ADAMA Ltd.

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

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(Expressed in RMB '000)

Consolidated Balance Sheet

	Notes	June 30 2023	December 31 2022
Current assets			
Cash at bank and on hand	V.1	4,604,523	4,290,961
Financial assets held for trading	V.2	1,930	1,685
Derivative financial assets	V.3	192,141	233,809
Bills receivable	V.4	107,296	112,297
Accounts receivable	V.5	9,363,758	9,018,375
Receivables financing	V.6	125,292	63,639
Prepayments	V.7	375,984	341,102
Other receivables	V.8	870,122	1,021,824
Inventories	V.9	16,667,957	16,927,241
Other current assets	V.10	1,168,948	1,129,688
Total current assets		33,477,951	33,140,621
Non-current assets			
Long-term receivables	V.11	59,273	82,510
Long-term equity investments	V.12	29,272	26,368
Other equity investments	V.13	162,905	158,341
Investment properties		22,963	3,168
Fixed assets	V.14	9,476,560	8,952,184
Construction in progress	V.15	3,147,493	2,961,401
Right-of-use assets	V.16	640,996	555,889
Intangible assets	V.17	5,533,495	5,342,754
Goodwill	V.18	5,100,028	4,805,157
Deferred tax assets	V.19	1,759,583	1,347,263
Other non-current assets	V.20	491,383	604,833
Total non-current assets		26,423,951	24,839,868
Total assets		59,901,902	57,980,489

(Expressed in RMB '000)

Consolidated Balance Sheet (continued)

	Notes	June 30 2023	December 31 2022
Current liabilities			
Short-term loans	V.21	6,341,677	3,342,921
Derivative financial liabilities	V.22	735,658	545,516
Bills payable	V.23	497,344	1,114,775
Accounts payable	V.24	5,944,976	7,527,269
Contract liabilities	V.25	1,446,129	1,776,573
Employee benefits payable	V.26	856,181	1,370,786
Taxes payable	V.27	575,271	459,574
Other payables	V.28	2,489,597	1,611,282
Non-current liabilities due within one year	V.29	2,591,835	2,262,131
Other current liabilities	V.30	749,821	703,794
Total current liabilities		22,228,489	20,714,621
Non-current liabilities			
Long-term loans	V.31	3,276,454	3,662,870
Debentures payable	V.32	7,433,065	7,353,511
Lease liabilities	V.33	498,967	431,076
Long-term payables		108,886	107,686
Long-term employee benefits payable	V.34	762,792	792,153
Provisions	V.35	297,238	222,181
Deferred tax liabilities	V.19	332,560	315,861
Other non-current liabilities	V.36	1,318,941	1,255,875
Total non-current liabilities		14,028,903	14,141,213
Total liabilities		36,257,392	34,855,834
Shareholders' equity			
Share capital	V.37	2,329,812	2,329,812
Capital reserve	V.38	12,945,837	12,986,333
Less: Treasury shares		-	-
Other comprehensive income	V.39	1,964,795	1,080,590
Special reserves		15,788	15,818
Surplus reserve	V.40	242,498	242,498
Retained earnings	V.41	6,145,780	6,469,604
Total equity attributed to the shareholders of the company		23,644,510	23,124,655
Non-controlling interests		-	-
Total Equity		23,644,510	23,124,655
Total liabilities and equity		59,901,902	57,980,489

Steve Hawkins
Legal representative

Efrat Nagar
Chief Financial Officer

These financial statements were approved by the Board of Directors of the Company on August 28 2023.

The notes form part of these financial statements.

(Expressed in RMB '000)

Company's Balance Sheet

	Notes	June 30 2023	December 31 2022
Current assets			
Cash at bank and on hand	XV.1	124,556	271,080
Accounts receivable	XV.2	1,031,440	758,462
Receivables financing	XV.3	47,446	2,596
Prepayments		18,305	7,944
Other receivables	XV.4	11,611	11,611
Inventories		175,209	256,001
Non-current assets due within one year		125,000	125,000
Other current assets		1,415	2,312
Total current assets		1,534,982	1,435,006
Non-current assets			
Long-term equity investments	XV.5	17,511,352	17,511,352
Other equity investments		84,720	84,720
Investment properties		2,893	3,168
Fixed assets		1,777,912	1,822,134
Construction in progress		71,832	90,074
Right-of-use assets		1,665	2,842
Intangible assets		255,294	258,997
Deferred tax assets		55,004	75,383
Other non-current assets		271,708	269,574
Total non-current assets		20,032,380	20,118,244
Total assets		21,567,362	21,553,250
Current liabilities			
Short-term loans		50,000	50,000
Bills payables		10,676	42,451
Accounts payables		185,854	205,767
Contract liabilities		23,468	15,116
Employee benefits payable		6,881	14,699
Taxes payable		2,558	3,529
Other payables		729,711	730,901
Non-current liabilities due within one year		718,780	671,454
Total current liabilities		1,727,928	1,733,917
Non-current liabilities			
Long-term loans		829,063	836,795
Lease liabilities		184	701
Long-term employee benefits payable		96,417	97,574
Provisions		27,326	28,516
Other non-current liabilities		374,360	374,360
Total non-current liabilities		1,327,350	1,337,946
Total liabilities		3,055,278	3,071,863
Shareholders' equity			
Share capital	V.37	2,329,812	2,329,812
Capital reserve		15,523,881	15,523,881
Other comprehensive income		30,822	30,822
Special reserves		16,479	16,509
Surplus reserve	V.40	242,498	242,498
Retained earnings		368,592	337,865
Total shareholders' equity		18,512,084	18,481,387
Total liabilities and shareholders' equity		21,567,362	21,553,250

(Expressed in RMB '000)

Consolidated Income Statement

	Notes	Six months ended June 30 2023	2022
I. Operating income	V.42	17,253,201	18,795,828
Less: Cost of sales	V.42	13,358,727	13,822,755
Taxes and surcharges	V.43	51,420	55,837
Selling and Distribution expenses	V.44	2,161,199	2,159,089
General and administrative expenses	V.45	461,146	642,313
Research and Development expenses	V.46	262,378	274,738
Financial expenses (incomes)	V.47	455,855	(438,224)
Including: Interest expense		565,782	326,788
Interest income		134,254	53,960
Add: Investment income, net	V.48	10,090	4,706
Including: Income from investment in associates and joint ventures		3,439	4,706
Loss from changes in fair value	V.49	(782,218)	(1,341,717)
Credit impairment reversal (losses)	V.50	8,490	(97,125)
Asset impairment losses	V.51	(105,887)	(85,346)
Gain from disposal of assets	V.52	23,402	60,298
II. Operating profit		(343,647)	820,136
Add: Non-operating income		36,073	29,797
Less: Non-operating expenses		11,015	16,559
III. Total profit (loss)		(318,589)	833,374
Less: Income tax expenses (income)	V.53	(76,433)	101,276
IV. Net profit (loss)		(242,156)	732,098
(1). Classified by nature of operations			
(1.1). Continuing operations		(242,156)	732,098
(2). Classified by ownership			
(2.1). Shareholders of the Company		(242,156)	732,098
(2.2). Non-controlling interests			-
V. Other comprehensive income, net of tax	V. 39	884,205	788,235
Other comprehensive income (net of tax) attributable to shareholders of the Company		884,205	788,235
(1) Items that will not be reclassified to profit or loss:		14,741	61,296
(1.1) Re-measurement of defined benefit plan liability		14,741	61,296
(1.2) Fair Value changes in other equity investment		-	-
(2) Items that were or will be reclassified to profit or loss		869,464	726,939
(2.1) Effective portion of gains or loss of cash flow hedge		26,534	(60,863)
(2.2) Translation differences of foreign financial statements		842,930	787,802
VI. Total comprehensive income for the period attributable to Shareholders of the Company		642,049	1,520,333
Total comprehensive income for the period attributable to shareholders of the Company		642,049	1,520,333
Total comprehensive income for the period attributable to Non-controlling interests		-	-
VII. Earnings per share	XIV.2		
(1) Basic earnings (loss) per share (Yuan/share)		(0.10)	0.31
(2) Diluted earnings per share (Yuan/share)		N/A	N/A

(Expressed in RMB '000)

Company's Income Statement

	Notes	Six months ended June 30 2023	2022
I. Operating income	XV.6	1,093,709	1,185,094
Less: Operating costs	XV.6	893,238	881,418
Taxes and surcharges		4,292	3,003
Selling and Distribution expenses		2,744	2,178
General and administrative expenses		66,887	65,151
Research and Development expenses		16,129	38,042
Financial expenses		755	25,075
Including: Interest expense		24,412	25,382
Interest income		4,814	3,340
Add: Investment income, net		-	-
Gain from changes in fair value (losses)		-	-
Credit impairment losses		91	(141)
Asset Impairment reversal (losses)		(3,067)	3,142
Gain from disposal of assets		17	59,654
II. Operating Profit		106,705	232,882
Add: Non-operating income		7,815	13,082
Less: Non-operating expenses		509	162
III. Total profit		114,011	245,802
Less: Income tax expense		20,379	-
IV. Net profit		93,632	245,802
V. Other comprehensive income, net of tax		-	-
(1) Items that will not be reclassified to profit or loss		-	-
(1.1) Re-measurement of defined benefit plan liability		-	-
(1.2) FV changes in other equity investment		-	-
VI. Total comprehensive income for the period		93,632	245,802

(Expressed in RMB '000)

Consolidated Cash Flow Statement

	Notes	Six months ended June 30 2023	2022
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		17,397,575	16,427,981
Refund of taxes and surcharges		93,456	164,802
Cash received relating to other operating activities	V.56(1)	201,011	304,088
Sub-total of cash inflows from operating activities		17,692,042	16,896,871
Cash paid for goods and services		13,362,264	13,683,974
Cash paid to and on behalf of employees		2,464,353	2,329,629
Payments of taxes and surcharges		388,247	494,626
Cash paid relating to other operating activities	V.56(2)	1,542,054	1,734,503
Sub-total of cash outflows from operating activities		17,756,918	18,242,732
Net cash flows from operating activities	V.57(1)a	(64,876)	(1,345,861)
II. Cash flows from investing activities:			
Cash received from disposal of investments		158,498	5,887
Cash received from returns of investments		1,710	1,588
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		30,688	70,264
Cash received relating to other investing activities	V.56(3)	16,643	-
Sub-total of cash inflows from investing activities		207,539	77,739
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,178,443	1,291,889
Cash paid for acquisition of investments		1,745	-
Net cash paid to acquire subsidiaries or other business units		148,460	-
Cash paid relating to other investing activities	V.56(4)	-	64,719
Sub-total of cash outflows from investing activities		1,328,648	1,356,608
Net cash flows used in investing activities		(1,121,109)	(1,278,869)
III. Cash flows from financing activities:			
Cash received from borrowings		2,711,547	2,435,083
Cash received from other financing activities	V.56(5)	1,428,302	11,012
Sub-total of cash inflows from financing activities		4,139,849	2,446,095
Cash repayments of borrowings		1,599,428	1,163,615
Cash payment for dividends, profit distributions and interest		584,774	431,993
Including: Dividends paid to non-controlling interest		18,763	39,074
Cash paid relating to other financing activities	V.56(6)	554,624	944,580
Sub-total of cash outflows from financing activities		2,738,826	2,540,188
Net cash flow provided by (used in) financing activities		1,401,023	(94,093)
IV. Effects of foreign exchange rate changes on cash and cash equivalents		130,246	150,085
V. Net increase (decrease) in cash and cash equivalents	V.57(1)b	345,284	(2,568,738)
Add: Cash and cash equivalents at the beginning of the year		4,225,253	5,759,480
VI. Cash and cash equivalents at the end of the period	V.57(2)	4,570,537	3,190,742

(Expressed in RMB '000)

Company's Cash Flow Statement

	Notes	Six months ended June 30 2023	2022
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		621,379	786,908
Refund of taxes and surcharges		28,662	51,548
Cash received relating to other operating activities	XV.7(1)	25,659	23,102
Sub-total of cash inflows from operating activities		675,700	861,558
Cash paid for goods and services		551,879	653,912
Cash paid to and on behalf of employees		68,837	70,273
Payments of taxes and surcharges		6,605	3,899
Cash paid relating to other operating activities	XV.7(2)	112,039	70,927
Sub-total of cash outflows from operating activities		739,360	799,011
Net cash flows from operating activities	XV.8	(63,660)	62,547
II. Cash flows from investing activities:			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		17	66,420
Cash received relating to other investing activities	XV.7.(3)	2,850	150,000
Sub-total of cash inflows from investing activities		2,867	216,420
Cash paid to acquire fixed assets, intangible assets and other long-term assets		36,808	50,383
Cash paid for other investing activities	XV.7.(4)	-	250,000
Sub-total of cash outflows from investing activities		36,808	300,383
Net cash flows used in investing activities		(33,941)	(83,963)
III. Cash flows from financing activities:			
Cash received from borrowings		450,000	650,000
Cash received relating to other financing activities	XV.7.(5)	12,750	6,124
Sub-total of cash inflows from financing activities		462,750	656,124
Cash repayments of borrowings		409,732	553,732
Cash payment for dividends, profit distributions or interest		87,684	45,228
Cash paid relating to other financing activities	XV.7.(6)	3,837	18,741
Sub-total of cash outflows from financing activities		501,253	617,701
Net cash flow provided by (used in) financing activities		(38,503)	38,423
IV. Effects of foreign exchange rate changes on cash and cash equivalents		(880)	60
V. Net decrease in cash and cash equivalents		(136,984)	17,067
Add: Cash and cash equivalents at the beginning of the year	XV.8(2)	258,330	259,434
VI. Cash and cash equivalents at the end of the period	XV.8(2)	121,346	276,501

(Expressed in RMB '000)

Consolidated Statement of Changes in Shareholders' Equity

For the six months ended June 30, 2023

	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	**Total**	Non-controlling interests	**Total equity**
I. Balance at December 31, 2022	2,329,812	12,986,333	1,080,590	15,818	242,498	6,469,604	23,124,655	-	23,124,655
II. Changes in equity for the period	-	(40,496)	884,205	(30)	-	(323,824)	519,855	-	519,855
1. Total comprehensive income (loss)	-	-	884,205	-	-	(242,156)	642,049	-	642,049
2. Owner's contributions and reduction	-	(40,496)	-	-	-	-	(40,496)	-	(40,496)
2.1 Transactions with holders of non controlling interest	-	(40,496)	-	-	-	-	(40,496)	-	(40,496)
3. Appropriation of profits	-	-	-	-	-	(81,668)	(81,668)	-	(81,668)
3.1 Distribution to owners	-	-	-	-	-	(62,905)	(62,905)	-	(62,905)
3.2 Distribution to non-controlling interest	-	-	-	-	-	(18,763)	(18,763)	-	(18,763)
4. Special reserve	-	-	-	(30)	-	-	(30)	-	(30)
4.1 Transfer to special reserve	-	-	-	5,010	-	-	5,010	-	5,010
4.2 Amount utilized	-	-	-	(5,040)	-	-	(5,040)	-	(5,040)
III. Balance at June 30, 2023	2,329,812	12,945,837	1,964,795	15,788	242,498	6,145,780	23,644,510	-	23,644,510

(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**	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)

Company's Statement of Changes in Shareholders' Equity

For the six months ended June 30, 2023

	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Total
I. Balance at December 31, 2022	2,329,812	15,523,881	30,822	16,509	242,498	337,865	18,481,387
II. Changes in equity for the period	-	-	-	(30)	-	30,727	30,697
1. Total comprehensive income	-	-	-	-	-	93,632	93,632
2. Appropriation of profits	-	-	-	-	-	(62,905)	(62,905)
2.1 Transfer to Distribution to shareholders	-	-	-	-	-	(62,905)	(62,905)
3. Special reserve	-	-	-	(30)	-	-	(30)
3.1 Transfer to special reserve	-	-	-	5,010	-	-	5,010
3.2 Amount utilized	-	-	-	(5,040)	-	-	(5,040)
Ⅲ. Balance at June 30, 2023	2,329,812	15,523,881	30,822	16,479	242,498	368,592	18,512,084

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

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 28, 2023.

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 30,2023 and have not identified any significant doubtful matter or event on the going concern, as such the financial statement have been prepared on the going concern basis.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance

These financial statements are in compliance with the Accounting Standards for Business Enterprises to truly and completely reflect the Company's consolidated financial position as at June 30, 2023 and the Company's consolidated operating results, changes in shareholders' equity and cash flows for the six months then ended.

2. Accounting period

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

3. Business cycle

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

4. Reporting currency

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

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

5. Business combinations

5.1 Business combinations involving enterprises under common control

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

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

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

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

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

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

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

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

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

6. Basis for preparation of consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7. Classification and accounting methods of joint arrangement

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

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

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

8. Cash and cash equivalents

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

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

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

9.1 Transactions denominated in foreign currencies

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

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

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

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

9.2 Translation of financial statements denominated in foreign currency

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

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

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

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

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

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

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

10. Financial instruments

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus (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).

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). On disposal of an asset group or a set of asset groups, any attributable goodwill is written off and included in the calculation of the profit or loss on disposal.

20. Impairment of long-term assets

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

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

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

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

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

21. Employee benefits

21.1 Short-term employee benefits

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

21.2 Post-employment benefits

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

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

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

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

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

21. Employee benefits - (cont'd)

21.3 Termination benefits

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

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

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

21.4 Other long-term employee benefits

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

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

22. Share-based payment

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

22.1 Cash-settled share-based payment

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

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

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

23. Provisions

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

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

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

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

24. Revenue

Revenue of the Group is mainly from sale of goods.

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

Significant financing component

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

Sale with a right of return

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

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

25. Government grants

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

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

Government grants are either related to assets or income.

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

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

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

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

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

26. Current and deferred tax

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

26.1 Current income tax

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

26.2 Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

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

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

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

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

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

26.3 Offset of income tax

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

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

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

27. Leases

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

27.1 Determining whether an arrangement contains a lease

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

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

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

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

27.2 Initial recognition of leased assets and lease liabilities

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

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

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

27.3 The lease term

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

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

27.4 Variable lease payments

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

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

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

27. Leases (cont'd)

27.5 Subsequent measurement

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

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

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

28. Other significant accounting policies and accounting estimates

28.1 Hedging

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

Hedge accounting

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

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

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

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

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

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

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

28.1 Hedging (cont'd)

Measurement of derivative financial instruments

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

Cash-flow hedges

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

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

Economic hedge

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

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.

28.2 Securitization of assets

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

28.3 Segment reporting

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

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

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

28.3 Segment reporting - (cont'd)

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

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

28.4 Profit distributions to shareholders

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

29. Changes in significant accounting policies and accounting estimates

29.1 Changes in significant accounting policies

On 30 November 2022, the Ministry of Finance issued "Accounting Standards for Business Enterprises Interpretation No. 16" (hereinafter referred to as "Interpretation No. 16") which clarified the following accounting treatments:

(1) Deferred tax related to assets and liabilities arising from a single transaction;
(2) The income tax treatment of the dividend paid as the issuer of an equity instrument; and
(3) When an entity changes a cash-settled share-based payment to an equity-settled share-based payment.

According to the Interpretation No.16, the clarification regarding "Deferred tax related to assets and liabilities arising from a single transaction" was effective from 1 January 2023. Adoption of the interpretation has no significant impact on the Group's financial statements.

29.2 Changes in significant accounting estimates

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

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

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% (2022: 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	2023
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.	24.3%
ADAMA India Private Ltd	India	25.2%
ADAMA Deutschland GmbH	Germany	32.5%
Control Solutions Inc.	U.S.	25.3%
Adama Australia Pty Ltd	Australia	30.0%
ADAMA Northern Europe B.V.	Netherlands	25.8%
ADAMA Italia SRL	Italy	27.9%
Alligare LLC	U.S.	26.1%

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" from unreleased retained earnings, based on the temporary order as described below, 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.

Income of a Preferred Technological Enterprise a Special Preferred Technological Enterprise will be subject to a reduced corporate tax rate of 6% regardless of the development area in which the enterprise is located.

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.

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.

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.

During 2022, Solutions announced its choice to release the retained earnings in a number of subsidiaries and committed to pay a reduced corporate tax in the amount of approximately 101 million RMB, which was recorded as tax expenses in the financial statements of 2022.

IV. Taxation - (cont'd)

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

(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 2023	December 31 2022
Cash on hand	960	785
Deposits in banks	4,569,577	4,224,468
Other cash and bank balances	33,986	65,708
	4,604,523	4,290,961
Including cash and bank balances placed outside China	3,890,804	3,300,538

As at June 30, 2023 restricted cash and bank balances was 33,986 thousand RMB (as at December 31, 2022 65,708 thousand RMB) mainly including deposits that guarantee bank acceptance drafts.

2. Financial assets held for trading

	June 30 2023	December 31 2022
Bank deposits	1,930	1,685
	1,930	1,685

3. Derivative financial assets

	June 30 2023	December 31 2022
Economic hedge	170,384	224,128
Accounting hedge derivatives	21,757	9,681
	192,141	233,809

4. Bills Receivable

	June 30 2023	December 31 2022
Post-dated checks receivable	107,296	112,297
	107,296	112,297

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, 2023				
	Book value		Provision for expected credit losses		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	993,479	10	229,040	23	764,439
Account receivables assessed collectively for impairment	8,700,720	90	101,401	1	8,599,319
	9,694,199	100	330,441	3	9,363,758

	December 31, 2022				
	Book value		Provision for expected credit losses		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	383,265	4	212,640	55	170,625
Account receivables assessed collectively for impairment	8,945,138	96	97,388	1	8,847,750
	9,328,403	100	310,028	3	9,018,375

b. Aging analysis

	June 30, 2023
Within 1 year (inclusive)	9,217,990
Over 1 year but within 2 years	246,154
Over 2 years but within 3 years	25,500
Over 3 years but within 4 years	34,619
Over 4 years but within 5 years	54,576
Over 5 years	115,360
	9,694,199

(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, 2023		
	Book value	Provision for expected credit loss	Percentage (%)
Credit group A	1,928,342	8,868	0.5
Credit group B	556,005	4,812	0.9
Credit group C	129,336	5,643	4.4
Credit group D	46,583	972	2.1
	2,660,266	20,295	0.8

Geographical location B:

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

	June 30, 2023		
	Book value	Provision for expected credit loss	Percentage (%)
Accounts receivable that are not overdue	746,193	6,629	0.9
Debts overdue less than 60 days	29,054	872	3.0
Debts overdue less than 180 days but more than 60 days	37,678	3,768	10.0
Debts overdue above 180 days	24,684	9,874	40.0
Legal Debtors	41,960	41,960	100.0
	879,569	63,103	7.2

Other geographical locations:

	June 30, 2023		
	Book value	Provision for expected credit loss	Percentage (%)
Other account receivables assessed collectively for impairment	5,160,885	18,003	0.35

(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, 2023	44,012	266,016	310,028
Addition (write back) during the period, net	(2,285)	1,420	(865)
Exchange rate effect	3,259	18,019	21,278
Balance as of June 30, 2023	44,986	285,455	330,441

d. Five largest accounts receivable at June 30, 2023:

Name	Closing balance	Proportion of Accounts receivable (%)	Allowance of expected credit losses (credit losses has occurred)
Customer 1	190,711	2.0	-
Customer 2	188,882	1.9	-
Customer 3	140,159	1.4	-
Customer 4	114,009	1.2	-
Customer 5	97,122	1.0	-
Total	730,883	7.5	-

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 30 June 2023, the Securitization agreement was approved up to October 31, 2023.

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, 2023 – 2,529 million RMB), during the months July through September the maximum scope of the securitization is \$300 million (as of June 30, 2023 – 2,168 million RMB) and during the months October through February the maximum scope of the securitization is \$250 million (as of June 30, 2023– 1,806 million RMB).In addition the company has a temporary uncommitted facility of \$150 million (as of June 30, 2023- 1,084 million RMB) until September 20th 2023 and permanent uncommitted facility of 50\$ million (as of June 30, 2023- 361 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, 2023, 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.

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

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

f. A subsidiary in Brazil (hereinafter - "the subsidiary") entered into the following securitization agreements:

(1) Since 2016, a securitization transaction with Rabobank Brazil for sale of customer receivables (hereinafter "FIDC-Donegal agreement"). Under the FIDC-Donegal agreement, the subsidiary will sell its 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 30 June 2023, the FIDC-Donegal agreement was approved up to September 30, 2024. The maximum securitization scope as of June 30, 2023 is BRL 350 million (as of June 30, 2023 – 525 million RMB).

On the date of the sale of the customer 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 to 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 entity based on the extent of its continuing involvement therein (5% right of recourse) and also recognizes an associated liability in the same amount.

In "FIDC-Donegal agreement" the subsidiary handles the collection of receivables included in the securitization for the entity.

(2) During 2021, the subsidiary has entered into an additional securitization agreement (hereinafter - "FIDC – Liverpool agreement") with Itau Bank and Farm investments, for sale of customer 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 30 June 2023, the FIDC-Liverpool agreement was approved up to November 10, 2024. The maximum securitization scope as of June 30, 2023 is BRL 300 million (as of June 30, 2023 – 450 million RMB).

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 those account receivables sold.

In "FIDC-Liverpool agreement" the collection of receivables is being handled by the entity.

(Expressed in RMB '000)

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

5. Accounts Receivable – (cont'd)

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

	June 30 2023	December 31 2022
Accounts receivables derecognized	3,963,341	4,039,429
Continuing involvement	155,564	193,532
Subordinated note in respect of trade receivables	512,533	591,998
Liability in respect of trade receivables	741,512	79,619

	Six months ended June 30	
	2023	2022
Loss in respect of sale of trade receivables	115,531	70,123

6. Receivables financing

	June 30 2023	December 31 2022
Bank acceptance draft	125,292	63,639
	125,292	63,639

As at June 30, 2023, bank acceptance endorsed but not yet due amounts to 342,458 thousands RMB.

7. Prepayments

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

	June 30 2023		December 31 2022	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	364,240	97	327,809	97
Over 1 year but within 2 years (inclusive)	9,597	3	11,047	3
Over 2 years but within 3 years (inclusive)	1,434	-	1,204	-
Over 3 years	713	-	1,042	-
	375,984	100	341,102	100

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

	Amount	Percentage of prepayments (%)
June 30, 2023	78,554	21%

(Expressed in RMB '000)

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

8. Other Receivables

(1) Other receivables by nature

	June 30 2023	December 31 2022
Dividends receivable	3,187	-
Others	866,935	1,021,824
	870,122	1,021,824

a. Others breakdown by categories

	June 30 2023	December 31 2022
Trade receivables as part of securitization transactions not yet eliminated	155,564	193,532
Subordinated note in respect of trade receivables	512,533	591,998
Financial institutions	69,223	38,354
Other	167,851	242,688
Sub total	905,171	1,066,572
Provision for expected credit losses - other receivables	(38,236)	(44,748)
	866,935	1,021,824

b. Other receivables by aging

	June 30 2023
Within 1 year (inclusive)	842,680
Over 1 year but within 2 years	46,924
Over 2 years but within 3 years	1,292
Over 3 years but within 4 years	7,403
Over 4 years but within 5 years	152
Over 5 years	6,720
	905,171

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

	Six months ended June 30, 2023
Balance as of January 1 2023,	44,748
Addition (written back) during the period	(7,625)
Write-off during the period	-
Exchange rate effect	1,113
Balance as of June 30, 2023	38,236

(Expressed in RMB '000)

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

8. Other Receivables – (cont'd)

(3) Five largest other receivables at June 30, 2023:

Name	Closing balance	Proportion of other receivables (%)	Allowance of expected credit losses
Party 1	512,533	57	-
Party 2	69,223	8	-
Party 3	7,164	1	-
Party 4	6,865	1	-
Party 5	5,231	1	-
Total	601,016	68	-

9. Inventories -

(1) Inventories by category:

	June 30, 2023		
	Book value	Provision for impairment	Carrying amount
Raw materials	4,216,888	22,972	4,193,916
Work in progress	1,907,103	6,465	1,900,638
Finished goods	10,371,744	305,963	10,065,781
Others	518,011	10,389	507,622
	17,013,746	345,789	16,667,957

	December 31, 2022		
	Book value	Provision for impairment	Carrying amount
Raw materials	4,341,176	20,939	4,320,237
Work in progress	2,410,883	5,952	2,404,931
Finished goods	9,954,831	237,337	9,717,494
Others	495,125	10,546	484,579
	17,202,015	274,774	16,927,241

(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, 2023

	January 1, 2023	Provision	Reversal or write-off	Other	June 30, 2023
Raw material	20,939	7,969	(6,850)	914	22,972
Work in progress	5,952	5,613	(5,168)	68	6,465
Finished goods	237,337	152,191	(94,325)	10,760	305,963
Others	10,546	570	(1,053)	326	10,389
	274,774	166,343	(107,396)	12,068	345,789

10. Other Current Assets

	June 30 2023	December 31 2022
Deductible VAT	728,516	679,428
Current tax assets	325,136	219,057
Short term investments	56,730	171,496
Others	58,566	59,707
	1,168,948	1,129,688

11. Long-Term Receivables

	June 30 2023	December 31 2022
Long term account receivables from sale of goods	59,273	82,510
	59,273	82,510

(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 2023	December 31 2022
Joint venture	1,358	2,110
Associate	27,914	24,258
	29,272	26,368

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

	January 1, 2023	Investment income	Other Comprehensive income	Declared distribution of cash dividend	Balance at the end of the period
Joint venture					
Investee A	2,110	70	33	(855)	1,358
Sub-total	2,110	70	33	(855)	1,358
Associate					
Investee B	24,258	3,369	3,072	(2,785)	27,914
Sub-total	24,258	3,369	3,072	(2,785)	27,914
Sub-total	26,368	3,439	3,105	(3,640)	29,272

13. Other equity investments

	June 30, 2023	December 31, 2022	Dividend received during 2023
Investment A	84,720	84,720	-
Investment B	76,334	71,840	6,651
Investment C	1,851	1,781	-
	162,905	158,341	6,651

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, 2023	4,240,658	16,516,306	166,587	438,542	21,362,093
Purchases	11,656	49,281	44,044	20,307	125,288
Transfer from construction in progress	38,105	610,084	1,855	8,051	658,095
Classification to Investment property	(20,125)	-	-	-	(20,125)
Disposals	(8,175)	(20,132)	(11,547)	(3,533)	(43,387)
Newly consolidated subsidiaries	-	3,483	270	478	4,231
Currency translation adjustment	100,486	501,709	8,295	19,007	629,497
Balance as at June 30, 2023	4,362,605	17,660,731	209,504	482,852	22,715,692
Accumulated depreciation					
Balance as at January 1, 2023	(1,791,373)	(9,815,859)	(74,448)	(342,199)	(12,023,879)
Charge for the period	(69,021)	(384,563)	(14,206)	(19,210)	(487,000)
Classification to Investment property	2,149	-	-	-	2,149
Disposals	1,353	19,084	9,561	3,500	33,498
Newly consolidated subsidiaries	-	(2,348)	(256)	(277)	(2,881)
Currency translation adjustment	(53,730)	(301,637)	(3,276)	(15,319)	(373,962)
Balance as at June 30, 2023	(1,910,622)	(10,485,323)	(82,625)	(373,505)	(12,852,075)
Provision for impairment					
Balance as at January 1, 2023	(132,663)	(251,190)	(1,107)	(1,070)	(386,030)
Charge for the period	-	(634)	(15)	(41)	(690)
Disposals	1,553	1,925	38	107	3,623
Currency translation adjustment	(678)	(3,254)	(15)	(13)	(3,960)
Balance as at June 30, 2023	(131,788)	(253,153)	(1,099)	(1,017)	(387,057)
Carrying amounts					
As at June 30, 2023	2,320,195	6,922,255	125,780	108,330	9,476,560
As at January 1, 2023	2,316,622	6,449,257	91,032	95,273	8,952,184

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 2023			December 31 2022		
Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
3,265,974	(118,481)	3,147,493	3,079,882	(118,481)	2,961,401

(2) Details and Movements of major construction projects in progress during period ended June 30, 2023

	Budget	January 1, 2023	Additions	Including: Interest capitalized	Currency translation differences	Transfer to fixed assets	June 30, 2023	Actual cost to budget (%)	Project progress (%)	Source of funds
Project A	765,314	542,618	111,861	5,264	-	(66,338)	588,141	77%	77%	Bank loan
Project B	639,165	531,817	72,285	19,363	411	-	604,513	95%	95%	Internal finance
Project C	367,649	333,514	30,609	-	(1,888)	(362,235)	-	100%	100%	Internal finance
Project D	194,604	74,523	1,625	-	-	(22,282)	53,866	49%	49%	Internal finance
Project E	968,257	352,423	123,192	13,026	18,565	-	494,180	51%	51%	Internal finance
Project G	74,173	17,070	3,123	616	776	-	20,969	28%	28%	Internal finance
Project F	Under re-evalution	238,078	319	-	-	-	238,397	-	-	Internal finance

* As of June 30, 2023 Project A Project D and are include impairment of RMB 14 million and 35 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, 2023	593,790	46,364	294,122	3,858	938,134
Additions	106,292	3,072	44,577	-	153,941
Disposals	(21,010)	(301)	(23,340)	-	(44,651)
Currency translation adjustment	32,328	1,851	12,490	145	46,814
Balance as at June 30, 2023	711,400	50,986	327,849	4,003	1,094,238
Accumulated depreciation					
Balance as at January 1, 2023	(221,223)	(23,108)	(136,165)	(1,749)	(382,245)
Charge for the period	(47,496)	(617)	(45,246)	(360)	(93,719)
Disposals	17,793	301	21,116	-	39,210
Currency translation adjustment	(9,159)	(876)	(6,350)	(103)	(16,488)
Balance as at June 30, 2023	(260,085)	(24,300)	(166,645)	(2,212)	(453,242)
Provision for impairment					
Balance as at January 1, 2023	-	-	-	-	-
Balance as at June 30, 2023	-	-	-	-	-
Carrying amounts					
As at June 30, 2023	451,315	26,686	161,204	1,791	640,996
As at January 1, 2023	372,567	23,256	157,957	2,109	555,889

(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, 2023	12,204,376	4,182,457	1,216,249	794,577	578,572	510,272	588,585	20,075,088
Newly consolidated subsidiaries	6,418	-	-	30,070	52,182	-	-	88,670
Purchases	295,676	-	63,975	48	-	-	13,585	373,284
Currency translation adjustment	478,902	156,860	46,267	32,422	22,190	1,451	15,623	753,715
Transfer from construction in progress	-	-	8,898	-	-	-	-	8,898
Disposal	(3,231)	-	(137)	-	-	(4,427)	-	(7,795)
Balance as at June 30, 2023	12,982,141	4,339,317	1,335,252	857,117	652,944	507,296	617,793	21,291,860
Accumulated amortization								
Balance as at January 1, 2023	(9,525,327)	(3,125,941)	(732,640)	(524,730)	(312,019)	(95,570)	(262,984)	(14,579,211)
Charge for the period	(265,738)	(82,684)	(46,927)	(14,308)	(22,750)	(5,173)	(11,792)	(449,372)
Currency translation adjustment	(375,438)	(120,835)	(30,302)	(21,254)	(13,339)	(1,296)	(9,252)	(571,716)
Disposal		-	116	-	-	682	-	798
Balance as at June 30, 2023	(10,166,503)	(3,329,460)	(809,753)	(560,292)	(348,108)	(101,357)	(284,028)	(15,599,501)
Provision for impairment								
Balance as at January 1, 2023	(95,951)	(56,601)	(49)	-	-	(272)	(250)	(153,123)
Charge for the period	-	-	-	-	-	-	-	-
Currency translation adjustment	(3,599)	(2,123)	(9)	-	-	(10)	-	(5,741)
Balance as at June 30, 2023	(99,550)	(58,724)	(58)	-	-	(282)	(250)	(158,864)
Carrying amount								
As at June 30, 2023	2,716,088	951,133	525,441	296,825	304,836	405,657	333,515	5,533,495
As at January 1, 2023	2,583,098	999,915	483,560	269,847	266,553	414,430	325,351	5,342,754

(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, 2022 the fair value of the cash generating units to which goodwill has been allocated to exceeds its carrying amount.

	January 1, 2023	Change during the year	Currency translation adjustment	Balance at June 30, 2023
Book value	4,805,157	113,075	181,796	5,100,028
Impairment provision	-	-	-	-
Carrying amount	4,805,157	113,075	181,796	5,100,028

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 2023		December 31 2022	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deferred tax assets in respect of carry forward losses	2,532,017	506,105	1,568,088	256,749
Deferred tax assets in respect of inventories	3,132,366	921,585	2,402,900	689,062
Deferred tax assets in respect of employee benefits	953,114	155,405	1,005,874	166,264
Other deferred tax asset	2,529,942	606,021	2,030,651	545,937
	9,147,439	2,189,116	7,007,513	1,658,012

(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 2023		December 31 2022	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Deferred tax liabilities in respect of fixed assets and intangible assets	4,046,916	762,093	3,430,096	626,610
	4,046,916	762,093	3,430,096	626,610

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

	June 30 2023		December 31 2022	
	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	429,533	1,759,583	310,749	1,347,263
Deferred tax liabilities	429,533	332,560	310,749	315,861

(4) Details of unrecognized deferred tax assets

	June 30 2023	December 31 2022
Deductible temporary differences	468,300	518,542
Deductible losses carry forward	259,775	229,672
	728,075	748,214

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

	June 30 2023	December 31 2022
2023	1,778	1,713
2024	36,310	33,646
2025	6,518	6,282
2026	6,612	6,373
2027	8,013	7,724
After 2027	200,544	173,934
	259,775	229,672

(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 2023	December 31 2022
Judicial deposits	195,920	154,273
Assets related to securitization	96,464	112,388
Advances in respect of non-current assets	62,729	174,035
Others	136,270	164,137
	491,383	604,833

21. Short-Term Loans

Short-term loans by category:

	June 30 2023	December 31 2022
Unsecured loans	6,341,677	3,342,921
	6,341,677	3,342,921

22. Derivative financial liabilities

	June 30 2023	December 31 2022
Economic hedge	698,821	490,496
Accounting hedge derivatives	36,837	55,020
	735,658	545,516

(Expressed in RMB '000)

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

23. Bills Payables

	June 30 2023	December 31 2022
Post-dated checks payables	392,325	900,537
Note payables draft	105,019	214,238
	497,344	1,114,775

As at June 30, 2023, none of the bills payable are overdue.

24. Accounts payable

	June 30 2023	December 31 2022
Within 1 year (including 1 year)	5,861,662	7,447,355
1-2 years (including 2 years)	27,861	59,671
2-3 years (including 3 years)	35,547	2,048
Over 3 years	19,906	18,195
	5,944,976	7,527,269

There are no significant accounts payables aging over one year.

25. Contract liabilities

	June 30 2023	December 31 2022
Discount for customers	1,273,467	904,615
Advances from customers	172,662	871,958
	1,446,129	1,776,573

26. Employee Benefits Payable

	June 30 2023	December 31 2022
Short-term employee benefits	515,938	1,027,543
Post-employment benefits	49,251	33,317
Share based payment (See note XIII)	49,771	76,875
Other benefits within one year	216,605	204,794
	831,565	1,342,529
Current maturities	24,616	28,257
	856,181	1,370,786

(Expressed in RMB '000)

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

27. Taxes Payable

	June 30 2023	December 31 2022
Corporate income tax	291,828	240,672
VAT	244,410	187,066
Others	39,033	31,836
	575,271	459,574

28. Other Payables

	June 30 2023	December 31 2022
Dividends payables	750	750
Other payables	2,488,847	1,610,532
	2,489,597	1,611,282

(1) Other payables

	June 30 2023	December 31 2022
Accrued expenses	776,142	758,158
Payables in respect of intangible assets	169,120	106,510
Liability in respect of securitization transactions	741,512	79,619
Hold-back payment due to acquistions	254,000	254,000
Others	548,073	412,245
	2,488,847	1,610,532

29. Non-Current Liabilities Due Within One Year

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

	June 30 2023	December 31 2022
Long-term loans due within one year	1,852,573	1,539,496
Lease liabilities due within one year	167,492	156,977
Debentures payable due within one year	571,770	565,658
	2,591,835	2,262,131

(Expressed in RMB '000)

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

30. Other Current Liabilities

	June 30 2023	December 31 2022
Put options to holders of non-controlling interests	483,688	507,483
Provision in respect of returns	231,117	158,173
Provision in respect of claims	34,626	37,769
Others	390	369
	749,821	703,794

31. Long-Term Loans

Long-term loans by category

	June 30 2023	June 30 Interest range	December 31 2022	December 31 Interest range
Long term loans				
Guaranteed loans	394,108	3.55%-3.75%	404,841	2.92%-3.75%
Unsecured loans	4,734,919	1.73%-8.72%	4,797,525	1.73%-7.67%
Total Long term loans	5,129,027		5,202,366	
Less:				
Long term loans from banks due within 1 year	(1,852,573)		(1,539,496)	
Long term loans, net	3,276,454		3,662,870	

* 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 2023	December 31 2022
Debentures Series B	8,004,835	7,919,169
Current maturities	(571,770)	(565,658)
	7,433,065	7,353,511

	June 30 2023
First year (current maturities)	571,770
Second year	571,770
Third year	571,770
Fourth year	571,770
Fifth year and thereafter	5,717,755
	8,004,835

(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, 2023:

Maturity period	Face value in RMB	Face value NIS	Issuance date	Maturity period	Issuance amount	Balance at January 1, 2023	Amortization of discounts or premium	CPI and exchange rate effect	Repayment during the period	Currency translation adjustment	Balance at June 30, 2023
Debentures Series B	2,673,640	1,650,000	4.12.2006	November 2020-2036	3,043,742	3,321,071	117	(83,196)	-	120,704	3,358,696
Debentures Series B	843,846	513,527	16.1.2012	November 2020-2036	842,579	996,237	5,075	(25,386)	-	36,409	1,012,335
Debentures Series B	995,516	600,000	7.1.2013	November 2020-2036	1,120,339	1,231,947	2,209	(31,263)	-	44,851	1,247,744
Debentures Series B	832,778	533,330	1.2.2015	November 2020-2036	1,047,439	1,151,945	(1,357)	(29,233)	-	41,789	1,163,144
Debentures Series B	418,172	266,665	1-6.2015	November 2020-2036	556,941	625,358	(3,683)	(15,863)	-	22,558	628,370
Debentures Series B	497,989	246,499	5.5.2020	November 2020-2036	692,896	592,611	(4,348)	(15,055)	-	21,338	594,546
						7,919,169	(1,987)	(199,996)	-	287,649	8,004,835

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	
	2023	Interest range	2022	Interest range
Lease liabilities	666,459	1.1%-9.0%	588,053	1.1%-9.1%
Less: Lease liabilities due within one year	(167,492)		(156,977)	
Long term lease liabilities, net	498,967		431,076	

34. Long-Term Employee Benefits Payable

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

	June 30 2023	December 31 2022
Total present value of obligation	537,594	566,550
Less: fair value of plan's assets	(63,399)	(70,001)
Net liability related to Post-employment benefits	474,195	496,549
Termination benefits	63,771	65,782
Total recognized liability for defined benefit plan, net (1)	537,966	562,331
Other long-term employee benefits	249,442	258,079
Total long-term employee benefits, net	787,408	820,410
Including: Long-term employee benefits payable due within one year	24,616	28,257
	762,792	792,153

(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	
	2023	2022	2023	2022	2023	2022
Balance as at January 1, 2023	632,332	779,671	70,001	86,282	562,331	693,389
Expense/income recognized in profit and loss:						
Current service cost	17,410	12,707	-	-	17,410	12,707
Past service cost	1,724	-	1,717	-	7	-
Interest costs	10,046	6,682	1,295	648	8,751	6,034
Losses on curtailments and settlements	10,221	5,478	-	-	10,221	5,478
Changes in exchange rates	(22,559)	(68,417)	(3,206)	(9,611)	(19,353)	(58,806)
Actuarial losses due to early retirement	122	(77)	-	-	122	(77)
Included in other comprehensive income:						
Actuarial gain (losses) as a result of changes in actuarial assumptions	(17,680)	(72,633)	(1,766)	(3,474)	(15,914)	(69,159)
Foreign currency translation differences in respect of foreign operations	21,971	31,967	2,276	3,743	19,695	28,224
Additional movements:						
Benefits paid	(37,361)	(35,291)	(3,330)	(6,104)	(34,031)	(29,187)
Classification to termination	(14,861)	-	(4,211)	-	(10,650)	-
Contributions paid by the Group	-	-	623	1,342	(623)	(1,342)
Balance as at June 30, 2023	601,365	660,087	63,399	72,826	537,966	587,261

(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 2023	December 31 2022
Discount rate (%)*	2.2%-3.0%	1.7%-3.0%

* 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, 2023	
	Increase of 1%	Decrease of 1%
Change in defined benefit obligation	(43,856)	53,030

35. Provisions

	June 30 2023	December 31 2022
Liabilities in respect of contingencies*	181,871	149,187
Provision in respect of site restoration	64,627	65,291
Long-term liability in respect of business combinations	49,454	5,182
Other	1,286	2,521
	297,238	222,181

* 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 2023	December 31 2022
Put options to holders of non- controlling interests	957,651	907,644
Long term loans – others	361,290	348,231
	1,318,941	1,255,875
Current maturities	-	-
	1,318,941	1,255,875

37. Share Capital

	Balance at January 1, 2023	Issuance of new shares	Buyback of shares	Balance at June 30, 2023
Share capital	2,329,812	-	-	2,329,812

38. Capital Reserve

	Balance at January 1, 2023	Additions during the period	Reductions during the period	Balance at June 30, 2023
Share premiums	12,606,562	-	-	12,606,562
Other capital reserve	379,771	-	(40,496)	339,275
	12,986,333	-	(40,496)	12,945,837

(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, 2023	Before tax amount	Less: transfer to profit or loss	Less: Income tax expenses	Net-of-tax amount	Balance at June 30, 2023
Items that will not be reclassified to profit or loss	**101,370**	**15,914**	**-**	**1,173**	**14,741**	**116,111**
Re-measurement of changes in liabilities under defined benefit plans	46,838	15,914	-	1,173	14,741	61,579
Changes in fair value of other equity investment	54,532	-	-	-	-	54,532
Items that may be reclassified to profit or loss	**979,220**	**822,559**	**(50,690)**	**3,785**	**869,464**	**1,848,684**
Effective portion of gain or loss of cash flow hedge	(41,369)	(20,371)	(50,690)	3,785	26,534	(14,835)
Translation difference of foreign financial statements	1,020,589	842,930	-	-	842,930	1,863,519
	1,080,590	**838,473**	**(50,690)**	**4,958**	**884,205**	**1,964,795**

40. Surplus reserve

	Balance at January 1, 2023	Additions during the period	Reductions during the period	Balance at June 30, 2023
Statutory surplus reserve	238,684	-	-	238,684
Discretional surplus reserve	3,814	-	-	3,814
	242,498	-	-	242,498

(Expressed in RMB '000)

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

41. Retained Earnings

	2023	2022
Retained earnings as at January 1	6,469,604	5,940,465
Net profits (loss) for the period attributable to shareholders of the Company	(242,156)	732,098
Dividends to non-controlling Interest	(18,763)	(39,074)
Dividend to the shareholders of the company (Note 1 & 2)	(62,905)	(18,638)
Retained earnings as at June 30	6,145,780	6,614,851

Note 1:
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.

Note 2:
On March 19, 2023, after obtaining the approval of the 19th meeting of the Company's 9th Board of Directors, the Company declared RMB 0.27 (before tax) per 10 shares as cash dividend to all shareholders, resulting in a total cash dividend of 62,905 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		Six months ended June 30	
	2023		2022	
	Income	Cost of sales	Income	Cost of sales
Principal activities	17,232,976	13,349,948	18,761,356	13,802,108
Other businesses	20,225	8,779	34,472	20,647
	17,253,201	13,358,727	18,795,828	13,822,755

43. Taxes and Surcharges

	Six months ended June 30	
	2023	2022
Tax on turnover	16,382	17,666
Others	35,038	38,171
	51,420	55,837

44. Selling and Distribution Expenses

	Six months ended June 30	
	2023	2022
Salaries and related expense	972,566	1,015,829
Depreciation and amortization	476,152	481,460
Advertising and sales promotion	179,661	173,457
Warehouse expenses	98,906	75,378
Travel expenses	72,342	62,794
Registration	69,834	64,983
Professional services	56,550	53,811
Insurance	47,574	56,054
Others	187,614	175,323
	2,161,199	2,159,089

(Expressed in RMB '000)

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

45. General and Administrative Expenses

	Six months ended June 30	
	2023	2022
Salaries and related expenses	157,127	375,272
Professional services	61,710	56,828
IT systems	61,002	58,466
Depreciation and amortization	55,710	48,168
Cost contribution arrangement	39,065	33,864
Office rent, maintenance and expenses	22,964	24,348
Other	63,568	45,367
	461,146	642,313

46. Research and development expenses

	Six months ended June 30	
	2023	2022
Salaries and related expenses	134,457	127,574
Depreciation and amortization	38,407	42,400
Professional services	23,639	17,350
Field trial	21,526	16,475
Materials	13,741	38,803
Office rent, maintenance and expenses	5,416	6,077
Other	25,192	26,059
	262,378	274,738

47. Financial expenses (incomes), net

	Six months ended June 30	
	2023	2022
Interest expenses on debentures and loans and other charges	562,720	341,633
CPI expenses in respect of debentures	184,710	236,815
Loss in respect of sale of trade receivables	115,352	51,063
Interest expense in respect of post-employment benefits and early retirement, net	11,287	7,000
Revaluation of put option, net	83,584	101,901
Interest income from customers, banks and others	(134,254)	(53,960)
Exchange rate differences, net	(414,163)	(1,153,323)
Interest expense on lease liabilities	16,132	11,962
Others	30,487	18,685
	455,855	(438,224)

(Expressed in RMB '000)

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

48. Investment income, net

	Six months ended June 30	
	2023	2022
Income from long-term equity investments accounted for using the equity method	3,439	4,706
Other	6,651	-
	10,090	4,706

49. Gain (loss) from Changes in Fair Value

	Six months ended June 30	
	2023	2022
Gain (loss) from changes in fair value of derivative financial Instruments	(775,528)	(1,330,194)
Others	(6,690)	(11,523)
	(782,218)	(1,341,717)

50. Credit impairment reversal (losses)

	Six months ended June 30	
	2023	2022
Bills receivable and accounts receivable	865	(64,703)
Other receivables	7,625	(32,422)
	8,490	(97,125)

51. Asset impairment losses

	Six months ended June 30	
	2023	2022
Inventories	(105,197)	(79,445)
Fixed assets	(690)	(1,623)
Intangible asset	-	(4,278)
	(105,887)	(85,346)

(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
	2023	**2022**	
Gain from disposal of fixed assets	23,402	60,572	23,402
Loss from disposal of intangible assets	-	(274)	-
	23,402	60,298	23,402

53. Income Tax Expenses

	Six months ended June 30	
	2023	**2022**
Current year	286,525	431,750
Deferred tax expenses (income)	(367,924)	(306,884)
Adjustments for previous years, net	4,966	(23,590)
	(76,433)	101,276

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

	Six months ended June 30	
	2023	**2022**
Profit before taxes (loss)	(318,589)	833,374
Statutory tax in china	25%	25%
Tax calculated according to statutory tax in china	(79,647)	208,344
Tax benefits from Approved Enterprises	(14,942)	(98,005)
Difference between measurement basis of income for financial statement and for tax purposes	(28,110)	3,085
Taxable income and temporary differences at other tax rate	(128,074)	(58,494)
Taxes in respect of prior years	4,966	(23,590)
Utilization of tax losses prior years for which deferred taxes were not created	(5,308)	(31,440)
Temporary differences and losses in the report year for which deferred taxes were not created	14,398	34,798
Non-deductible expenses, non-taxable income and other difference, net	93,470	21,569
Neutralization of tax calculated in respect of the Company's share in results of equity accounted investees	(931)	(1,599)
Effect of change in tax rate in respect of deferred taxes	66,971	13,979
Creation and reversal of deferred taxes for tax losses and temporary differences from previous years	774	32,629
Income tax expenses	(76,433)	101,276

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 2023	2022
Government grants related to income	Non-Operating income	11,665	15,623
Government grants related to assets	Fixed assets, Intangible assets	7,388	9,211

56. Notes to items in the cash flow statements

(1) **Cash received relating to other operating activities**

	Six months ended June 30 2023	2022
Interest income	80,270	30,761
Financial institutions	38,020	231,142
Government subsidies	12,883	15,623
Others	69,838	26,562
	201,011	304,088

(2) **Cash paid relating to other operating activities**

	Six months ended June 30 2023	2022
Derivatives transactions	225,818	471,332
Advertising and sales promotion	167,451	181,788
Professional services	164,944	122,886
Commissions and Warehouse	118,902	75,076
IT and Communication	114,304	125,187
Registration and Field trials	85,831	86,410
Travel	83,184	64,767
Insurance	70,183	37,655
Financial institutions	67,142	116,107
Others	444,295	453,295
	1,542,054	1,734,503

(3) **Cash received relating to other investing activities**

	Six months ended June 30 2023	2022
Investment grant	16,643	-
	16,643	-

(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	
	2023	**2022**
Increase in short and long term investments,net	-	64,719
	-	64,719

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

	Six months ended June 30	
	2023	**2022**
Deposit for issuing bills payables	34,932	11,010
Borrowing from related party *	1,393,370	-
	1,428,302	11,010

* For more detailes regarding the borrowing from related party – see note X. related parties and related parties transactions.

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

	Six months ended June 30	
	2023	**2022**
Payment in respect of hedging transactions on debentures	347,870	802,237
Realization of Call option	116,311	-
Repayment of lease liability	86,608	84,743
Deposit for issuing bills payable	3,210	57,447
Repayment of loan from others	625	153
	554,624	944,580

(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	
	2023	2022
Net profit (loss)	(242,156)	732,098
Add: Impairment provisions for assets	105,887	85,346
Credit impairment losses (gain)	(8,490)	97,125
Depreciation of fixed assets and investment property	487,815	499,714
Depreciation of right-of-use asset	93,719	80,900
Amortization of intangible asset	449,372	453,387
Gains on disposal of fixed assets, intangible assets, and other long-term assets, net	(23,402)	(60,298)
Losses from changes in fair value	782,218	1,341,717
Financial expenses	329,817	(342,658)
Investment income, net	(10,090)	(4,706)
Increase in deferred tax assets, net	(350,613)	(318,979)
Decrease in deferred tax liabilities, net	(17,311)	12,095
Decrease (increase) in inventories, net	905,851	(3,360,343)
Increase in operating receivables, net	(752,091)	(2,842,961)
Increase (decrease) in operating payables, net	(1,786,212)	2,248,418
Others	(29,190)	33,284
Net cash flow from operating activities	(64,876)	(1,345,861)

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

	Six months ended June 30	
	2023	2022
Closing balance of cash and cash equivalents	4,570,537	3,190,742
Less: Opening balance of cash and cash equivalents	4,225,253	5,759,480
Increase (decrease) in cash and cash equivalents	345,284	(2,568,738)

(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 2023	December 31 2022
Cash on hand	960	785
Bank deposits available on demand without restrictions	4,569,577	4,224,468
	4,570,537	4,225,253

58. Assets with Restricted Ownership or Right of Use

	June 30 2023	Reason
Cash	33,986	Pledged
Other non-current assets	195,920	Guarantees
	229,906	

(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, 2023		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Cash and bank balances			
BRL	329,919	1.499	494,548
EUR	41,621	7.848	326,642
GBP	24,852	9.121	226,673
ILS	93,092	1.953	181,808
ARS	6,262,188	0.028	175,341
RON	72,130	1.579	113,893
USD	12,806	7.226	92,533
PLN	50,745	1.760	89,311
ZAR	96,680	0.387	37,415
RUB	274,232	0.083	22,761
TRY	46,142	0.280	12,920
Other			186,253
Total			1,960,098
Bills and Accounts receivable			
BRL	964,126	1.499	1,445,225
EUR	97,454	7.848	764,822
TRY	1,282,941	0.280	359,223
USD	45,302	7.226	327,344
RON	184,439	1.579	291,229
HUF	9,349,497	0.021	196,339
CAD	24,370	5.448	132,767
ZAR	265,954	0.387	102,924
THB	460,422	0.203	93,466
ILS	39,995	1.953	78,110
RUB	891,820	0.083	74,021
CZK	173,747	0.331	57,510
IDR	84,611	0.4809	40,688
Other			204,059
Total			4,167,727
Other receivables			
EUR	31,965	7.848	250,860
GBP	7,378	9.121	67,293
ILS	21,769	1.953	42,515
BRL	20,689	1.499	31,013
Other			76,742
Total			468,423

(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, 2023		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Other current assets			
BRL	154,460	1.499	231,536
ILS	69,801	1.953	136,322
EUR	8,418	7.848	66,065
UAH	301,622	0.198	59,721
ARS	1,236,386	0.028	34,619
Other			100,056
Total			628,319
Long-term receivables			
BRL	39,542	1.499	59,273
Total			59,273
Other non-current assets			
BRL	156,948	1.499	235,265
Other			64,339
Total			299,604
Short-term loans			
ILS	165,883	1.953	323,969
EUR	28,108	7.848	220,589
TRY	205,316	0.280	57,488
Other			19,590
Total			621,636
Bills and Accounts payable			
ILS	749,274	1.953	1,463,333
EUR	63,553	7.848	498,761
BRL	152,884	1.499	229,173
USD	9,175	7.226	66,297
Other			132,045
Total			2,389,609
Other payables			
ILS	97,401	1.953	190,225
BRL	123,967	1.499	185,826
ILS CPI	22,230	1.953	43,416
Other			139,548
Total			559,015

(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, 2023		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Contract liabilities			
EUR	53,046	7.848	416,307
CAD	47,966	5.448	261,321
BRL	45,143	1.499	67,670
UAH	335,708	0.198	66,470
Other			95,366
Total			907,134
Non-current liabilities due within one year			
ILS CPI	317,339	1.953	619,764
EUR	67,984	7.848	533,539
Other			50,501
Total			1,203,804
Other current liabilities			
EUR	8,047	7.848	63,153
Other			3,468
Total			66,621
Long-term loan			
EUR	28,999	7.848	227,584
Total			227,584
Debentures payable			
ILS CPI	3,805,973	1.953	7,433,065
Total			7,433,065
Provision and Long-term payables			
BRL	111,510	1.499	167,154
Other			2,919
Total			170,073
Other non-current liabilities			
ILS CPI	48,183	1.953	94,102
EUR	5,526	7.848	43,369
USD	3,358	7.226	24,264
Other			51,723
Total			213,458

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.

(Expressed in RMB '000)

VI. Change in consolidation Scope

1. Business combinations involving enterprises not under common control

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

Name of the Company	Acquisition date	Total consideration of equity investment	Proportion of equity investment	Acquisition method	Basis of acquisition date determination	From acquisition date till period end	
						Revenue	Net profit
AgriNova New Zealand Ltd	05.01.2023	214,476	100%	Stock purchase	Obtained control	35,158	6,286

(2) Acquisition cost and goodwill

Acquisition costs	Total of AgriNova New Zealand Ltd
Total acquisition cost in cash	170,155
Contingent consideration	44,321
Less: share of the fair value of the identifiable net assets acquired	101,401
Goodwill	113,075

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

	AgriNova New Zealand Ltd	
	Fair value at acquisition date 05.01.2023	Book value at acquisition date 05.01.2023
Assets:		
Cash and bank balances	21,695	21,695
Bills and Accounts receivable	8,066	8,066
Prepayments	903	903
Inventories	21,898	21,898
Fixed assets	1,350	1,350
Intangible assets	88,670	-
Deferred tax assets	2,354	2,354
Liabilities:		
Bills and Accounts payable	7,601	7,601
Employee benefits payable	1,273	1,273
Taxes payable	8,573	8,573
Other payables	452	452
Contract liabilities	807	807
Deferred tax liabilities	24,829	-
Net assets	101,401	37,560
Less: Non-controlling interests	-	-
Net assets acquired	101,401	37,560

(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
ADAMA 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 2023	December 31 2022
Joint venture	1,358	2,110
Associate	27,914	24,258
	29,272	26,368

3. Summarized financial information of joint ventures and associates

	June 30, 2023 and six months then ended	June 30, 2022 and six months then ended
Joint venture:		
Total carrying amount	1,358	2,584
The Group's share of the following items:		
Net profit	70	234
Other comprehensive income	33	123
Total comprehensive income	103	357
Associate:		
Total carrying amount	27,914	17,924
The Group's share of the following items:		
Net profit	3,369	4,472
Other comprehensive income	3,072	1,754
Total comprehensive income	6,441	6,226

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. and f.

In June 2022, 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, specifically in Ukraine due to the conflict and in 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, 2023
Past due by less than 90 days	1,041,318
Past due by more than 90 days	557,013
	1,598,331

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

B. Credit risk - (cont'd)

The company measure the provision for credit losses on a collective group basis, where receivables share similar credit risk characteristics based on geographical locations. The examination for expected credit losses is performed using model including aging analysis and historical loss experiences, and adjusted by the observable factors reflecting current and expected future economic conditions.
When credit risk on a receivable has increased significantly since initial recognition, the group records specific provision or general provision which is determined for groups of similar assets in countries in which there are large number of customers with immaterial balances.

The Group has credit risk exposures for accounts receivables amounted to RMB 8,567,344 thousand relate to category of "Lifetime expected credit losses (credit losses has not occurred)" and amounted to RMB 1,126,855 thousand related to category of "Lifetime expected credit losses (credit losses occurred)". The Group has credit risk exposures for other receivables amounted to RMB 38,236 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, 2023					
	First year	Second year	Third-Fourth year	Fifth year and above	Contractual Cash flow	Carrying amount
Non-derivative financial liabilities						
Short-term loans	6,445,953	-	-	-	6,445,953	6,341,677
Bills payables	497,344	-	-	-	497,344	497,344
Accounts payables	5,944,976	-	-	-	5,944,976	5,944,976
Other payables	2,489,597	-	-	-	2,489,597	2,489,597
Other current liabilities	483,688	-	-	-	483,688	483,688
Debentures payable	934,238	937,974	1,787,786	7,174,504	10,834,502	8,004,835
Long-term loans	1,941,192	1,557,367	1,274,012	657,204	5,429,775	5,129,027
Long-term payables	7,233	13,324	25,436	88,402	134,395	108,886
Lease Liabilities	199,842	157,989	173,183	359,338	890,352	666,459
Long-term liability in respect of business combinations	-	59,240	2,764	-	62,004	49,454
Other non-current liabilities	9,754	9,755	1,307,083	371,044	1,697,636	1,318,941
Derivative financial liabilities						
Foreign currency derivatives	735,658	-	-	-	735,658	735,658
	19,689,475	2,735,649	4,570,264	8,650,492	35,645,880	31,770,542

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, 2023	
	Total assets	Total liabilities
In US Dollar	2,868,242	2,226,263
In Euro	1,559,256	2,048,441
In Brazilian real	2,496,860	482,676
CPI-linked NIS	45,205	8,169,485
In New Israeli Shekel	438,755	2,015,990
Denominated in or linked to other foreign currency	4,977,640	874,345
	12,385,958	15,817,200

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

	June 30, 2023					
	Currency/ linkage receivable	Currency/ linkage payable	Average expiration date	USD thousands Par value	RMB thousands Par value	Fair value
Forward foreign currency	**USD**	EUR	20/10/2023	340,684	2,461,716	(328,803)
Contracts and call options	**USD**	PLN	12/07/2023	18,177	131,346	2,586
	USD	BRL	01/08/2023	203,448	1,470,076	(28,237)
	USD	GBP	10/07/2023	13,022	94,098	(5,172)
	USD	ZAR	19/08/2023	33,812	244,316	7,164
	ILS	USD	04/08/2023	1,418,850	10,252,324	(194,263)
	USD	OTHER		608,192	4,394,672	(45,549)
CPI forward contracts	**CPI**	ILS	20/09/2023	608,108	4,394,068	48,757

(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 June 30, 2023 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, 2023			
	Decrease of 5%		Increase of 5%	
	Equity	Profit (loss)	Equity	Profit (loss)
New Israeli shekel	(645,224)	(667,211)	51,429	73,568
British pound	12,622	12,622	(12,622)	(12,622)
Euro	8,066	(38,484)	(7,087)	41,087
Brazilian real	96,127	100,709	(97,004)	(100,709)
Polish zloty	2,468	2,468	(1,798)	(1,798)
South African Rand	(6,378)	371	5,200	(912)
Chinese Yuan Renminbi	(11,105)	(11,105)	15,721	15,721
CPI-linked NIS	232,100	232,100	(232,100)	(232,100)

(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, 2023
Fixed-rate instruments – unlinked to the CPI	
Financial assets	
Other non-current assets	66,044
Financial liabilities	
Long-term loans (1)	3,845,009
Long-term payables	27,610
Other non-current liabilities	361,290
	(4,167,865)
Fixed-rate instruments – linked to the CPI	
Financial liabilities	
Debentures payable (1)	8,004,835
Variable-rate instruments	
Financial assets	
Cash at banks	855,860
Financial assets at fair value through profit or loss	1,930
Other current assets	56,730
Financial liabilities	
Short-term loans and credit from banks	6,341,677
Long-term loans (1)	1,284,018
Long-term payables	70,755
	(6,781,930)

(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, 2023	981	(997)	981	(997)

(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, 2023	
	Carrying amount	**Fair value**
Financial assets		
Other non-current assets (a – Level 2)	102,845	88,714
Financial liabilities		
Long-term loans and others (b – Level 2)	6,266,949	6,015,605
Debentures (c – Level 1)	8,004,835	9,105,391

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, 2023
	%
U.S. dollar interest	5.85% - 7.03%
Chinese Yuan Renminbi	1.08% - 1.96%
Euro	3.18% - 3.66%

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 2023
Forward contracts and options used for hedging the cash flow (Level 2)	(15,080)
Forward contracts and options used for economic hedging (Level 2)	(528,437)
Other equity investment (Level 2)	162,905
Receivables financing (Level 2)	125,292
Other non-current assets (Level 2)	96,464
Other (Level 2)	1,930

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 Guangyuan Yinong Chemical Co., LTD	Common control
Beijing Junmao Real Estate Co. Ltd.	Common control
Zhonglan Lianhai Design and Research Institute	Common control
Bluestar (Beijing) Chemical Machinery Co. Ltd.	Common control
Bluestar Engineering Co. Ltd.	Common control
China Chemical Information Center	Common control
China National Bluestar (Group) Co. Ltd.	Common control
China National Chemical Agrochemical Corporation	Common control
Dipagro LTDA	Common control
Elkem Silicones Brasil Ltd.	Common control
Elkem Silicones Hong Kong Co. Ltd.	Common control
Hangzhou (torch) Xidou door Film Industry Co., LTD	Common control
Henan Junhua Development 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 Youjia Plant protection Co., LTD	Common control
Jiangsu Youshi Chemical Co., LTD	Common control
Jingzhou Sanonda Holdings Co. Ltd.	Common control
(MAP) Sinochem Modern Agriculture Co.LTD Xinjiang Branch	Common control
(MAP) Sinochem Modern Agriculture Co.LTD Yichang Branch	Common control
OOO Syngenta	Common control
P.T. Syngenta Indonesia	Common control
PT Syngenta Seed Indonesia	Common control
Shandong Dacheng Agrochemical Company Limited	Common control
Shenyang Chemical Co., Ltd.	Common control
Shenyang Shenhua Institute Testing Technology Co. Ltd.	Common control
Sinochem (Hainan) Agroecology Co.	Common control
Sinochem (Linyi) Crop Nutrition Co. Ltd	Common control
Sinochem Agriculture (Xinjiang) Biotechnology Co. Ltd.	Common control
Sino MAP	Common control
Sinochem Agro Co. Ltd.	Common control
Sinochem Chemical Science and Technology Research Institute 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

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 Guangxi Branch	Common control
Sinochem Fertilizer Company Limited Hebei 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
Sinochem Fertilizer Company Limited Shandong Branch	Common control
Sinochem Fertilizer Company Limited Southwest Branch	Common control
Sinochem Information Technology Co. Ltd.	Common control
Sinochem International Crop Care (Overseas) Pte. Ltd.	Common control
Sinochem Innovation (Beijing) Technology Research Institute Co., Ltd.	Common control
Sinochem Lantian Fluorine Materials Co. Ltd.	Common control
Sinochem Modern Agriculture (Gansu) Co. LTD	Common control
Sinochem Modern Agriculture (Guangxi) Co. LTD	Common control
Sinochem Modern Agriculture (Hunan) Co. LTD	Common control
Sinochem Modern Agriculture (Inner Mongolia) Co. LTD	Common control
Sinochem Modern Agriculture (Jiangsu) 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
Syngenta (China) Investment Company Ltd	Common control
Syngenta Agro (Argentina) S.A.	Common control
Syngenta Agro AG	Common control
Syngenta Agro d.o.o.	Common control
Syngenta Agro GmbH	Common control
Syngenta Agro SA de CV	Common control
Syngenta Australia Pty Ltd	Common control
Syngenta Canada Inc	Common control
Syngenta Comercial Agricola	Common control
Syngenta Crop Protection AG	Common control
Syngenta Crop Protection BV	Common control
Syngenta Crop Protection LLC	Common control
Syngenta Crop Protection Ltd.	Common control
Syngenta Crop Protection SA	Common control
Syngenta Czech s.r.o.	Common control
Syngenta España S.A.	Common control
Syngenta France S.A.S	Common control
Syngenta A.G.	Common control
Syngenta Group Saturn (NL) B.V.	Common control
Syngenta Hellas AEBE	Common control
Syngenta India Ltd	Common control
Syngenta Italia SpA	Common control
Syngenta Nantong Crop Protection Co., LTD	Common control
Syngenta Protecao de Cultivos Ltda	Common control
Syngenta S.A.	Common control
Syngenta Seeds LTDA	Common control
Syngenta Slovakia s.r.o.	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 Tarim Sanay ve Ticaret AS	Common control
Syngenta Vietnam Limited	Common control
Syngenta Zambia Limited	Common control
Tov Syngenta	Common control
Valagro S.p.A.	Common control
China Bluestar Chengrand Research Institute Chemical Industry	Common control
Zhonglan International Chemical Co. Ltd.	Common control
Ningxia Ruitai Technology Co. Ltd.	Common control
Sinochem Finance Corporation	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. Transactions and balances with related parties

(1) Transactions with related parties

Type of purchase	Related Party Relationship	Six months ended June 30 2023	Six months ended June 30 2022
Summary of purchase of goods/services:			
Purchase of goods/services received	Common control under Sinochem Holdings	982,940	1,567,313
	Minority shareholder and its subsidiary	7,478	3,232
Purchase of fixed assets and other assets	Common control under Sinochem Holdings	396	8,474
Lease expenses	Common control under Sinochem Holdings	97	117
	Minority shareholder and its subsidiary	2,668	410
Summary of Sales of goods:			
Sale of goods/ Service rendered	Common control under Sinochem Holdings	920,513	987,560
	Joint venture	34,979	51,757
	Minority shareholder and its subsidiary	38,840	44,658
Lease income	Minority shareholder and its subsidiary	631	-

(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	323,000	21/04/2021	20/04/2028	N
	71,108	01/06/2021	31/05/2028	N

* During the reporting period, the Company paid a guarantee fee amounting to 219 thousand RMB (2022 1-6: 227 thousand RMB) to the parent company.

(3) Remuneration of key management personnel and directors

	Periods ended June 30 2023	Periods ended June 30 2022
Remuneration of key management personnel and directors	33,773	52,977

(Expressed in RMB '000)

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

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

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

Receivable Items

Items	Related Party Relationship	June 30 2023 Book Balance	June 30 2023 Expected credit losses	December 31 2022 Book Balance	December 31 2022 Expected credit losses
Trade receivables	Common control under Sinochem Holdings	153,673	-	356,708	
	Joint venture	16,273	-	25,727	-
	Minority shareholder and its subsidiary	24,839	-	13,172	-
Other receivables	Common control under Sinochem Holdings	-	-	17	-
Other Non-Current assets	Common control under Sinochem Holdings	37	-	52	-
Prepayments	Common control under Sinochem Holdings	9,685	-	34,393	-

Payable Items

Items	Related Party Relationship	June 30 2023	December 31 2022
Trade payables	Common control under Sinochem Holdings	486,257	426,454
	Minority shareholder and its subsidiary	2,899	-
Other payables	Common control under Sinochem Holdings	21,850	24,974
Short-term loans *	Common control under Sinochem Holdings	2,167,740	696,459
Other non-current liabilities *	Common control under Sinochem Holdings	361,290	348,231

* The liabilities are loans from a related party, the interest expenses for the year ended June 30, 2023 is 43,976 thousand RMB (six months ended June 30, 2022: 3,033 thousand RMB).

On October 27, 2021, the Board of Directors first approved (following the approval of the Company's Audit Committee dated October 25, 2021) the Company, through one of its subsidiaries, entering into committed credit facilities agreements in the aggregate amount of $100 million (RMB 696 million) on market terms with Syngenta Group, or any of its subsidiaries. Following the approvals of the Company's requisite organs, these facilities were amended and further increased in December 2022 and in April 2023, to an aggregate amount of $400 million (RMB 2,890 million). As of 30 June 2023, a total of $350 million (RMB 2,529 million) was utilized.

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

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

(5) Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was nil thousand RMB (31.12.22: nil) Interest income of bank deposit for the current period was nil thousand RMB (amount for six months ended June 30, 2022 was 90 thousand RMB).

The closing balance of bank deposit in Sinochem Finance Corporation was 103,987 thousand RMB (31.12.22: 417,661) Interest income of bank deposit for the current period was 2,802 thousand RMB (amount for six months ended June 30, 2022 was 976 thousand RMB).

The closing balance of a loan received from Sinochem Finance Corporation was 50,000 thousand RMB (31.12.22: nil) Interest expenses in the current period was 137 thousand RMB (amount for six months ended June 30, 2022 was nil thousand RMB).

(Expressed in RMB '000)

XI. Commitments and contingencies

1. Significant commitments

	June 30 2023	December 31 2022
Investment in Fixed assets	439,492	429,862

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, 2022.

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 Solutions, with respect to an herbicide bearing the brand name Roundup, which is produced by the Manufacturers and distributed in Israel in small quantities by Solutions' subsidiary. The applicants argue that the product allegedly poses a risk to users or those who have been exposed to it. Solutions and its subsidiary reject the allegations against the subsidiary in the Motion and in the statement of claim. Based on the opinion of Solutions' external counsels given this preliminary stage, as of the date of the financial statements the Motion and claim are not expected to have any non-negligible effect on the Company's financial results. In addition, and as Solutions is an authorized distributor of the Manufactures, the Manufactures 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.

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 a product that allegedly 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 were rejected. 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. In May 2023, an additional lawsuit (including a preliminary injunction) was filed by the same large competitor against said subsidiary, alleging infringement of the same two patents for a different product. The said preliminary injunction was rejected by the court, and plaintiff's appeals with respect thereto are pending. 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

The Company is not aware of any events subsequent to the balance sheet date.

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	30,196,487
Total number of Phantom warrants granted in current period	-
Total number of Phantom warrants exercised in current period	(198,228)
Total number of Phantom warrants forfeited in current period	(632,648)
Total number of Phantom warrants at the end of the period	29,365,611
The exercise prices and the remainder of the contractual period for Phantom warrants outstanding at the end of period	RMB 9.87 – 10.85 2.5 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)	32,977
Expenses arising from cash-settled share-based payments in current period (in thousands RMB)	(20,682)

(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	12,172,969
Total number of Phantom warrants granted in current period	-
Total number of Phantom warrants exercised in current period	(82,739)
Total number of Phantom warrants forfeited in current period	(317,967)
Total number of Phantom warrants at the end of the period	11,772,263

The range of the exercise prices and the remainder of the contractual period	RMB 9.37 – 9.43
for Phantom warrants outstanding at the end of period	3.25 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)	16,794
Expenses (income) arising from cash-settled share-based payments in current period related to the alternative plan (in thousands RMB)	(8,288)

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	
	2023	2022	2023	2022	2023	2022	2023	2022
Operating income from external customers	15,855,165	16,842,617	1,398,036	1,953,211	-	-	17,253,201	18,795,828
Inter-segment operating income	-	-	709	870	(709)	(870)	-	-
Interest in the profit or loss of associates and joint ventures	-	-	3,439	4,706	-	-	3,439	4,706
Segment's results	954,027	1,385,155	(41,194)	351,710	-	-	912,833	1,736,865
Financial expenses							455,855	(438,224)
Loss from changes in fair value							(782,218)	(1,341,717)
Investment income							6,651	-
Profit before tax							(318,589)	833,374
Income tax income (expense)							76,433	(101,276)
Net profit							(242,156)	732,098

	Crop Protection		Intermediates and ingredients		Unallocated assets and liabilities		Total	
	June 30 2023	December 31 2022	June 30 2023	December 31 2022	June 30 2023	December 31 2022	June 30 2023	December 31 2022
Total assets	48,359,453	47,113,346	2,440,361	2,520,000	9,102,088	8,347,143	59,901,902	57,980,489
Total liabilities	6,628,775	8,689,479	312,512	383,640	29,316,105	25,782,715	36,257,392	34,855,834

(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 mainly 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	
	2023	2022
Europe, Africa and Middle East	5,286,856	5,136,114
North America	3,018,617	3,639,600
Latin America	3,902,210	3,993,953
Asia Pacific	5,045,518	6,026,161
	17,253,201	18,795,828

	Specified non-current assets	
	June 30	December 31
	2023	2022
Europe, Africa and Middle East	14,141,270	13,365,820
North America	1,346,640	1,184,067
Latin America	2,589,195	2,482,569
Asia Pacific	5,996,887	5,862,043
	24,073,992	22,894,499

* As of 2023, the India, Middle East & Africa (IMA) region has been reorganized such that the countries formerly included in this region are now included in the Europe region (renamed EAME) or in the Asia Pacific region. The information for 2022 was re-classified accordingly.

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 (loss) from continuing operations attributable to ordinary shareholders	(242,156)	732,098

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	(0.10)	0.31
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	(0.10)	0.31
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 2023	December 31 2022
Deposits in banks	121,346	258,330
Other cash and bank balances	3,210	12,750
	124,556	271,080

As at June 30, 2023, restricted cash and bank balances was 3,210 thousand RMB (as at December 31, 2022: 12,750 thousand RMB).

2. Accounts receivable

a. By category

	June 30, 2023				
	Book value		Provision for expected credit losses		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	13,893	1	13,893	100	-
Account receivables assessed collectively for impairment	1,031,461	99	21	-	1,031,440
	1,045,354	100	13,914	1	1,031,440

	December 31, 2022				
	Book value		Provision for expected credit losses		
	Amount	Percentage (%)	Amount	Percentage (%)	Carrying amount
Account receivables assessed individually for impairment	13,893	2	13,893	100	-
Account receivables assessed collectively for impairment	758,471	98	9	-	758,462
	772,364	100	13,902	2	758,462

b. Aging analysis

	June 30, 2023
Within 1 year (inclusive)	1,031,461
Over 1 year but within 2 years	-
Over 2 years but within 3 years	-
Over 3 years but within 4 years	15
Over 4 years but within 5 years	1
Over 5 years	13,877
	1,045,354

(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, 2023
Balance as of January 1	13,902
Addition during the year, net	21
Write back during the year	(9)
Write-off during the year	-
Exchange rate effect	-
Balance as of June 30	13,914

d. Five largest accounts receivable at June 30, 2023:

Name	Closing balance	Proportion of Accounts receivable (%)	Allowance of expected credit losses
Party 1	815,623	78	-
Party 2	114,009	11	-
Party 3	20,520	2	-
Party 4	18,965	2	-
Party 5	18,056	2	-
	987,173	95	-

3. Receivable financing

	June 30 2023	December 31 2022
Bank acceptance draft	47,446	2,596
	47,446	2,596

As at June 30, 2023, bank acceptance endorsed but not yet due amounts to 218,243 thousand RMB.

(Expressed in RMB '000)

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

4. Other Receivables

	June 30 2023	December 31 2022
Other receivables	11,611	11,611
	11,611	11,611

(1) Other receivables

a. Other receivables by categories

	June 30 2023	December 31 2022
Other	17,530	17,633
Provision for expected credit losses	(5,919)	(6,022)
	11,611	11,611

b. Other receivables by aging

	June 30, 2023
Within 1 year (inclusive)	-
Over 1 year but within 2 years	113
Over 2 years but within 3 years	634
Over 3 years but within 4 years*	11,830
Over 4 years but within 5 years	-
Over 5 years	4,953
	17,530

* 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, 2023
Balance as of January 1, 2023	6,022
Addition during the period	-
Written back during the period	(103)
Write-off during the period	-
Balance as of June 30, 2023	5,919

d. Five largest other receivables at June 30 2023:

Name	Closing balance	Proportion of other receivables (%)	Credit loss provision
Party 1	11,611	66	-
Party 2	3,125	18	3,125
Party 3	548	3	548
Party 4	543	3	543
Party 5	237	1	237
	16,064	91	4,453

(Expressed in RMB '000)

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

5. Long-term equity investments

	June 30, 2023			December 31, 2022		
	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, 2023		Six months ended June 30, 2022	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	1,073,326	884,306	1,162,352	870,245
Other operations	20,383	8,932	22,742	11,173
	1,093,709	893,238	1,185,094	881,418

(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, 2023	Six months ended June 30, 2022
Interest income	1,964	3,340
Government subsidies	7,766	13,377
Other	15,929	6,385
	25,659	23,102

(2) Other cash paid relevant to operating activities

	Six months ended June 30, 2023	Six months ended June 30, 2022
Professional services	71,288	37,608
Transportation and Commissions	26,151	26,622
Other	14,600	6,697
	112,039	70,927

(3) Other cash received relevant to investing activities

	Six months ended June 30, 2023	Six months ended June 30, 2022
Loans	2,850	150,000
	2,850	150,000

(4) Other cash paid relevant to investing activities

	Six months ended June 30, 2023	Six months ended June 30, 2022
Loans	-	250,000
	-	250,000

(5) Other cash received relevant to financing activities

	Six months ended June 30, 2023	Six months ended June 30, 2022
Deposit for issuing bills payables	12,750	6,124
	12,750	6,124

(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, 2023	Six months ended June 30, 2022
Deposit for issuing bills payable	3,210	18,741
Other	627	-
	3,837	18,741

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 2023	2022
Net profit	93,632	245,802
Add: Assets impairment loss	3,067	(3,142)
Credit impairment loss	(91)	141
Depreciation of fixed assets and investment property	114,931	100,485
Depreciation of-right-of use assets	1,177	1,434
Amortization of intangible assets	6,033	5,727
Gain on disposal of fixed assets, intangible assets and other long-term assets	472	(59,538)
Financial expenses	2,661	28,333
Decrease in deferred income tax assets	20,379	-
Decrease (increase) in inventory	77,725	(107,348)
Decrease in accounts receivable from operating activities	(327,200)	(287,302)
Increase (decrease) in payables from operating activities	(56,446)	137,955
Net cash flows generated from operating activities	(63,660)	62,547

(2) Net increase in cash and cash equivalents

	Six months ended June 30 2023	2022
Closing balance of cash	121,346	276,501
Less: Opening balance of cash	258,330	259,434
Net increase in cash and cash equivalents	(136,984)	17,067

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

	Related Party Relationship	Six months ended June 30 2023	Six months ended June 30 2022
Summary of Purchase of goods/services received:			
Purchase of goods/services received	Common control under ChemChina	50,950	67,101
	Subsidiary	53,851	47,970
Purchase of fixed assets and other assets	Common control under ChemChina Holdings	-	2,569
Summary of Sales of goods:			
Sale of goods	Common control under ChemChina	2,553	20,068
	Subsidiary	499,786	497,938
Sale of raw materials	Subsidiary	164	1,003

(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)
	40,000	2022.01.18	2023.01.17	Y
Subsidiary	30,000	2022.03.30	2023.03.29	Y
	38,000	2021.12.01	2024.11.28	N
	20,000	2022.12.16	2023.12.12	N
	35,000	2022.01.01	2025.11.28	N
	21,000	2022.02.28	2027.11.28	N
	14,000	2022.03.28	2027.11.28	N
	7,500	2022.05.20	2027.11.28	N
	23,500	2022.06.26	2027.11.28	N
	10,000	2022.10.31	2027.11.28	N
	11,000	2022.11.30	2027.11.28	N
	10,000	2023.01.12	2025.06.20	N
	20,000	2022.11.17	2024.12.20	N
	12,000	2023.04.03	2025.06.20	N
	4,000	2022.01.25	2026.09.28	N
	3,900	2022.02.28	2026.09.28	N
	8,100	2022.07.12	2026.09.28	N
	4,400	2023.04.13	2026.09.28	N
	10,000	2022.08.11	2028.06.22	N
	10,000	2022.08.31	2028.06.22	N
	11,000	2022.10.28	202706.22	N
	25,000	2022.11.23	2026.12.22	N
	10,000	2023.01.16	2026.06.22	N
	14,000	2023.04.04	2026.06.22	N
	2,000	2023.04.26	2028.05.05	N

(Expressed in RMB '000)

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

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

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

b. Guarantees - (cont'd)

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	323,000	21/04/2021	20/04/2028	N
	71,108	01/06/2021	31/05/2028	N

During the reporting period, the Company paid a guarantee fee amounting to 219 thousand RMB (2022.1-6: 227) to the parent company.

c. Intercompany borrowings/lending

Related party	Borrowing/ Lending amount	Commencement date	Termination date	Balance at year end	Note
Lending					
Subsidiary	50,000	2022.5	2023.12	50,000	Fixed rate at 2.4%
Subsidiary	40,000	2022.6	2023.12	40,000	Fixed rate at 2.4%
Subsidiary	35,000	2022.6	2023.12	35,000	Fixed rate at 2.4%
Subsidiary	125,000	2022.6	2024.05	125,000	Fixed rate at 2.4%

(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)

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

Receivable Items

Items	Related Party Relationship	June 30 2023 Book Balance	June 30 2023 Expected credit losses	December 31 2022 Book Balance	December 31 2022 Expected credit losses
Trade receivables	Subsidiary	834,588	-	548,601	-
Non-current assets within one year	Subsidiary	125,000	-	125,000	-
Other non-current assets	Subsidiary	125,000	-	125,000	-
Other receivables	Subsidiary	11,611	-	11,611	-
Trade receivables	Common control under Sinochem Holding	955	-	304	-
Prepayments	Common control under Sinochem Holding	1,311	-	537	-
Other non-current assets	Common control under Sinochem Holding	37	-	52	-

Payable Items

Items	Related Party Relationship	June 30 2023	December 31 2022
Trade payables	Subsidiary	19	5,686
Trade payables	Common control under Sinochem Holdings	44,877	46,152
Other payables	Subsidiary	311,065	395,152
	Common control under Sinochem Holdings	327	700

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)

e. Other related party transactions

The closing balance of bank deposit in ChemChina Finance Corporation was nil (31.12.22: nil). Interest income of bank deposit for the current period was nil (amount for period ended June 30, 2022 was 67 thousand RMB).

The closing balance of bank deposit in SinoChem Finance Corporation was 42,360 thousand RMB (31.12.22: 202,615 thousand RMB) Interest income of bank deposit for the current period was 1,490 thousand RMB (amount for period ended June 30, 2022 was 493 thousand RMB).

Supplementary information
(Expressed in RMB '000)

1. Extraordinary Gain and Loss

	Six months ended June 30, 2023
Disposal of non-current assets	23,402
Government grants recognized through profit or loss	19,053
Recovery or reversal of expected credit losses which is assessed individually during the years	27,325
Other non-operating income or expenses other than the above	13,569
Other profit or loss that meets the definition of non-recurring profit or loss	(2,751)
Tax effect	(17,788)
	62,810

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

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

Profit during the reporting period	Weighted average rate of return on net assets	Basic EPS (RMB/share)	Diluted EPS (RMB/share)
Net profit attributable to ordinary shareholders of the Company	(1.03)	(0.10)	N/A
Net profit after deduction of extraordinary gains/losses attributable to ordinary shareholders of the Company	(1.30)	(0.13)	N/A