1, 2018	Increase	Decrease	June 30,2018	Current provision Impairment loss	Balance provision Impairment loss
Jingzhou Hongxiang Chemical Co. Ltd.	37,620	-	-	37,620	-	-
Hubei Sanonda foreign trade co. Ltd.	11,993	-	-	11,993	-	-
ADAMA Agricultural Solutions Ltd.	15,890,213	-	-	15,890,213	-	-
Total	15,939,826	-	-	15,939,826	-	-

4. Operating income and operating costs

	Six months ended june 30, 2018		Six months ended June 30, 2017	
	Operating income	Operating costs	Operating income	Operating costs
Main operations	1,585,485	1,096,095	1,325,666	1,005,632
Other operations	81,088	73,662	116,399	115,141
Total	1,666,573	1,169,757	1,442,065	1,120,773

5. Supplementary information to cash flow statement

(1) Other cash received relevant to operating activities

	Six months ended June 30, 2018	Six months ended June 30, 2017
Interest income	13,035	544
Government subsidies	748	1,725
Other	1,409	1,218
Total	15,192	3,487

(Expressed in RMB '000)

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

5. Supplementary information to cash flow statement (cont'd)

(2) Other cash paid relevant to operating activities

	Six months ended June 30, 2018	Six months ended June 30, 2017
Professional services	36,133	9,707
Transportation and Commissions	38,259	37,952
Other	11,790	13,116
Total	86,182	60,775

(3) Other cash received relevant to financing activities

	Six months ended June 30, 2018	Six months ended June 30, 2017
Other	-	7,800
Total	-	7,800

(4) Other cash paid relevant to financing activities:

	Six months ended June 30, 2018	Six months ended June 30, 2017
Funding deposit	-	100,000
Share repurchase (B shares)	393,025	-
Restricted cash	28,150	6,820
Other	3,138	-
Total	424,313	106,820

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

6. Supplementary information to cash flow statement (cont'd)

Supplementary materials	Six months ended June 30 2018	Six months ended June 30 2017
Net profit	282,383	147,813
Add: Impairment provisions for assets	3,978	8,051
Depreciation of fixed assets	79,145	101,449
Amortization of intangible assets	2,503	2,575
Loss on disposal of fixed assets, intangible assets and other long-term assets	-	410
Loss on discard of fixed assets	44	-
Loss on change in fair value	-	206
Financial expenses (income)	(9,876)	8,277
Decrease (increase) in deferred tax assets	(4,870)	15,572
Decrease (increase) in inventory	13,343	(9,103)
Increase (decrease) in operating accounts receivable	15,037	(365,016)
Increase in operating payables	99,968	48,243
Net cash flows from operating activities	481,655	(41,523)
2. Investing and financing activities that do not involving cash receipts and payment	-	-
3. Net increase in cash and cash equivalents	-	-
Closing balance of cash and cash equivalents	1,761,572	52,761
Less: Opening balance of cash and cash equivalents	1,864,003	249,740
Net increase in cash and cash equivalents	(102,431)	(196,979)

7. Related parties and related parties transcations

(1) Information on parent Company

Company name	Registered place	Business nature	Registered capital (Thousand)	Shareholding percentage (%)	of voting rights Percentage (%)
CNAC	Beijing, China	Production and sales of agrochemicals	RMB 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 main subsidiaries of the Company, refer to Note VII.1.

(Expressed in RMB '000)

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

7. Related parties and related parties transcations(Cont'd)

(3) Transactions and balances with related parties

a. Transactions of goods and services

	Related Party Relationship	Six months ended June 30 2018	Six months ended June 30 2017
Summary of Purchase of goods/services received:			
Purchase of goods/services received	Common control under CC	7,846	5,003
	Subsidiary	114,174	97,561
Purchase of fixed assets and other assets	Common control under CC	54,060	2,759
Summary of Sales of goods:			
Sale of goods	Subsidiary	473,846	303,242
Sale of fixed assets	Subsidiary	1,528	364

b. Leases

Type of leased assets	Lessee	Six months ended June 30 2018	Six months ended June 30 2017
Building and Structures	Common control under CC	10	57

c. Guarantee (as a guarantee receiver)

	Amount of guaranteed loan	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y / N)
As At June 30, 2018				
Common control under CC	303,000	20/02/2017	19/02/2020	Y
Parent	300,000	20/11/2017	20/11/2022	N
	50,000	18/10/2017	18/10/2021	N
	50,000	10/01/2017	10/01/2020	Y
	100,000	13/06/2018	12/06/2022	N
Ultimate controller	200,000	25/09/2013	25/09/2020	N
	160,000	27/05/2014	09/06/2021	N
	150,000	30/09/2013	13/10/2020	N

(Expressed in RMB '000)

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

7. Related parties and related parties transactions (Cont'd)

(3) Transactions and balances with related parties (Cont'd)

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

Receivable Items

Items	Related Party Relationship	June 30 2018	Bad debt Provision	January 1 2018	Bad debt Provision
Trade receivables	Subsidiary	855,820	-	793,330	-
Prepayments	Common control under CC	117	-	12,357	-

Payable Items

Items	Related Party Relationship	June 30 2018	January 1 2018
Trade payables	Subsidiary	-	3,465
	Common control under CC	10,986	980
Other payables	Subsidiary	51,653	436,268
Other non-current liabilities*	Common control under CC	171,770	171,770

* The interest expense related to this liability recognized in the current period is 1,042 thousand RMB (amount for prior period is 1,042 thousand RMB).

e. Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was 20 thousand RMB (2017.12.31 – 25,014 thousand RMB). Interest income of bank deposit in current period is 537 thousand RMB (amount for prior period is 0 thousand RMB).

XV. Supplementary information

(1) Extraordinary Gain and Loss

	Six months ended June 30, 2018
Disposal of non-current assets	1,997,170
Government grants recognized through profit or loss	10,787
Recovery or reversal of provision for bad debts which is assessed individually during the years	13,249
Other non-operating income and expenses besides items above	(787)
Tax effect	(447,934)
	1,572,485

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

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

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

		EPS	
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	11.65	0.9658	N/A
Net profit after deduction of extraordinary gains/losses attributable to ordinary shareholders of the Company	3.90	0.3230	N/A

Section XI Documents Available for Reference

(I) Financial Statements carried with signatures and seals of Legal Representative and Accounting Principal;

(II) In the Reporting Period, originals of all documents of the Company ever disclosed publicly in media designated by China Securities Regulatory Commission as well as the originals of all the public notices were deposited in the office of the Company.

Hubei Sanonda Co., Ltd.

Legal Representative: Chen Lichtenstein

August 27, 2018