ADAMA Ltd.

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

CONTENTS **PAGES**

(Expressed in RMB '000)

Consolidated Balance Sheet

	Notes	June 30 2022	December 31 2021
Current assets			
Cash at bank and on hand	V.1	3,296,536	5,818,835
Financial assets held for trading	V.2	1,604	1,479
Derivative financial assets	V.3	544,831	243,316
Bills receivable	V.4	96,792	81,992
Accounts receivable	V.5	10,091,376	8,362,493
Receivables financing	V.6	78,634	120,157
Prepayments	V.7	389,142	379,788
Other receivables	V.8	852,408	691,939
Inventories	V.9	15,568,631	11,750,162
Other current assets	V.10	1,082,958	938,453
Total current assets		32,002,912	28,388,614
Non-current assets			
Long-term receivables	V.11	58,309	56,234
Long-term equity investments	V.12	20,508	15,335
Other equity investments	V.13	155,666	152,118
Investment properties		3,442	3,716
Fixed assets	V.14	8,583,316	8,048,389
Construction in progress	V.15	2,650,735	2,143,400
Right-of-use assets	V.16	485,629	463,915
Intangible assets	V.17	5,348,490	5,326,288
Goodwill	V.18	4,635,081	4,409,599
Deferred tax assets	V.19	1,073,097	723,075
Other non-current assets	V.20	492,470	504,625
Total non-current assets		23,506,743	21,846,694
Total assets		55,509,655	50,235,308

(Expressed in RMB '000)

Consolidated Balance Sheet (continued)

	Notes	June 30 2022	December 31 2021
Current liabilities			
Short-term loans	V.21	1,635,446	874,755
Derivative financial liabilities	V.22	635,643	176,206
Bills payable	V.23	701,764	493,376
Accounts payable	V.24	7,826,483	6,294,163
Contract liabilities	V.25	1,442,598	1,381,311
Employee benefits payable	V.26	1,041,153	1,247,979
Taxes payable	V.27	458,955	368,682
Other payables	V.28	1,758,231	1,342,188
Non-current liabilities due within one year	V.29	1,637,673	1,795,754
Other current liabilities	V.30	402,423	412,909
Total current liabilities		17,540,369	14,387,323
Non-current liabilities			
Long-term loans	V.31	4,292,178	3,498,912
Debentures payable	V.32	7,517,272	7,797,131
Lease liabilities	V.33	367,573	362,086
Long-term payables		97,737	95,699
Long-term employee benefits payable	V.34	769,276	792,358
Provisions	V.35	202,069	186,430
Deferred tax liabilities	V.19	392,445	380,138
Other non-current liabilities	V.36	1,794,066	1,660,148
Total non-current liabilities		15,432,616	14,772,902
Total liabilities		32,972,985	29,160,225
Shareholders' equity			
Share capital	V.37	2,329,812	2,329,812
Capital reserve	V.38	12,977,171	12,977,171
Less: Treasury shares		-	-
Other comprehensive income	V.39	355,851	(432,384)
Special reserves		18,823	19,857
Surplus reserve	V.40	240,162	240,162
Retained earnings	V.41	6,614,851	5,940,465
Total equity attributed to the shareholders of the company		22,536,670	21,075,083
Non-controlling interests		-	-
Total Equity		22,536,670	21,075,083
Total liabilities and equity		55,509,655	50,235,308

Ignacio Dominguez
Legal representative

Shahar Florentz
Chief of accounting work & Chief of accounting organ

These financial statements were approved by the Board of Directors of the Company on August 29 2022.

The notes form part of these financial statements.

(Expressed in RMB '000)

Balance Sheet

	Notes	June 30 2022	December 31 2021
Current assets			
Cash at bank and on hand	XV.1	295,242	265,558
Accounts receivable	XV.2	478,073	208,109
Receivables financing	XV.3	72,745	11,752
Prepayments		28,980	29,364
Other receivables	XV.4	20,923	21,496
Inventories		330,819	220,329
Other current assets		1,383	44,221
Total current assets		1,228,165	800,829
Non-current assets			
Long-term equity investments	XV.5	17,511,352	17,511,352
Other equity investments		84,720	84,720
Investment properties		3,442	3,716
Fixed assets		1,885,011	1,264,210
Construction in progress		56,212	728,742
Right-of-use assets		4,019	5,453
Intangible assets		264,908	265,510
Deferred tax assets		60,668	60,668
Other non-current assets		662,973	560,982
Total non-current assets		20,533,305	20,485,353
Total assets		21,761,470	21,286,182
Current liabilities			
Short-term loans		50,000	-
Bills payables		62,470	20,415
Accounts payables		208,992	205,985
Contract liabilities		11,200	10,145
Employee benefits payable		18,777	28,880
Taxes payable		1,921	2,662
Other payables		681,933	560,098
Non-current liabilities due within one year		427,400	612,666
Total current liabilities		1,462,693	1,440,851
Non-current liabilities			
Long-term loans		1,137,108	905,840
Lease liabilities		1,919	2,925
Long-term employee benefits payable		98,150	99,495
Provisions		42,784	44,385
Other non-current liabilities		312,130	312,130
Total non-current liabilities		1,592,091	1,364,775
Total liabilities		3,054.784	2,805,626
Shareholders' equity			
Share capital	V.37	2,329,812	2,329,812
Capital reserve		15,523,881	15,523,881
Other comprehensive income		30,668	30,668
Special reserves		19,514	20,548
Surplus reserve		240,162	240,162
Retained earnings	V.41	562,649	335,485
Total shareholders' equity		18,706,686	18,480,556
Total liabilities and shareholders' equity		21,761,470	21,286,182

(Expressed in RMB '000)

Consolidated Income Statement

	Notes	Six months ended June 30 2022	2021
I. Operating income	V.42	18,795,828	15,063,780
Less: Cost of sales	V.42	13,822,755	10,706,710
Taxes and surcharges	V.43	55,837	59,007
Selling and Distribution expenses	V.44	2,159,089	2,506,436
General and administrative expenses	V.45	642,313	571,807
Research and Development expenses	V.46	274,738	226,940
Financial expenses (incomes)	V.47	(438,224)	448,790
Including: Interest expense		326,788	322,765
Interest income		53,960	31,363
Add: Investment income (loss), net	V.48	4,706	3,243
Including: Income from investment in associates and joint ventures		4,706	3,243
Gain (loss) from changes in fair value	V.49	(1,341,717)	(140,069)
Credit impairment reversal (losses)	V.50	(97,125)	10,051
Asset impairment reversal (losses)	V.51	(85,346)	(29,403)
Gain from disposal of assets	V.52	60,298	14,799
II. Operating profit		820,136	402,711
Add: Non-operating income		29,797	33,032
Less: Non-operating expenses		16,559	15,429
III. Total profit		833,374	420,314
Less: Income tax expenses	V.53	101,276	51,081
IV. Net profit		732,098	369,233
(1). Classified by nature of operations			
(1.1). Continuing operations		732,098	369,233
(2). Classified by ownership			
(2.1). Shareholders of the Company		732,098	367,036
(2.2). Non-controlling interests		-	2,197
V. Other comprehensive income, net of tax	V. 39	788,235	(122,906)
Other comprehensive income (net of tax) attributable to shareholders of the Company		788,235	(122,906)
(1) Items that will not be reclassified to profit or loss:		61,296	(6,971)
(1.1) Re-measurement of defined benefit plan liability		61,296	(6,971)
(2) Items that were or will be reclassified to profit or loss		726,939	(115,935)
(2.1) Effective portion of gains or loss of cash flow hedge		(60,863)	144,297
(2.2) Translation differences of foreign financial statements		787,802	(260,232)
VI. Total comprehensive income for the period attributable to Shareholders of the Company		1,520,333	246,327
Total comprehensive income for the period attributable to shareholders of the Company		1,520,333	244,130
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)		0.31	0.16
(2) Diluted earnings per share (Yuan/share)		N/A	N/A

(Expressed in RMB '000)

Income Statement

	Notes	Six months ended June 30 2022	2021
I. Operating income	XV.6	1,185,094	617,097
Less: Operating costs	XV.6	881,418	482,937
Taxes and surcharges		3,003	3,982
Selling and Distribution expenses		2,178	19,304
General and administrative expenses		65,151	140,326
Research and Development expenses		38,042	19,709
Financial expenses (income)		25,075	3,523
Including: Interest expense		25,382	10,176
Interest income		3,340	9,971
Add: Investment income (loss), net		-	-
Gain from changes in fair value ("-" means loss)		-	-
Credit impairment reversal (losses)		(141)	107
Asset Impairment reversal (losses)		3,142	(1,068)
Gain from disposal of assets		59,654	16,081
II. Operating Profit		232,882	(37,564)
Add: Non-operating income		13,082	10,143
Less: Non-operating expenses		162	1,012
III. Total profit		245,802	(28,433)
Less: Income tax expense (income)		-	(228)
IV. Net profit (loss)		245,802	(28,205)
V. Other comprehensive income, net of tax		-	(370)
(1) Items that will not be reclassified to profit or loss		-	(370)
(1.1) Re-measurement of defined benefit plan liability		-	(370)
(1.2) FV changes in other equity investment			-
VI. Total comprehensive income (loss) for the period		245,802	(28,575)

(Expressed in RMB '000)

Consolidated Cash Flow Statement

		Notes	Six months ended June 31 2022	2021
I.	**Cash flows from operating activities:**			
	Cash received from sale of goods and rendering of services		16,427,981	14,644,075
	Refund of taxes and surcharges		164,802	82,190
	Cash received relating to other operating activities	V.56(1)	304,088	363,408
	Sub-total of cash inflows from operating activities		16,896,871	15,089,673
	Cash paid for goods and services		13,683,974	9,737,778
	Cash paid to and on behalf of employees		2,329,629	1,988,051
	Payments of taxes and surcharges		494,626	208,458
	Cash paid relating to other operating activities	V.56(2)	1,734,503	1,664,093
	Sub-total of cash outflows from operating activities		18,242,732	13,598,380
	Net cash flows from operating activities	V.57(1)a	(1,345,861)	1,491,293
II.	**Cash flows from investing activities:**			
	Cash received from disposal of investments		5,887	856
	Cash received from returns of investments		1,588	-
	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		70,264	19,507
	Cash received relating to other investing activities	V.56(3)	-	6,754
	Sub-total of cash inflows from investing activities		77,739	27,117
	Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,291,889	1,179,017
	Net cash paid to acquire subsidiaries or other business units		-	655,039
	Cash paid relating to other investing activities	V.56(4)	64,719	85,108
	Sub-total of cash outflows from investing activities		1,356,608	1,919,164
	Net cash flows used in investing activities		(1,278,869)	(1,892,047)
III.	**Cash flows from financing activities:**			
	Cash received from borrowings		2,435,083	3,776,407
	Cash received from other financing activities	V.56(5)	11,012	412,308
	Sub-total of cash inflows from financing activities		2,446,095	4,188,715
	Cash repayments of borrowings		1,163,615	2,328,962
	Cash payment for dividends, profit distributions and interest		431,993	387,611
	Including: Dividends paid to non-controlling interest		39,074	35,904
	Cash paid relating to other financing activities	V.56(6)	944,580	263,351
	Sub-total of cash outflows from financing activities		2,540,188	2,979,924
	Net cash flows from financing activities		(94,093)	1,208,791
IV.	**Effects of foreign exchange rate changes on cash and cash equivalents**		150,085	(27,900)
V.	**Net (decrease) increase in cash and cash equivalents**	V.57(1)b	(2,568,738)	780,137
	Add: Cash and cash equivalents at the beginning of the year		5,759,480	3,835,071
VI.	**Cash and cash equivalents at the end of the period**	V.57(2)	3,190,742	4,615,208

(Expressed in RMB '000)

Cash Flow Statement

	Notes	Six months ended June 30 2022	2021
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		786,908	838,428
Refund of taxes and surcharges		51,548	22,166
Cash received relating to other operating activities	XV.7(1)	23,102	21,203
Sub-total of cash inflows from operating activities		861,558	881,797
Cash paid for goods and services		653,912	440,234
Cash paid to and on behalf of employees		70,273	122,202
Payments of taxes and surcharges		3,899	6,834
Cash paid relating to other operating activities	XV.7(2)	70,927	67,311
Sub-total of cash outflows from operating activities		799,011	636,581
Net cash flows from operating activities	XV.8	62,547	245,216
II. Cash flows from investing activities:			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		66,420	17,630
Cash received relating to other investing activities	XV.7.(3)	150,000	-
Sub-total of cash inflows from investing activities		216,420	17,630
Cash paid to acquire fixed assets, intangible assets and other long-term assets		50,383	280,865
Cash paid for acquisition of investments		-	697,909
Cash paid for other investing activities	XV.7.(4)	250,000	-
Sub-total of cash outflows from investing activities		300,383	978,774
Net cash flows used in investing activities		(83,963)	(961,144)
III. Cash flows from financing activities:			
Cash received from borrowings		650,000	615,200
Cash received relating to other financing activities	XV.7.(5)	6,124	5,880
Sub-total of cash inflows from financing activities		656,124	621,080
Cash repayments of borrowings		553,732	293,732
Cash payment for dividends, profit distributions or interest		45,228	24,027
Cash paid relating to other financing activities	XV.7.(6)	18,741	172,061
Sub-total of cash outflows from financing activities		617,701	489,820
Net cash flows from financing activities		38,423	131,260
IV. Effects of foreign exchange rate changes on cash and cash equivalents		60	(1,286)
V. Net increase (decrease) in cash and cash equivalents		17,067	(585,954)
Add: Cash and cash equivalents at the beginning of the year	XV.8(2)	259,434	1,022,758
VI. Cash and cash equivalents at the end of the period	XV.8(2)	276,501	436,804

(Expressed in RMB '000)

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended June 30, 2022

	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	**Total**	Non-controlling interests	**Total equity**
I. Balance at December 31, 2021	2,329,812	12,977,171	(432,384)	19,857	240,162	5,940,465	21,075,083	-	21,075,083
II. Changes in equity for the period	-	-	788,235	(1,034)	-	674,386	1,461,587	-	1,461,587
1. Total comprehensive income	-	-	788,235	-	-	732,098	1,520,333	-	1,520,333
2. Owner's contributions and reduction	-	-	-	-	-	-	-	-	-
2.1 Cancellation of shares	-	-	-	-	-	-	-	-	-
2.2 Non-controlling interests in respect of business combination	-	-	-	-	-	-	-	-	-
3. Appropriation of profits	-	-	-	-	-	(57,712)	(57,712)	-	(57,712)
3.1 Distribution to owners	-	-	-	-	-	(18,638)	(18,638)	-	(18,638)
3.2 Distribution to non-controlling interest	-	-	-	-	-	(39,074)	(39,074)	-	(39,074)
4. Special reserve	-	-	-	(1,034)	-	-	(1,034)	-	(1,034)
4.1 Transfer to special reserve	-	-	-	3,507	-	-	3,507	-	3,507
4.2 Amount utilized	-	-	-	(4,541)	-	-	(4,541)	-	(4,541)
III. Balance at June 30, 2022	2,329,812	12,977,171	355,851	18,823	240,162	6,614,851	22,536,670	-	22,536,670

(Expressed in RMB '000)

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

* Following the approval and execution of the repurchase plan for part of the Company's domestically listed foreign shares (B share) on 2020 and the repurchase of 14,309,536 B-Shares, the Company cancelled said amount of B-Shares at the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. on June 17, 2021.

.

(Expressed in RMB '000)

Statement of Changes in Shareholders' Equity

For the six months ended June 30, 2022

	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Total
I. Balance at December 31, 2021	2,329,812	15,523,881	30,668	20,548	240,162	335,485	18,480,556
II. Changes in equity for the period	-	-	-	(1,034)	-	227,164	226,130
1. Total comprehensive income	-	-	-	-	-	245,802	245,802
2. Appropriation of profits	-	-	-	-	-	(18,638)	(18,638)
2.1 Transfer to Distribution to shareholders	-	-	-	-	-	(18,638)	(18,638)
3. Special reserve	-	-	-	(1,034)	-	-	(1,034)
3.1 Transfer to special reserve	-	-	-	3,507	-	-	3,507
3.2 Amount utilized	-	-	-	(4,541)	-	-	(4,541)
Ⅲ. Balance at June 30, 2022	2,329,812	15,523,881	30,668	19,514	240,162	562,649	18,706,686

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
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)	-	-	-	-	-
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

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”). As of August 2021, following the combination between China National Chemical Co., Ltd. (hereinafter - “ChemChina”) and Sinochem Holdings Corporation Ltd. (hereinafter - “Sinochem Holdings”), Syngenta Group, and subsequently the Company, are ultimately controlled by Sinochem Holdings - parent of both ChemChina and Sinochem Group Co., Ltd. (hereinafter “Sinochem Holdings”), subordinated to SASAC.

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 29, 2022.

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, 2022 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 December 31, 2021 and the Company's consolidated operating results, changes in shareholders' equity and cash flows for the twelve 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 (which is not measured 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 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 account receivables collective provision for expected credit losses in which credit losses has not occurred is between 0%-4.36%.

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, motor 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

Overseas 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, 11 years
Intangible assets on purchase of products	7-11, 20 years
Marketing rights, tradename and trademarks	4-10, 30 years
Exclusivity agreement	21 years
Software	3-5 years
Customer relations	5-10, 13 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.

<u>Significant financing component</u>

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.

<u>Sale with a right of return</u>

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)

28.2 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.

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.

28.3 Securitization of assets

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

28.4 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% (2021: 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	2022
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	27.5%
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 and Hubei Provincial Office of the State Administration of Taxation. 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 and Jiangsu Provincial Office of the State Administration of Taxation. The applicable income tax rate from 2021 to 2023 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. The Israelis subsidiaries implemented and acted 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.

On November 15, 2021 the Economic Efficiency Law (Legislative Amendments for the 2021 and 2022 Budget Years) – 2021 was published as well as a Temporary Order to the Law for the Encouragement of Capital Investments – 1959 (hereinafter: "the temporary order"), which offers a reduced tax rate arrangement to companies that received an exemption from corporate tax under the aforesaid law. The temporary order provided that companies that choose to apply the temporary order, which is effective until November 14, 2022, will be entitled to a reduced tax rate on the "release" of exempt profits (hereinafter: "the beneficiary corporate tax rate"). The release of exempt profits makes it possible to distribute them at a reduced rate of corporate tax at the company level based on the rate of the profits being distributed pursuant to the conditions set forth in the Amendment.

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)

The reduced corporate tax rate will be determined according to the rate of exempt profits the company chooses to release from its entire exempt profits, and will be between 40% and 70% of the corporate tax rate that would have applied to the revenue in the year it was produced if it had not been exempt, but in any event no less than 6%. Furthermore, a company that chooses to release its exempt profits and pay a beneficiary corporate tax rate will be required to invest in its enterprise, within a period of 5 years beginning from the tax year it elected, an amount calculated according to a formula provided in the temporary order (30% of the exempt income multiplied by the corporate tax rate and multiplied by the release rate). The investment will be made in productive assets (with the exclusion of buildings), research and development in Israel and salaries to new employees of the enterprise. Failure to comply with this condition will require the company to pay additional corporate tax.

In addition, an amendment was made to Section 74 of the Law for the Encouragement of Capital Investments – 1959 with respect to identifying the sources of dividend distributions as from August 15, 2021.

The amendment requires companies to allocate the sources of dividends between exempt profits and other profits, pro-rata, as well as the imposition of corporate tax and withholding tax on dividends accordingly. It is noted that the amendment to the section may contradict section 72a of the Law, which provides for stability in the benefits awarded to companies that chose this track.

As of this date, Solutions is examining the effect of the amendment on its financial position and financial results. Solutions has not yet decided whether and how much accumulated profits will be "released". Thus, in these financial statements the aforementioned amendment had no effect on Solutions current and deferred tax balances.

(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 2022	December 31 2021
Cash on hand	1,138	1,196
Deposits in banks	3,189,604	5,758,284
Other cash and bank	105,794	59,355
	3,296,536	5,818,835
Including cash and bank placed outside China	2,288,205	4,935,072

As at June 30, 2022 restricted cash and bank balances was 105,794 thousand RMB (as at December 31, 2021 59,355 thousand RMB) mainly including deposits that guarantee bank acceptance drafts.

2. Financial assets held for trading

	June 30 2022	December 31 2021
Bank deposits	1,604	1,479
	1,604	1,479

3. Derivative financial assets

	June 30 2022	December 31 2021
Economic hedge	470,858	198,775
Accounting hedge derivatives	73,973	44,541
	544,831	243,316

4. Bills Receivable

	June 30 2022	December 31 2021
Post-dated checks receivable	95,020	79,996
Bank acceptance draft	1,772	1,996
	96,792	81,992

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, 2022				
	Book value		Provision for expected credit losses		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	690,591	7	224,141	32	466,450
Account receivables assessed collectively for impairment	9,714,771	93	89,845	1	9,624,926
	10,405,362	100	313,986	3	10,091,376

	December 31, 2021				
	Book value		Provision for expected credit losses		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	290,224	3	143,827	50	146,397
Account receivables assessed collectively for impairment	8,300,941	97	84,845	1	8,216,096
	8,591,165	100	228,672	3	8,362,493

b. Aging analysis

	June 30, 2022
Within 1 year (inclusive)	9,955,745
Over 1 year but within 2 years	207,872
Over 2 years but within 3 years	46,289
Over 3 years but within 4 years	55,859
Over 4 years but within 5 years	40,356
Over 5 years	99,241
	10,405,362

(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, 2022		
	Book value	Provision for expected credit loss	Percentage (%)
Credit group A	1,445,412	4,862	0.34
Credit group B	725,931	6,282	0.9
Credit group C	162,058	7,070	4.4
Credit group D	33,034	689	2.1
	2,366,435	18,903	0.8

Geographical location B:

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

	June 30, 2022		
	Book value	Provision for expected credit loss	Percentage (%)
Accounts receivable that are not overdue	612,084	5,438	0.89
Debts overdue less than 60 days	24,013	720	3
Debts overdue less than 180 days but more than 60 days	30,378	3,105	10
Debts overdue above 180 days	15,656	6,262	40
Legal Debtors	39,190	39,190	100
	721,321	54,715	7.6

Other geographical locations:

	June 30, 2022		
	Book value	Provision for expected credit loss	Percentage (%)
Other account receivables assessed collectively for impairment	6,627,015	16,227	0.24

(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

	Lifetime expected credit loss (credit losses has not occurred)	Lifetime expected credit loss (credit losses has occurred)	Total
January 1, 2022	36,094	192,578	228,672
Addition (write back) during the period, net	2,266	62,437	64,703
Write-off during the period	(17)	6,025	6,008
Exchange rate effect	2,231	12,372	14,603
Balance as of June 30, 2022	40,574	273,412	313,986

d. Five largest accounts receivable at June 30, 2022:

Name	Closing balance	Proportion of Accounts receivable (%)	Allowance of expected credit losses (credit losses has occurred)
Customer 1	272,724	3	-
Customer 2	131,906	1	-
Customer 3	127,490	1	-
Customer 4	84,926	1	14,000
Customer 5	70,785	1	-
Total	687,831	7	14,000

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, 2022.

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, 2022 – 2,349 million RMB), during the months July through September the maximum scope of the securitization is $300 million (as of June 30, 2022 – 2,013 million RMB) and during the months October through February the maximum scope of the securitization is $250 million (as of as of June 30, 2022 – 1,678 million RMB). In addition the company has uncommitted facility of $50 million (as of as of June 30, 2022 - 336 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, 2022, Solutions was in compliance with the financial covenants.

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

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

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

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

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

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

5. Accounts Receivable – (cont'd)

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

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

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 24, 2022. The maximum securitization scope as of June 30, 2022 is BRL 500 million (RMB 641 million).

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 has a pledged deposit with regards to the entity's right of recourse.

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

During the fourth quarter of 2021, the subsidiary has entered into an additional securitization agreement with Itau Bank and Farm investments, for sale of trade receivables to a securitization structure that was formed for this purpose where the subsidiary has mezzanine quotes of 10.5% of the entity's capital.

As at the report date, the subsidiary agreement was approved up to November 10, 2025. The agreement has a maximum scope of BRL 306 million (RMB 392 million).

The entity bears 100% of the credit risk in respect of the customers whose debts were sold (non-recourse), therefore the subsidiary has no continuing involvement in the those account receivables sold.

In both agreements, the subsidiary handles the collection of receivables included in the securitization for the entities.

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

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

(Expressed in RMB '000)

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

6. Accounts Receivable – (cont'd)

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

	June 30 2022	December 31 2021
Accounts receivables derecognized	2,899,622	2,962,111
Continuing involvement	115,637	117,995
Subordinated note in respect of trade receivables	397,147	388,631
Liability in respect of trade receivables	191,302	98,836

	Six months ended June 30	
	2022	2021
Loss in respect of sale of trade receivables	70,123	15,403

7. Receivables financing

	June 30 2022	December 31 2021
Bank acceptance draft	78,634	120,157
	78,634	120,157

As at June 30, 2022, bank acceptance endorsed but not yet due amounts to 769,413 thousands RMB.

8. Prepayments

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

	June 30 2022		December 31 2021	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	375,453	97	368,565	97
Over 1 year but within 2 years (inclusive)	12,005	3	8,850	2
Over 2 years but within 3 years (inclusive)	609	-	429	-
Over 3 years	1,075	-	1,944	1
	389,142	100	379,788	100

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

	Amount	Percentage of prepayments (%)
June 30, 2022	104,220	27

(Expressed in RMB '000)

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

9. Other Receivables

(1) Other receivables by nature

	June 30 2022	December 31 2021
Dividends receivable	1,578	1,599
Others	850,830	690,340
	852,408	691,939

a. Others breakdown by categories

	June 30 2022	December 31 2021
Trade receivables as part of securitization transactions not yet eliminated	115,637	117,995
Subordinated note in respect of trade receivables	397,147	388,631
Financial institutions	32,805	-
Receivables in respect of disposal of fixed assets	9,313	19,940
Other	340,974	174,624
Sub total	895,876	701,190
Provision for expected credit losses - other receivables	(45,046)	(10,850)
	850,830	690,340

b. Other receivables by aging

	June 30 2022
Within 1 year (inclusive)	855,008
Over 1 year but within 2 years	1,763
Over 2 years but within 3 years	18,201
Over 3 years but within 4 years	2,040
Over 4 years but within 5 years	268
Over 5 years	18,596
	895,876

(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, 2022
Balance as of January 1 2022,	10,850
Addition during the period	32,817
Written back during the period	(395)
Write-off during the period	(3)
Exchange rate effect	1,777
Balance as of June 30, 2022	45,046

(3) Five largest other receivables at June 30, 2022:

Name	Closing balance	Proportion of other receivables (%)	Allowance of expected credit losses
Party 1	397,147	44.3	-
Party 2	91,671	10.2	-
Party 3	32,805	3.7	-
Party 4	16,658	1.9	-
Party 5	13,581	1.5	-
Total	551,862	61.6	-

9. Inventories

(1) Inventories by category:

	June 30, 2022		
	Book value	Provision for impairment	Carrying amount
Raw materials	6,042,396	26,401	6,015,995
Work in progress	677,248	3,812	673,436
Finished goods	8,593,829	191,818	8,402,011
Others	486,561	9,372	477,189
	15,800,034	231,403	15,568,631

	December 31, 2021		
	Book value	Provision for impairment	Carrying amount
Raw materials	4,217,049	26,514	4,190,535
Work in progress	766,650	16,647	750,003
Finished goods	6,545,536	139,307	6,406,229
Others	415,047	11,652	403,395
	11,944,282	194,120	11,750,162

(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, 2022

	January 1, 2022	Provision	Reversal or write-off	Other	June 30, 2022
Raw material	26,514	18,474	(19,864)	1,277	26,401
Work in progress	16,647	743	(13,615)	37	3,812
Finished goods	139,307	90,662	(48,889)	10,738	191,818
Others	11,652	687	(3,377)	410	9,372
	194,120	110,566	(85,745)	12,462	231,403

10. Other Current Assets

	June 30 2022	December 31 2021
Deductible VAT	642,921	615,406
Current tax assets	202,723	158,440
Short term investments	179,349	121,629
Others	57,965	42,978
	1,082,958	938,453

11. Long-Term Receivables

	June 30 2022	December 31 2021
Long term account receivables from sale of goods	58,309	56,234
	58,309	56,234

(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 2022	December 31 2021
Investments in Joint ventures	20,508	15,335
	20,508	15,335

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

	January 1, 2022	Investment income	Other Comprehensive income	Declared distribution of cash dividend	Change in consolidation scope	Balance at the end of the period
Joint ventures						
Investee A	2,227	234	123	-	-	2,584
Investee B	13,108	4,472	1,754	(1,410)	-	17,924
Sub-total	15,335	4,706	1,877	(1,410)	-	20,508

13. Other equity investments

	June 30, 2022	December 31, 2021	Dividend received during 2022
Investment A	84,720	84,720	-
Investment B	69,228	65,765	-
Investment C	1,718	1,633	-
	155,666	152,118	-

Other equity investments are non-core businesses that are intended to be held in the foreseeable future.

(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, 2022	3,825,676	15,410,751	120,698	375,442	19,732,567
Purchases	32,716	100,947	20,216	25,982	179,861
Transfer from construction in progress	170,267	674,646	-	1,801	846,714
Reclassification to construction in progress	-	(252,941)	-	-	(252,941)
Disposals	(182,047)	(737,979)	(6,924)	(5,788)	(932,738)
Currency translation adjustment	82,534	532,908	10,928	14,518	640,888
Balance as at June 30, 2022	3,929,146	15,728,332	144,918	411,955	20,214,351
Accumulated depreciation					
Balance as at January 1, 2022	(1,734,850)	(9,079,083)	(66,602)	(299,595)	(11,180,130)
Charge for the period	(66,004)	(406,740)	(9,596)	(17,135)	(499,475)
Disposals	141,128	584,657	6,105	5,431	737,321
Reclassification to construction in progress	-	21,992	-	-	21,992
Currency translation adjustment	(43,770)	(331,341)	(4,675)	(11,576)	(391,362)
Balance as at June 30, 2022	(1,703,496)	(9,210,515)	(74,768)	(322,875)	(11,311,654)
Provision for impairment					
Balance as at January 1, 2022	(155,563)	(347,068)	(646)	(770)	(504,047)
Charge for the period	-	(1,435)	(9)	(178)	(1,622)
Disposals	40,887	153,343	-	14	194,244
Transfer from construction in progress	-	(3,808)	-	-	(3,808)
Currency translation adjustment	(338)	(3,798)	-	(12)	(4,148)
Balance as at June 30, 2022	(115,014)	(202,766)	(655)	(946)	(319,381)
Carrying amounts					
As at June 30, 2022	2,110,636	6,315,051	69,495	88,134	8,583,316
As at January 1, 2022	1,935,263	5,984,599	53,450	75,077	8,048,389

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 2022			December 31 2021		
Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
2,681,642	(30,907)	2,650,735	2,164,394	(20,994)	2,143,400

(1) Details and Movements of major construction projects in progress during period ended June 30, 2022

	Budget	January 1, 2022	Additions	Including: Interest capitalized	Currency translation differences	Transfer to fixed assets	June 30, 2022	Actual cost to budget (%)	Project progress (%)	Source of funds
Project A	1,509,420	332,722	17,738	1,195	-	(341,764)	8,696	86%	86%	Bank loan
Project B	765,314	215,571	137,657	1,995	-	-	353,228	46%	46%	Bank loan
Project C	512,550	174,554	87,383	-	12,298	-	274,235	54%	54%	Internal finance
Project D	477,805	243,367	133,042	14,200	17,543	-	393,952	82%	82%	Internal finance
Project E	297,852	105,346	155,621	8,289	11,080	-	272,047	91%	91%	Internal finance
Project F	194,604	124,659	65,750	-	-	(21,394)	169,015	87%	87%	Internal finance
Project G	155,033	21,920	57,603	2,268	3,202	-	82,725	96%	96%	Internal finance
Project H	140,939	100,256	29,881	-	6,341	-	136,478	97%	97%	Internal finance
Project I	138,000	99,615	4,505	-	-	(104,120)	-	100%	100%	Internal finance
Project J	96,401	73,244	-	-	-	(73,244)	-	100%	100%	Internal finance
Project K	82,247	81,131	2,723	-	-	(83,854)	-	100%	100%	Internal finance
Project L	Under re-evalution	22,016	251,132	- -	-	-	273,148	-	-	Internal finance

* As of June 30, 2022 Project B and Project F are include impairment of RMB 14 million and 17 million , respectively.

(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, 2022	493,032	44,259	258,111	4,188	799,590
Additions	59,029	13	38,095	-	97,137
Disposals	(28,166)	(298)	(49,016)	(298)	(77,778)
Currency translation adjustment	16,553	2,281	10,959	184	29,977
Balance as at June 30, 2022	540,448	46,255	258,149	4,074	848,926
Accumulated depreciation					
Balance as at January 1, 2022	(201,150)	(17,393)	(115,455)	(1,677)	(335,675)
Charge for the period	(40,757)	(551)	(39,035)	(557)	(80,900)
Disposals	21,284	298	44,835	298	66,715
Currency translation adjustment	(7,603)	(898)	(4,859)	(77)	(13,437)
Balance as at June 30, 2022	(228,226)	(18,544)	(114,514)	(2,013)	(363,297)
Provision for impairment					
Balance as at January 1, 2022	-	-	-	-	-
Balance as at June 30, 2022	-	-	-	-	-
Carrying amounts					
As at June 30, 2022	312,222	27,711	143,635	2,061	485,629
As at January 1, 2022	291,882	26,866	142,656	2,511	463,915

(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, 2022	10,793,847	3,828,805	998,213	726,947	538,239	498,177	536,691	17,920,919
Purchases	183,431	-	59,561	568	-	7,135	9,643	260,338
Currency translation adjustment	557,774	201,599	49,229	37,901	22,444	1,862	17,577	888,386
Transfer from construction in progress	-	-	-	-	-	-	-	-
Disposal	(2,819)	-	-	-	-	(950)	-	(3,769)
Balance as at June 30, 2022	11,532,233	4,030,404	1,107,003	765,416	560,683	506,224	563,911	19,065,874
Accumulated amortization								
Balance as at January 1, 2022	(8,214,576)	(2,649,128)	(596,197)	(457,479)	(249,305)	(82,720)	(215,008)	(12,464,413)
Charge for the period	(253,627)	(108,562)	(39,489)	(11,835)	(19,046)	(5,151)	(15,677)	(453,387)
Currency translation adjustment	(438,424)	(143,344)	(30,515)	(24,192)	(12,737)	(1,474)	(10,503)	(661,189)
Disposal	2,670	-	-	-	-	340	-	3,010
Balance as at June 30, 2022	(8,903,957)	(2,901,034)	(666,201)	(493,506)	(281,088)	(89,005)	(241,188)	(13,575,979)
Provision for impairment								
Balance as at January 1, 2022	(82,278)	(47,690)	-	-	-	-	(250)	(130,218)
Charge for the period	-	(4,193)	-	-	-	-	-	(4,193)
Currency translation adjustment	(4,333)	(2,661)	-	-	-	-	-	(6,994)
Balance as at June 30, 2022	(86,611)	(54,544)	-	-	-	-	(250)	(141,405)
Carrying amount								
As at June 30, 2022	2,541,665	1,074,826	440,802	271,910	279,595	417,219	322,473	5,348,490
As at January 1, 2022	2,496,993	2,496,993	402,016	269,468	288,934	415,457	321,433	5,326,288

(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 and exclusivity agreements.

(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 the DCF model based on the Group business plan. The discount rate used in the DCF model is determined based on the company's cost of equity and cost of debt, taking into account the comprehensive risk factors.

As of December 31, 2021 the fair value of the cash generating units to which goodwill has been allocated to exceeds its carrying amount.

	January 1, 2022	Change during the year (*)	Currency translation adjustment	Balance at June 30, 2022
Book value	4,409,599	-	225,482	4,635,081
Impairment provision	-	-	-	-
Carrying amount	4,409,599	-	225,482	4,635,081

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 2022		December 31 2021	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deferred tax assets in respect of carry forward losses	1,236,551	180,164	1,378,984	197,354
Deferred tax assets in respect of inventories	1,930,617	547,559	1,117,094	294,043
Deferred tax assets in respect of employee benefits	857,197	136,406	1,009,387	150,742
Other deferred tax asset	1,738,906	442,036	1,375,455	331,258
	5,763,271	1,306,165	4,880,920	973,397

(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 2022		December 31 2021	
	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	3,388,980	625,513	3,392,987	630,460
	3,388,980	625,513	3,392,987	630,460

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

	June 30 2022		December 31 2021	
	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	233,068	1,073,097	250,322	723,075
Deferred tax liabilities	233,068	392,445	250,322	380,138

(4) Details of unrecognized deferred tax assets

	June 30 2022	December 31 2021
Deductible temporary differences	446,259	496,972
Deductible losses carry forward	352,466	308,812
	798,725	805,784

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

	June 30 2022	December 31 2021
2022	1,663	1,596
2023	2,151	2,068
2024	20,067	19,063
2025	9,255	5,751
2026	6,141	5,834
After 2027	313,189	274,500
	352,466	308,812

(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 2022	December 31 2021
Judicial deposits	142,349	115,649
Assets related to securitization	75,792	74,169
Advances in respect of non-current assets	80,928	165,555
Others	193,401	149,252
	492,470	504,625

21. Short-Term Loans

Short-term loans by category:

	June 30 2022	December 31 2021
Unsecured loans	1,635,446	874,755
	1,635,446	874,755

22. Derivative financial liabilities

	June 30 2022	December 31 2021
Economic hedge	524,502	167,987
Accounting hedge derivatives	111,141	8,219
	635,643	176,206

(Expressed in RMB '000)

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

23. Bills Payables

	June 30 2022	December 31 2021
Post-dated checks payables	537,013	371,467
Note payables draft	164,751	121,909
	701,764	493,376

As at June 30, 2022, none of the bills payable are overdue.

24. Accounts payable

	June 30 2022	December 31 2021
Within 1 year (including 1 year)	7,709,098	6,238,230
1-2 years (including 2 years)	91,456	30,707
2-3 years (including 3 years)	7,212	3,181
Over 3 years	18,717	22,045
	7,826,483	6,294,163

There are no significant accounts payables aging over one year.

25. Contract liabilities

	June 30 2022	December 31 2021
Discount for customers	1,139,256	763,964
Advances from customers	303,342	617,347
	1,442,598	1,381,311

26. Employee Benefits Payable

	June 30 2022	December 31 2021
Short-term employee benefits	619,193	852,806
Post-employment benefits	36,558	44,260
Share based payment (See note XIII)	148,402	112,176
Other benefits within one year	209,811	205,562
	1,013,964	1,214,804
Current maturities	27,189	33,175
	1,041,153	1,247,979

(Expressed in RMB '000)

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

27. Taxes Payable

	June 30 2022	December 31 2021
Corporate income tax	211,763	174,705
VAT	219,790	153,336
Others	27,402	40,641
	458,955	368,682

28. Other Payables

	June 30 2022	December 31 2021
Dividends payables	750	750
Other payables	1,757,481	1,341,438
	1,758,231	1,342,188

(1) Other payables

	June 30 2022	December 31 2021
Accrued expenses	747,705	621,024
Payables in respect of intangible assets	118,792	115,987
Financial institutions	111,933	6,127
Liability in respect of securitization transactions	191,302	98,836
Hold-back payment due to acquistions	254,000	254,000
Others	333,749	245,464
	1,757,481	1,341,438

As at June 30, 2022, 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 2022	December 31 2021
Long-term loans due within one year	965,629	1,099,643
Lease liabilities due within one year	135,085	139,162
Debentures payable due within one year	536,959	556,949
	1,637,673	1,795,754

(Expressed in RMB '000)

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

30. Other Current Liabilities

	June 30 2022	December 31 2021
Put options to holders of non-controlling interests	176,637	170,422
Provision in respect of returns	187,530	196,831
Provision in respect of claims	37,907	45,293
Others	349	363
	402,423	412,909

31. Long-Term Loans

Long-term loans by category

	June 30		December 31	
	2022	Interest range	2021	Interest range
Long term loans				
Guaranteed loans	410,154	1.1%-4.89%	415,887	3.95% - 4.1%
Unsecured loans	4,847,653	3.75%-4.05%	4,182,668	1.36% - 4.05%
Total Long term loans	5,257,807		4,598,555	
Less:				
Long term loans from banks due within 1 year	(965,629)		(1,099,643)	
Long term loans, net	4,292,178		3,498,912	

* For more detailes regarding the guaranteed loans – see note X. related parties and related parties transactions.

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

32. Debentures Payable

	June 30 2022	December 31 2021
Debentures Series B	8,054,231	8,354,080
Current maturities	(536,959)	(556,949)
	7,517,272	7,797,131

	June 30 2022
First year (current maturities)	536,959
Second year	536,959
Third year	536,959
Fourth year	536,959
Fifth year and thereafter	5,906,395
	8,054,231

(Expressed in RMB '000)

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

32. Debentures Payable - (cont'd)

Movements of debentures payable:

For the year ended June 30, 2022:

Maturity period	Face value in RMB	Face value NIS	Issuance date	Maturity period	Issuance amount	Balance at January 1, 2022	Amortization of discounts or premium	CPI and exchange rate effect	Repayment during the period	Currency translation adjustment	Balance at June 30, 2022
Debentures Series B	2,673,640	1,650,000	4.12.2006	November 2020-2036	3,043,742	3,502,632	117	(303,233)	-	178,486	3,378,002
Debentures Series B	843,846	513,527	16.1.2012	November 2020-2036	842,579	1,046,335	4,980	(90,871)	-	53,501	1,013,945
Debentures Series B	995,516	600,000	7.1.2013	November 2020-2036	1,120,339	1,296,951	2,173	(112,211)	-	66,173	1,253,086
Debentures Series B	832,778	533,330	1.2.2015	November 2020-2036	1,047,439	1,215,910	(1,345)	(105,214)	-	61,909	1,171,260
Debentures Series B	418,172	266,665	1-6.2015	November 2020-2036	556,941	662,990	(3,674)	(57,346)	-	33,647	635,617
Debentures Series B	497,989	246,499	5.5.2020	November 2020-2036	692,896	629,262	(4,340)	(54,503)	-	31,902	602,321
						8,354,080	(2,089)	(723,378)	-	425,618	8,054,231

Series B debentures, in amount of NIS 3,810 million par value (3,730 million par value, net of self-purchased), linked to the CPI and bear interest at the base annual rate of 5.15%. The debenture principal shall be repaid in 17 equal payments in the years 2020 through 2036.

(Expressed in RMB '000)

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

33. Lease liabilities

	June 30		December 31	
	2022	Interest range	2021	Interest range
Lease liabilities	502,658	1.3%-7.4%	501,248	1.3%-6.1%
Less: Lease liabilities due within one year	(135,085)		(139,162)	
Long term lease liabilities, net	367,573		362,086	

34. Long-Term Employee Benefits Payable

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

	June 30 2022	December 31 2021
Total present value of obligation	581,961	687,759
Less: fair value of plan's assets	(72,826)	(86,282)
Net liability related to Post-employment benefits	509,135	601,477
Termination benefits	78,126	91,912
Total recognized liability for defined benefit plan, net (1)	587,261	693,389
Share based payment (See XIII)	12,067	5,674
Other long-term employee benefits	197,137	123,826
Total long-term employee benefits, net	796,465	822,889
Including: Long-term employee benefits payable due within one year	27,189	30,531
	769,276	792,358

(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	
	2022	2021	2022	2021	2022	2021
Balance as at January 1, 2022	779,671	693,631	86,282	92,634	693,389	600,997
Expense/income recognized in profit and loss:						
Current service cost	12,707	7,595	-	-	12,707	7,595
Interest costs	6,682	9,495	648	1,113	6,034	8,382
Losses (gains) on curtailments and settlements	5,478	9,369	-	-	5,478	9,369
Changes in exchange rates	(68,417)	(9,436)	(9,611)	(1,204)	(58,806)	(8,232)
Actuarial gain (losses) due to early retirement	(77)	(10,298)	-	-	(77)	(10,298)
Included in other comprehensive income:						
Actuarial gain (losses) as a result of changes in actuarial assumptions	(72,633)	9,121	(3,474)	1,540	(69,159)	7,581
Foreign currency translation differences in respect of foreign operations	31,967	(6,859)	3,743	(967)	28,224	(5,892)
Additional movements:						
Benefits paid	(35,291)	(47,174)	(6,104)	(6,825)	(29,187)	(40,349)
Classification from short term	-	99,974	-	-	-	99,974
Contributions paid by the Group	-	-	1,342	1,870	(1,342)	(1,870)
Balance as at June 30, 2022	660,087	755,418	72,826	88,161	587,261	667,257

(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 2022	December 31 2021
Discount rate (%)*	0.4%-3%	(0.8%)-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, 2022	
	Increase of 1%	Decrease of 1%
Change in defined benefit obligation	(48,248)	57,855

35. Provisions

	June 30 2022	December 31 2021
Liabilities in respect of contingencies*	121,204	104,220
Provision in respect of site restoration	60,557	62,370
Long-term liability in respect of business combinations	17,872	17,411
Other	2,436	2,429
	202,069	186,430

* 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 2022	December 31 2021
Put options to holders of non- controlling interests	1,458,496	1,341,362
Long term loans – others	335,570	318,786
	1,794,066	1,660,148
Current maturities	-	-
	1,794,066	1,660,148

37. Share Capital

	Balance at January 1, 2022	Issuance of new shares	Buyback of shares	Balance at June 30, 2022
Share capital	2,329,812	-	-	2,329,812

38. Capital Reserve

	Balance at January 1, 2022	Additions during the period	Reductions during the period	Balance at June 30, 2022
Share premiums	12,606,562	-	-	12,606,562
Other capital reserve	370,609	-	-	370,609
	12,977,171	-	-	12,977,171

(Expressed in RMB '000)

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

39. Other Comprehensive Income, net of tax

	Attributable to shareholders of the company					
	Balance at January 1, 2022	Before tax amount	Less: transfer to profit or loss	Less: Income tax expenses	Net-of-tax amount	Balance at June 30, 2022
Items that will not be reclassified to profit or loss	**18,671**	**69,160**	**-**	**7,864**	**61,296**	**79,967**
Re-measurement of changes in liabilities under defined benefit plans	(35,861)	69,160	-	7,864	61,296	25,435
Changes in fair value of other equity investment	54,532	-	-	-	-	54,532
Items that may be reclassified to profit or loss	**(451,055)**	**721,617**	**5,246**	**(10,568)**	**726,939**	**275,884**
Effective portion of gain or loss of cash flow hedge	31,955	(66,185)	5,246	(10,568)	(60,863)	(28,908)
Translation difference of foreign financial statements	(483,010)	788,802	-	-	787,802	304,792
	(432,384)	**790,777**	**5,246**	**(2,704)**	**788,235**	**355,851**

40. Surplus reserve

	Balance at January 1, 2022	Additions during the period	Reductions during the period	Balance at June 30, 2022
Statutory surplus reserve	236,348	-	-	236,348
Discretional surplus reserve	3,814	-	-	3,814
	240,162	-	-	240,162

(Expressed in RMB '000)

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

41. Retained Earnings

	2022	2021
Retained earnings as at January 1	5,940,465	5,862,702
Net profits for the period attributable to shareholders of the Company	732,098	367,036
Dividends to non-controlling Interest	(39,074)	(35,904)
Dividend to the shareholders of the company (Note 1 & 2)	(18,638)	(37,277)
Retained earnings as at June 30	6,614,851	6,156,557

Note 1:

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.

Note 2:
On March 29, 2022, after obtaining the approval of the 9th meeting of the Company's 9th Board of Directors, the Company declared RMB 0.08 (before tax) per 10 shares as cash dividend to all shareholders, resulting in a total cash dividend of 18,638 thousand RMB (before tax). No shares were distributed as share dividend and no reserve was transferred to equity capital.

(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 2022		Six months ended June 30 2021	
	Income	Cost of sales *	Income	Cost of sales
Principal activities	18,761,356	13,802,108	15,037,841	10,694,295
Other businesses	34,472	20,647	25,939	12,415
	18,795,828	13,822,755	15,063,780	10,706,710

* According to the Q&A issued by the Ministry of Finance during the year, the transportation expenses incurred before the transfer of control over goods to customers in order to fulfil the contract does not constitute a separate performance obligation and shall be regarded as the cost to fulfil the contract. Therefore, starting from 2021, the transportation expenses are recorded as cost of sales.

43. Taxes and Surcharges

	Six months ended June 30 2022	2021
Tax on turnover	17,666	12,693
Others	38,171	46,314
	55,837	59,007

44. Selling and Distribution Expenses

	Six months ended June 30 2022	2021
Salaries and related expense	1,015,829	885,153
Depreciation and amortization	481,460	536,516
Transportation and Commissions *	19,056	481,263
Advertising and sales promotion	173,457	154,157
Travel expenses	62,794	38,180
Warehouse expenses	75,378	83,456
Registration	64,983	62,030
Professional services	53,811	51,735
Insurance	56,054	48,945
Others	156,267	165,001
	2,159,089	2,506,436

* See note 42 above.

(Expressed in RMB '000)

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

45. General and Administrative Expenses

	Six months ended June 30	
	2022	2021
Salaries and related expenses	375,272	265,783
Idleness expenses	-	96,638
Professional services	56,828	47,805
Depreciation and amortization	48,168	41,558
IT systems	58,466	49,294
Office rent, maintenance and expenses	24,348	19,315
Other	79,231	51,414
	642,313	571,807

46. Research and development expenses

	Six months ended June 30	
	2022	2021
Salaries and related expenses	127,574	109,731
Field trial	16,475	18,063
Professional services	17,350	22,169
Depreciation and amortization	42,400	22,194
Materials	38,803	27,714
Office rent, maintenance and expenses	6,077	4,946
Other	26,059	22,123
	274,738	226,940

47. Financial expenses (incomes), net

	Six months ended June 30	
	2022	2021
Interest expenses on debentures and loans	341,633	333,733
CPI expense (income) in respect of debentures	236,815	118,106
Loss in respect of sale of trade receivables	51,063	15,403
Interest expense in respect of post-employment benefits and early retirement, net	7,000	12,967
Revaluation of put option, net	101,901	24,449
Interest income from customers, banks and others	(53,960)	(31,363)
Exchange rate differences, net	(1,153,323)	(45,084)
Interest expense on lease liabilities	11,962	12,364
Others	18,685	8,215
	(438,224)	448,790

(Expressed in RMB '000)

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

48. Investment income, net

	Six months ended June 30	
	2022	2021
Income from long-term equity investments accounted for using the equity method	4,706	3,243
	4,706	3,243

See note 49 below

49. Gain (loss) from Changes in Fair Value

	Six months ended June 30	
	2022	2021
Gain (loss) from changes in fair value of derivative financial Instruments *	(1,330,194)	(136,462)
Others	(11,523)	(3,607)
	(1,341,717)	(140,069)

* According to ASBE 22 - Financial Instruments Recognition and Measurement, starting from 2022 the Group recorded the gain or loss from the disposal of derivative instruments in the "Gain(loss) from Changes in Fair Value". Before 2022, the Group recorded the abovementioned gain of loss in the "Investment income, net". The Company reclassified the "Gain(loss) from Changes in Fair Value" and the "Investment income, net" in the corresponding period in 2021. Such change did not impact the operating results or net assets of the reporting period.

50. Credit impairment reversal (losses)

	Six months ended June 30	
	2022	2021
Bills receivable and accounts receivable	(64,703)	9,937
Other receivables	(32,422)	114
	(97,125)	10,051

51. Asset impairment reversal (losses)

	Six months ended June 30	
	2022	2021
Inventories	(79,445)	(29,403)
Fixed assets	(1,623)	-
Other	(4,278)	-
	(85,346)	(29,403)

(Expressed in RMB '000)

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

52. Gain from Disposal of Assets

	Six months ended June 30		Included in non-recurring items
	2022	2021	
Gain from disposal of fixed assets	60,572	15,654	60,572
Loss from disposal of intangible assets	(274)	(855)	(274)
	60,298	14,799	60,298

53. Income Tax Expenses

	Six months ended June 30	
	2022	2021
Current year	431,750	204,125
Deferred tax expenses (income)	(306,884)	(120,113)
Adjustments for previous years, net	(23,590)	(32,931)
	101,276	51,081

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

	Six months ended June 30	
	2022	2021
Profit before taxes	833,374	420,314
Statutory tax in china	25%	25%
Tax calculated according to statutory tax in china	208,344	105,079
Tax benefits from Approved Enterprises	(98,005)	(48,293)
Difference between measurement basis of income for financial statement and for tax purposes	3,085	(5,629)
Taxable income and temporary differences at other tax rate	(58,494)	(32,963)
Taxes in respect of prior years	(23,590)	(32,931)
Utilization of tax losses prior years for which deferred taxes were not created	(31,440)	-
Temporary differences and losses in the report year for which deferred taxes were not created	34,798	9,293
Non-deductible expenses and other differences	21,569	22,144
Neutralization of tax calculated in respect of the Company’s share in results of equity accounted investees	(1,599)	(1,051)
Effect of change in tax rate in respect of deferred taxes	13,979	15,399
Creation and reversal of deferred taxes for tax losses and temporary differences from previous years	32,629	20,033
Income tax expenses	101,276	51,081

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. Government grants

Category	Presentation accounts	Amount recognized in the profit and loss statements during the six months ended June 30	
		2022	2021
Government grants related to income	Non-Operating income	15,623	10,899
Government grants related to assets	Fixed assets, Intangible assets	9,211	9,731

56. Notes to items in the cash flow statements

(1) Cash received relating to other operating activities

	Six months ended June 30	
	2022	2021
Derivatives transactions	-	19,943
Financial institutions	231,142	265,280
Interest income	30,761	24,203
Government subsidies	15,623	10,922
Others	26,562	43,060
	304,088	363,408

(2) Cash paid relating to other operating activities

	Six months ended June 30	
	2022	2021
Transportation, Commissions and Warehouse	75,076	507,772
Advertising and sales promotion	181,788	146,744
Professional services	122,886	117,566
Financial institutions	116,107	211,211
IT and Communication	125,187	87,785
Registration and Field trials	86,410	79,988
Derivatives transactions	471,332	168,475
Travel	64,767	35,094
Insurance	37,655	41,736
Others	453,295	267,722
	1,734,503	1,664,093

(3) Cash received relating to other investing activities

	Six months ended June 30	
	2022	2021
Investment grant	-	6,754
	-	6,754

(Expressed in RMB '000)

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

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

(4) **Cash paid relating to other investing activities**

	Six months ended June 30	
	2022	**2021**
Increase in short and long term investments	64,719	85,108
	64,719	85,108

(5) **Cash received from other financing activities**

	Six months ended June 30	
	2022	**2021**
Cash received in respect of hedging transactions on debentures	-	396,096
Deposit for issuing bills payables	11,012	16,212
	11,012	412,308

(6) **Cash paid relating to other financing activities**

	Six months ended June 30	
	2022	**2021**
Repayment of lease liability	84,743	85,595
Payment in respect of hedging transactions on debentures	802,237	-
Repayment of loan from others	153	171,770
Deposit for issuing bills payable	57,447	5,986
	944,580	263,351

(Expressed in RMB '000)

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

57. Supplementary Information on Cash Flow Statement

(1) Supplementary information on Cash Flow Statement

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

	Six months ended June 30	
	2022	2021
Net profit	732,098	369,233
Add: Impairment provisions for assets	85,346	29,403
Credit impairment losses (gain)	97,125	(10,051)
Depreciation of fixed assets and investment property	499,714	365,261
Depreciation of right-of-use asset	80,900	79,685
Amortization of intangible asset	453,387	502,745
Gains on disposal of fixed assets, intangible assets, and other long-term assets, net	(60,298)	(14,799)
Losses (gains) from changes in fair value	1,341,717	140,069
Financial expenses	(342,658)	340,716
Investment income, net	(4,706)	(3,243)
Increase in deferred tax assets, net	(318,979)	(159,673)
Increase in deferred tax liabilities, net	12,095	39,560
Increase in inventories, net	(3,360,343)	(748,037)
Increase in operating receivables, net	(2,842,961)	(556,167)
Increase in operating payables, net	2,248,418	1,069,229
Others	33,284	47,362
Net cash flow from operating activities	(1,345,861)	1,491,293

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

	Six months ended June 30	
	2022	2021
Closing balance of cash	3,190,742	4,615,208
Less: Opening balance of cash	5,759,480	3,835,071
Increase in cash and cash equivalents	(2,568,738)	780,137

(Expressed in RMB '000)

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

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

(2) Details of cash and cash equivalents

	June 30 2022	December 31 2021
Cash on hand	1,138	1,196
Bank deposits available on demand without restrictions	3,189,604	5,758,284
	3,190,742	5,759,480

58. Assets with Restricted Ownership or Right of Use

	June 30 2022	Reason
Cash	105,794	Pledged
Other non-current assets	142,349	Guarantees
	248,143	

(Expressed in RMB '000)

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

59. Foreign currencies denominated items

(1) Foreign currencies denominated items

	As at June 30, 2022		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Cash and bank balances			
EUR	35,705	6.977	249,114
BRL	188,176	1.281	241,053
ILS	97,315	1.918	186,651
USD	15,855	6.711	106,401
PLN	97,977	1.497	146,671
AUD	7,644	4.613	35,262
ZAR	166,385	0.417	69,382
ARS	1,916,478	0.054	103,490
RUB	164,096	0.131	21,497
GBP	5,740	8.125	46,638
TRY	37,204	0.403	14,993
CAD	4,325	5.191	22,450
UAH	171,859	0.229	39,356
Other			221,227
Total			1,504,185
Bills and Accounts receivable			
EUR	156,523	6.977	1,092,061
BRL	1,385,571	1.281	1,774,917
ILS	68,922	1.918	132,193
USD	40,676	6.711	272,977
COP	50,439,527	0.002	100,879
CAD	23,051	5.191	119,658
RUB	1,120,804	0.131	146,825
TRY	689,725	0.403	277,959
ZAR	170,618	0.417	71,148
THB	377,675	0.190	71,758
HUF	8,186,417	0.018	147,355
RON	214,973	1.415	304,187
Other			190,577
Total			4,702,494
Other receivables			
EUR	57,447	6.977	400,805
ILS	41,010	1.918	78,658
BRL	10,473	1.281	13,416
Other			260,885
Total			753,764
Other current assets			
ILS	118,423	1.918	227,135
BRL	109,006	1.281	139,637
EUR	9,381	6.977	65,452
Other			85,191
Total			517,415

(Expressed in RMB '000)

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

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

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

	As at June 30, 2022		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Long-term receivables			
BRL	45,518	1.281	58,309
Total			58,309
Other non-current assets			
BRL	130,607	1.281	167,308
Other			18,784
Total			186,092
Short-term loans			
EUR	71,672	6.977	500,053
INR	2,549,937	0.085	216,745
Other			43,700
Total			760,498
Bills and Accounts payable			
ILS	778,356	1.918	1,492,886
EUR	78,598	6.977	548,378
BRL	159,135	1.281	203,852
USD	17,909	6.711	120,184
Other			155,538
Total			2,520,838
Other payables			
ILS	65,403	1.918	125,442
BRL	73,427	1.281	94,060
EUR	178	6.977	1,242
ILS CPI	17,717	1.918	33,982
Other			89,049
TOTAL			343,775
Contract liabilities			
EUR	54,148	6.977	377,791
BRL	72,269	1.281	92,577
CAD	37,185	5.191	193,027
UAH	174,379	0.229	39,933
Other			93,530
Total			796,858

(Expressed in RMB '000)

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

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

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

	As at June 30, 2022		
	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	291,865	1.918	559,798
EUR	29,938	6.977	208,879
Other			44,088
Total			812,765
Other current liabilities			
EUR	6,048	6.977	42,195
ILS	1,410	1.918	2,705
Other			1,280
Total			46,180
Long-term loan			
EUR	95,154	6.977	663,892
Total			663,892
Debentures payable			
ILS CPI	3,919,328	1.918	7,517,271
Total			7,517,271
Provision and Long-term payables			
BRL	78,787	1.281	100,926
EUR	372	6.977	2,597
Other			822,972
Total			926,495
Other non-current liabilities			
USD	3,414	6.711	22,913
EUR	6,101	6.977	42,564
ILS CPI	15,298	1.918	29,342
ILS	6,113	1.918	11,725
Other			101,920
Total			208,464

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

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

(2) Major foreign operations

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

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

VI. Change in consolidation Scope

There is no change of consolidation scope during the period.

(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	Australis	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
Adama Huifeng (Jiangsu) Co. Ltd.	China	Manufacturing; Distribution	51%		Purchased

2. Interests in joint ventures or associates

	June 30 2022	December 31 2021
Joint ventures	20,508	15,335
Associates	-	-
	20,508	15,335

3. Summarized financial information of joint ventures and associates

	June 30, 2022 and six months then ended	June 30, 2021 and six months then ended
Joint ventures:		
Total carrying amount	20,508	15,847
The Group's share of the following items:		
Net profit	4,706	3,244
Other comprehensive income	1,877	239
Total comprehensive income	6,583	3,483
Associates:		
Total carrying amount	-	-
The Group's share of the following items:		
Net profit	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-

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.

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.

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, 2022
Past due by less than 90 days	557,888
Past due by more than 90 days	524,732
	1,082,620

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 9,605,534 thousand relate to category of "Lifetime expected credit losses (credit losses has not occurred)" and amounted to RMB 799,828 thousand related to category of "Lifetime expected credit losses (credit losses occurred)". The Group has credit risk exposures for other receivables amounted to RMB 45,046 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, 2022					
	First year	Second year	Third-Fourth year	Fifth year and above	Contractual Cash flow	Carrying amount
Non-derivative financial liabilities						
Short-term loans	1,646,897	-	-	-	1,646,897	1,635,446
Bills payables	701,764	-	-	-	701,764	701,764
Accounts payables	7,826,483	-	-	-	7,826,483	7,826,483
Other payables	1,758,231	-	-	-	1,758,231	1,758,231
Other current liabilities	176,637	-	-	-	176,637	176,637
Debentures payable	710,395	924,126	1,765,300	7,731,862	11,131,683	8,054,231
Long-term loans	1,099,779	1,831,179	1,517,491	1,236,226	5,684,675	5,257,807
Long-term payables	1,079	6,720	13,126	78,919	99,844	97,737
Lease Liabilities	157,127	118,879	128,651	251,443	656,100	502,658
Long-term liability in respect of business combinations	-	1,007	34,229	2,567	37,803	17,872
Other non-current liabilities	-	321,860	1,687,677	71,632	2,081,169	1,794,066
Derivative financial liabilities						
Foreign currency derivatives	635,643	-	-	-	635,643	635,643
	14,714,035	3,203,771	5,146,474	9,372,649	32,436,929	28,458,575

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 is as follows:

	June 30, 2022	
	Total assets	**Total liabilities**
In US Dollar	2,055,380	2,148,120
In Euro	1,992,295	2,418,712
In Brazilian real	2,394,640	390,489
CPI-linked NIS	-	8,129,816
In New Israeli Shekel	624,634	1,643,335
Denominated in or linked to other foreign currency	4,428,621	1,028,883
	11,495,570	15,759,335

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

	June 30, 2022					
	Currency/ linkage receivable	**Currency/ linkage payable**	**Average expiration date**	**USD thousands Par value**	**RMB thousands Par value**	**Fair value**
Forward foreign currency	**USD**	EUR	17/09/2022	332,326	2,118,809	(26,882)
Contracts and call options	**USD**	PLN	26/07/2022	38,608	246,152	438
	USD	BRL	05/09/2022	477,937	3,047,180	71,102
	USD	GBP	20/07/2022	20,956	133,612	9,862
	USD	ZAR	31/07/2022	22,436	143,047	17,698
	ILS	USD	09/08/2022	1,555,247	9,915,791	(325,001)
	USD	OTHER		2,724,057	17,367,770	102,402
CPI forward contracts	**CPI**	ILS	09/04/2022	700,000	4,462,990	61,672

(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, 2021 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, 2022			
	Decrease of 5%		Increase of 5%	
	Equity	Profit (loss)	Equity	Profit (loss)
New Israeli shekel	57,166	21,876	(8,062)	23,842
British pound	7,810	7,810	(7,810)	(7,810)
Euro	(51,173)	(55,280)	51,173	55,280
Brazilian real	(41,833)	5,361	23,301	(14,269)
Polish zloty	1,641	1,641	(1,649)	(1,649)
South African Rand	(482)	(482)	(196)	(196)
Chinese Yuan Renminbi	3,933	(12,310)	(30,333)	15,188
CPI-linked NIS	505,895	505,895	(505,895)	(505,895)

(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, 2022
Fixed-rate instruments – unlinked to the CPI	
Financial assets	
Other non-current assets	51,611
Financial liabilities	
Long-term loans (1)	3,902,399
Long-term payables	24,799
Other non-current liabilities	335,570
	(4,211,157)
Fixed-rate instruments – linked to the CPI	
Financial liabilities	
Debentures payable (1)	8,054,230
Variable-rate instruments	
Financial assets	
Cash at banks	446,207
Financial assets at fair value through profit or loss	1,604
Other current assets	179,349
Other non-current assets	14,322
Financial liabilities	
Short-term loans and credit from banks	1,635,447
Long-term loans (1)	1,355,408
Long-term payables	68,295
	(2,417,668)

(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, 2022	1,802	(1,825)	1,802	(1,825)

(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, 2022	
	Carrying amount	**Fair value**
Financial assets		
Other non-current assets (a – Level 2)	87,758	122,434
Financial liabilities		
Long-term loans and others (b – Level 2)	6,196,217	5,973,567
Debentures (c – Level 1)	8,054,230	9,930,540

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, 2022
	%
U.S. dollar interest	2.36% - 4.02%
Chinese Yuan Renminbi	0.99% - 2.22%
Euro	(0.51%) - 2.16%

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 2022
Forward contracts and options used for hedging the cash flow (Level 2)	(37,168)
Forward contracts and options used for economic hedging (Level 2)	(53,644)
Other equity investment (Level 2)	155,666
Receivables financing (Level 2)	78,634
Other non-current assets (Level 2)	89,148
Other (Level 2)	1,604

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	78.47%	78.47%

The Company's ultimate controlling shareholder is Sinochem Holdings .

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
Beijing Jiamao Real Estate Co. Ltd.	Common control
Bluestar (Beijing)ChemicalMachinery co.,LTD (consolidated)	Common control
Bluestar Engineering co.,LTD .	Common control
Changsha Huaxing Construction Supervision Co., Ltd.	Common control
Chem China Asset Management co.,LTD .(Headquarter)	Common control
Chem China Information Center Co.,Ltd.	Common control
China Bluestar Chengrand Research Institute Chemical Industry	Common control
China National Bluestar (Group) Co. Ltd.	Common control
China National Chemical Agrochemical Corporation	Common control
China National Chemical Information Center Co. LTD	Common control
Elkem Silicones Brasil LTDA	Common control
Hangzhou (Torch)XidoumenMembraneIndustry co.,LTD	Common control
Jiangsu Huaihe Chemical Co. Ltd.	Common control
Jiangsu Ruixiang Chemical co., LTD .	Common control
Jiangsu Yangnong Chemical co., LTD .	Common control
Jiangsu Yangnong Chemical Group Co. Ltd.	Common control
Jiangsu Youjia Plant Protection Co., Ltd.	Common control
Jiangsu Youshi Chemical Co., Ltd.	Common control
Jiangsu Yushi Chemical Co., LTD	Common control
Jingzhou Sanonda Holdings Co.,Ltd.	Common control
(MAP) Sinochem Modern Agriculture Co.LTD Xinjiang Branch	Common control
OOO Syngenta	Common control
PT Syngenta Indonesia	Common control
PT Syngenta Seed Indonesia	Common control
Shandong Dacheng Agrochemical Company Limited	Common control
Shandong Dacheng Biochemical Co., Ltd.	Common control
Shenyang Chemical Research Institute Co. LTD	Common control
Shenyang Shenhua Institute Testing Technology Co. Ltd.	Common control
Shenyang Chemical Institute Testing Technology Co. Ltd	Common control
Sinochem (Hainan) Agroecology Co., LTD	Common control
Sinochem Agricultural Ecological Technology (Hubei) Co., Ltd.	Common control
Sinochem Agriculture (Xinjiang) Biotechnology Co., Ltd. Manas Branch	Common control
Sinochem Agriculture Co., Ltd	Common control
Sinochem Agro Co. Ltd	Common control
Sinochem Crop Protection Products Co. LTD	Common control
Sinochem Fertilizer Company Limited	Common control
Sinochem Fertilizer Company Limited Fujian Branch	Common control
Sinochem Fertilizer Company Limited Guangxi Branch	Common control
Sinochem Fertilizer Company Limited Hebei Branch	Common control
Sinochem Fertilizer Company Limited Hubei Branch	Common control
Sinochem Fertilizer Company Limited Jiangsu Branch	Common control
Sinochem Fertilizer Company Limited Jilin Branch	Common control
Sinochem Fertilizer Company Limited Northwest Branch	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 Fertilizer Company Limited Shandong Branch	Common control
Sinochem Information Technology Co. LTD	Common control
Sinochem Innovation (Beijing) Technology Research Institute Co., Ltd.	Common control
Sinochem International Crop Care (Overseas) Pte. Ltd.	Common control
Sinochem Lantian Fluorine Materials Co. Ltd.	Common control
Sinochem Modern Agriculture (Guangxi) Co. LTD	Common control
Sinochem Modern Agriculture (Hunan) Co. LTD	Common control
Sinochem Modern Agriculture (Hunan) Co. LTD	Common control
Sinochem Modern Agriculture (Jiangsu) Co. LTD	Common control
Sinochem Modern Agriculture (Shandong) Co. LTD	Common control
Sinochem Modern Agriculture (Xinjiang) Co. LTD	Common control
Sinochem Modern Agriculture (Xinjiang) Co. LTD	Common control
Sinochem Modern Agriculture Anhui Co. LTD	Common control
Sinochem Modern Agriculture Sichuan Co. LTD	Common control
Sinochem Modern Agriculture Sichuan Co. LTD	Common control
Sinochem Shandong Fertilizer Co. Ltd.	Common control
Syngenta (China) Investment Company Ltd	Common control
Syngenta Agro AG	Common control
Syngenta Agro GmbH	Common control
Syngenta Agro S.A.	Common control
Syngenta Agro SRL	Common control
Syngenta Australia Pty 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 LLC	Common control
Syngenta Crop Protection Ltd	Common control
Syngenta Crop Protection S.A.	Common control
Syngenta Crop Protection, LLC	Common control
Syngenta Czech s.r.o.	Common control
Syngenta Espana S.A	Common control
Syngenta France S.A.S.	Common control
Syngenta Group Company Limited	Common control
Syngenta Group(NL) B.V.	Common control
Syngenta Hellas AEBE	Common control
Syngenta India Limited	Common control
Syngenta Italia S.p.A	Common control
Syngenta Korea Ltd.	Common control
Syngenta Nantong Crop Protection Company Limited	Common control
Syngenta Polska Sp.z.o.o.	Common control
Syngenta protecao cultivos ltda	Common control
Syngenta S.A(Chile)	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
Syngenta S.A. (Panama)	Common control
SYNGENTA SEEDS LTDA	Common control
Syngenta Slovakia s.r.o	Common control
Syngenta South Africa (Pty) Ltd.	Common control
SyngentaTarimSanayiveTicaretA.S.	Common control
Zhonglan International Chemical Co. Ltd	Common control
Zhonglan LianhaiDesignInstitute co.,LTD .(consolidated)	Common control
Jiangsu Huifeng Agrochemical Co. Ltd.	Minority shareholder and its subsidiary
Jiangsu Huifeng Biological Agriculture Co., Ltd	Minority shareholder and its subsidiary
Nongyi Net (Yangling) e-commerce Co., Ltd.	Minority shareholder and its subsidiary
Shanghai focus supply chain Co., Ltd	Minority shareholder and its subsidiary
Shanghai nengjianyuan Biological Agriculture Co., Ltd	Minority shareholder and its subsidiary

(Expressed in RMB '000)

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

5. (1) Transactions and balances with related parties

Type of purchase	Related Party Relationship	Six months ended June 30 2022	Six months ended June 30 2021
Summary of purchase of goods/services:			
Purchase of goods/services received	Common control under Sinochem Holdings	1,567,313	875,206
	Minority shareholder and its subsidiary	3,232	-
Purchase of fixed assets and other assets	Common control under Sinochem Holdings	8,474	42,917
Lease expenses	Common control under Sinochem Holdings	117	-
	Minority shareholder and its subsidiary	410	-
Summary of Sales of goods:			
Sale of goods/ Service rendered	Common control under Sinochem Holdings	987,560	550,260
	Joint venture	51,757	45,515
	Minority shareholder and its subsidiary	44,658	-

(2) Guarantees

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	338,000	21/04/2021	20/04/2028	N
	72,154	01/06/2021	31/05/2028	N

* During the reporting period, the Company paid a guarantee fee amounting to 227 thousand RMB (2021 1-6: nil) to the parent company.

(1) Remuneration of key management personnel and directors

	Periods ended June 30 2022	Periods ended June 30 2021
Remuneration of key management personnel and directors	52,977	34,203

(Expressed in RMB '000)

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

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

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

Receivable Items

Items	Related Party Relationship	June 30 2022 Book Balance	June 30 2022 Expected credit losses	December 31 2021 Book Balance	December 31 2021 Expected credit losses
Trade receivables	Common control under Sinochem Holdings	338,272	-	200,954	-
	Joint venture	25,074	-	23,150	-
	Minority shareholder and its subsidiary	40,618	-	32,953	-
Other receivables	Common control under Sinochem Holdings	1,007	-	83	-
Other Non-Current assets	Common control under Sinochem Holdings	84	-	84	-
Prepayments	Common control under Sinochem Holdings	10,813	-	33,069	-

Payable Items

Items	Related Party Relationship	June 30 2022	December 31 2021
Trade payables	Common control under Sinochem Holdings	619,837	489,859
	Minority shareholder and its subsidiary	3,096	355
Other payables	Common control under Sinochem Holdings	21,636	30,006
	Minority shareholder and its subsidiary	207	-
Other non-current liabilities due within one year *	Common control under Sinochem Holdings	335,570	-
Other non-current liabilities *	Common control under Sinochem Holdings	335,570	318,786

* The liabilities are loans from a related party, the interest expenses for the six months ended June 30, 2022 is 3,033 thousand RMB (six months ended June 30, 2021: 2,865 thousand RMB).

Following the approvals from Solutions Board of Directors and the Audit Committee dated October 25, 2021, on October 27, 2021, Solutions, through one of its subsidiaries, entered into a committed credit facilities agreements in the aggregate amount of USD 100 million on market terms with Syngenta Group, or any of its subsidiaries. As of 30 June 2022, the total amount of USD 100 million has been fully utilized (RMB 671 million).

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

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

(3) Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was nil thousand RMB (31.12.21: 358,881 thousand RMB) Interest income of bank deposit for the current period was 90 thousand RMB (amount for six months ended June 30, 2021 was 810 thousand RMB).

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

The closing balance of bank deposit in Sinochem Finance Corporation was 179,469 thousand RMB (31.12.21: nil) Interest income of bank deposit for the current period was 976 thousand RMB (amount for six months ended June 30, 2021 was nil).

(Expressed in RMB '000)

XI. Commitments and contingencies

1. Significant commitments

	June 30 2022	December 31 2021
Investment in Fixed assets	549,096	623,156

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, 2021.

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

For two of the Company's production sites in China that have been in the process of relocation, Jingzhou site in Jingzhou, Hubei Province completed its relocation and upgrade program and is now at high level of opertion and Anpon old site in Huai'An, Jiangsu Province is in the process of relocating to the new site. As part of the relocation process, the Company executed in previous years a reduction plan to reduce the number of employees during the relocation period.

Claims against subsidiaries

In the ordinary course of business, legal claims were 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 first place. In the opinion of the Company's management, which is based, inter alia, on the 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)

On October 20, 2020, a claim and a motion for its approval as a class action (the "Motion") was filed against Monsanto Company and Bayer AG (the "Manufacturers") as well as against ADAMA Agan Ltd., a wholly-owned subsidiary of the Company, with respect to an herbicide bearing the brand name Roundup, which is produced by the Manufacturers and distributed in Israel in small quantities by the subsidiary. The applicants argue that the product allegedly poses a risk to users or those who have been exposed to it. The Company and the subsidiary reject the allegations against the subsidiary in the Motion and in the statement of claim. As the Company is an authorized distributor of the Manufactures, which undertook to fully indemnify, defend and hold harmless ADAMA Agan Ltd., for any monetary compensation or any other remedy it will have to make in connection with the Motion, the Motion and claim are not expected to have any non-negligible effect on the Company's financial results.

In June 2021, a lawsuit was filed against a subsidiary of the Company, alleging two patents owned by a large competitor of the Company, have been infringed by such subsidiary. Among the claims, the plaintiff seeks preliminary and permanent injunctions to prevent the subsidiary from manufacturing, using or commercializing any product that infringes the plaintiff's patents, and seeks actual damages and profits loss. The said preliminary injunctions were granted by the court in favor of the plaintiff. The subsidiary has filed appeals against such preliminary injunctions, which one was rejected and the second is still pending. Prior to such claims, and on-going, the subsidiary filed several lawsuits against the said plaintiff seeking to declare the said patents are invalid and the subsidiary does not infringe them. All these lawsuits are pending as of the approval date of the financial statements. At this stage, the claims filed by the plaintiff are not expected to have a material effect on the Company.

Various immaterial claims have been filed against Group companies in courts throughout the world, in immaterial amounts, for causes of action primarily involving employee-employer relations and various civil claims, for which the Company did not record a provision in the financial statements. The claims that in the estimation of Company's management, based on its legal advisors' opinion, have lower chances of succeeding than being rejected, amount to a negligible amount. 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.

XII. Events subsequent to the balance sheet date

With respect to the current events in Ukraine, at this stage, the Company cannot definitively estimate the potential impact of these events on the financial performance of the Company. The Company is continuously reviewing the situation on the ground and assessing the potential risks involved, and will provide a further update in due course.

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	55,720,575
Total number of Phantom warrants granted in current period	-
Total number of Phantom warrants exercised in current period	(19,391,502)
Total number of Phantom warrants forfeited in current period	(3,189,393)
Total number of Phantom warrants at the end of the period	33,139,680
The exercise prices and the remainder of the contractual period for Phantom warrants outstanding at the end of period	RMB 9.90 – 10.85 3.5 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)	114,172
Expenses arising from cash-settled share-based payments in current period (in thousands RMB)	51,627

(Expressed in RMB '000)

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	18,710,787
Total number of Phantom warrants granted in current period	-
Total number of Phantom warrants exercised in current period	(4,893,994)
Total number of Phantom warrants forfeited in current period	(493,963)
Total number of Phantom warrants at the end of the period	13,322,830

The range of the exercise prices and the remainder of the contractual period	RMB 9.40 – 9.43
for Phantom warrants outstanding at the end of period	4.25 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)	46,306
Expenses (income) arising from cash-settled share-based payments in current period related to the alternative plan (in thousands RMB)	25,993

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	
	2022	2021	2022	2021	2022	2021	2022	2021
Operating income from external customers	16,842,617	13,653,666	1,953,211	1,410,114	-	-	18,795,828	15,063,780
Inter-segment operating income	-	-	870	977	(870)	(977)	-	-
Interest in the profit or loss of associates and joint ventures	-	-	4,706	3,243	-	-	4,706	3,243
Segment's results	1,385,155	840,793	351,710	168,380	-	-	1,736,865	1,009,173
Financial expenses (incomes)							(438,224)	448,790
Gain (loss) from changes in fair value							(1,341,717)	(140,069)
Profit before tax							833,374	420,314
Income tax expense							(101,276)	(51,081)
Net profit							732,098	369,233

	Crop Protection		Intermediates and ingredients		Unallocated assets and liabilities		Total	
	June 30 2022	December 31 2021	June 30 2022	December 31 2021	June 30 2022	December 31 2021	June 30 2022	December 31 2021
Total assets	45,611,876	39,213,516	2,518,410	2,071,074	7,379,370	8,950,718	55,509,655	50,235,308
Total liabilities	8,532,547	6,867,619	363,273	282,006	24,077,165	22,010,600	32,972,985	29,160,225

(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	
	2022	2021
Europe	4,202,841	3,915,671
North America	3,639,600	2,880,327
Latin America	3,993,953	2,895,965
Asia Pacific	4,658,470	3,124,576
Africa, Middle East and India	2,300,964	2,247,241
	18,795,828	15,063,780

	Specified non-current assets	
	June 30	December 31
	2022	2021
Europe	999,698	962,601
Latin America	2,391,232	2,227,234
North America	1,159,861	1,116,510
Asia Pacific	5,556,399	5,609,749
Africa, Middle East and India	11,774,777	10,713,739
	21,881,967	20,629,833

2. 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)

3. 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	732,098	367,036

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	2,329,811,766
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	2,329,811,766

	Amount for the current period	Amount for the prior period
Calculated based on net profit attributable to ordinary shareholders		
Basic earnings per share	0.31	0.16
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.31	0.16
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 2022	December 31 2021
Deposits in banks	276,501	259,434
Other cash and bank	18,741	6,124
	295,242	265,558

As at June 30, 2022, restricted cash and bank balances was 18,741 thousand RMB (as at December 31, 2021: 6,124 thousand RMB).

2. Accounts receivable

a. By category

	June 30, 2022				
	Book value		Provision for expected credit losses		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	13,893	3	13,893	100	-
Account receivables assessed collectively for impairment	478,104	97	31	-	478,073
	491,997	100	13,924	3	478,073

	December 31, 2021				
	Book value		Provision for expected credit losses		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	13,879	6	13,879	100	-
Account receivables assessed collectively for impairment	208,125	94	16	-	208,109
	222,004	100	13,895	6	208,109

b. Aging analysis

	June 30, 2022
Within 1 year (inclusive)	478,104
Over 1 year but within 2 years	-
Over 2 years but within 3 years	15
Over 3 years but within 4 years	1
Over 4 years but within 5 years	1
Over 5 years	13,876
	491,997

(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, 2022
Balance as of January 1	13,895
Addition during the year, net	31
Write back during the year	(2)
Write-off during the year	-
Exchange rate effect	-
Balance as of June 30	13,924

d. Five largest accounts receivable at June 30, 2022:

Name	Closing balance	Proportion of Accounts receivable (%)	Allowance of expected credit losses
Party 1	317,841	65	-
Party 2	70,812	14	-
Party 3	37,139	8	-
Party 4	17,216	3	-
Party 5	9,886	2	-
	452,894	92	-

3. Receivable financing

	June 30 2022	December 31 2021
Bank acceptance draft	72,745	11,752
	72,745	11,752

As at June 30, 2022, bank acceptance endorsed but not yet due amounts to 239,571 thousand RMB.

(Expressed in RMB '000)

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

4. Other Receivables

	June 30 2022	December 31 2021
Other receivables	20,923	21,496
	20,923	21,496

(1) Other receivables

a. Other receivables by categories

	June 30 2022	December 31 2021
Other	27,016	27,477
Provision for expected credit losses	(6,093)	(5,981)
	20,923	21,496

b. Other receivables by aging

	June 30, 2022
Within 1 year (inclusive)	204
Over 1 year but within 2 years *	563
Over 2 years but within 3 years	11,830
Over 3 years but within 4 years	9,456
Over 4 years but within 5 years	-
Over 5 years	4,963
	27,016

* Include intergroup balance with Anpon.

(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:

	Period ended June 30, 2022
Balance as of January 1, 2022	5,981
Addition during the period	512
Written back during the period	(400)
Write-off during the period	-
Balance as of June 30, 2022	6,093

d. Five largest other receivables at June 30 2022:

Name	Closing balance	Proportion of other receivables (%)	Credit loss provision
Party 1	11,611	43	-
Party 2	9,313	34	-
Party 3	3,125	12	3,125
Party 4	548	2	548
Party 5	543	2	543
	25,140	93	4,216

(Expressed in RMB '000)

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

5. Long-term equity investments

	June 30, 2022			December 31, 2021		
	Amount balance	Impairment loss	Book value	Amount balance	Impairment loss	Book value
Invest in subsidiaries	17,511,352	-	17,511,352	17,511,352	-	17,511,352
	17,511,352	-	17,511,352	17,511,352	-	17,511,352

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	-	-
	17,511,352	-	-	17,511,352	-	-

6. Operating Income and operating costs

	Six months ended June 30, 2022		Six months ended June 30, 2021	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	1,162,352	870,245	591,292	467,717
Other operations	22,742	11,173	25,805	15,220
	1,185,094	881,418	617,097	482,937

(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, 2022	Six months ended June 30, 2021
Interest income	3,340	9,971
Government subsidies	13,377	9,976
Other	6,385	1,256
	23,102	21,203

(2) Other cash paid relevant to operating activities

	Six months ended June 30, 2022	Six months ended June 30, 2021
Professional services	37,608	48,027
Transportation and Commissions	26,622	11,122
Other	6,697	8,162
	70,927	67,311

(3) Other cash received relevant to investing activities

	Six months ended June 30, 2022	Six months ended June 30, 2021
Loans	150,000	-

(4) Other cash paid relevant to investing activities

	Six months ended June 30, 2022	Six months ended June 30, 2021
Loans	250,000	-

(5) Other cash received relevant to financing activities

	Six months ended June 30, 2022	Six months ended June 30, 2021
Deposit for issuing bills payables	6,124	5,880

(Expressed in RMB '000)

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

(6) Other cash paid relevant to financing activities:

	Six months ended June 30, 2022	Six months ended June 30, 2021
Repayment of loan from others	18,741	171,770
Other	-	291
	18,741	172,061

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	
	2022	2021
Net profit	245,802	(28,205)
Add: Assets impairment loss	(3,142)	1,068
Credit impairment loss	141	(107)
Depreciation of fixed assets	100,485	53,021
Depreciation of-right-of use assets	1,434	28
Amortization of intangible assets	5,727	5,099
Loss (gain) on disposal of fixed assets, intangible assets and other long-term assets	(59,538)	(15,239)
Financial expenses	28,333	13,438
Increase in deferred income tax assets	-	(228)
Decrease (increase) in inventory	(107,348)	88,421
Decrease (increase) in accounts receivable from operating activities	(287,302)	227,772
Increase (decrease) in payables from operating activities	137,955	(99,852)
Net cash flows generated from operating activities	62,547	245,216

(2) Net increase in cash and cash equivalents

	Six months ended June 30	
	2022	2021
Closing balance of cash	276,501	436,804
Less: Opening balance of cash	259,434	1,022,758
Net increase in cash and cash equivalents	17,067	(585,954)

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	78.47%	78.47%

The ultimate controlling shareholder is Sinochem Holdings .

(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	
		2022	2021
Summary of Purchase of goods/services received:	**Related Party Relationship**		
Purchase of goods/services received	Common control under ChemChina	67,101	40
	Subsidiary	47,970	58,038
Purchase of fixed assets and other assets	Common control under ChemChina	2,569	39,580
Summary of Sales of goods:			
Sale of goods	Common control under ChemChina	20,068	-
	Associated enterprises under ChemChina	-	1,082
	Subsidiary	497,938	328,762
Sale of raw materials	Subsidiary	1,003	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	59,500	27/04/2021	26/04/2022	Y
	30,000	26/02/2021	24/02/2022	Y
	30,000	25/06/2021	24/06/2022	Y
	45,000	21/05/2021	18/05/2022	Y
	40,000	18/03/2021	17/03/2022	Y
	100,000	19/07/2021	10/07/2022	Y
	33,000	05/11/2021	03/05/2022	Y
	20,000	05/11/2021	04/05/2022	Y
	141,000	01/12/2021	28/10/2027	N
	33,000	16/12/2021	15/12/2022	N
	40,000	26/04/2022	27/04/2023	N
	30,000	26/02/2022	24/02/2023	N
	50,000	18/01/2022	17/01/2023	N
	7,900	25/01/2022	28/09/2026	N
	30,000	30/03/2022	29/03/2023	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	338,000	21/04/2021	20/04/2028	N
	72,154	01/06/2021	31/05/2028	N

During the reporting period, the Company paid a guarantee fee amounting to 227 thousand RMB (2021.1-6: nil) to the parent company.

(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

		June 30 2022		December 31 2021	
Items	**Related Party Relationship**	**Book Balance**	**Expected credit losses**	**Book Balance**	**Expected credit losses**
Trade receivables	Subsidiary	338,683	-	160,190	-
Other non-current assets	Subsidiary	250,000	-	150,000	-
Other receivables	Subsidiary	11,611	-	11,611	-
Trade rceivables	Holding Common control under Sinochem	3,767	-	-	-
Prepayments	Holding Common control under Sinochem Holding	10.812	-	10,000	-
Other non-current assets	Common control under Sinochem Holding	84	-	84	-

Payable Items

Items	**Related Party Relationship**	**June 30 2022**	**December 31 2021**
Trade payables	Subsidiary	1,432	71
Trade payables	Common control under Sinochem Holdings	45,562	52,075
Other payables	Subsidiary	346,739	241,049
	Common control under Sinochem Holdings	475	249
Contract liability	Associated enterprises under Sinochem Holdings	611	-

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

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

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

d. Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was nil (31.12.21: 189,978 thousand RMB) Interest income of bank deposit for the current period was 67 thousand RMB (amount for six months ended June 30, 2021 was 598 thousand RMB).

The closing balance of bank deposit in SinoChem Finance Corporation was 15,368 thousand RMB (31.12.21: nil) Interest income of bank deposit for the current period was 493 thousand RMB (amount for six months ended June 30, 2021 was nil).

Supplementary information
(Expressed in RMB '000)

1. Extraordinary Gain and Loss

	Six months ended June 30, 2022
Disposal of non-current assets	67,970
Government grants recognized through profit or loss	24,834
Recovery or reversal of expected credit losses which is assessed individually during the years	17,200
Other non-operating income or expenses other than the above	(10,240)
Other profit or loss that meets the definition of non-recurring profit or loss	(5,845)
Tax effect	(16,844)
	77,075

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	3.35	0.31	N/A
Net profit after deduction of extraordinary gains/losses attributable to ordinary shareholders of the Company	3.01	0.28	N/A