SANONDA
沙隆達

HUBEI SANONDA CO., LTD.

ANNUAL REPORT2017

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 6,600strong 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.

March 2018

Section I Important Notice, Table of Contents and Definitions

- The Company's Board of Directors, Board of Supervisors, directors, supervisors and senior managersconfirmthat the content of the Report is true, accurate and complete and contains no false statement, misleading presentation 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, andAviram 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 of the Company's directors attended the board meeting for the review of this Report.

- The forward looking information described in the Report, such as future plans,development strategy etc., does not constitute, in any manner whatsoever, a substantialcommitment of the Companyto investors. Investors and other relevant people shall be sufficiently mindful ofinvestment risks as well as the difference between plans, forecasts and commitments.

- The Company has described its future development strategies, work plan for 2018 and possible risks in "IX. Outlook of future development of the Company" in Section IV.

- The pre-plan of the dividend distribution approved by the meeting of the Board of Directors is taking the total outstanding 2,446,553,582 shares of the Company dated February 28, 2018 as the basis to distribute RMB 0.63 (including tax) as cash dividend per 10 shares to all the shareholders. Zero share (including tax) will be distributed as share dividend, as well as no reserve will be transferred to equity capital.

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

Table of Contents

Definitions

Unless otherwise specified, the following terms in the Report shall have the meaning shown below:

General Terms		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
Articles of Association / AOA		The Articles of Association of the Company
Group, the Group		The Company and its subsidiaries
ChemChina		China National Chemical Co., Ltd.
CNAC		China National Agrochemical Co., Ltd., the controlling shareholder of the Company, a wholly-owned subsidiary of ChemChina
CSRC		China Securities Regulatory Commission
GTJA		Guotai Junan Securities Co., Ltd.
SZSE		Shenzhen Stock Exchange
SASAC		State Assets Supervision and Administration Commission of China
Report		This 2017 Annual Report
Financial Report		The Financial Reports for the year 2017
Reporting period, this period, current year		Year 2017
The transaction, the major assets restructuring		The Company acquired 100% of the shares of Adama Solutions from CNAC in exchange for the issuance and allotment of 1,810,883,039 new A-shares of the Company to CNAC. In addition, the Company issued 104,697,982 new A-shares to selected investors in an A-Share Private Placement conducted as Supporting Finance for the transaction.
Company Law		Company Law of the People’s Republic of China
Securities Law		Securities Law of the People’s Republic of China
Listing Rules		Listing Rules of the SZSE

Section II Corporate Profile and Financial Results

I Corporate information

Stock name	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 (if any)	Hubei Sanonda Co., Ltd.		
Abbr. (if any)	SANONDA		
Legal representative	Chen Lichtenstein		
Registered address	No. 93, Beijing East Road, Jingzhou, Hubei		
Zip code	434001		
Office address	No. 93, Beijing East Road, Jingzhou, Hubei		
Zip code	434001		
Company website	http://www.sanonda.cn		
Email	irchina@adama.com		

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	lizhongxi@agr.chemchina.com	liangjiqin@agr.chemchina.com

III Information disclosure and place where this Report is kept

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

IV Company registration and alteration

Credibility code	91420000706962287Q
Changes in main business activities of the Company after going public (if any)	No changes
Changes of controlling shareholder (if any)	The controlling shareholder of the Company changed from Jingzhou Sanonda Holdings Co., Ltd. to China National Agrochemical Co., Ltd.

V Other information

Accounting Firm hired by the Company	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Office address	30/F, Bund Center, 222 Yan An Road East, Shanghai PRC
	Signing Certified Public Accountant	Chen Xi, Zhao Yan

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

□ Applicable √ Not applicable

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

√Applicable □Not applicable

Name of Financial Advisor	Address	Names of the Sponsors	Period for the Continuous Supervision
GTJA	No. 618 of Shangcheng Road, Free Trade Area, Shanghai, China	Zhu Wenchuan, Tang Weijie	From Aug 2, 2017 to Dec 31, 2018

VI Main Accounting and financial results

Indicate by tick mark whether the Company performed any retroactive adjustments to or restatement of its accounting data due to changes of accounting policies or correction of accounting errors

√ Yes □ No

	2017	2016		+/- (%)	2015	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Operating revenue (RMB'000)	23,819,568	1,854,733	22,070,405	7.93%	2,169,937	21,161,365
Net profit attributable to	1,545,879	-74,490	369,076	318.85%	141,840	409,206

	2017	2016		+/- (%)	2015	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
shareholders of the Company (RMB’000)						
Net profit attributable to shareholders of the Company excluding extraordinary profit and loss (RMB’000)	382,275	-92,340	-92,340	NM	137,329	137,329
Net cash flows from operating activities (RMB’000)	3,958,389	268,365	4,237,145	-6.58%	276,090	3,980,788
Basic EPS (RMB/share)	0.6601	-0.1254	0.2200	200.05%	0.2388	0.255
Diluted EPS (RMB/share)	0.6601	-0.1254	0.2200	200.05%	0.2388	0.255
Weighted average return on net assets	9.05%	-3.63%	2.97%	298.04%	6.90%	3.57%
	31.12.2017	31.12.2016		+/- (%)	31.12.2015	
		Before adjustment	After adjustment	After adjustment	Before adjustment	After adjustment
Total assets (RMB’000)	39,613,922	2,984,884	36,492,511	8.55%	2,977,268	34,946,504
Net assets attributable to shareholders of the Company (RMB’000)	18,778,013	2,005,058	16,917,794	11.00%	2,097,382	11,522,703

The reason for the change of accounting policy and the results of correction of accounting errors

Please see the relevant contents of VI of Section V of this report.

Are there any corporate bonds?

☐ Yes √ No

VII Differences in accounting data under domestic and foreign accounting standards

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

□ Applicable √ Not applicable

No such differences for this Reporting Period.

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

□ Applicable √ Not applicable

No such differences for this Reporting Period.

VIII Main Financial results by quarter

Unit: RMB'000

	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Operating revenue	6,343,615	6,426,449	5,624,175	5,425,329
Net profit attributable to shareholders of the Company	762,710	554,284	282,520	-53,635
Net profit attributable to shareholders of the Company after deduction of nonrecurring profits and losses	58,358	108,702	246,907	-31,692
Net cash flows from operating activities	37,028	2,212,113	272,400	1,436,848

Indicate by tick mark whether there are any material differences between the financial indicators above or their summations and those which have been disclosed in quarterly or semi-annual reports

□ Yes √ No

IX Non-Recurring profit/loss

√ Applicable □ Not applicable

Unit: RMB'000

Item	2017	2016	2015	Note
Gains/losses on the disposal of non-current assets (including the offset part of asset impairment provisions)	-3,000	17,682	32	
Government grants charged to the profit/loss for this Reporting Period (except for the government grants closely related to the business of the Company and given at a fixed quota or amount in accordance with the State's uniform standards)	14,628	5,418	5,585	
Profit or loss of subsidiaries generated before combination date of a business combination involving enterprises under common control	1,147,797	829,068	443,651	
Profit or loss arising from contingencies other than those related to normal operating business	-15,671	-	-	
Recovery or reversal of provision for bad	22,204	-	-	

Item	2017	2016	2015	Note
debts which is assessed individually during the years				
Profit or loss on changes in the fair value of held-for-trading financial assets and held-for-trading financial liabilities and investment income on disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than those used in the effective hedging activities relating to normal operating business	-	19	-	
Other non-operating income and expenses other than the above	4,036	348	86	
Less: Income tax effects	6,390	5,616	1,180	
NCI (after tax)	-	385,503	176,297	--
Total	1,163,604	461,416	271,877	

Explanation of why the Company classified an item as exceptional profit/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public-Exceptional Profit and Loss, or reclassified any exceptional 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 businesses of the Company during Reporting Period

Doesthe Company need to abide by the disclosure requirement in special industry?

No

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

The Group engages in the development, manufacturing and marketing of crop protection products,that are off-patent, 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 solutionscompany (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 capacities, 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 and flotation

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.

Following the completion of the said combination, on September 29, 2017, a new board of directors of the Combined Company was appointed. Adama Solutions' global management leads the Combined Company, which will operate under the ADAMA name and brand, subject to the required approvals. In this context Adama Solutions' CEO, CFO and GLC were each appointed to corresponding positions in the Company.

As part of the combination, Adama Celsius B.V completed the transfer and the cancellation of the B shares of the Company which it held in accordance with the repurchase agreement signed in September 2016 and its amendment.

Internal group services agreements - on December 28, 2017 the Company and Adama Solutions entered into services agreements for the provision of various services by Adama Solutions to the Company.

The Company completed a capital raise of approximately 1.5 billion RMBfrom equity investors. The Combined Company will utilize the funds for further development of its global product portfolio, as well as the establishment and expansion of advanced operational capabilities.

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

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 changestomain assets

1. Significant changesto main assets

Main assets	Significant change
Stock rights/Equity assets	No Significant change
Fixed assets	No Significant change
Intangible assets	No Significant change
Construction in progress/On-going construction projects	Investment in main production sites
Inventories	No Significant change
Trade receivables	No Significant change
Cash	The increase is mainly due to the funds raised in the supporting finance program at the end of 2017 and positive cash flow from operating activities.
Goodwill	No Significant change

2. Main overseas assets

√ 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.	15,476,873	Israel and globally	Crop-Protection	Corporate Governance	1,352,687	80%	No
Other explanations	See item I above regarding the completion of the Combination Transaction in July 2017.							

III. Core competitiveness analysis

Doesthe Company need to abide by the disclosure requirement in special industry?

No

As the leading off-patent crop protection provider in the $56 billion global crop protection market, the Group believes that the following strengths provide it with sustainable competitive advantages and the foundation to capitalize on favorable underlying agriculture and crop protection industry trends:

- **Off-patent Industry Leader.** The Group's success as a leading off-patent company has given it a deep understanding of the industry and enabled it to build one of the world's most extensive off-patent product offerings and registration capabilities, giving it the ability to provide efficient, value-added solutions to farmers of every major crop around the world. Moreover, the breadth of the Group's product portfolio, with no single active ingredient constituting more than 6% of its sales in 2017, combined with its extensive geographic reach, provides effective diversification and enhanced stability. The Group aims to continue to gain market share, building on its leading role in the market, farmer-centric focus and broad product portfolio. Furthermore, the Group's addressable market continues to expand as the crop protection market globally has shifted towards off-patent products, the segment of the market in which it focus. This shift is the result of significant increases in the costs and risks of developing innovative and effective AIs, which has led to significantly fewer introductions of new molecules each year. The Group's strength in the off-patent market provides a competitive advantage relative to RBCs, as it is able to combine off-patent crop protection products developed by all of the various major RBCs with its research, technology and know-how. This allows the Group to enhance existing crop protection products and introduce unique mixtures, formulations and applications. In parallel, the Group's global scale, registration expertise and manufacturing footprint are competitive advantages as compared to its off-patent peers.
- **Global Reach and Strength in Emerging Markets.** The Group has an industry leading global footprint with extensive market presence. According to Phillips McDougall (AgriService, 2016 Industry Overview), in 2016, the Group held the #1 rank in global sales among off-patent crop protection providers. The Group enjoys broad geographic diversification by selling in over 100 countries with a balanced regional split, as evidenced by its 2017 revenue breakdown of 30% in Europe, 21% in Latin America, 18% in North America, 19% in Asia Pacific, and 12% in India, the Middle East and Africa. This balance enhances the Group's growth profile and provides diversification across different countries, climates, crops and planting seasons. The Group has a particularly strong presence in emerging markets, from which it derived approximately half of its 2017 sales, and where growth is expected to outpace developed markets. Over the past two decades, the Group has made strategic investments in establishing substantial sales and marketing organizations in key emerging markets including Brazil (1998), Central and Eastern Europe (beginning in 2004) and India (2009).
- **Unique Positioning and Access to China.** The Group believes that the foundation being provided by itsintegration with the Chinese Businesses, together with its unique relationship with its controlling shareholder, ChemChina, will provide it with a clear advantage in penetrating China, one of the largest and fastest growing agricultural markets in the world. Following the consummation of the Combination Transaction, the Group is one of the only global crop protection providers with a significant integrated commercial and operational infrastructure within China. The Group intends to leverage this infrastructure and relationship to pursue a leading position in the domestic Chinese crop protection market and capitalize on the growing importance of high-quality global brands in China. As part of the ChemChina group, the Group believes itis uniquely positioned to capitalize on the trend toward consolidation within the high-growth, highly fragmented Chinese crop protection market. In addition to helping it become a leader in the domestic Chinese crop protection market, the integration of the Chinese Businesses' manufacturing facilities into the Group's global manufacturing operations should provide it with the ability to more effectively develop and commercialize advanced, differentiated products, as well as benefit from better

cost positions in key molecules, enhance the optimization of its global supply chain, over time, driving greater efficiency throughout the organization, and secure both top line growth as well as increased profitability.

- **Vertically Integrated Business with Global Scale.** The Group is one of the few off-patent crop protection providers that is active across virtually the entire value chain, from worldwide marketing, sales and distribution, to registration, production and R&D, which it is further enhancing by the Combination Transaction. As a result, the Group is able to efficiently manage its product portfolio and operations in response to the dynamic needs of farmers, weather conditions, government policies and regulations, and capture value at each point in the value chain. Approximately 80% of the Group's products are produced, formulated or both in its world-class, well-invested facilities, which adhere to strict international certifications and standards of the industry. Having deep knowledge, expertise and experience in all aspects of the development process, integrated chemical synthesis and formulation production and control over the entire supply chain, provides the Group with cost advantages and the agility to address market challenges and capture value. Further, its global registration network, providing local registration capabilities in over 100 countries, enables the Group to efficiently introduce new products to nearly all major markets and provide farmers with a comprehensive portfolio of crop protection solutions. In the last five years, the Group's registration network of highly-skilled professionals has obtained approximately 1,300 new registrations. The Group believes these capabilities are increasingly important as regulatory requirements continue to increase globally. The Group's sales and marketing infrastructure is enhanced by its local sales forces in each of its strategic markets, who build strong relationships with local distributors and with its end users, the farmers, to better understand their needs. This drives demand at the wholesale, retail and farmer level and provides the Group with valuable market understanding.
- **Extensive, Differentiated Offering.** The Group offers farmers a hybrid portfolio of increasingly differentiated products and solutions that are tailored to the specific needs of each geographic region and each type of crop. The Group utilizes an integrated, solutions-based approach to its entire offering in order to meet the unique demands of its global customer base. The Group strives to "Create Simplicity in Agriculture" by offering farmers a branded portfolio that is comprised of both high-value off-patent products and high-volume off-patent products, alongside an increasing number of unique mixtures and formulations and novel, innovative products and services, customized to suit farmers of any size, in nearly every region, and increase yield of all major crops. The Group's extensive portfolio is composed of over 120 centrally managed AIs and over 1,000 mixtures and formulations.
- **Experienced and Empowered Management Team.** With a deep understanding of the crop protection industry and firm focus on sustaining the Group's leadership and financial strength, its management team is a cohesive and integrated team that has the knowledge, skills and experience required to guide the Group on its path to global leadership. The Group believes in empowering its teams and creating leaders from its strongest performers, with the result that its management team is composed of the people who have successfully managed its business, and developed and executed its strategy over the last few years, continuing its track record of consistent, profitable growth.

Section IV Performance Discussion and Analysis

I.Overview

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

Revenues grew robustly in the year, driven by an increase in volumes of an increasingly differentiated product portfolio, despite generally subdued agricultural market conditions. The strong volume growth was offset to a certain extent by a softer pricing environment.

Over the year, the net impact of currency movements was relatively muted, with the strengthening of certain currencies against the dollar in a number of key regions such as Brazil and India being balanced out by the weakening of other currencies, most notably the British Pound, as well as the lower contribution of currency hedging.

Operating incomeincreased in the year. The strong increase in profitability resulted from a combination of the robust volume growth, a continued improvement in portfolio mix towards a more differentiated offering, as well as the continued reduction of costs. These trends were further aided by the strengthening of local currencies against the dollar, and partially offset by the softer pricing environment. By contrast, the Company saw an increase in sales-related personnel in growing geographies as well as an increase in other variable expenses as a result of the increase in sales volumes, and increased spend on strategic research and development projects.

Financial expenses and investment income. Total net financing expenses in the year decreased, primarily due to the decrease in costs of currency hedging, as well as the reduction in financial debt, which were partially offset by an increase in financial expenses as a result of the increase in the Israeli CPI over the year.

Taxexpenses. Tax expenses in the year were higher compared to last year, mainly as a result of higher pre-tax income. The low effective tax rate in 2017 derives mainly from creation of deferred tax assets, while the low effective tax rate in 2016 resulted mainly from the strengthening of the Brazilian Real against the dollar, which created tax income due to the non-cash revaluation of tax assets.

Net incomein year grew compared to the corresponding period last year.

Working capital. Balance sheet working capital decreasedcompared to the corresponding period last year, reflecting improved supplier credit management and collection discipline, which more than compensated for somewhat higher inventory in preparation for the 2018 season.

Cash Flow. With the significant increase in profits over the year, the Company generated strong, albeit slightly lower operating cash flow over the year, compared to last year, reflecting the more moderate contribution from the release of working capital this year, in comparison with the release of working capital last year that emanated from supply chain alignment.

Free cash flow generated over the year was strong, albeit slightly lower than in the corresponding period last year. The higher cash flow in 2016 reflects the significant release of working capital achieved as a result of the supply chain alignment.

Leverage. The strong cash generation, together with the proceeds of the recent Equity Offering, drove a substantial reduction in leverage, with balance sheet net debt at the end of the year down by almost half compared to this time last year. This has resulted in the Net Debt/EBITDA ratio dropping to around 0.7x.

II. Main business analysis

1. Overview

See details on the relevant contents of “I. Overview” of “ManagementPerformance Discussion and Analysis”.

2. Revenues and costs

(1) Operating revenuesform

Unit: RMB’000

	2017		2016		YoY +/-%
	Amount	Ratio of the operating revenue	Amount	Ratio of the operating revenue	
Total of the operating revenue	23,819,568	-	22,070,405		7.93%
Classified by industries					
Industry of manufacturing chemical raw materials and chemical products	23,819,568	100%	22,070,405	100%	7.93%
Classified by products					
Agro	22,033,564	92.5%	20,429,048	92.6%	7.85%
Non-Agro	1,786,004	7.5%	1,641,357	7.4%	8.81%
Classified by regions					
Europe	7,107,131	29.84%	6,862,992	31.10%	3.56%
North America	4,363,301	18.32%	4,005,047	18.15%	8.95%
Latin America	5,050,377	21.20%	4,956,848	22.46%	1.89%
Asia-Pacific	4,428,364	18.59%	3,637,068	16.48%	21.76%
India, Middle East and Africa	2,870,395	12.05%	2,608,450	11.82%	10.04%

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

√ Applicable □ Not applicable

Unit: RMB’000

	Operating revenues	Operating cost	Gross margin	YoY increase/decrease of the operating revenues	YoY increase/decrease of the operating cost	YoY increase/decrease of the gross margin
Classified by industries						
Industry of manufacturing chemical raw materials and chemical products	23,819,568	15,403,887	35.33%	7.93%	3.22%	9.11%
Classified by products						
Agro	22,033,564	14,096,957	36.02%	7.85%	3.56%	7.95%
Classified by regions						
--	--	--	--	--	--	--

Under the circumstances that the statistical standards for the Company's main business data adjusted in the Reporting Period, the Company's main business data in the recent year is calculated based on adjusted statistical standards at the end of the Reporting Period

□ Applicable √ Not applicable

(3) Whether the Company's goods selling revenue higher than the service revenue

√ Yes □ No

Industries	Items	Units	2017	2016	YoY +/-%
Agro	Sales volume	Ton	523,672	468,236	11.8%
	Production	Ton	479,319	397,583	20.6%
	Inventory	Ton	194,987	181,492	7.4%

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

□ Applicable √ Not applicable

(4) Execution of the significant sales contracts signed by the Company up to the reporting period

□ Applicable √Not applicable

(5) Operating cost form

Category of the industries

Unit: RMB'000

Industries	Items	2017		2016		YoY +/-%
		Amount	Ratio of the operating costs	Amount	Ratio of the operating costs	
Industry of manufacturing chemical raw materials and chemical products	Cost of materials (procurement costs)	11,280,306	73%	10,918,047	73%	8%
Industry of manufacturing chemical raw materials and chemical products	Labor cost	968,455	6%	898,015	6%	8%
Industry of manufacturing chemical raw materials and chemical	Depreciation expense	607,161	4%	569,772	4%	7%

Industries	Items	2017		2016		YoY +/-%
		Amount	Ratio of the operating costs	Amount	Ratio of the operating costs	
products						

(6) Whether the consolidated scope changed during the reporting period

√ Yes ☐ No

See Section III item I above regarding the completion of the Combination Transaction in July 2017.

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

☐ Applicable √ Not applicable

(8) List of the major trade debtors and major suppliers

List of the major trade debtors of the Company

Total sales to the top 5 customers (RMB'000)	1,213,605.1
Ratio of the total sales to the top 5 customers to the annual total sales	5.09%
Ratio of the total sales to related parties (within the top 5 customers) to the annual total sales	Not applicable

Notes of other situation of the major customers

☐ Applicable √ Not applicable

List of the major suppliers of the Company

Total purchase to the top 5 suppliers (mil RMB)	2,119
Ratio of the total purchase to the top 5 suppliers to the annual total purchase	22.00%
Ratio of the total purchase from related parties (within the top 5 suppliers) to the annual total purchase	Not applicable

Notes of the other situation of the major suppliers

☐ Applicable √ Not applicable

3. Expenses

Unit: RMB'000

	2017	2016	YoY +/-%	Notes of the significant changes
Selling and Distribution expenses	4,280,335	4,042,170	5.89%	
General and Administrative expenses	1,410,772	1,071,113	31.71%	
Financial (income) / expenses	1,205,286	434,819	177.19%	Mainly foreign currency effect financial assets and liabilities.

4. R&D investment

√ Applicable □ Not applicable

The Group's innovation, development, research and registration division (IDR) manages and coordinates all the research and product development activities in the Group.

In general, the Group, as an off-patent product manufacturer, develops production processes and registration data for molecules present in the original product. Development and registration of off-patent products offer a significant saving of time and costs comparing to development costs of the original products required from originator companies, in a manner which enables the Group to develop a broad and diverse portfolio of mainly off-patent products at competitive prices; Nonetheless, to introduce a new product to the market still requires considerable investment in development and registration, particularly in view of the increasing regulatory requirements globally, and the development of, and increasing competition in, the off-patent products market.

The Group's primary development and registration activities focus on the chemical-engineering development of production processes for active ingredients and new off-patent products, biological and agronomical tests designed to meet regulatory requirements, development of registration dossiers for the active ingredients and formulations that make up its registration portfolio in the various regions, development of mixtures and of innovative and unique formulations of existing products, as well as streamlining of production processes. The Group has also developed several innovative substances, based on molecules acquired from external sources after a screening process proving their effectiveness. The Group develops the product's biological uses and registers them in the target countries, as well as engages in chemical development of the production process.

Currently, the Group operates chemical research and development centers in Israel, India, Brazil and China. In addition to chemical development, the Group conducts development activities for registration purposes through external contractors in Israel and other countries, including China. Such development efforts may on occasion integrate knowledge exclusively owned by the Group, knowledge jointly developed with the subcontractor, or sometimes knowledge exclusively owned by the subcontractor.

Currently, the Group operates several analytical labs in Israel, China, India, U.S.A. and Brazil, which inter alia conduct Quality Assurance (QA) tests for its various products, and a portion of these also conduct tests for registration purposes.

The materials and products marketed by the Group require, at various stages of their production and marketing, registration in every country where the Group intends to market them. The Group has development and registration centers, located in Europe, Israel, Latin America, Brazil, North America, India and Asia.The Group has gained registration expertise in over 100 countries.

List of the R&D investment of the Company

	2017	2016	Change (%)
R&D headcount personnel (person)	241	232	3.88%
% of R&D headcount over total headcount	3.63%	3.47%	0.16%
Total R&D spending (RMB'000)	360,403	225,851	59.58%
Ratio of the R&D spending to	1.51%	1.02%	0.49%

the operating revenue			
Amount of the capitalized R&D spending (RMB’000)	0	0	0
Ratio of the capitalized R&D investment to the R&D spending	0	0	0

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

□Applicable √ Not applicable

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

□Applicable √ Not applicable

5. Cash flow

Unit: RMB’000

Item	2017	2016	YoY +/-%
Subtotal of cash inflows from operating activities	24,072,684	22,695,133	6.07%
Subtotal of cash outflows from operating activities	20,114,295	18,457,988	8.97%
Net cash flows from operating activities	3,958,389	4,237,145	-6.58%
Subtotal of cash inflows from investing activities	265,113	96,614	174.40%
Subtotal of cash outflows from investing activities	1,552,852	1,522,119	2.02%
Net cash flows from investing activities	-1,287,739	-1,425,505	-9.66%
Subtotal of cash inflows from financing activities	3,752,157	849,265	341.81%
Subtotal of cash outflows from financing activities	2,116,038	3,034,495	-30.27%
Net cash flows from financing activities	1,636,119	-2,185,230	-174.87%
Net increase in cash and cash equivalents	4,030,511	860,391	368.45%

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

√ Applicable □ Not applicable

Cash flow from Operations: With the significant increase in profits over the full year, the Company generated strong operating cash flow. However, compared to last year there was a slight decline, reflecting the more moderate contribution from the release of working capital this year, in comparison with the significant release of working capital last year that emanated from supply chain alignment.

Cash flow from Investing Activities: Net cash used in investing activities reflects primarily investments in product registrations and other intangible and fixed assets, net of one-time proceeds resulting from the divestment of certain products in the US and minor non-core activities.

Cash flow from Financing Activities: Net cash generated from financing activities in 2017 reflects both an increase in the use of external bank financing in place of intragroup loans, as well as the receipt of the funds from the Supporting Finance, while in 2016 the net cash used in financing activities reflects the repayment of bank loans using the strong cash flow generated by the business, as well as the last scheduled repayment of principal on one of the bonds series of Adama Solutions.

Notes to the reason of the significant differences between the net cash flow from the operating activities and the net profits of 2016of the Company during the reporting period

√ Applicable □ Not applicable

Please refer to the notes provided above under this item.

III. Analysis of the non-core business

√ Applicable □ Not applicable

Unit: RMB'000

	Amount	Proportion in total profit	Reason explanation	Existence of sustainability
Investment income	73,858	4.43%		No
Gain/loss from change of FV	269,351	16.15%	Mainly foreign currency effect financial assets and liabilities.	No
Impairment of asset	173,325	10.39%		No
Gain or loss from disposal of assets	55,160	3.31%		No
Non-operating income	34,103	2.04%		No
Non-operating loss	44,674	2.68%		No

IV. List of the assets and liabilities

1. List of the significant changes of the assets form

Unit: RMB'000

Item	As at 31 Dec. 2017		As at 31 Dec. 2016		Proportion change	Explain any major change
	Amount	Proportion in total assets	Amount	Proportion in total assets		
Cash at bank and on hand	7,868,858	19.86%	3,841,547	10.53%	9.33%	Supporting finance and positive

Item	As at 31 Dec. 2017		As at 31 Dec. 2016		Proportion change	Explain any major change
	Amount	Proportion in total assets	Amount	Proportion in total assets		
						operating cash flow.
Accounts receivable	5,056,850	12.77%	5,465,258	14.98%	-2.21%	
Inventories	7,488,238	18.90%	7,463,957	20.45%	-1.55%	
Investment property	4,408	0.01%	4,721	0.01%	0.00%	
Fixed assets	6,141,490	15.50%	6,797,889	18.63%	-3.13%	
Construction in progress	803,421	2.03%	483,888	1.33%	0.70%	
Intangible assets	4,036,588	10.19%	5,056,200	13.86%	-3.67%	
Goodwill	3,890,097	9.82%	4,064,312	11.14%	-1.32%	
Deferred tax assets	891,012	2.25%	646,797	1.77%	0.48%	
Short-term loans	2,280,912	5.76%	748,163	2.05%	3.71%	
Long-term loans	514,320	1.3%	1,002,177	2.75%	-1.45%	
Debentures	7,777,410	19.63%	7,417,408	20.33%	-0.69%	
Accounts payables	3,906,481	9.86%	3,462,280	9.49%	0.37%	
Employee benefits payable	995,637	2.51%	975,391	2.67%	-0.16%	

2. Assets and liabilities measured at fair value

√ Applicable □ Not applicable

Unit: RMB'000

Item	Opening balance	Variable profit and loss of fair value in this period	Accumulative fair value variation with rights and interests	Summing and drawing impairment in this period	Purchase amount in this period	Sale amount in this period	Amount at the end of the period
Financial asset							
1. Financial assets measured at FVTPL (excluding derivative financial assets)	35,594		0	-		-12,594	23,000
2. Derivative financial assets	637,450	347,254	-466,569	-		-62,982	455,153

Item	Opening balance	Variable profit and loss of fair value in this period	Accumulative fair value variation with rights and interests	Summing and drawing impairment in this period	Purchase amount in this period	Sale amount in this period	Amount at the end of the period
Financial asset							
3. Available-for-sale financial assets							
Total financial assets	673,044	347,254	-466,569	-	-	-75,576	478,153
Others							
Total of above	673,044	347,254	-466,569	-	-	-75,576	478,153
Financial liability	785,011	4,039			-		789,050

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

☐ Applicable √ Not applicable

3. As at the end of the reporting period, the asset rights were limited

At the end of this Reporting Period, restricted assets including: monetary bank balances of capital RMB’000 4,600 of the Company was limited. Most of the monetary capital was banks bill cash deposit for bills receivable, fixed assets of RMB’000 6,266 as mortgage for loans, and other non-current assets of RMB’000 124,450 as deposit for asset securitization and legal suits.

V. List of the investment

1. Overall condition

√ Applicable ☐ Not applicable

Investment during the Reporting Period (RMB)	Investment during the Same Period Last Year (RMB)	+/-% YoY
31,757,508	--	100%

2. List of the significant equity investment acquired from the reporting period

√ Applicable☐Not applicable

RMB’000

Invested Company	Main Business	Investment Type	Investment Amount	Shareholding	Source of	Partner	Investment Term	Type of Product	Progress as of the	Current Investment	If Involved	Disclosure Date (if	Disclosure Web Link (if any)

				%	Funding				Balance Sheet Date		Gains/ Losses	in Lawsuits	any)	
Adama Solutions	crop protection	Acquisition	18,471,007	100.00%	issue shares	none	long term	agrochemical	completed		1,352,687	no	July 5, 2017	www.cninfo.com.cn
Total	--	--		--	--	--	--	--	--			--	--	--

3. List of the significant non-equity investment has been executing during the reporting period

☐ Applicable √ Not applicable

4. Investment on the financial assets

(1) List of the securities investment

□ Applicable √ Not applicable

The Company was not involved with such situation during the reporting period.

(2)Investment in derivative financial instruments

√ Applicable □Not applicable

Unit: RMB’000

The party that operates the investment	Relation with the Company	Related party transaction or not?	Type	Initial investment amount	Starting date	Expiring date	Investment amount at beginning of the period	Amount purchased during the reporting period	Amount sold during the reporting period	Impairment accrued (if any)	Investment amount at end of the period	Percentage of investment amount divided by net asset at end of the period	Gain/loss during the reporting period
Banks	No	No	Option	2,498,306	22/10/2017	15/02/2018	2,498,306	1,718,495	-4,164,527	No	52,274	0.28%	-42,005
Banks	No	No	Forward	14,333,857	08/08/2017	18/02/2018	14,333,857	11,568,006	-9,989,940	No	15.911.923	84.74%	431,165
Total				16,832,163	--	--	16,832,163	13,286,501	-14,154,467		15,964,197	85.02%	389,160
Source of fund for the investment				Internal.									
Litigation-related situations (if applicable)				N/A									
Date of disclosure of Board approval (if any)				N/A									
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, which is its back office 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 has the authorization to deal with hedging, the tools, rangesetc. The only subsidiary that has hedging positions in the Group in the period wasAdama 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 all the procedure.
Market price or fair value change of investments during the reporting period. Specific methodology and assumptions should be disclosed in the analysis of fair value of the investments	The aforesaid refers to short time hedging currency transactions made by the relevant subsidiary with banks. Segregation of duties as follows: For the fair value evaluation, the relevant subsidiary is 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 straight forward, and the exchange rates are provided by the accounting department of the relevant subsidiary and all other parameters are provided by the experts.
Explanation for any significant changes in accounting policies and principles, compared with last reporting period	N/A
Independent Directors' opinion on the investment in derivative financial instruments and related risk controls	N/A

5. Use of raised funds

√ Applicable ☐Not applicable

(1) Overall Situation of Use of the Funds Raised

√ Applicable ☐ Not applicable

RMB’0000

Year of Raising	Type of Raising	Total Amount Raised	Total Amount Used during the Reporting Period	Accumulated Amount Used	Total Amount of Fund with Purpose Being Changed during the Reporting Period	Accumulated Amount of Fund with Purpose Being Changed	Proportion of Accumulated Amount of Fund with Purpose Being Changed against Total Amount Raised	Total Amount Not Used Yet	Usage and Destination of Funds Not Used Yet	Amount of Funds Being Idle for over Two Years
2017	Non-public offering of shares	155,999.99	2,808	2,808	0	0	0%	153,192	Not applicable	0
Total	--	155,999.99	2,808	2,808	0	0	0%	153,192	--	0
GeneralSummary of Use of Raised Funds										
The Company received the raised funds on Dec 27, 2017 and paid the underwriting fee of RMB 28,079,998.78. More details of the use of raised funds can be seen in “Special report on the storage and the actual use of raised funds in 2017” disclosed on 28 March 2018.										

(2) The Status of DesignatedProjects ofRaised Funds

√ Applicable ☐ Not applicable

RMB’0000

Designated Projects and Investment of Extra Funds Raised	Any Project Change (Including Partial Change)	Total Investment Committed	Total Investment after Adjustment (1)	Amount Invested during the Reporting Period	Accumulated Invested Amount by the End of the Reporting Period (2)	Investment Progress by the End of the Reporting Period (3)＝(2)/(1)	Date by which the Project Can be Put into Use as Planned	Benefits Realized during the Reporting Period	Expected Benefits Reached or Not	Any Material Change to Project Feasibility
Designated Projects										
The project of Huai’an Pesticide Formulation Center	No	24,980	24,980	0	0	0.00%	2019	Not applicable	Not applicable	Not applicable
The projects	No	93,507	93,507	0	0	0.00%	2019	Not	Not	Not

Designated Projects and Investment of Extra Funds Raised	Any Project Change (Including Partial Change)	Total Investment Committed	Total Investment after Adjustment (1)	Amount Invested during the Reporting Period	Accumulated Invested Amount by the End of the Reporting Period (2)	Investment Progress by the End of the Reporting Period (3)＝(2)/(1)	Date by which the Project Can be Put into Use as Planned	Benefits Realized during the Reporting Period	Expected Benefits Reached or Not	Any Material Change to Project Feasibility
Designated Projects										
of project development and registration								applicable	applicable	applicable
Fixed-asset Investment of ADAMA	No	66,204	66,204	0	0	0.00%	2019	Not applicable	Not applicable	Not applicable
Fees for the intermediary agencies and transaction taxes	No	13,600	13,600	2,808	2,808	20.65%		Not applicable	Not applicable	Not applicable
Sub-total of Designated Projects	--	198,291	198,291	2,808	2,808	--	--		--	--
Investment of Extra Funds Raised										
Not Applicable										
How and why the planned progress or expected income is not met (per project)	Not applicable									
Explanation onmaterial change to project feasibility	Not applicable									
Amount, purpose of use and progress of extra funds raised	Not applicable									

Designated Projects and Investment of Extra Funds Raised	Any Project Change (Including Partial Change)	Total Investment Committed	Total Investment after Adjustment (1)	Amount Invested during the Reporting Period	Accumulated Invested Amount by the End of the Reporting Period (2)	Investment Progress by the End of the Reporting Period (3)＝(2)/(1)	Date by which the Project Can be Put into Use as Planned	Benefits Realized during the Reporting Period	Expected Benefits Reached or Not	Any Material Change to Project Feasibility
Designated Projects										
Change of location of designated projects	Not applicable									
Adjustment to way of execution of designated projects	Not applicable									
Advance investment in designated projects and replacement of funds	Not applicable									
Temporary supplement to working capital with idle raised funds	Not applicable									
Amount of surplus funds out of projects and causes	Not applicable									
Usage anddestination of funds that have not been used	Not applicable.									
Problems or other issues in the use raised funds and disclosure	Not applicable									

Note: Funds were received by the Company in December 2017, while the four-parties special bank accounts were not opened yet and therefore the funds were not yet utilized.

(3) Change to the Designated Projects ofRaised Funds

□ Applicable √ Not applicable

No changes to the projects of raised proceeds were made in the Period.

VI. Selling of the significant assets and the equities

1. List of the selling of the significant assets

□ Applicable √ Not applicable

No selling of the significant assets during the reporting period.

Transfers and Divestments relating to ChemChina's acquisition of Syngenta –

On May 18, 2017 ChemChina completed the acquisition of Syngenta AG ("**SYT**" and the "**SYT Transaction**"). In the context of developing its business and to facilitate the obtaining by ChemChina of the regulatory approvals for the acquisition of SYN, Adama Solutions agreed with ChemChina and SYN to effect the divestment of a number of its products (the "**Divested Products**"), while receiving products of similar nature and economic value from SYT (the "**Transferred Products**").

In 2017, the transfer of certain SYTproducts and rights to Adama Solutions was completed in the U.S, in exchange for Adama Solutions' divestiture of certain products there to Amvac Chemical Corporation, conducted to obtain the approval by the US FTC of the acquisition of SYTby ChemChina. In Europe, the Company and SYT entered on October 23, 2017 into agreements with Nufarm Limited ("**Nufarm**") for the divestment of several of their products in Europe.

In the framework of these agreements, no personnel or physical assets (apart from inventory) was transferred. Furthermore, the transfer of products maintains the Company's ability to continue to sell such products in other countries outside Europe, and in some cases within Europe as well.

With the entry into force of these agreements, following the approval of the European commission, and concurrently, the agreements signed by the Company and SYT for the receipt of a portfolio of products in Europe, including registrations, trademarks and brands of formulations and active ingredients, as well as distribution rights, came into force on March 15, 2018.Against these products Nufarm paidAdama Solutions and SYT a total amount of USD 395million, with the Company's share of this amount, net of any expenses and taxes, to be remitted to SYT on the completion date of the transaction as consideration for the receipt of products from SYT.

The receipt of the transferred products from SYT and concurrent divestment of Adama Solutions' products in Europeoccurred in the first quarter of 2018 and the transaction relating to receiving the products is at a final closing process.

Although the aggregate sales of the products sold by Adama Solutions in Europe in respect of its sales in this region in 2016 terms, is significant, it is not material in relation to Adama Solutions' aggregate global sales, and furthermore, due to the fact that the portfolio of Transferred Products from SYT is of similar nature and economic value to the one of the Divested Products, the net impact on Adama Solutions' business is expected to be immaterial.

2. List of the selling of the significant equities

□ Applicable √ Not applicable

VII. Analysis of the major controlling and stock-participating companies

√ Applicable ☐ Not applicable

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

Unit: RMB'000

Name	Type	Main services	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Adama Solutions	Subsidiary	development, manufacturing and marketing of agrochemicals, intermediate materials for other industries, food additives and synthetic aromatic products, mainly for export	720,085	31,906,078	12,118,921	21,232,158	1,747,089	1,609,486

Subsidiaries acquired or disposed during the reporting period

□ Applicable √Not applicable

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

□ Applicable √ Not applicable

IX. Outlook of the Company's future development

(I) Industry structure and trends

1. The competition structure of crop protection industry

(1) The competition structure of crop protection industry

The global crop protection market is dominated by five multinational companies, four of which have annual revenues exceeding USD four billion in the crop protection product segment (excluding seeds activities). In the past four years, several mergers and acquisitions were consummated between some of the larger medium-sized companies in the industry, including FMC's acquisition of Cheminova; Platform's acquisition of Arysta, Agriphar and Chemtura's agrochemical operations; Huapont Nutrichem's minority investment in Albaugh. In addition, in the last two years, a number of mergers and acquisitions have been announced (somenot yet completed) among the largest players in the crop protection industry – the merger between Dow and DuPont and the yet to be completed acquisition of Monsanto by Bayer – which upon completion will reduce the number of multinational Originator Companies to four. An additional acquisition in the crop protection industry that has been already completed is the SYT Transaction. Nonetheless, the crop protection industry as a whole is relatively decentralized with a large number of local manufacturers competing in each country against the global multinational companies. The Group believes that the entry barriers for the crop protection market are relatively high, however they vary from region to region.

The Group, to the best of its knowledge, is the world's largest group (in sales terms) focused on off-patent active ingredients. The Group was ranked sixth by Phillips McDougall on its 2017 list of both Originator Companies and off-patent active ingredients companies, with a global market share of approximately 5.8% in 2017, based on estimations made by Phillips McDougall regarding total sales in the crop protection industry in 2017.

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

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

(2) The competition structure of crop-protection industry in our country

Since 2000, a chemicals industry has developed in China that the Group believes to be the largest in the world. Within this industry, an agrochemicals industry has also developed, including thousands of companies who have invested in manufacturing infrastructure, of which roughly half of their production capacity is currently aimed at exports, intended for sale through small and large companies, including the Group and its competitors. The growth in production capacity, on one hand, and the price levels and competitiveness of the products produced in China on the other, affect the structure of competition in the entire industry. However, price levels of the products manufactured in China have started to rise, in light of the trend of rising manufacturing costs in China, which stem from the increase in wage costs and other production inputs, including environmental costs, as well as from increased regulatory activity in China, including by way of limited granting of production permits.

2. **The development trend of crop-protection industry**

In the last few years, some new emerging trends that may affect the nature of competition in this sector can be identified: (1) The market share of products whose patents have expired continues to rise relative to that of patented original products, primarily due to the fact that the rate of patent expiry exceeds that of new patent registration; (2) A trend of some off-patent active ingredients companies expanding and becoming stronger (inter alia, as a result of corporate mergers and acquisitions as well as product acquisitions), which may lead to them competing with the Group in geographic markets which they have up to now neglected; (3) Smaller companies have begun operating, in limited scale, in certain markets with relatively lower entry barriers; (4) Development of the agrochemicals industry in China; (5) Price competition in certain markets by multinational Originator Companies and/or increasing the credit days to its customers; and (6) Mergers and Acquisitions among leading companies in the sector.

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

(II) Development strategy of the Company

Following the completion of the Combination Transaction with Adama Solutions, the Group strives to be a global leader in the Crop

Protection industry, and intends to achieve this aim by execution of the following strategies:

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

  Aiming to provide distinct benefit to farmers and enhance the sustainability of the business, in addition to the ongoing efforts to expand existing product registrations to additional crops and regions, a key portion of the Group's strategy involves the deliberate shift of its product offering towards more innovative and value-added solutions. Such solutions include higher-margin, higher-value complex off-patent products, unique mixtures and formulations as well as innovative, novel products that are protected by patents and other intellectual property rights. As evidence of this effort, the Group has significantly increased the proportion of unique mixtures and formulations in its R&D pipeline over the last several years. Over the coming years, as this shift in the pipeline towards more differentiated and innovative solutions starts to be reflected in the Group's commercial offering, it is expected to be a significant driver of growth, both in revenues and in profitability.

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

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

  The Group intends to utilize its status in China and its relationship with ChemChina, as well as the combination with Adama Solutions, to increase its presence in the country, where it is already building additional infrastructure. The Groupcommenced commercial collaborationsbetween the Company and Adama Solutions as well as other CNAC-controlled companies in the crop-protection and related fields in China. Through the CombinationTransaction and the aforementioned commercial collaboration, the Grouphas an operational infrastructure and commercial foundation upon which a leading Chinese domestic distribution networkwas built, and which the Group believes will make it one of the only global crop protection providers with significant integrated commercial and operational infrastructure both within and outside of China.

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

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

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

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

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

- **Continue to Capitalize on the Global Portfolio Integration and Rebranding Initiative**. As part of the Group's efforts to "Create Simplicity in Agriculture", considerable investments have been made to integrate the business across the globe, streamlining sales and distribution efforts under the new "ADAMA" brand. In connection with this global brand, a unified brand architecture has been implemented simplifying hundreds of local brands and product names by migrating to two distinct product umbrellas, "Advanced" and "Essentials", which are further characterized and differentiated through innovative and unique packaging, enhancing the recognition of the "ADAMA"brand. Through these initiatives, the Group is simplifying its product portfolio for farmers and improving its market positioning.

Over the longer term, the Group aims to increasingly offer digital solutions that will enhance direct communication and interaction with distributors and farmers globally. The Group believes that the farmer-centric approach, while building on a modern, global brand and utilizing cutting-edge technology, will provide a strong foundation for its continued profitable growth.

- **Opportunistically Pursue Acquisitions to Enhance Market Access and Strengthen the Product Portfolio.** Throughout its history, the Group has successfully completed and integrated several add-on acquisitions across the globe. The Group intends to continue to pursue bolt-on acquisitions, in-licensing agreements and joint ventures that offer attractive opportunities to enhance its market access and position, as well as strengthen and further differentiate its product portfolio. The Group plans to focus these efforts largely in high-growth geographies, particularly in emerging markets where it aims to gain market share, as well as access to selected sources of innovation. The Group has a strong track record of integrating acquisitions and believes that future acquisitions will play an important role in continuing to make the Group a leader in the crop protection industry.

(III) **2018 Business plan**

In 2018, the Company is expecting continued growth in all key markets, despite overall challenging market conditions, with some markets showing signs of improvement and some continuing to decline. Overall, the Group is expecting to see revenue growth emanating from both volume growth and generally stronger pricing, driven by an improved product offering mix and continued launch of new products. The overall strengthening of pricing is expected to be only moderate, since the Company is expecting continued pressure on selling prices in Brazil and other markets of Latin America, where major players attempt to defend their positions.

The generally stronger price environment is expected to compensate somewhat for the expected increase in Active Ingredient (AI) procurement costs resulting from supply constraints, that are driving increases in the costs of raw materials and AIs.

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

In 2018, the Group will continue to pursue its comprehensive portfolio development strategy, driven by continued momentum and investment in Innovation, Research and Development, and focusing on all aspects of development of its portfolio – product development, obtaining of registrations, development of advanced formulations and innovative delivery technologies, as well as differentiated mixtures, alongside further investments in chemical R&D.

During the year, the Group will focus on the design and implementation of its global AI synthesis layout transformation, a long-term initiative that seeks to align the Group’s AI synthesis layout with the Group’s identified pipeline opportunities.

Furthermore, in the coming year the Group will continue to focus on the continued build-up of its commercial and operational presence in China, including the full integration between the commercial and operational activities of the Company and Solutions.

The Group will continue to invest in the upgrading and expansion of its IT capabilities, as well as advance its ERP project in the production facilities in Israel and China.

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

(IV) **The Company’s plan of fund demand**

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

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

(V) **The risks faced by 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 the exchange rate of the selling currency against the purchasing currency 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 scope of the dollar sales and vice versa.

On an annual perspective, approximately 33% of theAdama 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.

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

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 only against part of its economic exposure, exchange rate volatility might impact Adama Solutions’ results and profitability. As of the date of approval of the financial statements, Adama Solutionshas hedged most of its balance sheet exposure for 2017 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 ofthe 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 market, country wise, in which the Group operates), Eastern Europe, South East Asia and Africa. The Group's activity in emerging markets is exposed to risks typical of those markets, including: political and regulatory instability; volatile exchange rates; economic and fiscal instability and frequent revisions of economic legislation; relatively high inflation and interest rates; terrorism or war; restrictions on import and trade; differing business cultures; uncertainty as to the ability to enforce contractual and intellectual property rights; foreign currency controls; governmental price controls; restrictions on the withdrawal of money from the country; barter deals and potential entry of international competitors and accelerated consolidations by large-scale competitors in these markets. Developments in these regions may have a significant effect on the Group's operations. Distress to the economies of these markets could impair the ability of the Group's customers to purchase its products or the ability to market them at international market prices, as well as harm the Group's ability to collect customer debts, in a way that could have a significant adverse effect on the Group's operating results.

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

Operating in a competitive market

The crop protection products industry is highly competitive. Currently, approximately 60% of the industry's global market is shared by fiveleading Originator Companies, which are based in Europe or North America, these being Monsanto, DowDuPont, Bayer, 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. Core competitiveness analysisabove.

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

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

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

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

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

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

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

While the Group invests material sums in adapting its facilities and in constructing special facilities in accordance with environmental requirements, it is currently unable to assess with any certainty whether these investments (current and future) and their outcomes may satisfy or meet future requirements, should these be significantly increased or adjusted. In addition, the Group is unable to predict with any certainty the extent of future costs and investments it may incur so as to meet the requirements of the environmental authorities in 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 the Group maintains a competitive edge, any toughening of registration requirements may actually increase this edge, since this will make it difficult for its competitors to penetrate the same market, whereas in countries in which the Group possesses a small market share, if any, such toughening may make further penetration of the Group's products into that market more difficult.

Product liability

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

Successful market penetration and product diversification

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

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

Intellectual property rights of the Group and of third parties

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

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

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

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

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

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

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

Exposure due to recent developments in the genetically modified seeds market

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

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

Operational risks

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

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 arise from the share of value earned of the companies in the Group in the various countries, as shall be recognized in each tax jurisdiction; changes in the characteristics (including regarding the location of control and management) of these companies; changes in the breakdown of the Group's profits into regions where differing tax rates apply; changes in statutory tax rates and other legislative changes; changes in assessment of the Group's deferred tax assets or deferred tax liabilities; changes in determining the areas in which the Group is taxed; and potential changes in the Group's organizational structure.

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

The Group's Financial Statements do not include a material provision for exposure for international taxation, as stated above, 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 Finance Documents require it to meet certain Financial Covenants. Failure to meet these covenants due to an exogenous event or non-materialization of Group forecasts, and insofar as the financing parties refuse to extend or update these Financial Covenants as per the Group's capabilities, may lead the financing parties to demand the immediate payment of these liabilities (or part thereof).

Exposure to customer credit risks

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

Generally, such issues arise more often in developing countries where the Group is less familiar with its customers, the collaterals 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 the Group's investments in manufacturing infrastructures, the Group has significant financing and investment needs. The Group acts continually to improve the state and management of its working capital. While currently the Group is in compliance with all its financial covenants, significant deterioration of its operating results may in the future lead the Group to fail to comply with its financial covenants and fail to meet its financial needs. As a result, the Group 's ability to meet its goals and growth plans, and its ability to meet its financial obligations, may be harmed.

X. List of the received researches, visits and interviews

1. Particulars about researches, visits and interviews received in this reporting period

√ Applicable □ Not applicable

Reception time	Reception mode	Type of reception object	Index of investigation information
Feb 6th, 2017	Phone call	Individual	How to participate in shareholder meeting?
Feb 16th, 2017	Phone call	Individual	Has the Company got SASAC approval?
Mar 7th, 2017	Phone call	Individual	How to participate in shareholder meeting?
Mar 8th, 2017	Phone call	Individual	Has the Company got SASAC approval?
Mar 17th, 2017	Phone call	Individual	How to participate in shareholder meeting?
Mar 30th, 2017	Phone call	Individual	Issuance price for supporting finance
Apr 18th, 2017	Phone call	Individual	How is the Q1 performance?
May 23rd, 2017	Phone call	Individual	When will CSRC issue approval?

Reception time	Reception mode	Type of reception object	Index of investigation information
June 9th, 2017	Phone call	Individual	When will CSRC issue approval?
June 13th, 2017	Phone call	Individual	Will the Company publish a mid-term pre-announcement on performance?
June 19th, 2017	Phone call	Individual	What is the base of determining the pricing base date of supporting finance?
June 29th, 2017	Phone call	Individual	Will the Company publish a mid-term pre-announcement on performance?
June 30th, 2017	Phone call	Individual	It there a deadline for the issuance of official approval?
Aug 10th, 2017	Phone call	Individual	Will the Company publish a combined Half-year financial statement that includes ADAMA?
Aug 30th, 2017	Phone call	Individual	How is the progress of supporting finance?
Sep 20th, 2017	Phone call	Individual	Will the Company publish acombined Q3 financial statement that includes ADAMA?
Sep 25th, 2017	Roadshow (One on One)	Institutional Investors	Introduced the company's overall situation and business development after the merger of Adama and Sanonda.
Oct 25th, 2017	Phone call	Individual	How is the progress of B-share buyback?
Nov 1st – 7th, 2017	Roadshow (One on One)	Institutional Investors	Introduced the company's overall situation and business development after the merger of Adama and Sanonda.
Nov 22nd, 2017	Phone call	Individual	Will the company change its name after combination?
Nov 24th, 2017	Conference call(One on One)	Institutional Investors	Introduced the company's overall situation and business development after the merger of Adama and Sanonda.
Nov 27th, 2017	Roadshow (One on One)	Institutional Investors	Introduced the company's overall situation and business development after the merger of Adama and Sanonda.
Dec 6th, 2017	Conference call(One on One)	Institutional Investors	Introduced the company's overall situation and business development after the merger of Adama and Sanonda.
Dec 15th, 2017	Roadshow(One on Many)	Institutional Investors	Introduced the company's overall situation and business development after the merger of Adama and Sanonda.

Reception time	Reception mode	Type of reception object	Index of investigation information
Dec 19th, 2017	Analysts Meeting (One on Many)	Institutional Analysts	Introduced the company's overall situation and business development after the merger of Adama and Sanonda.
Dec 21st, 2017	Phone call	Individual	Issuance price for supporting finance
Times of reception	26		
The number of agencies in reception	86		
The number of individuals in reception	40		
The number of other objects in reception	0		
Whether undisclosed significant information is disclosed, revealed or divulged?	No		

Section V Significant Events

I. List of the profits distribution of the common shares and turning capital reserve into share capital of the Company

Common profits distribution policies especially the formulation, execution or the adjustment of the cash dividend policies during the reporting period

√ Applicable □ Not applicable

According to the requirements of *Circular on Further Settling the Issues Concerningthe Payment of Cash Dividends by ListedCompanies* (issued by CSRC on May 4, 2012), the 2nd interim Shareholders Meeting in 2012 of the Company approved the proposal on the revisions of the Articles of Association. Accordingly, the Articles of Association, as revised, set the dividends policy, the conditions and ratio for the cash dividends, the approval procedures for the profit distribution plan, and explicit requirements on the procedures for the adjustment of the profit distribution policy. Therefore, the Company has set up the decision-making procedures on the profit distribution, and improved the supervisory mechanism on the profit distribution. Consequently, the legitimate interests of the shareholders, especially the medium and minor shareholders are well protected.

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

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

2015 profits distribution proposal: based on the total share capital on 31 Dec. 2015, the Company distributed a cash dividend of RMB0.25 (tax included) for every 10 shares to the whole shareholders, with 0 share of the bonus shares (tax included), and there was no turn from capital reserve to share capital.

2016 profits distribution proposal: not allocated, not transferred.

2017 profits distribution proposal: based on the total share capital on February 28, 2018, after obtaining the approval of Board of

Directors, the Company declared a cash dividend of RMB 0.63 (including tax) for every 10 shares to the all shareholders. No share will be distributed as share dividend, as well as no reserve will be transferred to equity capital.

Cash dividend distribution of the common shares of the Companyin the last 3 years (including the reporting period)

Unit: RMB

Dividend year	Amount of cash dividend (including tax)	Net profit belonging to shareholders of the listed company in consolidated statement of dividend year	The ratio accounting in net profit which belongs to shareholders of the listed company in consolidated statement	Amount of the cash dividend by other methods	Ratio of the cash dividend by other methods
2017	154,132,875.67	1,545,879,000	9.97%	0.00	0.00%
2016	0.00	-74,489,986.54	0.00%	0.00	0.00%
2015	14,848,080.50	141,840,462.97	10.47%	0.00	0.00%

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

□ Applicable √ Not applicable

II. Pre-plan for profit allocation and turning capital reserve into share capital for the reporting period

√ Applicable □ Not applicable

The Company plans to distribute cash dividends for the year 2017, and does not intend to issue bonus shares, and does not intend to transfer capital reserve to share capital.

Bonus shares for every 10-share (Share)	Not Applicable.
Dividends for every 10-share (RMB) (Tax included)	0.63
Every 10-share increased the shares' number	0
Equity base of distribution plan (Share)	2,446,553,582
Total cash dividend (RMB) (Tax included)	154,132,875.67
Distributable profits (RMB)	1,528,754,600
Ratio of cash dividend in total profit distribution	100%
Cash dividends of This Time	
If the development phase of the Company was the mature period with significant funds expenditures arrangement, the proportion of the cash dividend should at least reach 40% of the total profit distribution.	
Detailed Description on the Pre-Plan for Profit Allocation or Turning Capital Reserve into Share Capital	
As audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the net profit attributable to stakeholders of the Company is RMB 1,545,879,000. After deduction of the transfer to statutory surplus reserve of 10% of the net profit on a	

standalone basis of the reporting period which is RMB 17,124,000, profit available for distribution for the year 2017 is RMB 1,528,754,600.

Considering: (1) the Company's dividend policy as contained in its Articles of Associations, (2) the Company's past practice with respect to distribution of its profits, and (3) that the execution of Company's development strategy, including both organic and inorganic growth opportunities, will require the reinvestment of the Company's funds in (i) the further development of its advanced product and broad IP portfolio, (ii) the further upgrading and expansion of its manufacturing facilities, especially in the twin operational hubs of China and Israel, as well as (iii) in potential acquisitions, in-licensing agreements and joint ventures that offer attractive opportunities to enhance the Company's market access and position as well as strengthen and further differentiate its product portfolio, the proposal for profit distribution and transfer of reserves into equity capital for the year 2017 is a distribution of approximately 10% of the total profit available for distribution, calculated as follows:

Taking the total outstanding 2,446,553,582 shares of the Company dated February 28, 2018 as the basis, to distribute RMB 0.63 (including tax) per 10 shares as cash dividend to all shareholders, resulting in a total cash dividend of RMB154,132,875.67 (including tax), and zero shares as share dividend, as well as no reserve transferred to equity capital.

III. Performance of commitments

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

√ Applicable □ Not applicable

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitment on share reform						
Commitment in the acquisition report or the report on equity changes	ADAMA Celsius B.V.; ADAMA Agricultural Solutions Ltd.	Commitments on the horizontal competition, the related transaction and the capital occupation	I. Commitments on avoiding horizontal competition: 1. except for the Company proposed conducting transaction may lead to competition in domestic trade with Shenzhen NOPOSION Agrochemical Co., Ltd. disclosed in the B Shares Offer Acquisition Report of Hubei Sanonda Co., Ltd. The Company will take effective measures to avoid the Company and its controlling subsidiaries engaged in the same or similar business with Hubei Sanonda Co., Ltd. within the territory.2. If the Company or its controlling subsidiaries domestically conduct related business which form horizontal competition with Hubei Sanonda Co., Ltd. in future (including related business of the Company proposed conducting transaction may lead to competition in domestic trade with Shenzhen	September 7, 2013	September 6, 2020	During the reporting period, ADAMA Celsius B.V. and ADAMA Agricultural Solutions Ltd. becomes the subsidiaries of the Company. The Commitments have been completed.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			NOPOSION Agrochemical Co., Ltd. disclosed in the B Shares Offer Acquisition Report of Hubei Sanonda Co., Ltd.) The Company will according to the securities laws and regulations and industry policy within 7 years or when the management think the condition is ripe to actively take steps, gradually eliminate the competition, the concrete measures including but not limited to the following one or more: fight for internal assets reconstruction, (including putting the business into Hubei Sanonda Co., Ltd. or operated through Hubei Sanonda Co., Ltd.) to adjust the industrial plan and business structure, to transform technology and to upgrade products, to divide the market so as to make each corporation differ in the products and its ultimate users, thus to avoid and eliminate the current domestic horizontal competition between the Company's controlling subsidiaries and Sanonda.			
	ADAMA Celsius B.V.; ADAMA Agricultural Solutions Ltd.	Commitments on the horizontal competition, the related transaction and the capital occupation	II. Commitments on maintaining the Company's operation independence and specify the related transaction: 1. After the complement of the tender offer, Sanonda will continue to maintain complete purchase, production and sales system, and to gain the independent intellectual property. The Company and its direct or indirect controlling shareholders and Sanonda of which the personnel, assets, finance, business and institutions will be completely separated, and at the same time maintain the operation ability of Sanonda that independently face to the China agrochemical industry market. 2. The Company will avoid and reduce the related transactions with Sanonda according to the requirements stipulated by the laws, regulations and other normative documents; but for those related transactions that are inevitable	September 7, 2013	Long term effective.	During the reporting period, ADAMA Celsius B.V. and ADAMA Agricultural Solutions Ltd. becomes the subsidiaries of the Company. The Commitments have been completed.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			or occur with reasonable cause, will have to obey the just, fair and open market principles. And to sign the agreement according to the law and to carry out legal program, and to make sure not to harm the legal interest of Sanonda and other shareholders by related transaction according to the Articles of Association of Sanonda, the relevant system about related transaction and to conduct the duty of information disclosure as well as the approval process which stipulated by the relevant regulations."			
	ChemChina	Commitments on the horizontal competition	I. Commitments on avoiding horizontal competition: 1. The business of the ChemChina’s subsidiaries-- Jiangsu Anpon Electrochemical Co., Ltd., Anhui Petroleum Chemical Group Co., Ltd., Shangdong Dacheng Agrochemical Co., Ltd. and Jiamusi Heilong Agrochemicals Co., Ltd., and Hunan Haohua Chemical Co., Ltd. and its subsidiary had the same or similar situations with the main business of Sanonda, and aimed at the domestic horizontal competition, the Company committed to gradually eliminate such kind of horizontal competition in the future and to fight for the internal assets reconstruction, to adjust the industrial plan and business structure, to transform technology and to upgrade products, to divide the market so as to make each corporation differ in the products and its ultimate users according to the securities laws and regulations and industry policy within 7 years, thus to eliminate the current domestic horizontal competition between the Company’s controlling subsidiaries and Sanonda. 2. Excepting the competition situation disclosed in the offer acquisition report, the Company take effective measures to avoid the Company and its controlling	September 7, 2013	September 6, 2020	1.Shandong DachengAgrochemical Co., Ltd.has transferred its agrochemical business to a third party, which is not a subsidiary of ChemChina. At present, Shandong Dacheng is not in the same or similar business to Sanonda. 2. On-going. The committed parties comply with the commitments.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			subsidiaries (excepting Commitments respectively made in acquisition report by Celsius Property B.V. and MAI)' new increased business engaged in the same or similar business with Hubei Sanonda Co., Ltd. within the territory in future. 3. If the Company or its controlling subsidiaries (excepting Commitments respectively made in acquisition report by Celsius Property B.V. and MAI) domestically conduct related business which form horizontal competition with Hubei Sanonda Co., Ltd. in future, the Company will actively take steps, gradually eliminate the competition, the concrete measures including but not limited to fight for internal assets reconstruction, (including putting the business into Hubei Sanonda Co., Ltd. or operated through Hubei Sanonda Co., Ltd.) to adjust the industrial plan and business structure, to transform technology and to upgrade products, to divide the market so as to make each corporation differ in the products and its ultimate users, thus to avoid and eliminate the current domestic horizontal competition between the Company's controlling subsidiaries and Sanonda.			
	ChemChina	Commitments on the independence of theCompany and the related-party transaction	1. The company will comply with laws, regulations and other regulatory documents to avoid and reduce related-party transactions with Sanonda. However, for related-party transactions that are inevitable or based on reasonable grounds, the company will follow the market principles of just, fairness and openness, enter into agreement(s) legally and go through lawful procedures. The company will honor its disclosure obligations and apply for relevant approvals according to the AOA of Sanonda, rules regarding	September 7, 2013	Long term effective	On-going. The committed parties comply with the commitments.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			related-party transactions and relevant regulations, not damaging the lawful rights and interest of Sanonda and its shareholders by related-party transactions. After completion of this transaction, Sanonda will continue to keep complete procurement, production and sales systems and to possess independent intellectual properties. The company and its affiliated parties will be completely independent from Sanonda in terms of staff, assets, finance, business and organization. Sanonda will have full capacity of operation in Chinese agricultural chemical market.			
Commitments made at the time of assets reorganization	ChemChina	Commitments on the horizontal competition	The subsidiaries controlled by ChemChina, namely Anpon, HH, Maidao, Anhui Petrochemical and Heilong as well as their subsidiaries are in similar or the same business as Sanonda. For the horizontal competition in China, ChemChina commits itself to take appropriate actions to solve the horizontal competition between its subsidiaries and Sanonda step-by-step in an appropriate way within 4 years after completion of the reorganization, in accordance with securities laws, regulations and sector/industrial policies. The means by which ChemChina addresses the horizontal competition include but are not limited to the following, Sanonda acquires crop protection-related assets under ChemChina. Sanonda holds or controlls other crop protection-related assets of ChemChina in line with national laws and by reasonable commercial means such as entrusted operation. ChemChina divests other crop protection-related assets or transfers the control power of such subsidiaries to external parties. ChemChina reorganizes internal assets,	October 12, 2016	Long term effective	On-going. The committed parties comply with the commitments.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			adjusts sector planning and business structure, upgrades technologies and products and makes market segmentation so that each company will differentiate its products and end users to eliminate horizontal competition between the subsidiaries controlled by ChemChina and Sanonda.			
	ChemChina	Commitments on Potential Horizontal Competition	ChemChina will take effective actions to avoid adding new business in China same or similar to Sanonda by itself and its controlled subsidiaries. If ChemChina or its controlled subsidiaries are in the future engaged in the business in China that constitute horizontal competition against Sanonda, ChemChina will take active actions, including but not limited to reorganizing internal assets, adjusting sector planning and business structure, upgrading technologies and products and making market segmentation so that each company will differentiate its products and end users to avoid and eliminate horizontal competition between the subsidiaries controlled by ChemChina and Sanonda.	October 12,2016	Long term effective	On-going. The committed parties comply with the commitments.
	ChemChina	Commitment to reduce and standardize related-party transactions	The Company will, as required by law, regulation and other specifications, avoid and reduce connected transactions with Sanonda; however, for the connected transactions that are inevitable or based on reasonable grounds, the Company will follow the just, fairness and open principles in market, legally enter into agreement(s) by law, go through lawful procedures, and perform its disclosure obligations and approving procedures as required by related systems and regulations. The Company warrants that no connected transaction will be done to impair lawful rights and interest of Sanonda and its shareholders.	August 4, 2016	Long term effective	On-going. The committed parties comply with the commitments.
	ChemChina	Commitment to maintain	After completion of this acquisition transaction, Sanonda will continue to	August 4, 2016	Long term effective	On-going. The

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
		independence of the listed company	keep complete procurement, production and sales systems and to possess independent intellectual properties, and the Company and its affiliated party will be completely independent from Sanonda in terms of staff, assets, finance, business and organization, and Sanonda will have full capacity of operation in Chinese agricultural chemical market. The Company will follow related regulations in Company Law and Securities Law, and avoid engagement in any action that impairs the operating independence of Sanonda.			committed parties comply with the commitments.
	CNAC	Commitment on share lock-up	All new shares purchased and held by share issuance for assets purchase shall be prohibited from transfer in whatever forms within 36 months after date of listing, including but not limited to public transfer via securities market or transfer by agreements and will not have such shares of the listed company managed by any other person entrusted, except such transfer is required and made between ChemChina and its subsidiaries as a result of state-owned assets reorganization, consolidation or free transfer of stock equity, in which case the transferee must keep such shares obtained locked up until the lock-up period expires. According to regulations in Article 48 of the Administrative Measures for the Material Asset Reorganizations of Listed Companies, if within a period of 6 months after completion of this transaction, the closing price of the listed company is lower than the offering price in any continuous 20 trading days, or if within a period of 6 months after completion of this transaction, the closing price at the end of such 6-month period is lower than the offering price, then the lock-up period of shares held will be extended automatically by at least 6 months.	October 12, 2016	August 1, 2020	On-going. The committed party complies with the commitments.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			Upon expiry of the lock-up period, such shares shall be subject to applicable laws, regulations and CSRC and SZSE rules.			
	CNAC	Commitments on performance compensation	CNAC shall fulfill the performance compensation obligations in the transaction in accordance with Performance Compensation Agreement signed with the listed company and relevant laws and regulations. In the event that a performance compensation obligation takes place, CNAC shall first fulfill the obligation of compensation with the shares of Sanonda and the deficient portion (if any) shall be made up in cash. CNAC commits thatthe net profits of ADAMA attributable to the parent company after deducting non-recurring gains and losses shall not be less than USD 147,675,000, USD 173,321,900 and USD 222,416,800 respectively in 2017, 2018, 2019.	September 13, 2016	December 31, 2019	On-going. The committed party complies with the commitments.
	Sanonda Holding	Commitment on share lock-up	All shares of the listed company held by Sanonda Holding before this transaction shall be prohibited from transfer within 12 months after date of listing of the new shares issued under this transaction, including but not limited to public transfer via securities market or transfer by agreements and Sanonda Holding will not have such shares of the listed company managed by any other person entrusted, except such transfer is required and made between ChemChina and its subsidiaries as a result of state-owned assets reorganization, consolidation or free transfer of stock equity, in which case the transferee must keep such shares obtained locked up within the lock-up period of the remaining shares	October 12, 2016	August 1, 2018	On-going. The committed party complies with the commitments.
	China Cinda Asset Management Co., Ltd., CCB Principle	Commitment on share lock-up	The new shares issued in the non-public offering to raise supporting fund shall not be transferred in any manner within 12 months after the initial trading day of the new issued shares.	December 25, 2017	January 18, 2019	On-going. The committed parties comply with the commitments.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
	Asset Management Co.,Ltd., Aegon-industrial Fund Co., Ltd., Penghua Fund Management Co., Ltd., China Structural Reform Fund Co. ,Ltd., Caitong Fund Management Co., Ltd.					
	Sanonda	Repurchasing B shares	1.The Company shall complete repurchase and cancellation of 62,950,659 B-shares of the Company held by Celsius no later than January 4, 2018 and share issuance to raise supporting fund, whichever is earlier; 2. During the period from July 4, 2017 to the completion of the above-mentioned B-share repurchase and cancellation, Celsius, the indirect held subsidiary of the Company will not exercise the right to request, call upon, preside over, participate in or appoint a shareholder agent to participate in the shareholder's meeting, nor exercise the corresponding voting power. 3. The Company promises that the Company will not distribute dividend before completing the above-mentioned B-share repurchase and cancellation.	July 20, 2017	Jan4, 2018	The commitment has been completed during the reporting period.
Commitments made in the initial public offering or refinancing						
Commitment on equity incentive						
Other commitments						

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
made to minority shareholders						
Executed timely or not?	Yes					

2. The assets or projects existing profit forecast, which were still in the profit forecast period, the Company made note and explain to the assets or project arrived at original profit forecast

√ Applicable ☐ Not applicable

Assets or project with profit forecasted	Starting time	Terminal time	Current forecast performance (in RMB'000)	Current actually performance (in RMB'000)	Reasons of fails to achieve the forecast number (if applicable)	Disclosure date for former prediction	Index
Adama Solutions	Jan 1, 2017	Dec 31, 2019	1,008,791.0	1,581,152.4	Not applicable	July 5, 2017	www.cninfo.com.cn Report of Hubei Sanonda Co., Ltd. on Share Issuance for Assets Purchase and Supporting Funds Raise & Connected Transactions

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

□Applicable√ Not applicable

IV. Occupation 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 with such situation during the reporting period.

V. Explanation by the Board of Directors and the Supervisory Committee about the "non-standard audit report" issued by the CPAs firm for the reporting period

□ Applicable √ Not applicable

VI. Explanation of the changes of the accounting policy, the accounting estimates and the accounting methods compared to the last financial report

√ Applicable □Not applicable

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

1. The Group began to apply the newly issued Accounting Standard for Business Enterprise No.42 Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations ("CAS42") since 28 May 2017.

2. The Group began to apply the newly issued Accounting Standard for Business Enterprise No.16 - Government Grants ("CAS16") since 12 June 2017.

These financial statements were prepared under the requirements of the newly issued "the Notice of the Revised Format of Financial Statements for General Business Enterprise" ("Notice No.2017-30") by MOF on 25 December 2017.

VII. Explain retrospective restatement due to correction of significant accounting errors in the reporting period

□ Applicable √ Not applicable

No such cases in the reporting period.

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

√ Applicable □ Not applicable

Within 2017, the Company acquired 100% equity of Adama Solutions through major asset restructuring, after which Adama Solutions is consolidated within the Group’s financial statements.

IX. Particulars about engagement and disengagement of CPAs firm

CPAs firm engaged at present

Name of domestic CPAs firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration for domestic CPAs firm for the reporting period (RMB Ten Thousand Yuan)	225
Consecutive years of the audit services provided by domestic CPAs firm	1
Name of domestic accountants	Chen Xi, Zhao Yan
Name of overseas CPAs firm	Not applicable
Remuneration for overseas CPAs firm for the reporting period (RMB Ten Thousand Yuan)	--
Consecutive years of the audit services provided by overseas CPAs firm	--
Name of overseasaccountants	--

Changeof the CPAs firm at current period or not?

√ Yes □ No

Did the re-engagement happen during the audit?

□ Yes √ No

The details on the change of the auditors

On March 31, 2017, the 19th meeting of the 7th session of the BOD approved the resolution on engaging Deloitte Touche Tohmatsu Certified Public Accountants LLP as the auditing institution for the Company's 2017 financial statements. On May 5, 2017, the annual shareholders meeting approved the engagement.

Particulars on engaging the audit firm for the internal control, financial adviser or sponsor

√ Applicable □ Not applicable

During the reporting period, the Company engaged GTJA as its financial advisor for the Major Assets Restructuring Project. The Company has paid up the financial advisor fees RMB 15,000,000to GTJA.

Particulars about trading suspension and termination faced after the disclosure of annual report

□ Applicable √ Not applicable

XI. Bankruptcy and reorganization

□ Applicable √ Not applicable

No such cases in the reporting period.

XII. Significant lawsuit or arbitration

□ Applicable √ Not applicable

No such cases in the reporting period.

XIII. Punishment and rectification

□ Applicable √ Not applicable

No such cases in the reporting period.

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

□ Applicable √ Not applicable

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

XV. The actual implementation of the stock incentive plan, ESOP, or other Staff incentives

☐ Applicable √ Not applicable

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

XVI. Significant related-party transactions

1. Related-party transactions relevant to routine operation

☐ Applicable √ Not applicable

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

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

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

□ Applicable √ Not applicable

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

3. Related-party transitions with joint investments

□ Applicable √ Not applicable

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

4. Credits and liabilities with related parties

√ Applicable ☐Not applicable

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

□ Yes √ No

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

5. Other significant related-party transactions

√ Applicable ☐ Not applicable

During the reporting period, the Company issued 1,810,883,039 A shares to CNAC for acquiring 100% of shares of Adama Solutions held by CNAC.On July 4, 2017, CNAC transferred the title of 100% of shares of Adama Solutions to the Company. The increased 1,810,883,039 A shares issued to CNAC have been listed on SZSE on August 2, 2017.

Name of the interim announcement	Disclosure date of the interim announcement	Website to disclose the interim announcement
The Announcement for Implementation of Issuing Shares to Purchase Assets and Raise Matching Funds and Related Transactions and Listing of Newly-issued Shares	August 1, 2017	www.cninfo.com.cn
The Announcement on the Completion of the Assets Transfer of Issuing Shares to Purchase Assets and Raise Matching Funds and Related Transactions and Listing of Newly-issued Shares	July 7, 2017	www.cninfo.com.cn

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

Please further note the transaction for the transfers and divestments relating to the ChemChina acquisition of Syngenta, as provided in Section IV – VI 1 above (its shall be noted that said transaction is not a significant related party transaction).

XVII. Particulars about significant contracts and their fulfillment

1. Particulars about trusteeship, contract and lease

(1) Trusteeship

□ Applicable √ Not applicable

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

Items generated over 10% gains/losses in total profit in reporting period for the Company

□ Applicable √ Not applicable

The Company had no trust items generated over 10% gains/losses in total profit in reporting period.

(2) ContractOperation

□ Applicable √ Not applicable

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

(3) Lease

√ Applicable □ Not applicable

Explanation on the lease

The 7th floor of the Company's office building had rented to Jingzhou Sanonda Holdings Co., Ltd. for business operation in the reporting period with the annual rent of RMB 138, 982.

The lease whose profits reaching more than 10% of the total profits of the Company in the reporting period

□ Applicable √ Not applicable

There was no any lease whose profits reaching more than 10% of the total profits of the Company in the reporting period.

2. Significant guarantees

√ Applicable □ Not applicable

(1) List of guarantees

Unit: RMB'0000

Guarantees provided by the Company for external parties (excluding those for subsidiaries)								
Guaranteed party	Disclosure date on relevant announcement of guaranteed amount	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Guarantees provided by the Company for its subsidiaries								
Guaranteed party	Disclosure date on relevant announcement of guaranteed amount	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not
Hubei Sanonda Foreign Trading Co., Ltd.	March 18, 2016	30,900	November 29, 2016	7,000	Joint Liability Guarantee	1 year	Yes	Yes
Total guarantee line approved for the subsidiaries during the reporting period (B1)		21,900		Total actual occurred amount of guarantee for the subsidiaries during the reporting period (B2)		0		
Total guarantee line that has been approved for the subsidiaries at the end of the reporting period (B3)		21,900		Total actual guarantee balance for the subsidiaries at the end of the reporting period (B4)		0		
Guarantees provided by subsidiaries for subsidiaries								
Guaranteed party	Disclosure date on relevant announcement of guaranteed amount	Amount for guarantee	Actual occurrence date (date of agreement)	Actual guarantee amount	Type of guarantee	Period of guarantee	Executed or not	Guarantee for a related party or not

Total guarantee line approved during the reporting period (A1+B1+C1)	21,900	Total actual occurred amount of guarantee during the reporting period (A2+B2+C2)	0
Total guarantee line that has been approved at the end of the reporting period (A3+B3+C3)	21,900	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)	0
Proportion of total guarantee amount (A4+B4+C4) to the net assets of the Company		0	
Of which:			
The balance of the guarantee provided to the shareholders, actual controller and its related parties (D)		0	
Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (E)		0	
The amount of the guarantee which exceeds 50% of the net assets (F)		0	
Total amount of the above three guarantees (D+E+F)		0	
As for undue guarantee, liability to guarantee has happened or joint liquidated liability may be undertaken during this Reporting Period (if existing)		No	
Regulated procedures are violated to offer guarantee (if existing)		No	

Note:The Company does not have significant guarantees during the reporting period. It shall be noted that Adama Solutions provided a guarantee to Negev Aroma (joint venture; held 50%), on February 2017, to secure a loan in the amount of RMB 7,834,000.

(2) Particulars about illegal external guarantee

□ Applicable √ Not applicable

There was no particular about illegal external guarantee of the Company in the reporting period.

3. Cash assets management entrustment

(1) Wealth management entrustment

□ Applicable √ Not applicable

No such cases in the reporting period.

(2) Entrustment loans

□ Applicable √ Not applicable

No such cases in the reporting period.

(4) Other significant contracts

□ Applicable √ Not applicable

No such cases in the reporting period.

XVIII. Social responsibilities

1. Perform social responsibilities

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

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

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

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) Annual Overview

The Company's one-on-one poverty alleviation subject is Sanzhou Village of Guanyindang Township. The Company attached great importance and designates the general office to be in charge of daily poverty alleviation. During the reporting period, the Company and Sanzhou village had discussions over its economic development, number and current state of households living in poverty. The Company transferred 50,000RMB to the special account for poverty alleviation of Sanzhou village. In addition, the deputy party secretary of the Company visited 20 households below the poverty line in Sanzhou village and gave 300RMB to each family.

(3) Results of Targeted Poverty Alleviation

Indicator	Unit	Quantity/ Progress
I. Overview	——	——
Of which, 1.funds	10,000RMB	5.6
II. Input Breakdown	——	——
1. Sector development	——	——
Of which, 1.1 Sector of Project	——	Poverty alleviation in agriculture and forestry sectors
1.2 Number of Project	Project	1
1.3 Inputs	10,000RMB	5.6
1.4No. of people out of poverty	Person	60
2. Employment transfer	——	——
3. Movement and relocation	——	——
4. Education	——	——
5. Health	——	——
6. Ecological conservation	——	——
7. Subsistence support	——	——
8. Social activities	——	——
9. Others	——	——
III. Awards	——	——

(4) Follow-up Plan

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

3. Environmental Protection

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

Yes

Company name	Main pollutants and special pollutants	Way of emission	Number of emission points	Layout of emission points	Concentration	Pollution standards applied	Total amount emitted/discharged	Total amount approved	Exceeding limit
Sanonda	COD	Continuous	1	Centralized discharge	Within limit	Comprehensive Standard on	304.9	391.3	No

Company name	Main pollutants and special pollutants	Way of emission	Number of emission points	Layout of emission points	Concentration	Pollution standards applied	Total amount emitted/discharged	Total amount approved	Exceeding limit
				point		Discharge of Waste Water (GB8978-1996) ，COD<100mg/L			
Sanonda	Ammonia nitrogen	Continuous	1	Centralized discharge point	Within limit	Comprehensive Standard on Discharge of Waste Water (GB8978-1996), Ammonia nitrogen<15mg/L	33	50	No
Sanonda	NOx	Continuous	1	Power plant	Within limit	Standard on Air Pollution of Power Plant （GB13223-2011） NOx <200mg/m3	543.7	564.7	No
Sanonda	SO2	Continuous	1	Power plant	Within limit	Standard on Air Pollution of Power Plant （GB13223-2011） SO2<200mg/m3	345.8	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	46.2	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 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 tail 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 development with a purpose of implementingprecautionary 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
(1) Alarm and Telecommunication
(2) Field Rescue
3. Relief and Rescue of Environmental Pollution Accidents
（1）Pollutants and Main Sources
（2）Cause Analysis of Environmental Pollution
（3）Relief and Rescue Measures
（4）Handling and Precautionary Measures of Environmental Pollution Accidents
4. Supporting Measures
（1）Supply support
（2）System support
5. Training and Exercises

(4) Environment self-monitoring plan

The Company developed 2017 Annual Environment Self-Monitoring Plan according to relevant requirements to enhance environment management, understand emission and discharge of pollutants of the Company, evaluating its impact on surrounding environment, enhancing management of pollutant discharge and emission 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, 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.

XIX. Other significant events

□ Applicable √ Not applicable

As a part of the Major Assets Restructuring, title of 100% of shares of Adama Solutions held by CNAC has been transferred to the Company, and the Company holds title of 100% of shares of Adama Solutions on July 4, 2017. The Company also 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.

XX. Significant events of subsidiaries

□ Applicable √ Not applicable

Please refer to the SYG Transaction, mentioned in Section IV. – VI 1. above.

Section VI. Change in Shares & Shareholders

I. Changes in shares

Unit: share

	Before the change		Increase/decrease (+/-)					After the change	
	Amount	Proportion	Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	Amount	Proportion
I. Restricted shares	20,531	0.00%	1,810,883,039			119,692,546	1,930,575,585	1,930,596,116	82.44%
2. State-owned legal person's shares	0	0.00%	1,810,883,039			119,687,202	1,930,570,241	1,930,570,241	82.44%
3. Shares held by domestic investors	20,531	0.00%				5,344	5,344	25,875	0.00%
Shares held by domestic natural person	20,531	0.00%				5,344	5,344	25,875	0.00%
II. Shares not subject to trading moratorium	593,902,689	100.00%				-182,643,205	-182,643,205	411,259,484	17.56%
1. RMB ordinary shares	363,902,689	61.27%				-119,692,546	-119,692,546	244,210,143	10.43%
2. Domestically listed foreign shares	230,000,000	38.73%				-62,950,659	-62,950,659	167,049,341	7.13%
III. Total shares	593,923,220	100.00%	1,810,883,039			-62,950,659	1,747,932,380	2,341,855,600	100.00%

Reason for the change in shares

√ Applicable □ Not applicable

During the reporting period, the Company issued 1,810,883,039 shares to CNAC as a part of the material assets restructuring project. The listing date for such shares is August 2, 2017; On November 24, 2017, the Company completed the cancellation of 62, 950,659 B shares held by Adama Celsius B.V. By the end of the reporting period, the total amount of the shares of the Company is

2,341,855,600.

Approval of the change in shares

√ 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

Shenzhen Branch of China Securities Depository and Clearing Corporation Limited accepted the registration application of the non-public issuance of shares to CNAC on July 11, 2017, and issued an Acceptance Confirmation Letter on Share Registration Application. The Company has completed the registration of the additional 1,810,883,039 shares issued for acquiring the assets.

On July 31, 2017, the Company opened the special account for buyback shares at Shenzhen Branch of China Securities Depository and Clearing Corporation Limited. The 62,950,659 shares held by Adama Celsius B.V. were transferred to the account on November 23, 2017 and cancellation procedures are completed on November 24, 2017.

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

√ Applicable □ Not applicable

Please refer to the above notes regarding (1) the buyback and cancellation of the B shares of the Company; and (2) the share issuance made in the framework of the Combination Transaction.

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

√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.

2. Changes in restricted shares

√Applicable □ Not applicable

Shareholders	Restricted shares at the opening of the reporting period	Shares released in the reporting period	Restricted shares increased in the reporting period	Ending shares restricted	Restricted reasons	Date for released
CNAC	0	0	1,810,883,039	1,810,883,039	Share issuance	August 1st, 2020
Sanonda Holding	0	0	119,687,202	119,687,202	As committed	August 1st, 2018
Liu Zhiming	16,031	0	5,344	21,375	All the shares held by a senior management shall be locked up for half a year after he/she leaves office.	March 30th, 2018
Jiang Chenggang	4,500	0	0	4,500	Shares held by a supervisor should be locked up.	August 2nd, 2018
Total	20,531	0	1,930,575,585	1,930,596,116	--	--

II. Issuance and listing of securities

1. Issuance of securities (excluding preferred stock) in reporting period

√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
Stock						
Sanonda A	August 2, 2017	RMB 10.20 per share	1,810,883,039	August 2, 2017	1,810,883,039	
Switching Company bonds, the separation transaction of switching company bonds, corporate bonds						
Other derivative securities						

Description of the issue of securities in the reporting period (excluding preferred shares)

During the reporting period, the Company issued 1,810,883,039 shares to CNAC as a part of the material assets restructuring project. The listing date for such shares is August 2, 2017.Such shares shall be prohibited from transfer in whatever forms within 36 months after date of listing, including but not limited to public transfer via securities market or transfer by agreements and will not have such shares of the listed company managed by any other person entrusted, except such transfer is required and made between ChemChina and its subsidiaries as a result of state-owned assets reorganization, consolidation or free transfer of stock equity, in which case the transferee must keep such shares obtained locked up until the lock-up period expires.

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

√ Applicable □Not applicable

During the reporting period, the Company issued restricted shares 1,810,883,039 to CNAC as a part of the material assets restructuring project. The listing date for such shares is August 2, 2017; On November 24, 2017, the Company completed the cancellation of non-restricted 62, 950,659 B shares held by Adama Celsius B.V. By the end of the reporting period, the total amount of the shares of the Company is 2,341,855,600. On December 31, 2017, the Company's asset-liability ratio was 52.6%, down by 1.04% compared with the asset-liability ratio at the end of 2016 which was 53.64%.

3. Existent shares held by internal staffs of the Company

□ Applicable √ Not applicable

III. Particulars about the shareholders and actual controller

1. Total number of shareholders and their shareholding

Unit: share

Total number of shareholders at the reporting period	50,534	Total number of shareholders on the 30th trading day before the disclosure date of the annual report	52,684	Total number of preferred stockholder with vote right restored(if any)	0	Total number of preferred stockholder with vote right restored on the 30th trading day before the disclosure date of the annual report(note 8)	0

Shareholding of shareholders holding more than 5% shares								
Name of shareholder	Nature of shareholder	Holding percentage (%)	Number of shareholding at the end of the reporting period	Increase and decrease of shares during reporting period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Pledged or frozen shares	
							Status of shares	Amount
CNAC	State-owned legal person	77.33%	1,810,883,039	1,810,883,039	1,810,883,039	0		
Sanonda holding	State-owned legal person	5.11%	119,687,202		119,687,202	0		
National Social	Other	0.38%	9,004,717					

Security Fund Portfolio 118								
Li Hongsheng	Domestic individual	0.28%	6,483,229					
Zhang Ping	Domestic individual	0.25%	5,891,300					
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign corporation	0.19%	4,526,245					
Xie Qingjun	Domestic individual	0.19%	4,490,133					
Qichun County State-owned Assets Administration	On behalf of the government	0.18%	4,169,266					
Shi Yun	Domestic individual	0.12%	2,830,100					
Wu Feng	Domestic individual	0.09%	2,193,288					
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 shareholders not subject to trading moratorium

Name of shareholder	Number of shares held not subject to trading moratorium at the end of the period	Type of share	
		Type of share	Amount
National Social Security Fund Portfolio 118	9,004,717	RMB ordinary share	9,004,717
Li Hongsheng	6,483,229	RMB ordinary share	6,483,229
Zhang Ping	5,891,300	RMB ordinary	5,891,300

		share	
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	4,526,245	Domestically listed foreign share	4,526,245
Xie Qingjun	4,490,133	Domestically listed foreign share	4,490,133
Qichun County State-owned Assets Administration	4,169,266	RMB ordinary share	4,169,266
Shi Yun	2,830,100	RMB ordinary share	2,830,100
Wu Feng	2,193,288	RMB ordinary share	2,193,288
Guotai Junan Securities(Hong Kong) Limited	2,070,003	Domestically listed foreign share	2,070,003
China Construction Bank Corporation, Rongtong Leading Growth Hybrid Securities Investment Fund (LOF)	1,946,363	RMB ordinary share	1,946,363
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)	1. Shareholder Shi Yun held 2,830,100 shares of the Company through a credit collateral securities trading account and held 0 shares of the Company through a common securities account, who thus held 2,830,100 shares of the Company in total. 2. Shareholder Wu Feng held 775,726 shares of the Company through a credit collateral securities trading account and held 1,417,562 shares of the Company through a common securities account, who thus held 2,193,288 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 an agreed buy-back in the reporting period?

☐ Yes √ No

The shareholders of a company did not conduct the transaction of repurchase under the agreement during the reporting period.

2. Particulars about the controlling shareholder

Nature of controlling shareholder: The central state-owned

Type of controlling shareholder: legal person

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

Change of the controlling shareholder during the reporting period

√ Applicable ☐Not applicable

Name of the new controlling shareholder:	China National Agrochemical Co., Ltd.
Date of the replacing:	August 1, 2017
Query index of the designated website:	www.cninfo.com.cn
Disclosing date of the replacing on the designed website:	August 1,2017

3. Particulars about actual controller

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

Type of actual controller: Legal person

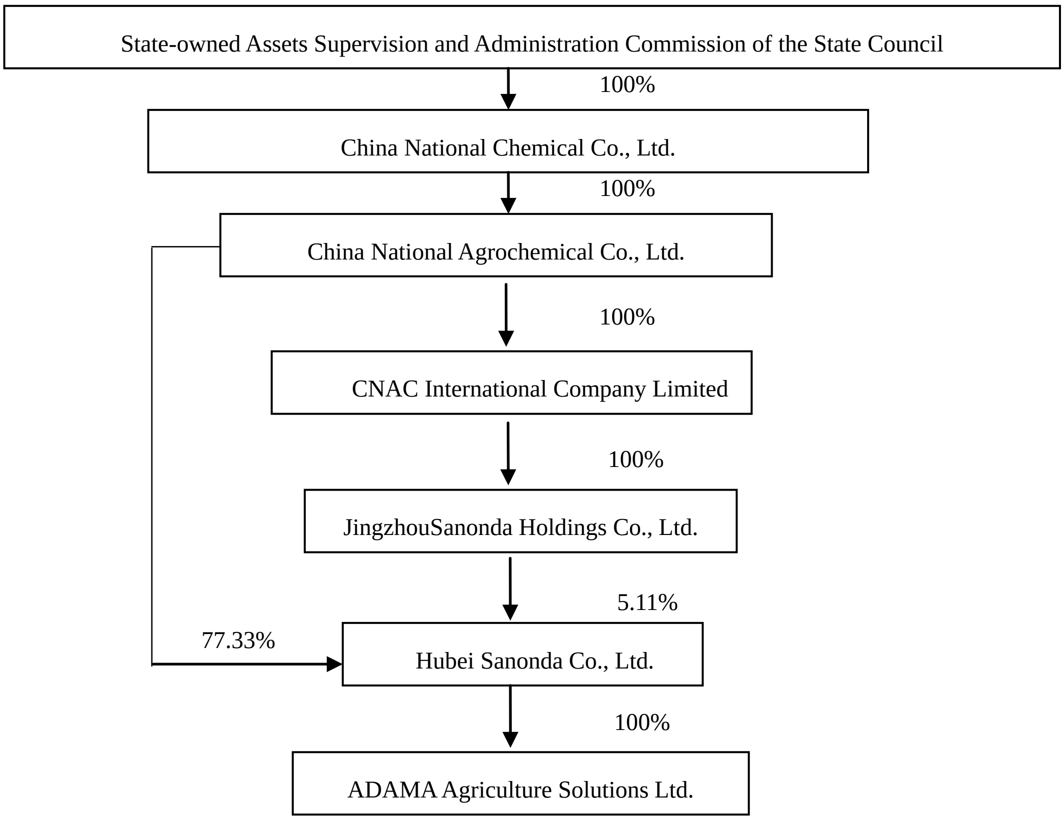
Name of the actual controller	Legal representative / company principal	Date of establishment	Organization code	Business scope
State-owned Assets Supervision and Administration Commission of the State Council	-	16 Mar. 2003	-	-
Shares held by the actual controller in other listed companies by holding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

Change of the actual controller during the reporting period

□ Applicable √ Not applicable

The actual controller did not change during the reporting period

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



Note: The listing date of the newly-issued 104,697,982 shares in the non-public offering to raise matching funds is January 17, 2018.

After that, CNAC holds 74.02% share equity of the Company, and Jingzhou Sanonda Holdings Co., Ltd. holds 4.89% share equity of the Company.

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

□ Applicable √ Not applicable

4. Particulars about other corporate shareholders with shareholding proportion over 10%

□Applicable√ Not applicable

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

□Applicable √Not applicable

Section VII. Preferred Shares

□ Applicable √ Not applicable

There was no preferred stock during reporting period.

Section VIII. Directors, Supervisors, Senior Management Staff & Employees

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

Name	Position	Office Status	Gender	Age	Beginning date of office term	Ending date of office term	Shares held at the year-begin (share)	Amount of shares increased at the reporting period (share)	Amount of shares decreased at the reporting period (share)	Other changes increase/decrease	Shares held at the end of the reporting period (share)
Yang Xingqiang	Chairman of the BOD	In Office	Male	50	Sep 29, 2017		0	0	0	0	0
Ren Jianxin	Director	In Office	Male	59	Sep 29, 2017		0	0	0	0	0
Chen Lichtenstein	Director, President& CEO	In Office	Male	50	Sep 29, 2017		0	0	0	0	0
An Liru	Director	In Office	Male	48	Apr 29, 2015		0	0	0	0	0
Tang Yunwei	Independent Director	In Office	Male	73	Dec 25, 2017		0	0	0	0	0
Xi Zhen	Independent Director	In Office	Male	54	Dec 25, 2017		0	0	0	0	0
Aviram Lahav	Chief Financial Officer	In Office	Male	58	Sep 29, 2017		0	0	0	0	0
Michal Arlosoroff	General Legal Counsel	In Office	Female	59	Sep 29, 2017		0	0	0	0	0
Jiang Chenggang	Chairman of the Supervisor	In Office	Male	43	Jan 6, 2013		6,000	0	0	0	6,000
Li Dejun	Supervisor	In Office	Male	59	March 19, 2018		0	0	0	0	0
Guo Zhi	Supervisor	In Office	Male	40	March 19,		0	0	0	0	0

Name	Position	Office Status	Gender	Age	Beginning date of office term	Ending date of office term	Shares held at the year-begin (share)	Amount of shares increased at the reporting period (share)	Amount of shares decreased at the reporting period (share)	Other changes increase/decrease	Shares held at the end of the reporting period (share)
					2018						
Li Zhongxi	Secretary of the BOD	In Office	Male	47	Feb 9, 2000		0	0	0	0	0
Fu Liping	Supervisor	Demission	Male	52	Jan 6, 2013	March 19, 2018	0	0	0	0	0
Ding Shaojun	Supervisor	Demission	Male	55	Jan 24, 2013	March 19, 2018	0	0	0	0	0
Dong Chunji	Supervisor	Demission	Male	49	Apr 29, 2015	March 19, 2018	0	0	0	0	0
Xu Yan	Supervisor	Demission	Female	45	Apr 29, 2015	March 19, 2018	0	0	0	0	0
Guo Hui	Director	Demission	Male	54	Apr 29, 2015	Sep 29, 2017	0	0	0	0	0
She Zhili	Director	Demission	Female	53	Apr 29, 2015	Jun 16, 2017	0	0	0	0	0
Shiri Ailon	Director	Demission	Female	42	Apr 29, 2015	Sep 29, 2017	0	0	0	0	0
Ai Qiuhong	Independent director	Demission	Male	49	Feb 26, 2010	Dec 25, 2017	0	0	0	0	0
Zhang Huide	Independent director	Demission	Female	53	Jul 9, 2010	Dec 25, 2017	0	0	0	0	0
Li Dejun	Independent director	Demission	Male	60	Jul 9, 2010	Dec 25, 2017	0	0	0	0	0
Liu Anping	GM	Demission	Male	50	May 11, 2012	Sep 29, 2017	0	0	0	0	0
Yin Hong	Vice GM	Demission	Male	51	Jan 6, 2013	Sep 29, 2017	0	0	0	0	0
Liu	GMAssistant	Demission	Male	42	Jan 6,2013	Sep 29,	21,375	0	0	0	21,375

Name	Position	Office Status	Gender	Age	Beginning date of office term	Ending date of office term	Shares held at the year-begin (share)	Amount of shares increased at the reporting period (share)	Amount of shares decreased at the reporting period (share)	Other changes increase/decrease	Shares held at the end of the reporting period (share)
Zhiming						2017					
Total	--		--	--	--	--	27,375	0	0	0	27,375

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

Name	Position	Type	Date	Reason
Guo Hui	Director	Left the position	Sep 29, 2017	Voluntary demission
She Zhili	Director	Left the position	Jun 16, 2017	Voluntary demission
Shiri Ailon	Director	Left the position	Sep 29, 2017	Voluntary demission
Ai Qiuhong	Independent Director	Left the position	Dec 25, 2017	Term of office expired
Zhang Huide	Independent Director	Left the position	Dec 25, 2017	Term of office expired
Li Dejun	Independent Director	Left the position	Dec 25, 2017	Term of office expired
Liu Anping	GM	Dismissal	Sep 29, 2017	Change of the position
Yin Hong	Vice GM	Dismissal	Sep 29, 2017	Change of the position
Liu Zhiming	GM Assistant	Dismissal	Sep 29, 2017	Change of the position

III. Resumes of important personnel

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

Mr. Ren Jianxin, Master Degree, senior engineer at professor grade. Mr. Ren Jianxin used to be the General Manager and Party Secretary of Chemical Cleaning Company (a company belonged to the Ministry of Chemical Industry), the General Manager and Party Secretary of China National Blue Star Group, the General Manager and Party Secretary of China National Chemical Co., Ltd. Currently, Mr. Ren Jianxin is Director of the Company,the Chairman of the BOD and Party Secretary of China National Chemical Co., Ltd., Chairman of the BOD of Syngenta A.G., Chairman of the BOD of Pirelli & C. S.P.A.

Mr. Yang Xingqiang, Bachelor Degree, senior engineer at professor grade. Mr. Yang used to be the General Manager of Blue Star Cleaning Agent Co., Ltd., the General Manager and Party Secretary of China National Blue Star Group, the Deputy General Manager of China National Chemical Co., Ltd., the Chairman of the BOD of China National Agrochemical Co., Ltd. Currently, Mr. Yang is theChairman of the BOD of the Company,the General Manger and Deputy Party Secretary of China National Chemical Co., Ltd., Chairman of the BOD of Adama Agricultural Solutions Ltd.

Mr. Chen Lichtenstein, Israeli. He holds joint doctoral degrees from Stanford University's Graduate School of Business and School of Law. He used to be the clerk of Israeli High Court, the lawyer of Yigal Arnon & Co. Law Firm, the Executive Director of Investment Banking at Goldman Sachs in New York and London, the Deputy CEO of Adama Agricultural Solutions Ltd., the President and CEO of China National Agrochemical Co., Ltd. Currently, Mr. Lichtensetin is the Director of the Company, the President and CEO of the Company, Directorandthe President and CEO of Adama Agricultural Solutions Ltd.

Mr. An Liru, Master of chemical engineering and MBA, senior engineering, senior economist. He used to be the Assistant of General Manager, Vice General Manager, General Manager, Deputy Party Secretary of Jiangsu Anpon Electrochemical Co., Ltd., Chairman of Directors, Party Secretary of Jiangsu Huaihe Chemicals Co., Ltd., Executive Directors and CEO of Jiangsu Maidao Agrochemical Co., Ltd., the Chairman of the BOD of the Company, Chairman of Directors and Party Secretary of China National Agrochemical Co., Ltd. Currently, he is the Director of the Company, the Director and the Senior Vice President of ADAMA Agricultural Solutions Ltd.

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

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

Mr. Aviram Lahav, Israeli, acts as the Chief Financial Officer. Mr. Lahav also acts as Executive Vice President and Chief Financial Officer of Adama Agricultural Solutions Ltd.Mr. Lahav earned a Practical Engineering Degree in Mechanical Engineering from Tel Aviv University, Israel. Mr. Lahav hasalso earned a BA in Economics and Finance from the Hebrew University in Jerusalem, Israel and graduated from the Advanced Management Program at Harvard Business School.Before joining the Group, Mr. Lahav served as CEO of Synergy Cables, a publicly traded manufacturing company. He had also served as CFO, COO and eventually CEO of Delta Galil Industries (Israel). In 2000, he was awarded thetitle of"Israel's CFO of the Year".

Ms. Michal Arlosoroff,Israeli, acts as the Company's General Legal Counsel. Ms. Arlosoroff also acts as Senior Vice President, General Legal Counsel, Company Secretary and CSR Officerof Adama Agricultural Solutions Ltd.Ms. Arlosoroff holds an LL.B. as well as a B.A. in Political Science and Labor Relations (cum laude) from Tel Aviv University, Israel. Ms. Arlosoroff also graduated from Harvard Business School the Advanced Management Program (AMP186). Prior to joining the Group, Ms. Arlosoroff served as

Full Partner and General Manager in Tel Aviv at E.S. Shimron, I. Molho, Persky &Co.,one of the most prominent, respected and established law firms in Israel for 22 years.

Mr. Jiang Chenggang, acts as the Supervisor, Deputy Director of the Office and Deputy Secretaries of the Discipline Inspection Commission of the Company from Jun. 2006 to Jun. 2012; acted as the Chairman of the Labor Union, Supervisor, Deputy Director of the Office and Deputy Secretaries of the Discipline Inspection Commission of the Company from Jun. 2012 to Dec. 2012; has been acting as the Deputy Party Committee Secretary of Jingzhou Sanonda Holdings Co., Ltd. and the Chief of the Company's Party Committee Work Department since January 2017; and he has been the Chairman of the Labor Union, Supervisor and Secretaries of the Discipline Inspection Commission of the Company since Jan. 2013.

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

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

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

Post-holding in shareholder units

√ Applicable □ Not applicable

Name of the person holding any post in any shareholder unit	Name of the shareholder unit	Position in the shareholder unit	Beginning date of office term	Ending date of office term	Receives payment from the shareholder unit?
Ren Jianxin	ChemChina	Chairman of the BOD, Party Secretary	December 2014		Yes
Yang Xingqiang	ChemChina	GM, Deputy Party Secretary	January 2015		Yes
An Liru	Jingzhou Sanonda Holdings Co., Ltd.	Executive director, GM	April2015		No
Jiang Chenggang	Jingzhou Sanonda Holdings Co., Ltd.	Deputy Party Secretary	December2016		No

Post-holding in other units

√ Applicable □ Not applicable

Name of the person holding any post in any shareholder unit	Name of other unit	Position in other unit	Beginning date of office term	Ending date of office term	Receives payment from the other unit?
Ren Jianxin	Syngenta A.G.	Chairman of the BOD	June 2017		No
Ren Jianxin	Pirelli & C. S.p.A	Chairman of the BOD	October 2015		No
Ren Jianxin	ADAMA Solutions	Director	October 2011		No
Yang Xingqiang	ADAMA Solutions	Chairman of the BOD	April 2017		No
Yang Xingqiang	Pirelli & C. S.p.A	Director	November 2015		No
Yang Xingqiang	Information Morning Post	Legal Representative	February 2005		No
Chen Lichtenstein	ADAMA Solutions	President & CEO	October 2017		Yes
An Liru	ADAMA Solutions	Director	February 2014		Yes
An Liru	ADAMA Solutions	Head of China Cluster	September 2017		Yes
Aviram Lahav	ADAMA Agricultural Solutions	EVP & CFO	October 2017		Yes
Michal Arlosoroff	ADAMA Solutions	SVP, General Counsel, Company Secretary & CSR Officer	October 2017		Yes
Tang Yunwei	Universal Scientific Industrial (Shanghai) Co., Ltd.	Independent Director	April 2017		Yes
Xi Zhen	Nankai University	Professor, Chairman of Department of Chemical Biology, Fellow of the University Committee	August 2002		Yes
Xi Zhen	National Agrochemical Engineering Research Center (Tianjin)	Director	May 2014		No
Xi Zhen	Division of Chemical Biology of Chinese Chemical Society	Deputy Director	January 2015		No
Xi Zhen	Agrochemical Science Division of Chinese Chemical Industry and Engineering Society	Deputy Director	November 2014		No
Xi Zhen	Suzhou Ribo Life Science Co., Ltd.	Director	January 2007		Yes
Li Dejun	The Economic System Reform Institute of Hubei Province	Secretary General	December 2009		No
Li Dejun	Angel Yeast Co., Ltd.	Independent Director	April 2013		Yes

Li Dejun	J.S. Machine	Independent Director	October, 2016		Yes

Particulars about the Company's current directors, supervisors and senior punishments from Securities Regulatory Institution of recent three years in reporting period

□ Applicable √ Not applicable

IV. Remuneration for directors, supervisors and senior management

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

The remunerations are decided by the Company according to the Remuneration Policy.Global professional benchmarks, the implementation of the performance at the Company level, and the performance of the respective person are the basis for deciding their remunerations.

Independent directors would not enjoy salary in the Company while the Company would drop annual allowanceto independent directors respectively. Independent directors would present relevant meetings, perform responsibilities according to Articles of Association and apply for allowance factually.

Annual salary for supervisors was paid according to their posts.

Remuneration of the directors, supervisors and senior management of the Company during the reporting period is as follow:

Unit RMB'0000

Name	Position	Gender	Age	Current/Former	Total before-tax remuneration gained from the Company	Whether gained remuneration from the related parties of the Company
Yang Xingqiang	Chairman of the BOD	Male	50	Current		Yes
Ren Jianxin	Director	Male	59	Current		Yes
Chen Lichtenstein	Director, President& CEO	Male	50	Current		No
An Liru	Director	Male	48	Current		No
Tang Yunwei	Independent Director	Male	73	Current		No
Xi Zhen	Independent Director	Male	54	Current		No
Aviram Lahav	Chief Financial Officer	Male	58	Current		No
Michal	General Legal	Female	59	Current		No

Name	Position	Gender	Age	Current/Former	Total before-tax remuneration gained from the Company	Whether gained remuneration from the related parties of the Company
Arlosoroff	Counsel					
Jiang Chenggang	Chairman of the Supervisor	Male	43	Current		No
Li Zhongxi	Secretary of the BOD	Male	47	Current		No
Fu Liping	Supervisor	Male	52	Former		No
Ding Shaojun	Supervisor	Male	55	Former		No
Dong Chunji	Supervisor	Male	49	Former		No
Xu Yan	Supervisor	Female	45	Former		No
Guo Hui	Director	Male	54	Former		No
She Zhili	Director	Female	53	Former		No
Shiri Ailon	Director	Female	42	Former		No
Ai Qiuhong	Independent director	Male	49	Former		No
Zhang Huide	Independent director	Female	53	Former		No
Li Dejun	Independent director	Male	60	Former		No
Liu Anping	GM	Male	50	Former		No
Yin Hong	Vice GM	Male	51	Former		No
Liu Zhiming	GM Assistant	Male	42	Former		No
Total	--	--	--	--	2,122	--

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

□ Applicable √ Not applicable

V. About employees

1. The number of employees and their specialty structure and educational background

The number of on-duty employees in parent company (person)	1,536

The number of on-duty employees in main subsidiary companies (person)	62
The total number of on-duty employees (person)	1,598
The total number of employees who get salary in the period (person)	1,598
The number of retired employees who need to pay expense in parent company and main subsidiary companies (person)	1,762
Specialty classification	
Specialty category	Number
Production personnel	1,290
Sales personnel	8
Technicians	90
Financial personnel	23
Administrative personnel	187
Total	1,598
Education classification	
Education category	Number
Doctor	0
Master	14
Bachelor	262
College	401
Others	921
total	1,598

Note: The above table includes information as to the Company only (without Adama Solutions, which as of December 31, 2017 employs on-duty 5,057 employees).

2. Employee's remuneration policy and training plan

Firstly, the Company renewed and reconfirmed positions and personnel at the beginning of 2017, including salary assessment based on employees' performance in June 2017,and released salary after assessing employees' performance.
Secondly, the Company established legal holiday overtime management regulations, according to the standard prescribed by the national legal holiday overtime pay.

3. Employee's training plan and relevant situation

(1) Retrain on-duty employees

During this Reporting Period, the Company actively carried out the work of retraining on-duty employees (not including subsidiaries). 16,104person-time had been retrained and retrain for 3,935.5class hours had been completed. In addition, the retraining was inspected monthly.

(2) Training on new employees and rotational training

The Company organized pre-job training for the current year's graduates, including theoretical knowledge and practical operation training, especially safety training.

(3) Remote training of class leaders and group leaders

Participated in Tsinghua University remote training of class leaders and group leaders: 37people in the eighth remote learning class for class leaders and group leaders had attended examination according to plan.

(4) Increasing safety awareness

During the year the Company holds seminars, trainings and exercises and refresh procedures in its plants all over the world, to increase awareness and strengthen employees' personal commitment to safety.The system enables the Companyto improve the quality and update of safety performance data.

4. Labor outsourcing

√ Applicable □ Not applicable

Total number of hours of service outsourcing (hours)	783,000
Total remuneration paid for service outsourcing (RMB)	22,902,315.63

Section IX. Corporate Governance

I. Basic details of corporate governance

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

During this Reporting Period, according to the spirit of Advices About Insisting on the Lead of Party and Strengthening the Construction of Party, in the Process of Deepening the Reform of State-Owned Enterprises issued by the Central Committee of the Communist Party of China and Notification About Accelerating Involvement of General Requirement on the Work of Party Building of Central Enterprises, into Articles of the Company (G-Z-D-W-D-J [2017] No.1) issued by State-owned Assets Supervision and Administration Commission, of the State Council and the requirement of Guidance to the Articles of Listed Companies (revised in 2016) issued by China Securities Regulatory Commission;the Company revised its Articles of Associations and included in it the general requirement on the work of party building.

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

□ Yes √ No

There is no difference between the corporate governance and the Company Law and relevant rules of CSRC.

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

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

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

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

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

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

III. Horizontal competition

√ Applicable □ Not applicable

Type	Name of Controlling Shareholder	Nature of Controlling Shareholder	Cause of the problem	Solutions	Work-schedule and follow-up plan
Horizontal competition	ChemChina	State-ownedenterprise	The subsidiaries controlled by ChemChina are in similar or the same business as the Company.	ChemChina commits itself to take appropriate actions to solve the horizontal competition between its subsidiaries and the Company step-by-step in an appropriate way within 4 years after completion of the assets restructuring, in accordance with securities laws, regulations and sector/industrial policies.	In performing.

For details, please see III Performance of commitments of Section V of the Annual Report.

IV. Particulars about the annual shareholders' general meeting and special shareholders' general meetings held during the reporting period

1. Particulars about the shareholders' general meeting in reporting period

Session	Type	Proportion of investors' participation	Convening date	Disclosure date	Index to the disclosed
The 1st Interim Shareholders' Meeting in 2017	Interim Shareholders' Meeting	7.90%	March 27, 2017	March 28, 2017	Announcement on the 1stInterim Shareholders' Meeting in 2017 (Announcement No:2017-20) was published on

					www.cninfo.com.cn
The Annual Shareholders' Meeting of 2016	The Annual Shareholders' Meeting	21.08%	May 5, 2017	May 6, 2017	Announcement on the Annual Shareholders' Meeting of 2016 (Announcement No:2017-35) was published on www.cninfo.com.cn
The 2nd Interim Shareholders' Meeting in 2017	Interim Shareholders' Meeting	1.17%	September 8, 2017	September 9, 2017	Announcement on the 2nd Interim Shareholders' Meeting in 2017 (Announcement No:2017-53) was published on www.cninfo.com.cn
The 3rd Interim Shareholders' Meeting in 2017	Interim Shareholders' Meeting	80.46%	September 29, 2017	September 30, 2017	Announcement on the 3rd Interim Shareholders' Meeting in 2017 (Announcement No:2017-62) was published on www.cninfo.com.cn
The 4th Interim Shareholders' Meeting in 2017	Interim Shareholders' Meeting	80.63%	November 15, 2017	November 16, 2017	Announcement on the 4thInterim Shareholders' Meeting in 2017 (Announcement No:2017-69) was published on www.cninfo.com.cn
The 5th Interim Shareholders' Meeting in 2017	Interim Shareholders' Meeting	77.68%	December 25, 2017	December 26, 2017	Announcement on the 5th Interim Shareholders' Meeting in 2017 (Announcement No:2017-79) was published on www.cninfo.com.cn

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

□ Applicable √ Not applicable

V. Performance of the Independent Directors

1. Particulars about the independent directors attending the board sessions and the shareholders' general meetings

1. Particulars about the independent directors attending the board sessions							
Independent director	Sessions required to attend during the reporting period	Attendance in person	Attendance by way of communication	Entrusted presence (times)	Absence rate	Non-attendance in person for two consecutive times	Attendance to shareholder meetings
Li Dejun	17	6	11			No	6
Zhang Huide	17	6	11			No	6
Ai Qiuhong	17	6	11			No	6
Tang Yunwei	1	1				No	6
Xi Zhen	1	1				No	6

2. Particulars about independent directors proposing objection on relevant events

Whether independent directors propose objection on relevant events or not?

□ Yes √ No

During the reporting period, no independent directors proposed any objection on relevant events of the Company.

3. Other explanations about the duty performance of independent directors

Whether advices to the Company from independent directors were adopted or not

√ Yes □ No

Explanation on the advices of independent directors for the Company being adopted or not adopted

During the reporting period, the Company independent director according to the Company Law, the Listed Corporate Governance Standards, "Articles of Association" and "Company of the Independent Director System" focused on the Company operation actively, independently perform their duties, rendered professional suggestions to the Company's information disclosure and daily management decision-making, etc. issue the independent and impartial advice to related transactions, hiring annual auditors, guaranty matters, nominations of directors and senior executives and other events need advice of the independent director, play a proper role in improving the supervision of company safeguard the legitimate rights and interests of the Company and all shareholders. The Company especially paid attention to its operation state, dynamic state of the industry, public opinion and dynamic state report about the Company, and progress of major assets restructuring. It actively and effectively performed the duties of independent directors and well maintained overall benefits of the Company and the legal interests of all shareholders, especially the middle and small shareholders. This played positive functions for normalized, stable and healthy development of the Company.

VI. Performance of the Special Committees under the Board during the reporting period

(I) Performance of the Audit Committee of the Board: According to regulations of CSRC and Shenzhen Stock Exchange, The Annual Work System of Independent Director and Detailed Rules for the Implementation of the Audit Committee of the Board of the Company, and based on the principle of compliance, the Company enables full and free authorization of the supervisory function during the reporting period. The Audit Committee carefully reviewed the periodical reports, considered the engaging of the auditors, and other relevant events.Through communicating with the auditors, making annual audit plan and participating in and supervising the whole process, smooth annual audit work was guaranteed. The audit summary report of audit institution and the suggestions on employing auditors were submitted to board of directors. This fully satisfied the function of examination and supervision.
(II) Duty performance of the Remuneration & Appraisal Committee under the Board: During the reporting period, the Remuneration & Appraisal Committee of the Company revised the Remuneration Policy of Senior Management and reviewed the remuneration of independent directors and senior management.
(III) Duty performance of the Nomination Committee under the Board: During the Reporting Period, the Nomination Committee discussed the candidates of directors and senior executivesand carefully reviewed the profiles.
(IV) Duty performance of Strategy Committee under the Board:During the reporting period, the Strategy committee performedits duties; to enhance the competitiveness; the Strategy Committee studied long-term development strategic planning and put forward suggestions for the Company.

VII. Performance of the Supervisory Committee

During the reporting period, the Supervisory Committee found whether there was risk in the Company in the supervisory activity

□ Yes √ No

The Supervisory Committee has no objection on the supervised events during the reporting period.

VIII. Performance Evaluation and Incentive Mechanism for Senior Management Staff

The performance evaluation and incentives of the senior executives of the Company are based on theRemuneration Policy forSenior Executives of the Company.The remuneration of senior executives are composed of three parts: (i) base salary; (ii) variable components - medium and short-term incentives which shall include Annual bonuses based on results and contingent upon targets; (iii) long term incentives - Share-based cash reward and/or other long-term incentive in the form of cash. The Remuneration Policy establishes a fair and reasonable performance evaluation and incentives system. It helps to give full play to the talents of the senior executives and promote the long-term and healthy development of the Company.

IX. Internal Control

1. Particulars about significant defects found in the internal control during reporting period

☐ Yes √ No

2. Self-appraisal report on internal control

The Company decided not to disclose the self-appraisal report on internal control of 2017, and the Company did not engage the external auditors to audit and issue an audit opinion on the internal control of the Company.

According to the *Circular on Implementing the Corporate Internal Control Regulation System for Main Board Listed Companies in Batches(Cai Ban Kuai [2012] No.30)*, the Company satisfies the requirement of “special circumstance” , i.e. the Company completed the Major Assets Restructuring Project during the reporting period and cannot establish the complete internal control system during the reporting period. Therefore, the Company will disclose the self-appraisal report on internal control and the audit report on internal control in the next annual report.

X. Audit report on internal control

□Applicable √ Not applicable

Please see the above explanation for not applying the audit report on internal control in 2017.

Section X Corporate Bonds

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

□ Applicable √ Not applicable

Section XIFinancial Report

I. Auditor’s report

Type of auditor’s opinion	Standard unqualified opinion
Name of the auditor	Deloitte Touche Tohmatsu CPA LLP
Name of CPA	Chen Xi, Zhao Yan

INDEPENDENT AUDITOR'S REPORT

De Shi Bao (Shen) Zi (18) No P01859

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To the shareholders of Hubei Sanonda Co., Ltd.

I. Opinion

We have audited the financial statements of Hubei Sanonda Co., Ltd. (the "Company) and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated and the Company's balance sheets as at December 31, 2017, and the consolidated and the Company's statements of profit or loss and other comprehensive income, the consolidated and the Company's statements of changes in equity and the consolidated and the Company's statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements of the Group present fairly, in all material respects, the consolidated and the Company's financial position as of 31 December 2017, and the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Opinion

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

III. Key Audit Matters

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

AUDITOR'S REPORT - continued

De Shi Bao (Shen) Zi (18) No P01859

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III. Key Audit Matters - continued

1. Recoverability of accounts receivable

1.1 Description

As stated in Note V, 5 to the consolidated financial statements, the book value of accounts receivable net of allowance of doubtful debts of the Group was RMB5,056,850 thousand as at December 31, 2017, which was significant for the consolidated financial statements.

As disclosed in Note III, 11 and 31.1, the Group identified the objective evidences of impairment and evaluates the present value of the underlying future cash flows from recovering of these receivables which are measured at amortised cost for impairment assessment purpose. The objective evidences of impairment include observable data showing a significant decline in the expected future cash flows of individual or combined receivables, and observable data showing significant negative changes in the debtors' financial positions in individual or combined receivables. The recoverability assessment involved management estimates and judgements.

For the above reasons, we identified the recoverability of accounts receivable as a key audit matter.

1.2 Audit response

Our procedures in relation to the recoverability of accounts receivable mainly included:

(1) Corroborating the relevant consideration and objective evidences employed by management's assessment on the recoverability of accounts receivable;

(2) For receivables individually assessed to be impaired, reviewing the supporting documentation for the estimated future cash flows on a sample basis;

(3) For receivables assessed to be impaired by reference to the credit risk characteristics, assessing the reasonableness of the Group's assessment on impairment with reference to the credit risk characteristics combined with the historical losses;

(4) Testing the cash collections subsequent to end of the reporting period on a sample basis.

AUDITOR'S REPORT - continued

De Shi Bao (Shen) Zi (18) No P01859

III. Key Audit Matters - continued

2. Valuation of net realisable value of inventories

3.1 Description

As stated in Note V, 8, the carrying amount of inventories net of provisions for impairment of the Group was RMB7,488,238 thousand as at December 31, 2017, which was significant for the consolidated financial statements.

As disclosed in Note III, 12.3 and 31.2, the inventories of the Group are stated at the lower of cost and net realisable value. Provisions for inventories were made when the net realisable values are lower than the carrying amounts. The determination of the net realisable value of inventories requires management to estimate the estimated selling prices of the inventories, the costs to be incurred when they are completed, the sales expenses, and the related taxes and fees, which involved management estimates and judgements.

For the above reasons, we identified valuation of net realisable value of inventories as a key audit matter.

3.2 Audit response

Our procedures in relation to assessment of net realisable value of inventories mainly included:

(1) Evaluating the appropriateness and consistency of the methodology of the impairment test ;

(2) Evaluating the inventory age and turnover conditions, and checking the management's identification of the damaged and slow moving inventories with the inventory monitoring procedures;

(3) Corroborating the key assumptions involved in management's determination of the net realisable value of inventories, including:

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

IV. Other Information

Management of the Company is responsible for the other information. The other information comprises the information included in the 2017 annual report, but does not include the financial statements and our auditor's report thereon.

AUDITOR'S REPORT - continued

De Shi Bao (Shen) Zi (18) No P01859

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

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

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

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

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

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

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

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

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

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

AUDITOR'S REPORT - continued

De Shi Bao (Shen) Zi (18) No P01859

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

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

AUDITOR'S REPORT - continued

De Shi Bao (Shen) Zi (18) No P01859

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

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

Deloitte Touche Tohmatsu CPA LLP

Shanghai China

Chinese Certified Public Accountant

Chen Xi (Engagement Partner)

Chinese Certified Public Accountant

Zhao Yan

27 March 2018

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

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

Consolidated Balance Sheet

	Notes	December 31 2017	December 31 2016 Restated
Current assets			
Cash at bank and on hand	V.1	**7,868,858**	3,841,547
Financial assets at fair value through profit or loss	V.2	**23,000**	35,594
Derivative financial assets	V.3	**455,153**	637,450
Bills receivables	V.4	**180,030**	108,226
Accounts receivable	V.5	**5,056,850**	5,465,258
Prepayments	V.6	**202,111**	219,218
Other receivables	V.7	**1,037,836**	633,375
Inventories	V.8	**7,488,238**	7,463,957
Assets held for sale	V.9	**403,297**	-
Non-current assets due within one year	V.19	**46**	49
Other current assets	V.10	**614,925**	510,164
Total current assets		**23,330,344**	18,914,838
Non-current assets			
Available-for-sale financial assets	V.11	**19,544**	20,227
Long-term receivables	V.12	**192,968**	185,648
Long-term equity investments	V.13	**102,383**	104,284
Investment properties		**4,408**	4,721
Fixed assets	V.14	**6,141,490**	6,797,889
Construction in progress	V.15	**803,421**	483,888
Intangible assets	V.16	**4,036,588**	5,056,201
Goodwill	V.17	**3,890,097**	4,064,312
Deferred tax assets	V.18	**891,012**	646,797
Other non-current assets	V.19	**201,667**	213,707
Total non-current assets		**16,283,578**	17,577,674
Total assets		**39,613,922**	36,492,512

The notes on pages 112 to 238 form part of these financial statements.

(Expressed in RMB'000)

Consolidated Balance Sheet (continued)

	Notes	December 31 2017	December 31 2016 Restated
Current liabilities			
Short-term loans	V.20	**2,280,912**	748,163
Derivative financial liabilities	V.21	**789,050**	785,011
Bills payable	V.22	**311,557**	317,403
Accounts payable	V.23	**3,906,481**	3,462,280
Advances from customers	V.24	**226,711**	106,774
Employee benefits payable	V.25	**995,637**	975,391
Taxes payable	V.26	**431,275**	344,113
Interest payable	V.27	**46,491**	73,407
Dividends payable		**250**	151,074
Other payables	V.28	**1,375,993**	1,756,452
Non-current liabilities due within one year	V.29	**448,504**	634,740
Other current liabilities	V.30	**482,583**	419,151
Total current liabilities		**11,295,444**	9,773,959
Non-current liabilities			
Long-term loans	V.31	**514,320**	1,002,177
Debentures payable	V.32	**7,777,410**	7,417,408
Long-term payables		**24,203**	21,810
Long-term employee benefits payable	V.33	**610,714**	511,063
Provisions	V.34	**163,913**	166,439
Deferred income	V.35	**-**	167,252
Deferred tax liabilities	V.18	**224,613**	295,765
Other non-current liabilities	V.36	**225,292**	218,845
Total non-current liabilities		**9,540,465**	9,800,759
Total liabilities		**20,835,909**	19,574,718
Shareholders' capital			
Share capital	V.37	**2,446,554**	593,923
Capital reserve	V.38	**12,982,277**	13,660,829
Less: Treasury shares		**-**	359,431
Other comprehensive income	V.39	**(154,701)**	1,027,107
Including: Translation difference of foreign financial statements		**117,111**	868,226
Special reserves		**9,349**	19,862
Surplus reserve	V.40	**207,823**	190,699
Retained earnings	V.41	**3,286,711**	1,784,805
Total shareholders' equity		**18,778,013**	16,917,794
Total liabilities and shareholders' equity		**39,613,922**	36,492,512

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

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

(Expressed in RMB'000)

Balance Sheet

	Notes	December 31 2017	December 31 2016
Current assets			
Cash at bank and on hand	XV.1	**1,868,603**	257,541
Bills receivable		**146,525**	88,457
Accounts receivable	XV.2	**855,116**	611,495
Prepayments		**24,019**	35,685
Other receivables		**1,140**	3,083
Inventories		**177,402**	168,497
Other current assets		**1,406**	5,738
Total current assets		**3,074,211**	1,170,496
Non-current assets			
Available-for-sale financial assets		**8,573**	8,573
Long-term equity investments	XV.3	**15,939,826**	55,527
Investment properties		**4,408**	4,723
Fixed assets		**1,262,330**	1,475,229
Construction in progress		**81,993**	21,225
Intangible assets		**183,920**	196,093
Deferred tax assets		**35,064**	36,981
Other non-current assets		**11,000**	7,123
Total non-current assets		**17,527,114**	1,805,474
Total assets		**20,601,325**	2,975,970
Current liabilities			
Short-term loans		**70,000**	-
Bills payable		**23,000**	26,000
Accounts payable		**234,615**	162,151
Advances from customers		**63,904**	26,358
Employee benefits payable		**30,491**	26,353
Taxes payable		**19,301**	10,662
Interest payable		**105**	-
Dividends payable		**250**	250
Other payables		**482,503**	172,325
Non-current liabilities due within one year		**126,590**	147,000
Total current liabilities		**1,050,759**	571,099
Non-current liabilities			
Long-term loans		**72,000**	196,590
Long-term employee benefits payable		**93,025**	-
Provisions		**15,671**	-
Deferred income		**-**	16,667
Other non-current liabilities		**171,770**	171,770
Total non-current liabilities		**352,466**	385,027
Total liabilities		**1,403,225**	956,126
Shareholders' equity			
Share capital	V.37	**2,446,554**	593,923
Capital reserve		**15,423,034**	263,800
Special reserve		**10,040**	14,893
Surplus reserve		**207,823**	190,699
Retained earnings		**1,110,649**	956,529
Total shareholders' equity		**19,198,100**	2,019,844
Total liabilities and shareholders' equity		**20,601,325**	2,975,970

(Expressed in RMB'000)

Consolidated Income Statement

	Notes	Year ended December 31 2017	2016 Restated
I. Total operating income		**23,819,568**	22,070,405
Including: Operating income	V.42	**23,819,568**	22,070,405
Less: Total operating costs		**22,539,364**	20,755,606
Including: Cost of sales	V.42	**15,403,887**	14,923,776
Taxes and surcharges	V.43	**74,759**	73,232
Selling and Distribution expenses	V.44	**4,280,335**	4,042,170
General and administrative expenses	V.45	**1,401,772**	1,071,113
Financial expenses, net	V.46	**1,205,286**	434,819
Impairment losses, net	V.47	**173,325**	210,496
Add: Gains (loss) from changes in fair value	V.48	**269,351**	135,076
Investment income (loss), net	V.49	**73,858**	(672,146)
Including: Income (loss) from investment in associates and joint ventures		**22,239**	(99,324)
Gain (loss) from disposal of assets		**55,160**	55,174
II. Operating profit		**1,678,573**	832,903
Add: Non-operating income		**34,103**	17,213
Less: Non-operating expenses	V.50	**44,674**	19,343
III. Total profit		**1,668,002**	830,773
Less: Income tax expense	V.51	**122,123**	76,194
IV. Net profit		**1,545,879**	754,579
(1). Classified by nature of operations			
(1.1). Continuing operations		**1,545,879**	754,579
(1.2). Discontinued operations		**-**	-
(2). Classified by ownership			
(2.1). Shareholders of the Company		**1,545,879**	369,076
(2.2). Non-controlling interests		**-**	385,503

For business combination involving entities under common control occurred during the period, net profit of the acquiree generated before the business combination is 1,147,797 thousand RMB, net profit of the acquiree attributed to the shareholders of the company generated in prior period is 829,068 thousand RMB attributed to both shareholders and non-controlling interest.

(Expressed in RMB '000)

Consolidated Income Statement (continued)

	Notes	Year ended December 31 2017	2016 Restated
V. Other comprehensive income, net of tax	V.39	**(1,181,808)**	**911,690**
Other comprehensive income (net of tax) attributable to shareholders of the Company		**(1,181,808)**	701,378
(1) Items that will not be reclassified to profit or loss:			
(1.1)Re-measurement of defined benefit planliability		**(17,178)**	6,514
(2) Items that were or will be reclassified to profit or loss			
(2.1)Effective portion of gains or loss of cash flow hedge		**(413,515)**	45,993
(2.2) Translation differences of foreign financial statements		**(751,115)**	648,871
Other comprehensive income (net of tax) attributable to non-controlling interests		**-**	210,312
VI. Total comprehensive income for the year		**364,071**	1,666,269
Attributable to:			
Shareholders of the Company		**364,071**	1,070,454
Non-controlling interests		**-**	595,815
VII. Earnings per share			
(1) Basic earnings per share (Yuan/share)	XIV (2)	**0.66**	0.22
(2) Diluted earnings per share (Yuan/share)		**N/A**	N/A

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

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

(Expressed in RMB '000)

Income Statement

		Notes	Year ended December 31 2017	2016
I.	**Operating income**	XV.4	**2,898,396**	1,830,114
Less:	Operating cost	XV.4	**2,159,982**	1,582,723
	Taxes and surcharges		**20,620**	14,158
	Selling and Distribution expenses		**97,443**	80,872
	Generaland administrative expenses		**317,401**	214,619
	Financial income (expenses), net		**24,808**	10,553
	Impairment losses		**47,818**	52,871
Add:	Gains (loss) from changes in fair value, net		**(130)**	93
	Investment income (loss)		**(1,650)**	4,407
	Including: Income (expense) from investment in associates and joint ventures		**-**	-
	Gain (loss) from disposal of assets		**-**	7,492
II.	**Operating Profit (Loss)**		**228,544**	(113,690)
Add:	Non-operating income		**2,051**	4,590
Less:	Non-operating expenses		**19,071**	-
III.	**Total profit (loss)**		**211,524**	(109,100)
Less:	Income tax expense		**40,280**	(28,126)
IV.	**Net profit (loss)**		**171,244**	(80,974)
	Continuing operations		**171,244**	(80,974)
	Discontinued operations		**-**	-
V.	**Other comprehensive income, net of tax**		**171,244**	(80,974)
(1)	Item that will not be reclassified to profit or loss		**-**	-
(2)	Item that may be reclassified to profit or loss		**-**	-
VI.	**Total comprehensive income (Loss) for the year**		**171,244**	(80,974)

(Expressed in RMB '000)

Consolidated Cash Flow Statement

		Notes	Year ended December 31 2017	2016 Restated
I.	**Cash flows from operating activities:**			
	Cash received from sale of goods and rendering of services		**23,226,321**	22,258,492
	Refund of taxes and surcharges		**44,773**	45,716
	Cash received relating to other operating activities	V.53(1)	**801,590**	390,925
	Sub-total of cash inflows from operating activities		**24,072,684**	22,695,133
	Cash paid for goods and services		**13,552,204**	12,676,853
	Cash paid to and on behalf of employees		**2,972,392**	2,545,213
	Payments of taxes and surcharges		**417,818**	387,105
	Cash paid relating to other operating activities	V.53(2)	**3,171,881**	2,848,817
	Sub-total of cash outflows from operating activities		**20,114,295**	18,457,988
	Net cash flows from operating activities	V.54(1)(a)	**3,958,389**	4,237,145
II.	**Cash flows from investing activities:**			
	Cash received from disposal of investments		**37,798**	600
	Cash received from returns of investments		**-**	8,964
and	Net cash received from disposal of fixed assets, intangible assets other long-term assets		**97,376**	70,536
	Net cash received from disposal of subsidiaries or other business units	V.54(2)	**100,138**	-
	Cash received relating to other investing activities	V.53(3)	**29,801**	16,514
	Sub-total of cash inflows from investing activities		**265,113**	96,614
	Cash paid to acquire fixed assets, intangible assets and other long-term assets		**1,503,343**	1,380,559
	Net cash paid to acquire subsidiaries or other business units		**-**	62,296
	Cash paid relating to other investment activities	V.53(4)	**49,509**	79,264
	Sub-total of cash outflows from investing activities		**1,552,852**	1,522,119
	Net cash flows used in investing activities		**(1,287,739)**	(1,425,505)

(Expressed in RMB '000)

Consolidated Cash Flow Statement (continued)

	Notes	Year ended December 31 2017	2016 Restated
III. Cash flows from financing activities:			
Cash received from capital contributions		**1,531,920**	-
Cash received from borrowings		**2,212,437**	577,495
Cash received from other financing activities	V.53(5)(b)	**7,800**	271,770
Sub-total of cash inflows from financing activities		**3,752,157**	849,265
Cash repayments of borrowings		**1,247,395**	2,211,176
Cash payment for dividends, profit distributions and interest		**764,043**	815,519
Including: Dividends paid to non-controlling interest		**32,509**	134,145
Cash paid relating to other financing activities	V.53(6)(b)	**104,600**	7,800
Sub-total of cash outflows from financing activities		**2,116,038**	3,034,495
Net cash from (used in) financing activities		**1,636,119**	(2,185,230)
IV.Effects of foreign exchange rate changes on cash and cash equivalents		**(276,258)**	233,981
V. Net increase in cash and cash equivalent	V.54(3)	**4,030,511**	860,391
Add: Cash and cash equivalents at the beginning of the year		**3,833,747**	2,973,356
VI.Cash and cash equivalents at the end of the year	V.54(3)	**7,864,258**	3,833,747

(Expressed in RMB '000)

Cash Flow Statement

			Year ended December 31	
			2017	2016
I.	**Cash flows from operating activities:**			
	Cash received from sale of goods and rendering of services		**1,729,363**	1,127,251
	Refund of taxes and surcharges		**2,884**	168
	Cash received relating to other operating activitiesXV.5		**8,410**	14,987
	Sub-total of cash inflows from operating activities		**1,740,657**	1,142,406
	Cash paid for goods and services		**844,830**	743,994
	Cash paid to and on behalf of employees		**181,657**	181,891
	Payments of taxes and surcharges		**107,719**	64,412
	Cash paid relating to other operating activitiesXV.5		**210,703**	122,496
	Sub-total of cash outflows from operating activities	XV.6	**1,344,909**	1,112,793
	Net cash flows from operating activities		**395,748**	29,613
II.	**Cash flows from investing activities:**			
	Cash received from disposal of investments		**-**	600
	Cash received from returns of investment		**-**	1,461
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**701**	10,625
	Cash received relating to other investing activities		**548**	-
	Sub-total of cash inflows from investing activities		**1,249**	12,686
	Cash paid to acquire fixed assets, intangible assets and other long-term assets		**123,995**	130,133
	Sub-total of cash outflows from investing activities		**123,995**	130,133
	Net cash flows from investing activities		**(122,746)**	(117,447)
III.	**Cash flows from financing activities:**			
	Cash received from capital contributions		**1,531,920**	-
	Cash received from borrowings		**75,000**	-
	Cash received relating to other financing activitiesXV.5		**7,800**	271,770
	Sub-total of cash inflows from financing activities		**1,614,720**	271,770
	Cash repayments of borrowings		**150,000**	264,000
	Cash payment for dividends, profit distributions or interest		**16,252**	40,885
	Cash paid relating to other financing activities	XV.5	**104,600**	7,800
	Sub-total of cash outflows from financing activities		**270,852**	312,685
	Net cash used in financing activities		**1,343,868**	(40,915)
IV.	**Effects of foreign exchange rate changes on cash and cash equivalents**		**(2,608)**	40
V.	**Net increase (decrease) in cash and cash equivalents**		**1,614,262**	(128,709)
	Add: Cash and cash equivalents at the beginning of the year	XV.6	**249,741**	378,450
VI.	**Cash and cash equivalents at the end of the year**	XV.6	**1,864,003**	249,741

(Expressed in RMB '000)

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2017

	Attributable to shareholders of the Company							
	Share capital	**Capital reserve**	**Treasury shares**	**Other comprehensive income**	**Special reserves**	**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 (Restated)	**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 year	**1,852,631**	**(678,552)**	**359,431**	**(1,181,808)**	**(10,513)**	**17,124**	**1,501,906**	**1,860,219**
1. Total comprehensive income	**-**	**-**	**-**	**(1,181,808)**	**-**	**-**	**1,545,879**	**364,071**
2. Owner's contributions and reduction	**1,852,631**	**(678,552)**	**359,431**	**-**	**-**	**-**	**-**	**1,533,510**
2.1 Issuance of shares	**1,915,581**	**18,088,936**	**-**	**-**	**-**	**-**	**-**	**20,004,517**
2.2 Repurchase and cancellation of treasury shares	**(62,950)**	**(296,481)**	**359,431**	**-**	**-**	**-**	**-**	**-**
2.3 Consideration paid for business combination under common control	**-**	**(18,471,007)**	**-**	**-**	**-**	**-**	**-**	**(18,471,007)**
3. Appropriation of profits	**-**	**-**	**-**	**-**	**-**	**17,124**	**(49,633)**	**(32,509)**
3.1 Transfer to surplus reserve	**-**	**-**	**-**	**-**	**-**	**17,124**	**(17,124)**	**-**
3.2 Distribution to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**(32,509)**	**(32,509)**
4. Special reserve	**-**	**-**	**-**	**-**	**(10,513)**	**-**	**5,660**	**(4,853)**
4.1 Transfer to special reserve	**-**	**-**	**-**	**-**	**8,360**	**-**	**-**	**8,360**
4.2 Amount utilized	**-**	**-**	**-**	**-**	**(13,213)**	**-**	**-**	**(13,213)**
4.3 Amount reversed due to disposal of a subsidiary	**-**	**-**	**-**	**-**	**(5,660)**	**-**	**5,660**	**-**
IV. Balance at December 31, 2017	**2,446,554**	**12,982,277**	**-**	**(154,701)**	**9,349**	**207,823**	**3,286,711**	**18,778,013**

Please refer to Note V. 37 – V.41 for details.

(Expressed in RMB '000)

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2016 (Restated)

	Attributable to shareholders of the Company								
	Share capital	**Capital reserve**	**Treasury shares**	**Other comprehensive income**	**Special reserves**	**Surplus reserve**	**Retained earnings**	**Non-controlling interest**	**Total**
I. Balance at December 31, 2015	593,923	263,063	-	-	22,849	190,699	1,026,848	-	2,097,382
Add: Business combination under common control	-	9,102,651	(359,431)	101,489	-	-	580,611	4,174,703	13,600,023
II. Balance at January 1, 2016 (Restated)	593,923	9,365,714	(359,431)	101,489	22,849	190,699	1,607,459	4,174,703	15,697,405
III. Changes in equity for the year	-	4,295,115	-	925,618	(2,987)	-	177,346	(4,174,703)	1,220,389
1. Total comprehensive income	-	-	-	701,378	-	-	369,076	595,815	1,666,269
2. Appropriation of profits	-	-	-	-	-	-	(191,730)	(117,922)	(309,652)
2.1 Dividend to non-controlling interest	-	-	-	-	-	-	(16,223)	(117,922)	(134,145)
2.2 Dividend to Shareholders	-	-	-	-	-	-	(175,507)	-	(175,507)
3. Special reserve	-	-	-	-	(2,987)	-	-	-	(2,987)
3.1 Transfer to special reserve	-	-	-	-	8,807	-	-	-	8,807
3.2 Amount utilized	-	-	-	-	(11,794)	-	-	-	(11,794)
4. Non-controlling interest	-	4,295,115	-	224,240	-	-	-	(4,652,596)	(133,241)
4.1 Acquisition of non-controlling interest	-	4,306,216	-	224,240	-	-	-	(4,530,456)	-
4.2 Disposal of non-controlling interest	-	-	-	-	-	-	-	(17,044)	(17,044)
4.3 Share based payment	-	(11,101)	-	-	-	-	-	(105,096)	(116,197)
III. Balance at December 31, 2016	593,923	13,660,829	(359,431)	1,027,107	19,862	190,699	1,784,805	-	16,917,794

(Expressed in RMB '000)

For the year ended December 31, 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 year**	1,852,631	15,159,234	(4,853)	17,124	154,120	17,178,256
1.	Total comprehensive income	-	-	-	-	171,244	171,244
2.	Owner’s contributions and reduction	1,852,631	15,159,234	-	-	-	17,011,865
2.1	Issuance of shares	1,915,581	18,088,936	-	-	-	20,004,517
2.2	Premium paid in business Combinationunder common control	-	(2,580,794)	-	-	-	(2,580,794)
2.3	Repurchase and cancellation of treasury shares	(62,950)	(348,908)	-	-	-	(411,858)
3.	Appropriation of profits	-	-	-	17,124	(17,124)	-
3.1	Transfer to surplus reserve	-	-	-	17,124	(17,124)	-
4.	Special reserve	-	-	(4,853)	-	-	(4,853)
4.1	Transfer to special reserve	-	-	8,360	-	-	8,360
4.2	Amount utilized	-	-	(13,213)	-	-	(13,213)
III.	**Balance at December 31, 2017**	2,446,554	15,423,034	10,040	207,823	1,110,649	19,198,100

For the year ended December 31, 2016

		Attributable to shareholders of the Company					
		Share capital	**Capital reserve**	**Special reserve**	**Surplus reserve**	**Retained earnings**	**Total**
I.	**Balance at January 1, 2016**	593,923	263,800	17,880	190,699	1,052,352	2,118,654
II.	**Changes in equity for the year**	-	-	(2,987)	-	(95,823)	(98,810)
1.	Total comprehensive income	-	-	-	-	(80,974)	(80,974)
2.	Appropriation of profits	-	-	-	-	(14,849)	(14,849)
2.1	Dividend to Shareholders	-	-	-	-	(14,849)	(14,849)
3.	Special reserve	-	-	(2,987)	-	-	(2,987)
3.1	Transfer to special reserve	-	-	8,807	-	-	8,807
3.2	Amount utilized	-	-	(11,794)	-	-	(11,794)
III.	**Balance at December 31, 2016**	593,923	263,800	14,893	190,699	956,529	2,019,844

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 the reporting period 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 in the Company to CNAC and their registration for trade on the Shenzhen Stock Exchange (which was completed on August 2).

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 November 24, 2017, the Company completed the cancellation of 62,950,659 B shares held by Adama Celsius B.V. an indirect wholly owned subsidiary. The shares were repurchased by the company from the subsidiary prior to the cancellation.

On December 2017, a non-publicly offered of 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 and consolidated financial statements had been approved by the Board of Directors of the Company on March 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 and 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 31 December 2017 and not identify 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 31 December 2017 and consolidated and the Company's operating results and cash flows for the year 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 the reporting period 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 in the Company to CNAC and their registration for trade on the Shenzhen Stock Exchange (which was completed on August 2).

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 2016 comparative financial information was restated so that the main reports, notes and additional information includes the information of the combined Company, 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.

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

6. Basis for preparation of consolidated financial statements

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

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

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

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

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

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

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

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

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

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

7. Classification and accounting methods of joint arrangement

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

The Group makes the classification of the joint arrangements according to the rights and obligations in the joint arrangements to either joint operations or joint ventures.
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint ventures are accounted for using the equity method.

8. Cash and cash equivalents

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

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

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

(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.

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".

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

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

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

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.

10. Financial instruments

Financial instruments include cash at bank and on hand, investments in debt and equity securities other than those classified as long-term equity investments, receivables, payables, loans and borrowings, debentures payable and share capital.

The Company, recognizes financial assets or liabilities when becoming a party to a financial instrument contract. The financial assets and liabilities were initially recognized at fair value. For the financial assets and liabilities measured at fair value through profit or loss (FVTPL), related transaction expenses are directly changed to the profit or loss, for other financial assets and liabilities, related transaction expenses are included in the initial recognized amount.

10.1 Effective interest method

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)

10.2 Classification, recognition and measurement of the financial assets

Financial assets are divided into financial assets at fair value through profit or loss, held-to-maturity investments, loans and the accounts receivable and available-for-sale financial assets when they are initially recognized. Financial instruments held by the Group are loans and the accounts receivable, financial assets at FVTPL and available-for-sale financial assets. Financial assets purchased and sold in regular way are recognized and derecognized based on the accounting at transaction date.

10.2.1 Financial assets and liabilities at fair value through profit or loss ("FVTPL")

Financial assets and liabilities at FVTPL include financial assets and liabilities held for trading and those designated as at fair value through profit or loss.

Financial assets carried at FVTPL are subsequently measured at fair value. The gain or loss arising from changes in fair value and dividends and interest income related to such financial assets are charged to profit or loss for the current period.

10.2.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include cash and bank balances, bills receivable, accounts receivable, interests receivable, dividends receivable, other receivables, non-current assets due within one year and long-term receivables.

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

10. Financial instruments (cont'd)

10.2 Classification, recognition and measurement of the financial assets(cont'd)

10.2.3 Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are, upon initial recognition designated as available for sale, and financial assets other than those carried at FVTPL, loans and receivables and held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, except that impairment losses and exchange differences related to amortized cost of monetary financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss.

Interest income and cash dividend declared from the available-for-sale financial assets are recognized as investment income.

For those equity instrument investments with no joint control or significant influence over the investee, and there is no quoted price in active markets and the fair value of such instrument cannot be measured reliably, those equity instruments shall be accounted as available-for-sale financial assets and subsequently measured at cost.

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

10. Financial instruments (cont'd)

Loans and receivables and held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition, impairment or amortization is recognized in profit or loss.

10.3 Impairment of financial assets

Except for the financial assets at FVTPL, the Group reviews the book value of other financial assets at each balance sheet date and provide for impairment where there is objective evidence that financial assets are impaired. The objective evidence that financial assets are impaired is referred to the matters that happen subsequent to the initial recognition of the financial assets and have impact on the expected future cash flows of the financial assets which is able to measure reliably of the impact.

Objective evidence of impairment on financial assets includes those observable matters listed as follow:

- Significant financial difficulty of the issuer or obligor
- A breach of contract by the borrower, such as a default or delinquency in interest of principal payment.
- The group for the economic or legal reason relating to the borrower's financial difficult, granting a concession to the borrower.
- It becoming probable that the borrower will enter bankruptcy or other financial reorganizations.
- The disappearance of an active market for the financial asset because of the financial difficulties of the issuer.
- Upon an overall assessment of a group of financial. Observable date indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, such observable date includes:
  (i) Adverse changes in the payment status of borrower in the group of assets
  (ii) Economic conditions in the country or region of the borrower, which may lead to a failure to pay the group of assets.
- Significant adverse changes in the market, economic or legal environment in which the issuer rate, indicating that the cost of the investment in the equity instrument may not be recovered by the investor.
- Other objective evidence indicating there is an impairment financial asset.

10.3.1 Impairment of financial assets measured at amortized cost

If financial assets carried at amortized cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortized cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

10. Financial instruments (cont'd)

10.3 Impairment of financial assets (cont'd)

10.3.1 Impairment of financial assets measured at amortized cost (cont'd)

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If it is determined that no impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment again. Financial assets for which an impairment loss is individually recognized are not included in the collective assessment for impairment for a group of financial assets with similar credit risk characteristics.

10.3.2 Impairment of available-for-sale financial assets

When an available-for-sale financial asset at fair value is impaired, the cumulative loss arising from decline in fair value previously recognized directly in other comprehensive income is transferred out and recognized in profit or loss. The transferred amount of the cumulative loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

10.3.3 Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

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

10. Financial instruments (cont'd)

10.4 Transfer of financial asset

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

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

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (i) the carrying amount of the financial asset transferred; and (ii) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized in profit or loss.

10.5 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. The financial liabilities held by the Group is other financial liabilities.

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

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

10. Financial instruments (cont'd)

10.6 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 is entered into 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.

10.7 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.

10.8 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 the circumstances where the Group has a legal right that is currently enforceable to set off 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.

10.9 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.

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

10. Financial instruments (cont'd)

10.9 Equity instruments (cont'd)

When treasury shares are cancelled, the share capital should be reduced to the extent of the total par value of the treasury shares cancelled. Where the cost of the treasury shares cancelled exceeds the total par value, the excess is sequentially deducted from capital reserve (share premium), surplus reserve and retained earnings in that order. If the cost of treasury shares cancelled is less than the total par value, the difference is recorded in the capital reserve (share premium).

11. Receivables

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

Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable is calculated based on the assessment of collectability of relevant receivables. Impairment losses are recognised in profit or loss.

The assessment is made collectively where receivables share similar credit risk characteristics, based on their historical loss experiences, and adjusted by the observable factors reflecting current economic conditions.

(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 is considered to be individually significant.
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.

(2) Receivables for which provision for impairment is assessed collectively in portfolios of credit risk characteristics

Bad debt provision method by portfolios of credit risk characteristics	
Group 1: With credit risk according to aging from issuance date.	Aging analysis method
Group 2: With credit risk according to aging from overdue date.	Overdue analysis method

Receivables for which provision for impairment is assessed collectively in portfolios of credit risk characteristics:

(Expressed in RMB '000)

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

11. Receivables (cont'd)

Aging analysis method Region A:

Aging from issuance date	Ratio of the provision for accounts receivable (%)
Within one year	5
Between one and two years	10
Between two and three years	30
Between three and four years	50
Between four and five years	50
Over five years	100

Overdue analysis method Region B:

Aging from overdue date	Ratio of the provision for accounts receivable (%)
Up to 60 days	3
Between 60 and 180 days	10
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.

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

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

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.

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

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.

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

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.

(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. Fora 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.

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

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

(2) Subsequent measurement and recognition of profit or loss (cont'd)

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.

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 III21).

(5) The disposal of long-term equity investment

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

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

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.

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 when acquisition.

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

(Expressed in RMB '000)

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

16. Fixed assets (cont'd)

(2) Depreciation of each category of fixed assets

Fixed asset is depreciated based on the cost of fixed asset recognized less expected net residual value over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. Depreciation is calculated based on the carrying amount of the fixed asset after impairment over the estimated remaining useful life of the asset. The estimated useful lives, estimated residual values and annual depreciation rate of fixed assets are reviewed at each year end date to assess if any change is needed. 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).

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.

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 III21).

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 statute 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 purchase of products	20 years
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 (III18).

(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)

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

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 groupor 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.

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

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

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

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

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.

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

22. Employee benefits (cont'd)

(2) Post-employment benefits (cont'd)

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.

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.

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

23. Provisions

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

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

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

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

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

24. Share-based payment

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

(1) Cash-settled share-based payment

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

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

25. Revenue

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below:

(1) Revenue from sale of goods

Revenue from sale of goods is recognized when:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the associated economic benefits will flow to the Group;
- The associated costs incurred or to be incurred can be measured reliably.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable under the sales contract or agreement.

The timing of transferring the risks and rewards changes according to the specific terms of the sale contract.

(2) Interest income

Interest income is recognized on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

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

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

For temporary 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 under normal circumstances. 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.

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

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

Except for those current income tax and deferred tax charged to comprehensive income or shareholders' equity in respect of those 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 year.

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.

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

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 accounted for as unrecognized finance charge. 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.

Unrecognized finance charges are recognized as finance charge for the period 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 unrecognized finance charges is separated into long-term liabilities and the portion of long-term liabilities due within one year for presentation.

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

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 "highly 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, and whether the actual results of each hedge are within a range of 80–125 percent.

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.

- 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.

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

29.1. Hedging (cont'd)

- 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.

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

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 policies	Process for management approval
The changes of accounting policies of the Group are as follows: 1. The Group began to apply the newly issued Accounting Standard for Business Enterprise No.42 Held-for-sale Non-current Assets and Disposal Groups and Discontinued Operations ("CAS42") since 28 May 2017. 2. The Group began to apply the newly issued Accounting Standard for Business Enterprise No.16 - Government Grants ("CAS16") since 12 June 2017. Besides, these financial statements were prepared under the requirements of the newly issued "the Notice of the Revised Format of Financial Statements for General Business Enterprise"("Notice No.2017-30") by MOF on 25 December 2017.	
Non-current assets held for sale and Disposal Groups, and discontinued operations: CAS42 sets out requirements for the classification, measurement and presentation of non-current assets held for sale and Disposal Groups, and the disclosure of profit from continuing operations and discontinued operations separately listed in Income Statement and detailed information of non-current assets held for sale and Disposal Groups in financial statement notes. According to CAS42's requirements, the Group adopted prospective application method for treating this change of accounting policy, so there exists no impact on the comparative financial statements.	This change of accounting policy was approved by the board or shareholder's meeting in 2018.3.27

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

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

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

The contents and reasons for the changes of accounting policies	Process for management approval
<u>Government grants:</u> Before applying the newly issued CAS16, the Group adopted the following accounting treatment towards government grants: (i) A government grant related to an asset shall be recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related assets. (ii) A government grant related to income shall be accounted for as follows: (a) if the grant was a compensation for related expenses or losses to be incurred by the enterprise in subsequent periods, the grant would be recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised. (b) if the grant was a compensation for related expenses or losses already incurred by the enterprise, the grant would be recognised immediately in profit or loss for the current period. After applying the newly issued CAS16, the Group adopted the following accounting treatment towards government grants: (i) A government grant related to an asset would be deducted the book value of relevant assets. (ii) A government grant related to income shall be accounted for as follows: (a) if the grant was a compensation for related expenses or losses to be incurred by the enterprise in subsequent periods, the grant would be recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognized by deducting the relevant cost; b) if the grant was a compensation for related expenses or losses already incurred by the enterprise, the grant would be recognized immediately in profit or loss by deducting the relevant cost and expenses. (iii) A government grant related to daily business activities shall be deduct from the relevant cost and expense; A government grant not related to daily business activities shall be accounted for Non-operating income. The Group adopted prospective application method for treating this change of accounting policy, so there exists no impact on the comparative financial statements.	This change of accounting policy was approved by the board or shareholder's meeting in 2018.3.27

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

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

The contents and reasons for the changes of accounting policies	Process for management approval
<u>The presentation of gain/(loss) on disposal of assets:</u> Before the Notice No.2017-30 was issued by MOF, the Group presented the gain/(loss) on disposal of non-current assets held for sale (except for financial instruments, long-term equity investment and investment property) or group of disposed assets, as well as the gain/(loss) on disposal of fixed assets, construction in process and intangible assets that were not classified as non-current assets held for sale under the account "Non-operating income" and "Non-operating expenses". After the Notice No.2017-30 was issued by MOF, the gain/(loss) as stated above were presented under the account "Gain/(loss) on disposal of assets". The Group adopted the above changes of presentation retrospectively, and the comparative amounts for prior periods were adjusted accordingly.	

(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)

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

31.1 Impairment of receivables

As described in Note III.11, receivables that are measured at amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised. Objective 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.

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

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

31.2 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.

31.3 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.

31.4 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.

III. Significant Accounting Policies and Accounting Estimates (cont'd)

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

31.5 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.

31.6 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.

III. - Significant Accounting Policies and Accounting Estimates (cont'd)

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

31.7 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.

31.8 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% (2016: 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	2017
ADAMA agriculture solutions Ltd.	Israel	24.0%
ADAMA Makhteshim	Israel	7.5%
ADAMA Agan	Israel	16.0%
ADAMA Brasil S/A	Brazil	34.0%
ADAMA of North America Inc.	U.S.	38.8%
ADAMA India Private Ltd	India	34.0%
ADAMA Deutschland GmbH	Germany	32.5%
Control Solutions Inc.	U.S.	38.0%
Adama Australia Pty Ltd	Australia	30.0%
ADAMA France S.A.S	France	30%
ADAMA Andina B.V. Sucursal Colombia	Colombia	34.0%
ADAMA Italia S.R.L.	Italy	27.9%
Alligare Inc.	U.S.	40.6%

The VAT rate of the Group's subsidiaries is in the range between 2.5% to 30%.

IV. Taxation (cont'd)

2. Tax preferential

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%.

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

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IV. Taxation (cont'd)

2. Tax preferential (cont'd)

The 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.

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

	December 31	
	2017	**2016**
		(Restated)
Cash on hand	2,267	1,186
Deposits in banks	7,861,991	3,832,561
Other cash and bank	4,600	7,800
	7,868,858	3,841,547
Including cash and bank placed outside China	5,580,592	3,253,744

As at 31 December 2017, restricted cash and bank balances was 4,600 thousand RMB (as at 31 December 2016: 7,800 thousand RMB) mainly including deposits that guarantee bank acceptance drafts.

2 - Financial Assets at Fair Value through Profit or Loss

	December 31	
	2017	**2016**
		(Restated)
Financial assets held for trading**:**		
Debt instruments	14,225	13,631
Other	8,775	21,963
	23,000	35,594

3 - Derivative financial assets

	December 31	
	2017	**2016**
		(Restated)
Economic hedge	449,553	431,551
Derivatives used for hedging	5,600	205,899
	455,153	637,450

(Expressed in RMB '000)

4 - Bills Receivable

(1) Bills receivable by category

	December 31 2017	December 31 2016 (Restated)
Post-dated checks receivable	19,969	16,441
Bank acceptance draft	160,061	91,785
	180,030	108,226

All bills receivables are due within one year.

(2) Bills receivable which had endorsed by the Company

	December 31 2017
Bank acceptance bill	371,824
	371,824

5 - Accounts Receivable

(1) Accounts receivable by category

	December 31, 2017				
	Book value		Provision for bad and doubtful debts		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Accounts receivable which are collectively assessed for impairment	1,048,778	19%	74,820	7%	973,958
Insignificant receivables assessed individually for impairment	4,394,497	81%	311,605	7%	4,082,892
	5,443,275	100%	386,425	7%	5,056,850

	December 31, 2016(Restated)				
	Book value		Provision for bad and doubtful debts		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Accounts receivable which are collectively assessed for impairment	899,071	15%	52,461	6%	846,610
Insignificant receivables assessed individually for impairment	4,910,793	85%	292,145	6%	4,618,648
	5,809,864	100%	344,606	6%	5,465,258

(Expressed in RMB '000)

5 - Accounts Receivable (cont'd)

(1) Accounts receivable by category (cont'd)

Group A: Ageing analysis

	December 31, 2017		
	Book value	Provision for bad and doubtful debts	(%)
Within 1 year (inclusive)	360,826	17,730	5%
Over 1 year but within 2 years (inclusive)	2,867	287	10%
Over 2 years but within 3 years (inclusive)	1,281	384	30%
Over 3 years but within 4 years (inclusive)	517	259	50%
Over 4 years but within 5 years (inclusive)	-	-	-
Over 5 years	8,787	8,787	100%
	374,278	27,447	7%

Group B: Overdue analysis

	December 31, 2017		
	Book value	Provision for bad and doubtful debts	(%)
Accounts receivable that are not overdue	475,572	-	0%
Debts overdue less than 60 days	115,257	3,457	3%
Debts overdue less than 180 days but more than 60 days	30,528	3,052	10%
Debts overdue above 180 days	20,465	8,186	40%
Legal Debtors	32,678	32,678	100%
	674,500	47,373	7%

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

	Years ended December 31, 2017
Balance as of January 1,	344,606
Addition duringthe year, net	115,975
Write back during the year	(47,836)
Write-off duringthe year	(8,396)
Exchange rate effect	(17,924)
Balance as of December 31	386,425

(Expressed in RMB '000)

5 - Accounts Receivable (cont'd)

(3) Five largest accounts receivable by debtor at the end of 2017:

	December 31, 2017		
	Closing balance	As a percentage of total accounts (%) receivable	Provision for bad debts at the end of the year
A	99,738	2	-
B	81,402	1	4,070
C	50,287	1	-
D	50,026	1	-
E	49,692	1	-
Total	331,145	6	4,070

(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.

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 liability 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).

5 - Accounts Receivable (cont'd)

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

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 December 31, 2017 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.

C. 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 customer 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 December 31, 2017 - 400 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.

(Expressed in RMB '000)

5 - Accounts Receivable (cont'd)

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

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.

	December 31	
	2017	2016 (Restated)
Accounts receivables derecognized	2,513,554	2,263,716
Continuing involvement	227,887	209,192
Subordinated note in respect of trade receivables	584,144	358,074
Loss in respect of sale of trade receivables	47,707	58,543
Liability in respect of trade receivables	37,957	43,863

6 - Prepayments

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

	December 31			
	2017		2016 (Restated)	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	193,322	96%	211,118	96%
Over 1 year but within 2 years (inclusive)	4,404	2%	6,299	3%
Over 2 years but within 3 years (inclusive)	3,600	2%	90	0%
Over 3 years	785	0%	1,711	1%
	202,111	100%	219,218	100

The ageing is counted starting from the date when prepayments are recognised.

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

	Amount	Percentage of prepayments
December 31, 2017	62,365	31%

(Expressed in RMB '000)

7 - Other Receivables

(1) Other receivables by category

	Note	December 31, 2017 Book value Amount	Book value Percentage (%)	Provision for bad and doubtful debts Amount	Provision Percentage (%)	Carrying amount
Significant receivables assessed individually for impairment		584,144	56 %	-	-	584,144
Accounts receivable which are collectively assessed for impairment	(a)	9,394	1%	(5,379)	57%	4,015
Insignificant receivables assessed individually for impairment		449,677	43%	-	-	449,677
		1,043,215	100%	(5,379)	1%	1,037,836

	Note	December 31, 2016(Restated) Book value Amount	Book value Percentage (%)	Provision for bad and doubtful debts Amount	Provision Percentage (%)	Carrying amount
Significant receivables assessed individually for impairment		358,074	56%	-	-	358,074
Accounts receivable which are collectively assessed for impairment	(a)	9,431	1%	(5,543)	59%	3,888
Insignificant receivables assessed individually for impairment		271,413	43%	-	-	271,413
		638,918	100%	(5,543)	1%	633,375

(a) Other receivable that are collectively assessed for impairment using the ageing analysis method:

	Closing balance Other accounts receivable	Bad debt provision	Withdrawal proportion
Within 1 year (inclusive)	1,545	77	5%
over 1 year but within 2 years (inclusive)	2,681	268	10%
over 2 year but within 3 years (inclusive)	-	-	-
over 3 year but within 4 years (inclusive)	-	-	-
over 4 year but within 5 years (inclusive)	268	134	50%
Over 5 years	4,900	4,900	100%
Total	9,394	5,379	57%

(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:

	Year ended December 31 2017
Balance as of January 1,	5,543
Addition duringthe year	-
Written back during the year	(164)
Write-off duringthe year	-
Exchange rate effect	-
Balance as of December 31	5,379

(3) Other receivables by nature

	December 31 2017	December 31 2016 (Restated)
Trade receivables as part of securitization transactions not yet eliminated	227,887	209,192
Subordinated note in respect of trade receivables	584,144	358,074
Financial institutions	60,742	69
Other	170,442	71,583
Sub total	1,043,215	638,918
Provision for doubtful debts - other receivables	(5,379)	(5,543)
	1,037,836	633,375

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

Total of five largest other receivables by debtor at the end of the year:

	Amount	Percentage of other receivables
December 31, 2017	713,343	68%

The total five largest other receivables include the amount related to the subordinated note in respect of trade receivables.

(Expressed in RMB '000)

8 - Inventories

(1) Inventories by category:

	December 31, 2017		
	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

	December 31, 2016 (Restated)		
	Book value	Provision for impairment of inventories	Carrying amount
Raw materials	2,114,391	11,117	2,103,274
Work in progress	569,763	1,643	568,120
Finished goods	4,715,293	153,892	4,561,401
Others	239,410	8,248	231,162
	7,638,857	174,900	7,463,957

(2) Provision for impairment of inventories:

For the year 2017

	Balance at the beginning of the year (Restated)	Provision	Reversal or write-off	Other	Balance at the end of the year
Raw material	11,117	9,235	(8,042)	(765)	11,545
Work in progress	1,643	417	(1,643)	-	417
Finished goods	153,892	80,262	(71,970)	(12,932)	149,252
Others	8,248	1,614	(2,276)	(300)	7,286
	174,900	91,528	(83,931)	(13,997)	168,500

(Expressed in RMB '000)

9 – Assets held for sale

Item	Opening balance (Restated)	Additions	Currency translation adjustment	Book value – year end	Fair value/ expected proceeds	Expected disposal time
Intangible assets – registration	-	416,834	(13,537)	403,297	2,581,000	March 2018

The assets held for sales were divested on March 2018, for further information see Note XIISubsequent events.

10 - Other Current Assets

	December 31	
	2017	2016 (Restated)
Deductible VAT	477,117	365,397
Current tax assets	90,350	115,680
Others	47,458	29,087
	614,925	510,164

11 – Available for Sale

Available for sale financial assets

	December 31					
	2017			2016 (Restated)		
	Book value	Provision for Impairment	Carrying amount	Book value	Provision for Impairment	Carrying amount
Available-for-sale equity instrument:						
Measured at cost	31,535	(11,991)	19,544	32,218	(11,991)	20,227
Total	31,535	(11,991)	19,544	32,218	(11,991)	20,227

Category	Available-for-sale equity instruments
Provision at the beginning of the year (restated)	11,991
Increase in the current year	-
Including: Transferred from other comprehensive income	-
Decrease in the current year	-
Including: Recovery because of the increase in fair value in the subsequent year	-
Provision at the end of the year	11,991

(Expressed in RMB '000)

11 – Available for Sale (cont'd)

Available-for-sale financial assets measured at cost at the end of the year

	Book value				Provision for impairment					
Company name	**Opening (Restated)**	**Increase**	**Currency translation adjustment**	**Closing balance**	**Opening (Restated)**	**Increase**	**Decrease**	**Closing balance**	**Percentage of shareholding in the investee (%)**	**Cash dividend**
Hubei bank	20,000	-	-	20,000	11,991	-	-	11,991	0.71%	-
Targetgene Biotechnologies Ltd	9,927	-	(583)	9,344	-	-	-	-	5.00%	-
Energin.R Technologies 2009 Ltd.	1,727	-	(100)	1,627	-	-	-	-	11.7%	-
Hubei shendian auto motor co., Ltd	564	-	-	564	-	-	-	-	0.60%	-
	32,218	-	(683)	31,535	11,991	-	-	11,991	-	-

(Expressed in RMB '000)

12 - Long-Term Receivables

	December 31 2017	December 31 2016 (Restated)
Long term account receivables from sale of goods	192,968	185,648

13 - Long-Term Equity Investments

(1) Long-term equity investments by category:

	December 31 2017	December 31 2016 (Restated)
Investments in joint ventures	64,523	63,709
Investments in associates	37,860	40,575
	102,383	104,284

(2) Movements of long-term equity investments for the year 2017 are as follows:

	Balance at the beginning of the year (Restated)	Investment income (loss)	Translation differences of foreign operations	Other	Balance at the end of the year
Joint ventures					
Company A	54,143	5,861	5,119	(10,761)	54,362
Company B	5,203	1,394	(350)	-	6,247
Company D	4,363	(227)	(222)	-	3,914
Sub-total	63,709	7,028	4,547	(10,761)	64,523
Associates					
Company E	40,575	(373)	(2,342)	-	37,860
Sub total	40,575	(373)	(2,342)	-	37,860
	104,284	6,655	2,205	(10,761)	102,383
Presented as a liability					
Company F*	(151,220)	15,584	2,397	125,587	(7,652)
	(46,936)	22,239	4,602	114,826	94,731

* Negev Aroma (Ramat Hovav) Ltd. (hereinafter "Negev Aroma"), a joint venture accounted for using the equity method, is presented as a liability due to the group's obligation to support Negev Aroma.
During 2016 a provision for impairment was recorded. During 2017 most of the obligation was paid in cash.

(Expressed in RMB '000)

14 - Fixed assets

	Land & Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
Cost					
Balance as at January 1, 2017 **(Restated)**	2,590,474	12,105,673	103,766	283,300	15,083,213
Adjustment due to adoption of new accounting standards	(92,853)	(738,926)	-	-	(831,779)
Purchases	45,378	196,871	19,261	33,181	294,691
Transfer from construction in progress	54,637	173,961	-	2,465	231,063
Disposal of subsidiary	(43,183)	(22,584)	(365)	(5,484)	(71,616)
Disposals	(10,827)	(65,275)	(17,647)	(8,125)	(101,874)
Currency translation adjustment	(69,671)	(523,532)	(4,835)	(11,938)	(609,976)
Balance as at December 31, 2017	2,473,955	11,126,188	100,180	293,399	13,993,722
Accumulated depreciation					
Balance as at January 1, 2017**(Restated)**	(1,150,953)	(6,696,578)	(55,671)	(212,668)	(8,115,870)
Adjustment due to adoption of new accounting standards	78,766	593,271	-	-	672,037
Charge for the year	(83,377)	(542,714)	(14,648)	(29,419)	(670,158)
Disposal of subsidiary	18,681	14,075	365	4,863	37,984
Disposals	6,816	53,761	14,635	7,530	82,742
Currency translation adjustment	40,867	288,161	2,258	9,217	340,503
Balance as at December 31, 2017	(1,089,200)	(6,290,024)	(53,061)	(220,477)	(7,652,762)
Provision for impairment					
Balance at January 1, 2017 **(Restated)**	(26,247)	(142,909)	-	(298)	(169,454)
Charge for the year	-	(51,135)	-	-	(51,135)
Disposal of subsidiary	6,044	3,194	-	47	9,285
Disposals	-	6,317	-	-	6,317
Currency translation adjustment	1,052	4,456	-	9	5,517
Balance as at December 31, 2017	(19,151)	(180,077)	-	(242)	(199,470)
Carrying amounts					
As at December 31, 2017	1,365,604	4,656,087	47,119	72,680	6,141,490
As at January 1, 2017 (Restated)	1,413,274	5,266,186	48,095	70,334	6,797,889

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

December 31					
2017			2016 (Restated)		
Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
803,421	-	803,421	483,888	-	483,888

(2) Details and Movements of major construction projects in progress during the year 2017

	Budget	Balance at January 1, 2017 (Restated)	Additions during the year	Transfer to fixed assets	Currency translation differences	Balance at December 31, 2017	Percentage of actual cost to budget (%)	Project progress(%)	Source of funds
Project A	355,180	187,736	115,401	-	(316)	302,821	85	85	Internal finance
Project B	174,862	107,024	66,883	(41,115)	(7,054)	125,738	95	95	Internal finance
Project C	1,509,420	1,972	48,721	-	-	50,693	3	3	Internal finance and Bank loan
Project D	83,368	16,892	20,149	-	(1,639)	35,402	42	42	Internal finance and Bank loan

(Expressed in RMB '000)

16 - Intangible Assets

	Product registration	Intangible assets on Purchase of Products (1)	Software	Marketing rights and trademarks	Land use rights	Others	Total
Balance as at January 1, 2017 **(Restated)**	9,906,875	2,182,318	527,954	502,186	349,122	378,684	13,847,139
Adjustment due to adoption of new accounting standards	-	-	-	-	(7,509)	-	(7,509)
Purchases	600,330	-	75,416	-	3,199	6,382	685,327
Government grants received	-	-	-	-	(15,925)	-	(15,925)
Classified as held for sale	(971,455)	-	-	-	-	-	(971,455)
Currency translation adjustment	(536,623)	(126,512)	(30,517)	(28,186)	(2,366)	(18,739)	(742,943)
Disposal	(106,950)	(6,119)	(7,010)	(1,810)	-	(14,201)	(136,090)
Disposal of subsidiary	-	-	(6,267)	-	-	-	(6,267)
Balance as at December 31, 2017	8,892,177	2,049,687	559,576	472,190	326,521	352,126	12,652,277
Accumulated amortization							
Balance as at January 1, 2017 **(Restated)**	(6,000,401)	(1,600,116)	(336,861)	(405,835)	(55,608)	(230,385)	(8,629,206)
Charge for the year	(794,632)	(95,652)	(58,743)	(19,400)	(6,214)	(23,076)	(997,717)
Classified as held for sale	554,621	-	-	-	-	-	554,621
Currency translation adjustment	342,217	95,860	19,526	23,579	580	11,927	493,689
Disposal	83,509	4,923	6,483	1,121	-	14,203	110,239
Disposal of subsidiary	-	-	3,863	-	-	-	3,863
Balance as at December 31, 2017	(5,814,686)	(1,594,985)	(365,732)	(400,535)	(61,242)	(227,331)	(8,464,511)
Provision for impairment							
Balance as at January 1, 2017 **(Restated)**	(77,771)	(51,889)	-	-	(32,072)	-	(161,732)
Currency translation adjustment	4,414	3,013	-	-	-	-	7,427
Disposal	3,127	-	-	-	-	-	3,127
Balance as at December 31, 2017	(70,230)	(48,876)	-	-	(32,072)	-	(151,178)
Carrying amount							
As at December 31, 2017	3,007,261	405,826	193,844	71,655	233,207	124,795	4,036,588
As atJanuary 1, 2017(Restated)	3,828,703	530,313	191,093	96,351	261,442	148,299	5,056,201

(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 and 2002, 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.

(Expressed in RMB '000)

17 - Goodwill

Changes in goodwill

The Group identified two cash generating units("CGU), Crop Protection (Agro) and Other (Non Agro) units. Subsidiaries are allocated into either one of the two cash generating units according to their business.
At the end of the year, or more frequently 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 periods, the fair value of the cash generating units to which the goodwill relates exceeds its carrying amount, therefore no losses from impairment were recognized in profit or loss.

	Balance at January 1, 2017(Restated)	Changes duringthe year	Currency translation adjustment	Balance at December 31, 2017
Book value	4,064,312	43,122	(217,337)	3,890,097
Impairment provision	-	-	-	-
Carrying amount	4,064,312	43,122	(217,337)	3,890,097

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

	December 31			
	2017		2016 (Restated)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deferred tax assets in respect of carry forward losses	2,363,524	462,184	2,457,432	323,087
Deferred tax assets in respect of inventories	1,372,337	353,544	1,396,932	406,372
Deferred tax assets in respect of employee benefits	863,820	114,255	742,680	101,710
Other deferred tax asset	1,311,288	341,606	782,540	281,612
	5,910,969	1,271,589	5,379,584	1,112,781

(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

	December 31			
	2017		2016 (Restated)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Deferred tax liabilities in respect of fixed assets and intangible assets	3,800,871	605,190	4,790,264	761,749
	3,800,871	605,190	4,790,264	761,749

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

	December 31			
	2017		2016 (Restated)	
	The offset amount of deferred tax assets and liabilities	Deferred tax assets or liabilities after offset	The offset amount of deferred tax assets and liabilities	Deferred tax assets or liabilities after offset
Presented as:				
Deferred tax assets	380,577	891,012	465,984	646,797
Deferred tax liabilities	380,577	224,613	465,984	295,765

(4) Details of unrecognised deferred taxassets

	December 31	
	2017	2016 (Restated)
Deductible temporary differences	10,018	53,804
Deductible lossescarry forward	96,041	1,336,542
	106,059	1,390,346

(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

	December 31	
	2017	**2016**
		(Restated)
2017	-	16,191
2018	-	22,421
2019	-	62,971
2020	19,831	37,938
2021	35,737	45,749
After 2021	40,473	1,151,272
	96,041	1,336,542

(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 are mainly in respect of subsidiaries in Israel. Deferred tax assets were recognized because future taxable income is expected against which the unutilized tax losses can be utilized, mainly due to the expected capital gain from the closing of the transaction for selling certain products in Europe during the first quarter of 2018, as described in Note XII Events subsequent to the balance sheet date, or up to the balance of deferred tax liability.

(Expressed in RMB '000)

19- Other Non-Current Assets

	December 31	
	2017	2016
		(Restated)
Asset securitization deposit	88,832	66,172
Judicial deposits	50,150	52,243
Call option in respect of business combination	13,545	12,639
Advances to fixed assets suppliers	11,196	33,657
Long term loan	7,606	7,145
Others	30,384	41,900
Sub total	201,713	213,756
Due within one year	(46)	(49)
	201,667	213,707

20 - Short-Term Loans

Short-term loans by category:

	December 31	
	2017	2016
		(Restated)
Guaranteed loans	70,000	-
Unsecured loans	2,210,912	748,163
	2,280,912	748,163

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

21 - Derivative financial liabilities

	December 31	
	2017	2016
		(Restated)
Economic hedge	485,530	747,718
Derivatives used for hedging	303,520	37,293
	789,050	785,011

(Expressed in RMB '000)

22 - Bills Payable

	December 31	
	2017	2016
		(Restated)
Post-dated checks payables	288,557	291,403
Note Payables draft	23,000	26,000
	311,557	317,403

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

23 - Accounts Payable

	December 31	
	2017	2016
		(Restated)
Within 1 year(including 1 year)	3,892,238	3,423,409
1-2 years (including 2 years)	8,190	11,631
2-3 years (including 3 years)	1,176	21,935
Over 3 years	4,877	5,305
	3,906,481	3,462,280

There are no significant accounts payables ageing over one year.

24 - Advances from customers

List of advances from customers

	December 31	
	2017	2016
		(Restated)
Within 1 year(including 1 year)	224,350	103,883
1-2 years (including 2 years)	351	1,134
2-3 years (including 3 years)	305	98
Over 3 years	1,705	1,659
	226,711	106,774

There are no significant advances from customers ageing over one year.

(Expressed in RMB '000)

25 - Employee Benefits Payable

	December 31	
	2017	2016
		(Restated)
Short-term employee benefits	572,037	537,383
Post-employment benefits-defined contribution plans	20,367	24,758
Other benefits within one year	263,362	228,809
Others	-	133,135
	855,766	924,085
Current maturities	139,871	51,306
	995,637	975,391

26 - Taxes Payable

	December 31	
	2017	2016
		(Restated)
VAT	153,328	169,806
Corporate income tax	250,046	154,446
Others	27,901	19,861
	431,275	344,113

27 - Interest Payable

	December 31	
	2017	2016
		(Restated)
Accrued interest in respect of debenture	33,174	31,660
Accrued interest in respect of bank loans	3,346	28,802
Accrued interest in respect of other liabilities	9,971	12,945
	46,491	73,407

As at 31 December 2017, the Group did not have any overdue interest.

(Expressed in RMB '000)

28 - Other Payables

	December 31 2017	December 31 2016 (Restated)
Liabilities for discounts	503,362	481,573
Accrued expenses	534,437	613,499
Payables in respect of intangible assets	176,378	201,291
Financial institutions	20,838	109,667
Liability in respect of investment in equity-accounted investee company	7,652	151,220
Others payables	133,326	199,202
	1,375,993	1,756,452

As at 31 December 2017, the Group did not have any significant overdue other payables.

29 - Non-Current Liabilities Due Within One Year

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

	December 31 2017	December 31 2016 (Restated)
Long-term loans due within one year (a)	447,779	634,005
Long-term payables due within one year	725	735
	448,504	634,740

30 - Other Current Liabilities

	December 31 2017	December 31 2016 (Restated)
Put options to holders of non-controlling interests	285,329	258,424
Provision in respect of returns	161,643	102,910
Provision in respect of claims	18,714	44,730
Deferred income	16,505	12,719
Others	392	368
	482,583	419,151

(Expressed in RMB '000)

31 - Long-Term Loans

Long-term loans by category

	December 31 2017	Annual range	December 31 2016 (Restated)	Annual range
Long term loans				
Loan secured by tangible assets other than monetary assets	1,294	5.5%	1,387	5.5%
Guaranteed loans	198,590	4.75%	343,590	4.70%
Unsecured loans	762,215	4.22%-6.06%	1,291,205	3.9%-5.6%
Long term loans	962,099		1,636,182	
Less: Long term loans due within 1 year	(447,779)		(634,005)	
Long term loans, net	514,320		1,002,177	

For the maturity analysis, see note VIII (c)

The long-term loans were mortgaged by fixed assets with carrying amounts of 6,266 thousand RMB as at December 31st, 2017. Details of the guarantees are set out in note X(5) Related parties and related party transactions.

32 - Debentures Payable

	December 31 2017	December 31 2016 (Restated)
Debentures Series B	7,777,410	7,417,408
Total Debentures payable	7,777,410	7,417,408
Due within one year	-	-
Debentures payable, net	7,777,410	7,417,408

	December 31 2017
First year (current maturities)	-
Second year	-
Third year	457,495
Fourth year	457,495
Fifth year and thereafter	6,862,420
	7,777,410

(Expressed in RMB '000)

32 - Debentures Payable (Cont'd)

Movements of debentures payable:

For the year ended December 31, 2017

	Face value in RMB	Face value NIS	Issuance date	Maturity period	Issuance amount	Balance at January 1, 2017 (Restated)	Issuance during the period	Amortization of discounts or premium	CPI and exchange rate effect	Repayment during the period	Currency translation adjustment	Balance at December 31, 2017
Debentures Series B	2,673,640	1,650,000	4.12.2006	November 2020-2036	3,043,742	3,369,384	-	234	374,455	-	(212,985)	3,531,088
Debentures Series B	843,846	513,527	16.1.2012	November 2020-2036	842,579	971,076	-	8,815	108,738	-	(61,610)	1,027,019
Debentures Series B	995,516	600,000	7.1.2013	November 2020-2036	1,120,339	1,232,184	-	3,967	137,151	-	(77,975)	1,295,327
Debentures Series B	832,778	533,330	1.2.2015	November 2020-2036	1,047,439	1,179,339	-	(2,498)	131,286	-	(74,503)	1,233,624
Debentures Series B	418,172	266,665	1-6.2015	November 2020-2036	556,941	665,425	-	(7,192)	74,029	-	(41,910)	690,352
						7,417,408	-	3,326	825,659	-	(468,983)	7,777,410

Series B debentures, in the amount of NIS 3,563.5 million par value, linked to the CPI and bearing 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

	December 31	
	2017	**2016**
		(Restated)
Total present value of obligation	530,333	449,102
Less: fair value of plan's assets	(97,614)	(131,005)
Post-employment benefits -Net liability arising from defined benefit plan	432,719	318,097
Termination benefits	138,948	171,184
Share based payment (See note XIII)	55,260	-
Other long-term employee benefits	123,658	73,088
Total long-term employee benefits, net	750,585	562,369
Including: Long-term employee benefits payable due within one year	139,871	51,306
	610,714	511,063

(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	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
		(Restated)		**(Restated)**		**(Restated)**
Balance as of January 1,	620,286	601,867	131,005	109,054	489,281	492,813
Expense/income recognized in profit and loss:						
Current service cost	31,009	31,523	1,196	-	29,813	31,523
Past service cost	93,029	-	-	-	93,029	-
Interest costs	20,557	19,322	4,026	3,898	16,531	15,424
Settlements	(49,369)	-	(39,440)	-	(9,929)	-
Changes in exchange rates	57,927	5,324	9,416	159	48,511	5,165
Included in other comprehensive income:						
Actuarial gain (losses) as a result of changes in actuarial assumptions	13,951	1,247	507	5,465	13,444	(4,218)
Foreign currency translation differences in respect of foreign operations	(39,404)	40,075	(6,739)	8,067	(32,665)	32,008
Additional movements:						
Benefits paid	(78,705)	(79,072)	(8,990)	(10,545)	(69,715)	(68,527)
Contributions paid by the Group	-	-	6,633	14,907	(6,633)	(14,907)
Balance as at December 31,	669,281	620,286	97,614	131,005	571,667	489,281

(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

	December 31,	
	2017	**2016**
		(Restated)
Discount rate (%)*	**1.1%-4.5%**	1.4%-2%

*According to the demographic and the benefit components

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

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

	As of December 31, 2017	
	Increase of 1%	**Decrease of 1%**
Discount rate	(42,666)	52,108

34 - Provisions

	December 31		
	2017	**2016**	**Reasons**
		(Restated)	
Liabilities in respect of contingencies	124,882	132,781	Obligations of pending litigations, where an outflow of resources had been reliably estimated
Other	39,031	33,658	
	163,913	166,439	

(Expressed in RMB '000)

35 - Deferred income

	Balance at January 1, 2017 (Restated)	Adjustment due to adoption of new accounting standards	Balance at December 31, 2017
Government grants	167,252	(167,252)	-
	167,252	(167,252)	-

36 - Other Non-Current Liabilities

	December 31	
	2017	2016 (Restated)
Put options to holders of non-controlling interests	53,509	46,381
Long term transactions in derivatives	13	694
Long term loans - others	171,770	171,770
	225,292	218,845

(Expressed in RMB '000)

37 - Share Capital

	Balance at January 1, 2017 (Restated)	Issuance of new shares	Cancellations of shares	Balance at December 31, 2017
Share capital	593,923	1,915,581	(62,950)	2,446,554

During the reporting period, the Company issued 1,810,883,039 shares to CNAC as a part of the material assets restructuring project. The listing date for such shares is August 2, 2017. On November 24, 2017, the Company completed the cancellation of 62,950,659 B shares held by Adama Celsius B.V. an indirect wholly owned subsidiary. The shares were repurchased by the company from the subsidiary prior to the cancellation.

In December 2017, non-publicly offered 104,697,982 ordinary shares (A-share) at nominal value of RMB 1 per share to the 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, 2017(Restated)	Additions during the year	Reductions during the year	Balance at December 31, 2017
Share premiums	13,652,334	18,088,936	(18,767,488)	12,973,782
Other capital reserves	8,495	-	-	8,495
	13,660,829	18,088,936	(18,767,488)	12,982,277

Additions during the year: The Company issued new shares at a premium, which increased the Share premiums of RMB 18,088,936. Please refer to Note 1 of Note V. 37 for details.

Reduction during the year: The Company repurchased and cancelled shares, which reduced the Share premium of RMB 296,481. Please refer to Note V. 37 for details.

The Company issued shares valued at RMB 18,471,007 as the consideration for the business combination under common control, which decreased the Share premium of RMB 18,471,007. Please refer to Note 1 of Note V. 37 for details of the issuance of new shares, and Note1 of Note VI for details of the business combination under common control.

(Expressed in RMB '000)

39 - Other Comprehensive Income

	Balance at January 1, 2017 attributable to shareholders of the company (Restated)	Before tax amount	Less transfer to profit or loss that previously recognized	Less: Income tax expenses	Net –of-tax amount attributable to shareholders of the Company	Net –of-tax amount attributable to non-controlling interests	OCI classified to shareholders pursuant to NCI purchase	Balance at December 31, 2017 attributable to shareholders of the Company
Items that will not be reclassified toprofit or loss								
Re-measurement of changes in liabilities under defined benefit plans	6,316	(13,444)	-	3,734	(17,178)	-	-	(10,862)
Items that may be reclassified to profit or loss								
Effective portion of gain or loss of cash flow hedge	152,565	(409,613)	56,956	(53,054)	(413,515)	-	-	(260,950)
Translation difference of foreign financial statements	868,226	(781,473)	(30,358)	-	(751,115)	-	-	117,111
	1,027,107	(1,204,530)	26,598	(49,320)	(1,181,808)	-	-	(154,701)

(Expressed in RMB '000)

40 - Surplus reserves

	Balance at January 1, 2017 (Restated)	Additions during the year	Reductions during the year	Balance at December 31, 2017
Statutory surplus reserve	186,885	17,124	-	204,009
Discretional surplus reserve	3,814	-	-	3,814
	190,699	17,124	-	207,823

In accordance with the "Company Law of the PRC" and the Company's Articles of Association, the Company appropriated 10% of the net profit to the statutory surplus reserve. When the accumulated amount of statutory surplus reserve reaches 50% of the Company's registered capital, further appropriation will not be needed. Upon the approval of the board, the statutory surplus reserve can be used to offset previous years' losses or increase the share capital.

41 - Retained Earnings

	2017	2016 (Restated)
Retained earnings at December 31 of preceding year	937,510	1,026,848
Adjustment for business combination under common control	847,295	580,611
Retained earnings as at January 1, (Restated)	1,784,805	1,607,459
Net profits for the year attributable to shareholders of the Company	1,545,879	369,076
Appropriation to statutory surplus reserve	(17,124)	-
Dividends to non-controlling Interest	(32,509)	(16,223)
Dividend to the shareholders of the company	-	(175,507)
Amount reversed due to disposal of a subsidiary	5,660	-
Retained earnings as at December 31,	3,286,711	1,784,805

During the reporting period a major assets restructuring was successfully completed, with the acquisition of Solutions, a wholly-owned subsidiary of CNAC. Solutions became a wholly owned subsidiary of the Company. The combination was considered as a business combination under common control.

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 is subject to the approval by shareholders at the 2017 annual general meeting.

(Expressed in RMB '000)

42 - Operating Income and Cost of Sale

	Year ended December 31 2017		Year ended December 31 2016 (Restated)	
	Income	Cost of sales	Income	Cost of sales
Principal activities	23,772,151	15,363,173	22,033,821	14,892,420
Other businesses	47,417	40,714	36,584	31,356
	23,819,568	15,403,887	22,070,405	14,923,776

43 - Taxes and Surcharges

	Years ended December 31	
	2017	2016 (Restated)
Tax on turnover	36,888	45,110
Others	37,871	28,122
	74,759	73,232

44 - Selling and Distribution Expenses

	Years ended December 31	
	2017	2016 (Restated)
Salaries and related expense	1,438,935	1,256,379
Delivery and Commissions costs	687,491	629,175
Advertising and sales promotion	326,194	310,236
Depreciation and amortization	966,119	1,000,652
Registration	111,615	103,229
Insurance	77,433	85,022
Professional services	67,252	82,842
Royalties	21,750	16,531
Others	583,546	558,104
	4,280,335	4,042,170

(Expressed in RMB '000)

45 – General and Administrative Expenses

	Years ended December 31	
	2017	**2016**
		(Restated)
Salaries and related expenses	753,131	496,598
Depreciation and amortization	99,593	68,909
Professional services	192,247	197,044
Office rent, maintenance and expenses	76,987	56,137
IT systems	60,546	57,140
Other	219,268	195,285
	1,401,772	1,071,113

46 - Financial Expenses, net

	Years ended December 31	
	2017	**2016**
		(Restated)
Interest expenses on debentures and loans	666,048	729,124
Loss in respect of sale of trade receivables	47,707	58,543
Interest expense in respect of post-employment benefits, net	16,531	15,424
Revaluation of put option, net	7,429	(13,324)
Interest income from customers, banks and others	(222,017)	(260,044)
CPI expense (income) in respect of debentures	25,279	(21,485)
Exchange rate differences, net	638,240	(73,801)
Other expenses	26,069	382
	1,205,286	434,819

47 - Impairment Losses

	Years ended December 31	
	2017	**2016**
		(Restated)
Trade and other receivables	67,975	88,242
Inventories	53,984	15,038
Fixed assets	51,135	57,159
Intangible asset	-	13,538
Loan from affiliated company	-	36,519
Other	231	-
	173,325	210,496

(Expressed in RMB '000)

48 - Gains (losses) from Changes in Fair Value

	Years ended December 31	
	2017	2016 (Restated)
Gain from changes in fair value of derivative financial instruments	269,222	141,459
Others	129	(6,383)
	269,351	135,076

49 - Investment Income (loss)

	Years ended December 31	
	2017	2016 (Restated)
Income (loss) from long-term equity investments accounted for using the equity method	22,239	(99,324)
Investment income (loss) from disposal of derivatives	62,982	(581,782)
Gain (loss) from disposal of long-term equity investment	(11,363)	7,394
Other	-	1,566
	73,858	(672,146)

50 - Non-Operating Expenses

	Years ended December 31		Related to extraordinary items
	2017	2016 (Restated)	
Donation expenses	13,695	10,794	13,695
Other	30,979	8,549	30,979
	44,674	19,343	44,674

(Expressed in RMB '000)

51 - Income Tax Expenses

	Years ended December 31	
	2017	2016 (Restated)
Current year	344,411	305,986
Adjustments for previous years, net	64,652	(1,251)
Deferred tax expenses (income)	(286,940)	(228,541)
	122,123	76,194

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

	Years ended December 31	
	2017	2016 (Restated)
Profit before taxes	1,668,002	830,773
Company's main tax rate	25%	25%
Tax calculated according to the main tax rate	417,001	207,693
Tax benefits from Approved Enterprises	(61,907)	(56,299)
Difference between measurement basis of income for financial statement and for tax purposes	(16,295)	(40,185)
Taxable income and temporary differences at other tax rate	(50,037)	(54,197)
Taxes in respect of prior years	64,652	(1,251)
Utilization of tax losses from prior years for which deferred taxes were not created	(39,073)	(11,946)
Temporary differences and losses in the report year for which deferred taxes were not created	7,154	10,711
Non-deductible expenses and other differences	36,895	65,590
Neutralization of tax calculated in respect of the Company’s share in results of equity accounted investees	(5,661)	24,212
Effect of change in tax rate in respect of deferred taxes	(38,783)	(10,502)
Creation and reversal of deferred taxes for tax losses and temporary differences from previous years	(191,823)	(57,632)
Income tax expenses	122,123	76,194

52 – Other comprehensive income

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

(Expressed in RMB '000)

53. Notes to items in the cash flow statements

(1) Other cash received relevant to operating activities

	Years ended December 31	
	2017	2016
		(Restated)
Financial institutions	98,240	139,441
Derivatives transactions	390,703	-
Interest income	259,276	237,614
Government subsidies	1,775	760
Others	51,596	13,110
	801,590	390,925

(2) Other cash paid relevant to operating activities

	Years ended December 31	
	2017	2016
		(Restated)
Financial institutions	245,516	90,560
Derivatives transactions	278,260	489,902
Transportation and Commissions	629,465	554,395
Advertising and sales promotion	316,156	324,381
Professional services	267,317	234,873
Others	1,435,167	1,154,706
Net cash flow from operating activities	3,171,881	2,848,817

(3) Other cash received relevant to investment activities

	Years ended December 31	
	2017	2016
		(Restated)
Investment grant	29,205	9,570
Repayment of long term loan of investee	-	6,944
Other	596	-
	29,801	16,514

(Expressed in RMB '000)

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

(4) Other cash paid relevant to investment activities

	Years ended December 31	
	2017	2016
		(Restated)
Short term investments	25,796	2,856
Long term investments	23,713	69,455
Other	-	6,953
	49,509	79,264

(5) Other cash received relevant to financing activities

	Years ended December 31	
	2017	2016
		(Restated)
Special borrowing	-	171,770
Financing deposit	-	100,000
Other	7,800	-
	7,800	271,770

(6) Other cash paid relevant to financing activities

	Years ended December 31	
	2017	2016
		(Restated)
Financing deposit	100,000	-
Other	4,600	7,800
	104,600	7,800

(Expressed in RMB '000)

54 - Supplementary Information on Cash Flow Statement

(1) Supplementary information on Cash Flow Statement

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

	Years ended December 31 2017	2016 (Restated)
Net profit	1,545,879	754,579
Add: Impairment provisions for assets	173,325	210,496
Depreciation of fixed assets	670,473	695,135
Amortization of intangible asset	997,717	1,028,545
Gains on disposal of fixed assets, intangible assets, and other long-term assets, net	(55,160)	(55,174)
Losses (gains) on changes in fair value	(269,351)	(135,076)
Financial expenses (income)	1,408,859	789,553
Losses (gains) arising from investments	(73,858)	672,146
Decrease (increase) in deferred tax assets	(265,962)	(76,344)
Increase (decrease) in deferred tax liabilities	(20,978)	(152,197)
Decrease (increase) in inventories, net	(431,226)	1,006,149
Decrease in operating receivables	(639,485)	(1,014,570)
Increase (decrease) in operating payables	918,156	626,660
Others	-	(112,757)
Net cash flow from operating activities	3,958,389	4,237,145

	Years ended December 31 2017	2016 (Restated)
b. Investing and financing activities that do not involving cash receipts and payment	18,471,007	-
c. Net increase in cash and cash equivalents		
Closing balance of cash	7,864,258	3,833,747
Less: Opening balance of cash	3,833,747	2,973,356
Net increase in cash and cash equivalents	4,030,511	860,391

(Expressed in RMB '000)

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

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

	December 31, 2016 (Restated)
Cash and cash received for disposing a subsidiary during the year	105,479
Less: Cash and cash equivalents held by the subsidiary	5,341
Net cash received due to disposal of a subsidiary during the year	100,138

(3) Details of cash and cash equivalents

	Years ended December 31 2017	2016 (Restated)
Cash at bank and on hand		
Including: Cash on hand	2,267	1,186
Bank deposits available on demand without restrictions	7,861,991	3,832,561
Cash and cash equivalents as of December 31	7,864,258	3,833,747

55 - Assets with Restricted Ownership or Right of Use

	December 31 2017	Reason
Cash	4,600	Pledged
Fixed assets	6,266	Mortgaged
Other non-current assets	138,982	Guarantees
	149,848	

(Expressed in RMB '000)

56 - Foreign currencies denominated items

(1) Foreign currencies exposure items

	As at December 31, 2017		
	Foreign currency at the end of the year	Exchange rate	RMB at the end of the year
Cash and bank balances			
USD	89,636	6.5342	585,697
EUR	38,361	7.8263	300,227
BRL	136,769	1.9753	270,156
ILS	100,609	1.8847	189,616
PLN	118,517	1.8769	222,450
Other			381,983
Total			1,950,129
Accounts and Bills receivable			
USD	57,015	6.5342	372,547
EUR	78,234	7.8263	612,287
BRL	378,409	1.9753	747,460
UAH	585,651	0.2328	136,343
RON	76,176	1.6791	127,907
Other			464,687
Total			2,461,231
Other receivables			
EUR	49,652	7.8263	388,594
BRL	23,870	1.9753	47,149
ILS	34,122	1.8847	64,310
Other			32,081
Total			532,134
Other current assets			
EUR	15,295	7.8263	119,700
BRL	35,065	1.9753	69,263
ILS	88,530	1.8847	166,851
PLN	7,944	1.8769	14,911
RMB	18,479	1.0000	18,479
ARS	42,277	0.3504	14,813
Other			63,949
Total			467,966
Long-term receivables			
BRL	97,692	1.9753	192,968
Total			192,968
Other non-current assets			
BRL	71,661	1.9753	141,550
Other			20,544
Total			162,094
Short-term loans			
UAH	119,989	0.2328	27,934
TRY	17,325	1.7323	30,012
Other			24,522
Total			82,468

(Expressed in RMB '000)

56. - Foreign currencies denominated items (Cont.)

(1) Foreign currencies denominated items: (Cont.)

	As at December 31, 2017		
	Foreign currency at the end of the year	Exchange rate	RMB at the end of the year
Accounts payable and Bills payable			
USD	10,904	6.5342	71,249
EUR	70,626	7.8263	552,741
BRL	38,333	1.9753	75,718
ILS	435,878	1.8847	821,493
Other			98,947
Total			1,620,148
Interest payable			
ILS CPI	17,602	1.8847	33,174
Total			33,174
Other payables			
USD	1,855	6.5342	12,124
EUR	37,757	7.8263	295,496
BRL	61,936	1.9753	122,340
PLN	12,682	1.8769	23,804
ILS	6,556	1.8847	12,356
Other			101,522
Total			567,642
Other current liabilities			
EUR	3,768	7.8263	29,489
ILS	9,285	1.8847	17,499
Other			30,122
Total			77,110
Long-term loan			
BRL	417	1.9753	823
Total			823
Debentures payable			
ILS CPI	4,126,638	1.8847	7,777,410
Total			7,777,410
Other non-current liabilities			
BRL	9,319	1.9753	18,407
Other			725
Total			19,132

56. - Foreign currencies denominated items (Cont.)

(2) Major foreignoperations

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

VI . Changes in consolidation Scope

(1) Business combinations under common control

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

Name of the Company	Equity Proportion obtained from combination	Basis of judgement as business combination involving enterprises under common control	Acquisition date	Basis of determining acquisition date	Beginning of the Year till acquisition date set out as follows		Revenue of prior period	Net profit/loss of prior period
					Revenues	Net profit/loss		
Adama Agricultural Soluions Ltd.	100%	Both of the combining enterprises are ultimately controlled by China National Agrochemical Corporation, and the control is not transitory.	July 4th, 2017	Sanonda obtained 100% of ADAMA's shares and completed the equity transfer procedures	11,500,526	1,147,797	20,418,078	829,068

During the reporting period a combination transaction with Solutions, a wholly-owned subsidiary of CNAC was successfully completed.
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 in the Company to CNAC and their registration for trade on the Shenzhen Stock Exchange (which was completed on August 2).
Following the completion of the combination transaction, Solutions became a wholly owned subsidiary of the Company. The combination was considered as a business combination under common control.

(Expressed in RMB '000)

VI . Changes in consolidation Scope (cont'd)

(1) Business combinations under common control (cont'd)

(1) Acquisition cost

Acquisition costs	Adama Agricultural Solutions Ltd.
Fair value of issued equity securities	18,471,007

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

	Adama Agricultural Solutions Ltd	
	Acquisition date	Prior year end (Restated)
Assets:		
Cash and bank balances	3,952,403	3,294,277
Financial assets at fair value through profit or loss	22,512	35,594
Derivative financial assets	710,289	636,754
Bills receivable	75,336	16,441
Accounts receivable	6,140,071	5,284,516
Prepayments	207,326	177,206
Dividends receivable	-	1,519
Other receivables	632,257	619,106
Inventories	7,181,224	7,297,523
Assets held for sale	779,434	-
Non-current assets due within one year	48	49
Other current assets	581,293	495,342
Available for sale financial assets	11,398	11,654
Long-term receivables	187,503	185,648
Long-term equity investments	102,119	490,973
Fixed assets	4,971,851	5,193,517
Construction in progress	565,929	462,663
Intangible assets	4,153,019	4,848,433

(Expressed in RMB '000)

VI . Changes in consolidation Scope (Cont'd)

(1) Business combinations under common control (Cont'd)

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

Goodwill	3,995,555	4,064,312
Deferred tax assets	679,162	605,089
Other non-current assets	165,324	206,584
Liabilities:		
Short-term borrowings	488,611	748,163
Derivative financial liabilities	997,446	785,011
Bills payable	79,430	291,403
Accounts payable	3,683,732	3,320,964
Advances from customers	51,752	74,108
Employee benefits payable	972,096	945,222
Taxes payable	434,157	325,640
Interests payable	49,966	73,407
Dividends payable	147,604	150,824
Other payables	1,922,857	1,591,297
Non-current liabilities due within one year	654,823	487,740
Other current liabilities	415,008	419,151
Long-term borrowings	341,373	805,587
Bonds payable	8,043,733	7,417,408
Long-term payables	23,266	21,810
Long-term employee benefits payable	471,408	511,063
Provisions	144,889	166,439
Deferred income	-	144,685
Deferred tax liabilities	242,040	295,765
Other Non-current liabilities	59,649	47,074
Net assets	15,890,213	15,304,439
Less: Non-controlling interests	-	-
Net assets acquired	15,890,213	15,304,439

VI . Changes in consolidation Scope (Cont'd)

(2) Disposal of subsidiaries

(1) Disposal of subsidiaries through single transaction

	2017
Name of the subsidiaries	Company A, B and C
Salesproceeds	105,479
Percentage of equity interest disposed (%)	100%
Method of disposal	Sale of equity
Disposal date	22/06/17
The basis of determining disposal date	Transfer of shares
The difference between disposal consideration and shares of net assets of the corresponding subsidiaries at the date of disposal	18,995
Proportion of the retained interests on disposal date (%)	0%
Carrying amount of the retained interests on disposal date	-
Fair value of the retained interests on disposal date	-
Amounts recognized in profit or loss from re measuring retained interests in accord with its fair value	-
Key factors and assumptions used in determining the fair value on disposal date	-
Cumulative gain reclassified from other comprehensive income to profit or loss on disposal	(30,358)

(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

2. Interests in joint ventures or associates

	Years ended December 31	
	2017	**2016 (Restated)**
Joint ventures		
- immaterial joint ventures	56,871	(87,511)
Associates		
- immaterial associates	37,860	40,575
	94,731	(46,936)

	Closing balance/ amount recognized in the current year	Opening balance/ amount recognized in the prior year**(Restated)**
Joint ventures:		
Total carrying amount	56,871	(87,511)
The Group's share of the following items:		
-- Net profit	22,612	(98,967)
-- Total comprehensive income	22,612	(98,967)
Associates:		
Total carrying amount	37,860	40,575
The Group's share of the following items:		
-- Net profit	(373)	(357)
-- Total comprehensive income	(373)	(357)

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 institutions in and outside of Israel and, therefore, in the opinion of Group Management the credit risk in respect thereof is low.

This note provides information on the Group's exposure to each of the above risks, the Group's objectives, policies and processes regarding the measurement and management of the risk. Additional quantitative disclosure is included throughout the consolidated financial statements.
The Board of Directors has overall responsibility for establishing and monitoring the framework of the Group's risk management policy. The Finance Committee is responsible for establishing and monitoring the Group's actual risk management policy. The Chief Financial Officer reports to the Finance Committee on a regular basis regarding these risks.

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

B. Credit risk

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

Accounts and other receivables
The Group's revenues are derived from a large number of widely dispersed customers in many countries. Customers include multi-national companies and manufacturing companies, as well as distributors, agriculturists, agents and agrochemical manufacturers who purchase the products either as finished goods or as intermediate products for their own requirements.
The Company entered into an agreement for the sale of trade receivables in a securitization transaction, for details see note V.5 (4).

In April 2016, 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.

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

B. Credit risk (cont'd)

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 open 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.

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 of losses sustained from trade receivables and other receivables and investments. The components of this provision are specific losses related to specific significant exposure (the effect of the additional examination on trade receivables for which no specific impairment was identified is immaterial), and of a general loss that is determined for groups of similar assets in countries in which there are large number of customers with immaterial balances. The general loss provision is determined based on historical information regarding payment statistics relating to events that occurred in the past.

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 maintenance of a level of security based on different situations.

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

B. Credit risk

Guarantees

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

(1) Aging of receivables and allowance for doubtful accounts

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

	December 31 2017
Past due by less than 90 days	354,976
Past due by more than 90 days	557,036
	912,012

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 December 31, 2017					
	First year	Second year	Third-Fourth year	Fifth year and above	Contractual Cash flow	Carrying amount
Non-derivative financial liabilities						
Short-term loans	2,306,072	-	-	-	2,306,072	2,280,912
Bills payable	311,557	-	-	-	311,557	311,557
Accounts payables	3,906,481	-	-	-	3,906,481	3,906,481
Interest payable	46,491	-	-	-	46,491	46,491
Other payables	1,375,993	-	-	-	1,375,993	1,375,993
Dividend payable	250	-	-	-	250	250
Other current liabilities	285,329	-	-	-	285,329	285,329
Debentures payable (a)	400,527	400,527	1,692,469	9,689,558	12,183,081	7,777,410
Long-term loans (a)	493,829	317,046	237,547	-	1,048,422	962,099
Long-term payable (a)	1,626	2,315	3,250	25,148	32,339	24,928
Other non-current liabilities	2,061	62,261	32,751	148,295	245,368	225,292
Derivative financial liabilities						
Foreign currency derivatives	786,411	-	-	-	786,411	786,411
CPI/shekel forward transactions	2,639	-	-	-	2,639	2,639
	9,919,266	782,149	1,966,017	9,863,001	22,530,433	17,985,792

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

	December 31 2017
Fixed-rate instruments – unlinked to the CPI	
Financial assets	
Other non-current assets	8,579
Financial liabilities	
Long-term loans	199,884
Long-term payables	21,844
Other non-current liabilities	171,770
	384,919
Fixed-rate instruments – linked to the CPI	
Financial liabilities	
Debentures payable	7,777,410
	7,777,410

(Expressed in RMB '000)

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

	December 31 2017
Variable-rate instruments	
Financial assets	
Cash at banks	3,521,581
Financial assets at fair value through profit or loss	23,000
Financial liabilities	
Short-term loans	2,280,912
Long-term loans	762,215
	501,454

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

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

	Profit or loss		Equity	
	Increase in interest	Decrease in interest	Increase in interest	Decrease in interest
As at December 31, 2017	4,109	(4,207)	4,109	(4,207)

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.

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 and Ukraine Hryunia.

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

The Group hedged a part of the estimated currency exposure for projected sales and purchases during the subsequent year. Likewise, the Group hedges most of its financial balances denominated in a non-Dollar currency. The Group uses foreign currency derivatives to hedge its currency risk, mostly with maturity dates of less than one year from the reporting date.

The wholly-owened subsidiary debentures are linked to the CPI and, therefore, an increase in the 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.

(Expressed in RMB '000)

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

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

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

December 31, 2017	Denominated in or linked to the Dollar	In Euro	In Brazilian real	CPI-linked NIS	In NIS	Denominated in or linked to other foreign currency	Total
Assets							
Current assets							
Cash at bank and on hand	585,697	300,227	270,156	-	189,616	604,433	1,950,129
Accounts and Bills receivable	551,793	642,514	747,460	-	9,403	1,290,025	3,241,195
Other receivables	40,401	388,594	47,149	548	64,310	205,931	746,933
Other current assets	9,429	119,700	69,263	-	166,851	102,723	467,966
Non-current assets							
Long-term receivables	-	-	192,968	-	-	-	192,968
Other non-current assets	-	9,697	141,550	-	-	10,847	162,094
Total Assets	1,187,320	1,460,732	1,468,546	548	430,180	2,213,959	6,761,285

(Expressed in RMB '000)

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

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

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

December 31, 2017	Denominated in or linked to the Dollar	In Euro	In Brazilian real	CPI-linked NIS	In NIS	Denominated in or linked to other foreign currency	Total
Liabilities							
Current liabilities							
Short-term loans	-	-	-	-	-	82,468	82,468
Accounts and Bills payable	468,143	583,269	75,718	-	821,493	161,532	2,110,155
Interest payable	-	-	-	33,174	-	-	33,174
Other payables	44,886	295,496	122,340	-	12,356	127,025	602,103
Non-current liabilities due within one year	-	-	470	-	-	-	470
Other current liabilities	-	29,489	8,227	-	17,499	21,895	77,110
Non-current liabilities							
Long-term loans	-	-	823	-	-	-	823
Debentures payable	-	-	-	7,777,410	-	-	7,777,410
Other non-current liabilities	-	-	18,407	-	-	3,175	21,582
Total liabilities	513,029	908,254	225,985	7,810,584	851,348	396,095	10,705,295

(Expressed in RMB '000)

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

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

	December 31, 2017				
	Currency/ linkage receivable	**Currency/ linkage payable**	**Average expiration date**	**Par value**	**Fair value**
Forward foreign currency contracts and call options	**USD**	EUR	2018/04/24	443,161	(503,474)
	USD	PLN	2018/03/17	54,483	(39,546)
	USD	BRL	2018/02/22	167,270	5,737
	USD	GBP	2018/02/24	27,730	(6,092)
	USD	ZAR	2018/01/22	19,605	(16,640)
	ILS	USD	2018/01/12	1,361,118	264,086
	USD	OTHERS		314,808	(41,224)
CPI forward contracts	**CPI**	ILS	2018/04/26	519,181	3,256

(C) Sensitivity analysis

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

	December 31, 2017			
	Decrease of 5%		**Increase of 5%**	
	Equity	**Profit (loss)**	**Equity**	**Profit (loss)**
New Israeli shekel	17,776	17,528	(17,862)	(17,614)
British pound	4,629	(1,050)	(4,629)	964
Euro	201,489	41,390	(197,875)	(36,492)
Brazilian real	10,783	13,830	(10,783)	(13,830)
Polish zloty	(11,782)	(1,957)	11,782	1,957
South African Rand	458	1,176	(458)	(1,176)
Chinese Yuan Renminbi	33,714	33,714	(33,714)	(33,714)
Consumer Price Index in Israel	277,360	277,360	(277,360)	(277,360)

(Expressed in RMB '000)

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

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:

	2017								
	Carrying amount	**Expected cash flows**	**6 months or less**	**6-12 months**	**Second year**	**Third year**	**Fourth year**	**Fifth year**	**Sixth year and above**
Forward contracts and options on exchange rates:	**297,920**	**297,920**	**261,466**	**36,454**	**-**	**-**	**-**	**-**	**-**

The table below presents the periods in which cash flows that are related to the derivatives used to hedge cash flows are expected to impact income or loss.

	2017								
	Carrying amount	**Expected cash flows**	**6 months or less**	**6-12 months**	**Second year**	**Third year**	**Fourth year**	**Fifth year**	**Sixth year and above**
Forward contracts and options on exchange rates:	**295,771**	**295,771**	**259,879**	**35,892**	**-**	**-**	**-**	**-**	**-**

(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, accounts receivable, other receivables, other short term investment, derivatives, bank overdrafts, short-term loans and credit, accounts payable and other payables, are the same or proximate totheir fair value.
The following table details the carrying amount in the books and the fair value of groups of non-current financial instruments presented in the financial statements not in accordance with their fair values:

	December 31, 2017	
	Carrying amount	Fair value
Financial assets		
Other non-current assets (a – Level 2)	16,466	15,155
Financial liabilities		
Long-term loans and others (b – Level 2)	1,159,691	1,157,422
Debentures (c – Level 1)	7,777,410	10,087,769

(a) The fair value of the long-term loans granted is based on a calculation of the present value of cash flows, using the acceptable interest rate for similar loans having similar characteristics (Level 2).
(b) The fair value of the long-term loans received is based on a calculation of the present value of 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:

	December 31, 2017
	%
Brazilian real interest	6.40 - 8.61
U.S. dollar interest	1.80 - 2.73
Indian Rupee	6.32 - 7.44

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, measured by valuation method. 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 are evaluated by observable inputs and therefore are concurrent with the definition of level 2 and there was no transfer between different levels.

	December 31 2017
Forward contracts and optionsused for hedging the cash flow (Level 2)	(297,920)
Forward contracts and optionsused for economic hedging (Level 2)	(35,977)
Debt instruments (Level 1)	14,225
Other (Level 2)	8,775
	(310,897)

Financial Instrument	**Fair value**
Forward contracts	Fair value measured on the basis of discounting the difference between the forward price in the contract and the current forward price for the residual period until redemption using market interest rates appropriate for similar instruments
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 (%)	Ultimate controlling party of the Company
CNAC	Beijing, China	Production and sales of agrochemicals	CNY 3,338,220	78.91%	78.91%	China National Chemical Corporation

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

2. Information on the subsidiaries of the Company

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

3. Information on joint ventures and associates of the Company

For information about the joint ventures and associates of the Company, refer to Note V.13. Other joint ventures and associates that have related party transactions with the Group during this year or the previous periods 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

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 Protecao De Cultivos LTDA	Common control
Syngenta Czech s.r.o.	Common control
Syngenta Espana S.A.	Common control
Syngenta India Limited	Common control
Syngenta Agro AG	Common control
Syngenta Polska Sp. z o.o.	Common control
Syngenta Agro, S.A. DE C.V.	Common control
Syngenta Italia S.p.A.	Common control
China Bluestar Lehigh Engineering Corp.	Common control
Bluestar Silicones USA Corp.	Common control
China Bluestar Chengrand	Common control
Bluestar (Beijing) Chemical Machinery Co., Ltd.	Common control
Shandong Dacheng International Trading	Common control
Shandong dacheng agricultural chemical co. LTD.	Common control
Southwest Research Institute	Common control
Jiangsu Anpon Electrochemical Co., Ltd	Common control
Hebei Veyong Bio-Chemical Co	Common control
Zhejiang Zhong Shan Chemical Industry Group CO.,Ltd	Common control
Haohua engineering co. LTD.	Common control
Beijing Grand AgroChem Co., Ltd.	Common control
Jiamusi black dragon pesticide co. LTD.	Common control
Shanghai branch of China blue lianhai design and research institute.	Common control
China National Chemical Information Center	Common control

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

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

Name of other related parties (for the relevant years)	Related party relationship
Ahava Dead Sea Laboratories Ltd.	Non-controlling interest*
Amnir Recycling Industries Ltd.	Non-controlling interest*
Avner Gas and Oil	Non-controlling interest*
Cargal Corrugated Board Packaging Ltd.	Non-controlling interest*
Carmel Container Systems Ltd.	Non-controlling interest*
Cellcom Israel Ltd.	Non-controlling interest*
Clal Insurance Co. Ltd.	Non-controlling interest*
Cresud s.a.	Non-controlling interest*
Danel Adir Yehoshua Ltd.	Non-controlling interest*
Diesenhaus Ramat Hasharon (1982) Ltd.	Non-controlling interest*
Dor-alon Energy in Israel (1988) Ltd.	Non-controlling interest*
Egged Taavura Ltd.	Non-controlling interest*
Electra Ltd.	Non-controlling interest*
Futuro y Opciones com s.a.	Non-controlling interest*
Given Imeging Ltd.	Non-controlling interest*
Graffiti Office Supplies & Paper Marketing Ltd.	Non-controlling interest*
H&O Fashion	Non-controlling interest*
Isramco Negev 2 Limited Coorporation	Non-controlling interest*
Isrotel inc	Non-controlling interest*
Isrotel Ltd.	Non-controlling interest*
Kav Manche	Non-controlling interest*
Mehadrin Tnuport Export Ltd.	Non-controlling interest*
Netvision Ltd.	Non-controlling interest*
O.P.S.I. (International Handling) LTD.	Non-controlling interest*
Orian SH.M. LTD.	Non-controlling interest*
Paz Oil Company Ltd.	Non-controlling interest*
Plasto-Sac Ltd.	Non-controlling interest*
Prime-Lease Ltd.	Non-controlling interest*
Safe Way Travel Ltd.	Non-controlling interest*
Shmerling - Synchro Energy Engineering Ltd.	Non-controlling interest*
Shufersal Ltd.	Non-controlling interest*
Taavura Holdings Ltd.	Non-controlling interest*
Veidan Conferencing Solutions	Non-controlling interest*
IRSA Inversionesy Representaciones Sociedad Anonima	Non-controlling interest*
Dolphin Netherlands B.V	Non-controlling interest*

* Following the closing of the transaction, under which CNAC purchased all non-controlling interest shares during November 2016, non-controlling interest companies were related parties until November 2016 and are not related parties as of December 31, 2017 and December 31, 2016.

(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	Related Party Relationship	Years ended December 31 2017	2016 (Restated)
Purchase of goods/services received	Common control under ChemChina	424,817	107,797
Purchase of goods/services received	Non-controlling interest	-	26,614
Purchase of fixed assets and other assets	Common control under ChemChina	91,354	67,434
Purchase of goods/services received	Joint venture	4,404	8,526

Summary of Sales of goods:

Sale of goods/ Service rendered	Common control under ChemChina	136,208	7,501
Sale of goods/ Service rendered	Non-controlling interest	-	1,448
Sale of goods/ Service rendered	Joint venture	181,480	165,638

(2) Leases

The Group as lessor

Type of leased assets	Lessee	December 31 2017	2016 (Restated)
Building and Structures	Common control under ChemChina	114	114

(3) Guarantee

The Group as the guarantor

	Amount of guaranteed loan	Inceptiondate ofguaranty	Maturitydate ofguaranty	Guarantycompleted(Y / N)
As At December 31, 2017				
Joint venture	7,874	1/02/2017	31/01/2018	N

(Expressed in RMB '000)

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

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

(3) Guarantee (cont'd)

The Group as the guarantee receiver

	Amount of guaranteedloan	Inceptiondate ofguaranty	Maturitydate ofguaranty	Guaranty completed (Y / N)
As At December 31, 2017				
	303,000	20/02/2017	19/02/2020	N
Common control under ChemChina	170,000	26/12/2014	25/12/2019	Y
	140,000	01/2/2016	31/01/2019	Y
Parent of the Group	50,000	18/10/2017	18/10/2021	N
	50,000	10/01/2017	10/01/2020	N
	300,000	20/11/2017	20/11/2022	N
Ultimate controller of the Group	200,000	25/09/2013	25/09/2020	N
	150,000	30/09/2013	13/10/2020	N
	160,000	27/05/2014	09/06/2021	N

(4) Remuneration of key management personnel and directors

	Years ended December 31	
	2017	**2016**
		(Restated)
Remuneration of key management personnel	21,268	2,180
Directors Fee	150	150

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

Receivable Items

		Years ended December 31			
		2017		**2016**	
Items	**Related Party Relationship**		**Bad debt Provision**	**(Restated)**	**Bad debt provision**
Trade receivables	Common control under ChemChina	28,565	-	-	-
Trade receivables	Joint venture	33,710	-	25,209	-
Other receivables	Common control under ChemChina	22,780	-		-
Prepayments	Common control under ChemChina	12,357	-	-	-
Other non-current assets	Joint venture	7,514	-	7,006	-

(Expressed in RMB '000)

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

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

Payable Items

Items	Related Party Relationship	Years ended December 31 2017	2016 (Restated)
Trade payables	Common control under ChemChina	78,614	8,253
Trade payables	Joint venture	320	333
Other payables	Parent	-	150,824
Other non-current liabilities *	Common control under ChemChina	171,770	171,770

* This liabilities is loan from related party, the interest expense in 2017 is 2,090 thousand RMB (2016: 1,287 thousand RMB).

(6) Issued shares to related party

	Item	Years ended December 31 2017	2016 (Restated)
Parent	Adama Agricultural solutions	18,471,007	-

(7) Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was 155,700 thousand RMB (2016 – 0) Interest income of bank deposit for the current year was 16 thousand RMB (2016 – 1,177 thousand RMB).

(Expressed in RMB '000)

XI. Commitments and contingencies

1 Significant commitments

(1) Capital commitments

	December 31	
	2017	2016 (Restated)
Investment in Fixed assets	590,043	254,852

(2) Operating lease commitments

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

	December 31	
	2017	2016 (Restated)
Within 1 year (inclusive)	138,827	121,208
After 1 year but within 2 years (inclusive)	100,043	99,950
After 2 years but within 3 years (inclusive)	69,263	65,641
After 3 years	126,804	149,655
	434,937	436,454

2 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, 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.

XI. Commitments and contingencies (cont'd)

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 in Israel and abroad.

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 market of products for plant protection is exposed to class actions for large amounts, which it must defend against while incurring considerable costs, even if these claims, from the start, have no basis. In the estimation of the Company's management, based, inter alia, on opinions of its legal counsel regarding the prospects of the proceedings, the financial statements include appropriate provisions where necessary to cover the exposure resulting from the claims.

Various immaterial claims have been filed against Group companies in courts throughout the world, in immaterial amounts, for causes of action involving mainly employee-employer relations and various civil claims, for which the Company did not record a provision in the financial statements.. Furthermore, claims were filed for product liability damages, for which the 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 . Events subsequent to the balance sheet date

(1) On May 18, 2017 CC completed the acquisition of Syngenta AG (hereinafter –"Syngenta"). In the context of developing its business and to facilitate the obtaining by CC of the regulatory approvals for the acquisition of Syngenta, the Company worked under its agreement with CC and Syngenta to effect the divestment of a number of its products, while receiving products of similar nature and economic value from Syngenta.

During June 2017, the transfer of certain Syngenta products and rights to the Company was completed in the U.S, in exchange for the Company's divestiture of certain products there to Amvac Chemical Corporation, conducted to obtain the approval by the US FTC of the acquisition of Syngenta by CC.

In October 2017, the Company and Syngenta entered into agreements with Nufarm Limited (hereinafter - "Nufarm") for the divestment of several of their products in Europe. In the framework of these agreements, no personnel or physical assets (apart from inventory) shall be transferred. Furthermore, the transfer of products maintains the Company's ability to continue to sell such products in other countries outside Europe, and in some cases within Europe as well.

During the first quarter of 2018 the transaction with Nufarm was completed in consideration for approximately 2.5 billion RMB, the capital gain generated amounts to approximately 2.1 billion. Concurrently, the receipt of the products portfolio from Syngenta was completed and the transaction is at a final closing process.

(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 is subject to the approval by shareholders at the 2017 annual general meeting.

XIII. - Share-based Payments

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

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

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

The fair value of the granted warrants as aforesaid was estimated using the binomial pricing model.
The cost of the benefit embodied in the warrants that were allocated as aforesaid, based on the fair value at the end of the reporting period, amounted to a total of 215.1 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.

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

Statement of share based payments in the year	**phantom warrants**
Total number of Phantom warrants granted in current period	49,042,146
Total number of Phantom warrants exercised in current period	-
Total number of Phantom warrants expired in current period	-
The range of the exercise prices and the remainder of the contractual period for Phantom warrantsoutstanding at the end of period	15.13 RMB 6 years

The parameters used in implementing the model are as follows:	
Stock price (RMB)	15.54
Original exercise increment (RMB)	15.13
Expected volatility	45.00%
Risk-free interest rate	3.89%
Economic value as of December 31, 2017 (in thousands RMB)	215,067

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)	55,260
Expenses arising from cash-settled share-based payments in current period (in thousands RMB)	54,391

(2) During 2014, a wholly-owned subsidiary, after the required approvals by its Remuneration Committee and its Board of Directors, issued 12,471,721 options to officers and employees, in accordance with the its options plan (hereinafter – “the Plan”).

The cost of the benefit embedded in the options issued, as stated, based on the fair value on the date of their issuance, amounted to a total of approximately RMB 175 million. The cost benefit in respect of share based payments recognized in the statement of income over the vesting period of each portion, subject to compliance with the expected performance of the program.

In view of the progress of the Combination Transaction of the subsidiary with the Company, as of December 31, 2016, the listing for trading of the subsidiary shares which constitutes a performance condition that is not a market condition under the plan was not expected.

As a result, during the fourth quarter of 2016 the expenses recorded in regards with the plan commencing from 2014 were reversed. The total effect of this reversal is approximately RMB 105 million. In parallel, due to certain provisions of the plan, a liability for compensation to the plan’s grantees was created and recorded in the fourth quarter of 2016 in a total amount of approximately RMB 83 million. This liability was repaid during 2017.

XIV. Other significant items

(1) Segment Reporting

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

- Crop Protection (Agro)

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

(Expressed in RMB '000)

XIV. Other significant items (cont'd)

(1) Segment reporting (cont'd)

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

	Crop Protection (Agro)		Other (Non Agro)		Elimination among segments		Total	
	Year ended December 31		Year ended December 31		Year ended December 31		Year ended December 31	
	2017	2016 (Restated)	2017	2016 (Restated)	2017	2016 (Restated)	2017	2016 (Restated)
Operating income from external customers	22,033,564	20,429,048	1,786,004	1,641,357	-	-	23,819,568	22,070,405
Inter-segment operating income	-	-	5,238	8,198	(5,238)	(8,198)	-	-
Interest in the profit or loss of associates and joint ventures	5,278	7,270	16,961	(106,594)	-	-	22,239	(99,324)
Segment's results	2,419,286	1,838,255	133,032	(134,917)	-	-	2,552,318	1,703,338
Financial expenses, net							(1,205,286)	(434,819)
Gains from changes in fair value							269,351	135,076
Investment income							51,619	(572,822)
Profit/loss before tax							1,668,002	830,773
Income tax expense							(122,123)	(76,194)
Attributable to NCI							-	(385,503)
Net profit							1,545,879	369,076

	Crop Protection (Agro)		Other (Non Agro)		Unallocated assets and liabilities		Total	
	Year Ended As Of December 31							
	2017	2016 (Restated)	2017	2016 (Restated)	2017	2016 (Restated)	2017	2016 (Restated)
Total assets	27,329,497	28,379,781	1,777,896	1,917,147	10,506,529	6,195,584	39,613,922	36,492,512
Total liabilities	4,027,090	3,750,986	198,600	347,169	16,610,219	15,476,563	20,835,909	19,574,718

(Expressed in RMB '000)

XIV. 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	
	Years ended December 31	
	2017	**2016**
		(Restated)
Europe	7,105,622	6,898,624
North America	4,368,907	4,027,214
Latin America	5,045,683	4,985,088
Asia Pacific	3,950,970	3,166,518
Africa, Middle East (including Israel) and India	3,348,386	2,992,961
	23,819,568	22,070,405

	Specified non-current assets	
	December 31	
	2017	**2016**
		(Restated)
Europe	732,024	737,944
Latin America	1,030,652	1,041,743
North America	464,183	443,392
Asia Pacific	2,186,442	2,273,756
Africa, Middle East (including Israel) and India	10,592,839	12,067,082
	15,006,140	16,563,917

(3) The dependency on major customers

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

(Expressed in RMB '000)

XIV. Other significant items (cont'd)

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

	Amount for the current year	Amount for the prior year (Restated)
Net profit for the current year attributable to shareholders of the company	1,545,879	369,076
Including: Net profit from continuing operations	1,545,879	369,076
Net profit for the current year attributable to ordinary shareholders	1,545,879	369,076

Thousands shares	Amount for the current year	Amount for the prior year (Restated)
Number of ordinary shares outstanding at the beginning of the year	2,341,856	1,617,502
Add: weighted average number of ordinary shares issued during the year	-	60,363
Less: weighted average number of ordinary shares repurchased during the year	-	-
Number of ordinary shares outstanding at the end of the year	2,341,856	1,677,865

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 in 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” (hereinafter referred to as "Preparation Rules for Information Disclosure No. 9"), if a business combination involving enterprises under common control happened during the reporting period and the absorbing party issues new shares as consideration of the business combination on the combination date, when calculating the basic earnings per share at the end of the reporting period, the shares shall be treated as if they had been issued at the beginning of the reporting period.

According to Preparation Rules for Information Disclosure No. 9, if a business combination involving enterprises under common control happened during the reporting period and the absorbing party issues new shares as consideration of the business combination on the combination date, when calculating the basic earnings per share during the comparative period, the shares shall be treated as if they had been issued at the beginning of the comparative period. CNAC acquired 40% of the shares held by the original minority shareholders of ADAMA in November 2016, therefore, when calculating the weighted number of ordinary shares of 2016, 60% of the new shares issued on the combination date shall be treated as if they had been issued at the beginning of the same period, 40% of the new shares issued on the combination date were weighted from the month following the date of acquisition of the minority shareholder, and the weighted result is 60,363 thousand shares.

(Expressed in RMB '000)

XIV. Other significant items (cont'd)

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

	Amount for the current year	Amount for the prior year
Calculated based on net profit attributable to ordinary shareholders		
Basic earnings per share	0.66	0.22
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.66	0.22
Diluted earnings per share	N/A	N/A
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

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

1. Monetary fund

Item	Closing balance	Opening balance
Bank deposits	1,864,003	249,741
Other monetary fund	4,600	7,800
Total	1,868,603	257,541

On December 31, 2017, the ownership of the company is limited to 4,600 thousand RMB, and on December 31, 2016, the ownership of the company is limited to 7,800 thousand RMB, all of which are bank acceptance bills deposit.

2. Accounts receivable

（1）Accounts receivable classification disclosure

Classes	Closing balance					Opening balance				
	Book balance		Bad debt provision			Book balance		Bad debt provision		
	Amount	Proportion	Amount	Proportion	Book value	Amount	Proportion	Amount	Proportion	Book value
Accounts receivable with significant single amount for which bad debt provision separately accrued	793,330	92%	-	0.00%	793,330	568,526	91%	-	0%	568,526
Accounts receivable withdrawal of bad debt provision of by credit risks characteristics	51,366	6%	10,331	20%	41,035	52,845	8%	9,876	19%	42,969
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	21,427	2%	676	3%	20,751	584	1%	584	100%	-
Total	866,123	100%	11,007		855,116	621,955	100.00%	10,460		611,495

(Expressed in RMB '000)

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

（2）Bad debt provision withdrawal, reversed or recovered in the report period

Aging	Closing balance		
	Account receivable	Bad debt provision	Withdrawal proportion
Within 1 year (inclusive)	39,308	1,965	5%
Over 1 year but within 2 years (inclusive)	2,819	282	10%
Over 2 years but within 3 years (inclusive)	1,281	384	30%
Over 3 years but within 4 years (inclusive)	517	259	50%
Over 4 years but within 5 years (inclusive)	-	-	-
Over 5 years	7,441	7,441	100%
Total	**51,366**	**10,331**	20%

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

	December 31 2017
Balance as of January 1,	10,460
Addition during the year, net	547
Write back during the year	-
Write-off during the year	-
Exchange rate effect	-
Balance as of December 31	11,007

（3）Five largest accounts receivable at the end of 2017

The total amount of top five accounts receivable was 801,845 thousand RMB, which consists of 92.58% of total balance accounts receivable at year-end, the relevant total bad debt provision was 772 thousand RMB at year-end.

Accounts receivable	Closing balance	Proportion of Accounts receivable (%)	Allowance of doubtful debts
Party 1	604,679	70	-
Party 2	182,000	21	-
Party 3	7,055	1	367
Party 4	4,091	0.5	204
Party 5	4,020	0.5	201
Total	801,845	93	772

(Expressed in RMB '000)

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

3、Long-term equity investment

ITEM	Closing balance			Opening balance		
	Amount balance	Impairment loss	Book value	Amount balance	Impairment loss	Book value
Invest in subsidiaries.	15,939,826	-	15,939,826	80,027	24,500	55,527
Total	15,939,826	-	15,939,826	80,027	24,500	55,527

(1) Investments in subsidiaries

Invested unit	Opening balance	Increase	Decrease	Closing balance	Current provision Impairment loss	Balance provision Impairment loss
Jingzhou Hongxiang chemical co. LTD.	37,620	-	-	37,620	-	-
SANONDA (jingzhou) pesticide chemicals co. LTD.	30,414	-	30,414	-	-	-
Hubei Sanonda foreign trade co. LTD.	11,993	-	-	11,993	-	-
ADAMA Agricultural Solutions Ltd.	-	15,890,213	-	15,890,213	-	-
Total	80,027	15,890,213	30,414	15,939,826	-	-

4. Revenues and operating costs

Item	Reporting period		Same period of last year	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	2,681,430	1,949,859	1,674,894	1,432,731
Other operations	216,966	210,123	155,220	149,992
Total	2,898,396	2,159,982	1,830,114	1,582,723

5、Supplementary information to cash flow statement

（1）Other cash received relevant to operating activities

Item	Reporting period	Same period of last year
Interest income	1,034	3,281
Government subsidies	1,774	740
Other	5,602	10,966
Total	8,410	14,987

(Expressed in RMB '000)

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

（2）Other cash paid relevant to operating activities

Item	Reporting period	Same period of last year
Professional services	60,724	29,594
Transportation and Commissions	86,733	51,581
Other	63,246	41,321
Total	210,703	122,496

Other cash statements relating to investment activities received：

（3）Other cash received relevant to financing activities

Item	Reporting period	Same period of last year
Special borrowing	-	171,770
Financing deposit	-	100,000
Other	7,800	-
Total	7,800	271,770

（4）Other cash paid relevant to financing activities:

Item	Reporting period	Same period of last year
Funding deposit	100,000	-
Other	4,600	7,800
Total	104,600	7,800

(Expressed in RMB '000)

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

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

Supplementary materials	Reporting period	Last period
1. Reconciliation of net profit to net cash flows generated from operating activities:		
Net profit	171,244	(80,974)
Add: Provision for impairment of assets	47,818	52,871
Depreciation of fixed assets	190,317	214,736
Amortization of intangible assets	5,006	4,458
Gain on disposal of fixed assets, intangible assets and other long-term assets (gains: negative)	-	(7,492)
Loss on disposal of fixed assets, intangible assets and other long-term assets	2,531	
Loss of fair value change (the income is marked with "-")	130	(93)
Financial cost	25,437	23,031
Investment loss (gains: negative)	1,650	(4,407)
Decrease (increase) in deferred income tax assets	1,917	(28,126)
Decrease (increase) in inventory	(11,201)	108,311
Increase in accounts receivable from operating activities	(300,891)	(929,367)
Increase in payables from operating activities	261,790	676,665
Other	-	-
Net cash flows generated from operating activities	395,748	29,613
2. Investing and financing activities that do not involving cash receipts and payment	18,471,007	-
3. Net increase in cash and cash equivalents	-	-
Closing balance of cash	1,864,003	249,741
Less: Opening balance of cash	249,741	378,450
Net increase in cash and cash equivalents	1,614,262	(128,709)

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

7. .Transactions and balances with related parties

(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	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 subsidiaries of the Company, refer to Note VII.1.

(3) Transactions with related parties

a. Transactions of goods and services

Summary of Purchase of goods/services received	Related Party Relationship	Years ended December 31 2017	2016
Purchase of goods/services received	Common control under ChemChina	13,516	12,264
Purchase of fixed assets and other assets	Common control under ChemChina	39,690	728
Purchase of goods/services received	Subsidiary	47,939	8,824
Purchase of goods	Subsidiary	164,718	98,435

Summary of Sales of goods:

Sale of goods	Common control under ChemChina	344	223
Sale of goods	Subsidiary	390,359	184,163
Sale of raw materials	Subsidiary	168,480	117,629
Sale of fixed assets	Subsidiary	1,183	1,119

(Expressed in RMB '000)

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

7. Transactions and balances with related parties (Cont.)

(3) Transactions with related parties (Cont.)

b. Leases

The Company as lessor

Type of leased assets	Lessee	December 31 2017	December 31 2016
Building and Structures	Common control under ChemChina	114	114

c. Guarantee

The Company as the guarantor

	Amount of guaranteed loan	Inceptiondate ofguaranty	Maturitydate ofguaranty	Guarantycompleted(Y / N)
As At December 31, 2017				
Subsidiary	70,000	29/11/2016	18/04/2019	Y

The Company as the guarantee receiver

	Amount of uaranteedloan	Inceptiondate ofguaranty	Maturitydate ofguaranty	Guaranty completed (Y / N)
As At December 31, 2017				
	303,000	20/02/2017	19/02/2020	N
Common control under ChemChina	170,000	26/12/2014	25/12/2019	Y
	140,000	01/2/2016	31/01/2019	Y
Parent	50,000	18/10/2017	18/10/2021	N
	50,000	10/01/2017	10/01/2020	N
	300,000	20/11/2017	20/11/2022	N
Ultimate controller	200,000	25/09/2013	25/09/2020	N
	150,000	30/09/2013	13/10/2020	N
	160,000	27/05/2014	09/06/2021	N

d. Related party purchase of shares and subsidiary

	Item	Years ended December 31 2017	2016
Parent	Adama agricultural solutions	18,471,007	-
Subsidiary	Repurchase of B shares	411,818	-

(Expressed in RMB '000)

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

7. Transactions and balances with related parties (Cont.)

(3) Transactions with related parties (Cont.)

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

Receivable Items

Items	Related Party Relationship	Years ended December 31			
		2017		2016	
		Book Balance	Bad debt Provision	Book Balance	Bad debt provision
Trade receivables	Subsidiary	793,330	-	568,526	-
Prepayments	Common control under ChemChina	12,357	-	-	-

Payable Items

Items	Related Party Relationship	Years ended December 31	
		2017	2016 (Restated)
Trade payables	Subsidiary	3,465	-
Trade payables	Common control under ChemChina	980	783
Other payables	Subsidiary	436,268	-
Other non-current liabilities *	Common control under ChemChina	171,770	171,770

*This liabilities is loan from related party, the interest expense in 2017 is 2,090 thousand RMB (2016: 1,287 thousand RMB).

f. Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was 25,014 thousand RMB (2016 – 0) Interest income of bank deposit for the current year was 14 thousand RMB (2016 – 1,177 thousand RMB).

(Expressed in RMB '000)

XVI. - Supplementary information

(1). - Extraordinary Gain and Loss

	Year ended December 31,2017
Disposal of non-current assets	(3,000)
Government grants recognized through profit or loss	14,628
Profit or loss of subsidiaries generated before combination date of a business combination involving enterprises under common control	1,147,797
Profit or loss arising from contingencies other than those related to normal operating business	(15,671)
Other non-operating income and expenses besides items above	4,036
Recovery or reversal of provision for bad debts which is assessed individually during the years	22,204
Tax effect	(6,390)
	1,163,604

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

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

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

Profit during the reporting period	Weighted average rate of return on net assets (%)	Basic EPS （RMB/share）	EPS Diluted EPS （RMB/share）
Net profit attributable to ordinary shareholders of the Company	9.05%	0.66	N/A
Net profit after deduction of extraordinary gains/losses attributable to ordinary shareholders of the Company	4.39%	0.30	N/A

(Expressed in RMB '000)

XVI. Supplementary information

(3) Supplementary information of retrospective restatement

During the reporting period 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 in the Company to CNAC and their registration for trade on the Shenzhen Stock Exchange (which was completed on August 2).

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 restated consolidated balance sheets as at January 1, 2016, December 31, 2016 are as follows:

	January 1, 2016 (Restated)	December 31 2016 (Restated)	December 31 2017
Current assets			
Cash at bank and on hand	2,973,356	3,841,547	7,868,858
Financial assets at fair value through profit or loss	30,715	35,594	23,000
Derivative financial assets	511,631	637,450	455,153
Bills receivables	60,128	108,226	180,030
Accounts receivable	5,145,905	5,465,258	5,056,850
Prepayments	241,527	219,218	202,111
Dividend receivable	1,955	-	-
Other receivables	766,735	633,375	1,037,836
Inventories	7,976,176	7,463,957	7,488,238
Assets held for sale	-	-	403,297
Non-current assets due within one year	45	49	46
Other current assets	480,224	510,164	614,925
Total current assets	18,188,397	18,914,838	23,330,344
Non-current assets			
Available-for-sale financial assets	20,316	20,227	19,544
Long-term receivables	130,450	185,648	192,968
Long-term equity investments	93,839	104,284	102,383
Investment properties	5,037	4,721	4,408
Fixed assets	6,633,947	6,797,889	6,141,490
Construction in progress	417,811	483,888	803,421
Intangible assets	4,975,399	5,056,201	4,036,588
Goodwill	3,771,184	4,064,312	3,890,097
Deferred tax assets	500,167	646,797	891,012
Other non-current assets	209,957	213,707	201,667
Total non-current assets	16,758,107	17,577,674	16,283,578
Total assets	34,946,504	36,492,512	39,613,922

(Expressed in RMB '000)

XVI. Supplementary information (cont'd)

(3) Supplementary information of retrospective restatement (cont'd)

	January 1, 2016 (Restated)	December 31 2016 (Restated)	December 31 2017
Current liabilities			
Short-term loans	792,414	748,163	2,280,912
Derivative financial liabilities	815,856	785,011	789,050
Bills payable	278,075	317,403	311,557
Accounts payable	3,435,327	3,462,280	3,906,481
Advances from customers	82,660	106,774	226,711
Employee benefits payable	683,404	975,391	995,637
Taxes payable	287,928	344,113	431,275
Interest payable	69,255	73,407	46,491
Dividends payable	250	151,074	250
Other payables	1,225,656	1,756,452	1,375,993
Non-current liabilities due within one year	1,572,844	634,740	448,504
Other current liabilities	370,111	419,151	482,583
Total current liabilities	9,613,780	9,773,959	11,295,444
Non-current liabilities			
Long-term loans	1,471,580	1,002,177	514,320
Debentures payable	6,859,709	7,417,408	7,777,410
Long-term payables	20,436	21,810	24,203
Long-term employee benefits payable	458,138	511,063	610,714
Provisions	182,119	166,439	163,913
Deferred income	169,695	167,252	-
Deferred tax liabilities	401,303	295,765	224,613
Other non-current liabilities	72,339	218,845	225,292
Total non-current liabilities	9,635,319	9,800,759	9,540,465
Total liabilities	19,249,099	19,574,718	20,835,909
Shareholders' capital			
Share capital	593,923	593,923	2,446,554
Capital reserve	9,365,714	13,660,829	12,982,277
Less: Treasury shares	(359,431)	(359,431)	-
Other comprehensive income	101,489	1,027,107	(154,701)
Special reserves	22,849	19,862	9,349
Surplus reserve	190,699	190,699	207,823
Retained earnings	1,607,459	1,784,805	3,286,711
Equity attributed to the owners of the Company	11,522,702	16,917,794	18,778,013
Non-controlling interests	4,174,703	-	-
Total shareholders' equity	15,697,405	16,917,794	18,778,013
Total liabilities and shareholders' equity	34,946,504	36,492,512	39,613,922

Section XIIDocuments Available for Reference

(I) Financial Statements carried with signatures and seals of Legal Representative and Accounting Principal, as well as Head of the Accounting Organ;
(II) Original of the Auditor’s Report with the seals of accounting firm and the signatures and seals of certified public accountants;
(III) In the reporting period, originals of all documents of the Company ever disclosed publicly in media designated by China Securities Regulatory Commission as well as the originals of all the public notices were deposited in the office of the Company.

Hubei Sanonda Co., Ltd.

Legal Representative：Chen Lichtenstein

March 27, 2018