



# **ADAMA LTD.**

## **SEMI-ANNUAL REPORT 2020**

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

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

**August 2020**

## Section I - Important Notice, Table of Contents and Definitions

- The Company's Board of Directors, Board of Supervisors, directors, supervisors and senior managers confirm that the content of the Report is true, accurate and complete and contains no false statement, misleading presentations or material omissions, and assume joint and several legal liability arising therefrom.
- Ignacio Dominguez, the person in charge of the Company (President and Chief Executive Officer) as well as its legal representative, and Aviram Lahav, the person leading the accounting function (Chief Financial Officer & Deputy Chief Executive Officer), hereby assert and confirm the truthfulness, accuracy and completeness of the Financial Report.
- All the Company's directors attended the board meeting for the review of this Report.
- The forward-looking information described in this Report, such as future plans, development strategy, market trends and their effect etc., does not constitute, in any manner whatsoever, a substantial commitment of the Company to investors. Investors and other relevant people are cautioned to be sufficiently mindful of investment risks as well as the difference between plans, forecasts and commitments.
- The Company has described its possible risks in "X - Risks Facing the Company and Countermeasures" under Section IV herein.
- For the Reporting Period, the Company does not plan to distribute cash dividends or bonus shares or convert capital reserve into share capital.
- This Report and its Abstract have been prepared in both Chinese and English. Should there be any discrepancies between the two versions, the Chinese version shall prevail.

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## Definitions

General Terms	Definition
Company, the Company	ADAMA Ltd.
Adama Solutions	Adama Agricultural Solutions Ltd., a wholly-owned subsidiary of the Company, incorporated in Israel according to its laws
Anpon	ADAMA Anpon (Jiangsu) Ltd., a wholly-owned subsidiary of the Company, incorporated in China according to its laws
Board of Directors/Board	The Board of Directors of the Company
Board of Supervisors	The Board of Supervisors of the Company
Group, the Group, ADAMA	The Company, including all its subsidiaries, unless expressly stated otherwise
ChemChina	China National Chemical Co., Ltd.
ChemChina-Syngenta Transaction	The acquisition of Syngenta AG by ChemChina in 2017
CNAC	China National Agrochemical Co., Ltd., the indirect controlling shareholder of the Company, a wholly-owned subsidiary of ChemChina
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
SASAC	State Assets Supervision and Administration Commission of China
Syngenta Group	Syngenta Group Co., Ltd, the controlling shareholder of the Company as of June 15, 2020, a wholly-owned subsidiary of CNAC
Report	This 2020 Semi-Annual Report
Reporting Period, this Period	January 1, 2020 - June 30, 2020
2019 Annual Report	The Company's 2019 Annual Report published on April 28, 2020

## Section II - Corporate Profile and Financial Results

### I. Corporate Information

Stock name	ADAMA A, ADAMA B	Stock code	000553, 200553
Stock exchange	Shenzhen Stock Exchange		
Company name in Chinese	安道麦股份有限公司		
Abbr.	安道麦		
Company name in English (if any)	ADAMA Ltd.		
Abbr. (if any)	ADAMA		
Legal representative	Ignacio Dominguez		

### II. Contact Information

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

### III. Other Information

#### 1. Ways to Contact the Company

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

Applicable  Not applicable

No changes occurred to the said information during the Reporting Period, which can be found in the 2019 Annual Report.

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

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

Applicable  Not applicable

The newspapers designated by the Company for information disclosure, the website designated by the CSRC for the publication of this Report and the location where this Report is kept did not change during the Reporting Period. Said information can be found in the 2019 Annual Report.

### 3. Other Relevant Documents

Indicate by tick mark whether any changes occurred to the relevant documents during the Reporting Period.

Applicable  Not applicable

## IV. Main Accounting Data and Financial Results

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

Yes  No

	Reporting Period	Same period of last year	+/- (%)
Operating revenues (RMB'000)	14,121,040	13,616,032	3.71%
Net profit attributable to shareholders of the Company (RMB'000)	204,649	588,638	-65.23%
Net profit attributable to shareholders of the Company excluding non-recurring profit and loss (RMB'000)	219,772	430,270	-48.92%
Net cash flow from operating activities (RMB'000)	1,234,531	(304,950)	-504.83%
Basic EPS (RMB/share)	0.0836	0.2406	-65.25%
Diluted EPS (RMB/share)	N/A	N/A	N/A
Weighted average return on net assets	0.91%	2.59%	-1.68%
	End of Reporting Period	End of last year	+/- (%)
Total assets (RMB'000)	49,096,179	45,288,940	8.41%
Net assets attributable to shareholders of the Company (RMB'000)	22,669,778	22,371,665	1.33%

## V. Differences in Accounting Data under Domestic and Foreign Accounting Standards

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

Applicable  Not applicable

None during the Reporting Period.

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

Applicable  Not applicable

None during the Reporting Period.

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

Applicable  Not applicable

## VI. Non-Recurring Profit/Loss

Applicable  Not applicable

Unit: RMB'000

Item	Reporting Period	Note
Gains/losses on the disposal of non-current assets (including the offset part of asset impairment provisions)	7,694	-
Government grants recognized through profit or loss (excluding government grants closely related to business of the Company and given at a fixed quota or amount in accordance with government's uniform standards)	17,834	-
Recovery or reversal of provision for bad debts which is assessed individually during the years	15,508	-
Other non-operating income and expenses other than the above	19,274	-
Other profit or loss that meets the definition of non-recurring profit or loss	(66,192)	Employee early retirement plan expenses at the Company's Israeli manufacturing facilities
Less: Income tax effects	9,241	
NCI (after tax)	-	
Total	(15,123)	

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

Applicable  Not applicable

No such cases in the Reporting Period.

## Section III - Business Profile

### I. Main Business of the Company during the Reporting Period

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

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

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

The Group's primary operations are global, spanning activities in Europe, North America, Latin America, Asia-Pacific (including China) and India, the Middle-East and Africa. In aggregate, the Group sells its products in approximately 100 countries across the globe.

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

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

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

#### **Becoming Part of the Syngenta Group**

In June 2020, the Company became a distinctive member of the newly established Syngenta Group. The new group is a world leader in agricultural inputs, spanning crop protection, seeds, fertilizers, additional agricultural and digital technologies, as well as an advanced distribution network in China. The Company joined this newly-formed ag-industry leader through the contribution of most of the stake that ChemChina indirectly owned in the Company into the group. As such, there is no change in the Company's ultimate



controlling shareholder. The Company continues to be headquartered in Israel, remains traded on the Shenzhen Stock Exchange, and maintains its unique brand and positioning.

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

## II. Significant Changes in Main Assets

### 1. Significant Changes to Main Assets

Main Assets	Significant Change
Stock rights/Equity assets	No significant change
Fixed assets	No significant change
Intangible assets	No significant change
Construction in progress	Changes are mainly due to investments as part of China relocation and CIP transferred to fixed assets

### 2. Main Overseas Assets

✓ Applicable  Not applicable

Specific contents of the assets	Reason	Scale (Amount) of the assets (RMB'000)	Location	Operation /Management mode	Control measures to guarantee safety of the assets	Net Profit of the assets (RMB'000)	Proportion of overseas assets out of total net assets (%)	Significant impairment risk?
Equity investment in Adama Solutions	Acquired through Major Assets Restructuring	19,875,516	Israel and globally	Corporate Governance	Corporate Governance	80,586	88%	No
Other explanations								

## III. Core Competitiveness Analysis

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

## Section IV - Performance Discussion and Analysis

### I. Overview

During the first half of 2020, the global agrochemical market, amongst many others, was impacted by the unprecedented COVID-19 pandemic. As a result, farmers' incomes have been, and continue to be, negatively impacted in most regions by lower crop prices, reduced demand due to the relative shutdown of the food sector, and labor shortages owing to mobility restrictions, all leading to increased costs for farmers. Governments across the world continue to include farmers in extensive support programs, partially offsetting lost income due to the pandemic.

One of the most widespread economic consequences of the pandemic is the significant weakening of many global currencies against the US dollar, which started abruptly towards the end of Q1 and continued throughout the duration of Q2. This has been seen most notably in the Brazilian Real, Indian Rupee and Turkish Lira, and has contributed to increased volatility in the Euro and Australian dollar.

Following tight supply in the first quarter due to COVID-19 disruptions, chemical production in China has largely returned to prior levels and prices of raw materials and intermediates are starting to reflect such increase in supply. The Company expects to benefit from this trend in the upcoming quarters.

The ongoing spread of the COVID-19 pandemic is expected to continue to impact the performance and profitability of the Company in the coming months. The Company continues to actively manage its response to the pandemic in order to ensure the safety of its employees and limit its impact on the Company's business and financial performance.

Despite these challenging conditions largely owing to COVID-19, the Company delivered a resilient performance in the second quarter driven by significant volume growth, mainly in emerging markets, supporting continued sales growth over the half-year period in constant exchange terms.

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

## II. Analysis of Main Business

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

Year-on-year changes of main financial data:

	2020 Apr-June (000'RMB)	Same period of last year (000'RMB)	+/-%	2020 Apr-June (000'USD)	Same period of last year (000'USD)	+/-%
<b>Operating income</b>	7,338,797	6,828,281	7.48%	1,035,873	1,001,729	3.41%
Cost of goods sales	5,147,057	4,574,006	12.53%	726,512	671,020	8.27%
Selling and Distribution expenses	1,211,697	1,230,808	-1.55%	171,033	180,568	-5.28%
General and administrative expenses	227,957	310,745	-26.64%	32,176	45,582	-29.41%
R&D expenses	96,177	114,346	-15.89%	13,576	16,777	-19.08%
Financial Expense	431,172	458,815	-6.02%	60,872	67,320	-9.58%
<b>Profit before tax</b>	312,215	314,064	-0.59%	44,051	46,083	-4.41%
Income tax expenses	90,859	92,182	-1.44%	12,823	13,521	-5.16%
<b>Net income</b>	221,356	221,882	-0.24%	31,228	32,562	-4.10%
<b>EBITDA</b>	1,191,383	1,228,809	-3.05%	168,159	180,267	-6.72%
Net cash flows from operating activities	1,619,239	984,534	64.47%	228,566	144,436	58.25%
Net cash flows used in investing activities	(442,286)	(300,265)	47.30%	(62,439)	(44,079)	41.65%
Net cash flows used in financing activities	846,222	(97,912)	-964.27%	119,445	(14,435)	-927.47%
Net increase in cash and cash equivalents	2,018,188	643,136	213.80%	284,548	79,097	259.75%

	Reporting Period (000'RMB)	Same period of last year (000'RMB)	+/-%	Reporting Period (000'USD)	Same period of last year (000'USD)	+/-%
<b>Operating income</b>	14,121,040	13,616,032	3.71%	2,008,404	2,008,150	0.01%
Cost of goods sales	9,904,470	9,023,242	9.77%	1,408,693	1,330,711	5.86%
Selling and Distribution expenses	2,468,568	2,499,774	-1.25%	351,260	368,715	-4.73%
General and administrative expenses	553,186	628,259	-11.95%	78,810	92,661	-14.95%
R&D expenses	188,185	210,699	-10.69%	26,769	31,062	-13.82%
Financial Expense	842,792	938,196	-10.17%	119,894	138,402	-13.37%
<b>Profit before tax</b>	448,847	729,175	-38.44%	63,652	107,630	-40.86%
Income tax expenses	244,198	140,537	73.76%	34,811	20,692	68.23%
<b>Net income</b>	204,649	588,638	-65.23%	28,841	86,938	-66.82%
<b>EBITDA</b>	2,119,271	2,460,919	-13.88%	301,217	362,956	-17.01%
Net cash flows from (used in) operating activities	1,234,531	(304,950)	-504.83%	173,400	(46,757)	-470.85%
Net cash flows used in investing activities	(815,385)	(1,369,994)	-40.48%	(115,939)	(202,688)	-42.80%
Net cash flows provided by financing activities	1,475,449	735,633	100.57%	209,672	109,154	92.09%
Net increase (decrease) in cash and cash equivalents	1,936,200	(964,376)	-300.77%	264,458	(141,826)	-286.47%

## Analysis of Financial Highlights

### (1) Revenues

Revenues in the second quarter were \$1,036 million, up by 12% in CER terms, driven by robust 12% volume growth, alongside generally stable prices. This performance was achieved despite the various impacts of COVID-19, which continued to pose numerous challenges to the way the Company conducts its business, as well as materially impacting global currencies. In US dollar terms, sales grew by a more moderate 3% (+8% in RMB terms), reflecting an estimated \$85 million negative impact from the weaker currencies, and reflecting the Company's strong growth in emerging markets which were among the most significantly impacted by the global currency weakness.

Growth in the second quarter was fueled by a strong performance in emerging markets, most notably in Latin America, with strong business volume overcoming the material depreciation of regional currencies, as well as in the India, Middle East & Africa region, which benefited from favorable weather. The second quarter also saw a return to growth in China, with a strong recovery from the first quarter's COVID-19 pandemic-related impact on operations at the Company's Jingzhou site in Hubei province. The Company also delivered solid growth in Asia-Pacific (outside China), led by a strong performance in Australia.

Sales were lower in both Europe and North America in the second quarter. Steady growth in northern and western Europe only partially compensated for a challenging season seen in central and eastern Europe, where volatile weather posed challenges for growers, reducing planting in some crops earlier in the season, and preventing application in the latter part. In North America, challenging weather reduced purchasing from customers in some US crops, while COVID-19 related uncertainty impacted demand from distribution channels.

The return to growth in the second quarter saw the Company generate sales growth of almost 7% in CER terms over the first half of the year, while in USD terms the Company was able to match the first-half record high sales of \$2,008 million seen in 2019 (+4% in RMB terms). This reflects the overcoming of an estimated \$56 million impact from the COVID-19 pandemic over the first half of the year, as well as the material impact of widespread global currency weakness against the US dollar, which constrained sales US dollar terms sales in the period by an estimated \$135 million.

## Operating revenues

Unit: RMB'000

	2020H1		2019H1		YoY +/-%
	Amount	Ratio of the operating revenue	Amount	Ratio of the operating revenue	
Total operating revenue	14,121,040	100.00%	13,616,032	100.00%	3.71%
<b>Classified by industries</b>					
Manufacture of chemical raw materials and chemical products	14,121,040	100.00%	13,616,032	100.00%	3.71%
<b>Classified by products</b>					
Herbicides	6,230,425	44.12%	6,184,441	45.42%	0.74%
Fungicides	2,879,888	20.39%	2,410,406	17.70%	19.48%
Insecticides	3,724,051	26.37%	3,707,558	27.23%	0.44%
Ingredients and Intermediates (Formerly referred to as Non-Agro)	1,286,676	9.11%	1,313,627	9.65%	-2.05%
<b>Classified by regions</b>					
Europe	4,275,020	30.27%	4,252,479	31.23%	0.53%
North America	2,622,636	18.57%	2,715,528	19.94%	-3.42%
Latin America	2,669,490	18.90%	2,411,530	17.71%	10.70%
Asia-Pacific	2,456,818	17.40%	2,426,931	17.82%	1.23%
India, Middle East and Africa	2,097,076	14.85%	1,809,564	13.29%	15.89%

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

## Regional Sales Performance in USD

	Q2 2020 \$m	Q2 2019 \$m	Change USD	H1 2020 \$m	H1 2019 \$m	Change USD
Europe	252	267	-5.6%	609	628	-3.0%
North America	205	220	-7.0%	373	400	-6.9%
Latin America	220	196	12.4%	379	355	6.7%
Asia Pacific	191	173	11.0%	349	358	-2.4%
Of which China	99	86	15.6%	168	180	-6.7%
India, Middle East & Africa	167	146	14.6%	298	267	11.7%
Total	1,036	1,002	3.4%	2,008	2,008	0.0%

Note: the following analysis of regional sales performance is based on USD results.

**Europe:** Sales were lower by 2.3% in the second quarter but increased slightly in the first half of the year in CER terms, compared with the corresponding periods last year. The lower sales in the quarter were caused to some extent by higher inventories in the distribution channels remaining from the poor season last year, as well as some advanced purchasing of products generally by distributors in the first quarter of 2020 due to emerging COVID-19 concerns, both of which served to constrain demand and increase pricing pressure.

Steady growth in northern and western Europe, only partially compensated for a challenging season seen in central and eastern Europe, where volatile weather posed challenges for growers, with dry weather

reducing planting in some crops earlier in the season, while the sudden wet weather which followed hampered application in the latter part.

On 1 July, 2020, the Company acquired the remaining 51% stake in Alfa Agricultural Supplies, S.A., a leading Greek provider of crop protection and other agriculture-related inputs. Through this acquisition, the Company will further bolster its position and offering in this relevant market by driving the continued development of its value-added product portfolio, deepening Alfa's already strong relationships with local ag-input distributors, retailers and farmers, aiming at meeting the growing needs of farmers in Greece.

In US dollar terms, sales were lower by 5.6% in the quarter and by 3.0% in the half-year period, compared to the corresponding periods last year, also reflecting the net impact of weaker currencies, largely attributed to the COVID-19 outbreak.

**North America:** Sales were lower by 6.5% in the second quarter and by 6.3% in the first half of the year, in CER terms, compared with the corresponding periods last year. This was largely due to challenging weather conditions, primarily in southern US, which delayed planting and reduced cotton acreage alongside a reduction in cotton demand due to lower retail apparel sales as a result of COVID-19. In addition, COVID-19 related uncertainty saw distributors reducing inventories, putting pressure on prices.

The Company recorded robust growth in Canada, partially offsetting the lower sales in the US, supported by successful product launches including ORIUS® a broad-spectrum herbicide in wheat, barley and oats, PYTHON™ a broad-spectrum, dual mode of action herbicide in field peas and soybeans, as well as LEOPARD®, a fast-acting, selective graminicide for use against grassy weeds in multiple crops.

In US dollar terms, sales were lower by 7.0% in the quarter and by 6.9% in the first half, compared to the corresponding period last year, reflecting the weakening of the Canadian Dollar.

**Latin America:** Sales grew by 39.8% in the second quarter and by 27.6% in the first half of the year, in CER terms, compared to the corresponding periods last year, driven by significant volume growth in key countries and continued price increases throughout the region.

The Company delivered strong growth in Brazil, supported by favorable weather conditions and increased soybean and corn acreage. The Company continues to expand its differentiated product offering in the country, recently launching PLETHORA®, an innovative insecticide mixture with dual mode of action, addressing a broad spectrum of caterpillar and other pests.

Noteworthy performances were also recorded with continued market share gains in Argentina, supported by favorable weather conditions that accelerated the pace of summer crop harvesting and winter grain planting, Peru where the Company's activities were bolstered by its Q4 2019 acquisition in the country, as well as a strong performance in Paraguay.

In US dollar terms, sales in the region grew by 12.4% in the quarter and 6.7% in the first half of the year, compared to the corresponding periods last year, as the robust business growth was heavily impacted by weaker currencies in the region, in particular the significant decline in the Brazilian Real against the US dollar.

**Asia-Pacific:** Sales grew by 16.1% in the quarter and by 2.7% in the first half of the year in CER terms, compared to the corresponding periods last year, driven by strong volume growth and continued price increases, recovering from the first quarter COVID-19 impact.

In Asia-Pacific (outside of China), a noteworthy performance was recorded in Australia which has seen a strong season supported by favorable weather. This compensated for challenging seasonal and COVID-

19 related conditions in many parts of South East Asia. However, good rice cropping conditions in the region, drove increased sales of the Company's leading rice insecticide offering.

During the quarter, the Company obtained multiple new product registrations in the region, including NEGATE<sup>®</sup>, a dual-mode of action herbicide for use in turf in Australia, GOLTIX GOLD<sup>®</sup>, a unique herbicide formulation with improved efficacy for controlling weeds in beets in New Zealand, and Banjo Forte<sup>®</sup>, a fungicide for use in black pepper in Vietnam.

In China, the Company saw a strong recovery in business growth in the second quarter, supported by new product launches including XISHENG LV<sup>®</sup>, a protective fungicide for fruits and vegetables, as well as FEIDIAN #1<sup>™</sup>, an insecticide for drone application, mainly in rice. This second quarter performance saw the Company, almost fully overcoming the loss of sales in the first quarter cause largely by the COVID-19 impact on operations at the Company's Jingzhou site in Hubei province. The second quarter saw a recovery in sales of raw materials and intermediates, albeit at lower prices due to increased supply generally from Chinese producers.

In US dollar terms, sales in the region grew by 11.0% in the second quarter but were lower by 2.4% in the first half of the year, compared to the corresponding periods last year, reflecting the impact of weaker currencies, most notably the Australian Dollar and Chinese Renminbi.

**India, Middle East & Africa:** Sales grew by 23.2% in the quarter and by 18.3% in the first half of the year, in CER terms, compared to the corresponding periods last year. The Company delivered robust business growth in the region, led by India, alongside continued price increases.

In India, the timely arrival of the monsoon and its associated rains facilitated the good sowing of summer crops, encouraging application of crop protection products, following the lifting of the lockdown imposed by the Indian government. Favorable rainfall in South Africa improved cropping conditions, more than offsetting a challenging cotton season in Turkey.

In US dollar terms, sales in the region grew by 14.6% in the quarter and by 11.7% in the first half of the year, compared to the corresponding periods last year, reflecting the impact of softer currencies, most notably the Turkish Lira, the Indian Rupee and the South African Rand.

## (2) Gross Profit:

In the second quarter, the strong volume growth alongside somewhat higher prices and an improved product mix were more than offset by the material depreciation of global currencies and slightly higher manufacturing costs. Similarly, over the half-year period, the significant currency weakness and somewhat higher manufacturing costs outweighed the Company's strong volume growth.

The widespread currency depreciation resulting largely from the COVID-19 outbreak constrained gross profit by an estimated \$70 million in the quarter. The pandemic impacted H1 gross profit by an estimated \$16 million, in addition to an estimated \$109 million in currency headwinds.

## (3) Operating Expenses:

Operating expenses include Sales and Marketing, General and Administration and R&D. Total operating expenses in the second quarter were \$217 million (20.9% of sales) and \$457 million (22.7% of sales) in the half-year, compared to \$243 million (24.3% of sales) and \$492 million (24.5% of sales) in the corresponding periods last year, respectively.

The Company continues to exercise tight control of its operating expenses, which were also naturally constrained by the impact of COVID-19, and was able to achieve significant savings in



the quarter and first half, despite the inclusion of the companies acquired during 2019. Operating expenses in the 2020 periods also benefited from the global currency weakness against the US dollar.

In recent years, the Company recorded various one-time or non-cash or non-operational items affecting its reported numbers, including as a result of mergers and acquisitions, which resulted in the inclusion within its operating expenses of, mainly, the following items:

- **Amortization of legacy Purchase Price Allocation (PPA) of 2011 acquisition of Adama Solutions, a wholly-owned subsidiary of the Company (non-cash):** Under PRC GAAP, since the first combined reporting in Q3 2017 following the combination, the Company has inherited the historical “legacy” amortization charge that ChemChina previously was incurring in respect of its acquisition of Adama Solutions in 2011. This amortization is done in a linear manner on a quarterly basis, most of which will be fully amortized by the end of 2020. Its reported financial impact (affecting the Sales & Marketing expenses) in the first half of 2020 is RMB 133 million (USD 19 million), net of tax, compared with RMB 129 million (USD 19 million) in the corresponding period in 2019.
- **Amortization of Transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash):** The proceeds from the Divestment of crop protection products in connection with the approval by the EU Commission of the acquisition of Syngenta by ChemChina, net of taxes and transaction expenses, were paid to Syngenta in return for the transfer of a portfolio of products in Europe of similar nature and economic value. Since the products acquired from Syngenta are of the same nature, and with the same net economic value as those divested, the Divestment and Transfer transactions had no net impact on the underlying economic performance of the Company. Its reported financial impact (affecting the Sales & Marketing expenses) in the first half of 2020 is RMB 107.4 million (USD 15 million), compared with RMB 134 million (USD 20 million) in the corresponding period in 2019. Such non-cash charges in 2020 are expected to be approximately RMB 215 million (USD 31 million) (down from RMB 242 million (USD 35 million) in 2019), while in the full year of 2021 they are expected to further reduce to RMB 164 million (USD 23 million).
- **Employee early retirement plan expenses:** a one-time provision for the early retirement plan of employees at the Company’s Israeli manufacturing facilities, made mainly in the first quarter. Its reported financial impact (affecting the General & Administrative expenses) in the first half of 2020 is RMB 66 million (USD 9 million).

#### (4) **Financial Expenses:**

“Financial Expenses” alone mainly reflect interest payments on corporate bonds and bank loans as well as foreign exchange gains/losses on the bonds and other monetary assets and liabilities before the Company carries out any hedging. The impact of Financial Expenses (before hedging) is RMB 843 million (USD 120 million) for the first half of 2020 compared with RMB 938 million (USD 138 million) for the corresponding period in 2019.

Given the global nature of its operational activities and the composition of its assets and liabilities, the Company, in the ordinary course of its business, uses foreign currency derivatives (forwards and options) to hedge the cash flow risks associated with existing monetary assets and liabilities that may be affected by exchange rate fluctuations. Net gains/losses from hedging of those positions, are recorded in “**Gains/Losses from Changes in Fair Value**”, and are then transferred to “**Investment Income**” upon realization. The combined impact of **Gains/Losses from Changes**

**in Fair Value and Investment Income** is a net gain of RMB 303 million (USD 43 million) in the first half of 2020 compared with RMB 348 million (USD 51 million) in the corresponding period in 2019. The aggregate of **Financial Expenses, Gains/Losses from Changes in Fair Value and Investment Income** (hereinafter as “**Total Net Financial Expenses and Investment Income**”), which more comprehensively reflects the financial expenses of the Company in supporting its main business and protecting its monetary assets/liabilities, amounts to RMB 540 million (USD 77 million) in the first half of 2020 compared with RMB 590 million (USD 87 million) in the corresponding period in 2019.

The lower Total Net Financial Expenses and Investment Income in the first half largely reflects a reduction in financing costs on the NIS-denominated, CPI-linked bonds due to a lower CPI in Israel.

**(5) Income Tax expenses:**

The higher tax expenses in the first half are largely due to the first-quarter impact of the weakening of the Brazilian Real against the US dollar, which resulted in non-cash tax expenses due to differences between the functional currency (US dollar) and tax currency (BRL) with respect to the value of non-monetary assets.

**(6) Net income** in the second quarter was \$31 million (3.0% of sales) and \$29 million (1.4% of sales) in the first half compared to \$33 million (3.3% of sales) and \$87 million (4.3% of sales) in the corresponding periods last year. The net income of 2019 also benefited from a land expropriation. The Company estimates the net impact of the global currency headwinds on Net Income to be \$55 million in the second quarter and \$117 million in the half year period, in addition the impact from COVID-19 impact of an estimated \$12 million over the half year period.

**(7) Cash Flow:**

Operating cash flow of \$229 million was generated in the quarter and \$173 million was generated in the first half, compared to \$144 million generated and \$47 million consumed in the corresponding periods last year, respectively. The improved operating cash flow in both the quarter and first half mainly reflects the improvement in working capital during the periods compared to the parallel periods last year.

Net cash used in investing activities was \$62 million in the second quarter and \$116 million in the first half, compared to \$44 million and \$203 million in the corresponding periods last year, respectively. The increase in investments in the second quarter reflect capital investments in infrastructure, including relocations, as well as portfolio expansion, while the higher spend in the 2019 half-year period reflected the acquisition of Bonide in Q1 2019.

Free cash flow of \$127 million was generated in the second quarter and \$12 million in the first half compared to \$59 million generated and \$297 million consumed in the corresponding periods last year, respectively, reflecting the improvement in operating cash flow in the second quarter of this year, contrasted with the higher investment levels and acquisitions over the half-year period in 2019.

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

Applicable  Not applicable

None during the Reporting Period.

**List of the industries, products or regions which exceed 10% of the operating revenues or operating profits of the Company as at the Reporting Period**

Unit: RMB'000

	Operating revenues	Cost of goods sold	Gross Margin (%)	YoY increase/decrease of the operating revenues	YoY increase/decrease of the cost of goods sold	YoY increase/decrease of the gross margin
<b>Classified by industries</b>						
Manufacturing chemical raw materials and chemical products	14,121,040	9,904,470	29.86%	3.71%	9.77%	-8.19%
<b>Classified by products</b>						
Crop Protection	12,834,364	8,855,628	31.00%	4.32%	10.52%	-7.26%
Ingredients and Intermediates	1,286,676	1,048,842	18.48%	-2.04%	3.76%	-21.41%
<b>Classified by regions</b>						
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If the scope of the Company's main business was adjusted during the Reporting Period, the Company's annual financial data of main business according to the adjusted scope at the end of the year is disclosed as follows:

Applicable  Not applicable

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

Applicable  Not applicable

### III. Analysis of Non-Core Business

Applicable  Not applicable

Unit: RMB'000

	Amount	Proportion in total profit	Reasons	Whether sustained
Investment income	52,129	11.61%	Mainly from the realization of derivatives. See explanation of financial expenses.	No
Gain/loss from change of Fair Value	265,510	59.15%	Mainly from changes in fair value of derivatives. See explanation of financial expenses.	No
Asset impairment reversal (losses)	(25,376)	-5.65%	-	No
Gain or loss from disposal of assets	7,694	1.71%	-	No
Non-operating income	39,020	8.69%	-	No
Non-operating loss	13,441	2.99%	-	No

## IV. Analysis of Assets and Liabilities

### 1. Significant Changes in Asset Composition

Unit: RMB'000

	End of Reporting Period		End of same period of last year		Change in percentage (%)	Reason for significant change
	Amount	As a percentage of total assets (%)	Amount	As a percentage of total assets (%)		
Cash at bank and on hand	6,293,175	12.82%	5,425,392	11.84%	0.98%	
Accounts receivable	8,677,392	17.67%	7,674,381	16.75%	0.92%	
Inventories	10,618,794	21.63%	10,337,924	22.57%	-0.94%	
Investment properties	3,609	0.01%	3,933	0.01%	0.00%	
Long term equity investments	134,420	0.27%	135,075	0.29%	-0.02%	
Fixed assets	6,942,743	14.14%	7,167,032	15.65%	-1.51%	
Construction in progress	998,060	2.03%	534,351	1.17%	0.86%	
Short-term loans	1,893,876	3.86%	2,308,286	5.04%	-1.18%	
Long-term loans	2,224,678	4.53%	673,796	1.47%	3.06%	
Derivative financial assets	1,017,302	2.07%	416,991	0.91%	1.16%	
Intangible assets	5,543,526	11.29%	5,802,932	12.67%	-1.38%	
Goodwill	4,627,331	9.43%	4,298,747	9.38%	0.05%	
Deferred tax assets	857,313	1.75%	767,928	1.68%	0.07%	
Accounts payables	4,773,708	9.72%	4,178,668	9.12%	0.60%	
Employee benefits payable	985,533	2.01%	912,354	1.99%	0.02%	
Debentures	8,663,773	17.65%	8,152,990	17.80%	-0.15%	
Derivative financial liabilities	1,065,034	2.17%	688,267	1.50%	0.67%	
Other payables	1,342,465	2.73%	1,970,641	4.30%	-1.57%	

### 2. Assets and Liabilities Measured at Fair Value

 Applicable  Not applicable

Unit: RMB'000

Item	Opening balance	Profit/loss on fair value changes in the Reporting Period	Cumulative fair value changes charged to equity	Impairment provided in the Reporting Period	Purchased in the Reporting Period	Sold in the Reporting Period	Others	Closing balance
Financial assets								
Financial assets held for trading (excluding derivative financial assets)	29,510	-	-	-	-	(16,901)	-	12,609
Derivative financial assets (including long term)	508,705	740,120	(79,999)	-	359,509	(507,366)	-	1,020,969
Other equity investments	155,062	-	1,030	-	-	-	-	156,092
Total financial assets	693,277	740,120	(78,969)	-	359,509	(524,267)	-	1,189,670
Other	126,812	(2,152)	-	-	-	(46,809)	115	77,966
Total of above	820,089	737,968	(78,969)	-	359,509	(571,076)	115	1,267,636
Financial liabilities	717,057	350,972	-	-	-	-	-	1,068,029

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

 Yes  No

### 3. Limitation on Asset Rights as of End of the Reporting Period

At the end of this Reporting Period, restricted assets included RMB 37 million - restricted cash, most of which as guarantee for bank acceptance bills; and RMB 109 million - other non-current assets, mainly as guarantee for asset securitization and lawsuits.

## V. Investments Made

### 1. Overall Condition of the Total Investments Made

Applicable  Not applicable

Investment during the Reporting Period (RMB'000)	Investment during the Same Period Last Year (RMB'000)	+/-% YoY
41,529,668	25,350,061	63.82%

### 2. Significant Equity Investments during the Reporting Period

Applicable  Not applicable

### 3. Significant Non-Equity Investments executed during the Reporting Period

Applicable  Not applicable

### 4. Financial assets Measured at Fair value

Asset category	Initial investment cost	Profit/loss on fair value changes in the Reporting Period	Cumulative fair value changes charged to equity	Purchased in the Reporting Period	Sold in the Reporting Period	Accumulated investment income	Closing balance	Source of funds
Financial derivatives*	(208,352)	389,148	(79,999)	359,509	(507,366)	37,701	(47,060)	Internal finance
Others	184,572	-	1,030	-	(16,901)	-	168,701	Internal finance
<b>Total</b>	<b>(23,780)</b>	<b>389,148</b>	<b>(78,969)</b>	<b>359,509</b>	<b>(524,267)</b>	<b>37,701</b>	<b>121,641</b>	

\*Financial derivatives include both relevant financial assets and financial liabilities.

## 5. Financial Investments

### (1) Investments in Securities

Applicable  Not applicable

None during the Reporting Period.

**(2) Investments in Derivative Financial Instruments**√ Applicable  Not applicable

Unit: RMB'000

The party that operates the investment	Relation with the Company	Related party transaction or not?	Type	Initial investment amount	Starting date	Expiring date	Investment amount at beginning of the period	Amount purchased during the Reporting Period	Amount sold during the Reporting Period	Impairment accrued (if any)	Investment amount at end of the period	Percentage of investment amount divided by net asset at end of the period	Gain/loss during the Reporting Period
Banks	No	No	Option	2,078,908	26/04/2020	08/09/2020	2,078,908	3,703,626	-5,123,871	No	658,663	2.91%	116,744
Banks	No	No	Forward	19,122,640	13/02/2020	12/11/2020	19,122,640	37,826,042	-34,924,572	No	22,024,110	97.15%	272,403
<b>Total</b>				21,201,548	--	--	21,201,548	41,529,668	-40,048,443		22,682,773	100.06%	389,147
<b>Source of fund for the investment</b>				Internal.									
<b>Litigation-related situations (if applicable)</b>				N/A									
<b>Date of disclosure of Board approval (if any)</b>				December 30, 2017									
<b>Date of disclosure of Shareholders' approval (if any)</b>				N/A									
<b>Risk and control analysis for the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)</b>				<p>The aforesaid refers to short term hedging currency transactions made with banks.</p> <p>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.</p> <p>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.</p> <p>As to operational risk, the Group is working with relevant software, which is its back office for all transactions.</p>									

	<p>No legal risk is involved.</p> <p>The actions taken in order to further reduce risks are:</p> <ul style="list-style-type: none"> <li>• The relevant subsidiaries have specific guidelines, under the Group's policy, which were approved by the subsidiaries' financial statements committee of the board, which specifies, inter alia, the hedging policy, the persons that have the authorization to deal with hedging, the tools, ranges etc. The only subsidiary that has hedging positions in the Group in the period was Adama Solutions and its subsidiaries.</li> <li>• The relevant subsidiaries apply management designed procedures and controls, which among other things, monitor the working process and the controls of the hedging transactions and are quarterly reviewed and annually audited.</li> <li>• The controllers of the relevant subsidiaries are involved in the process and are monitoring the hedging accounting treatment.</li> <li>• Every 2-3 years the internal audit of the relevant subsidiaries' department is auditing the entire procedure.</li> </ul>
<p><b>Market price or fair value change of investments during the Reporting Period.</b></p> <p><b>Specific methodology and assumptions should be disclosed in the analysis of fair value of the investments</b></p>	<p>The aforesaid refers to short time hedging currency transactions made by the relevant subsidiary with banks.</p> <p>Segregation of duties as follows:</p> <p>For the fair value evaluation, the relevant subsidiary is usually using external experts. The relevant subsidiary hedges currencies only; the relevant transactions are simple (Options and forwards) for short terms. For fair value methodology see section XI of the Annual Report, note IX. Fair Value. The exchange rates are provided by the accounting department of the relevant subsidiary and all other parameters are provided by the experts.</p>
<p><b>Explanation for any significant changes in accounting policies and principles, compared with last reporting period</b></p>	<p>N/A</p>
<p><b>Independent Directors' opinion on the investment in derivative financial instruments and related risk controls</b></p>	<p>The derivative investments carried by the Company are for hedging and narrowing down the risk of market fluctuations. The investments respond to the Company's routine business demands and are in accordance with the relevant laws and regulations. Additionally, the Company has adopted Currency Risk Hedging Policy to strengthen the risk management and control which benefit the Company's ability to protect against market risk. The derivative investments do not harm the interests of the Company and its shareholders.</p>

## VI. Sale of Major Assets and Equity Interests

### 1. Sale of Significant Assets

Applicable  Not applicable

None during the Reporting Period.

### 2. Sale of Significant Equities

Applicable  Not applicable

## VII. Main Controlled and Joint Stock Companies

Applicable  Not applicable

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

Unit: RMB'000

Name	Type	Main services	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Adama Solutions	Subsidiary	Development, manufacturing and marketing of agrochemicals, intermediate materials for other industries, food additives and synthetic aromatic products, mainly for export.	720,085	41,587,425	16,910,238	13,266,084	485,150	219,858

Subsidiaries acquired or disposed during the Reporting Period

Applicable  Not applicable

\*Subsequent to the Reporting Period, on July 1, 2020, the Company (through its wholly owned subsidiary) acquired the remaining controlling stake (51%) in Alfa Agricultural Supplies S.A (a provider of crop protection and other agriculture-related inputs) for a non-material amount, resulting in the Company now holding 100% of such company.

## VIII. Structured Entities Controlled by the Company

Applicable  Not applicable

## IX. Performance Forecast for January-September 2020

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

Applicable  Not applicable



## X. Risks Facing the Company and Countermeasures

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

### Exchange rate fluctuations

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

On an annual perspective, approximately 26% of the Group's sales are to the European market and therefore the impact of long-term trends on the Euro may affect the Company's results and profitability.

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

The Group uses commonly accepted financial instruments to hedge most of its substantial net balance sheet exposure to any particular currency. Nonetheless, since as part of these operations the Group hedges against most of its balance sheet exposure and only against part of its economic exposure, exchange rate volatility might impact the Group's results and profitability. As of the date of approval of the financial statements, the Group has hedged most of its balance sheet exposure for 2020 as it is on the date of publication of this Report.

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

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

The debentures issued by Adama Solutions, the material subsidiary of the Company, are Israeli Shekel based and linked to the Israel Consumer Price Index (CPI) and therefore an increase in the CPI and an appreciation of the shekel rate against the dollar might lead to a significant increase in its financing expenses. As of the date of approval of the financial statements, Adama Solutions hedged most of its exposure to these risks on an ongoing basis, through CPI hedging and USD-ILS exchange rate hedging transactions.

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

### **Business operations in emerging markets**

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

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

### **Operating in a competitive market**

The crop protection products industry is highly competitive. Currently, the industry's global market is shared by seven global companies, five of which are originator companies that continue producing and marketing their original products after their patent expiry ("**Originator Companies**") which control 60% of the global market with annual sales of over USD six billions in the crop protection field (not including the seeds activity), these being Corteva, Bayer, BASF Syngenta and FMC, which develop, manufacture and market both patent-protected as well as off-patent products. The Group competes with the original products with the aim of maintaining and increasing its market share.

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

Similarly, the Group also competes in the more decentralized off-patent market, with other off-patent companies and smaller-scale Originator Companies, which have significantly grown in number in recent years and are materially changing the face of the crop protection products industry, the majority of whom have not yet deployed global distribution networks, and are only active locally. These companies price their products aggressively and at times have lower profit margins than the Group, which may harm the

volume of the Group's sales and product prices. The Group's ability to maintain its revenues and profitability from a specific product in the long term is affected by the number of companies producing and selling comparable off-patent products and the time of their entrance to the relevant market.

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

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

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

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

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

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

negligence or malice.

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

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

### **Legislative, standard and regulatory changes in product registration**

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

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

### **Product liability**

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

### **Successful market penetration and product diversification**

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

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

### **Intellectual property rights of the Group and of third parties**

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

The Group is also exposed to legal claims that its products or production processes infringe on third-party intellectual property rights. Such claims may involve time, costs, substantial damages and management resources, impair the value of the Group's brands and its sales and adversely affect its results. To the best of the Group's current knowledge, such lawsuits that were concluded involved non-material amounts. Furthermore, the Group protects its brands and trade secrets with patents, trademarks and other methods of intellectual property protection, however these protective means may not be sufficient for safeguarding its intellectual property. Any unlawful or other unauthorized use of the Group's intellectual property rights could adversely affect the value of its intellectual property and goodwill. In addition, the Group may be required to take legal action involving financial costs and resources to safeguard its intellectual property rights.

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

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

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

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

#### **Exposure due to recent developments in the genetically modified seeds market**

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

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

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

#### **Operational risks**

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

#### **Data protection and cyber**

During its activity, the Group may be exposed to risks and threats, related to the stability of its information technologies systems, data protection and cyber, which could appear in many different forms (such as service denial, misleading employees, malfunction, encryption or data erasing and other cyber-attacks via E-mail or malicious software). An attack on such computerized systems, mainly network based systems may cause the group material damages and expenses and even partial suspension and disruption of their proper functioning. In order to minimize the abovementioned risks, the group invests resources in its technological strength and in proper protection of its systems.

#### **Raw material supply and/or shipping and port services disruptions**

Lack of raw materials or other inputs utilized in the manufacture of Group products may prevent the Group from supplying its products or significantly increase production costs. Moreover, the Group imports raw materials to its production facilities worldwide, from where it exports the products to its subsidiaries around the world for formulation and/or commercialization purposes. Disruptions in the supply of raw materials from regular suppliers may adversely affect operations until an alternative supplier is engaged. If any of the Group's suppliers are unable to supply raw materials for a prolonged period, including due to ongoing disruptions and/or prolonged strikes and/or infrastructure defects in the operating of a relevant

port, and the Group is unable to engage with an alternative supplier at similar terms and in accordance with product registration requirements, this may adversely affect the Group's results, significantly affect its ability to obtain raw materials in general, or obtain them at reasonable prices, as well as limit its ability to supply products and/or meet customer supply deadlines. These might negatively affect the Group, its finances and operating results. In order to reduce this risk, it is the Group's practice to occasionally adjust the volume of its product inventories and at times utilize air freight.

#### **Failed mergers and acquisitions; difficulties in integrating acquired operations**

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

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

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

#### **Production concentration in limited plants**

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

#### **International taxation**

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

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

The Group's Financial Statements do not include a material provision for exposure for international taxation, as stated above.

#### **Risks arising from the Group's debt**

The Group finances its business operations by means of its own equity and loans from external sources (primarily debentures issued by 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 might be in double until actual repayment and the insurance cover of these customers is likely to be limited. Credit default by any of the customers may negatively impact the Group's cash flow and financial results.

### **The Group's working capital and cash flow needs**

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

### **Contagious disease outbreak**

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



## Section V - Significant Events

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

#### 1. Meetings of Shareholders Convened during the Reporting Period

Meeting	Type	Investor participation ratio	Convened date	Disclosure date	Index to disclosed information
1 <sup>st</sup> Interim Shareholders Meeting in 2020	Interim	75.55%	March 30, 2020	March 31, 2020	Announcement of the Resolutions of the 1 <sup>st</sup> Interim Shareholders Meeting in 2020 (announcement no. 2020-17, <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> )
2 <sup>nd</sup> Interim Shareholders Meeting in 2020	Interim	78.46%	April 9, 2020	April 10, 2020	Announcement of the Resolutions of the 2 <sup>nd</sup> Interim Shareholders Meeting in 2020 (announcement no. 2020-20, <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> )
2019 Annual General Meeting	Annual	76.22%	May 20, 2020	May 21, 2020	Announcement of the Resolutions of 2019 Annual General Meeting (announcement no. 2020-31, <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> )

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

Applicable  Not applicable

### II. Basic Information on the Profit Distribution and Converting Capital Reserve into Share Capital in the Reporting Period

Applicable  Not applicable

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

### III. Commitments completed by the Company, the shareholders, the actual controllers, the purchasers, or other related parties during the Reporting Period, and those which should have been completed failed to be fulfilled during the Reporting Period

Applicable  Not applicable

Note 1: No commitment that should have been completed during the Reporting Period failed to be timely fulfilled. For details of the on-going commitments, please refer to the 2019 Annual Report published on the website [www.cninfo.com.cn](http://www.cninfo.com.cn) on April 28, 2020.

Note 2: On May 20, 2020, the 2019 Annual General Meeting reviewed and approved the Proposals relating to the performance compensation. On July 13, 2020, Syngenta Group timely fulfilled its commitment and completed the performance compensation. For details, please refer to Announcement on the Completion of Buyback and Cancellation of the Compensation Shares (announcement no.2020-36) published on the website [www.cninfo.com.cn](http://www.cninfo.com.cn).

Note 3: On August 3, 2020, 1,708,450,759 restricted shares held by Syngenta Group issued as part of the 2017 Major Assets Restructuring were released for public trading. For details, please refer to Announcement on the Release of Restricted Shares issued for the Major Assets Restructuring (announcement no.2020-38) published on the website [www.cninfo.com.cn](http://www.cninfo.com.cn).

#### IV. Engagement and Disengagement of CPA Firm

Has the semi-annual financial report been audited?

Yes  No

This Semi-Annual Report is unaudited.

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

Applicable  Not applicable

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

Applicable  Not applicable

#### VII. Bankruptcy and Restructuring

Applicable  Not applicable

None during the Reporting Period.

#### VIII. Litigation and Arbitration Matters

Material litigations or arbitrations:

Applicable  Not applicable

None during the Reporting Period.

Other litigations or arbitrations:

Applicable  Not applicable

No significant litigation or arbitrations during the Reporting Period.

## IX. Enquiry from Media

Applicable  Not applicable

During the Reporting Period, no matter of the Company was widely enquired by the media.

## X. Punishment and Rectification

Applicable  Not applicable

### Status of Rectification

Applicable  Not applicable

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

Applicable  Not applicable

## XII. Stock Incentive Plans, ESOP or Other employee Incentives

Applicable  Not applicable

To the date of the report, the Company does not have stock incentive plans, ESOP or other staff incentives. It shall be noted, that the Company's subsidiary, Adama Solutions, approved in December 2017 and in February 2019 long-term incentive plans and granted long-term cash rewards to executive officers and employees, which are based on the performance of the Company's shares (phantom cash incentives). In September 2019, the cash rewards granted according to the 2017 long-term incentive plan were replaced by cash rewards granted according to an approved replacement plan. Adama Solutions has further adopted an incentive plan linked to the increase in the Syngenta Group EBITDA.

## XIII. Material Related-Party Transactions

### 1. Related-Party Transactions in the ordinary course of business

Applicable  Not applicable

- (1) The Company was not involved in any material related-party transactions during the Reporting Period.
- (2) Item X of Section XI "Financial Statements" of this Report sets out the related parties and the related-party transactions of the Company.

### 2. Related-Party Transactions arising from Asset acquisition or sale

Applicable  Not applicable

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

### 3. Related-Party Transactions with Joint Investments

Applicable  Not applicable

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

Reporting Period.

#### 4. Credits and Liabilities with Related Parties

Applicable  Not applicable

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

Yes  No

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

#### 5. Other material related-party transactions

Applicable  Not applicable

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

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

Name of the interim announcement	Disclosure date of the interim announcement	Website to disclose the interim announcement
Amended Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2020 (announcement no. 2019-30)	May 12, 2020	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>

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

Applicable  Not applicable

No such situation occurred during the Reporting Period.

### XV. Particulars regarding material contracts and execution thereof

#### 1. Particulars about trusteeship, Contract and Lease

##### (1) Trusteeship

Applicable  Not applicable

There was no trusteeship of the Company in the Reporting Period.

##### (2) Contract operation

Applicable  Not applicable

There was no contract operation of the Company in the Reporting Period.

##### (3) Lease

Applicable  Not applicable

There is no major lease in the Reporting Period.

## 2. Significant Guarantees

### (1) Details of guarantees

√ Applicable  Not applicable

Unless otherwise specified, the unit hereunder is RMB '0000

Guarantees provided by the Company in favor of third parties (excluding subsidiaries)								
Guaranteed party	Disclosure date of the announcement	Planned guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Period of guarantee	expired or not	Guarantee for a related party or not
--	--	--	--	--	--	--	--	--
Total guarantee line approved in favor of third parties (excluding subsidiaries) during the reporting period (A1)			0	Total amount of the occurred guarantee in favor of third parties (excluding subsidiaries) during the reporting period (A2)			0	
Aggregated guarantee line in favor of third parties (excluding subsidiaries) that has been approved by the end of the reporting period (A3)			5,000	Total guarantee balance in favor of third parties (excluding subsidiaries) by the end of the reporting period (A4)			0	
Guarantees provided by the Company in favor of its subsidiaries								
Guaranteed party	Disclosure date of the announcement	Planned guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Period of guarantee	expired or not	Guarantee for a related party or not
ADAMA Anpon (Jiangsu) Ltd.	May 18, 2019	80,000	November 13, 2019	5,000	joint and several liability	Two years after the loan matures	No	No
ADAMA Anpon (Jiangsu) Ltd.	August 22, 2019	63,000	October 10, 2019	4,000	Joint liability and several liability	Two years after the loan matures	No	No
			November 19, 2019	5,000	joint and several liability	Three years after the loan matures	No	No

			December 10, 2019	5,000	joint and several liability	Three years after the loan matures	No	No	
			December 26, 2019	5,000	joint and several liability	Three years after the loan matures	No	No	
			December 26, 2019	2,000	Joint liability and several liability	Two years after the loan matures	No	No	
ADAMA Anpon (Jiangsu) Ltd.	February 27, 2020	130,900	April 1, 2020	6,400	Joint liability and several liability	Two years after the loan matures	No	No	
			April 1, 2020	2,000	Joint liability and several liability	Two years after the loan matures	No	No	
			April 2, 2020	5,000	Joint liability and several liability	Three years after the loan matures	Yes. The loan had been repaid.	No	
			May 19, 2020	3,000	Joint liability and several liability	Three years after the loan matures	No	No	
			May 27, 2020	5,000	Joint liability and several liability	Three years after the loan matures	No	No	
			June 16, 2020	2,000	Joint liability and several liability	Two years after the loan matures	No	No	
			June 29, 2020	5,000	Joint liability and several liability	Three years after the loan matures	No	No	
<b>Total guarantee line approved</b>		130,900	<b>Total amount of the occurred</b>				28,400		

in favor of the subsidiaries during the reporting period (B1)				guarantee in favor of the subsidiaries during the reporting period (B2)				
Aggregated guarantee line that has been approved in favor of the subsidiaries by the end of the reporting period (B3)		273,900		Total guarantee balance in favor of the subsidiaries by the end of the reporting period (B4)		49,400		
Guarantees provided by subsidiaries in favor of subsidiaries (USD '0000)								
Guaranteed party	Disclosure date of the announcement	Planned guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Period of guarantee	expired or not	Guarantee for a related party or not
Control Solutions, Inc.	October 31, 2018	1,300	October 30, 2018	1,300	joint and several liability	Generally 7 years (subject to the overseas laws)	No	No
Control Solutions, Inc.	January 10, 2019	4,000	January 9, 2019	4,000	joint and several liability	The loan term (5 years) and any applicable statute of limitations period (generally 7 years).	No	No
ADAMA Brazil	Not applicable	27,399.55	The guarantee existed before the company was consolidated into the financial statements of the Company.	5,329.19	joint and several liability	Valid until cancelled	No	No
Adama India Private Ltd.	Not applicable	9,019.2	The guarantee existed before the company was	1,581	joint and several liability	Valid until cancelled	No	No

			consolidated into the financial statements of the Company.					
ADAMA (Beijing) Agricultural Technology Company Limited	Not applicable	2,500	The guarantee existed before the company was consolidated into the financial statements of the Company.	0	joint and several liability	Valid until cancellation	No	No
ADAMA Turkey Tarım Sanayi ve Ticaret Limited Şirketi	Not applicable	3,850	The guarantee existed before the company was consolidated into the financial statements of the Company.	TRY 151,320k (approximately USD 2,200.19)	joint and several liability	Valid until cancelled	No	No
Adama Makhteshim	Not applicable	unlimited	The guarantee existed before the company was consolidated into the financial statements of the Company.	15,146.7	joint and several liability	Valid until cancelled	No	No
Adama Agan	Not applicable	unlimited	The guarantee existed before the company was consolidated into the financial statements of the Company.	20,077.9	joint and several liability	Valid until cancelled	No	No
ADAMA Agricultural Solutions UK Ltd.	Not applicable	365.64	The guarantee existed before the company was consolidated into the financial statements of	0	joint and several liability	Valid until cancelled	No	No



			the Company.					
ADAMA CELSIUS BV, Curacao branch, & ADAMA Fahrenheit BV, Curacao Branch	Not applicable	4,500	The guarantee existed before the company was consolidated into the financial statements of the Company.	196.27	joint and several liability	Valid until cancelled	No	No
ADAMA Ukraine LLC	Not applicable	2,500	The guarantee existed before the company was consolidated into the financial statements of the Company.	1,491	joint and several liability	Valid until cancelled	No	No
<b>Total guarantee line approved in favor of the subsidiaries during the reporting period (C1)</b>		--		<b>Total amount of the guarantee in favor of the subsidiaries occurred during the reporting period (C2)</b>			USD 51,322.25 (approximately RMB 363,335.87)	
<b>Aggregated guarantee line that has been approved in favor of the subsidiaries by the end of the reporting period (C3)</b>		USD 55,434.39 (approximately RMB 386,721.39)		<b>Total guarantee balance in favor of the subsidiaries by the end of the reporting period (C4)</b>			USD 51,322.25 (approximately RMB 363,335.87)	
<b>Total guarantee amount provided by the Company (total of the above-mentioned three kinds of guarantees)</b>								
<b>Total guarantee line approved during the reporting period (A1+B1+C1)</b>		130,900		<b>Total actual occurred amount of guarantee during the reporting period (A2+B2+C2)</b>			391,735.87	
<b>Total guarantee line that has been approved at the end of the reporting period (A3+B3+C3)</b>		665,621.39		<b>Total actual guarantee balance at the end of the reporting period (A4+B4+C4)</b>			412,735.87	
<b>Proportion of total guarantee amount (A4+B4+C4) to the net assets of the Company</b>							18.21%	
<b>Of which:</b>								
<b>The balance of the guarantee provided in favor of the controlling shareholder and related party.</b>							0	
<b>Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70%</b>							USD 24,167.08 (approximately RMB 168,589.55)	

directly or indirectly (E)	
The amount of the guarantee that exceeds 50% of the net assets	0
Total amount of the above three guarantees (D+E+F)	USD 24,167.08 (approximately RMB 168,589.55)
As for undue guarantee, liability to guarantee has happened or joint liquidated liability may be undertaken during this Reporting Period (if existing)	--
Regulated procedures are violated to offer guarantee (if existing)	--

## (2) Illegal guarantee

Applicable  Not applicable

Non during the Reporting Period.

## 3. Wealth management entrustment

Applicable  Not applicable

No such cases in the Reporting Period.

## 4. Other Significant Contracts

Applicable  Not applicable

Non during the Reporting Period.

## XVI. Social Responsibilities

### 1. Environmental Situation

Is the Company listed as a “Key Polluting Entity” by the environmental protection agencies?

Yes

Company name	Main pollutants and special pollutants	Way of emission	Number of emission points	Layout of emission points	Concentration	Pollution standards applied	Total amount emitted/ discharged	Total amount approved	Exceeding limit
ADAMA	COD	Continuous	2	Centralized discharge point	Within limit	(1) for the old site: Comprehensive Standard on Discharge of Waste Water (GB8978-2002) , COD<100mg/L; (2) for the new site: Discharge Standards for Pollutants from Urban Sewage Treatment Plant (GB 18918 – 2002), COD <50mg/L	12.868	391.3	No
ADAMA	Ammonia nitrogen	Continuous	2	Centralized discharge point	Within limit	(1) for the old site: Comprehensive Standard on Discharge of Waste Water (GB8978-2002), ammonia nitrogen<15mg/L; (2) for the new site: Discharge Standards for Pollutants from Urban Sewage Treatment Plant (GB 18918 – 2002), ammonia nitrogen<8mg/L;	0.619	50	No
ADAMA	Total Phosphorous	Continuous	2	Centralized Discharge Point	Within Limit	for the old site & new site: Discharge Standards for Pollutants from Urban Sewage Treatment Plant (GB 18918 – 2002), total phosphorous <0.5mg/L	N/A	N/A	No

Company name	Main pollutants and special pollutants	Way of emission	Number of emission points	Layout of emission points	Concentration	Pollution standards applied	Total amount emitted/ discharged	Total amount approved	Exceeding limit
ADAMA	NOx	Continuous	1	Power plant	Within limit	Standard on Air Pollution of Power Plant (GB13223-2011) NOx <200mg/m	7.73	564.7	No
ADAMA	SO2	Continuous	1	Power plant	Within limit	Standard on Air Pollution of Power Plant (GB13223-2011) SO2<200mg/m3	0.841	380	No
ADAMA	Fume and dust	Continuous	1	Power plant	Within limit	Standard on Air Pollution of Power Plant (GB13223-2011) Fume and dust <30mg/m3	0.192	80	No
Anpon	COD	Continuous	3	Centralized Discharge Point	Within Limit	Comprehensive Standard on Discharge of Waste Water (GB8978-2002), COD<500mg/L	196	292.88	None
Anpon	Ammonia Nitrogen	Continuous	3	Centralized Discharge Point	Within Limit	Water Quality Standard for Sewage Discharged into Urban Sewerage (GBT 31962-2015) , Ammonia Nitrogen <45mg/L	2.26	30.117	None
Anpon	Total Phosphorous	Continuous	3	Centralized Discharge Point	Within Limit	For Anpon: Water Quality Standard for Sewage Discharged into Urban Sewerage (GBT 31962-2015) , total phosphorous <8mg/L; For Anpon's branch Maidao: Agreement on Waste Water Discharge, total phosphorous <3mg/L;	N/A	N/A	None
Anpon	NOx	Continuous	1	Power	Within Limit	Standard on Air Pollution of Power Plant	8.9428	447.366	None

Company name	Main pollutants and special pollutants	Way of emission	Number of emission points	Layout of emission points	Concentration	Pollution standards applied	Total amount emitted/ discharged	Total amount approved	Exceeding limit
				Plant		(GB13223-2011) NOx <100mg/m <sup>3</sup>			
<b>Anpon</b>	SO <sub>2</sub>	Continuous	1	Power Plant	Within Limit	Standard on Air Pollution of Power Plant (GB13223-2011) SO <sub>2</sub> <50mg/m <sup>3</sup>	0.977	447.366	None
<b>Anpon</b>	Fume and Dust	Continuous	1	Power Plant	Within Limit	Standard on Air Pollution of Power Plant (GB13223-2011) Fume and Dust<20mg/m <sup>3</sup>	1.689	67.105	None

**(1) Development and Operation of Environmental Facilities**

## 1. Development and Operation of Waste Water Facilities

There are waste water treatment facilities in both the Company and Anpon with the designed capacity of 37,400 tons/day and 11,000 tons/day, respectively. As all the facilities are operating well, COD, ammonia nitrogen, and total phosphorous discharged after the treatment are within the limit.

## 2. Development and Operation of Waste Gas Facilities

The exhaust treatment facilities in the coal-based power plants of the Company and Anpon are running well. Therefore, SO<sub>2</sub>, Nitrogen oxide and fume and dust discharged after the treatment are within the limit.

3. The Company and Anpon disclose production and pollution information according to the *Interim Measures on Environmental Information Disclosure* and transfers information of main waste water and air pollutants to the information platform of the local environmental bureau on a daily basis.**(2) EIA of construction projects and other environmental administrative permits**

No.

**(3) Contingency plan of environmental accidents**

The Company and its relevant subsidiaries have formulated *the Contingency Plan for Environmental Emergencies* according to their production facilities and industry features, and then submitted files to the local environmental protection authorities as record.

**(4) Environment self-monitoring plan**

the Company attributes great importance to protecting the environment, out of a sense of responsibility to society and the environment and strives to meet the relevant regulatory requirements and to even go beyond mere compliance, engaging in constant dialogue with stakeholders, including the authorities and the community.

In order to improve the environmental management, track the discharge of various pollutants, evaluate the impact on the surrounding environment, strengthen the discharge management of pollutants in the production process, accept the supervision and inspection of environmental authorities and provide reference for pollution prevention and control, the company and its subsidiary Anpon have formulated a self-monitoring plan, which conducts regular tests in strict accordance with the requirements.

The major monitored indicators and frequency of the Company and Anpon are as the following:

## 1. Monitored Indicators

Waste water: COD, NH<sub>3</sub>-N, PH, SS, Petroleum, TP.

Air Pollutant: SO<sub>2</sub>, Nitrogen oxide, Fume and Dust.

Noise: Noise at the Site Border

## 2. Frequency

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

monitoring

Manual sampling: SS, Petroleum, TP, once a month.

Noise: once a quarter.

The Company continually examines the implications of the environmental laws, taking actions to prevent or mitigate the environmental risks and to reduce the environmental effects that may result from its activities, and invests extensive resources to fulfill those legal provisions that are, and are anticipated to, affect it. The Company's plants are subject to atmospheric emissions regulations, whether by virtue of the stipulations provided in the business licenses or under the applicable law. Hazardous materials are stored and utilized in the Company's plants, together with infrastructures and facilities containing fuels and hazardous materials. The Company takes actions to prevent soil and water pollution by these materials and treats them, if revealed. The Company's plants conduct various soil surveys, risk surveys and tests with regard to treatment of the soil or ground water at the plants.

The Company intends to continue investing in environmental protection, to the extent required and beyond this, whether on its own volition or in compliance with contractual commitments, regulatory or legal standards relating to environmental protection, so as to realize its best available policy and comply with any legal requirements.

As part of its policy of ecological process improvement, the Company also invests in remediation, changes in production processes, establishment of sewage facilities, as well as in byproduct storage and recycling.

**(5) Other environmental information that should be disclosed**

No.

**(6) Other related information on environmental protection**

No.

**2. Perform the social responsibility of targeted poverty alleviation**

**(1) Targeted Poverty Alleviation Planning**

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

**(2) Half-year Overview**

During the Reporting Period, the trade union of the Company actively responded to the call of Hubei Provincial Federation of trade unions and Jingzhou Municipal Federation of trade unions, and purchased RMB 229,950 of poverty relief materials from Xuanen County of Enshi City.

**(3) Results of Targeted Poverty Alleviation**

Indicator	Measurement unit	Number/Progress
I. General condition	RMB'0,000	22.995
Of which: 1. Capital	RMB'0,000	—
2. Material	RMB'0,000	22.995
II. Itemized investment	—	—
1. Out of poverty by industrial development	—	—
Of which: 1.1 type of industrial development out of poverty	—	
1.2 number of industrial development out of poverty	Unit	
1.3 investment amount of industrial development out of poverty	RMB'0,000	
1.4 the number of people out of poverty who were helped to establish card for archives	Number	
2. Out of poverty by transferring employment	—	—
3. Out of poverty by relocating	—	—
4. Out of poverty by education	—	—
5. Out of poverty by improving health	—	—
6. Out of poverty by protecting ecological environment	—	—
7. Subsidy for the poorest	—	—
8. Social poverty alleviation	RMB'0,000	22.995
9. Other items	—	—
III. Received awards (contents and rank)	—	—

**(4) Follow-up Plan**

The Company will continue to perform its obligation of poverty alleviation based on the requirements of central, local governments and ChemChina.

**XVII. Other Significant Events**

✓ Applicable  Not applicable

1. In June 2020, after the completion of the Company's shares transfer from CNAC to Syngenta Group, the Company became a distinctive member of the newly established Syngenta Group - a world leader in agricultural inputs, spanning crop protection, seeds, fertilizers, additional agricultural and digital technologies, as well as an advanced distribution network in China, maintaining its unique brand and positioning.

2. Within the context of the 2017 combination between the Company and Solutions, the Company entered into a Performance Compensation Agreement with CNAC, then the 100% owner of Solutions and the controlling shareholder of the Company, according to which, CNAC made a commitment regarding Solutions' aggregate net profit in the years 2017-



2019. In case of failure to meet such commitment, CNAC committed to compensate the Company either through shares or cash according to a predetermined formula. Despite Solutions' strong performance during the three-year period, due to exogenous reasons, the calculated net profit of Solutions for this period implies a certain shortfall.

As a result, Syngenta Group (the current direct shareholder of the Company since June 15, 2020), executed such compensation commitment, which consists of two parts: (1) the buyback and cancellation of 102,432,280 A shares (executed on July 13, 2020), and (2) the return of distributed dividends RMB 17,618,352 (executed on July 14, 2020).

The following are the relevant announcements disclosed on the website [www.cninfo.com.cn](http://www.cninfo.com.cn).

Announcements	Disclosure date
Announcement on the Transfer of State-owned Shares of Controlling Shareholders (announcement no. 2020-1)	January 6, 2020
Announcement-SinoChem Group and ChemChina Planning for Strategic Restructuring (announcement no. 2020-4)	January 23, 2020
Announcement on the Completion of the Registration of the Transfer of State-owned Shares held by the Controlling Shareholder (announcement no. 2020-33)	June 17, 2020
Announcement on the Overall Achievement of the Committed Performance Included in the Major Assets Restructuring and the Planned Compensations to the Company by the Obligors (announcement no. 2020-25)	April 28, 2020
Announcement on the Completion of Shares Buyback and Cancellation of Compensation Shares (announcement no. 2020-36)	July 15, 2020

## XVIII. Significant Events of Subsidiaries

Applicable  Not applicable

## Section VI - Share Changes and Shareholders

### I. Changes in shares

#### 1. Changes in shares

Unit: share

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

Note: In July 2017 the Company issued CNAC 1,810,883,039 common shares of the Company in consideration for 100% equity of Adama Solutions. According to the commitment made by CNAC, the said shares were restricted from public trading until August 2, 2020. On June 15, 2020, CNAC transferred the said shares to Syngenta Group free of charge. In addition, following the completion of the compensation commitments made in the context of the acquisition of Solutions, on July 13, 2020 the total shares of the Company reduced from 2,446,553,582 to 2,344,121,302, and the restricted shares reduced from 1,810,883,039 to 1,708,450,759. On August 3, 2020, restriction on the public trading of the above shares was lifted. For details, please refer to Announcement on the Release of Restricted Shares issued for the Major Assets Restructuring (announcement no.2020-38) published on the website [www.cninfo.com.cn](http://www.cninfo.com.cn).

**Reasons for the change in shares**

Applicable  Not applicable

**Approval of the change in shares**

Applicable  Not applicable

**The registered status for the change in shares**

Applicable  Not applicable

**Status of share buyback**

Applicable  Not applicable

Subsequent to the Reporting Period, on August 19, 2020, the 26<sup>th</sup> meeting of the 8<sup>th</sup> session of the Board of Directors approved a Repurchase Plan for up to 26 million Domestically Listed Foreign B-shares, constituting up to 15.6% of the Company's B-shares and up to 1.1% of its total shares outstanding, at an expected cost in the range of approximately RMB 66.3 million to RMB 132.6 million, which is subject to the shareholders' further approval. For details, please refer to the Repurchase Plan for Part of the Company's Domestically Listed Foreign Shares (B share) published by the Company on the website [www.cninfo.com.cn](http://www.cninfo.com.cn) on August 21, 2020.

**Status of share buyback in the way of centralized bidding**

Applicable  Not applicable

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

Applicable  Not applicable

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

Applicable  Not applicable

## 2. Changes in Restricted Shares

Applicable  Not applicable

Shareholders	Restricted shares at the opening of the Reporting Period	Shares released in the Reporting Period	Restricted shares increased in the Reporting Period	Restricted shares at the end of the Reporting Period	Restriction reasons	Date of release
Syngenta Group Co., Ltd.	1,810,883,039	0	0	1,810,883,039*	Commitment not to trade	August 3, 2020
Jiang Chenggang	4,500	0	0	4,500	Shares held by a supervisor should be locked up.	Six months after the expiration of the term
<b>Total</b>	<b>1,810,887,539</b>	<b>0</b>	<b>0</b>	<b>1,810,887,539</b>	--	--

\* As mentioned above in Section VI "Changes in shares", on July 13, 2020, the number of restricted shares held by Syngenta Group reduced to 1,708,450,759, and on August 3, 2020, restriction on the public trading of those shares was lifted.

## II. Issuance and Listing of Securities

Applicable  Not applicable

### III. Total Number of Shareholders and Their Shareholdings

Unit: share

Total number of shareholders as of the end of the Reporting Period		49,602 (the number of ordinary A share shareholders is 34,498; the number of B share shareholders is 15,104)			Total number of preferred stockholders with vote right restored (if any) as of the end of the Reporting Period		0	
Shareholding of shareholders holding more than 5% shares								
Name of shareholder	Nature of shareholder	Holding percentage (%)	Number of shareholding at the end of the Reporting Period	Increase and decrease of shares during Reporting Period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Pledged or frozen shares	
							Status of shares	Amount
Syngenta Group Co., Ltd.	State-owned legal person	74.02%	1,810,883,039	1,810,883,039	1,810,883,039	--	--	--
Jingzhou Sanonda Holding Co., Ltd.	State-owned legal person	4.89%	119,687,202	--	--	119,687,202	--	--
China Cinda Asset Management Co., Ltd.	State-owned legal person	1.37%	33,557,046	--	--	33,557,046	--	--
China Structural Reform Fund Co., Ltd.	State-owned legal person	1.37%	33,557,046	--	--	33,557,046	--	--
Portfolio No.503 of National Social Security Fund	Others	0.94%	23,000,052	1,499,955	--	23,000,052	--	--
UBS AG	Overseas legal person	0.68%	16,634,350	16,634,350	--	16,634,350	--	--
CCB Principal-ICBC-Avic Trust, Trust Plan of Pooled Funds of CCB Principal Private Placement Investment, Tianqi (2016) No. 293 of Avic Trust	Others	0.53%	12,885,906	-	-	12,885,906	--	--
Caitong Fund Fuchun Chuangyi Private Placement No.3 Asset Management Plan	Others	0.19%	4,697,986	--	--	4,697,986	--	--
GUOTAI JUNAN	Overseas	0.18%	4,319,872	-79,700	--	4,319,872	--	--

SECURITIES(HONGKONG) LIMITED	legal person							
Qichun County State-owned Assets Administration	State-owned	0.17%	4,169,266	--	--	4,169,266	--	--
<b>Strategic investors or the general legal person due to the placement of new shares become the top 10 shareholders (if any)</b>	Not applicable							
<b>Explanation on associated relationship or/and persons</b>	Syngenta Group Co., Ltd. and Jingzhou Sanonda Holdings Co., Ltd. are related parties, and are acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies. Both of them are controlled subsidiaries 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.							
<b>Details of shares held by top 10 shareholders not subject to trading moratorium</b>								
Name of shareholder	Number of shares held not subject to trading moratorium at the end of the period	Type of share						
		Type of share	Amount					
Jingzhou Sanonda Holding Co., Ltd.	119,687,202	RMB ordinary share	119,687,202					
China Cinda Asset Management Co., Ltd.	33,557,046	RMB ordinary share	33,557,046					
China Structural Reform Fund Co., Ltd.	33,557,046	RMB ordinary share	33,557,046					
National Social Security Fund Portfolio 503	23,000,052	RMB ordinary share	23,000,052					
UBS AG	16,634,350	RMB ordinary share	16,634,350					
CCB Principal-ICBC-Avic Trust, Trust Plan of Pooled Funds of CCB Principal Private Placement Investment, Tianqi (2016) No. 293 of Avic Trust	12,885,906	RMB ordinary share	12,885,906					
Caitong Fund Fuchun Chuangyi Private Placement No.3 Asset Management Plan	4,697,986	RMB ordinary share	4,697,986					
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	4,319,872	Domestically listed foreign share	4,319,872					
Qichun County State-owned Assets Administration	4,169,266	RMB ordinary share	4,169,266					
Hong Kong Securities Clearing Company Ltd.	4,007,531	RMB ordinary share	4,007,531					
<b>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</b>	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.							
<b>Particular about shareholder participate in the securities lending and borrowing business (if any)</b>	--							

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

Yes  No

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

#### IV. Change of the Controlling Shareholder or the Actual Controller

Change of the controlling shareholder in the Reporting Period

Applicable  Not applicable

New Direct Controlling Shareholder	Syngenta Group Co., Ltd. - a wholly owned subsidiary of CNAC, the former direct controlling shareholder of the Company
Date of the Change of Controlling Shareholder	June 15, 2020
Disclosure Index	Announcement on the Completion of the Registration of the Transfer of State-owned Shares held by the Controlling Shareholder (No. 2020-33)
Disclosure Date	June 17, 2020

Change of the actual controller in the Reporting Period

Applicable  Not applicable

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

## Section VII - Preferred stock

Applicable  Not applicable

There was no preferred stock during Reporting Period.



## Section VIII - Convertible Bonds

Applicable  Not applicable

No such cases in the Reporting Period.

## Section IX - Directors, Supervisors and Senior Management

### I. Changes in Shareholdings of Directors, Supervisors and Senior Management

Applicable  Not applicable

No such cases in the Reporting Period that were not described in the Annual Report. For details, see Annual Report 2019.

### II. Changes in Directors, Supervisors and Senior Management

Applicable  Not applicable

As stated in the 2019 Annual Report, changes in directors and senior management during the Reporting Period, were as follows:

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

## Section X - Corporate Bonds

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

Applicable    Not applicable

## Section XI - Financial Report

### I. Audit report

Was the half-year report audited?

Yes  No

The half-year report was not audited.

### II. Financial Statements

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

**Consolidated Balance Sheet**

	Notes	June 30 2020	December 31 2019
<b>Current assets</b>			
Cash at bank and on hand	V.1	6,293,175	4,348,588
Financial assets held for trading	V.2	12,609	29,510
Derivative financial assets	V.3	1,017,302	490,113
Bills receivable	V.4	47,433	26,000
Accounts receivable	V.5	8,677,392	8,004,157
Receivables financing	V.6	35,552	78,948
Prepayments	V.7	351,997	377,808
Other receivables	V.8	1,235,318	1,195,253
Inventories	V.9	10,618,794	9,932,654
Other current assets	V.10	611,296	659,195
<b>Total current assets</b>		<b>28,900,868</b>	<b>25,142,226</b>
<b>Non-current assets</b>			
Long-term receivables	V.11	120,550	170,896
Long-term equity investments	V.12	134,420	133,098
Other equity investments	V.13	156,092	155,062
Investment properties		3,609	3,771
Fixed assets	V.14	6,942,743	6,939,610
Construction in progress	V.15	998,060	788,386
Right-of-use assets	V.16	515,779	536,034
Intangible assets	V.17	5,543,526	5,835,785
Goodwill	V.18	4,627,331	4,511,193
Deferred tax assets	V.19	857,313	826,696
Other non-current assets	V.20	295,888	246,183
<b>Total non-current assets</b>		<b>20,195,311</b>	<b>20,146,714</b>
<b>Total assets</b>		<b>49,096,179</b>	<b>45,288,940</b>

**Consolidated Balance Sheet (continued)**

	Notes	June 30 2020	December 31 2019
<b>Current liabilities</b>			
Short-term loans	V.21	1,893,876	2,009,882
Derivative financial liabilities	V.22	1,065,034	691,475
Bills payable	V.23	255,417	321,674
Accounts payable	V.24	4,773,708	4,205,901
Contract liabilities	V.25	1,052,333	664,228
Employee benefits payable	V.26	985,533	1,211,713
Taxes payable	V.27	386,070	369,038
Other payables	V.28	1,342,465	1,049,594
Non-current liabilities due within one year	V.29	1,336,375	1,066,243
Other current liabilities	V.30	381,188	355,243
<b>Total current liabilities</b>		13,471,999	11,944,991
<b>Non-current liabilities</b>			
Long-term loans	V.31	2,224,678	927,159
Debentures payable	V.32	8,663,773	7,965,942
Lease Liabilities	V.33	387,635	406,358
Long-term payables		26,860	29,021
Long-term employee benefits payable	V.34	676,624	738,854
Provisions	V.35	162,545	176,822
Deferred tax liabilities	V.19	416,449	323,304
Other non-current liabilities	V.36	395,838	404,824
<b>Total non-current liabilities</b>		12,954,402	10,972,284
<b>Total liabilities</b>		26,426,401	22,917,275
<b>Shareholders' equity</b>			
Share capital	V.37	2,446,554	2,446,554
Capital reserve	V.38	12,903,168	12,903,168
Other comprehensive income	V.39	1,340,054	1,192,681
Special reserves		17,205	14,927
Surplus reserve	V.40	240,162	240,162
Retained earnings	V.41	5,722,635	5,574,173
<b>Total shareholders' equity</b>		22,669,778	22,371,665
<b>Total liabilities and shareholders' equity</b>		49,096,179	45,288,940

Ignacio Dominguez  
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 August 19, 2020.

The notes form part of these financial statements.

**Balance Sheet**

	Notes	June 30 2020	December 31 2019
<b>Current assets</b>			
Cash at bank and on hand	XV.1	1,445,904	1,423,051
Accounts receivable	XV.2	400,029	349,109
Receivables financing	XV.3	8,512	11,722
Prepayments		11,641	6,055
Other receivables	XV.4	45,492	14,051
Inventories		83,789	97,861
Other current assets		36,105	19,117
<b>Total current assets</b>		<b>2,031,472</b>	<b>1,920,966</b>
<b>Non-current assets</b>			
Long-term equity investments	XV.5	16,371,411	16,371,411
Other equity investments		85,495	85,495
Investment properties		3,609	3,771
Fixed assets		791,306	777,476
Construction in progress		640,442	504,936
Right-of-use assets		252	486
Intangible assets		167,831	170,053
Deferred tax assets		57,077	84,950
Other non-current assets		83,998	73,668
<b>Total non-current assets</b>		<b>18,201,421</b>	<b>18,072,246</b>
<b>Total assets</b>		<b>20,232,893</b>	<b>19,993,212</b>
<b>Current liabilities</b>			
Short-term loans		152,000	150,000
Bills payables		75,360	90,190
Accounts payables		233,960	124,228
Contract liabilities		4,007	6,748
Employee benefits payable		147,645	204,238
Taxes payable		2,779	3,614
Other payables		265,035	237,266
Non-current liabilities due within one year		13,299	454
<b>Total current liabilities</b>		<b>894,085</b>	<b>816,738</b>
<b>Non-current liabilities</b>			
Long-term loans		377,750	141,960
Lease Liabilities		-	21
Long-term employee benefits payable		96,608	96,826
Provisions		43,907	43,238
Other non-current liabilities		171,770	171,770
<b>Total non-current liabilities</b>		<b>690,035</b>	<b>453,815</b>
<b>Total liabilities</b>		<b>1,584,120</b>	<b>1,270,553</b>
<b>Shareholders' equity</b>			
Share capital	V.37	2,446,554	2,446,554
Capital reserve		15,449,878	15,449,878
Other comprehensive income		37,267	41,308
Special reserves		15,251	12,973
Surplus reserve		240,162	240,162
Retained earnings	V.41	459,661	531,784
<b>Total shareholders' equity</b>		<b>18,648,773</b>	<b>18,722,659</b>
<b>Total liabilities and shareholders' equity</b>		<b>20,232,893</b>	<b>19,993,212</b>

**Consolidated Income Statement**

		Notes	Six months ended June 30	
			2020	2019
<b>I.</b>	<b>Operating income</b>	V.42	14,121,040	13,616,032
	Less: Cost of sales	V.42	9,904,470	9,023,242
	Taxes and surcharges	V.43	46,117	46,226
	Selling and Distribution expenses	V.44	2,468,568	2,499,774
	General and administrative expenses	V.45	553,186	628,259
	Research and Development expenses	V.46	188,185	210,699
	Financial expenses	V.47	842,792	938,196
	Including: Interest expense		350,041	325,138
	Interest income		29,625	41,534
	Add: Investment income, net	V.48	52,129	(514,443)
	Including: Income from investment in associates and joint ventures		14,392	21,724
	Gain (loss) from changes in fair value	V.49	265,510	884,135
	Credit impairment reversal (losses)	V.50	5,589	3,347
	Asset impairment reversal (losses)	V.51	(25,376)	(23,809)
	Gain from disposal of assets	V.52	7,694	115,514
<b>II.</b>	<b>Operating profit</b>		423,268	734,380
	Add: Non-operating income		39,020	10,811
	Less: Non-operating expenses		13,441	16,016
<b>III.</b>	<b>Total profit</b>		448,847	729,175
	Less: Income tax expenses	V.53	244,198	140,537
<b>IV.</b>	<b>Net profit</b>		204,649	588,638
(1).	Classified by nature of operations			
	(1.1). Continuing operations		204,649	588,638
(2).	Classified by ownership			
	(2.1). Shareholders of the Company		204,649	588,638
<b>V.</b>	<b>Other comprehensive income, net of tax</b>	V. 39	147,373	(113,471)
	Other comprehensive income (net of tax) attributable to shareholders of the Company		147,373	(113,471)
	(1) Items that will not be reclassified to profit or loss:		39,373	(4,417)
	(1.1) Re-measurement of defined benefit plan liability		39,373	(13,978)
	(1.2) Fair Value changes in other equity investment		-	9,561
	(2) Items that were or will be reclassified to profit or loss		108,000	(109,054)
	(2.1) Effective portion of gains or loss of cash flow hedge		(78,285)	(151,993)
	(2.2) Translation differences of foreign financial statements		186,285	42,939
<b>VI.</b>	<b>Total comprehensive income for the period attributable to Shareholders of the Company</b>		352,022	475,167
<b>VII.</b>	<b>Earnings per share</b>	XIV.2		
(1)	Basic earnings per share (Yuan/share)		0.08	0.24
(2)	Diluted earnings per share (Yuan/share)		N/A	N/A



**Income Statement**

	Notes	Six months ended June 30	
		2020	2019
<b>I. Operating income</b>	XV.6	673,646	735,426
Less: Operating costs	XV.6	537,314	518,561
Taxes and surcharges		2,821	8,910
Selling and Distribution expenses		17,072	43,054
General and administrative expenses		133,338	190,950
Research and Development expenses		4,559	24,464
Financial expenses (income)		(4,826)	(1,254)
Including: Interest expense		3,143	2,059
Interest income		8,507	14,333
Add: Credit impairment reversal (losses)		(674)	(1,633)
Asset Impairment reversal (losses)		(2,864)	(272)
Gain from disposal of assets		101	-
<b>II. Operating Profit</b>		(20,069)	(51,164)
Add: Non-operating income		5,597	4,430
Less: Non-operating expenses		420	1,896
<b>III. Total profit</b>		(14,892)	(48,630)
Less: Income tax expense (income)		27,872	(10,841)
<b>IV. Loss</b>		(42,764)	(37,789)
Continuing operations		(42,764)	(37,789)
<b>V. Other comprehensive income, net of tax</b>		(4,041)	5,050
(1) Items that will not be reclassified to profit or loss		(4,041)	5,050
(1.1) Re-measurement of defined benefit plan liability		(4,041)	-
(1.2) FV changes in other equity investment		-	5,050
<b>VI. Total comprehensive income (loss) for the period</b>		(46,805)	(32,739)

**Consolidated Cash Flow Statement**

	Notes	Six months ended June 30	
		2020	2019
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		13,378,983	12,817,678
Refund of taxes and surcharges		67,336	39,737
Cash received relating to other operating activities	V.55(1)	630,515	258,378
Sub-total of cash inflows from operating activities		14,076,834	13,115,793
Cash paid for goods and services		9,247,435	9,779,321
Cash paid to and on behalf of employees		1,967,484	1,801,614
Payments of taxes and surcharges		168,816	465,018
Cash paid relating to other operating activities	V.55(2)	1,458,568	1,374,790
Sub-total of cash outflows from operating activities		12,842,303	13,420,743
<b>Net cash flows from (used in) operating activities</b>	V.56(1)a	1,234,531	(304,950)
<b>II. Cash flows from investing activities:</b>			
Cash received from disposal of investments		16,224	20,173
Cash received from returns of investments		54,304	3,372
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		15,677	30,843
Cash received relating to other investing activities	V.55(3)	-	9,327
Sub-total of cash inflows from investing activities		86,205	63,715
Cash paid to acquire fixed assets, intangible assets and other long-term assets		803,315	606,126
Cash paid for acquisition of investments		51,435	-
Net cash paid to acquire subsidiaries or other business units		-	826,805
Cash paid relating to other investing activities	V.55(4)	46,840	778
Sub-total of cash outflows from investing activities		901,590	1,433,709
<b>Net cash flows used in investing activities</b>		(815,385)	(1,369,994)
<b>III. Cash flows from financing activities:</b>			
Cash received from borrowings		2,822,626	1,987,810
Cash received from other financing activities	V.55(5)	4,449	61,701
Sub-total of cash inflows from financing activities		2,827,075	2,049,511
Cash repayments of borrowings		745,547	463,876
Cash payment for dividends, profit distributions and interest		356,793	406,111
Including: Dividends paid to non-controlling interest		26,828	28,936
Cash paid relating to other financing activities	V.55(6)	249,286	443,891
Sub-total of cash outflows from financing activities		1,351,626	1,313,878
<b>Net cash from financing activities</b>		1,475,449	735,633
<b>IV. Effects of foreign exchange rate changes on cash and cash equivalents</b>		41,605	(25,065)
<b>V. Net decrease in cash and cash equivalents</b>	V.56(1)b	1,936,200	(964,376)
<b>Add: Cash and cash equivalents at the beginning of the year</b>		4,319,907	6,346,196
<b>VI. Cash and cash equivalents at the end of the period</b>	V.56(2)	6,256,107	5,381,820

**Cash Flow Statement**

	Notes	Six months ended June 30	
		2020	2019
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		581,672	1,034,417
Refund of taxes and surcharges		27,022	23,042
Cash received relating to other operating activities	XV.7(1)	15,063	18,958
Sub-total of cash inflows from operating activities		<u>623,757</u>	<u>1,076,417</u>
Cash paid for goods and services		467,607	535,991
Cash paid to and on behalf of employees		122,633	94,867
Payments of taxes and surcharges		4,959	73,468
Cash paid relating to other operating activities	XV.7(2)	90,807	89,570
Sub-total of cash outflows from operating activities		<u>686,006</u>	<u>793,896</u>
<b>Net cash flows from (used in) operating activities</b>	XV.8	<u>(62,249)</u>	<u>282,521</u>
<b>II. Cash flows from investing activities:</b>			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		114	-
Cash received relating to other investing activities		-	1,808
Sub-total of cash inflows from investing activities		<u>114</u>	<u>1,808</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		154,378	92,180
Sub-total of cash outflows from investing activities		<u>154,378</u>	<u>92,180</u>
<b>Net cash flows used in investing activities</b>		<u>(154,264)</u>	<u>(90,372)</u>
<b>III. Cash flows from financing activities:</b>			
Cash received from borrowings		441,500	-
Cash received relating to other financing activities	XV.7.(3)	4,449	11,947
Sub-total of cash inflows from financing activities		<u>445,949</u>	<u>11,947</u>
Cash repayments of borrowings		190,500	72,000
Cash payment for dividends, profit distributions or interest		14,606	2,059
Cash paid relating to other financing activities	XV.7.(4)	200	200
Sub-total of cash outflows from financing activities		<u>205,306</u>	<u>74,259</u>
<b>Net cash flow provided by (used in) financing activities</b>		<u>240,643</u>	<u>(62,312)</u>
<b>IV. Effects of foreign exchange rate changes on cash and cash equivalents</b>		3,172	(2,976)
<b>V. Net increase in cash and cash equivalents</b>		27,302	126,861
<b>Add:</b> Cash and cash equivalents at the beginning of the year	XV.8(2)	<u>1,395,994</u>	<u>2,005,313</u>
<b>VI. Cash and cash equivalents at the end of the period</b>	XV.8(2)	<u><u>1,423,296</u></u>	<u><u>2,132,174</u></u>

**Consolidated Statement of Changes in Shareholders' Equity****For the six months ended June 30, 2020**

	Attributable to shareholders of the Company						Total
	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	
<b>I. Balance at December 31, 2019</b>	2,446,554	12,903,168	1,192,681	14,927	240,162	5,574,173	22,371,665
<b>II. Changes in equity for the period</b>	-	-	147,373	2,278	-	148,462	298,113
1. Total comprehensive income	-	-	147,373	-	-	204,649	352,022
2. Owner's contributions and reductio	-	-	-	-	-	-	-
3. Appropriation of profits	-	-	-	-	-	(56,187)	(56,187)
3.1 Distribution to owners	-	-	-	-	-	(29,359)	(29,359)
3.2 Distribution to non-controlling interest	-	-	-	-	-	(26,828)	(26,828)
4. Transfers within owners' equity	-	-	-	-	-	-	-
5. Special reserve	-	-	-	2,278	-	-	2,278
5.1 Transfer to special reserve	-	-	-	3,756	-	-	3,756
5.2 Amount utilized	-	-	-	(1,478)	-	-	(1,478)
<b>III. Balance at June 30, 2020</b>	<u>2,446,554</u>	<u>12,903,168</u>	<u>1,340,054</u>	<u>17,205</u>	<u>240,162</u>	<u>5,722,635</u>	<u>22,669,778</u>

**For the six months ended June 30, 2019**

	Attributable to shareholders of the Company						Total
	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	
<b>I. Balance at December 31, 2018</b>	2,446,554	12,975,456	1,090,952	13,536	240,162	5,513,466	22,280,126
<b>Add:</b> Business combination under common control	-	349,035	(125)	-	-	115,826	464,736
<b>II. Balance at January 1, 2019</b>	2,446,554	13,324,491	1,090,827	13,536	240,162	5,629,292	22,744,862
<b>III. Changes in equity for the perio</b>	-	(421,323)	(117,982)	3,262	-	270,585	(265,458)
1. Total comprehensive income	-	-	(113,471)	-	-	588,638	475,167
2. Owner's contributions and reductio	-	(415,000)	-	-	-	-	(415,000)
2.1 Consideration for Business combination under common control	-	(415,000)	-	-	-	-	(415,000)
3. Appropriation of profits	-	(6,323)	-	-	-	(322,564)	(328,887)
3.1 Distribution to owners	-	-	-	-	-	(293,628)	(293,628)
3.2 Distribution to non-controlling interest	-	-	-	-	-	(28,936)	(28,936)
3.3 Other	-	(6,323)	-	-	-	-	(6,323)
4. Transfers within owners' equity	-	-	(4,511)	-	-	4,511	-
4.1 Others	-	-	(4,511)	-	-	4,511	-
5. Special reserve	-	-	-	3,262	-	-	3,262
5.1 Transfer to special reserve	-	-	-	10,646	-	-	10,646
5.2 Amount utilized	-	-	-	(7,384)	-	-	(7,384)
<b>IV. Balance at June 30, 2019</b>	<u>2,446,554</u>	<u>12,903,168</u>	<u>972,845</u>	<u>16,798</u>	<u>240,162</u>	<u>5,899,877</u>	<u>22,479,404</u>

**Statement of Changes in Shareholders' Equity****For the six months ended June 30, 2020**

	Attributable to shareholders of the Company						Total
	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	
<b>I. Balance at December 31, 2019</b>	2,446,554	15,449,878	41,308	12,973	240,162	531,784	18,722,659
<b>II. Changes in equity for the period</b>	-	-	(4,041)	2,278	-	(72,123)	(73,886)
1. Total comprehensive income	-	-	(4,041)	-	-	(42,764)	(46,805)
2. Owner's contributions and reduction	-	-	-	-	-	-	-
3. Appropriation of profits	-	-	-	-	-	(29,359)	(29,359)
3.1 Transfer to Distribution to shareholders	-	-	-	-	-	(29,359)	(29,359)
4. Special reserve	-	-	-	2,278	-	-	2,278
4.1 Transfer to special reserve	-	-	-	3,756	-	-	3,756
4.2 Amount utilized	-	-	-	(1,478)	-	-	(1,478)
<b>III. Balance at June 30, 2020</b>	<u>2,446,554</u>	<u>15,449,878</u>	<u>37,267</u>	<u>15,251</u>	<u>240,162</u>	<u>459,661</u>	<u>18,648,773</u>

**For the six months ended June 30, 2019**

	Attributable to shareholders of the Company						Total
	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	
<b>I. Balance at December 31, 2018</b>	2,446,554	15,414,429	43,167	11,564	240,162	1,257,073	19,412,949
<b>II. Changes in equity for the period</b>	-	48,816	5,050	2,482	-	(275,105)	(218,757)
1. Total comprehensive income	-	-	5,050	-	-	(37,789)	(32,739)
2. Owner's contributions and reduction	-	48,816	-	-	-	-	48,816
2.1 Other	-	48,816	-	-	-	-	48,816
3. Appropriation of profits	-	-	-	-	-	(237,316)	(237,316)
3.1 Transfer to Distribution to shareholders	-	-	-	-	-	(237,316)	(237,316)
4. Special reserve	-	-	-	2,482	-	-	2,482
4.1 Transfer to special reserve	-	-	-	5,462	-	-	5,462
4.2 Amount utilized	-	-	-	(2,980)	-	-	(2,980)
<b>III. Balance at June 30, 2019</b>	<u>2,446,554</u>	<u>15,463,245</u>	<u>48,217</u>	<u>14,046</u>	<u>240,162</u>	<u>981,968</u>	<u>19,194,192</u>

## Notes to the Financial Statements

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### I BASIC CORPORATE INFORMATION

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

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

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

The Company's consolidated financial statements had been approved by the Board of Directors of the Company on August 19, 2020.

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

### II BASIS OF PREPARATION

#### 1. Basis of preparation

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

## Notes to the Financial Statements

### II BASIS OF PREPARATION - (cont'd)

#### 2. Accrual basis and measurement principle

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

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

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

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

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

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

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

#### 3. Going concern

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

The Group has performed going concern assessment for the following 12 months from June 30, 2020 and have not identified any significant doubtful matter or event on the going concern, as such the financial statement have been prepared on the going concern basis.

### III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

#### 1. Statement of compliance

These financial statements are in compliance with the Accounting Standards for Business Enterprises to truly and completely reflect the Company's consolidated financial position as at June 30, 2020 and the Company's consolidated operating results, changes in shareholders' equity and cash flows for the six months then ended.

## Notes to the Financial Statements

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

#### 2. Accounting period

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

#### 3. Business cycle

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

#### 4. Reporting currency

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

#### 5. Business combinations

##### 5.1 Business combinations involving enterprises under common control

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

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

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

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

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



## Notes to the Financial Statements

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

#### 5. Business combinations - (cont'd)

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

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

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

#### 6. Basis for preparation of consolidated financial statements

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

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

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

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

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

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

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

## Notes to the Financial Statements

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

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

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

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

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

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

#### 7. Classification and accounting methods of joint arrangement

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

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

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

#### 8. Cash and cash equivalents

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

## Notes to the Financial Statements

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

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

##### 9.1 Transactions denominated in foreign currencies

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

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

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

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

##### 9.2 Translation of financial statements denominated in foreign currency

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

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

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

## Notes to the Financial Statements

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

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

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

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

#### 10. Financial instruments

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

##### 10.1 Classification and measurement of financial assets

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

##### 10.1.1 Financial assets at amortised cost

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

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

##### 10.1.1.1 Effective interest method and amortised cost

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

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

## Notes to the Financial Statements

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

#### 10. Financial instruments - (cont'd)

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

##### 10.1.2 Financial assets at FVTOCI

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

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

##### 10.1.3 Financial assets at FVTPL

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

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

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

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

##### 10.1.4 Designated financial assets at FVTOCI

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

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

## Notes to the Financial Statements

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

#### 10. Financial instruments - (cont'd)

##### 10.2 Impairment of financial assets

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

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

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

##### 10.2.1 Significant increases in credit risk

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

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

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

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

## Notes to the Financial Statements

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

#### 10. Financial instruments - (cont'd)

##### 10.2 Impairment of financial assets - (cont'd)

##### 10.2.2 Credit-impaired financial asset

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

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

##### 10.2.3 Recognition of expected credit losses

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

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

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

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

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

## Notes to the Financial Statements

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

#### 10. Financial instruments - (cont'd)

##### 10.2 Impairment of financial assets - (cont'd)

##### 10.2.4 Written-off of financial assets

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

##### 10.3 Transfer of financial asset

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

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

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

##### 10.4 Classification and measurement of financial liabilities

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

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

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

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



## Notes to the Financial Statements

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

#### 10. Financial instruments - (cont'd)

##### 10.5 Derecognition of financial liabilities

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

##### 10.6 Derivatives

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

##### 10.7 Offsetting financial assets and financial liabilities

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

##### 10.8 Equity instruments

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

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

## Notes to the Financial Statements

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

#### 11. Receivables

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

Expected credit losses in respect of a receivables is measured at an amount equal to lifetime expected credit losses. The assessment is made collectively for account receivables, where receivables share similar credit risk characteristics based on geographical location, using the expected credit losses model including inter-alia aging analysis, historical loss experiences adjusted by the observable factors reflecting current and expected future economic conditions. The ratio of the collective provision for non-overdue account receivables is between 0%-1.7%.

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

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

#### 12. Inventories

##### 12.1 Categories of inventories and initial measurement

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

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

##### 12.2 Valuation method of inventories upon delivery

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

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

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

## Notes to the Financial Statements

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

#### 12. Inventories - (cont'd)

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

12.4 The perpetual inventory system is maintained for stock system.

#### 13. Long-term equity investments

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

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

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

##### 13.1 Determination of investment cost

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

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

## Notes to the Financial Statements

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

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

##### 13.2 Subsequent measurement and recognition of profit or loss

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

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

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

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

##### 13.5 The disposal of long-term equity investment

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

#### 14. Investment properties

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

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

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

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

#### 15. Fixed assets

##### 15.1 Recognition criteria for fixed assets

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

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

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

## Notes to the Financial Statements

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

#### 15. Fixed assets - (cont'd)

##### 15.2 Depreciation of each category of fixed assets

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

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

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

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

Land owned by the Group is not depreciated.

##### 15.3 Other explanations

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

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

#### 16. Construction in progress

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

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

## Notes to the Financial Statements

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

#### 17. Borrowing costs

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

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

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

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

#### 18. Intangible assets

##### 18.1 Valuation methods, useful life, impairment test

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

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

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

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

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

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

## Notes to the Financial Statements

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

#### 18. Intangible assets - (cont'd)

##### 18.2 Research and development expenditure

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

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

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

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

#### 19. Goodwill

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

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

#### 20. Impairment of long-term assets

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



## Notes to the Financial Statements

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

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

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

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

#### 21. Employee benefits

##### 21.1 Short-term employee benefits

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

##### 21.2 Post-employment benefits

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

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

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

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

## Notes to the Financial Statements

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

#### 21. Employee benefits - (cont'd)

##### 21.3 Termination benefits

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

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

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

##### 21.4 Other long-term employee benefits

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

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

#### 22. Share-based payment

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

##### 22.1 Cash-settled share-based payment

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

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

## Notes to the Financial Statements

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

#### 23. Provisions

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

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

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

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

#### 24. Revenue

Revenue of the Group is mainly from sale of goods.

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

##### Significant financing component

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

##### Sale with a right of return

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

## Notes to the Financial Statements

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

#### 25. Government grants

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

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

Government grants are either related to assets or income.

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

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

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

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

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

#### 26. Current and deferred tax

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

##### 26.1 Current income tax

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

##### 26.2 Deferred tax assets and deferred tax liabilities

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

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

## Notes to the Financial Statements

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

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

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

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

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

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

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

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

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

##### 26.3 Offset of income tax

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

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

## Notes to the Financial Statements

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

#### 27. Leases

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

##### 27.1 Determining whether an arrangement contains a lease

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

- (a) The right to obtain substantially all the economic benefits from use of the identified asset; and
- (b) The right to direct the identified asset's use.

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

##### 27.2 Initial recognition of leased assets and lease liabilities

Upon initial recognition, the Group recognizes a liability at the present value of future lease payments (exclude certain variable lease payments, as detailed in note III 27.4), and concurrently the Group recognizes a right-of-use asset at the same amount, adjusted for any prepaid lease payments paid at the lease date or before, plus initial direct costs incurred in respect of the lease.

When the interest rate implicit in the lease is not readily determinable, the incremental borrowing rate of the lessee is used.

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

##### 27.3 The lease term

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

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

##### 27.4 Variable lease payments

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

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

## Notes to the Financial Statements

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

#### 27. Leases (cont'd)

##### 27.5 Subsequent measurement

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

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

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

#### 28. Other significant accounting policies and accounting estimates

##### 28.1 Hedging

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

###### *Hedge accounting*

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

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

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

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

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

## Notes to the Financial Statements

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

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

##### 28.1 Hedging (cont'd)

###### *Measurement of derivative financial instruments*

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

###### *Cash-flow hedges*

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

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

###### *Economic hedge*

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

###### *Derivatives that are not used for hedging*

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

##### 28.2 Securitization of assets

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

##### 28.3 Segment reporting

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



## Notes to the Financial Statements

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

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

##### 28.3 Segment reporting - (cont'd)

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

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

##### 28.4 Profit distributions to shareholders

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

#### 29. Changes in significant accounting policies and accounting estimates

##### 29.1 Changes in significant accounting policies

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

##### 29.2 Changes in significant accounting estimates

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

## Notes to the Financial Statements

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

#### 30. Significant accounting estimates and judgments

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

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

##### 30.1 Expected credit loss of trade receivables

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

##### 30.2 Provision for impairment of inventories

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

## Notes to the Financial Statements

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

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

##### 30.3 Impairment of assets other than inventories and financial assets

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

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

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

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

##### 30.5 Income taxes and deferred income tax

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

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

## Notes to the Financial Statements

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

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

##### 30.6 Contingent liabilities

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

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

##### 30.7 Employee benefits

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

##### 30.8 Derivative financial instruments

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

## Notes to the Financial Statements

### IV. Taxation

#### 1. Main types of taxes and corresponding tax rates

The income tax rate in China is 25% (2019: 25%). The subsidiaries outside of China are assessed based on the tax laws in the country of their residence.

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

<u>Name of subsidiary</u>	<u>Location</u>	<u>2020</u>
ADAMA agriculture solutions Ltd.	Israel	23.0%
ADAMA Makhteshim Ltd.	Israel	7.5%
ADAMA Agan Ltd.	Israel	16.0%
ADAMA Brasil S/A	Brazil	34.0%
Makhteshim Agan of North America Inc.	U.S.	24.7%
ADAMA India Private Ltd	India	25.2%
ADAMA Deutschland GmbH	Germany	32.5%
Control Solutions Inc.	U.S.	24.0%
Adama Australia Pty Ltd	Australia	30.0%
ADAMA France S.A.S	France	28.0%
ADAMA Northern Europe B.V.	Netherlands	25.0%
ADAMA Italia S.R.L.	Italy	27.9%
Alligare Inc.	U.S.	27.5%

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

## Notes to the Financial Statements

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### IV. Taxation - (cont'd)

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

(1) Benefits from Hi-Tech Certificate

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

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

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

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

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

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

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

## Notes to the Financial Statements

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### IV. Taxation - (cont'd)

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

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

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

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

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

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

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

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

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

## Notes to the Financial Statements

### V. Notes to the consolidated financial statements

#### 1. Cash at Bank and On Hand

	<b>June 30</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
Cash on hand	3,651	6,265
Deposits in banks	6,252,456	4,313,642
Other cash and bank	37,068	28,681
	<u>6,293,175</u>	<u>4,348,588</u>
Including cash and bank placed outside China	4,212,790	2,443,065

As at June 30, 2020, restricted cash and bank balances was 37,068 thousand RMB (as at December 31, 2019-28,681 thousand RMB) mainly including deposits that guarantee bank acceptance drafts.

#### 2. Financial assets held for trading

	<b>June 30</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
Debt instruments	-	15,788
Other	12,609	13,722
	<u>12,609</u>	<u>29,510</u>

#### 3. Derivative financial assets

	<b>June 30</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
Economic hedge	949,757	436,201
Accounting hedge derivatives	67,545	53,912
	<u>1,017,302</u>	<u>490,113</u>

#### 4. Bills Receivable

	<b>June 30</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
Post-dated checks receivable	14,478	13,757
Bank acceptance draft	32,955	12,243
	<u>47,433</u>	<u>26,000</u>

All bills receivables are due within 1 year.



Notes to the Financial Statements

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

5. Accounts Receivable

a. By category

	June 30, 2020				
	Book value		Provision for expected credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Account receivables assessed individually for impairment	491,187	5	252,313	51	238,874
Account receivables assessed collectively for impairment	8,523,290	95	84,772	1	8,438,518
	<u>9,014,477</u>	<u>100</u>	<u>337,085</u>	<u>4</u>	<u>8,677,392</u>

  

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

b. Aging analysis

	June 30, 2020
Within 1 year (inclusive)	8,564,893
Over 1 year but within 2 years	192,265
Over 2 years but within 3 years	79,439
Over 3 years but within 4 years	38,626
Over 4 years but within 5 years	14,301
Over 5 years	124,953
	<u>9,014,477</u>

Notes to the Financial Statements

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

5. Accounts Receivable – (cont'd)

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

Geographical location A:

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

	June 30, 2020		
	Book value	Provision for expected credit loss	Percentage (%)
A	1,098,319	3,922	0.03-0.75
B	409,756	5,037	1.23
C	181,019	9,510	5.25
D	53,073	1,654	3.12
	<u>1,742,167</u>	<u>20,123</u>	<u>1.16</u>

Geographical location B:

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

	June 30, 2020		
	Book value	Provision for expected credit loss	Percentage (%)
Accounts receivable that are not overdue	349,885	3,145	0.9
Debts overdue less than 60 days	19,725	592	3.0
Debts overdue less than 180 days but more than 60 days	30,484	3,048	10.0
Debts overdue above 180 days	19,969	7,987	40.0
Legal Debtors	38,214	38,214	100.0
	<u>458,277</u>	<u>52,986</u>	<u>11.2</u>

Other geographical locations:

	June 30, 2020		
	Book value	Provision for expected credit loss	Percentage (%)
Other account receivables assessed collectively for impairment	<u>6,322,846</u>	<u>11,663</u>	<u>0-6.84</u>

**Notes to the Financial Statements**

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

**5. Accounts Receivable – (cont'd)**

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

Addition of provision for expected credit loss during the period

	<b>Lifetime expected credit loss (credit losses has not occurred)</b>	<b>Lifetime expected credit loss (credit losses has occurred)</b>	<b>Total</b>
January 1, 2020	47,908	350,544	398,452
Addition during the period, net	-	14,664	14,664
Write back during the period	(4,843)	(15,601)	(20,444)
Write-off during the period	-	(671)	(671)
Exchange rate effect	(8,134)	(46,782)	(54,916)
Balance as of June 30, 2020	<u>34,931</u>	<u>302,154</u>	<u>337,085</u>

**d. Five largest accounts receivable at June 30, 2020:**

<b>Name</b>	<b>Closing balance</b>	<b>Proportion of Accounts receivable (%)</b>	<b>Allowance of expected credit losses (credit losses has occurred)</b>
Party 1	189,320	2	-
Party 2	156,922	2	-
Party 3	128,104	1	-
Party 4	122,603	1	-
Party 5	102,837	1	2,011
Total	<u>699,786</u>	<u>7</u>	<u>2,011</u>

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

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

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

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

Every year the credit facility is re approved in accordance with the Securitization Program. Subsequent to the report date, the Securitization agreement was extended up to October 31, 2020 and will be renewed then for an additional year.

## Notes to the Financial Statements

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

#### 5. Accounts Receivable – (cont'd)

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

The maximum scope of the securitization is adjusted for the seasonal changes in the scope of the Company's activities, as follows: during the months March through June the maximum scope of the securitization is \$350 million (as of June 30, 2020 - 2,478 million RMB), during the months July through September the maximum scope of the securitization is \$300 million (as of June 30, 2020 - 2,124 million RMB) and during the months October through February the maximum scope of the securitization is \$250 million (as of June 30, 2020 - 1,770 million RMB). The proceeds received from those customers whose debts were sold are used for acquisition of new trade receivables.

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

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

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

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

As part of the agreement, Solutions is committed to comply with certain financial covenants, mainly the ratio of the liabilities to equity and profit ratios. As of June 30, 2020, Solutions was in compliance with the financial covenants.

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

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

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

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

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

## Notes to the Financial Statements

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

#### 5. Accounts Receivable – (cont'd)

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

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

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

During June 2020 the maximum securitization scope increased up to BRL 560 million (as of June 30, 2020 - 724 million RMB).

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

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

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

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

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

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

	<b>June 30</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
Accounts receivables derecognized	3,299,603	2,994,917
Continuing involvement	140,995	134,243
Subordinated note in respect of trade receivables	777,145	808,807
Liability in respect of trade receivables	286,642	26,370
	<b>Six months ended June 30</b>	<b>2019</b>
	<b>2020</b>	<b>2019</b>
Loss in respect of sale of trade receivables	36,790	33,129

## Notes to the Financial Statements

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

#### 6. Receivables financing

	<u>June 30</u>	<u>December 31</u>
	<u>2020</u>	<u>2019</u>
Bank acceptance draft	35,552	78,948
	<u>35,552</u>	<u>78,948</u>

As at June 30, 2020, bank acceptance endorsed but not yet due amounts to 424,044 thousands RMB.

#### 7. Prepayments

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

	<u>June 30</u>		<u>December 31</u>	
	<u>2020</u>		<u>2019</u>	
	<u>Amount</u>	<u>Percentage (%)</u>	<u>Amount</u>	<u>Percentage (%)</u>
Within 1 year (inclusive)	341,413	97	370,607	98
Over 1 year but within 2 years (inclusive)	7,418	2	3,691	1
Over 2 years but within 3 years (inclusive)	665	-	621	-
Over 3 years	2,501	1	2,889	1
	<u>351,997</u>	<u>100</u>	<u>377,808</u>	<u>100</u>

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

	<u>Amount</u>	<u>Percentage of prepayments (%)</u>
June 30, 2020	<u>87,497</u>	<u>25</u>

Notes to the Financial Statements

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

8. Other Receivables

(1) Other receivables by nature

	<u>June 30</u> <u>2020</u>	<u>December 31</u> <u>2019</u>
Dividends receivable	10,768	-
Others	1,224,550	1,195,253
	<u>1,235,318</u>	<u>1,195,253</u>

a. Others breakdown by categories

	<u>June 30</u> <u>2020</u>	<u>December 31</u> <u>2019</u>
Trade receivables as part of securitization transactions not yet eliminated	140,995	134,243
Subordinated note in respect of trade receivables	777,145	808,807
Financial institutions	31,150	5,107
Receivables in respect of disposal of fixed assets	23,951	28,762
Other	266,404	233,238
Sub total	<u>1,239,645</u>	<u>1,210,157</u>
Provision for expected credit losses - other receivables	<u>(15,095)</u>	<u>(14,904)</u>
	<u>1,224,550</u>	<u>1,195,253</u>

b. Other receivables by aging

	<u>June 30</u> <u>2020</u>
Within 1 year (inclusive)	1,195,783
Over 1 year but within 2 years	15,494
Over 2 years but within 3 years	3,124
Over 3 years but within 4 years	2,307
Over 4 years but within 5 years	11,090
Over 5 years	11,847
	<u>1,239,645</u>

Notes to the Financial Statements

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

8. Other Receivables - (cont'd)

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

	<b>Six months ended June 30, 2020</b>
Balance as of January 1 2020,	14,904
Addition during the period	191
Written back during the period	-
Write-off during the period	-
Balance as of June 30, 2020	<u>15,095</u>

(3) Five largest other receivables at June 30, 2020:

<u>Name</u>	<u>Closing balance</u>	<u>Proportion of other receivables (%)</u>	<u>Allowance of expected credit losses</u>
Party 1	777,145	63	-
Party 2	31,150	3	-
Party 3	18,329	1	-
Party 4	13,324	1	-
Party 5	10,627	1	-
Total	<u>850,575</u>	<u>69</u>	<u>-</u>

9. Inventories

(1) Inventories by category:

	<b>June 30, 2020</b>		
	<u>Book value</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>
Raw materials	3,956,321	31,492	3,924,829
Work in progress	495,996	4,167	491,829
Finished goods	6,058,038	167,373	5,890,665
Others	321,216	9,745	311,471
	<u>10,831,571</u>	<u>212,777</u>	<u>10,618,794</u>
	<b>December 31, 2019</b>		
	<u>Book value</u>	<u>Provision for impairment</u>	<u>Carrying amount</u>
Raw materials	3,100,027	22,344	3,077,683
Work in progress	633,731	5,351	628,380
Finished goods	6,131,386	184,900	5,946,486
Others	288,794	8,689	280,105
	<u>10,153,938</u>	<u>221,284</u>	<u>9,932,654</u>



Notes to the Financial Statements

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

9. Inventories - (cont'd)

(2) Provision for impairment of inventories:

For the six months ended June 30, 2020

	<u>January 1, 2020</u>	<u>Provision</u>	<u>Reversal or write-off</u>	<u>Other</u>	<u>June 30, 2020</u>
Raw material	22,344	12,704	(3,869)	313	31,492
Work in progress	5,351	-	(1,193)	9	4,167
Finished goods	184,900	53,233	(72,580)	1,820	167,373
Others	8,689	1,091	(159)	124	9,745
	<u>221,284</u>	<u>67,028</u>	<u>(77,801)</u>	<u>2,266</u>	<u>212,777</u>

10. Other Current Assets

	<u>June 30 2020</u>	<u>December 31 2019</u>
Deductible VAT	441,875	459,209
Current tax assets	140,713	170,505
Others	28,708	29,481
	<u>611,296</u>	<u>659,195</u>

11. Long-Term Receivables

	<u>June 30 2020</u>	<u>December 31 2019</u>
Long term account receivables from sale of goods	120,550	170,896
	<u>120,550</u>	<u>170,896</u>

Notes to the Financial Statements

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

12. Long-Term Equity Investments

(1) Long-term equity investments by category:

	<u>June 30</u> <u>2020</u>	<u>December 31</u> <u>2019</u>
Investments in joint ventures	93,419	92,695
Investments in associates	41,001	40,403
	<u>134,420</u>	<u>133,098</u>

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

	<u>January 1,</u> <u>2020</u>	<u>Investment</u> <u>income (loss)</u>	<u>Other</u> <u>Comprehensive</u> <u>income</u>	<u>Declared</u> <u>distribution of</u> <u>cash dividend</u>	<u>Capital</u> <u>investment</u>	<u>Other</u>	<u>Balance at</u> <u>the end of</u> <u>the period</u>
<b>Joint ventures</b>							
Company A	75,924	11,118	1,070	(62,600)	51,435	2,404	79,351
Company B	5,441	57	83	(2,480)	-	-	3,101
Company C	1,046	-	(119)	-	-	-	927
Company D	10,284	3,217	(3,461)	-	-	-	10,040
Sub-total	<u>92,695</u>	<u>14,392</u>	<u>(2,427)</u>	<u>(65,080)</u>	<u>51,435</u>	<u>2,404</u>	<u>93,419</u>
<b>Associates</b>							
Company E	40,403	-	598	-	-	-	41,001
Sub-total	<u>40,403</u>	<u>-</u>	<u>598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,001</u>
	<u>133,098</u>	<u>14,392</u>	<u>(1,829)</u>	<u>(65,080)</u>	<u>51,435</u>	<u>2,404</u>	<u>134,420</u>

13. Other equity investments

	<u>June 30</u> <u>2020</u>	<u>December 31</u> <u>2019</u>
Company A	85,495	85,495
Company B	68,784	67,781
Company C	1,813	1,786
	<u>156,092</u>	<u>155,062</u>

Other equity investments are non-core businesses that are intended to be held in the foreseeable future. For the six months period ended at June 30, 2020 the company did not recognize dividend income from other equity investments.

Notes to the Financial Statements

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

14. Fixed assets

	Land & Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
<b>Cost</b>					
Balance as at January 1, 2020	3,377,533	14,383,742	119,900	365,798	18,246,973
Purchases	46,231	110,441	7,981	16,006	180,659
Transfer from construction in progress	37,001	134,640	1,546	337	173,524
Disposals	(2,432)	(48,359)	(7,841)	(2,608)	(61,240)
Currency translation adjustment	3,892	133,054	(1,264)	155	135,837
Balance as at June 30, 2020	<u>3,462,225</u>	<u>14,713,518</u>	<u>120,322</u>	<u>379,688</u>	<u>18,675,753</u>
<b>Accumulated depreciation</b>					
Balance as at January 1, 2020	(1,667,208)	(8,690,076)	(60,679)	(276,110)	(10,694,073)
Charge for the period	(55,955)	(307,076)	(8,719)	(19,198)	(390,948)
Disposals	1,329	39,193	6,535	2,411	49,468
Currency translation adjustment	(6,241)	(80,105)	992	(25)	(85,379)
Balance as at June 30, 2020	<u>(1,728,075)</u>	<u>(9,038,064)</u>	<u>(61,871)</u>	<u>(292,922)</u>	<u>(11,120,932)</u>
<b>Provision for impairment</b>					
Balance as at January 1, 2020	(196,295)	(416,011)	(733)	(251)	(613,290)
Charge for the period	-	-	-	-	-
Disposals	-	2,452	82	-	2,534
Currency translation adjustment	(139)	(1,179)	-	(4)	(1,322)
Balance as at June 30, 2020	<u>(196,434)</u>	<u>(414,738)</u>	<u>(651)</u>	<u>(255)</u>	<u>(612,078)</u>
<b>Carrying amounts</b>					
As at June 30, 2020	<u>1,537,716</u>	<u>5,260,716</u>	<u>57,800</u>	<u>86,511</u>	<u>6,942,743</u>
As at January 1, 2020	<u>1,514,030</u>	<u>5,277,655</u>	<u>58,488</u>	<u>89,437</u>	<u>6,939,610</u>

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

Notes to the Financial Statements

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

15. Construction in Progress

(1) Construction in progress

June 30 2020			December 31 2019		
Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
1,023,800	(25,740)	998,060	814,126	(25,740)	788,386

(2) Details and Movements of major construction projects in progress during the six months ended  
June 30, 2020

	Budget	December 31, 2019	Additions	Currency translation differences	Transfer to fixed assets	Provision for impairment *	June 30, 2020	Actual cost to budget (%)	Project progress (%)	Source of funds
Project A	1,509,420	376,996	166,700	-	(86,956)	-	456,740	38	38	Bank loan
Project B	505,643	13,064	8,139	-	-	-	21,203	4	4	Bank loan
Project C	172,055	18,434	10,120	-	(1,783)	-	26,771	16	16	Internal finance
Project D	80,924	45,073	2,990	689	-	-	48,752	60	60	Internal finance
Project E	70,035	14,344	8,782	-	-	-	23,126	33	33	Internal finance
Project F	32,000	31,912	1,176	-	-	-	33,088	100	100	Bank loan
Project G	146,900	5,246	22,542	812	-	-	28,600	19	19	Internal finance
Project H	29,153	18,867	4,007	29	-	-	22,903	79	79	Internal finance

Notes to the Financial Statements

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

16. Right-of-use assets

	Land & Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
<b>Cost</b>					
Balance as at January 1, 2020	456,983	46,714	178,402	3,187	685,286
Additions	29,392	27	33,651	-	63,070
Disposals	(3,423)	(998)	(14,862)	(7)	(19,290)
Currency translation adjustment	(630)	415	865	41	691
Balance as at June 30, 2020	<u>482,322</u>	<u>46,158</u>	<u>198,056</u>	<u>3,221</u>	<u>729,757</u>
<b>Accumulated depreciation</b>					
Balance as at January 1, 2020	(77,196)	(7,820)	(63,238)	(998)	(149,252)
Charge for the period	(40,534)	(893)	(36,557)	(584)	(78,568)
Disposals	963	984	12,914	14	14,875
Currency translation adjustment	(631)	(9)	(438)	45	(1,033)
Balance as at June 30, 2020	<u>(117,398)</u>	<u>(7,738)</u>	<u>(87,319)</u>	<u>(1,523)</u>	<u>(213,978)</u>
<b>Provision for impairment</b>					
Balance as at January 1, 2020	-	-	-	-	-
Balance as at June 30, 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Carrying amounts</b>					
As at June 30, 2020	<u>364,924</u>	<u>38,420</u>	<u>110,737</u>	<u>1,698</u>	<u>515,779</u>
As at January 1, 2020	<u>379,787</u>	<u>38,894</u>	<u>115,164</u>	<u>2,189</u>	<u>536,034</u>

Notes to the Financial Statements

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

17. Intangible Assets

	Product registration	Intangible assets on Purchase of Products	Software	Marketing rights, tradename and trademarks	Customers relations	Land use rights <sup>(1)</sup>	Others <sup>(2)</sup>	Total
<b>Costs</b>								
Balance as at January 1, 2020	10,769,146	4,189,417	761,236	743,734	399,193	344,917	326,115	17,533,758
Purchases	223,712	-	79,789	162	-	1,513	6,769	311,945
Currency translation adjustment	146,007	62,035	10,066	9,859	4,220	10	4,550	236,747
Disposal	(50,463)	-	-	(169)	-	(441)	(8,660)	(59,733)
Balance as at June 30, 2020	11,088,402	4,251,452	851,091	753,586	403,413	345,999	328,774	18,022,717
<b>Accumulated amortization</b>								
Balance as at January 1, 2020	(7,873,186)	(2,278,371)	(513,028)	(441,587)	(196,458)	(65,271)	(164,844)	(11,532,745)
Charge for the period	(408,542)	(176,314)	(31,746)	(13,384)	(18,654)	(4,180)	(20,285)	(673,105)
Currency translation adjustment	(114,605)	(34,999)	(6,607)	(5,580)	(1,351)	(3)	(1,826)	(164,971)
Disposal	29,361	-	(7)	-	-	-	3,939	33,293
Balance as at June 30, 2020	(8,366,972)	(2,489,684)	(551,388)	(460,551)	(216,463)	(69,454)	(183,016)	(12,337,528)
<b>Provision for impairment</b>								
Balance as at January 1, 2020	(108,075)	(52,182)	-	-	-	-	(4,971)	(165,228)
Charge for the period	(21)	-	-	-	-	-	(387)	(408)
Currency translation adjustment	(1,450)	(773)	-	-	-	-	-	(2,223)
Disposal	21,088	-	-	-	-	-	5,108	26,196
Balance as at June 30, 2020	(88,458)	(52,955)	-	-	-	-	(250)	(141,663)
<b>Carrying amount</b>								
As at June 30, 2020	2,632,972	1,708,813	299,703	293,035	186,950	276,545	145,508	5,543,526
As at January 1, 2020	2,787,885	1,858,864	248,208	302,147	202,735	279,646	156,300	5,835,785

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

(2) Mainly non-compete.

## Notes to the Financial Statements

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

#### 18. Goodwill

##### Changes in goodwill

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

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

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

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

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

	<u>January 1, 2020</u>	<u>Additions</u>	<u>Currency translation adjustment</u>	<u>Balance at June 30, 2020</u>
Book value	4,511,193	49,338	66,800	4,627,331
Impairment provision	-	-	-	-
Carrying amount	<u>4,511,193</u>	<u>49,338</u>	<u>66,800</u>	<u>4,627,331</u>

#### 19. Deferred Tax Assets and Deferred Tax Liabilities

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

	<u>June 30 2020</u>		<u>December 31 2019</u>	
	<u>Deductible temporary differences</u>	<u>Deferred tax assets</u>	<u>Deductible temporary differences</u>	<u>Deferred tax assets</u>
<b>Deferred tax assets</b>				
Deferred tax assets in respect of carry forward losses	860,435	211,514	611,496	136,594
Deferred tax assets in respect of inventories	1,544,685	409,030	1,552,766	413,713
Deferred tax assets in respect of employee benefits	860,296	110,922	973,434	135,422
Other deferred tax asset	<u>1,554,284</u>	<u>345,401</u>	<u>1,606,933</u>	<u>387,109</u>
	<u>4,819,700</u>	<u>1,076,867</u>	<u>4,744,629</u>	<u>1,072,838</u>

Notes to the Financial Statements

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

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

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

	June 30		December 31	
	2020		2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
<b>Deferred tax liabilities</b>				
Deferred tax liabilities in respect of fixed assets and intangible assets	3,730,231	636,003	3,551,402	569,446
	3,730,231	636,003	3,551,402	569,446

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

	June 30		December 31	
	2020		2019	
	The offset amount of deferred tax assets and liabilities	Deferred tax assets or liabilities after offset	The offset amount of deferred tax assets and liabilities	Deferred tax assets or liabilities after offset
<b>Presented as:</b>				
Deferred tax assets	219,554	857,313	246,142	826,696
Deferred tax liabilities	219,554	416,449	246,142	323,304

(4) Details of unrecognized deferred tax assets

	June 30	December 31
	2020	2019
Deductible temporary differences	595,321	515,589
Deductible losses carry forward	176,911	142,042
	772,232	657,631

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

	June 30	December 31
	2020	2019
2020	16,410	16,171
2021	13,069	13,031
2022	1,423	1,402
2023	27,793	27,767
After 2023	118,216	83,671
	176,911	142,042



Notes to the Financial Statements

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

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

(6) Unrecognized deferred tax liabilities

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

20. Other Non-Current Assets

	<u>June 30</u> <u>2020</u>	<u>December 31</u> <u>2019</u>
Assets related to securitization	43,836	38,648
Advances in respect of non-current assets	75,311	58,689
Judicial deposits	91,134	56,347
Call option in respect of business combination	-	9,216
Others	85,607	83,283
	<u>295,888</u>	<u>246,183</u>

21. Short-Term Loans

Short-term loans by category:

	<u>June 30</u> <u>2020</u>	<u>December 31</u> <u>2019</u>
Guaranteed loans	528,000	414,000
Unsecured loans	1,365,876	1,595,882
	<u>1,893,876</u>	<u>2,009,882</u>

Details of the guarantees are set out in note X.5(2) Related parties and related party transactions.

22. Derivative financial liabilities

	<u>June 30</u> <u>2020</u>	<u>December 31</u> <u>2019</u>
Economic hedge	867,381	603,009
Accounting hedge derivatives	197,653	88,466
	<u>1,065,034</u>	<u>691,475</u>

**Notes to the Financial Statements**

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

**23. Bills Payables**

	<b>June 30</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
Post-dated checks payables	136,089	224,878
Note payables draft	119,328	96,796
	<b>255,417</b>	<b>321,674</b>

As at June 30, 2020, none of the bills payable are overdue.

**24. Accounts payable**

	<b>June 30</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
Within 1 year (including 1 year)	4,729,959	4,172,996
1-2 years (including 2 years)	17,041	10,458
2-3 years (including 3 years)	6,776	2,881
Over 3 years	19,932	19,566
	<b>4,773,708</b>	<b>4,205,901</b>

There are no significant accounts payables aging over one year.

**25. Contract liabilities**

	<b>June 30</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
Discount for customers	857,186	522,614
Advances from customers	195,147	141,614
	<b>1,052,333</b>	<b>664,228</b>

**26. Employee Benefits Payable**

	<b>June 30</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	406,604	656,272
Post-employment benefits*	180,318	224,035
Share based payment (See note XIII)	54,158	-
Other benefits within one year	305,390	304,366
	<b>946,470</b>	<b>1,184,673</b>
Current maturities	39,063	27,040
	<b>985,533</b>	<b>1,211,713</b>

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

Notes to the Financial Statements

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

27. Taxes Payable

	<u>June 30</u> <u>2020</u>	<u>December 31</u> <u>2019</u>
Corporate income tax	201,764	157,548
VAT	164,029	180,818
Others	20,277	30,672
	<u>386,070</u>	<u>369,038</u>

28. Other Payables

	<u>June 30</u> <u>2020</u>	<u>December 31</u> <u>2019</u>
Dividends payables	23,916	750
Other payables	1,318,549	1,048,844
	<u>1,342,465</u>	<u>1,049,594</u>

(1) Other payables

	<u>June 30</u> <u>2020</u>	<u>December 31</u> <u>2019</u>
Accrued expenses	596,202	613,183
Liability in respect of securitization transactions	286,642	26,370
Payables in respect of intangible assets	132,606	130,329
Financial institutions	61,847	1,137
Other payables	241,252	277,825
	<u>1,318,549</u>	<u>1,048,844</u>

As at June 30, 2020, the Group did not have any significant overdue other payables.

29. Non-Current Liabilities Due Within One Year

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

	<u>June 30</u> <u>2020</u>	<u>December 31</u> <u>2019</u>
Long-term loans due within one year	651,027	420,086
Lease liabilities due within one year	144,736	148,287
Debentures payable due within one year	540,612	497,870
	<u>1,336,375</u>	<u>1,066,243</u>

## Notes to the Financial Statements

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

#### 30. Other Current Liabilities

	<b>June 30</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
Put options to holders of non-controlling interests	148,974	148,886
Provision in respect of returns	217,411	191,065
Provision in respect of claims	14,407	14,901
Others	396	391
	<b>381,188</b>	<b>355,243</b>

#### 31. Long-Term Loans

##### Long-term loans by category

	<b>June 30</b>		<b>December 31</b>	
	<b>2020</b>	<b>Interest range</b>	<b>2019</b>	<b>Interest range</b>
<b>Long term loans</b>				
Loan secured by tangible assets other than monetary assets	-	-	2,860	2.4%-2.7%
Unsecured loans	2,875,705	1.6%-4.8%	1,344,385	1.5%-6.2%
Total Long term loans	2,875,705		1,347,245	
Less: Long term loans due within 1 year	(651,027)		(420,086)	
Long term loans, net	2,224,678		927,159	

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

There are no long-term loans mortgaged by fixed assets as at June 30, 2020 (31.12.19: 900 thousand RMB).  
Details of the guarantees are set out in note X(5) Related parties and related party transactions.

#### 32. Debentures Payable

	<b>June 30</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
Debentures Series B	9,204,385	8,463,812
Current maturities	(540,612)	(497,870)
	<b>8,663,773</b>	<b>7,965,942</b>
		<b>June 30</b>
		<b>2020</b>
First year (current maturities)		540,612
Second year		540,612
Third year		540,612
Fourth year		540,612
Fifth year and thereafter		7,041,937
		<b>9,204,385</b>

Notes to the Financial Statements

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

32. Debentures Payable - (cont'd)

Movements of debentures payable:

For the six months ended June 30, 2020

Maturity period	Face value in RMB	Face value NIS	Issuance date	Maturity period	Issuance amount	Balance at January 1, 2020	Issuance during the period	Amortization of discounts or premium	CPI and exchange rate effect	Repayment during the period	Currency translation adjustment	Balance at June 30, 2020
Debentures Series B	2,673,640	1,650,000	4.12.2006	November 2020-2036	3,043,742	3,839,289	-	124	(35,993)	-	54,569	3,857,989
Debentures Series B	843,846	513,527	16.1.2012	November 2020-2036	842,579	1,137,246	-	5,481	(10,724)	-	16,271	1,148,274
Debentures Series B	995,516	600,000	7.1.2013	November 2020-2036	1,120,339	1,417,383	-	2,404	(13,301)	-	20,210	1,426,696
Debentures Series B	832,778	533,330	1.2.2015	November 2020-2036	1,047,439	1,335,461	-	(1,507)	(12,535)	-	18,957	1,340,376
Debentures Series B	418,172	266,665	1-6.2015	November 2020-2036	556,941	734,433	-	(4,140)	(6,894)	-	10,363	733,762
Debentures Series B	497,989	246,499	5.5.2020	November 2020-2036	692,893	-	692,896	(1,445)	4,549	-	1,288	697,288
						8,463,812	692,896	917	(74,898)	-	121,658	9,204,385

On May 5, 2020, Solutions issued debentures through an expansion of Series B totaling NIS 246.5 million par value of debentures, in consideration for 115.6% of their par value. The total net proceeds amounted to \$98 million. The issuance costs were \$341 thousand.

Series B constitutes CPI-linked debentures, bearing basic annual interest of 5.15%. The principal will be repaid in 17 equal payments in the years 2020 to 2036.

Notes to the Financial Statements

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

33. Lease liabilities

	June 30		December 31	
	2020	Interest range	2019	Interest range
Lease liabilities	532,371	1.3% - 6.1%	554,645	1.9% - 6.1%
Less: Lease liabilities due within one year	(144,736)		(148,287)	
Long term lease liabilities, net	387,635		406,358	

34. Long-Term Employee Benefits Payable

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

	June 30 2020	December 31 2019
Total present value of obligation	580,853	651,803
Less: fair value of plan's assets	(92,565)	(104,448)
Net liability related to Post-employment benefits	488,288	547,355
Termination benefits	114,543	70,128
Total recognized liability for defined benefit plan, net (1)	602,831	617,483
Share based payment (See note XIII)	59,549	94,104
Other long-term employee benefits	53,308	54,307
Total long-term employee benefits, net	715,688	765,894
Including: Long-term employee benefits payable due within one year	39,064	27,040
	676,624	738,854

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

	Defined benefit obligation and early retirement		Fair value of plan's assets		Total	
	2020	2019	2020	2019	2020	2019
Balance as at January 1,	721,931	638,355	104,448	87,492	617,483	550,863
<b>Expense/income recognized in profit and loss:</b>						
Current service cost	65,096	11,429	-	-	65,096	11,429
Interest costs	9,532	10,931	1,399	1,749	8,133	9,182
Changes in exchange rates	(2,209)	22,709	(260)	4,265	(1,949)	18,444
Actuarial gain (losses) due to early retirement	(1,822)	707	-	-	(1,822)	707
<b>Included in other comprehensive income:</b>						
Actuarial gain (losses) as a result of changes in actuarial assumptions	(55,882)	17,515	(8,449)	1,953	(47,433)	15,562
Foreign currency translation differences in respect of foreign operations	8,906	1,359	1,218	350	7,688	1,009
<b>Additional movements:</b>						
Benefits paid	(50,156)	(33,628)	(8,153)	(5,404)	(42,003)	(28,224)
Contributions paid by the Group	-	-	2,362	3,180	(2,362)	(3,180)
<b>Balance as at June 30,</b>	<b>695,396</b>	<b>669,377</b>	<b>92,565</b>	<b>93,585</b>	<b>602,831</b>	<b>575,792</b>

Notes to the Financial Statements

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

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

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

(2) Actuarial assumptions and sensitivity analysis

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

	<u>June 30</u> <u>2020</u>	<u>December 31</u> <u>2019</u>
Discount rate (%)*	1.2%-3.3%	0.4%-3.3%

\*According to the demographic and the benefit components.

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

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

	<u>As of June 30, 2020</u>	
	<u>Increase of 1%</u>	<u>Decrease of 1%</u>
Discount rate	(47,302)	58,230

35. Provisions

	<u>June 30</u> <u>2020</u>	<u>December 31</u> <u>2019</u>
Liabilities in respect of contingencies*	79,479	90,051
Provision in respect of site restoration	80,475	84,211
Other	2,591	2,560
	<u>162,545</u>	<u>176,822</u>

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

Notes to the Financial Statements

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

36. Other Non-Current Liabilities

	<u>June 30</u> <u>2020</u>	<u>December 31</u> <u>2019</u>
Put options to holders of non- controlling interests	221,072	207,472
Long term transactions in derivatives	2,996	25,582
Long term loans - others	171,770	171,770
	<u>395,838</u>	<u>404,824</u>

37. Share Capital

	<u>Balance at</u> <u>January 1, 2020</u>	<u>Issuance of new</u> <u>shares</u>	<u>Cancellations of</u> <u>shares</u>	<u>Balance at</u> <u>June 30, 2020</u>
Share capital	2,446,554	-	-	2,446,554

38. Capital Reserve

	<u>Balance at</u> <u>January 1, 2020</u>	<u>Additions during</u> <u>the period</u>	<u>Reductions during</u> <u>the period</u>	<u>Balance at</u> <u>December 31,</u> <u>2019</u>
Share premiums	12,550,177	-	-	12,550,177
Other capital reserve	352,991	-	-	352,991
	<u>12,903,168</u>	<u>-</u>	<u>-</u>	<u>12,903,168</u>

39. Other Comprehensive Income, net of tax

	<u>Attributable to shareholders of the company</u>						<u>Balance at</u> <u>June 30,</u> <u>2020</u>
	<u>Balance at</u> <u>January 1,</u> <u>2020</u>	<u>Before</u> <u>tax</u> <u>amount</u>	<u>Less:</u> <u>transfer to</u> <u>profit or</u> <u>loss</u>	<u>Less:</u> <u>Income</u> <u>tax</u> <u>expenses</u>	<u>Net-of-</u> <u>tax</u> <u>amount</u>	<u>Less:</u> <u>transfer to</u> <u>retained</u> <u>earnings</u>	
<b>Items that will not be reclassified to profit or loss</b>	<b>13,824</b>	<b>47,433</b>	<b>-</b>	<b>8,060</b>	<b>39,373</b>	<b>-</b>	<b>53,197</b>
Re-measurement of changes in liabilities under defined benefit plans	(34,876)	47,433	-	8,060	39,373	-	4,497
Changes in fair value of other equity investment	48,700	-	-	-	-	-	48,700
<b>Items that may be reclassified to profit or loss</b>	<b>1,178,857</b>	<b>187,982</b>	<b>83,672</b>	<b>(3,690)</b>	<b>108,000</b>	<b>-</b>	<b>1,286,857</b>
Effective portion of gain or loss of cash flow hedge	(45,532)	1,697	83,672	(3,690)	(78,285)	-	(123,817)
Translation difference of foreign financial statements	1,224,389	186,285	-	-	186,285	-	1,410,674
	<u>1,192,681</u>	<u>235,415</u>	<u>83,672</u>	<u>4,370</u>	<u>147,373</u>	<u>-</u>	<u>1,340,054</u>



## Notes to the Financial Statements

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

#### 40. Surplus reserve

	<b>Balance at January 1, 2020</b>	<b>Additions during the period</b>	<b>Reductions during the period</b>	<b>Balance at June 30, 2020</b>
Statutory surplus reserve	236,348	-	-	236,348
Discretionary surplus reserve	3,814	-	-	3,814
	<u>240,162</u>	<u>-</u>	<u>-</u>	<u>240,162</u>

#### 41. Retained Earnings

	<b>2020</b>	<b>2019</b>
Retained earnings as at December 31 of preceding year	5,574,173	5,513,466
Adjustment for business combination under common control (Note 1)	-	115,826
Retained earnings as at January 1	5,574,173	5,629,292
Net profits for the period attributable to shareholders of the Company	204,649	588,638
Dividends to non-controlling Interest	(26,828)	(28,936)
Dividend to the shareholders of the company (Note 2)	(29,359)	(293,628)
Transfer from other comprehensive income	-	4,511
Retained earnings as at June 30	<u>5,722,635</u>	<u>5,899,877</u>

Note 1:

During the first quarter of 2019 the acquisition of Adama Anpon (Jiangsu) Ltd., a wholly-owned subsidiary of CNAC, was successfully completed. Anpon became a wholly owned subsidiary of the Company. The combination was considered as a business combination under common control.

Note 2:

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

Notes to the Financial Statements

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

42. Operating Income and Cost of Sales

	Six months ended June 30		Six months ended June 30	
	2020		2019	
	Income	Cost of sales	Income	Cost of sales
Principal activities	14,100,337	9,894,415	13,579,047	8,999,083
Other businesses	20,703	10,055	36,985	24,159
	<u>14,121,040</u>	<u>9,904,470</u>	<u>13,616,032</u>	<u>9,023,242</u>

43. Taxes and Surcharges

	Six months ended June 30	
	2020	2019
Tax on turnover	11,087	8,285
Others	35,030	37,941
	<u>46,117</u>	<u>46,226</u>

44. Selling and Distribution Expenses

	Six months ended June 30	
	2020	2019
Salaries and related expense	804,371	811,280
Depreciation and amortization	712,432	703,980
Transportation and Commissions	384,906	372,574
Advertising and sales promotion	161,027	178,645
Travel expenses	42,169	68,795
Warehouse expenses	77,121	75,558
Registration	81,676	74,483
Professional services	45,113	38,998
Insurance	36,863	41,668
Others	122,890	133,793
	<u>2,468,568</u>	<u>2,499,774</u>

**Notes to the Financial Statements**

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

**45. General and Administrative Expenses**

	<b>Six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>
Salaries and related expenses	263,523	248,290
Idleness expenses	87,755	155,214
Professional services	56,030	64,171
Depreciation and amortization	44,550	45,283
IT systems	46,259	41,929
Office rent, maintenance and expenses	17,759	25,925
Other	37,310	47,447
	<b>553,186</b>	<b>628,259</b>

**46. Research and development expenses**

	<b>Six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>
Salaries and related expenses	91,566	90,220
Field trial	17,652	33,143
Professional services	31,068	27,519
Depreciation and amortization	13,942	18,826
Materials	3,251	14,860
Office rent, maintenance and expenses	3,631	4,316
Other	27,075	21,815
	<b>188,185</b>	<b>210,699</b>

**47. Financial expenses, net**

	<b>Six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>
Interest expenses on debentures and loans	352,342	349,941
CPI expense (income) in respect of debentures	(63,213)	96,329
Loss in respect of sale of trade receivables	36,790	33,129
Interest expense in respect of post-employment benefits and early retirement, net	8,133	9,182
Revaluation of put option, net	8,566	(14,954)
Interest income from customers, banks and others	(29,625)	(41,104)
Exchange rate differences, net	507,673	481,676
Interest expense on lease liabilities	11,955	12,894
Other expenses	10,171	11,103
	<b>842,792</b>	<b>938,196</b>

Notes to the Financial Statements

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

48. Investment income, net

	Six months ended June 30	
	2020	2019
Investment income (expenses) from disposal of derivatives	37,737	(536,167)
Income from long-term equity investments accounted for using the equity method	14,392	21,724
	<u>52,129</u>	<u>(514,443)</u>

49. Gain (loss) from Changes in Fair Value

	Six months ended June 30	
	2020	2019
Gain from changes in fair value of derivative financial instruments	267,775	881,007
Others	(2,265)	3,128
	<u>265,510</u>	<u>884,135</u>

50. Credit impairment reversal (losses)

	Six months ended June 30	
	2020	2019
Bills receivable and accounts receivable	5,780	3,356
Other receivables	(191)	(9)
	<u>5,589</u>	<u>3,347</u>

51. Asset impairment reversal (losses)

	Six months ended June 30	
	2020	2019
Inventories	(24,724)	(19,371)
Intangible asset	(21)	-
Other	(631)	(4,438)
	<u>(25,376)</u>	<u>(23,809)</u>

52. Gain from Disposal of Assets

	Six months ended June 30		Included in non-recurring items
	2020	2019	
Gain from disposal of fixed assets	720	115,730	720
Gain (loss) from disposal of intangible assets	6,974	(216)	6,974
	<u>7,694</u>	<u>115,514</u>	<u>7,694</u>

**Notes to the Financial Statements**

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

**53. Income Tax Expenses**

	<b>Six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>
Current year	211,779	192,289
Deferred tax expenses (income)	17,036	(54,959)
Adjustments for previous years, net	15,383	3,207
	244,198	140,537

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

	<b>Six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>
Profit before taxes	448,847	729,175
Statutory tax in china	25%	25%
Tax calculated according to statutory tax in china	112,212	182,294
Tax benefits from Approved Enterprises	(30,179)	(29,962)
Difference between measurement basis of income for financial statement and for tax purposes	138,291	870
Taxable income and temporary differences at other tax rate	(41,814)	(6,378)
Taxes in respect of prior years	15,383	3,207
Utilization of tax losses prior years for which deferred taxes were not created	(771)	-
Temporary differences and losses in the report year for which deferred taxes were not created	33,094	897
Non-deductible expenses and other differences	12,994	(5,907)
Neutralization of tax calculated in respect of the Company's share in results of equity accounted investees	(3,889)	(6,304)
Effect of change in tax rate in respect of deferred taxes	15,435	442
Creation and reversal of deferred taxes for tax losses and temporary differences from previous years	(6,558)	1,378
Income tax expenses	244,198	140,537

**54. Other comprehensive income**

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

Notes to the Financial Statements

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

55. Notes to items in the cash flow statements

(1) Cash received relating to other operating activities

	Six months ended June 30	
	2020	2019
Derivatives transactions	404,824	44,546
Financial institutions	126,770	-
Interest income	26,314	29,257
Government subsidies	6,236	363
Others	66,371	184,212
	<u>630,515</u>	<u>258,378</u>

(2) Cash paid relating to other operating activities

	Six months ended June 30	
	2020	2019
Transportation, Commissions and Warehouse	389,972	386,468
Advertising and sales promotion	145,267	159,574
Professional services	134,480	141,127
Financial institutions	136,897	39,402
IT and Communication	94,321	77,596
Registration and Field trials	81,576	92,911
Derivatives transactions	90,297	54,030
Travel	51,360	69,405
Insurance	36,663	29,015
Others	297,735	325,262
Net cash flow from operating activities	<u>1,458,568</u>	<u>1,374,790</u>

(3) Cash received relating to other investing activities

	Six months ended June 30	
	2020	2019
Proceeds from loan to affiliate company	-	7,491
Investment grant	-	1,808
Other	-	28
	<u>-</u>	<u>9,327</u>

(4) Cash paid relating to other investing activities

	Six months ended June 30	
	2020	2019
Increase in securitization facility	31,483	-
Other	15,357	778
	<u>46,840</u>	<u>778</u>

Notes to the Financial Statements

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

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

(5) Cash received from other financing activities

	Six months ended June 30	
	2020	2019
Cash received in respect of hedging transactions on debentures	-	41,144
Deposit for issuing bills payables	4,449	20,557
	<u>4,449</u>	<u>61,701</u>

(6) Cash paid relating to other financing activities

	Six months ended June 30	
	2020	2019
Payment in respect of hedging transactions on debentures	154,335	325,474
Repayment of lease liability	81,915	74,182
Realization of call option	-	35,625
Deposit for issuing bills payable	13,036	8,610
	<u>249,286</u>	<u>443,891</u>

56. Supplementary Information on Cash Flow Statement

(1) Supplementary information on Cash Flow Statement

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

	Six months ended June 30	
	2020	2019
Net profit	204,649	588,638
Add: Impairment provisions for assets	25,376	23,809
Credit impairment loss	(5,589)	(3,347)
Depreciation of fixed assets and investment property	391,110	413,802
Depreciation of right-of-use asset	78,568	75,529
Amortization of intangible asset	673,105	670,019
Gains on disposal of fixed assets, intangible assets, and other long-term assets, net	(7,694)	(115,514)
Gains from changes in fair value	(265,510)	(884,135)
Financial expenses	245,591	806,091
Investment loss (income), net	(245,248)	900,426
Decrease (increase) in deferred tax assets	(43,845)	(50,833)
Increase (decrease) in deferred tax liabilities	60,881	(4,126)
Decrease (increase) in inventories, net	(717,127)	(777,827)
Increase in operating receivables	(701,359)	(1,263,516)
Increase (decrease) in operating payables	1,525,228	(751,460)
Others	16,395	67,494
Net cash flow from operating activities	<u>1,234,531</u>	<u>(304,950)</u>

**Notes to the Financial Statements**

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

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

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

	<b>Six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>
Closing balance of cash	6,256,107	5,381,820
Less: Opening balance of cash	4,319,907	6,346,196
Net increase (decrease) in cash and cash equivalents	1,936,200	(964,376)

**(2) Details of cash and cash equivalents**

	<b>June 30</b>	<b>January 1</b>
	<b>2020</b>	<b>2020</b>
Cash on hand	3,651	6,265
Bank deposits available on demand without restrictions	6,252,456	4,313,642
	6,256,107	4,319,907

**57. Assets with Restricted Ownership or Right of Use**

	<b>June 30</b>	<b>Reason</b>
	<b>2020</b>	
Cash	37,068	Pledged Guarantees
Other non-current assets	109,312	
	146,380	



**Notes to the Financial Statements**

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

**58. Foreign currencies denominated items**

**(1) Foreign currencies denominated items**

	<b>As at June 30, 2020</b>		
	<b>Foreign currency at the end of the period</b>	<b>Exchange rate</b>	<b>RMB at the end of the period</b>
<b>Cash and bank balances</b>			
EUR	69,566	7.9366	552,116
ILS	247,542	2.0440	505,986
BRL	239,855	1.2938	310,316
USD	39,157	7.0846	277,417
PLN	125,210	1.7798	222,849
ZAR	184,159	0.4109	75,673
Other			395,822
Total			2,340,179
<b>Bills and Accounts receivable</b>			
BRL	791,834	1.2938	1,024,446
EUR	119,802	7.9366	950,821
CAD	74,365	5.1731	384,693
RON	233,146	1.6387	382,059
TRY	247,993	1.0354	256,781
HUF	7,416,257	0.0223	165,313
RUB	1,347,746	0.1013	136,500
ZAR	236,432	0.4109	97,152
USD	37,490	7.0846	265,604
ILS	33,980	2.0440	69,457
Other			305,004
Total			4,037,830
<b>Other receivables</b>			
EUR	52,928	7.9366	420,068
AUD	59,549	4.8491	288,759
ILS	120,764	2.0440	246,846
GBP	15,050	8.6956	130,872
BRL	16,909	1.2938	21,876
Other			77,684
Total			1,186,105
<b>Other current assets</b>			
ILS	59,308	2.0440	121,229
BRL	42,578	1.2938	55,086
EUR	6,372	7.9366	50,569
ARS	291,633	0.1005	29,323
UAH	89,541	0.2654	23,766
Other			72,522
Total			352,495

Notes to the Financial Statements

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

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

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

	As at June 30, 2020		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
<b>Long-term receivables</b>			
BRL	93,178	1.2938	120,550
Total			120,550
<b>Other non-current assets</b>			
BRL	71,580	1.2938	92,607
Other			8,453
Total			101,060
<b>Short-term loans</b>			
EUR	45,454	7.9366	360,750
TRY	153,940	1.0354	159,395
UAH	397,692	0.2654	105,555
Total			625,700
<b>Bills and Accounts payable</b>			
ILS	311,163	2.0440	636,029
EUR	51,014	7.9366	404,877
USD	18,843	7.0846	133,497
BRL	61,883	1.2938	80,062
COP	30,537,740	0.0019	57,556
RON	19,324	1.6387	31,667
Other			57,684
Total			1,401,372
<b>Other payables</b>			
ILS	139,454	2.0440	285,050
AUD	24,913	4.8491	120,805
BRL	37,248	1.2938	48,190
OTHER			19,049
TOTAL			473,094
<b>Contract liabilities</b>			
EUR	40,015	7.9366	317,586
CAD	16,209	5.1731	83,850
BRL	49,057	1.2938	63,468
TRY	37,912	1.0354	39,256
USD	2,125	7.0846	15,058
Other			58,675
Total			577,893

Notes to the Financial Statements

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

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

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

	As at June 30, 2020		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
<b>Non-current liabilities due within one year</b>			
ILS CPI	282,703	2.0440	577,857
EUR	23,891	7.9366	189,610
USD	1,303	7.0846	9,232
Other			36,565
Total			<u>813,264</u>
<b>Other current liabilities</b>			
EUR	4,638	7.9366	36,813
Other			2,768
Total			<u>39,581</u>
<b>Long-term loan</b>			
EUR	55,302	7.9366	438,908
Total			<u>438,908</u>
<b>Debentures payable</b>			
ILS CPI	4,238,551	2.0440	8,663,772
Total			<u>8,663,772</u>
<b>Provision and Long-term payables</b>			
BRL	45,566	1.2938	58,951
EUR	372	7.9366	2,952
Total			<u>61,903</u>
<b>Other non-current liabilities</b>			
EUR	7,852	7.9366	62,321
USD	5,577	7.0846	39,511
ILS CPI	18,647	2.0440	38,116
GBP	1,038	8.6956	9,026
Other			49,387
Total			<u>198,361</u>

Notes to the Financial Statements

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

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

(2) Major foreign operations

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

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

VI. Change in consolidation Scope

There were no changes in consolidation scope during the reporting period.

Notes to the Financial Statements

VII. Interest in Other Entities

1. Interests in subsidiaries

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

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

2. Interests in joint ventures or associates

	June 30 2020	December 31 2019
Joint ventures	93,419	92,695
Associates	41,001	40,403
	<u>134,420</u>	<u>133,098</u>

3. Summarized financial information of joint ventures and associates

	June 30, 2020 and six months then ended	June 30, 2019 and six months then ended
Joint ventures:		
Total carrying amount	93,419	95,258
The Group's share of the following items:		
Net profit	14,392	21,740
Other comprehensive income	(2,427)	158
Total comprehensive income	<u>11,965</u>	<u>21,898</u>
Associates:		
Total carrying amount	41,001	39,817
The Group's share of the following items:		
Net profit	-	(16)
Other comprehensive income	598	67
Total comprehensive income	<u>598</u>	<u>51</u>

## Notes to the Financial Statements

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### VIII. Risk Related to Financial Instruments

#### A. General

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

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

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

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

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

#### B. Credit risk

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

##### *Accounts and other receivables*

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

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

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

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

## Notes to the Financial Statements

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

#### B. Credit risk - (cont'd)

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

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

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

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

#### *Cash and deposits in banks*

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

#### *Guarantees*

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

#### **Aging of receivables and expected credit risk**

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

	<b>June 30, 2020</b>
Past due by less than 90 days	490,268
Past due by more than 90 days	591,410
	1,081,678

## Notes to the Financial Statements

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

#### B. Credit risk - (cont'd)

The company measure the provision for credit losses on a collective group basis, where receivables share similar credit risk characteristics based on geographical locations. The examination for expected credit losses is performed using model including aging analysis and historical loss experiences, and adjusted by the observable factors reflecting current and expected future economic conditions.

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

The Group has credit risk exposures for accounts receivables amounted to RMB 8,414,898 thousand relate to category of "Lifetime expected credit losses (credit losses has not occurred)" and amounted to RMB 599,579 thousand related to category of "Lifetime expected credit losses (credit losses occurred)". The Group has credit risk exposures for other receivables amounted to RMB 15,095 thousand related to category of "Lifetime expected credit losses (credit losses occurred)". The credit risk exposures for all remaining balance of financial assets at amortised cost and financial assets at FVTOCI are related to "12-month expected credit losses".

#### C. Liquidity risk

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

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

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



## Notes to the Financial Statements

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

#### C. Liquidity risk - (cont'd)

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

	As at June 30, 2020					Contractual Cash flow	Carrying amount
	First year	Second year	Third- Fourth year	Fifth year and above			
<b>Non-derivative financial liabilities</b>							
Short-term loans	1,918,865	-	-	-	1,918,865	1,893,876	
Bills payables	255,417	-	-	-	255,417	255,417	
Accounts payables	4,773,708	-	-	-	4,773,708	4,773,708	
Other payables	1,342,465	-	-	-	1,342,465	1,342,465	
Other current liabilities	148,974	-	-	-	148,974	148,974	
Debentures payable	959,646	970,651	1,857,907	9,366,047	13,154,251	9,204,385	
Long-term loans	719,769	680,316	1,401,467	314,685	3,116,237	2,875,705	
Long-term payables	64	64	128	26,612	26,868	26,860	
Lease Liabilities	162,885	126,886	133,534	236,625	659,930	532,371	
Other non-current liabilities	2,061	30,690	281,420	87,946	402,117	392,842	
<b>Derivative financial liabilities</b>							
Foreign currency derivatives	1,044,945	2,996	-	-	1,047,941	1,047,941	
CPI/shekel forward transactions	20,089	-	-	-	20,089	20,089	
	<u>11,348,888</u>	<u>1,811,603</u>	<u>3,674,456</u>	<u>10,031,915</u>	<u>26,866,862</u>	<u>22,514,633</u>	

#### D. Market risks

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

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

##### (1) CPI and foreign currency risks

###### *Currency risk*

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

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

## Notes to the Financial Statements

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

#### D. Market risks - (cont'd)

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

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

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

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

	<b>June 30, 2020</b>	
	<b>Total assets</b>	<b>Total liabilities</b>
In US Dollar	1,483,757	1,355,563
In Euro	2,074,195	1,763,078
In Brazilian real	1,634,318	193,476
CPI-linked NIS	-	9,316,928
In New Israeli Shekel	943,518	929,318
Denominated in or linked to other foreign currency	4,326,664	990,532
	<u>10,462,452</u>	<u>14,548,895</u>

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

	<b>June 30, 2020</b>					
	<b>Currency/ linkage receivable</b>	<b>Currency/ linkage payable</b>	<b>Average expiration date</b>	<b>USD thousands Par value</b>	<b>RMB thousands Par value</b>	<b>Fair value</b>
Forward foreign currency	<b>USD</b>	EUR	2020/08/30	202,693	1,434,967	(208,857)
Contracts and call options	<b>USD</b>	PLN	2020/09/14	71,275	504,593	(15,478)
	<b>USD</b>	BRL	2020/09/19	377,868	2,675,116	194,775
	<b>USD</b>	GBP	2020/08/12	31,482	222,880	1,090
	<b>USD</b>	ZAR	2020/07/30	22,749	161,050	(12,747)
	<b>ILS</b>	USD	2021/01/31	1,395,087	9,876,519	152,787
	<b>USD</b>	OTHER		523,287	3,704,608	(135,455)
CPI forward contracts	<b>CPI</b>	ILS	2020/11/06	577,034	4,085,113	(23,172)

## Notes to the Financial Statements

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

#### D. Market risks - (cont'd)

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

##### (C) Sensitivity analysis

The appreciation or depreciation of the Dollar against the following currencies as of June 30, 2020 and the increase or decrease in the CPI would increase (decrease) the equity and profit or loss by the amounts presented below. This analysis assumes that all the remaining variables, among others interest rates, remains constant.

	June 30, 2020			
	Decrease of 5%		Increase of 5%	
	Equity	Profit (loss)	Equity	Profit (loss)
New Israeli shekel	67,527	55,863	(14,957)	(4,407)
British pound	(1,369)	698	1,369	(698)
Euro	(101,708)	792	103,565	2,335
Brazilian real	(55,508)	22,957	43,005	(29,116)
Polish zloty	(18,054)	(6,391)	15,441	4,890
South African Rand	(1,080)	(427)	218	(372)
Chinese Yuan Renminbi	(11,098)	(11,098)	11,098	11,098
CPI-linked NIS	255,959	255,959	(255,959)	(255,959)

##### (2) Interest rate risks

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

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

Notes to the Financial Statements

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

D. Market risks - (cont'd)

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

(A) Type of interest

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

	<u>June 30, 2020</u>
<b>Fixed-rate instruments – unlinked to the CPI</b>	
<b><u>Financial assets</u></b>	
Cash at banks	-
Other non-current assets	44,346
<b><u>Financial liabilities</u></b>	
Long-term loans	1,439,374
Long-term payables	21,345
Other non-current liabilities	171,770
	<u>(1,588,143)</u>
<b>Fixed-rate instruments – linked to the CPI</b>	
<b><u>Financial liabilities</u></b>	
Debentures payable	<u>9,204,385</u>
<b>Variable-rate instruments</b>	
<b><u>Financial assets</u></b>	
Cash at banks	1,239,860
Financial assets at fair value through profit or loss	12,609
Other non-current assets	24,502
<b><u>Financial liabilities</u></b>	
Short-term loans and credit from banks	1,893,876
Long-term loans(1)	1,436,331
	<u>(2,053,236)</u>

(1) Including long-term loans current maturities.

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

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

	<u>Profit or loss</u>		<u>Equity</u>	
	<u>Increase in interest</u>	<u>Decrease in interest</u>	<u>Increase in interest</u>	<u>Decrease in interest</u>
As at June 30, 2020	<u>1,467</u>	<u>(1,425)</u>	<u>1,467</u>	<u>(1,425)</u>

## Notes to the Financial Statements

### IX. Fair Value

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

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

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

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

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

	<b>June 30, 2020</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial assets</b>		
Other non-current assets (a – Level 2)	65,783	61,900
<b>Financial liabilities</b>		
Long-term loans and others (b – Level 2)	3,609,306	3,628,893
Debentures (c – Level 1)	9,204,384	11,227,319

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

#### 2. The interest rates used in determining fair value

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

	<b>June 30, 2020</b>
	<b>%</b>
U.S. dollar interest	0.15 – 0.88
Euro	(0.51) – 0.21

## Notes to the Financial Statements

### IX. Fair Value - (cont'd)

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

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

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

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

	<u>June 30</u> <u>2020</u>
Forward contracts and options used for hedging the cash flow (Level 2)	(132,245)
Forward contracts and options used for economic hedging (Level 2)	85,188
Other equity investment (Level 2)	156,092
Other non-current asset (Level 2)	35,235
Receivables financing (Level 2)	35,552
Call option in respect of business combination (Level 2)	7,179
Other (Level 2)	12,609

#### Financial Instrument

#### Fair value

#### **Forward contracts**

Fair value measured on the basis of discounting the difference between the stated forward price in the contract and the current forward price for the residual period until redemption using an appropriate interest rates.

#### **Foreign currency options**

The fair value is measured based on the Black&Scholes model.

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

No change in the valuation techniques in the reporting period.

## Notes to the Financial Statements

### X. Related parties and related party transactions

#### 1. Information on parent Company

<u>Company name</u>	<u>Registered place</u>	<u>Business nature</u>	<u>Registered capital (Thousand RMB)</u>	<u>Shareholding percentage</u>	<u>Percentage of voting rights</u>
Syngenta Group	Shanghai, China	Production and sales of agrochemicals, fertilizers and GM seeds	10,000,000	74.02%	74.02%

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

#### 2. Information on the largest subsidiaries of the Company

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

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

For information about the joint ventures and associates of the Company, refer to Note V.12.

Other joint ventures and associates that have related party transactions with the Group during this period or the previous periods are as follows:

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

Notes to the Financial Statements

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

4. Information on other related parties

<u>Name of other related parties</u>	<u>Related party relationship</u>
Jingzhou Sanonda holdings Co., Ltd.	Common control
CNAC International Co., Ltd. (SPV Company)	Common control
ChemChina Asset Management Co., Ltd.	Common control
ChemChina Information Center Co., Ltd.	Common control
Syngenta (China) Investment Co.Ltd	Common control
Syngenta Crop Protection AG	Common control
Syngenta Crop Protection S.A.	Common control
Syngenta Supply AG	Common control
Syngenta Crop Protection LLC.	Common control
Syngenta Romania SRL	Common control
Syngenta France SAS	Common control
Syngenta Australia Pty Ltd	Common control
Syngenta Agro Sociedad Anonima	Common control
Syngenta Protecao De Cultivos LTDA	Common control
Syngenta Canada Inc.	Common control
Syngenta Korea Ltd.	Common control
Syngenta Vietnam Ltd.	Common control
Syngenta Czech s.r.o.	Common control
Syngenta Espana S.A.	Common control
Syngenta India Limited	Common control
Syngenta South Africa (Pty) Ltd.	Common control
PT Syngenta Indonesia	Common control
Syngenta Agro AG	Common control
Syngenta Agro S.A.	Common control
Syngenta Agro S.r.l.	Common control
Syngenta Polska Sp. z o.o.	Common control
Syngenta Agro, S.A. DE C.V.	Common control
Syngenta Italia S.p.A.	Common control
Syngenta Crop Protection Lda.	Common control
Syngenta Crop Protection B.V.	Common control
Syngenta Crop Protection NV	Common control
Syngenta Nordics A.S.	Common control
Syngenta Tarim Sanayi ve Ticaret A.S.	Common control
Syngenta Agro GmbH	Common control
Syngenta Kazakhstan Limited Liability Partnership	Common control
Syngenta Slovakia S.R.O.	Common control
Syngenta Hungary Kft.	Common control
Syngenta UK Ltd	Common control
Syngenta Ireland Ltd	Common control
Syngenta Comercial Agricola Ltda	Common control
Syngenta S.A. (Colombia)	Common control
Bluestar Engineering Co.,Ltd.	Common control
China National Bluestar Co., Ltd.	Common control
China Bluestar Chengrand	Common control
Bluestar (Beijing) Chemical Machinery Co., Ltd.	Common control
Hangzhou (Torh) Xidoumen Membrane Industry Co., Ltd	Common control
Shandong Dacheng International Trading	Common control
Shandong Dacheng agricultural chemical co. LTD.	Common control
Southwest Chemical Research and Design Institute Co., Ltd.	Common control
Beijing Guangyuan Yinong Chemical Co., Ltd.	Common control



**Notes to the Financial Statements**

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

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

<u>Name of other related parties</u>	<u>Related party relationship</u>
Anhui Research Institute of Chemical Industry	Common control
Bluestar Engineering Co.,Ltd.	Common control
Elkem Silicones Brasil Ltda.	Common control
Shanghai branch of China blue lianhai design and research institute.	Common control
Jiangsu Huaihe Chemical Co.,Ltd.	Common control
Sinochem Fertilizer Co., Ltd Jiangsu Branch	Common control
Sinochem Fertilizer Co., Ltd Fujian Branch	Common control
Sinochem Fertilizer Co., Ltd Guangxi Branch	Common control
Sinochem Agriculture Biotechnology Co. LTD Xinjiang Branch	Common control
Sinochem Fertilizer Co., Ltd Southwest Branch	Common control
Sinochem Modern Agriculture Xinjiang Co. LTD	Common control
Sinochem Modern Agriculture Co. LTD. Anhui Branch	Common control
Zhonglan Lianhai Design & Research Institute Co.,Ltd.	Common control
Zhonglan International Chemical Co., Ltd	Common control
Jiangsu Youshi Chemical Co., Ltd.	Associate of the Group
Jiangsu Ruixiang Chemical Co., Ltd.	Associate of the Group
Jiangsu Yangnong Chemical Co., Ltd.	Associate of the Group
Jiangsu Yangnong Chemical Group Co., Ltd.	Associate of the Group

**5. Transactions and balances with related parties**

**(1) Transactions with related parties**

<u>Type of purchase</u>	<u>Related Party Relationship</u>	<u>Six months ended June 30</u>	
		<u>2020</u>	<u>2019</u>
<u>Summary of purchase of goods/services:</u>			
Purchase of goods/services received	Common control under ChemChina	618,225	734,273
	Joint venture	1,891	3,332
Purchase of fixed assets and other assets	Common control under ChemChina	163,931	13,098
<u>Summary of Sales of goods:</u>			
Sale of goods/ Service rendered	Common control under ChemChina	408,470	408,089
	Joint venture	96,378	108,664

Notes to the Financial Statements

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

5. Transactions and balances with related parties

(2) Guarantee

The Group as the guarantee receiver

Guarantee provider	Amount of guaranteed loan	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y / N)
Parent company	300,000	20/11/2017	20/11/2022	N
	30,000	01/08/2019	30/07/2020	N
	2,000	11/02/2020	11/08/2020	N
	20,000	28/06/2019	18/06/2020	Y
	20,000	01/03/2019	20/02/2020	Y
	50,000	01/06/2019	29/05/2020	Y
	50,000	28/06/2019	27/06/2020	Y
	64,000	19/02/2019	18/02/2020	Y
	80,000	02/02/2019	30/01/2020	Y

(3) Remuneration of key management personnel and directors

	Periods ended June 30	
	2020	2019
Remuneration of key management personnel and directors	22,043	32,756

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

Receivable Items

Items	Related Party Relationship	June 30		December 31	
		2020	2019	2020	2019
		Book Balance	Expected credit losses	Book Balance	Expected credit losses
Trade receivables	Common control under ChemChina	156,809	-	153,197	-
	Joint venture	43,645	-	24,026	-
	Associates	5,694	-	-	-
Other receivables	Common control under ChemChina	416	-	25,346	-
Prepayments	Common control under ChemChina	41,032	-	69,610	-
	Associates	669	-	-	-
Dividends receivable	Joint venture	10,768	-	-	-
Other assets	Joint venture	-	-	314	-

**Notes to the Financial Statements**

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

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

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

**Payable Items**

<u>Items</u>	<u>Related Party Relationship</u>	<u>June 30</u> <u>2020</u>	<u>December 31</u> <u>2019</u>
Trade payables	Common control under ChemChina	282,447	239,360
	Joint venture	637	258
	Associates	28,042	-
Other payables	Common control under ChemChina	29,118	23,195
	Joint venture	538	-
Other non-current liabilities *	Common control under ChemChina	171,770	171,770

\* The liability is a loan from a related party, the interest expense for the six months ended June 30, 2020 is 1,048 thousand RMB (six months ended June 30, 2019: 1,042 thousand RMB).

**(5) Acquisition of a subsidiary**

<u>Related Party</u>	<u>Related Party Relationship</u>	<u>June 30</u> <u>2020</u>	<u>December 31</u> <u>2019</u>
Parent	Acquisition of a subsidiary	-	415,000

**(6) Other related party transactions**

The closing balance of bank deposit in ChemChina Finance Corporation was 273,383 thousand RMB (31.12.19: 396,355 thousand RMB) Interest income of bank deposit for the current period was 670 thousand RMB (amount for six months ended June 30, 2019 is 2,106 thousand RMB).

The closing balance of a loan received from ChemChina Finance corporation was 4,000 thousand RMB (31.12.19: 100,000 thousand RMB). Interest expenses in the current period was 370 thousand RMB (amount for six months ended June 30, 2019 is 0 thousand RMB).

## Notes to the Financial Statements

### XI. Commitments and contingencies

#### 1. Significant commitments

	<b>June 30</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
Investment in Fixed assets	710,474	588,243

#### 2. Commitments and Contingent Liabilities

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

#### 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 regarding environmental issues have been revoked.

#### Other

Two of the Company’s production sites, Jingzhou old site in Jingzhou, Hubei Province and Anpon old site in Huai’An, Jiangsu Province (hereinafter the “Sites”) are in the process of relocating to new sites. As part of the relocation process, the number of employees in the Company and its subsidiary Anpon is to be reduced.

The Company and its subsidiary Anpon began to execute the employees’ reduction plan during the fourth quarter of 2019 and through the first half of 2020. The fourth quarter of 2019 includes expenses of RMB 243 million with regard to termination benefits to employees.

## Notes to the Financial Statements

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### XI. Commitments and contingencies - (cont'd)

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

##### Claims against subsidiaries

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

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

##### Performance Compensation Agreement

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

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

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

## Notes to the Financial Statements

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### XI. Commitments and contingencies - (cont'd)

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

##### COVID-19 pandemic

During the first half of 2020, the global agrochemical market, amongst many others, was impacted by the unprecedented COVID-19 pandemic. As a result, farmers' incomes have been, and continue to be, negatively impacted in most regions by lower crop prices, reduced demand due to the relative shutdown of the food sector, and labor shortages owing to mobility restrictions, all leading to increased costs for farmers. Governments across the world continue to include farmers in extensive support programs, partially offsetting lost income due to the pandemic.

One of the most widespread economic consequences of the pandemic is the significant weakening of many global currencies against the US dollar, which started abruptly towards the end of the first quarter and throughout the duration of the second quarter. This has been seen most notably in the Brazilian Real, Indian Rupee and Turkish Lira, and has contributed to increased volatility in the Euro and Australian dollar.

Following tight supply in the first quarter due to COVID-19 disruptions, chemical production in China has largely returned to prior levels and prices of raw materials and intermediates are starting to reflect such increase in supply.

The ongoing spread of the COVID-19 pandemic is expected to continue to negatively impact the performance and profitability of the Company in the coming months. The Company continues to actively manage its response to the pandemic in order to ensure the safety of its employees and limit its impact on the Company's business and its financial performance.

### XII. Events subsequent to the balance sheet date

Subsequent to the report date, the Company's Board of Directors has approved a limited B-share repurchase program. In terms of this program, the Company intends to repurchase up to 26 million of its B-shares (constituting up to 15.6% of the Company's B-shares and up to 1.1% of its total shares outstanding), at an expected cost in the range of approximately RMB 66.3 million to RMB 132.6 million. This proposal will be submitted to the Shareholders' Meeting for confirmation in the coming weeks. If confirmed, the program will be completed within three months. The actual timing, number and value of B-shares to be repurchased under the share repurchase program will be determined by the Company's management at its discretion and will depend on a variety of factors.

## Notes to the Financial Statements

### XIII. Share-based Payments

1. In February 2019, the remuneration committee and the Company's Board of Directors (and the General Meeting with respect to the CEO and Vice President who also serves as a director) approved the allocation of 77,864,910 phantom warrants to officers and employees in accordance with the long-term phantom compensation plan (hereinafter - "the 2019 Plan"). The allocation date is February 21, 2019.

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

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

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

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

<b>Statement of share based payments in the period</b>	<b>Phantom warrants</b>
Total number of Phantom warrants at the beginning of the period	67,226,416
Total number of Phantom warrants granted in current period	1,613,348
Total number of Phantom warrants exercised in current period	-
Total number of Phantom warrants forfeited in current period	(4,963,172)
Total number of Phantom warrants at the end of the period	63,876,592

The exercise prices and the remainder of the contractual period for Phantom warrants outstanding at the end of period	RMB 9.92 – 10.85 5.5 years
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**The parameters used in implementing the model are as follows:**

Stock price (RMB)	10.85
Exercise increment (RMB)	10.03/10.85
Expected volatility	43.97%
Risk-free interest rate	3.06%
Economic value as of February 21, 2019 (in thousands RMB)	186,206

The methods for the determination of the fair value of liabilities arising from cash-settled share-based payments	The binomial pricing model
Accumulated amount of liabilities arising from cash-settled share-based payments (in thousands RMB)	82,667
Expenses arising from cash-settled share-based payments in current period (in thousands RMB)	15,358

## Notes to the Financial Statements

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

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

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

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

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

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

#### Statement of share based payments in the period

	<b>Phantom warrants</b>
<b>Changes in the number of 2017 Plan:</b>	
Total number of Phantom warrants at the beginning of the period	24,266,876
Total number of Phantom warrants granted in current period	-
Total number of Phantom warrants exercised in current period	-
Total number of Phantom warrants forfeited in current period	(1,842,443)
Total number of Phantom warrants at the end of the period	22,424,433
The range of the exercise prices and the remainder of the contractual period for Phantom warrants outstanding at the end of period	RMB 9.42 6.25 years



## Notes to the Financial Statements

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

The parameters used in implementing the model are as follows:

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

The methods for the determination of the fair value of liabilities arising from cash-settled share-based payments related to the alternative plan	The binomial pricing model
Accumulated amount of liabilities arising from cash-settled share-based payments related to the alternative plan (in thousands RMB)	31,041
Expenses arising from cash-settled share-based payments in current period related to the alternative plan (in thousands RMB)	1,036

### XIV. Other significant items

#### 1. Segment reporting

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

- Crop Protection (Agro)

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

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

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

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

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

Notes to the Financial Statements

XIV. Other significant items - (cont'd)

1. Segment reporting - (cont'd)

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

	Crop Protection		Intermediates and ingredients		Elimination among segments		Total	
	Six months ended June 30		Six months ended June 30		Six months ended June 30		Six months ended June 30	
	2020	2019	2020	2019	2020	2019	2020	2019
Operating income from external customers	12,834,364	12,302,544	1,286,676	1,313,488	-	-	14,121,040	13,616,032
Inter-segment operating income	-	-	665	692	(665)	(692)	-	-
Interest in the profit or loss of associates and joint ventures	11,118	11,462	3,274	10,262	-	-	14,392	21,724
Segment's results	927,549	1,244,460	60,843	74,943	-	-	988,392	1,319,403
Financial expenses, net							842,792	938,196
Gain (loss) from changes in fair value							265,510	884,135
Investment income							37,737	(536,167)
Profit before tax							448,847	729,175
Income tax expense							(244,198)	140,537
Net profit							204,649	588,638

	Crop Protection		Intermediates and ingredients		Unallocated assets and liabilities		Total	
	June 30	December 31	June 30	December 31	June 30	December 31	June 30	December 31
	2020	2019	2020	2019	2020	2019	2020	2019
Total assets	36,682,597	35,506,894	2,497,137	2,392,909	9,916,445	7,389,137	49,096,179	45,288,940
Total liabilities	5,105,591	4,682,416	311,169	286,109	21,009,641	17,948,750	26,426,401	22,917,275

## Notes to the Financial Statements

### XIV. Other significant items - (cont'd)

#### 1. Segment reporting - (cont'd)

##### Geographic information

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

	<b>Operating income from external customers</b>	
	<b>Six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>
Europe	4,275,020	4,252,479
North America	2,622,636	2,715,528
Latin America	2,669,490	2,411,530
Asia Pacific	2,456,818	2,426,931
Africa, Middle East (including Israel) and India	2,097,076	1,809,564
	<u>14,121,040</u>	<u>13,616,032</u>
	<b>Specified non-current assets</b>	
	<b>June 30</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
Europe	1,055,760	1,047,505
Latin America	2,259,179	2,298,654
North America	1,272,965	1,282,267
Asia Pacific	2,825,394	2,709,786
Africa, Middle East (including Israel) and India	11,468,388	11,512,105
	<u>18,881,686</u>	<u>18,850,317</u>

##### The dependency on major customers

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

**Notes to the Financial Statements**

**XIV. Other significant items - (cont'd)**

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

	<b>Amount for the current period</b>	<b>Amount for the prior period</b>
Net profit from continuing operations attributable to ordinary shareholders	204,649	588,638
	<b>Amount for the current period</b>	<b>Amount for the prior period</b>
Thousands shares		
Number of ordinary shares outstanding at the beginning of the year	2,446,554	2,446,554
Add: weighted average number of ordinary shares issued during the year	-	-
Less: weighted average number of ordinary shares repurchased during the year	-	-
Weighted average number of ordinary shares outstanding at the end of the year	2,446,554	2,446,554
	<b>Amount for the current period</b>	<b>Amount for the prior period</b>
<b>Calculated based on net profit attributable to ordinary shareholders</b>		
Basic earnings per share	0.08	0.24
Diluted earnings per share	N/A	N/A
<b>Calculated based on net profit from continuing operations attributable to ordinary shareholders:</b>		
Basic earnings per share	0.08	0.24
Diluted earnings per share	N/A	N/A
<b>Calculated based on net profit from discontinued operations attributable to ordinary shareholders:</b>		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

**Notes to the Financial Statements**

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

**1. Cash at bank and on hand**

	<b>June 30</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
Deposits in banks	1,423,296	1,395,994
Other cash and bank	22,608	27,057
	1,445,904	1,423,051

As at June 30, 2020, restricted cash and bank balances was 22,608 thousand RMB (as at December 31, 2019-27,057 thousand RMB) mainly including deposits that guarantee bank acceptance drafts.

**2. Accounts receivable**

**a. By category**

	<b>June 30, 2020</b>				<b>Carrying amount</b>
	<b>Book value</b>		<b>Provision for expected credit losses</b>		
	<b>Amount</b>	<b>Percentage (%)</b>	<b>Amount</b>	<b>Percentage (%)</b>	
Account receivables assessed individually for impairment	131,888	25	131,888	100	-
Account receivables assessed collectively for impairment	400,047	75	18	-	400,029
	531,935	100	131,906	27	400,029

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

**b. Aging analysis**

	<b>June 30, 2020</b>
Within 1 year (inclusive)	402,496
Over 1 year but within 2 years	74,629
Over 2 years but within 3 years	40,933
Over 3 years but within 4 years	1,700
Over 4 years but within 5 years	2,634
Over 5 years	9,543
	531,935

**Notes to the Financial Statements**

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

**2. Accounts receivable - (cont'd)**

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

	<b>Six months ended June 30, 2020</b>
Balance as of January 1,	131,423
Addition during the year, net	518
Write back during the year	(35)
Write-off during the year	-
Exchange rate effect	-
Balance as of June 30	131,906

**d. Five largest accounts receivable at June 30, 2020:**

	<b>Closing balance</b>	<b>Proportion of Accounts receivable (%)</b>	<b>Allowance of expected credit losses</b>
Party 1	270,467	51	-
Party 2	118,009	22	118,009
Party 3	95,472	18	-
Party 4	8,788	2	5
Party 5	7,650	1	4
	500,386	94	118,018

**3. Receivable financing**

	<b>June 30</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
Bank acceptance draft	8,512	11,722
	8,512	11,722

As at June 30, 2020, bank acceptance endorsed but not yet due amounts to 138,699 thousands RMB.

Notes to the Financial Statements

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

4. Other Receivables

	<u>June 30</u>	<u>December 31</u>
	<u>2020</u>	<u>2019</u>
Interest receivable	-	64
Other receivables	45,492	13,987
	<u>45,492</u>	<u>14,051</u>

(1) Other receivables

a. Other receivables by categories

	<u>June 30</u>	<u>December 31</u>
	<u>2020</u>	<u>2019</u>
Other	51,350	19,655
Provision for expected credit losses	(5,858)	(5,668)
	<u>45,492</u>	<u>13,987</u>

b. Other receivables by aging

	<u>June 30, 2020</u>
Within 1 year (inclusive)	32,606
Over 1 year but within 2 years	13,679
Over 2 years but within 3 years	-
Over 3 years but within 4 years	-
Over 4 years but within 5 years	10
Over 5 years	5,055
	<u>51,350</u>

Notes to the Financial Statements

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

4. Other Receivables - (cont'd)

(2) Other receivables - (cont'd)

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

	<b>Six months ended June 30, 2020</b>
Balance as of January 1, 2020	5,668
Addition during the period	262
Written back during the period	(72)
Write-off during the period	-
Balance as of June 30, 2020	<u>5,858</u>

d. Five largest other receivables at June 30 2020:

Name	Closing balance	Proportion of other receivables (%)	Credit loss provision
Party 1	16,985	33	-
Party 2	13,322	26	-
Party 3	12,716	25	-
Party 4	3,125	6	3,125
Party 5	1,053	2	-
	<u>47,201</u>	<u>92</u>	<u>3,125</u>



Notes to the Financial Statements

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

5. Long-term equity investments

	June 30, 2020			December 31, 2019		
	Amount balance	Impairment loss	Book value	Amount balance	Impairment loss	Book value
Invest in subsidiaries.	16,390,275	18,864	16,371,411	16,390,275	18,864	16,371,411
	<u>16,390,275</u>	<u>18,864</u>	<u>16,371,411</u>	<u>16,390,275</u>	<u>18,864</u>	<u>16,371,411</u>

Investments in subsidiaries

Invested unit	Opening balance	Increase	Decrease	Closing balance	Current provision impairment loss	Balance provision impairment loss
Jingzhou Hongxiang Chemical Co. Ltd.	18,756	-	-	18,756	-	18,864
Hubei Sanonda Foreign Trade Co. Ltd.	11,993	-	-	11,993	-	-
Adama Anpon (Jiangsu) Ltd.	450,449	-	-	450,449	-	-
ADAMA Agricultural Solutions Ltd.	15,890,213	-	-	15,890,213	-	-
	<u>16,371,411</u>	<u>-</u>	<u>-</u>	<u>16,371,411</u>	<u>-</u>	<u>18,864</u>

6. Operating Income and operating costs

	Six months ended June 30, 2020		Six months ended June 30, 2019	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	653,055	526,904	704,594	493,979
Other operations	20,591	10,410	30,832	24,582
	<u>673,646</u>	<u>537,314</u>	<u>735,426</u>	<u>518,561</u>

Notes to the Financial Statements

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

7. Notes to items in the cash flow statements

(1) Other cash received relevant to operating activities

	<u>Six months ended June 30, 2020</u>	<u>Six months ended June 30, 2019</u>
Interest income	8,507	14,333
Government subsidies	4,992	4,414
Other	1,564	211
	<u>15,063</u>	<u>18,958</u>

(2) Other cash paid relevant to operating activities

	<u>Six months ended June 30, 2020</u>	<u>Six months ended June 30, 2019</u>
Professional services	56,487	44,848
Transportation and Commissions	13,067	28,438
Other	21,253	16,284
	<u>90,807</u>	<u>89,570</u>

(3) Other cash received relevant to financing activities

	<u>Six months ended June 30, 2020</u>	<u>Six months ended June 30, 2019</u>
Deposit for issuing bills payables	4,449	11,947

(4) Other cash paid relevant to financing activities:

	<u>Six months ended June 30, 2020</u>	<u>Six months ended June 30, 2019</u>
Other	200	200
	<u>200</u>	<u>200</u>

**Notes to the Financial Statements**

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

**8. Supplementary information to cash flow statement**

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

	<b>Six months ended June 30</b>	
	<b>2020</b>	<b>2019</b>
Net profit	(42,764)	(37,789)
Add: Assets impairment loss	2,864	272
Credit impairment loss	674	1,633
Depreciation of fixed assets	76,057	99,602
Depreciation of-right-of use assets	233	209
Amortization of intangible assets	2,222	2,347
Loss on disposal of fixed assets, intangible assets and other long-term assets	(101)	293
Financial expenses	3,518	12,588
Decrease (increase) in deferred income tax assets	27,873	(11,220)
Decrease (increase) in inventory	11,596	39,895
Increase in accounts receivable from operating activities	(102,463)	411,591
Increase in payables from operating activities	(41,958)	(236,900)
Net cash flows generated from operating activities	<u>(62,249)</u>	<u>282,521</u>

**(2) Net increase in cash and cash equivalents**

Closing balance of cash	1,423,296	2,132,174
Less: Opening balance of cash	1,395,994	2,005,313
Net increase in cash and cash equivalents	<u>27,302</u>	<u>126,861</u>

Notes to the Financial Statements

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

9. Related parties and related parties transactions

(1) Information on parent Company

<u>Company name</u>	<u>Registered place</u>	<u>Business nature</u>	<u>Registered capital (Thousand RMB)</u>	<u>Shareholding percentage</u>	<u>Percentage of voting rights</u>
Syngenta Group	Shanghai, China	Production and sales of agrochemicals, fertilizers and GM seeds	10,000,000	74.02%	74.02%

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

<u>Summary of Purchase of goods/services received:</u>	<u>Related Party Relationship</u>	<u>Six months ended June 30</u>	
		<u>2020</u>	<u>2019</u>
Purchase of goods/services received	Common control under ChemChina Subsidiary	2,063 45,630	7,571 48,064
Purchase of fixed assets and other assets	Common control under ChemChina Subsidiary	155,616 136	12,766 -
<u>Summary of Sales of goods:</u>			
Sale of goods	Subsidiary	450,283	260,266
Sale of raw materials	Subsidiary	-	331

Notes to the Financial Statements

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

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

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

b. Guarantees

The Company as the guarantor

	Amount of guaranteed loan	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y/N)
Subsidiary	20,000	26/12/2019	25/12/2020	N
	40,000	10/10/2019	09/10/2020	N
	50,000	30/12/2019	25/12/2020	N
	50,000	12/12/2019	09/12/2020	N
	50,000	21/11/2019	18/11/2020	N
	50,000	19/11/2019	18/11/2020	N
	64,000	26/02/2020	25/02/2021	N
	20,000	27/02/2020	18/02/2021	N
	20,000	16/06/2020	11/06/2021	N
	30,000	19/05/2020	18/05/2021	N
	50,000	27/05/2020	05/02/2021	N
	50,000	29/06/2020	27/06/2021	N

The Company as the guarantee receiver

Guarantee provider	Amount of guaranteed loan	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y/N)
Parent	300,000	20/11/2017	20/11/2022	N

Notes to the Financial Statements

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

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

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

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

Receivable Items

Items	Related Party Relationship	June 30		December 31	
		Book Balance	Expected credit losses	Book Balance	Expected credit losses
Trade receivables	Subsidiary	483,948	118,009	424,182	117,491
Other receivables	Associates of ChemChina	3,401	2	-	-
	Subsidiary	29,701	-	-	-

Payable Items

Items	Related Party Relationship	June 30	December 31
		2020	2019
Trade payables	Common control under ChemChina	115,589	9,195
Other payables	Subsidiary	163,510	163,877
	Common control under ChemChina	97	97
Other non-current liabilities*	Common control under ChemChina	171,770	171,770

\* loans from related party, the interest expense for the 6 months ended June 30, 2020 and 2019 was 1,048 thousand RMB for each of the periods.

d. Acquisition of a subsidiary

Related Party	Related Party Relationship	Six months ended June 30	
		2020	2019
Parent	Acquisition of a subsidiary	-	415,000

e. Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was 166,383 thousand RMB (31.12.19: 163,630 thousand RMB). Interest income of bank deposit for the current period was 219 thousand RMB (amount for six months ended June 30, 2019 is 1,654 thousand RMB).

The closing balance of a loan received from ChemChina Finance corporation was 2,000 thousand RMB (31.12.19: 100,000 thousand RMB). Interest expenses in the current period was 370 thousand RMB (amount for six months ended June 30, 2019 is 0 thousand RMB).

**Supplementary information**

(Expressed in RMB '000)

**1. Extraordinary Gain and Loss**

	<b>Six months ended June 30, 2020</b>
Disposal of non-current assets	7,694
Government grants recognized through profit or loss	17,834
Recovery or reversal of expected credit losses which is assessed individually during the years	15,508
Other non-operating income or expenses other than the above	19,274
Other profit or loss that meets the definition of non-recurring profit or loss	(66,192)
Tax effect	(9,241)
	<u>(15,123)</u>

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

**2. Return on net assets and earnings per share (“EPS”)**

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

<b>Profit during the reporting period</b>	<b>Weighted average rate of return on net assets</b>	<b>Basic EPS (RMB/share)</b>	<b>Diluted EPS (RMB/share)</b>
Net profit attributable to ordinary shareholders of the Company	0.91%	0.08	N/A
Net profit after deduction of extraordinary gains/losses attributable to ordinary shareholders of the Company	0.98%	0.09	N/A

## Section XII - Documents Available for Reference

(I) Financial Statements carried with signatures and seals of Legal Representative and Accounting Principal as well as Head of the Accounting Organ;

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

ADAMA Ltd.  
Legal Representative:  
Ignacio Dominguez

August 19, 2020