ADAMA Ltd.

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

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(Expressed in RMB '000)

Consolidated Balance Sheet

	Notes	June 30 2021	December 31 2020
Current assets			
Cash at bank and on hand	V.1	4,633,440	3,863,886
Financial assets held for trading	V.2	2,494	1,253
Derivative financial assets	V.3	376,746	1,560,788
Bills receivable	V.4	108,078	102,082
Accounts receivable	V.5	9,295,611	8,766,869
Receivables financing	V.6	99,066	109,483
Prepayments	V.7	363,364	406,008
Other receivables	V.8	1,045,685	1,310,029
Inventories	V.9	11,280,638	10,338,273
Other current assets	V.10	940,835	769,641
Total current assets		28,145,957	27,228,312
Non-current assets			
Long-term receivables	V.11	98,400	95,329
Long-term equity investments	V.12	15,847	14,081
Other equity investments	V.13	151,537	152,200
Investment properties		3,186	4,364
Fixed assets	V.14	7,695,471	6,576,116
Construction in progress	V.15	1,812,323	1,405,328
Right-of-use assets	V.16	505,895	483,618
Intangible assets	V.17	5,150,421	5,226,455
Goodwill	V.18	4,600,258	4,584,226
Deferred tax assets	V.19	939,867	773,673
Other non-current assets	V.20	330,844	257,332
Total non-current assets		21,304,049	19,572,722
Total assets		49,450,006	46,801,034

(Expressed in RMB '000)

Consolidated Balance Sheet (continued)

	Notes	June 30 2021	December 31 2020
Current liabilities			
Short-term loans	V.21	1,209,421	1,205,498
Derivative financial liabilities	V.22	799,715	1,463,614
Bills payable	V.23	198,428	369,791
Accounts payable	V.24	5,184,480	4,557,006
Contract liabilities	V.25	1,260,942	1,092,253
Employee benefits payable	V.26	916,236	1,208,834
Taxes payable	V.27	426,631	358,988
Other payables	V.28	1,562,623	1,075,721
Non-current liabilities due within one year	V.29	1,744,770	1,272,581
Other current liabilities	V.30	347,366	315,597
Total current liabilities		13,650,612	12,919,883
Non-current liabilities			
Long-term loans	V.31	3,271,544	2,387,628
Debentures payable	V.32	7,995,724	8,078,113
Lease liabilities	V.33	394,531	379,190
Long-term payables		99,815	27,327
Long-term employee benefits payable	V.34	748,266	645,755
Provisions	V.35	178,699	163,251
Deferred tax liabilities	V.19	362,973	331,942
Other non-current liabilities	V.36	1,315,490	434,030
Total non-current liabilities		14,367,042	12,447,236
Total liabilities		28,017,654	25,367,119
Shareholders' equity			
Share capital	V.37	2,329,812	2,344,121
Capital reserve	V.38	12,882,324	13,023,219
Less: Treasury shares		-	60,357
Other comprehensive income	V.39	(194,961)	(72,055)
Special reserves		18,458	15,960
Surplus reserve	V.40	240,162	240,162
Retained earnings	V.41	6,156,557	5,862,702
Total equity attributed to the shareholders of the company		21,432,352	21,353,752
Non-controlling interests		-	80,163
Total Equity		21,432,352	21,433,915
Total liabilities and equity		49,450,006	46,801,034

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 24, 2021.

The notes form part of these financial statements.

(Expressed in RMB '000)

Balance Sheet

	Notes	June 30 2021	December 31 2020
Current assets			
Cash at bank and on hand	XV.1	443,269	1,034,812
Accounts receivable	XV.2	121,301	387,117
Receivables financing	XV.3	22,031	25,060
Prepayments		49,582	5,973
Other receivables	XV.4	26,995	27,138
Inventories		51,746	141,235
Other current assets		39,956	42,243
Total current assets		754,880	1,663,578
Non-current assets			
Long-term equity investments	XV.5	17,511,352	16,663,212
Other equity investments		85,495	85,495
Investment properties		3,186	4,364
Fixed assets		731,493	784,218
Construction in progress		1,163,591	992,863
Right-of-use assets		9	37
Intangible assets		261,282	220,963
Deferred tax assets		66,264	66,036
Other non-current assets		588,302	238,750
Total non-current assets		20,410,974	19,055,938
Total assets		21,165,854	20,719,516
Current liabilities			
Short-term loans		-	100,000
Bills payables		970	19,600
Accounts payables		182,619	324,047
Contract liabilities		3,701	17,480
Employee benefits payable		40,929	99,808
Taxes payable		2,029	3,143
Other payables		573,086	240,939
Non-current liabilities due within one year		564,000	39,302
Total current liabilities		1,367,334	844,319
Non-current liabilities			
Long-term loans		810,200	941,430
Long-term employee benefits payable		84,178	89,658
Provisions		51,900	44,743
Other non-current liabilities		260,000	143,770
Total non-current liabilities		1,206,278	1,219,601
Total liabilities		2,573,612	2,063,920
Shareholders' equity			
Share capital	V.37	2,329,812	2,344,121
Capital reserve		15,523,881	15,569,929
Less: Treasury shares		-	60,357
Other comprehensive income		47,020	47,390
Special reserves		19,149	16,651
Surplus reserve		240,162	240,162
Retained earnings	V.41	432,218	497,700
Total shareholders' equity		18,592,242	18,655,596
Total liabilities and shareholders' equity		21,165,854	20,719,516

(Expressed in RMB '000)

Consolidated Income Statement

		Six months ended June 30	
	Notes	**2021**	**2020**
I. Operating income	V.42	15,063,780	14,121,040
Less: Cost of sales	V.42	10,706,710	9,904,470
Taxes and surcharges	V.43	59,007	46,117
Selling and Distribution expenses	V.44	2,506,436	2,468,568
General and administrative expenses	V.45	571,807	553,186
Research and Development expenses	V.46	226,940	188,185
Financial expenses	V.47	448,790	842,792
Including: Interest expense		322,765	350,041
Interest income		31,363	29,625
Add: Investment income (loss), net	V.48	527,756	52,129
Including: Income from investment in associates and joint ventures		3,243	14,392
Gain (loss) from changes in fair value	V.49	(664,582)	265,510
Credit impairment reversal (losses)	V.50	10,051	5,589
Asset impairment reversal (losses)	V.51	(29,403)	(25,376)
Gain from disposal of assets	V.52	14,799	7,694
II. Operating profit		402,711	423,268
Add: Non-operating income		33,032	39,020
Less: Non-operating expenses		15,429	13,441
III. Total profit		420,314	448,847
Less: Income tax expenses	V.53	51,081	244,198
IV. Net profit		369,233	204,649
(1). Classified by nature of operations			
(1.1). Continuing operations		369,233	204,649
(2). Classified by ownership			
(2.1). Shareholders of the Company		367,036	204,649
(2.2). Non-controlling interests		2,197	-
V. Other comprehensive income, net of tax	V. 39	(122,906)	147,373
Other comprehensive income (net of tax) attributable to shareholders of the Company		(122,906)	147,373
(1) Items that will not be reclassified to profit or loss:		(6,971)	39,373
(1.1) Re-measurement of defined benefit plan liability		(6,971)	39,373
(2) Items that were or will be reclassified to profit or loss		(115,935)	108,000
(2.1) Effective portion of gains or loss of cash flow hedge		144,297	(78,285)
(2.2) Translation differences of foreign financial statements		(260,232)	186,285
VI. Total comprehensive income for the period attributable to Shareholders of the Company		246,327	352,022
Total comprehensive income for the period attributable to shareholders of the Company		244,130	352,022
Total comprehensive income for the period attributable to Non-controlling interests		2,197	-
VII. Earnings per share	XIV.2		
(1) Basic earnings per share (Yuan/share)		0.16	0.08
(2) Diluted earnings per share (Yuan/share)		N/A	N/A

(Expressed in RMB '000)

Income Statement

	Notes	Six months ended June 30 2021	2020
I. Operating income	XV.6	617,097	673,646
Less: Operating costs	XV.6	482,937	537,314
Taxes and surcharges		3,982	2,821
Selling and Distribution expenses		19,304	17,072
General and administrative expenses		140,326	133,338
Research and Development expenses		19,709	4,559
Financial expenses (income)		3,523	(4,826)
Including: Interest expense		10,176	3,143
Interest income		9,971	8,507
Add: Credit impairment reversal (losses)		107	(674)
Asset Impairment reversal (losses)		(1,068)	(2,864)
Gain from disposal of assets		16,081	101
II. Operating Profit		(37,564)	(20,069)
Add: Non-operating income		10,143	5,597
Less: Non-operating expenses		1,012	420
III. Total profit		(28,433)	(14,892)
Less: Income tax expense (income)		(228)	27,872
IV. Net profit (loss)		(28,205)	(42,764)
V. Other comprehensive income, net of tax		(370)	(4,041)
(1) Items that will not be reclassified to profit or loss		(370)	(4,041)
(1.1) Re-measurement of defined benefit plan liability		(370)	(4,041)
VI. Total comprehensive income (loss) for the period		(28,575)	(46,805)

(Expressed in RMB '000)

Consolidated Cash Flow Statement

		Notes	Six months ended June 30 2021	2020
I.	**Cash flows from operating activities:**			
	Cash received from sale of goods and rendering of services		14,644,075	13,378,983
	Refund of taxes and surcharges		82,190	67,336
	Cash received relating to other operating activities	V.55(1)	363,408	630,515
	Sub-total of cash inflows from operating activities		15,089,673	14,076,834
	Cash paid for goods and services		9,737,778	9,247,435
	Cash paid to and on behalf of employees		1,988,051	1,967,484
	Payments of taxes and surcharges		208,458	168,816
	Cash paid relating to other operating activities	V.55(2)	1,664,093	1,458,568
	Sub-total of cash outflows from operating activities		13,598,380	12,842,303
	Net cash flows from (used in) operating activities	V.56(1)a	1,491,293	1,234,531
II.	**Cash flows from investing activities:**			
	Cash received from disposal of investments		856	16,224
	Cash received from returns of investments		-	54,304
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		19,507	15,677
	Cash received relating to other investing activities	V.55(3)	6,754	-
	Sub-total of cash inflows from investing activities		27,117	86,205
	Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,179,017	803,315
	Cash paid for acquisition of investments		-	51,435
	Net cash paid to acquire subsidiaries or other business units		655,039	-
	Cash paid relating to other investing activities	V.55(4)	85,108	46,840
	Sub-total of cash outflows from investing activities		1,919,164	901,590
	Net cash flows used in investing activities		(1,892,047)	(815,385)
III.	**Cash flows from financing activities:**			
	Cash received from borrowings		3,776,407	2,822,626
	Cash received from other financing activities	V.55(5)	412,308	4,449
	Sub-total of cash inflows from financing activities		4,188,715	2,827,075
	Cash repayments of borrowings		2,328,962	745,547
	Cash payment for dividends, profit distributions and interest		387,611	356,793
	Including: Dividends paid to non-controlling interest		35,904	26,828
	Cash paid relating to other financing activities	V.55(6)	263,351	249,286
	Sub-total of cash outflows from financing activities		2,979,924	1,351,626
	Net cash from financing activities		1,208,791	1,475,449
IV.	**Effects of foreign exchange rate changes on cash and cash equivalents**		(27,900)	41,605
V.	**Net increase in cash and cash equivalents**	V.56(1)b	780,137	1,936,200
	Add: Cash and cash equivalents at the beginning of the year		3,835,071	4,319,907
VI.	**Cash and cash equivalents at the end of the period**	V.56(2)	4,615,208	6,256,107

(Expressed in RMB '000)

Cash Flow Statement

	Notes	Six months ended June 30 2021	2020
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		838,428	581,672
Refund of taxes and surcharges		22,166	27,022
Cash received relating to other operating activities	XV.7(1)	21,203	15,063
Sub-total of cash inflows from operating activities		881,797	623,757
Cash paid for goods and services		440,234	467,607
Cash paid to and on behalf of employees		122,202	122,633
Payments of taxes and surcharges		6,834	4,959
Cash paid relating to other operating activities	XV.7(2)	67,311	90,807
Sub-total of cash outflows from operating activities		636,581	686,006
Net cash flows from (used in) operating activities	XV.8	245,216	(62,249)
II. Cash flows from investing activities:			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		17,630	114
Sub-total of cash inflows from investing activities		17,630	114
Cash paid to acquire fixed assets, intangible assets and other long-term assets		280,865	154,378
Cash paid for acquisition of investments		697,909	-
Sub-total of cash outflows from investing activities		978,774	154,378
Net cash flows used in investing activities		(961,144)	(154,264)
III. Cash flows from financing activities:			
Cash received from borrowings		615,200	441,500
Cash received relating to other financing activities	XV.7.(3)	5,880	4,449
Sub-total of cash inflows from financing activities		621,080	445,949
Cash repayments of borrowings		293,732	190,500
Cash payment for dividends, profit distributions or interest		24,027	14,606
Cash paid relating to other financing activities	XV.7.(4)	172,061	200
Sub-total of cash outflows from financing activities		489,820	205,306
Net cash flow provided by (used in) financing activities		131,260	240,643
IV. Effects of foreign exchange rate changes on cash and cash equivalents		(1,286)	3,172
V. Net decrease in cash and cash equivalents		(585,954)	27,302
Add: Cash and cash equivalents at the beginning of the year	XV.8(2)	1,022,758	1,395,994
VI. Cash and cash equivalents at the end of the period	XV.8(2)	436,804	1,423,296

(Expressed in RMB '000)

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended June 30, 2021

	Attributable to shareholders of the Company									
	Share capital *	Capital reserve *	Less: Treasury shares *	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	**Total**	Non-controlling interests	**Total equity**
I. Balance at December 31, 2020	2,344,121	13,023,219	60,357	(72,055)	15,960	240,162	5,862,702	21,353,752	80,163	21,433,915
II. Changes in equity for the period	(14,309)	(140,895)	(60,357)	(122,906)	2,498	-	293,855	78,600	(80,163)	(1,563)
1. Total comprehensive income	-	-	-	(122,906)	-	-	367,036	244,130	2,197	246,327
2. Owner's contributions and reduction	(14,309)	(140,895)	(60,357)	-	-	-	-	(94,847)	(82,360)	(177,207)
2.1 Repurchase of shares	(14,309)	(46,048)	(60,357)	-	-	-	-	-	-	-
2.2 Non-controlling interests in respect of business combination	-	(94,847)	-	-	-	-	-	(94,847)	(82,360)	(177,207)
3. Appropriation of profits	-	-	-	-	-	-	(73,181)	(73,181)	-	(73,181)
3.1 Distribution to owners	-	-	-	-	-	-	(37,277)	(37,277)	-	(37,277)
3.2 Distribution to non-controlling interest	-	-	-	-	-	-	(35,904)	(35,904)	-	(35,904)
4. Special reserve	-	-	-	-	2,498	-	-	2,498	-	2,498
4.1 Transfer to special reserve	-	-	-	-	3,866	-	-	3,866	-	3,866
4.2 Amount utilized	-	-	-	-	(1,368)	-	-	(1,368)	-	(1,368)
III. Balance at June 30, 2021	2,329,812	12,882,324	-	(194,961)	18,458	240,162	6,156,557	21,432,352	-	21,432,352

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

(Expressed in RMB '000)

Statement of Changes in Shareholders' Equity

For the six months ended June 30, 2020

		Attributable to shareholders of the Company					
	Share capital	**Capital reserve**	**Other comprehen-sive income**	**Special reserves**	**Surplus reserve**	**Retained earnings**	**Total**
I. Balance at December 31, 2019	2,446,554	12,903,168	1,192,681	14,927	240,162	5,574,173	22,371,665
II. Changes in equity for the period	-	-	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)
III. Balance at June 30, 2020	2,446,554	12,903,168	1,340,054	17,205	240,162	5,722,635	22,669,778

(Expressed in RMB '000)

Statement of Changes in Shareholders' Equity

For the six months ended June 30, 2021

	Share capital	Capital reserve	Less: treasury share	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Total
	Attributable to shareholders of the Company							
I. Balance at December 31, 2020	2,344,121	15,569,929	60,357	47,390	16,651	240,162	497,700	18,655,596
II. Changes in equity for the period	(14,309)	(46,048)	(60,357)	(370)	2,498	-	(65,482)	(63,354)
1. Total comprehensive income	-	-	-	(370)	-	-	(28,205)	(28,575)
2. Owner's contributions and reduction	(14,309)	(46,048)	(60,357)	-	-	-	-	-
2.1 Repurchase of shares	(14,309)	(46,048)	(60,357)	-	-	-	-	-
2.2 Other	-	-	-	-	-	-	-	-
3. Appropriation of profits	-	-	-	-	-	-	(37,277)	(37,277)
3.1 Transfer to Distribution to shareholders	-	-	-	-	-	-	(37,277)	(37,277)
4. Special reserve	-	-	-	-	2,498	-	-	2,498
4.1 Transfer to special reserve	-	-	-	-	3,866	-	-	3,866
4.2 Amount utilized	-	-	-	-	(1,368)	-	-	(1,368)
Ⅲ. Balance at June 30, 2021	2,329,812	15,523,881	-	47,020	19,149	240,162	432,218	18,592,242

For the six months ended June 30, 2020

	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Total
	Attributable to shareholders of the Company						
I. Balance at December 31, 2019	2,446,554	15,449,878	41,308	12,973	240,162	531,784	18,722,659
II. Changes in equity for the period	-	-	(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)
Ⅲ. Balance at June 30, 2020	2,446,554	15,449,878	37,267	15,251	240,162	459,661	18,648,773

I BASIC CORPORATE INFORMATION

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

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

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

The Company’s consolidated financial statements had been approved by the Board of Directors of the Company on August 24, 2021.

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

II BASIS OF PREPARATION

1. Basis of preparation

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

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.

II BASIS OF PREPARATION - (cont'd)

2. Accrual basis and measurement principle - (cont'd)

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, 2021 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, 2021 and the Company's consolidated operating results, changes in shareholders' equity and cash flows for the six months then ended.

2. Accounting period

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

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.

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

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.

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

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

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

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

6. Basis for preparation of consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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 (according to the "anticipated acquisition method"). 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.

In cases which the Group has a Call option in addition to the Put option above, due to the anticipated acquisition method implementation no value is given to the Call option in the consolidated financial statements.

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

7. Classification and accounting methods of joint arrangement

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

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

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

8. Cash and cash equivalents

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

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

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

9.1 Transactions denominated in foreign currencies

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

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

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

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

9.2 Translation of financial statements denominated in foreign currency

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

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

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

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

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

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

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

10. Financial instruments

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

10.1 Classification and measurement of financial assets

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

10.1.1 Financial assets at amortised cost

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

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

10.1.1.1 Effective interest method and amortised cost

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

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

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

10. Financial instruments - (cont'd)

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

10.1.2 Financial assets at FVTOCI

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

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

10.1.3 Financial assets at FVTPL

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

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

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

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

10.1.4 Designated financial assets at FVTOCI

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

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

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

10. Financial instruments - (cont'd)

10.2 Impairment of financial assets

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

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

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

10.2.1 Significant increases in credit risk

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

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

(a) significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception.

(b) significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life.

(c) a significant change in the debtors' ability to meet its debt obligations.

(d) an actual or expected significant change in the operating results of the debtor.

(e) significant increases in credit risk on other financial instruments of the same debtor.

(f) an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor.

(g) significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the debtor's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.

(h) significant changes that are expected to reduce the receivable's economic incentive to make scheduled contractual payments.

(i) significant changes in the expected performance and behaviour of the debtor.

(j) past due information.

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

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

10. Financial instruments - (cont'd)

10.2 Impairment of financial assets - (cont'd)

10.2.2 Credit-impaired financial asset

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

(a) significant financial difficulty of the issuer or the receivable;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the receivable, for economic or contractual reasons relating to the receivable's financial difficulty, having granted to the receivable a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the receivable will enter bankruptcy or other financial reorganization;

10.2.3 Recognition of expected credit losses

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

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

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

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

(a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) the time value of money; and

(c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

10. Financial instruments - (cont'd)

10.2 Impairment of financial assets - (cont'd)

10.2.4 Written-off of financial assets

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

10.3 Transfer of financial asset

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

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

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

10.4 Classification and measurement of financial liabilities

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

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

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

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

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

10. Financial instruments - (cont'd)

10.5 Derecognition of financial liabilities

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

10.6 Derivatives

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

10.7 Offsetting financial assets and financial liabilities

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

10.8 Equity instruments

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

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

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

11. Receivables

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

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

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

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

12. Inventories

12.1 Categories of inventories and initial measurement

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

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

12.2 Valuation method of inventories upon delivery

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

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

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

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

12. Inventories - (cont'd)

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

12.4 The perpetual inventory system is maintained for stock system.

13. Long-term equity investments

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

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

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

13.1 Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the share of the carrying amount of the shareholders' equity of the acquiree attributable to the ultimate controlling party at the date of combination. The difference between initial investment cost and cash paid, non-cash assets transferred and book value of liabilities assumed, is adjusted in capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings.

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

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

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

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

13.2 Subsequent measurement and recognition of profit or loss

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

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

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

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

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

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

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

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

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

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

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

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

13.5 The disposal of long-term equity investment

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

14. Investment properties

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

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

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

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

15. Fixed assets

15.1 Recognition criteria for fixed assets

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

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

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

(Expressed in RMB '000)

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

15. Fixed assets - (cont'd)

15.2 Depreciation of each category of fixed assets

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

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

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

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

Land owned by the Group is not depreciated.

15.3 Other explanations

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

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

16. Construction in progress

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

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

(Expressed in RMB '000)

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

17. Borrowing costs

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

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

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

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

18. Intangible assets

18.1 Valuation methods, useful life, impairment test

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

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

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

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

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

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

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

18. Intangible assets - (cont'd)

18.2 Research and development expenditure

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

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

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

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

19. Goodwill

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

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

20. Impairment of long-term assets

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

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

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

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

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

21. Employee benefits

21.1 Short-term employee benefits

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

21.2 Post-employment benefits

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

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

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

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

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

21. Employee benefits - (cont'd)

21.3 Termination benefits

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

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

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

21.4 Other long-term employee benefits

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

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

22. Share-based payment

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

22.1 Cash-settled share-based payment

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

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

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

23. Provisions

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

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

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

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

24. Revenue

Revenue of the Group is mainly from sale of goods.

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

Significant financing component

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

Sale with a right of return

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

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

25. Government grants

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

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

Government grants are either related to assets or income.

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

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

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

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

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

26. Current and deferred tax

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

26.1 Current income tax

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

26.2 Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

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

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

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

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

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

26.3 Offset of income tax

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

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

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

27. Leases

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

27.1 Determining whether an arrangement contains a lease

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

(a) The right to obtain substantially all the economic benefits from use of the identified asset; and

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

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

27.2 Initial recognition of leased assets and lease liabilities

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

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

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

27.3 The lease term

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

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

27.4 Variable lease payments

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

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

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

27. Leases (cont'd)

27.5 Subsequent measurement

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

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

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

28. Other significant accounting policies and accounting estimates

28.1 Hedging

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

Hedge accounting

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

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

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

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

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

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

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

28.1 Hedging (cont'd)

Measurement of derivative financial instruments

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

Cash-flow hedges

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

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

Economic hedge

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

Derivatives that are not used for hedging

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

28.2 Securitization of assets

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

28.3 Segment reporting

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

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

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

28.3 Segment reporting - (cont'd)

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

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

28.4 Profit distributions to shareholders

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

29. Changes in significant accounting policies and accounting estimates

29.1 Changes in significant accounting policies

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.

30. Significant accounting estimates and judgments

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

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

30.1 Expected credit loss of trade receivables

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

30.2 Provision for impairment of inventories

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

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

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

30.3 Impairment of assets other than inventories and financial assets

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

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

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

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

30.5 Income taxes and deferred income tax

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

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

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

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

30.6 Contingent liabilities

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

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

30.7 Employee benefits

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

30.8 Derivative financial instruments

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

(Expressed in RMB '000)

IV. Taxation

1. Main types of taxes and corresponding tax rates

The income tax rate in China is 25% (2020: 25%). The subsidiaries outside of China are assessed based on the tax laws in the country of their residence.

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

Name of subsidiary	Location	2021
ADAMA agriculture solutions Ltd.	Israel	23.0%
ADAMA Makhteshim Ltd.	Israel	7.5%
ADAMA Agan Ltd.	Israel	7.5%
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%.

IV. Taxation - (cont'd)

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

(1) Benefits from High-Tech Certificate

The Company, was jointly approved as new and high-tech enterprise, by the Hubei Provincial Department of Science and Technology, Department of Finance of Hubei Province, Hubei Provincial Office of the State Administration of Taxation and Hubei Local Taxation Bureau. The applicable income tax rate from 2020 to 2022 is 15%.

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

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

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

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

The Amendment provides that only companies in Development Area A will be entitled to the grants track and that they will be entitled to receive benefits under this track and under the tax benefits track at the same time. The tax benefit tracks under the law constitute a preferred enterprise and a special preferred enterprise, which mainly provide a uniform and reduced tax rate for all the company's income entitled to benefits. Tax rates on preferred income as from 2017 tax year are as follows: 7.5% for Development Area A and 16% for the rest of the country.

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

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

IV. Taxation - (cont'd)

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

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

On December 21, 2016 the Knesset plenum passed the second and third reading of the Economic Efficiency Law (Legislative Amendments for Achieving Budget Objectives in the Years 2017 and 2018) – 2016 in which the Encouragement Law was also amended (hereinafter: "the Amendment"). The Amendment is effective as from January 1, 2017 and added new tax benefit tracks for a "preferred technological enterprise" and a "special preferred technological enterprise" which award reduced tax rates to a technological industrial enterprise for the purpose of encouraging activity relating to the development of qualifying intangible assets.

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

Preferred technological income that meets the conditions required in the law, will be subject to a reduced corporate tax rate of 12%, and if the preferred technological enterprise is located in Development Area A to a tax rate of 7.5%. Special preferred technological enterprise will be subject to a reduced corporate tax rate of 6% regardless of the development area in which the enterprise is located.

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

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

Solutions, through a subsidiary, filed an application to the Israeli Tax Authority for settling its eligibility to the tax benefits in accordance with the amendment to the Encouragement Law.

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

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

(Expressed in RMB '000)

V. Notes to the consolidated financial statements

1. Cash at Bank and On Hand

	June 30 2021	December 31 2020
Cash on hand	3,504	4,590
Deposits in banks	4,611,704	3,830,481
Other cash and bank	18,232	28,815
	4,633,440	3,863,886
Including cash and bank placed outside China	3,379,563	2,064,876

As at June 30, 2021 restricted cash and bank balances was 18,232 thousand RMB (as at December 31, 2020 28,815 thousand RMB) mainly including deposits that guarantee bank acceptance drafts.

2. Financial assets held for trading

	June 30 2021	December 31 2020
Debt instruments	-	-
Other	2,494	1,253
	2,494	1,253

3. Derivative financial assets

	June 30 2021	December 31 2020
Economic hedge	359,401	1,545,481
Accounting hedge derivatives	17,345	15,307
	376,746	1,560,788

4. Bills Receivable

	June 30 2021	December 31 2020
Post-dated checks receivable	87,302	91,975
Bank acceptance draft	20,776	10,107
	108,078	102,082

All bills receivables are due within 1 year.

(Expressed in RMB '000)

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

5. Accounts Receivable

a. By category

	June 30, 2021				
	Book value		Provision for expected credit losses		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	422,926	4	253,510	60	169,416
Account receivables assessed collectively for impairment	9,211,527	96	85,332	1	9,126,195
	9,634,453	100	338,842	4	9,295,611

	December 31, 2020				
	Book value		Provision for expected credit losses		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	467,325	5	262,933	56	204,392
Account receivables assessed collectively for impairment	8,661,818	95	99,341	1	8,562,477
	9,129,143	100	362,274	4	8,766,869

b. Aging analysis

	June 30, 2021
Within 1 year (inclusive)	9,150,914
Over 1 year but within 2 years	167,433
Over 2 years but within 3 years	78,705
Over 3 years but within 4 years	74,239
Over 4 years but within 5 years	35,808
Over 5 years	127,354
	9,634,453

(Expressed in RMB '000)

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

5. Accounts Receivable – (cont'd)

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

Geographical location A:

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

	June 30, 2021		
	Book value	Provision for expected credit loss	Percentage (%)
Credit group A	1,250,702	4,270	0.07-0.62
Credit group B	746,847	6,463	0.87
Credit group C	226,381	9,876	4.36
Credit group D	43,419	906	2.09
	2,267,349	21,515	0.95

Geographical location B:

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

	June 30, 2021		
	Book value	Provision for expected credit loss	Percentage (%)
Accounts receivable that are not overdue	463,544	4,118	0.9
Debts overdue less than 60 days	29,029	871	3.0
Debts overdue less than 180 days but more than 60 days	29,812	2,981	10.0
Debts overdue above 180 days	19,002	7,601	40.0
Legal Debtors	35,648	35,648	100.0
	577,035	51,219	8.9

Other geographical locations:

	June 30, 2021		
	Book value	Provision for expected credit loss	Percentage (%)
Other account receivables assessed collectively for impairment	6,367,143	12,598	0.0-2.03%

(Expressed in RMB '000)

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

5. Accounts Receivable – (cont'd)

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

Addition of provision for expected credit loss during the period

	Lifetime expected credit loss (credit losses has not occurred)	Lifetime expected credit loss (credit losses has occurred)	Total
January 1, 2021	51,895	310,379	362,274
First time consolidation	-	246	246
Addition during the period, net	(12,761)	18,294	5,533
Write back during the period	-	(15,470)	(15,470)
Write-off during the period	-	(14,343)	(14,343)
Exchange rate effect	(903)	1,505	602
Balance as of June 30, 2021	38,231	300,611	338,842

d. Five largest accounts receivable at June 30, 2021:

Name	Closing balance	Proportion of Accounts receivable (%)	Allowance of expected credit losses (credit losses has occurred)
Customer 1	151,580	2	-
Customer 2	140,391	2	-
Customer 3	126,838	1	-
Customer 4	108,497	1	-
Customer 5	95,325	1	13,095
Total	622,631	7	13,095

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

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

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

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

Every year the credit facility is re approved in accordance with the Securitization Program. As at the report date, the Securitization agreement was approved up to October 31, 2021.

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

5. Accounts Receivable – (cont'd)

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

The maximum scope of the securitization is adjusted for the seasonal changes in the scope of the Company’s activities, as follows: during the months March through June the maximum scope of the securitization is $350 million (as of June 30, 2021 – 2,261 million RMB), during the months July through September the maximum scope of the securitization is $300 million (as of June 30, 2021 – 1,938 million RMB) and during the months October through February the maximum scope of the securitization is $250 million (as of June 30, 2021 - 1,615 million RMB). In addition the company has uncommitted facility of $50 million (as of June 30, 2021 - 326 million RMB) which will be applicable each period. The proceeds received from those customers whose debts were sold are used for acquisition of new trade receivables.

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

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

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

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

As part of the agreement, Solutions is committed to comply with certain financial covenants, mainly the ratio of the liabilities to equity and profit ratios. As of June 30, 2021, Solutions was in compliance with the financial covenants.

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

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

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

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

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

(Expressed in RMB '000)

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

5. Accounts Receivable – (cont'd)

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

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

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

As at the report date, the subsidiary agreement was approved up to September 1, 2022. The maximum securitization scope as of June 30, 2021 is BRL 364 million (470 million RMB).

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

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

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

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

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

The loss from the sale of the trade receivables is recorded at the time of sale to profit and loss under financing expenses.

	June 30	**December 31**
	2021	**2020**
Accounts receivables derecognized	2,899,468	2,850,745
Continuing involvement	127,981	125,578
Subordinated note in respect of trade receivables	512,938	762,598
Liability in respect of trade receivables	303,121	22,002

	Six months ended June 30	
	2021	**2020**
Loss in respect of sale of trade receivables	15,403	36,790

(Expressed in RMB '000)

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

6. Receivables financing

	June 30 2021	December 31 2020
Bank acceptance draft	99,066	109,483
	99,066	109,483

As at June 30, 2021, bank acceptance endorsed but not yet due amounts to 531,091 thousands RMB.

7. Prepayments

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

	June 30 2021		December 31 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	354,921	98	400,549	99
Over 1 year but within 2 years (inclusive)	5,595	1	3,037	1
Over 2 years but within 3 years (inclusive)	687	-	640	-
Over 3 years	2,161	1	1,782	-
	363,364	100	406,008	100

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

	Amount	Percentage of prepayments (%)
June 30, 2021	115,867	32

(Expressed in RMB '000)

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

8. Other Receivables

(1) Other receivables by nature

	June 30 2021	December 31 2020
Dividends receivable	903	-
Others	1,044,782	1,310,029
	1,045,685	1,310,029

a. Others breakdown by categories

	June 30 2021	December 31 2020
Trade receivables as part of securitization transactions not yet eliminated	127,981	125,578
Subordinated note in respect of trade receivables	512,938	762,598
Financial institutions	175,747	231,183
Receivables in respect of disposal of fixed assets	23,949	23,949
Other	220,188	182,867
Sub total	1,060,803	1,326,175
Provision for expected credit losses - other receivables	(16,021)	(16,146)
	1,044,782	1,310,029

b. Other receivables by aging

	June 30 2021
Within 1 year (inclusive)	1,001,463
Over 1 year but within 2 years	17,151
Over 2 years but within 3 years	13,730
Over 3 years but within 4 years	2,218
Over 4 years but within 5 years	2,843
Over 5 years	23,398
	1,060,803

(Expressed in RMB '000)

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

8. Other Receivables - (cont'd)

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

	Six months ended June 30, 2021
Balance as of January 1 2021,	16,146
Addition during the period	-
Written back during the period	(114)
Write-off during the period	-
Exchange rate effect	(11)
Balance as of June 30, 2021	16,021

(3) Five largest other receivables at June 30, 2021:

Name	Closing balance	Proportion of other receivables (%)	Allowance of expected credit losses
Party 1	512,938	49	-
Party 2	175,747	17	-
Party 3	13,321	1	-
Party 4	12,921	1	-
Party 5	10,627	1	-
Total	725,554	69	-

9. Inventories

(1) Inventories by category:

	June 30, 2021		
	Book value	Provision for impairment	Carrying amount
Raw materials	3,780,831	31,450	3,749,381
Work in progress	632,631	1,236	631,395
Finished goods	6,692,176	157,118	6,535,058
Others	372,730	7,926	364,804
	11,478,368	197,730	11,280,638

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

(Expressed in RMB '000)

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

9. Inventories - (cont'd)

(2) Provision for impairment of inventories:

For the six months ended June 30, 2021

	January 1, 2021	First time consolidation	Provision	Reversal or write-off	Other	June 30, 2021
Raw material	42,945	956	7,356	(19,325)	(482)	31,450
Work in progress	-	1,134	50	(55)	107	1,236
Finished goods	153,577	3,355	42,380	(40,449)	(1,745)	157,118
Others	7,437	-	879	(265)	(125)	7,926
	203,959	5,445	50,665	(60,094)	(2,245)	197,730

10. Other Current Assets

	June 30 2021	December 31 2020
Deductible VAT	564,790	499,136
Current tax assets	262,515	232,051
Short term investments	80,267	-
Others	33,263	38,454
	940,835	769,641

11. Long-Term Receivables

	June 30 2021	December 31 2020
Long term account receivables from sale of goods	98,400	95,329
	98,400	95,329

(Expressed in RMB '000)

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

12. Long-Term Equity Investments

(1) Long-term equity investments by category:

	June 30 2021	December 31 2020
Investments in joint ventures	15,847	14,081
	15,847	14,081

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

	January 1, 2021	Investment income	Other Comprehensive income	Declared distribution of cash dividend	Capital investment	Change in consolidation scope	Impairment	Balance at the end of the period
Joint ventures								
Investee A	2,884	566	(26)	-	-	-	-	3,424
Investee B	933	-	(84)	-	-	(849)	-	-
Investee C	10,264	2,678	349	(868)	-	-	-	12,423
Sub-total	14,081	3,244	239	(868)	-	(849)	-	15,847

13. Other equity investments

	June 30 2021	December 31 2020
Investment A	85,495	85,495
Investment B	64,388	65,034
Investment C	1,654	1,671
	151,537	152,200

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, 2021 the company did not recognize dividend income from other equity investments.

(Expressed in RMB '000)

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

14. Fixed assets

	Land & Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
Cost					
Balance as at January 1, 2021	3,299,569	13,982,376	122,215	371,573	17,775,733
First time consolidation	327,898	909,326	1,830	7,490	1,246,544
Purchases	22,474	132,069	7,031	10,848	172,422
Transfer from construction in progress	12,714	180,102	1,210	1,229	195,255
Disposals	(13,613)	(28,950)	(5,745)	(14,493)	(62,801)
Currency translation adjustment	(28,689)	(113,265)	(2,449)	(5,170)	(149,573)
Balance as at June 30, 2021	3,620,353	15,061,658	124,092	371,477	19,177,580
Accumulated depreciation					
Balance as at January 1, 2021	(1,673,044)	(8,647,241)	(62,224)	(293,523)	(10,676,032)
First time consolidation	(11,075)	(49,997)	(256)	(1,406)	(62,734)
Charge for the period	(46,557)	(292,582)	(8,245)	(17,877)	(365,261)
Disposals	13,344	27,498	4,432	15,236	60,510
Currency translation adjustment	11,311	72,720	1,293	4,514	89,838
Balance as at June 30, 2021	(1,706,021)	(8,889,602)	(65,000)	(293,056)	(10,953,679)
Provision for impairment					
Balance as at January 1, 2021	(159,691)	(363,008)	(651)	(235)	(523,585)
First time consolidation	-	(5,915)	(8)	-	(5,923)
Charge for the period	-	-	-	-	-
Disposals	-	245	7	-	252
Currency translation adjustment	100	725	(1)	2	826
Balance as at June 30, 2021	(159,591)	(367,953)	(653)	(233)	(528,430)
Carrying amounts					
As at June 30, 2021	1,754,741	5,804,103	58,439	78,188	7,695,471
As at January 1, 2021	1,466,834	4,972,127	59,340	77,815	6,576,116

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

(Expressed in RMB '000)

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

15. Construction in Progress

(1) Construction in progress

June 30 2021			December 31 2020		
Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
1,838,063	(25,740)	1,812,323	1,431,068	(25,740)	1,405,328

(2) Details and Movements of major construction projects in progress during year ended June 30, 2021

	Budget	January 1, 2021	Additions	Currency translation differences	Transfer to fixed assets	June 30, 2021	Actual cost to budget (%)	Project progress (%)	Source of funds
Project A	1,509,420	632,656	87,045	-	-	719,701	55%	55%	Bank loan
Project B	722,302	25,441	13,820	-	-	39,261	5%	5%	Bank loan
Project C	333,373	15,803	22,955	(191)	-	38,567	12%	12%	Internal finance
Project D	279,367	56,460	84,942	(688)	-	140,714	50%	50%	Internal finance
Project E *	172,055	51,402	10,855	-	(14,920)	47,337	50%	50%	Internal finance
Project F	138,000	39,786	33,627	-	-	73,413	53%	53%	Internal finance
Project G	140,649	53,922	71,956	(455)	(125,423)	-	100%	100%	Internal finance
Project H	135,662	59,699	17,611	(620)	-	76,690	57%	57%	Internal finance
Project I	70,101	32,300	33,177	-	-	65,477	93%	93%	Internal finance
Project J	70,035	54,618	6,171	-	-	60,789	87%	87%	Internal finance

* As of June 30, 2021 Project E include impairment of RMB 26 million.

(Expressed in RMB '000)

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

16. Right-of-use assets

	Land & Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
Cost					
Balance as at January 1, 2021	468,521	45,329	223,914	3,445	741,209
Additions	62,899	757	53,038	1,837	118,531
Disposals	(12,105)	(408)	(30,110)	(970)	(43,593)
Currency translation adjustment	(10,077)	(451)	(2,747)	(67)	(13,342)
Balance as at June 30, 2021	509,238	45,227	244,095	4,245	802,805
Accumulated depreciation					
Balance as at January 1, 2021	(145,226)	(12,553)	(98,233)	(1,579)	(257,591)
Charge for the period	(40,323)	(705)	(38,249)	(408)	(79,685)
Disposals	10,630	401	25,167	660	36,858
Currency translation adjustment	2,081	137	1,268	22	3,508
Balance as at June 30, 2021	(172,838)	(12,720)	(110,047)	(1,305)	(296,910)
Provision for impairment					
Balance as at January 1, 2021	-	-	-	-	-
Balance as at June 30, 2021	-	-	-	-	-
Carrying amounts					
As at June 30, 2021	336,400	32,507	134,048	2,940	505,895
As at January 1, 2021	323,295	32,776	125,681	1,866	483,618

(Expressed in RMB '000)

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

17. Intangible Assets

	Product registration	Intangible assets on Purchase of Products	Software	Marketing rights, tradename and trademarks	Customers relations	Land use rights [1]	Others [2]	Total
Costs								
Balance as at January 1, 2021	10,693,031	3,918,407	856,741	744,060	451,008	392,876	320,747	17,376,870
First time consolidation [3]	63,642	-	2,833	-	-	65,397	2,809	134,681
Purchases	218,551	757	71,146	757	-	-	7,647	298,858
Currency translation adjustment	(107,518)	(38,924)	(9,747)	(7,582)	(4,822)	(361)	(3,226)	(172,180)
Transfer from construction in progress	-	-	45,418	-	-	-	-	45,418
Disposal	(212,688)	-	(1,048)	(841)	-	-	-	(214,577)
Balance as at June 30, 2021	10,655,018	3,880,240	965,343	736,394	446,186	457,912	327,977	17,469,070
Accumulated amortization								
Balance as at January 1, 2021	(8,106,183)	(2,456,612)	(538,255)	(443,625)	(220,302)	(71,468)	(183,235)	(12,019,680)
First time consolidation [3]	(1,879)	-	(141)	-	-	(886)	(609)	(3,515)
Charge for the period	(271,853)	(143,888)	(36,558)	(15,075)	(16,026)	(4,455)	(14,890)	(502,745)
Currency translation adjustment	83,275	24,613	5,825	4,542	2,555	(3)	2,136	122,943
Disposal	212,688	-	848	252	-	-	-	213,788
Balance as at June 30, 2021	(8,083,952)	(2,575,887)	(568,281)	(453,906)	(233,773)	(76,812)	(196,598)	(12,189,209)
Provision for impairment								
Balance as at January 1, 2021	(81,679)	(48,806)	-	-	-	-	(250)	(130,735)
Charge for the period	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-
Currency translation adjustment	811	484	-	-	-	-	-	1,295
Balance as at June 30, 2021	(80,868)	(48,322)	-	-	-	-	(250)	(129,440)
Carrying amount								
As at June 30, 2021	2,490,198	1,256,031	397,062	282,488	212,413	381,100	131,129	5,150,421
As at January 1, 2021	2,505,169	1,412,989	318,486	300,435	230,706	321,408	137,262	5,226,455

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

(2) Mainly non-compete.

(3) Product registration includes provisional purchase price allocation related to Adama Huifeng (shanghai) Agricultural Technology Co. Ltd acquired in December 31, 2020.

(Expressed in RMB '000)

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

18. Goodwill

Changes in goodwill

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

The carrying amount of goodwill is mainly allocated to Agro units, which includes RMB 261 million from the acquisitions of Adama Huifeng (shanghai) Agricultural Technology Co., Ltd and Adama Huifeng (Jiangsu) Co. Ltd.. The goodwill allocated to non-core CGU is not significant.

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

	January 1, 2021	Additions	Currency translation adjustment	Balance at June 30, 2021
Book value	4,584,226	59,305	(43,273)	4,600,258
Impairment provision	-	-	-	-
Carrying amount	4,584,226	59,305	(43,273)	4,600,258

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

	June 30 2021		December 31 2020	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deferred tax assets in respect of carry forward losses	978,130	173,245	785,259	142,312
Deferred tax assets in respect of inventories	1,688,325	472,415	1,555,528	422,995
Deferred tax assets in respect of employee benefits	900,207	130,032	910,081	128,676
Other deferred tax asset	1,586,051	391,185	1,569,188	366,652
	5,152,713	1,166,877	4,820,056	1,060,635

(Expressed in RMB '000)

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

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

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

	June 30 2021		December 31 2020	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Deferred tax liabilities in respect of fixed assets and intangible assets	3,321,928	589,983	3,512,629	618,904
	3,321,928	589,983	3,512,629	618,904

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

	June 30 2021		December 31 2020	
	The offset amount of deferred tax assets and liabilities	Deferred tax assets or liabilities after offset	The offset amount of deferred tax assets and liabilities	Deferred tax assets or liabilities after offset
Presented as:				
Deferred tax assets	227,010	939,867	286,962	773,673
Deferred tax liabilities	227,010	362,973	286,962	331,942

(4) Details of unrecognized deferred tax assets

	June 30 2021	December 31 2020
Deductible temporary differences	450,995	523,951
Deductible losses carry forward	211,553	103,402
	662,548	627,353

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

	June 30 2021	December 31 2020
2021	2,364	2,388
2022	1,612	1,626
2023	2,089	2,105
2024	1,764	1,785
2025	5,827	5,885
After 2025	197,897	89,613
	211,553	103,402

(Expressed in RMB '000)

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

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

(6) Unrecognized deferred tax liabilities

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

20. Other Non-Current Assets

	June 30 2021	December 31 2020
Judicial deposits	99,854	93,182
Assets related to securitization	28,566	31,979
Advances in respect of non-current assets	122,431	40,857
Call option in respect of business combination	-	18,733
Others	79,993	72,581
	330,844	257,332

21. Short-Term Loans

Short-term loans by category:

	June 30 2021	December 31 2020
Unsecured loans	1,209,421	1,205,498
	1,209,421	1,205,498

22. Derivative financial liabilities

	June 30 2021	December 31 2020
Economic hedge	675,597	1,197,274
Accounting hedge derivatives	124,118	266,340
	799,715	1,463,614

(Expressed in RMB '000)

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

23. Bills Payables

	June 30 2021	December 31 2020
Post-dated checks payables	179,610	264,402
Note payables draft	18,818	105,389
	198,428	369,791

As at June 30, 2021, none of the bills payable are overdue.

24. Accounts payable

	June 30 2021	December 31 2020
Within 1 year (including 1 year)	5,143,044	4,523,845
1-2 years (including 2 years)	14,492	7,454
2-3 years (including 3 years)	3,659	4,349
Over 3 years	23,285	21,358
	5,184,480	4,557,006

There are no significant accounts payables aging over one year.

25. Contract liabilities

	June 30 2021	December 31 2020
Discount for customers	1,015,799	633,882
Advances from customers	245,143	458,371
	1,260,942	1,092,253

26. Employee Benefits Payable

	June 30 2021	December 31 2020
Short-term employee benefits	488,340	660,144
Post-employment benefits*	63,467	122,216
Share based payment (See note XIII)	116,348	85,900
Other benefits within one year	219,150	306,506
	887,305	1,174,766
Current maturities	28,931	34,068
	916,236	1,208,834

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

(Expressed in RMB '000)

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

27. Taxes Payable

	June 30 2021	December 31 2020
Corporate income tax	206,365	168,033
VAT	195,635	166,073
Others	24,631	24,882
	426,631	358,988

28. Other Payables

	June 30 2021	December 31 2020
Dividends payables	38,027	3,780
Other payables	1,524,596	1,071,941
	1,562,623	1,075,721

(1) Other payables

	June 30 2021	December 31 2020
Accrued expenses	613,152	541,250
Payables in respect of intangible assets	109,447	135,176
Financial institutions	13,870	111,863
Liability in respect of securitization transactions	303,121	22,002
Others	485,006	261,650
	1,524,596	1,071,941

As at June 30, 2021, the Group did not have any significant other payables overdue.

29. Non-Current Liabilities Due Within One Year

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

	June 30 2021	December 31 2020
Long-term loans due within one year	1,064,974	587,864
Lease liabilities due within one year	146,747	146,178
Debentures payable due within one year	533,049	538,539
	1,744,770	1,272,581

(Expressed in RMB '000)

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

30. Other Current Liabilities

	June 30 2021	December 31 2020
Put options to holders of non-controlling interests	85,700	87,388
Provision in respect of returns	195,373	194,775
Provision in respect of claims	65,912	33,036
Others	381	398
	347,366	315,597

31. Long-Term Loans

Long-term loans by category

	June 30		December 31	
	2021	Interest range	2020	Interest range
Long term loans				
Guaranteed loans	373,200	3.9%-4.1%	-	-
Unsecured loans	3,963,318	1.4%-4.1%	2,947,492	1.4%-4.7%
Total Long term loans	4,336,518		2,947,492	
Less: Long term loans from banks due within 1 year	(1,064,974)		(559,864)	
Long term loans, net	3,271,544		2,387,628	

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

32. Debentures Payable

	June 30 2021	December 31 2020
Debentures Series B	8,528,773	8,616,652
Current maturities	(533,049)	(538,539)
	7,995,724	8,078,113

	June 30 2021
First year (current maturities)	533,049
Second year	533,049
Third year	533,049
Fourth year	533,049
Fifth year and thereafter	6,396,577
	8,528,773

(Expressed in RMB '000)

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, 2021:

Maturity period	Face value in RMB	Face value NIS	Issuance date	Maturity period	Issuance amount	Balance at January 1, 2021	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, 2021
Debentures Series B	2,673,640	1,650,000	4.12.2006	November 2020-2036	3,043,742	3,611,389	-	104	(6)	-	(35,828)	3,575,659
Debentures Series B	843,846	513,527	16.1.2012	November 2020-2036	842,579	1,074,338	-	5,318	-	-	(10,677)	1,068,979
Debentures Series B	995,516	600,000	7.1.2013	November 2020-2036	1,120,339	1,335,327	-	2,329	19	-	(13,264)	1,324,411
Debentures Series B	832,778	533,330	1.2.2015	November 2020-2036	1,047,439	1,255,064	-	(1,456)	19	-	(12,467)	1,241,160
Debentures Series B	418,172	266,665	1-6.2015	November 2020-2036	556,941	687,307	-	(3,979)	6	-	(6,813)	676,521
Debentures Series B	497,989	246,499	5.5.2020	November 2020-2036	692,896	653,227	-	(4,710)	6	-	(6,480)	642,043
						8,616,652	-	(2,394)	44	-	(85,529)	8,528,773

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

(Expressed in RMB '000)

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

33. Lease liabilities

	June 30		December 31	
	2021	Interest range	2020	Interest range
Lease liabilities	541,278	1.1%-6.3%	525,368	1.3%-6.1%
Less: Lease liabilities due within one year	(146,747)		(146,178)	
Long term lease liabilities, net	394,531		379,190	

34. Long-Term Employee Benefits Payable

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

	June 30 2021	December 31 2020
Total present value of obligation	672,093	594,165
Less: fair value of plan's assets	(88,161)	(92,634)
Net liability related to Post-employment benefits	583,932	501,531
Termination benefits	83,325	99,466
Total recognized liability for defined benefit plan, net (1)	667,257	600,997
Share based payment (See note XIII)	33,589	21,088
Other long-term employee benefits	76,351	57,738
Total long-term employee benefits, net	777,197	679,823
Including: Long-term employee benefits payable due within one year	28,931	34,068
	748,266	645,755

(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	
	2021	2020	2021	2020	2021	2020
Balance as at January 1, 2020	693,631	721,931	92,634	104,448	600,997	617,483
Expense/income recognized in profit and loss:						
Current service cost	7,595	7,975	-	-	7,595	7,975
Interest costs	9,495	9,532	1,113	1,399	8,382	8,133
Losses (gains) on curtailments and settlements	9,369	57,120	-	-	9,369	57,120
Changes in exchange rates	(9,436)	(2,209)	(1,204)	(260)	(8,232)	(1,949)
Actuarial gain (losses) due to early retirement	(10,298)	(1,822)	-	-	(10,298)	(1,822)
Included in other comprehensive income:						
Actuarial gain (losses) as a result of changes in actuarial assumptions	9,121	(55,882)	1,540	(8,449)	7,581	(47,433)
Foreign currency translation differences in respect of foreign operations	(6,859)	8,906	(967)	1,218	(5,892)	7,688
Additional movements:						
Benefits paid	(47,174)	(50,156)	(6,825)	(8,153)	(40,349)	(42,003)
Contributions paid by the Group	-	-	1,870	2,362	(1,870)	(2,362)
Cllasification	99,974	-	-	-	99,974	-
Balance as at June 30, 2021	755,418	695,395	88,161	92,565	667,257	602,830

(Expressed in RMB '000)

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

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

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

(2) Actuarial assumptions and sensitivity analysis

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

	June 30 2021	December 31 2020
Discount rate (%)*	0.4%-3.3%	0.6%-3.3%

*According to the demographic and the benefit components.

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

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

	As of June 30, 2021	
	Increase of 1%	Decrease of 1%
Change in defined benefit obligation	(55,314)	68,136

35. Provisions

	June 30 2021	December 31 2020
Liabilities in respect of contingencies*	85,122	77,138
Provision in respect of site restoration	73,733	79,706
Long-term liability in respect of business combinations	17,434	3,954
Other	2,410	2,453
	178,699	163,251

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

(Expressed in RMB '000)

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

36. Other Non-Current Liabilities

	June 30 2021	December 31 2020
Put options to holders of non- controlling interests (1)	1,315,490	290,260
Long term loans – others	-	171,770
	1,315,490	462,030
Current maturities	-	(28,000)
	1,315,490	434,030

(1) For further information see note VI.1 – Change in consolidation Scope.

37. Share Capital

	Balance at January 1, 2021	Issuance of new shares	Buyback of shares	Balance at June 30, 2021
Share capital	2,344,121	-	(14,309)	2,329,812

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

38. Capital Reserve

	Balance at January 1, 2021	Additions during the period	Reductions during the period	Balance at June 30, 2021
Share premiums	12,652,610	-	(46,048)	12,606,562
Other capital reserve	370,609	-	(94,847)	275,762
	13,023,219	-	(140,895)	12,882,324

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

39. Other Comprehensive Income, net of tax

	Attributable to shareholders of the company						
	Balance at January 1, 2021	Before tax amount	Less: transfer to profit or loss	Less: Income tax expenses	Net-of-tax amount	Less: transfer to retained earnings	Balance at June 30, 2021
Items that will not be reclassified to profit or loss	**49,933**	**(7,581)**	**-**	**(610)**	**(6,971)**	**-**	**42,962**
Re-measurement of changes in liabilities under defined benefit plans	(5,258)	(7,581)	-	(610)	(6,971)	-	(12,229)
Changes in fair value of other equity investment	55,191	-	-	-	-	-	55,191
Items that may be reclassified to profit or loss	**(121,988)**	**(296,048)**	**(179,892)**	**(221)**	**(115,935)**	**-**	**(237,923)**
Effective portion of gain or loss of cash flow hedge	(220,719)	(35,816)	(179,892)	(221)	144,297	-	(76,422)
Translation difference of foreign financial statements	98,731	(260,232)	-	-	(260,232)	-	(161,501)
	(72,055)	(303,629)	(179,892)	(831)	(122,906)	-	(194,961)

(Expressed in RMB '000)

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

40. Surplus reserve

	Balance at January 1, 2021	Additions during the period	Reductions during the period	Balance at June 30, 2021
Statutory surplus reserve	236,348	-	-	236,348
Discretional surplus reserve	3,814	-	-	3,814
	240,162	-	-	240,162

41. Retained Earnings

	2021	2020
Retained earnings as at January 1	5,862,702	5,574,173
Net profits for the period attributable to shareholders of the Company	367,036	204,649
Dividends to non-controlling Interest	(35,904)	(26,828)
Dividend to the shareholders of the company (Note 1 & 2)	(37,277)	(29,359)
Retained earnings as at June 30	6,156,557	5,722,635

Note 1:

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

Note 2:

On March 29, 2021, after obtaining the approval of the 31st meeting of the Company's 8th Board of Directors, the Company declared RMB 0.16 (before tax) per 10 shares as cash dividend to all shareholders, resulting in a total cash dividend of 37,277 thousands RMB (before tax). No shares were distributed as share dividend and no reserve was transferred to equity capital. The proposal was approved by the 2020 Annual General Meeting of the Company held on May 21, 2021 and was fully paid during the third quarter of 2021.

(Expressed in RMB '000)

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

42. Operating Income and Cost of Sales

	Six months ended June 30 2021		Six months ended June 30 2020	
	Income	Cost of sales	Income	Cost of sales
Principal activities	15,037,841	10,694,295	14,100,337	9,894,415
Other businesses	25,939	12,415	20,703	10,055
	15,063,780	10,706,710	14,121,040	9,904,470

43. Taxes and Surcharges

	Six months ended June 30	
	2021	2020
Tax on turnover	12,693	11,087
Others	46,314	35,030
	59,007	46,117

44. Selling and Distribution Expenses

	Six months ended June 30	
	2021	2020
Salaries and related expense	885,153	804,371
Depreciation and amortization	536,516	712,432
Transportation and Commissions	481,263	384,906
Advertising and sales promotion	154,157	161,027
Travel expenses	38,180	42,169
Warehouse expenses	83,456	77,121
Registration	62,030	81,676
Professional services	51,735	45,113
Insurance	48,945	36,863
Others	165,001	122,890
	2,506,436	2,468,568

(Expressed in RMB '000)

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

45. General and Administrative Expenses

	Six months ended June 30	
	2021	**2020**
Salaries and related expenses	265,783	263,523
Idleness expenses	96,638	87,755
Professional services	47,805	56,030
Depreciation and amortization	41,558	44,550
IT systems	49,294	46,259
Office rent, maintenance and expenses	19,315	17,759
Other	51,414	37,310
	571,807	553,186

46. Research and development expenses

	Six months ended June 30	
	2021	**2020**
Salaries and related expenses	109,731	91,566
Field trial	18,063	17,652
Professional services	22,169	31,068
Depreciation and amortization	22,194	13,942
Materials	27,714	3,251
Office rent, maintenance and expenses	4,946	3,631
Other	22,123	27,075
	226,940	188,185

47. Financial expenses, net

	Six months ended June 30	
	2021	**2020**
Interest expenses on debentures and loans	333,733	352,342
CPI expense (income) in respect of debentures	118,106	(63,213)
Loss in respect of sale of trade receivables	15,403	36,790
Interest expense in respect of post-employment benefits and early retirement, net	12,967	8,133
Revaluation of put option, net	24,449	8,566
Interest income from customers, banks and others	(31,363)	(29,625)
Exchange rate differences, net	(45,084)	507,673
Interest expense on lease liabilities	12,364	11,955
Other expenses	8,215	10,171
	448,790	842,792

(Expressed in RMB '000)

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

48. Investment income, net

	Six months ended June 30	
	2021	**2020**
Investment income (expenses) from disposal of derivatives	524,513	37,737
Income from long-term equity investments accounted for using the equity method	3,243	14,392
	527,756	52,129

49. Gain (loss) from Changes in Fair Value

	Six months ended June 30	
	2021	**2020**
Gain (loss) from changes in fair value of derivative financial instruments	(660,975)	267,775
Others	(3,607)	(2,265)
	(664,582)	265,510

50. Credit impairment reversal (losses)

	Six months ended June 30	
	2021	**2020**
Bills receivable and accounts receivable	9,937	5,780
Other receivables	114	(191)
	10,051	5,589

51. Asset impairment reversal (losses)

	Six months ended June 30	
	2021	**2020**
Inventories	(29,403)	(24,724)
Intangible asset	-	(21)
Other	-	(631)
	(29,403)	(25,376)

52. Gain from Disposal of Assets

	Six months ended June 30		**Included in non-recurring items**
	2021	**2020**	
Gain from disposal of fixed assets	15,654	720	15,654
Gain (loss) from disposal of intangible assets	(855)	6,974	(855)
	14,799	7,694	14,799

(Expressed in RMB '000)

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

53. Income Tax Expenses

	Six months ended June 30	
	2021	**2020**
Current year	204,125	211,779
Deferred tax expenses (income)	(120,113)	17,036
Adjustments for previous years, net	(32,931)	15,383
	51,081	244,198

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

	Six months ended June 30	
	2021	**2020**
Profit before taxes	420,314	448,847
Statutory tax in china	25%	25%
Tax calculated according to statutory tax in china	105,079	112,212
Tax benefits from Approved Enterprises	(48,293)	(30,179)
Difference between measurement basis of income for financial statement and for tax purposes	(5,629)	138,291
Taxable income and temporary differences at other tax rate	(32,963)	(41,814)
Taxes in respect of prior years	(32,931)	15,383
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	9,293	33,094
Non-deductible expenses and other differences	22,144	12,994
Neutralization of tax calculated in respect of the Company's share in results of equity accounted investees	(1,051)	(3,889)
Effect of change in tax rate in respect of deferred taxes	15,399	15,435
Creation and reversal of deferred taxes for tax losses and temporary differences from previous years	20,033	(6,558)
Income tax expenses	51,081	244,198

54. Other comprehensive income

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

(Expressed in RMB '000)

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

55. Notes to items in the cash flow statements

(1) Cash received relating to other operating activities

	Six months ended June 30 2021	2020
Derivatives transactions	19,943	404,824
Financial institutions	265,280	126,770
Interest income	24,203	26,314
Government subsidies	10,922	6,236
Others	43,060	66,371
	363,408	630,515

(2) Cash paid relating to other operating activities

	Six months ended June 30 2021	2020
Transportation, Commissions and Warehouse	507,772	389,972
Advertising and sales promotion	146,744	145,267
Professional services	117,566	134,480
Financial institutions	211,211	136,897
IT and Communication	87,785	94,321
Registration and Field trials	79,988	81,576
Derivatives transactions	168,475	90,297
Travel	35,094	51,360
Insurance	41,736	36,663
Others	267,722	297,735
Net cash flow from operating activities	1,664,093	1,458,568

(3) Cash received relating to other investing activities

	Six months ended June 30 2021	2020
Investment grant	6,754	-
	6,754	-

(4) Cash paid relating to other investing activities

	Six months ended June 30 2021	2020
Increase in securitization facility	-	31,483
Incraese in short and long term investments	85,108	15,357
	85,108	46,840

(Expressed in RMB '000)

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

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

(5) Cash received from other financing activities

	Six months ended June 30	
	2021	2020
Cash received in respect of hedging transactions on debentures	396,096	-
Deposit for issuing bills payables	16,212	4,449
	412,308	4,449

(6) Cash paid relating to other financing activities

	Six months ended June 30	
	2021	2020
Repayment of lease liability	85,595	81,915
Payment in respect of hedging transactions on debentures	-	154,335
Repayment of loan from others	171,770	-
Deposit for issuing bills payable	5,986	13,036
	263,351	249,286

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	
	2021	2020
Net profit	369,233	204,649
Add: Impairment provisions for assets	29,403	25,376
Credit impairment gain	(10,051)	(5,589)
Depreciation of fixed assets and investment property	365,261	391,110
Depreciation of right-of-use asset	79,685	78,568
Amortization of intangible asset	502,745	673,105
Gains on disposal of fixed assets, intangible assets, and other long-term assets, net	(14,799)	(7,694)
Losses (gains) from changes in fair value	664,582	(265,510)
Financial expenses	340,716	245,591
Investment income, net	(34,729)	(245,248)
Increase in deferred tax assets	(159,673)	(43,845)
Increase in deferred tax liabilities	39,560	60,881
Increase in inventories, net	(748,037)	(717,127)
Increase in operating receivables	(1,049,194)	(701,359)
Increase in operating payables	1,069,229	1,525,228
Others	47,362	16,395
Net cash flow from operating activities	1,491,293	1,234,531

(Expressed in RMB '000)

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

	Six months ended June 30	
	2021	**2020**
Closing balance of cash	4,615,208	6,256,107
Less: Opening balance of cash	3,835,071	4,319,907
Increase in cash and cash equivalents	780,137	1,936,200

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

	Six months ended June 30
	2021
Cash paid for business combination not under common control	697,909
Less: cash and cash equivalents of the acquirees at the date of acquisition	(42,870)
Net cash paid to acquire subsidiaries	655,039

(3) Details of cash and cash equivalents

	June 30	January 1
	2021	**2021**
Cash on hand	1,598	4,590
Bank deposits available on demand without restrictions	4,613,610	3,830,481
	4,615,208	3,835,071

57. Assets with Restricted Ownership or Right of Use

	June 30	
	2021	**Reason**
Cash	18,232	Pledged
Other non-current assets	108,660	Guarantees
	126,892	

(Expressed in RMB '000)

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

58. Foreign currencies denominated items

(1) Foreign currencies denominated items

	As at June 30, 2021		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Cash and bank balances			
BRL	350,009	1.2915	452,020
USD	46,718	6.4601	301,801
EUR	28,881	7.6784	221,762
PLN	128,520	1.6985	218,287
ILS	80,724	1.9816	159,965
ZAR	133,888	0.4503	60,286
GBP	6,548	8.9524	58,619
ARS	371,489	0.0675	25,072
Other			254,007
Total			1,751,819
Bills and Accounts receivable			
BRL	1,253,654	1.2915	1,619,034
EUR	125,571	7.6784	964,183
RON	220,340	1.5595	343,613
TRY	386,911	0.7421	287,126
USD	44,018	6.4601	284,361
HUF	8,064,722	0.0218	175,986
CAD	22,167	5.2101	115,494
ILS	75,368	1.9816	149,351
RUB	1,278,240	0.0893	114,098
ZAR	193,615	0.4503	87,179
GBP	7,576	8.9524	67,825
Other			436,021
Total			4,644,271
Other receivables			
EUR	46,041	7.6784	353,525
ILS	98,628	1.9816	195,444
GBP	11,406	8.9524	102,108
Other			125,983
Total			777,060
Other current assets			
ILS	96,153	1.9816	190,541
BRL	85,017	1.2915	109,796
ARS	404,991	0.0675	27,333
EUR	3,174	7.6784	24,374
USD	2,963	6.4601	19,141
Other			70,452
Total			441,637

(Expressed in RMB '000)

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

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

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

	As at June 30, 2021		
	Foreign currency at the end of the period	**Exchange rate**	**RMB at the end of the period**
Long-term receivables			
BRL	76,193	1.2915	98,400
Total			98,400
Other non-current assets			
BRL	67,795	1.2915	87,554
Other			3,728
Total			91,282
Short-term loans			
TRY	203,536	0.7421	151,044
UAH	391,013	0.2377	92,948
EUR	653	7.6784	5,013
Other			17,842
Total			266,847
Bills and Accounts payable			
ILS	322,602	1.9816	639,279
EUR	23,718	7.6784	182,120
BRL	114,950	1.2915	148,453
USD	9,668	6.4601	62,457
Other			138,100
Total			1,170,409
Other payables			
ILS	102,637	1.9816	203,390
BRL	42,153	1.2915	54,439
PLN	24,152	1.6985	41,022
ILS CPI	18,149	1.9816	35,965
OTHER			42,354
TOTAL			377,170
Contract liabilities			
EUR	49,527	7.6784	380,287
CAD	20,448	5.2101	106,534
BRL	60,142	1.2915	77,670
TRY	50,891	0.7421	37,766
Other			82,850
Total			685,107

(Expressed in RMB '000)

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

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

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

	As at June 30, 2021		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Non-current liabilities due within one year			
ILS CPI	288,883	1.9816	572,461
EUR	24,429	7.6784	187,575
Other			21,313
Total			781,349
Other current liabilities			
EUR	3,198	7.6784	24,555
ILS	4,169	1.9816	8,262
Other			730
Total			33,547
Long-term loan			
EUR	33,659	7.6784	258,449
Total			258,449
Debentures payable			
ILS CPI	4,034,911	1.9816	7,995,724
Total			7,995,724
Provision and Long-term payables			
BRL	50,017	1.2915	64,595
EUR	374	7.6784	2,874
Total			67,469
Other non-current liabilities			
USD	11,784	6.4601	76,126
EUR	7,599	7.6784	58,349
ILS CPI	18,840	1.9816	37,334
GBP	1,055	8.9524	9,445
Other			38,178
Total			219,432

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

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

(2) Major foreign operations

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

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

(Expressed in RMB '000)

VI. Change in consolidation Scope

1. Business combinations involving enterprises not under common control

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

Name of the Company	Acquisition date	Cost of equity investment – cash consideration	Proportion of equity investment	Acquisition method	Basis of acquisition date determination	From acquisition date till period end	
						Revenue	Net profit
Adama Huifeng (Jiangsu) Co. Ltd.	1.6.2021	664,000	51%	Stock purchase	Obtained control	108,691	364

(2) Acquisition cost and goodwill

Acquisition costs	Adama Huifeng (Jiangsu) Co. Ltd.
Total acquisition cost in cash	664,000
Contingent consideration	13,140
Put option	826,730
Other	254,000
Less: share of the fair value of the identifiable net assets acquired	1,723,861
Goodwill	34,009

In June 2021, the Company acquired a 51% stake in ADAMA Huifeng (Jiangsu) Co., Ltd (hereinafter – "ADAMA Huifeng"), a wholly owned subsidiary of Jiangsu Huifeng Bio Agriculture Co., Ltd (hereinafter – "Jiangsu Huifeng"). ADAMA Huifeng was established to incorporate Jiangsu Huifeng's key crop protection synthesis and formulation facilities. This acquisition follows the acquisition of a 51% stake in Adama Huifeng (Shanghai) Agricultural Technology Co. Ltd, a wholly owned subsidiary of Jiangsu Huifeng focused on the sale and distribution of key formulated crop protection products in China, which took place on December 31st, 2020.

ADAMA Huifeng was purchased for a total cash consideration of approximately RMB 918 million RMB (including RMB 254 million RMB held back to secure the post-Cacquisition closing obligations of Jiangsu Huifeng). As of June 1st, 2021 (hereinafter: “date of the business combination”), cControl has been achieved acquired over ADAMA Huifeng as of June 1st, 2021 (hereinafter: “date of the business combination”), and from this date forward, the Group consolidates ADAMA Huifeng's results in its consolidated financial statements.

The initial accounting treatment for the acquisition of the operations, as presented in these financial statements, is accounted for using "provisional amounts" (as this term is defined in ASBE 20 Business combination). Until the date of approval of the financial statements, the Group has not yet completed the initial treatment of Huifeng and Adama Huifeng (Shanghai) Agricultural Technology Co. Ltd business combination, including the estimation of the fair value of the acquired assets and the goodwill. Therefore, the fair value data is still provisional, based on the information available to the company's management at the time of the acquisition, and may be subject to changes affecting the data as included in these financial statements.

(Expressed in RMB '000)

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

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

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

	Adama Huifeng (Jiangsu) Co. Ltd.	
	Fair value at acquisition date	**Book value at acquisition date**
Assets:		
Cash and bank balances	42,870	42,870
Bills and Accounts receivable	102,679	102,679
Prepayments	10,221	10,221
Inventories	332,473	332,473
Fixed assets	1,177,886	1,177,886
Intangible assets	131,192	131,192
Deferred tax assets	18,929	18,929
Other assets	101,229	101,229
Liabilities:		
Bills and Accounts payable	179,461	179,461
Employee benefits payable	11,198	11,198
Deferred tax liabilities	-	-
Other Liabilities	2,959	2,959
Net assets	1,723,861	1,723,861
Less: Non-controlling interests	-	-
Net assets acquired	1,723,861	1,723,861

(Expressed in RMB '000)

VII. Interest in Other Entities

1. Interests in subsidiaries

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

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

2. Interests in joint ventures or associates

	June 30 2021	December 31 2020
Joint ventures	15,847	14,081
Associates	-	-
	15,847	14,081

3. Summarized financial information of joint ventures and associates

	June 30, 2021 and six months then ended	June 30, 2020 and six months then ended
Joint ventures:		
Total carrying amount	15,847	93,419
The Group's share of the following items:		
Net profit	3,244	14,392
Other comprehensive income	239	(2,427)
Total comprehensive income	3,483	11,965
Associates:		
Total carrying amount	-	41,001
The Group's share of the following items:		
Net profit	-	-
Other comprehensive income	-	598
Total comprehensive income	-	598

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 2021, a two-years agreement with an international insurance company was renewed. The amount of the insurance coverage was fixed at $150 million cumulative per year. The indemnification is limited to about 90% of the debt.

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

(Expressed in RMB '000)

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

B. Credit risk - (cont'd)

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

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

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

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

Cash and deposits in banks

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

Guarantees

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

Aging of receivables and expected credit risk

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

	June 30, 2021
Past due by less than 90 days	527,612
Past due by more than 90 days	672,583
	1,200,195

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 9,098,035 thousand relate to category of "Lifetime expected credit losses (credit losses has not occurred)" and amounted to RMB 536,418 thousand related to category of "Lifetime expected credit losses (credit losses occurred)". The Group has credit risk exposures for other receivables amounted to RMB 16,021 thousand related to category of "Lifetime expected credit losses (credit losses occurred)". The credit risk exposures for all remaining balance of financial assets at amortised cost and financial assets at FVTOCI are related to "12-month expected credit losses".

C. Liquidity risk

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

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

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

(Expressed in RMB '000)

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

C. Liquidity risk - (cont'd)

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

	As at June 30, 2021					
	First year	Second year	Third-Fourth year	Fifth year and above	Contractual Cash flow	Carrying amount
Non-derivative financial liabilities						
Short-term loans	1,228,852	-	-	-	1,228,852	1,209,421
Bills payables	198,428	-	-	-	198,428	198,428
Accounts payables	5,184,480	-	-	-	5,184,480	5,184,480
Other payables	1,562,623	-	-	-	1,562,623	1,562,623
Other current liabilities	85,700	-	-	-	85,700	85,700
Debentures payable	919,886	928,471	1,774,822	8,349,492	11,972,671	8,528,773
Long-term loans	1,182,370	825,806	1,533,310	1,181,959	4,723,445	4,336,518
Long-term payables	3,170	8,616	16,967	86,383	115,136	99,815
Lease Liabilities	161,457	112,354	127,245	235,865	636,921	541,278
Long-term liability in respect of business combinations	-	969	2,471	34,133	37,573	17,434
Other non-current liabilities	-	47,368	283,865	1,749,835	2,081,068	1,315,490
Derivative financial liabilities						
Foreign currency derivatives	798,931	-	-	-	798,931	798,931
CPI/shekel forward transactions	784	-	-	-	784	784
	11,326,681	1,923,584	3,738,680	11,637,667	28,626,612	23,879,675

D. Market risks

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

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

(1) CPI and foreign currency risks

Currency risk

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

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

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

D. Market risks - (cont'd)

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

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

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

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

	June 30, 2021	
	Total assets	**Total liabilities**
In US Dollar	1,207,365	886,469
In Euro	1,717,704	1,092,291
In Brazilian real	2,386,733	281,027
CPI-linked NIS	1,195	8,632,213
In New Israeli Shekel	695,301	871,687
Denominated in or linked to other foreign currency	4,497,907	967,887
	10,506,205	12,731,574

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

	June 30, 2021					
	Currency/ linkage receivable	**Currency/ linkage payable**	**Average expiration date**	**USD thousands Par value**	**RMB thousands Par value**	**Fair value**
Forward foreign currency	**USD**	EUR	20/11/2021	229,814	1,484,622	(185,762)
Contracts and call options	**USD**	PLN	01/08/2021	17,950	115,960	(2,632)
	USD	BRL	17/09/2021	440,092	2,843,037	(304,481)
	USD	GBP	31/07/2021	39,154	252,936	197
	USD	ZAR	17/08/2021	30,422	196,528	(7,830)
	ILS	USD	19/07/2021	1,595,647	10,308,039	(21,344)
	USD	OTHER		1,495,697	9,662,350	40,621
CPI forward contracts	**CPI**	ILS	07/01/2022	774,540	5,003,605	58,256

(Expressed in RMB '000)

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

D. Market risks - (cont'd)

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

(C) Sensitivity analysis

The appreciation or depreciation of the Dollar against the following currencies as of December 31, 2020 and the increase or decrease in the CPI would increase (decrease) the equity and profit or loss by the amounts presented below. This analysis assumes that all the remaining variables, among others interest rates, remains constant.

	June 30, 2021			
	Decrease of 5%		Increase of 5%	
	Equity	**Profit (loss)**	**Equity**	**Profit (loss)**
New Israeli shekel	96,283	69,176	(41,178)	(16,956)
British pound	(1,059)	1,729	1,112	(1,464)
Euro	(29,229)	16,828	32,953	(15,950)
Brazilian real	(54,973)	3,880	39,582	(13,504)
Polish zloty	(1,557)	199	1,530	(60)
South African Rand	(3,785)	(553)	2,786	(141)
Chinese Yuan Renminbi	19,859	(814)	(10,975)	2,426
CPI-linked NIS	316,824	316,824	(316,824)	(316,824)

(2) Interest rate risks

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

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

(Expressed in RMB '000)

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

D. Market risks - (cont'd)

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

(A) Type of interest

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

	June 30, 2021
Fixed-rate instruments – unlinked to the CPI	
Financial assets	
Cash at banks	891
Other non-current assets	45,738
Financial liabilities	
Long-term loans	2,651,614
Long-term payables	21,997
	(2,626,982)
Fixed-rate instruments – linked to the CPI	
Financial liabilities	
Debentures payable (1)	8,528,773
Variable-rate instruments	
Financial assets	
Cash at banks	1,033,900
Financial assets at fair value through profit or loss	2,494
Other current assets	80,267
Other non-current assets	24,006
Financial liabilities	
Short-term loans and credit from banks	1,209,421
Long-term loans (1)	1,684,904
Long-term payables	72,579
	(1,826,237)

(1) Including current maturities.

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

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

	Profit or loss		Equity	
	Increase in interest	Decrease in interest	Increase in interest	Decrease in interest
As at June 30, 2021	1,915	(1,931)	1,915	(1,931)

(Expressed in RMB '000)

IX. Fair Value

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

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

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

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

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

	June 30, 2021	
	Carrying amount	**Fair value**
Financial assets		
Other non-current assets (a – Level 2)	66,642	63,341
Financial liabilities		
Long-term loans and others (b – Level 2)	4,980,021	5,058,332
Debentures (c – Level 1)	8,528,773	11,395,230

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:

	June 30, 2021
	%
U.S. dollar interest	(1.16) – 1.82
Chinese Yuan Renminbi	2.06 – 3.07
Euro	(0.65) – (0.07)

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.

	June 30 2021
Forward contracts and options used for hedging the cash flow (Level 2)	(106,779)
Forward contracts and options used for economic hedging (Level 2)	(316,196)
Other equity investment (Level 2)	151,537
Receivables financing (Level 2)	99,066
Other non-current assets (Level 2)	38,186
Other (Level 2)	2,494

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

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

No change in the valuation techniques in the reporting period.

X. Related parties and related party transactions

1. Information on parent Company

Company name	Registered place	Business nature	Registered capital (Thousand RMB)	Shareholding percentage	Percentage of voting rights
Syngenta Group	Shanghai, China	Production and sales of agrochemicals, fertilizers and GM seeds	11,144,545	73.33%	73.33%

The Company’s ultimate controlling shareholder is ChemChina.

2. Information on the largest subsidiaries of the Company

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

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

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

Name of entity	Relationship with the Company
Innovaroma SA	Joint venture of the Group

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

4. Information on other related parties

Name of other related parties	Related party relationship
Bluestar Engineering co.,Ltd .	Common control
Bluestar (Beijing) Chemical Machinery Co.,Ltd	Common control
Changsha Huaxing Construction Supervision Co., Ltd.	Common control
ChemChina Asset Management co.,Ltd .(Headquarter)	Common control
ChemChina Information Center co.,Ltd .	Common control
China Bluestar Chengrand Research Institute Chemical Industry	Common control
Elkem Silicones Brasil Ltda	Common control
Hangzhou (Torch) Xidoumen Membrane Industry co.,Ltd	Common control
Jiangsu Ruixiang Chemical co., Ltd .	Common control
Jiangsu Youjia Plant Protection Co., Ltd.	Common control
Jiangsu Youshi Chemical co., Ltd .	Common control
Jiangsu Huaihe Chemical co.,Ltd .(H&H)	Common control
Jingzhou Sanonda Holdings Co.,Ltd.	Common control
Jiangsu Yangnong Chemical Co.,Ltd.	Common control
OOO Syngenta	Common control
PT Syngenta Indonesia	Common control
PT Syngenta Seed Indonesia	Common control
Shandong Dacheng Biochemical Co., Ltd.	Common control
Sinochem (Hainan) Crop Technology Co. Ltd	Common control
Sinochem Agricultural Ecological Technology (Hubei) Co. Ltd	Common control
Sinochem Agriculture (Xinjiang) Biotechnology Co. Ltd	Common control
Sinochem Agro Co.,Ltd.	Common control
Sinochem Chongqing Fuling Chemical Co. Ltd	Common control
Sinochem Fertilizer Co., Ltd	Common control
Sinochem Fertilizer Co., Ltd Fujian Branch	Common control
Sinochem Fertilizer Co., Ltd Guangxi Branch	Common control
Sinochem Fertilizer Co., Ltd Hebei Branch	Common control
Sinochem Fertilizer Co., Ltd Jiangsu Branch	Common control
Sinochem Fertilizer Co., Ltd Jilin Branch	Common control
Sinochem Fertilizer Co., Ltd Nothwest Branch	Common control
Sinochem Fertilizer Co., Ltd Shandong Branch	Common control
Sinochem Fertilizer Co., Ltd Southwest Branch	Common control
Sinochem International Crop Care (Overseas) Pte. Ltd.	Common control
Sinochem Modern Agriculture Anhui Co. Ltd	Common control
Sinochem Modern Agriculture Sichuan Co. Ltd	Common control

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

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

Name of other related parties	Related party relationship
Sinochem Modern Agriculture Xinjiang Co. Ltd	Common control
Sinochem Modern Agriculture(Jiangsu) Co. Ltd	Common control
Sinochem Modern Agriculture(Shandong) Co. Ltd	Common control
Sinochem Modern Agriculture(Shanxi) Co. Ltd	Common control
Syngenta AG	Common control
Syngenta Agro AG	Common control
Syngenta Agro GmbH	Common control
Syngenta Agro S.A.	Common control
Syngenta Agro SRL	Common control
Syngenta Agro,S.A.deC.V.	Common control
Syngenta AustraliaPty Limited	Common control
Syngenta Canada Inc.	Common control
Syngenta Coml Agr Ltda	Common control
Syngenta Crop Protection AG	Common control
Syngenta Crop Protection B.V.	Common control
Syngenta Crop Protection Limited	Common control
Syngenta Crop Protection S.A.	Common control
Syngenta Crop Protection, LLC	Common control
Syngenta Czech s.r.o.	Common control
Syngenta France S.A.S.	Common control
Syngenta Hellas AEBE	Common control
Syngenta Hungary Kft.	Common control
Syngenta India Limited	Common control
Syngenta Italia S.p.A	Common control
Syngenta Korea Ltd.	Common control
Syngenta Limited Liability Company	Common control
Syngenta Polska Sp.z.o.o.	Common control
Syngenta Protecao Cultivos Ltda	Common control
Syngenta S.A.(Colombia)	Common control
Syngenta Slovakia s.r.o	Common control
Syngenta South Africa (Pty) Ltd.	Common control
Syngenta (China) Investment Co.Ltd	Common control
Syngenta Espana S.A	Common control
Syngenta Tarim Sanayive Ticaret A.S.	Common control
Zhonglan International Chemical co.,Ltd	Common control
Zhonglan Lianhai Design Institute co.,Ltd.	Common control
Zhonglan Lianhai (Shanghai) Chemical Engineering Technology Co.,Ltd.	Common control
Zhonglan Chenguang Chemical Co., Ltd	Common control

(Expressed in RMB '000)

5. Transactions and balances with related parties

(1) Transactions with related parties

Type of purchase	Related Party Relationship	Six months ended June 30 2021	Six months ended June 30 2020
Summary of purchase of goods/services:			
Purchase of goods/services received	Common control under ChemChina	875,206	618,225
	Joint venture	-	1,891
Purchase of fixed assets and other assets	Common control under ChemChina	42,917	163,931
Summary of Sales of goods:			
Sale of goods/ Service rendered	Common control under ChemChina		408,470
	Joint venture	45,515	96,378

(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	21/04/2021	20/04/2028	N
	73,200	01/06/2021	31/05/2028	N

(3) Remuneration of key management personnel and directors

	Periods ended June 30 2021	Periods ended June 30 2020
Remuneration of key management personnel and directors	34,203	22,043

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

Receivable Items

Items	Related Party Relationship	June 30 2021 Book Balance	June 30 2021 Expected credit losses	December 31 2020 Book Balance	December 31 2020 Expected credit losses
Trade receivables	Common control under ChemChina	144,395	-	155,050	-
	Joint venture	29,484	-	21,630	-
	Associates	-	-	327	-
Other receivables	Common control under ChemChina	501	-	681	-
Prepayments	Common control under ChemChina	17,879	-	17,065	-
	Associates	-	-	350	-

(Expressed in RMB '000)

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

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

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

Payable Items

Items	Related Party Relationship	June 30 2021	December 31 2020
Trade payables	Common control under ChemChina	490,713	357,148
	Associates	-	15,907
Other payables	Common control under ChemChina	36,520	19,354
Contract liability	Common control under ChemChina	-	2,355
	Associates	-	340
Other non-current liabilities due within one year	Common control under ChemChina	-	28,000
Other non-current liabilities*	Common control under ChemChina	-	143,770

* The liability is a loan from a related party, the interest expense for the six months ended June 30, 2021 is 2,865 thousand RMB (six months ended June 30, 2020: 1,048 thousand RMB).

(5) Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was 397,910 thousand RMB (31.12.20: 370,141 thousand RMB) Interest income of bank deposit for the current period was 810 thousand RMB (amount for six months ended June 30, 2020 is 670 thousand RMB).

The closing balance of a loan received from ChemChina Finance corporation was 100,000 thousand RMB (31.12.20: 0 thousand RMB). Interest expenses in the current period was 1,471 thousand RMB (amount for six months ended June 30, 2021 is 370 thousand RMB).

(Expressed in RMB '000)

XI. Commitments and contingencies

1. Significant commitments

	June 30 2021	December 31 2020
Investment in Fixed assets	590,714	571,367

2. Commitments and Contingent Liabilities

On December 10, 2018 the 9th meeting of the 8th session of the Board of Directors of the Company approved the extension of the engagement in annual liability insurance policies for directors, supervisors and senior officers of the Company ("D&O Liability Insurance) as originally approved by the 22nd meeting of the 7th session of Board of Directors and the 4th Interim Shareholders Meeting in 2017, and authorized the management to annually deal with all matters relating to renewal/extension of the customary D&O Liability Insurance policies, with up to 20% flexibility in the relevant terms of the original policy. On December 26, 2018 the 3rd Interim Shareholders Meeting approved the above resolution. The current D&O Liability Insurance was renewed for an additional one-year term commencing November 15, 2020.

Environmental protection

The manufacturing processes of the Company and the products it produces and market, entail environmental risks that impact the environment. The Company invests substantial resources in order to comply with the applicable environmental laws and attempts to prevent or minimize the environmental risks that could occur as a result of its activities. To the best of the Company's knowledge, at the balance sheet date, there are no material environmental issues relating to the Company, there are no material administrative penalties or investigations related to environment, health and safety imposed or initiated by regulatory authorities, and none of the material permits and licenses regarding environmental issues required for the Company's day to day operations have been revoked.

Other

Two of the Company's production sites, Jingzhou old site in Jingzhou, Hubei Province and Anpon old site in Huai'An, Jiangsu Province (hereinafter the "Sites") are in the process of relocating to new sites. As part of the relocation process, the Company and its subsidiary, Anpon, began to execute a reduction plan to reduce the number of employees.

Claims against subsidiaries

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

XI. Commitments and contingencies - (cont'd)

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

Claims against subsidiaries (cont'd)

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

In June 2021, a lawsuit was filed against a subsidiary of the Company, alleging a patent owned by a large competitor of the Company, has been infringed by such subsidiary. Among the claims, the plaintiff seeks a preliminary and permanent injunction to prevent the subsidiary from manufacturing, using or commercializing any product that infringed the plaintiff's patent, and seeks actual damages and profits loss. The preliminary injunction motion as well as an ex-parte appeal, were rejected by the court at this time. Prior to such claims, the subsidiary filed lawsuits against the said plaintiff and the local Patent and Trademark Office seeking to declare the said patent is invalid and the subsidiary does not infringe it. All these lawsuits are pending as of the Company's financial results. At this preliminary stage, the claim filed by the plaintiff is not expected to have a material effect on the Company.

Repurchase of the Company's B-shares

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

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

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

During the 2020 Annual General Meeting of the Company, held on May 21 2021, the cancellation of the repurchased shares and subsequent the decrease of the Company's registered capital was approved and on June 17, 2021, the Company completed the cancellation at the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd,.

XIII. Share-based Payments

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

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

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

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

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

Statement of share based payments in the period	**Phantom warrants**
Total number of Phantom warrants at the beginning of the period	60,047,067
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	(785,438)
Total number of Phantom warrants at the end of the period	59,261,629
The exercise prices and the remainder of the contractual period for Phantom warrants outstanding at the end of period	RMB 9.91 – 10.85 4.5 years

The parameters used in implementing the model at the grant date are as follows:	
Stock price (RMB)	10.85
Exercise increment (RMB)	10.03/10.85
Expected volatility	43.97%
Risk-free interest rate	3.06%
Economic value as of February 21, 2019 (in thousands RMB)	186,206

The methods for the determination of the fair value of liabilities arising from cash-settled share-based payments	The binomial pricing model
Accumulated amount of liabilities arising from cash-settled share-based payments (in thousands RMB)	111,396

Expenses arising from cash-settled share-based payments in current period (in thousands RMB)	32,418

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

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

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

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

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

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

Statement of share based payments in the period

	Phantom warrants
Changes in the number of 2017 Plan:	
Total number of Phantom warrants at the beginning of the period	20,739,142
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	(398,150)
Total number of Phantom warrants at the end of the period	20,340,992

The range of the exercise prices and the remainder of the contractual period for Phantom warrants outstanding at the end of period	RMB 9.40 – 9.43 5.25 years

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

The parameters used in implementing the model at the grant date are as follows:

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

The methods for the determination of the fair value of liabilities arising from cash-settled share-based payments related to the alternative plan	The binomial pricing model
Accumulated amount of liabilities arising from cash-settled share-based payments related to the alternative plan (in thousands RMB)	38,541
Expenses (income) arising from cash-settled share-based payments in current period related to the alternative plan (in thousands RMB)	11,713

XIV. Other significant items

1. Segment reporting

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

- Crop Protection (Agro)

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

- Intermediates and ingredients

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

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

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

(Expressed in RMB '000)

XIV. Other significant items - (cont'd)

1. Segment reporting - (cont'd)

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

	Crop Protection		Intermediates and ingredients		Elimination among segments		Total	
	Six months ended June 30		Six months ended June 30		Six months ended June 30		Six months ended June 30	
	2021	2020	2021	2020	2021	2020	2021	2020
Operating income from external customers	13,653,666	12,834,364	1,410,114	1,286,676	-	-	15,063,780	14,121,040
Inter-segment operating income	-	-	977	665	(977)	(665)	-	-
Interest in the profit or loss of associates and joint ventures	-	11,118	3,243	3,274	-	-	3,243	14,392
Segment's results	840,793	927,549	168,380	60,843	-	-	1,009,173	988,392
Financial expenses, net							448,790	842,792
Gain (loss) from changes in fair value							(664,582)	265,510
Investment income							524,513	37,737
Profit before tax							420,314	448,847
Income tax expense							(51,081)	(244,198)
Net profit							369,233	204,649

	Crop Protection		Intermediates and ingredients		Unallocated assets and liabilities		Total	
	June 30 2021	December 31 2020	June 30 2021	December 31 2020	June 30 2021	December 31 2020	June 30 2021	December 31 2020
Total assets	39,158,700	36,454,726	2,144,227	2,135,310	8,147,079	8,210,998	49,450,006	46,801,034
Total liabilities	5,537,583	5,037,016	239,856	268,972	22,240,215	20,061,131	28,017,654	25,367,119

(Expressed in RMB '000)

XIV. Other significant items - (cont'd)

1. Segment reporting - (cont’d)

Geographic information

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

	Operating income from external customers	
	Six months ended June 30	
	2021	2020
Europe	3,915,671	4,275,020
North America	2,880,327	2,622,636
Latin America	2,895,965	2,669,490
Asia Pacific	3,124,576	2,456,818
Africa, Middle East and India	2,247,241	2,097,076
	15,063,780	14,121,040

	Specified non-current assets	
	June 30	December 31
	2021	2020
Europe	992,265	1,039,248
Latin America	2,165,484	2,122,291
North America	1,148,709	1,169,812
Asia Pacific	5,117,155	3,550,785
Africa, Middle East and India	10,523,975	10,489,849
	19,947,588	18,371,985

The dependency on major customers

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

(Expressed in RMB '000)

XIV. Other significant items - (cont'd)

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

	Amount for the current period	**Amount for the prior period**
Net profit from continuing operations attributable to ordinary shareholders	367,036	204,649

Shares	**Amount for the current period**	**Amount for the prior period**
Number of ordinary shares outstanding at the beginning of the year	2,329,811,766	2,446,553,582
Add: weighted average number of ordinary shares issued during the year	-	-
Less: weighted average number of ordinary shares repurchased during the year	-	-
Weighted average number of ordinary shares outstanding at the end of the year	2,329,811,766	2,446,553,582

	Amount for the current period	**Amount for the prior period**
Calculated based on net profit attributable to ordinary shareholders		
Basic earnings per share	0.16	0.08
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.16	0.08
Diluted earnings per share	N/A	N/A
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

(Expressed in RMB '000)

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

1. Cash at bank and on hand

	June 30 2021	December 31 2020
Deposits in banks	436,804	1,022,758
Other cash and bank	6,465	12,054
	443,269	1,034,812

As at June 30, 2021, restricted cash and bank balances was 6,465 thousand RMB (as at December 31, 2020: 12,054 thousand RMB).

2. Accounts receivable

a. By category

	June 30, 2021				
	Book value		Provision for expected credit losses		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	13,879	10	13,879	100	-
Account receivables assessed collectively for impairment	121,324	90	23	-	121,301
	135,203	100	13,902	10	121,301

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

b. Aging analysis

	June 30, 2021
Within 1 year (inclusive)	121,310
Over 1 year but within 2 years	15
Over 2 years but within 3 years	1
Over 3 years but within 4 years	1
Over 4 years but within 5 years	1,699
Over 5 years	12,177
	135,203

(Expressed in RMB '000)

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

2. Accounts receivable - (cont'd)

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

	Six months ended June 30, 2021
Balance as of January 1	13,894
Addition during the year, net	23
Write back during the year	(15)
Write-off during the year	-
Exchange rate effect	-
Balance as of June 30	13,902

d. Five largest accounts receivable at June 30, 2021:

Name	Closing balance	Proportion of Accounts receivable (%)	Allowance of expected credit losses
Party 1 (1)	56,971	42	-
Party 2 (1)	25,048	18	-
Party 3	7,764	6	2
Party 4	6,868	5	-
Party 5	5,098	4	1
	101,749	75	3

(1) The amounts are intergroup balances with Solutions' subsidiaries.

3. Receivable financing

	June 30 2021	December 31 2020
Bank acceptance draft	22,031	25,060
	22,031	25,060

As at June 30, 2021, bank acceptance endorsed but not yet due amounts to 153,514 thousand RMB.

(Expressed in RMB '000)

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

4. Other Receivables

	June 30 2021	December 31 2020
Other receivables	26,995	27,138
	26,995	27,138

(1) Other receivables

a. Other receivables by categories

	June 30 2021	December 31 2020
Other	32,561	32,819
Provision for expected credit losses	(5,566)	(5,681)
	26,995	27,138

b. Other receivables by aging

	June 30, 2021
Within 1 year (inclusive)	720
Over 1 year but within 2 years	13,283
Over 2 years but within 3 years	13,329
Over 3 years but within 4 years	265
Over 4 years but within 5 years	-
Over 5 years	4,964
	32,561

(Expressed in RMB '000)

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

4. Other Receivables - (cont'd)

(2) Other receivables - (cont'd)

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

	Year ended June 30, 2021
Balance as of January 1, 2021	5,681
Addition during the period	-
Written back during the period	(115)
Write-off during the period	-
Balance as of June 30, 2021	5,566

d. Five largest other receivables at June 30 2021:

Name	Closing balance	Proportion of other receivables (%)	Credit loss provision
Party 1	13,322	41	-
Party 2 *	11,611	36	-
Party 3	3,125	9	3,125
Party 4	1,753	5	-
Party 5	548	2	548
	30,359	93	3,673

* The amount are intergroup balances with Anpon.

(Expressed in RMB '000)

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

5. Long-term equity investments

	June 30, 2021			December 31, 2020		
	Amount balance	Impairment loss	Book value	Amount balance	Impairment loss	Book value
Invest in subsidiaries	17,511,352	-	17,511,352	16,663,212	-	16,663,212
	17,511,352	-	17,511,352	16,663,212	-	16,663,212

Investments in subsidiaries

Invested unit	Opening balance	Increase	Decrease	Closing balance	Current provision Impairment loss	Balance provision Impairment loss
ADAMA Agricultural Solutions Ltd.	15,890,213	-	-	15,890,213	-	-
Adama Anpon (Jiangsu) Ltd.	450,449	-	-	450,449	-	-
ADAMA Hiufeng (Jiangsu) Co. Ltd.	-	848,140	-	848,140	-	-
Hubei Sanonda Foreign Trade Co. Ltd.	11,993	-	-	11,993	-	-
Adama Huifeng (shanghai) Agricultural Technology Co., Ltd	310,557	-	-	310,557	-	-
	16,663,212	848,140	-	17,511,352	-	-

6. Operating Income and operating costs

	Six months ended June 30, 2021		Six months ended June 30, 2020	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	591,292	467,717	653,055	526,904
Other operations	25,805	15,220	20,591	10,410
	617,097	482,937	673,646	537,314

(Expressed in RMB '000)

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

7. Notes to items in the cash flow statements

(1) Other cash received relevant to operating activities

	Six months ended June 30, 2021	Six months ended June 30, 2020
Interest income	9,971	8,507
Government subsidies	9,976	4,992
Other	1,256	1,564
	21,203	15,063

(2) Other cash paid relevant to operating activities

	Six months ended June 30, 2021	Six months ended June 30, 2020
Professional services	48,027	56,487
Transportation and Commissions	11,122	13,067
Other	8,162	21,253
	67,311	90,807

(3) Other cash received relevant to financing activities

	Six months ended June 30, 2021	Six months ended June 30, 2020
Deposit for issuing bills payables	5,880	4,449

(4) Other cash paid relevant to financing activities:

	Six months ended June 30, 2021	Six months ended June 30, 2020
Other	291	200
	291	200

(Expressed in RMB '000)

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

8. Supplementary information to cash flow statement

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

	Six months ended June 30 2021	Six months ended June 30 2020
Net profit	(28,205)	(42,764)
Add: Assets impairment loss	1,068	2,864
Credit impairment loss	(107)	674
Depreciation of fixed assets	53,021	76,057
Depreciation of-right-of use assets	28	233
Amortization of intangible assets	5,099	2,222
Loss (gain) on disposal of fixed assets, intangible assets and other long-term assets	(15,239)	(101)
Financial expenses	13,438	3,518
Decrease (increase) in deferred income tax assets	(228)	27,873
Decrease (increase) in inventory	88,421	11,596
Increase in accounts receivable from operating activities	227,772	(102,463)
Increase in payables from operating activities	(99,852)	(41,958)
Net cash flows generated from operating activities	245,216	(62,249)

(2) Net increase in cash and cash equivalents

	Six months ended June 30 2021	Six months ended June 30 2020
Closing balance of cash	436,804	1,423,296
Less: Opening balance of cash	1,022,758	1,395,994
Net increase in cash and cash equivalents	(585,954)	27,302

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

9. Related parties and related parties transactions

(1) Information on parent Company

Company name	Registered place	Business nature	Registered capital (Thousand RMB)	Shareholding percentage	Percentage of voting rights
Syngenta Group	Shanghai, China	Production and sales of agrochemicals, fertilizers and GM seeds	11,144,545	73.33%	73.33%

The ultimate controlling shareholder is ChemChina.

(2) Information on the subsidiaries of the Company

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

(3) Transactions with related parties

a. Transactions of goods and services

		Six months ended June 30	
		2021	2020
Summary of Purchase of goods/services received:	**Related Party Relationship**		
Purchase of goods/services received	Common control under ChemChina	40	2,063
	Subsidiary	58,038	45,630
Purchase of fixed assets and other assets	Common control under ChemChina	39,580	155,616
	Subsidiary	-	136
Summary of Sales of goods:			
Sale of goods	Associated enterprises under ChemChina	1,082	-
	Subsidiary	328,762	450,283
Sale of raw materials	Subsidiary	3,396	-

(Expressed in RMB '000)

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

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

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

b. Guarantees

The Company as the guarantor

	Amount of guaranteed loan	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y/ N)
Subsidiary	30,000	21/07/2020	21/01/2021	Y
	18,000	19/08/2020	19/02/2021	Y
	30,000	01/09/2020	17/08/2021	Y
	50,000	20/07/2020	14/07/2021	N
	30,000	19/05/2020	18/05/2021	Y
	20,000	22/12/2020	16/12/2021	N
	50,000	16/12/2020	15/12/2021	N
	50,000	14/12/2020	13/12/2021	N
	50,000	29/06/2020	27/06/2021	Y
	20,438	30/10/2020	30/04/2021	Y
	14,004	17/12/2020	17/06/2021	Y
	40,500	15/01/2021	14/01/2022	N
	59,500	27/04/2021	26/04/2022	N
	40,000	01/02/2021	03/01/2022	N
	30,000	26/02/2021	24/02/2022	N
	30,000	25/06/2021	24/06/2022	N
	60,000	21/05/2021	18/05/2022	N
	40,000	18/03/2021	17/03/2022	N
	30,000	20/01/2021	20/01/2022	N
	70,000	27/01/2021	27/01/2022	N
	14,534	29/01/2021	29/07/2021	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 company	300,000	21/04/2021	20/04/2028	N
	73,200	01/06/2021	31/05/2028	N

(Expressed in RMB '000)

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

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

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

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

Receivable Items

Items	Related Party Relationship	June 30 2021 Book Balance	June 30 2021 Expected credit losses	December 31 2020 Book Balance	December 31 2020 Expected credit losses
Trade receivables	Subsidiary	85,769		344,436	-
Other non-current assets	Subsidiary	212,716		212,771	-
Other receivables	Subsidiary	11,611		11,744	-

Payable Items

Items	Related Party Relationship	June 30 2021	December 31 2020
Trade payables	Common control under ChemChina	50,409	127,082
Other payables	Subsidiary	219,931	143,840
	Common control under ChemChina	108	108
Contract liability	Associated enterprises under ChemChina		340
Other non-current liabilities due within one year *	Common control under ChemChina	-	28,000
Other non-current liabilities*	Common control under ChemChina	-	143,770

* loans from related party, the interest expense for the 6 months ended June 30, 2021 was 2,865 thousand RMB (1,048 thoussand RMB in 2020).

d. Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was 200,467 thousand RMB (31.12.20: 170,210 thousand RMB). Interest income of bank deposit for the current period was 598 thousand RMB (amount for six months ended June, 2020 is 219 thousand RMB).

The closing balance of a loan received from ChemChina Finance corporation was 0 thousand RMB (31.12.20: 0 thousand RMB). Interest expense in the current period was 0 thousand RMB (amount for six months ended June 30, 2020 is 370 thousand RMB).

Supplementary information
(Expressed in RMB '000)

1. Extraordinary Gain and Loss

	Six months ended June 30, 2021
Disposal of non-current assets	14,864
Government grants recognized through profit or loss	20,630
Recovery or reversal of expected credit losses which is assessed individually during the years	12,474
Other non-operating income or expenses other than the above	6,792
Other profit or loss that meets the definition of non-recurring profit or loss	(44)
Tax effect	(9,803)
	44,913

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

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

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

Profit during the reporting period	Weighted average rate of return on net assets	Basic EPS (RMB/share)	Diluted EPS (RMB/share)
Net profit attributable to ordinary shareholders of the Company	1.71	0.16	N/A
Net profit after deduction of extraordinary gains/losses attributable to ordinary shareholders of the Company	1.50	0.14	N/A