

ADAMA Ltd.

ENGLISH TRANSLATION OF FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

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Consolidated Balance Sheet

	Notes	June 30 2024	December 31 2023
Current assets			
Cash at bank and on hand	V.1	3,995,217	4,881,328
Financial assets held for trading	V.2	2,125	1,912
Derivative financial assets	V.3	222,662	850,137
Bills receivable	V.4	83,882	86,303
Accounts receivable	V.5	8,376,840	8,146,677
Receivables financing	V.6	149,457	123,050
Prepayments	V.7	297,531	305,883
Other receivables	V.8	862,132	1,054,302
Inventories	V.9	12,316,391	13,088,757
Other current assets	V.10	1,359,146	1,083,714
Total current assets		27,665,383	29,622,063
Non-current assets			
Long-term receivables	V.11	55,147	68,752
Long-term equity investments	V.12	29,305	31,474
Other equity investments	V.13	132,579	132,018
Investment properties		21,327	22,145
Fixed assets	V.14	9,800,110	10,040,113
Construction in progress	V.15	2,699,358	2,507,328
Right-of-use assets	V.16	575,852	625,235
Intangible assets	V.17	4,995,395	5,318,281
Goodwill	V.18	5,031,880	5,001,538
Deferred tax assets	V.19	1,448,911	1,601,641
Other non-current assets	V.20	399,234	435,215
Total non-current assets		25,189,098	25,783,740
Total assets		52,854,481	55,405,803

Consolidated Balance Sheet (continued)

	Notes	June 30 2024	December 31 2023
Current liabilities			
Short-term loans	V.21	4,597,378	5,733,522
Derivative financial liabilities	V.22	280,518	607,787
Bills payable	V.23	424,493	613,507
Accounts payable	V.24	4,999,499	4,649,733
Contract liabilities	V.25	1,389,717	1,514,365
Employee benefits payable	V.26	782,939	847,039
Taxes payable	V.27	550,325	407,230
Other payables	V.28	1,773,384	1,469,319
Non-current liabilities due within one year	V.29	2,013,951	2,297,888
Other current liabilities	V.30	882,320	753,827
Total current liabilities		17,694,524	18,894,217
Non-current liabilities			
Long-term loans	V.31	2,891,645	2,885,939
Debentures payable	V.32	6,844,166	6,919,423
Lease liabilities	V.33	447,815	495,459
Long-term payables		95,571	97,840
Long-term employee benefits payable	V.34	571,740	671,530
Provisions	V.35	316,235	299,251
Deferred tax liabilities	V.19	291,846	297,103
Other non-current liabilities	V.36	2,718,453	2,920,566
Total non-current liabilities		14,177,471	14,587,111
Total liabilities		31,871,995	33,481,328
Shareholders' equity			
Share capital	V.37	2,329,812	2,329,812
Capital reserve	V.38	12,950,464	12,950,464
Less: Treasury shares		-	-
Other comprehensive income	V.39	1,672,162	1,675,896
Special reserves		8,098	16,595
Surplus reserve	V.40	273,617	273,617
Retained earnings	V.41	3,748,333	4,678,091
Total equity attributed to the shareholders of the company		20,982,486	21,924,475
Non-controlling interests		-	-
Total Equity		20,982,486	21,924,475
Total liabilities and equity		52,854,481	55,405,803

Steve Hawkins
Legal representative

Efrat Nagar
Chief Financial Officer

These financial statements were approved by the Board of Directors of the Company on August 27 2024.

The notes form part of these financial statements.

Company's Balance Sheet

	Notes	June 30 2024	December 31 2023
Current assets			
Cash at bank and on hand	XV.1	72,509	163,646
Accounts receivable	XV.2	1,013,459	1,141,839
Receivables financing	XV.3	25,125	7,929
Prepayments		7,383	10,233
Other receivables	XV.4	11,611	11,611
Inventories		235,078	218,984
Non-current assets due within one year		-	125,000
Other current assets		9,127	7,574
Total current assets		<u>1,374,292</u>	<u>1,686,816</u>
Non-current assets			
Long-term equity investments	XV.5	17,430,716	17,430,716
Other equity investments		54,299	54,299
Investment properties		2,345	2,619
Fixed assets		1,604,248	1,711,062
Construction in progress		70,253	56,791
Right-of-use assets		1,661	1,877
Intangible assets		243,178	249,236
Deferred tax assets		28,827	80,241
Other non-current assets		207,068	273,783
Total non-current assets		<u>19,642,595</u>	<u>19,860,624</u>
Total assets		<u><u>21,016,887</u></u>	<u><u>21,547,440</u></u>
Current liabilities			
Short-term loans		100,000	100,000
Bills payables		34,242	64,588
Accounts payables		144,343	150,265
Contract liabilities		6,415	12,190
Employee benefits payable		5,411	12,091
Taxes payable		2,039	4,852
Other payables		703,247	619,857
Non-current liabilities due within one year		415,808	537,820
Total current liabilities		<u>1,411,505</u>	<u>1,501,663</u>
Non-current liabilities			
Long-term loans		575,971	949,017
Lease liabilities		962	885
Long-term employee benefits payable		100,500	101,628
Provisions		25,227	26,116
Other non-current liabilities		225,400	269,500
Total non-current liabilities		<u>928,060</u>	<u>1,347,146</u>
Total liabilities		<u>2,339,565</u>	<u>2,848,809</u>
Shareholders' equity			
Share capital	V.37	2,329,812	2,329,812
Capital reserve		15,523,881	15,523,881
Other comprehensive income		(1,002)	(1,002)
Special reserves		8,789	17,286
Surplus reserve	V.40	273,617	273,617
Retained earnings		542,225	555,037
Total shareholders' equity		<u>18,677,322</u>	<u>18,698,631</u>
Total liabilities and shareholders' equity		<u><u>21,016,887</u></u>	<u><u>21,547,440</u></u>

Consolidated Income Statement

	Notes	Six months ended June 30	
		2024	2023
I. Operating income	V.42	14,910,289	17,253,201
Less: Cost of sales	V.42	11,474,074	13,358,727
Taxes and surcharges	V.43	48,358	51,420
Selling and Distribution expenses	V.44	2,363,376	2,161,199
General and administrative expenses	V.45	536,266	461,146
Research and Development expenses	V.46	218,107	262,378
Financial expenses	V.47	623,647	455,855
Including: Interest expense		532,560	565,782
Interest income		130,667	134,254
Add: Investment income, net	V.48	4,418	10,090
Including: Income from investment in associates and joint ventures		4,418	3,439
Loss from changes in fair value	V.49	(196,492)	(782,218)
Credit impairment reversal (losses)	V.50	(15,676)	8,490
Asset impairment losses	V.51	(59,134)	(105,887)
Gain from disposal of assets	V.52	18,217	23,402
II. Operating loss		(602,206)	(343,647)
Add: Non-operating income		43,241	36,073
Less: Non-operating expenses		12,465	11,015
III. Total loss		(571,430)	(318,589)
Less: Income tax expenses (income)	V.53	323,436	(76,433)
IV. Net loss		(894,866)	(242,156)
(1). Classified by nature of operations			
(1.1). Continuing operations		(894,866)	(242,156)
(2). Classified by ownership			
(2.1). Shareholders of the Company		(894,866)	(242,156)
(2.2). Non-controlling interests		-	-
V. Other comprehensive income (loss), net of tax	V. 39	(3,734)	884,205
Other comprehensive income (net of tax) attributable to shareholders of the Company		(3,734)	884,205
(1) Items that will not be reclassified to profit or loss:		8,522	14,741
(1.1) Re-measurement of defined benefit plan liability		8,522	14,741
(1.2) Fair Value changes in other equity investment		-	-
(2) Items that were or will be reclassified to profit or loss		(12,256)	869,464
(2.1) Effective portion of gains or loss of cash flow hedge		6,283	26,534
(2.2) Translation differences of foreign financial statements		(18,539)	842,930
VI. Total comprehensive income (loss) for the period attributable to Shareholders of the Company		(898,600)	642,049
Total comprehensive income (loss) for the period attributable to shareholders of the Company		(898,600)	642,049
Total comprehensive income for the period attributable to Non-controlling interests		-	-
VII. Earnings per share	XIV.2		
(1) Basic loss per share (Yuan/share)		(0.38)	(0.10)
(2) Diluted earnings per share (Yuan/share)		N/A	N/A

Company's Income Statement

	Notes	Six months ended June 30	
		2024	2023
I. Operating income	XV.6	981,592	1,093,709
Less: Operating costs	XV.6	831,781	893,238
Taxes and surcharges		5,450	4,292
Selling and Distribution expenses		3,695	2,744
General and administrative expenses		62,755	66,887
Research and Development expenses		2,497	16,129
Financial expenses		3,942	755
Including: Interest expense		19,087	24,412
Interest income		3,892	4,814
Add: Investment income, net		-	-
Gain from changes in fair value ("-" means loss)		(30,870)	-
Credit impairment reversal (losses)		(2)	91
Asset Impairment reversal (losses)		(3,565)	(3,067)
Gain from disposal of assets		-	17
II. Operating Profit		<u>37,035</u>	<u>106,705</u>
Add: Non-operating income		1,606	7,815
Less: Non-operating expenses		39	509
III. Total profit		<u>38,602</u>	<u>114,011</u>
Less: Income tax expense (income)		<u>51,414</u>	<u>20,379</u>
IV. Net profit (loss)		<u>(12,812)</u>	<u>93,632</u>
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 (loss) for the period		<u>(12,812)</u>	<u>93,632</u>

Consolidated Cash Flow Statement

	Notes	Six months ended June 30	
		2024	2023
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		13,538,583	17,397,575
Refund of taxes and surcharges		104,215	93,456
Cash received relating to other operating activities	V.56(1)	292,828	201,011
Sub-total of cash inflows from operating activities		<u>13,935,626</u>	<u>17,692,042</u>
Cash paid for goods and services		8,394,452	13,362,264
Cash paid to and on behalf of employees		2,093,554	2,464,353
Payments of taxes and surcharges		324,788	388,247
Cash paid relating to other operating activities	V.56(2)	1,391,714	1,542,054
Sub-total of cash outflows from operating activities		<u>12,204,508</u>	<u>17,756,918</u>
Net cash flows provided by (used in) operating activities	V.57(1)a	<u>1,731,118</u>	<u>(64,876)</u>
II. Cash flows from investing activities:			
Cash received from disposal of investments		63,100	158,498
Cash received from returns of investments		-	1,710
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		30,379	30,688
Cash received relating to other investing activities	V.56(3)	-	16,643
Sub-total of cash inflows from investing activities		<u>93,479</u>	<u>207,539</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		800,485	1,178,443
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)	107,950	-
Sub-total of cash outflows from investing activities		<u>908,435</u>	<u>1,328,648</u>
Net cash flows used in investing activities		<u>(814,956)</u>	<u>(1,121,109)</u>
III. Cash flows from financing activities:			
Cash received from borrowings		1,014,194	2,711,547
Cash received from other financing activities	V.56(5)	781,651	1,428,302
Sub-total of cash inflows from financing activities		<u>1,795,845</u>	<u>4,139,849</u>
Cash repayments of borrowings		2,792,435	1,599,428
Cash payment for dividends, profit distributions and interest		586,795	584,774
Including: Dividends paid to non-controlling interest		34,892	18,763
Cash paid relating to other financing activities	V.56(6)	261,285	554,624
Sub-total of cash outflows from financing activities		<u>3,640,515</u>	<u>2,738,826</u>
Net cash flow provided by (used in) financing activities		<u>(1,844,670)</u>	<u>1,401,023</u>
IV. Effects of foreign exchange rate changes on cash and cash equivalent equivalent		42,030	130,246
V. Net increase (decrease) in cash and cash equivalents	V.57(1)b	(886,478)	345,284
Add: Cash and cash equivalents at the beginning of the year		4,857,358	4,225,253
VI. Cash and cash equivalents at the end of the period	V.57(2)	<u>3,970,880</u>	<u>4,570,537</u>

Company's Cash Flow Statement

	Notes	Six months ended June 30	
		2024	2023
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		879,847	621,379
Refund of taxes and surcharges		41,484	28,662
Cash received relating to other operating activities	XV.7(1)	12,564	25,659
Sub-total of cash inflows from operating activities		<u>933,895</u>	<u>675,700</u>
Cash paid for goods and services		530,851	551,879
Cash paid to and on behalf of employees		69,738	68,837
Payments of taxes and surcharges		9,090	6,605
Cash paid relating to other operating activities	XV.7(2)	20,299	112,039
Sub-total of cash outflows from operating activities		<u>629,978</u>	<u>739,360</u>
Net cash flows provided by (used in) operating activities	XV.8	<u>303,917</u>	<u>(63,660)</u>
II. Cash flows from investing activities:			
Cash received from returns of investments		-	-
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		-	17
Cash received relating to other investing activities	XV.7.(3)	127,600	2,850
Sub-total of cash inflows from investing activities		<u>127,600</u>	<u>2,867</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		17,913	36,808
Cash paid for other investing activities	XV.7.(4)	-	-
Sub-total of cash outflows from investing activities		<u>17,913</u>	<u>36,808</u>
Net cash flows provided by (used in) investing activities		<u>109,687</u>	<u>(33,941)</u>
III. Cash flows from financing activities:			
Cash received from borrowings		50,000	450,000
Cash received relating to other financing activities	XV.7.(5)	6,460	12,750
Sub-total of cash inflows from financing activities		<u>56,460</u>	<u>462,750</u>
Cash repayments of borrowings		544,732	409,732
Cash payment for dividends, profit distributions or interest		19,179	87,684
Cash paid relating to other financing activities	XV.7.(6)	3,884	3,837
Sub-total of cash outflows from financing activities		<u>567,795</u>	<u>501,253</u>
Net cash flow used in financing activities		<u>(511,335)</u>	<u>(38,503)</u>
IV. Effects of foreign exchange rate changes on cash and cash equivalents		9,630	(880)
V. Net decrease in cash and cash equivalents		(88,101)	(136,984)
Add: Cash and cash equivalents at the beginning of the year	XV.8(2)	157,186	258,330
VI. Cash and cash equivalents at the end of the period	XV.8(2)	<u>69,085</u>	<u>121,346</u>

Consolidated Statement of Changes in Shareholders' Equity

For the Six months ended June 30, 2024

	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Total	Non-controlling interests	Total equity
I. Balance at December 31, 2023	2,329,812	12,950,464	1,675,896	16,595	273,617	4,678,091	21,924,475	-	21,924,475
II. Changes in equity for the period	-	-	(3,734)	(8,497)	-	(929,758)	(941,989)	-	(941,989)
1. Total comprehensive loss	-	-	(3,734)	-	-	(894,866)	(898,600)	-	(898,600)
2. Appropriation of profits	-	-	-	-	-	(34,892)	(34,892)	-	(34,892)
2.1 Distribution to non-controlling interest	-	-	-	-	-	(34,892)	(34,892)	-	(34,892)
3. Special reserve	-	-	-	(8,497)	-	-	(8,497)	-	(8,497)
3.1 Transfer to special reserve	-	-	-	4,721	-	-	4,721	-	4,721
3.2 Amount utilized	-	-	-	(13,218)	-	-	(13,218)	-	(13,218)
III. Balance at June 30, 2024	<u>2,329,812</u>	<u>12,950,464</u>	<u>1,672,162</u>	<u>8,098</u>	<u>273,617</u>	<u>3,748,333</u>	<u>20,982,486</u>	<u>-</u>	<u>20,982,486</u>

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	<u>2,329,812</u>	<u>12,945,837</u>	<u>1,964,795</u>	<u>15,788</u>	<u>242,498</u>	<u>6,145,780</u>	<u>23,644,510</u>	-	<u>23,644,510</u>

Company's Statement of Changes in Shareholders' Equity

For the Six months ended June 30, 2024

	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Total
I. Balance at December 31, 2023	2,329,812	15,523,881	(1,002)	17,286	273,617	555,037	18,698,631
II. Changes in equity for the period	-	-	-	(8,497)	-	(12,812)	(21,309)
1. Total comprehensive income	-	-	-	-	-	(12,812)	(12,812)
2. Special reserve	-	-	-	(8,497)	-	-	(8,497)
2.1 Transfer to special reserve	-	-	-	4,721	-	-	4,721
2.2 Amount utilized	-	-	-	(13,218)	-	-	(13,218)
III. Balance at June 30, 2024	<u>2,329,812</u>	<u>15,523,881</u>	<u>(1,002)</u>	<u>8,789</u>	<u>273,617</u>	<u>542,225</u>	<u>18,677,322</u>

For the Six months ended June 30, 2023

	Share capital	Capital reserve	Other comprehensiv e 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 shareholder	-	-	-	-	-	(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	<u>2,329,812</u>	<u>15,523,881</u>	<u>30,822</u>	<u>16,479</u>	<u>242,498</u>	<u>368,592</u>	<u>18,512,084</u>

Notes to the Financial Statements

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 27, 2024.

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 2023).

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.

Notes to the Financial Statements

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, 2024 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, 2024 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.

Notes to the Financial Statements

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

5. Criteria of determining material item in the report and its benchmark

Item	Benchmark for Material Item
Material construction in progress projects	Individual construction in progress project with a budget higher than RMB 100 million

6. Business combinations

6.1 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.

The consideration transferred includes the fair value of any contingent consideration. (such as earnout arrangements with the former shareholders). After the acquisition date, the Group recognizes changes in the fair value of contingent consideration classified as a financial liability at fair value through profit or loss.

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.

Notes to the Financial Statements

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

7. 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.

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.

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.

Notes to the Financial Statements

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

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

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.

8. Classification and accounting methods of joint arrangement

There are two types of joint arrangements – joint operations and joint ventures. The type of joint arrangements is determined based on the rights and obligations of joint operator to the joint arrangements by considering the factors, such as the structure, the legal form of the arrangements, and the contractual terms, etc. A joint operation is a joint arrangement whereby the joint operators have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement.

9. 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.

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

10.1 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.

Notes to the Financial Statements

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

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

10.1 Transactions denominated in foreign currencies - (cont'd)

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.

10.2 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.

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.

Notes to the Financial Statements

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

11. 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.

11.1 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”).

11.1.1 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.

11.1.1.1 Effective interest method and amortised cost

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

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

Notes to the Financial Statements

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

11. Financial instruments - (cont'd)

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

11.1.2 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.

11.1.3 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.

11.1.4 Designated financial assets at FVTOCI

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

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

Notes to the Financial Statements

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

11. Financial instruments - (cont'd)

11.2 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.

11.2.1 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.

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

Notes to the Financial Statements

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

11. Financial instruments - (cont'd)

11.2 Impairment of financial assets - (cont'd)

11.2.2 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;

11.2.3 Recognition of expected credit losses

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

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

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

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

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

Notes to the Financial Statements

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

11. Financial instruments - (cont'd)

11.2 Impairment of financial assets - (cont'd)

11.2.4 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.

11.3 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.

11.4 Classification and measurement of financial liabilities

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

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

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

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

Notes to the Financial Statements

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

11. Financial instruments - (cont'd)

11.5 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.

11.6 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 29.1).

11.7 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.

11.8 Equity instruments

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

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

Notes to the Financial Statements

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

12. 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.

13. Inventories

13.1 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.

13.2 Valuation method of inventories upon delivery

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

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

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

Notes to the Financial Statements

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

13. Inventories - (cont'd)

- 13.3 Basis for determining net realizable value of inventories and provision methods for decline in value of 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.

- 13.4 The perpetual inventory system is maintained for stock system.

14. Long-term equity investments

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

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

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

- 14.1 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.

Notes to the Financial Statements

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

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

14.2 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.

14.3 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.

14.4 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 21).

Notes to the Financial Statements

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

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

14.5 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.

15. Investment properties

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

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

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

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

16. Fixed assets

16.1 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.

Notes to the Financial Statements

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

16. Fixed assets - (cont'd)

16.2 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:

<u>Category</u>	<u>Depreciation</u>	<u>Useful life</u> <u>(years)</u>	<u>Residual</u> <u>value</u> <u>(%)</u>	<u>Annual</u> <u>depreciation rate</u> <u>(%)</u>
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.

16.3 Other explanations

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

The difference between recoverable amounts of the fixed assets under the carrying amount is referred to as impairment loss (Note III 21).

17. Construction in progress

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

The difference between recoverable amounts of the construction in progress under the carrying amount is referred to as impairment loss (Note III 21).

Notes to the Financial Statements

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

18. Borrowing costs

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

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

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

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

19. Intangible assets

19.1 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.

Notes to the Financial Statements

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

19. Intangible assets - (cont'd)

19.1 Valuation methods, useful life, impairment test - (cont'd)

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 21).

19.2 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.

20. Goodwill

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

Goodwill is not amortized and is stated in the balance sheet at cost less accumulated impairment losses (see Note III 21). 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.

Notes to the Financial Statements

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

21. Impairment of long-term assets

The Company assesses at each balance sheet date whether there is any indication that the fixed assets, construction in progress, 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.

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.

22. Contract liabilities

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

23. Employee benefits

23.1 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.

Notes to the Financial Statements

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

23. Employee benefits - (cont'd)

23.2 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.

23.3 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 when the Group can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

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.

23.4 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.

Notes to the Financial Statements

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

24. 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.

24.1 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.

25. 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.

26. 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.

Notes to the Financial Statements

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

26. Revenue - (cont'd)

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.

27. 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.

Notes to the Financial Statements

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

27. Government grants - (cont'd)

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.

28. Current and deferred tax

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

28.1 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.

28.2 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.

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.

Notes to the Financial Statements

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

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

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

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.

28.3 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.

29. Leases

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

29.1 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.

29.2 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 29.4), 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.

Notes to the Financial Statements

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

29. Leases - (cont'd)

29.2 Initial recognition of leased assets and lease liabilities - (cont'd)

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.

29.3 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.

29.4 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.

29.5 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.

30. Other significant accounting policies and accounting estimates

30.1 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.

Notes to the Financial Statements

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

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

30.1 Hedging - (cont'd)

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.

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.

Notes to the Financial Statements

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

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

30.1 Hedging - (cont'd)

Economic hedge

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

30.2 Securitization of assets

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

30.3 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.

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.

30.4 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.

Notes to the Financial Statements

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

31. Changes in significant accounting policies and accounting estimates

31.1 Changes in significant accounting policies

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

31.2 Changes in significant accounting estimates

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

32. 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:

32.1 Expected credit loss of trade receivables

As described in Note III.12, 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.

32.2 Provision for impairment of inventories

As described in Note III.13, 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)

Notes to the Financial Statements

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

32.3 Impairment of assets other than inventories and financial assets

As described in Note III.21, 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.

If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. Impairment exists if the carrying amount of an asset or asset group is higher than recoverable amount, the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset or asset group. 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 the parameters used for estimation of the recoverable amount are based on reasonable and supportable assumptions.

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

As described in Note III.16 and III.19, assets such as fixed assets and intangible assets are depreciated and amortised over their useful lives after taking into account residual value. The estimated useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and the estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

32.5 Income taxes and deferred income tax

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

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

Notes to the Financial Statements

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

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

32.6 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.

32.7 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.

32.8 Derivative financial instruments

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

Notes to the Financial Statements

IV. Taxation

1. Main types of taxes and corresponding tax rates

The income tax rate in China is 25% (2023: 25%). The subsidiaries outside of China are assessed based on the tax laws in the country of their residence.

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

<u>Name of subsidiary</u>	<u>Location</u>	<u>2024</u>
ADAMA agriculture solutions Ltd.	Israel	23.0%
ADAMA Makhteshim Ltd.	Israel	7.5%
ADAMA Agan Ltd.	Israel	16.0%
ADAMA Brasil S/A	Brazil	34.0%
Makhteshim Agan of North America Inc.	U.S.	24.3%
ADAMA India Private Ltd	India	25.2%
ADAMA Deutschland GmbH	Germany	32.5%
Control Solutions Inc.	U.S.	26.0%
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 2.6% to 27%.

(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 for 2024 and 2023 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 for 2024 and 2023 is 15%.

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

The Israeli enterprises are entitled to tax benefits under the Israeli Law for the Encouragement of Capital Investments, 1959. The Israeli enterprises have retained earnings that have been generated under the status of "Approved Enterprise" or "Beneficiary Enterprise". In the event that a dividend is distributed from these retained earnings, such dividend may be liable to tax at the time of distribution.

Notes to the Financial Statements

IV. Taxation - (cont'd)

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

(3) Amendment to the Law for the Encouragement of Capital Investments, 1959

Since 2013 the Israeli enterprises are taxed under the "Preferred Enterprise" regime. The benefits include a grants track for enterprises located on Area A. 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.

On December 21, 2016 the Israel legislature 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. Regulations that provide a nexus formula for allocating eligible profits govern these regimes.

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.

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.

Notes to the Financial Statements

V. Notes to the consolidated financial statements

1. Cash at Bank and On Hand

	<u>June 30</u> <u>2024</u>	<u>December 31</u> <u>2023</u>
Cash on hand	800	820
Deposits in banks	3,970,080	4,856,538
Other cash and bank balances	24,337	23,970
	<u>3,995,217</u>	<u>4,881,328</u>
Including cash and bank balances placed outside China	3,294,684	3,916,967

As at June 30, 2024 restricted cash and bank balances was 24,337 thousand RMB (as at December 31, 2023 23,970 thousand RMB) mainly including deposits that guarantee bank acceptance drafts.

2. Financial assets held for trading

	<u>June 30</u> <u>2024</u>	<u>December 31</u> <u>2023</u>
Bank deposits	2,125	1,912
	<u>2,125</u>	<u>1,912</u>

3. Derivative financial assets

	<u>June 30</u> <u>2024</u>	<u>December 31</u> <u>2023</u>
Economic hedge	206,969	833,400
Accounting hedge derivatives	15,693	16,737
	<u>222,662</u>	<u>850,137</u>

4. Bills Receivable

	<u>June 30</u> <u>2024</u>	<u>December 31</u> <u>2023</u>
Post-dated checks receivable	83,882	86,303
	<u>83,882</u>	<u>86,303</u>

Notes to the Financial Statements

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

5. Accounts Receivable

a. By category

	June 30, 2024				
	Book value		Provision for expected credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Account receivables assessed individually for impairment	442,901	5	287,194	65	155,707
Account receivables assessed collectively for impairment	8,324,751	95	103,618	1	8,221,133
	8,767,652	100	390,812	4	8,376,840

	December 31, 2023				
	Book value		Provision for expected credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Account receivables assessed individually for impairment	464,335	5	280,971	61	183,364
Account receivables assessed collectively for impairment	8,068,869	95	105,556	1	7,963,313
	8,533,204	100	386,527	5	8,146,677

b. Aging analysis

	June 30, 2024
Within 1 year (inclusive)	8,276,024
Over 1 year but within 2 years	208,281
Over 2 years but within 3 years	72,679
Over 3 years but within 4 years	22,713
Over 4 years but within 5 years	25,728
Over 5 years	162,227
	8,767,652

Notes to the Financial Statements

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

5. Accounts Receivable – (cont'd)

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

Geographical location A:

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

	June 30, 2024		
	Book value	Provision for expected credit loss	Percentage (%)
Credit group A	853,912	3,365	0.4
Credit group B	696,645	6,029	0.9
Credit group C	193,589	8,446	4.4
Credit group D	9,636	201	2.1
	1,753,782	18,041	1.0

Geographical location B:

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

	June 30, 2024		
	Book value	Provision for expected credit loss	Percentage (%)
Accounts receivable that are not overdue	658,567	5,850	0.9
Debts overdue less than 100 days	38,833	1,165	3
Debts overdue less than 190 days but more than 100 days.	30,738	3,074	10
Debts overdue less than 360 days but more than 190 days.	20,086	8,034	40
Debts overdue above 360 days	10,943	8,093	74
Legal Debtors	45,242	45,242	100
	804,409	71,458	8.9

Other geographical locations:

	June 30, 2024		
	Book value	Provision for expected credit loss	Percentage (%)
Other account receivables assessed collectively for impairment	5,766,560	14,119	0.2

Notes to the Financial Statements

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

5. Accounts Receivable – (cont'd)

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

	Lifetime expected credit loss (credit losses has not occurred)	Lifetime expected credit loss (credit losses has occurred)	Total
January 1, 2024	46,543	339,984	386,527
Addition (write back) during the period, net	(5,357)	22,927	17,570
Write-off during the period	-	1,156	1,156
Exchange rate effect	(3,186)	(11,255)	(14,441)
Balance as of June 30, 2024	<u>38,000</u>	<u>352,812</u>	<u>390,812</u>

d. Five largest accounts receivable at June 30, 2024:

Name	Closing balance	Proportion of Accounts receivable (%)	Allowance of expected credit losses (credit losses has occurred)
Customer 1	148,182	1.7	-
Customer 2	100,160	1.1	-
Customer 3	97,758	1.1	-
Customer 4	94,330	1.1	-
Customer 5	86,462	1	-
Total	<u>526,892</u>	<u>6</u>	<u>-</u>

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

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

Pursuant to the Securitization Program, the companies will sell their trade receivables debts, in various different currencies, to a foreign company that was set up for this purpose and that is not owned by the Adama Ltd. (hereinafter – “the Acquiring Company”). Acquisition of the trade receivables by the Acquiring Company is financed by 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 2024, the Securitization agreement was approved up to October 25, 2024.

Notes to the Financial Statements

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

5. Accounts Receivable – (cont'd)

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

The maximum scope of the securitization is adjusted for the seasonal changes in the scope of the Company's activities, as follows: during January - 300m\$ (as of June-2024 2,138 million RMB), during February – 350m\$ (as of June-2024 2,494 million RMB), during the months of March through August – 400m\$ (as of June-2024 2,851 million RMB), during the months of September through October - 300m\$ (as of June-2024 2,138 million RMB) and during the months of November through December – 275m\$ (as of June-2024 1,960 million RMB). In addition the company has a permanent uncommitted facility of 50\$ million (as of June 30, 2024- 356 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, 2024, 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.

A subordinated note is recorded in respect of the portion of trade receivables included in the Securitization Program with respect to outstanding cash proceeds, however the Company has transferred the credit risk. The continuing involvement and subordinated note recorded in the balance sheet as part of the “other receivables” line item.

Notes to the Financial Statements

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

5. Accounts Receivable – (cont'd)

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

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

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 June 17, 2024 the FIDC-Donegal agreement was approved up to September 30, 2027. The maximum securitization scope as of June 30, 2024 is BRL 359 million (as of June 30, 2024 – 460 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 June 30, 2024 the FIDC-Liverpool agreement was approved up to November 10, 2024. The maximum securitization scope as of June 30, 2024 is BRL 332 million (as of June 30, 2024 – 426 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.

In all the agreements above, the subsidiary does not control the entities and therefore the entities are not consolidated in the Group's financial statements.

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

Notes to the Financial Statements

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	December 31
	2024	2023
Accounts receivables derecognized	3,791,476	3,392,091
Continuing involvement	178,349	139,862
Subordinated note in respect of trade receivables	579,046	754,739
Liability in respect of trade receivables	243,652	32,368

	Six months ended June 30	
	2024	2023
Loss in respect of sale of trade receivables	97,379	115,352

6. Receivables financing

	June 30	December 31
	2024	2023
Bank acceptance draft	149,457	123,050
	149,457	123,050

As at June 30, 2024, bank acceptance endorsed but not yet due amounts to 327,848 thousands RMB.

7. Prepayments

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

	June 30		December 31	
	2024		2023	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	272,214	92	290,540	95
Over 1 year but within 2 years (inclusive)	21,998	7	11,818	4
Over 2 years but within 3 years (inclusive)	2,369	1	2,925	1
Over 3 years	950	-	600	-
	297,531	100	305,883	100

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

	Amount	Percentage of prepayments (%)
June 30, 2024	58,849	20

Notes to the Financial Statements

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

8. Other Receivables

(1) Other receivables by nature

	June 30	December 31
	2024	2023
Dividend receivable	2,345	-
Others	859,787	1,054,302
	862,132	1,054,302

a. Others breakdown by categories

	June 30	December 31
	2024	2023
Subordinated note in respect of trade receivables	579,046	754,739
Trade receivables as part of securitization transactions not yet eliminated	178,349	139,862
Financial institutions	-	44,429
Other	138,954	154,080
Sub total	896,349	1,093,110
Provision for expected credit losses - other receivables	(36,562)	(38,808)
	859,787	1,054,302

b. Other receivables by aging

	June 30
	2024
Within 1 year (inclusive)	849,179
Over 1 year but within 2 years	5,555
Over 2 years but within 3 years	31,033
Over 3 years but within 4 years	2,541
Over 4 years but within 5 years	1,403
Over 5 years	6,638
	896,349

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

	Six months ended
	June 30, 2024
Balance as of January 1 2024,	38,808
Addition (written back) during the period	(1,894)
Write-off during the period	(534)
Exchange rate effect	182
Balance as of June 30, 2024	36,562

Notes to the Financial Statements

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

8. Other Receivables – (cont'd)

(3) Five largest other receivables at June 30, 2024:

Name	Closing balance	Proportion of other receivables (%)	Allowance of expected credit losses
Party 1	579,045	65	-
Party 2	3,284	0	1,642
Party 3	3,157	0	-
Party 4	3,125	0	3,125
Party 5	2,899	0	2,899
Total	591,510	65	7,666

9. Inventories -

(1) Inventories by category:

	June 30, 2024		
	Book value	Provision for impairment	Carrying amount
Raw materials	3,499,031	21,932	3,477,099
Work in progress	1,847,534	3,833	1,843,701
Finished goods	6,719,963	232,780	6,487,183
Others	518,507	10,099	508,408
	12,585,035	268,644	12,316,391
	December 31, 2023		
	Book value	Provision for impairment	Carrying amount
Raw materials	3,062,950	20,940	3,042,010
Work in progress	1,834,185	6,277	1,827,908
Finished goods	8,089,285	368,489	7,720,796
Others	507,676	9,633	498,043
	13,494,096	405,339	13,088,757

Notes to the Financial Statements

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

9. Inventories - (cont'd)

(2) Provision for impairment of inventories:

For the Six months ended June 30, 2024

	<u>January 1, 2024</u>	<u>Provision</u>	<u>Reversal or write-off</u>	<u>Other</u>	<u>June 30, 2024</u>
Raw material	20,940	12,413	(11,479)	58	21,932
Work in progress	6,277	3,716	(6,170)	10	3,833
Finished goods	368,489	148,926	(285,004)	369	232,780
Others	9,633	2,442	(2,026)	50	10,099
	<u>405,339</u>	<u>167,497</u>	<u>(304,679)</u>	<u>487</u>	<u>268,644</u>

10. Other Current Assets

	<u>June 30 2024</u>	<u>December 31 2023</u>
Deductible VAT	720,449	667,550
Current tax assets	397,205	210,362
Judicial deposits	117,884	-
Short term investments	78,103	158,603
Others	45,505	47,199
	<u>1,359,146</u>	<u>1,083,714</u>

11. Long-Term Receivables

	<u>June 30 2024</u>	<u>December 31 2023</u>
Long term account receivables from sale of goods	55,147	68,752
	<u>55,147</u>	<u>68,752</u>

Notes to the Financial Statements

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

12. Long-Term Equity Investments

(1) Long-term equity investments by category:

	<u>June 30</u> <u>2024</u>	<u>December 31</u> <u>2023</u>
Joint venture	1,781	1,437
Associate	27,524	30,037
	<u>29,305</u>	<u>31,474</u>

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

	<u>January 1,</u> <u>2024</u>	<u>Investment</u> <u>income</u>	<u>Other</u> <u>Comprehensive</u> <u>income</u>	<u>Declared</u> <u>distribution of</u> <u>cash dividend</u>	<u>Balance at the</u> <u>end of the period</u>
Joint					
venture					
Investee A	1,437	334	10	-	1,781
Sub-total	<u>1,437</u>	<u>334</u>	<u>10</u>	<u>-</u>	<u>1,781</u>
Associate					
Investee B	30,037	4,084	(3,912)	(2,685)	27,524
Sub-total	<u>30,037</u>	<u>4,084</u>	<u>(3,912)</u>	<u>(2,685)</u>	<u>27,524</u>
Sub-total	<u>31,474</u>	<u>4,418</u>	<u>(3,902)</u>	<u>(2,685)</u>	<u>29,305</u>

13. Other equity investments

	<u>June 30, 2024</u>	<u>December 31,</u> <u>2023</u>	<u>Dividend received</u> <u>during 2024</u>
Investment A	54,299	54,299	-
Investment B	76,378	75,905	-
Investment C	1,902	1,814	-
	<u>132,579</u>	<u>132,018</u>	<u>-</u>

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

Notes to the Financial Statements

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

14. Fixed assets

	Land & Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
Cost					
Balance as at January 1, 2024	4,626,458	18,283,359	197,330	491,189	23,598,336
Purchases	45,295	25,460	18,815	10,911	100,481
Transfer from construction in progress	28,983	168,050	36	3,236	200,305
Classification	75,434	(75,434)	-	-	-
Disposals	(167,198)	(165,512)	(9,528)	(4,078)	(346,316)
Currency translation adjustment	(179)	59,654	(695)	(380)	58,400
Balance as at June 30, 2024	<u>4,608,793</u>	<u>18,295,577</u>	<u>205,958</u>	<u>500,878</u>	<u>23,611,206</u>
Accumulated depreciation					
Balance as at January 1, 2024	(1,945,331)	(10,710,652)	(80,992)	(382,062)	(13,119,037)
Charge for the period	(76,609)	(419,217)	(15,934)	(19,260)	(531,020)
Disposals	114,508	114,112	7,720	3,192	239,532
Currency translation adjustment	(1,264)	(36,463)	186	201	(37,340)
Balance as at June 30, 2024	<u>(1,908,696)</u>	<u>(11,052,220)</u>	<u>(89,020)</u>	<u>(397,929)</u>	<u>(13,447,865)</u>
Provision for impairment					
Balance as at January 1, 2024	(139,412)	(298,015)	(757)	(1,002)	(439,186)
Charge for the period	-	-	-	-	-
Disposals	37,927	38,218	50	9	76,204
Currency translation adjustment	(126)	(123)	-	-	(249)
Balance at June 30, 2024	<u>(101,611)</u>	<u>(259,920)</u>	<u>(707)</u>	<u>(993)</u>	<u>(363,231)</u>
Carrying amounts					
As at June 30, 2024	<u>2,598,486</u>	<u>6,983,437</u>	<u>116,231</u>	<u>101,956</u>	<u>9,800,110</u>
As at January 1, 2024	<u>2,541,715</u>	<u>7,274,692</u>	<u>115,581</u>	<u>108,125</u>	<u>10,040,113</u>

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

Notes to the Financial Statements

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

15. Construction in Progress

(1) Construction in progress

June 30			December 31		
2024			2023		
Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
3,008,771	(309,413)	2,699,358	2,829,054	(321,726)	2,507,328

(2) Details and Movements of major construction projects in progress during period ended June 30, 2024

	Budget	January 1, 2024	Additions	Including: Interest capitalized	Currency translation differences	Transfer to fixed assets	Impairment	June 30, 2024	Actual cost to budget (%)	Project progress (%)	Source of funds
Project A	1,198,885	120,757	3,227	-	-	(853)	-	123,131	67%	67%	Bank loan
Project B	762,283	671,666	20,570	22,453	4,313	-	-	719,002	94%	94%	Internal finance
Project C	184,010	38,915	1,724	-	-	(17,903)	-	22,736	86%	86%	Internal finance
Project D	954,991	607,852	79,302	16,569	4,075	-	-	707,798	74%	74%	Internal finance
Project E	73,157	34,924	12,086	1,378	258	-	-	48,646	66%	66%	Internal finance

* As of June 30, 2024 Project A and Project C are include impairment of RMB 14 million and 35 million, respectively.

Notes to the Financial Statements

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

16. Right-of-use assets

	Land & Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
Cost					
Balance as at January 1, 2024	726,499	51,017	322,596	4,157	1,104,269
Additions	25,389	412	29,014	1,023	55,838
Decrease	(9,874)	(13,631)	(55,236)	-	(78,741)
Currency translation adjustment	(5,139)	237	265	30	(4,607)
Balance as at June 30, 2024	<u>736,875</u>	<u>38,035</u>	<u>296,639</u>	<u>5,210</u>	<u>1,076,759</u>
Accumulated depreciation					
Balance as at January 1, 2024	(279,092)	(29,775)	(167,772)	(2,395)	(479,034)
Charge for the period	(50,103)	(839)	(45,527)	(469)	(96,938)
Decrease	8,617	13,639	51,667	-	73,923
Currency translation adjustment	1,126	(151)	70	97	1,142
Balance as at June 30, 2024	<u>(319,452)</u>	<u>(17,126)</u>	<u>(161,562)</u>	<u>(2,767)</u>	<u>(500,907)</u>
Provision for impairment					
Balance as at January 1, 2024	-	-	-	-	-
Balance as at June 30, 2024	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amounts					
As at June 30, 2024	<u>417,423</u>	<u>20,909</u>	<u>135,077</u>	<u>2,443</u>	<u>575,852</u>
As at January 1, 2024	<u>447,407</u>	<u>21,242</u>	<u>154,824</u>	<u>1,762</u>	<u>625,235</u>

Notes to the Financial Statements

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

17. Intangible Assets

	Product registration	Intangible assets on Purchase of Products	Software	Marketing rights, tradename and trademarks	Customers relations	Land use rights ⁽¹⁾	Others ⁽²⁾	Total
Costs								
Balance as at January 1, 2024	12,960,211	4,253,374	1,397,364	840,382	642,323	507,017	639,166	21,239,837
Purchases	130,343	-	42,923	-	-	-	10,616	183,882
Currency translation adjustment	63,573	26,476	7,509	4,443	2,187	244	2,642	107,074
Disposal	(2,536)	-	(462)	-	-	(456)	-	(3,454)
Balance as at June 30, 2024	13,151,591	4,279,850	1,447,334	844,825	644,510	506,805	652,424	21,527,339
Accumulated amortization								
Balance as at January 1, 2024	(10,230,451)	(3,347,148)	(833,093)	(562,706)	(365,028)	(106,913)	(289,850)	(15,735,189)
Charge for the period	(269,195)	(108,967)	(50,433)	(11,019)	(21,104)	(5,171)	(5,708)	(471,597)
Currency translation adjustment	(57,631)	(21,128)	(4,528)	(2,775)	(1,006)	(879)	(1,164)	(89,111)
Disposal	2,514	-	320	-	-	6	-	2,840
Balance as at June 30, 2024	(10,554,763)	(3,477,243)	(887,734)	(576,500)	(387,138)	(112,957)	(296,722)	(16,293,057)
Provision for impairment								
Balance as at January 1, 2024	(105,487)	(78,937)	(49)	-	-	(276)	(1,618)	(186,367)
Charge for the period	(65,077)	-	-	-	-	-	-	(65,077)
Currency translation adjustment	3,342	(464)	-	-	-	(2)	-	2,876
Others	1,591	8,090	-	-	-	-	-	9,681
Balance as at June 30, 2024	(165,631)	(71,311)	(49)	-	-	(278)	(1,618)	(238,887)
Carrying amount								
As at June 30, 2024	2,431,197	731,296	559,551	268,325	257,372	393,570	354,084	4,995,395
As at January 1, 2024	2,624,273	827,289	564,222	277,676	277,295	399,828	347,698	5,318,281

- (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.

Notes to the Financial Statements

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 actual results of 2023, 2024 workplan and the forecast results for the next 4 years.
- The discount rate (9% WAAC) based on the company's cost of equity and cost of debt, taking into account the comprehensive risk factors.
- The annual growth rate (1.5%) based on the management projections and market expectations.

As of December 31, 2023 the value in use of the cash generating units to which goodwill has been allocated to exceeds its carrying amount.

	January 1, 2024	Change during the year	Currency translation adjustment	Balance at June 30, 2024
Book value	5,001,538	-	30,342	5,031,880
Impairment provision	-	-	-	-
Carrying amount	<u>5,001,538</u>	<u>-</u>	<u>30,342</u>	<u>5,031,880</u>

19. Deferred Tax Assets and Deferred Tax Liabilities

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

	June 30 2024		December 31 2023	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Deferred tax assets				
Deferred tax assets in respect of carry forward losses	4,176,525	809,700	3,544,797	775,364
Deferred tax assets in respect of inventories	2,119,278	537,436	2,387,244	643,527
Deferred tax assets in respect of employee benefits	673,856	116,473	829,840	132,616
Other deferred tax asset	1,995,263	490,207	2,161,309	521,143
	<u>8,964,922</u>	<u>1,953,816</u>	<u>8,923,190</u>	<u>2,072,650</u>

Notes to the Financial Statements

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

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

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

	June 30		December 31	
	2024		2023	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Deferred tax liabilities				
Deferred tax liabilities in respect of fixed assets, intangible assets and right-of-use assets	4,392,349	796,751	4,159,172	768,112
	<u>4,392,349</u>	<u>796,751</u>	<u>4,159,172</u>	<u>768,112</u>

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

	June 30		December 31	
	2024		2023	
	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	504,905	1,448,911	471,009	1,601,641
Deferred tax liabilities	<u>504,905</u>	<u>291,846</u>	<u>471,009</u>	<u>297,103</u>

(4) Details of unrecognized deferred tax assets

	June 30	December 31
	2024	2023
Deductible temporary differences	754,910	803,476
Deductible losses carry forward	3,089,981	1,819,005
	<u>3,844,891</u>	<u>2,622,481</u>

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

	June 30	December 31
	2024	2023
2024	1,946	36,433
2025	21,922	6,389
2026	169,634	169,594
2027	19,169	19,120
2028	259,646	259,603
After 2028	2,617,664	1,327,866
	<u>3,089,981</u>	<u>1,819,005</u>

Notes to the Financial Statements

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

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

(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	December 31
	2024	2023
Judicial deposits	124,363	207,027
Long term investments	75,031	-
Assets related to securitization	72,544	81,423
Advances in respect of non-current assets	29,118	18,003
Others	98,178	128,762
	399,234	435,215

21. Short-Term Loans

Short-term loans by category:

	June 30	December 31
	2024	2023
Unsecured loans	4,597,378	5,733,522
	4,597,378	5,733,522

22. Derivative financial liabilities

	June 30	December 31
	2024	2023
Economic hedge	272,059	590,442
Accounting hedge derivatives	8,459	17,345
	280,518	607,787

Notes to the Financial Statements

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

23. Bills Payables

	June 30	December 31
	2024	2023
Post-dated checks payables	269,251	481,645
Note payables draft	155,242	131,862
	424,493	613,507

As at June 30, 2024, none of the bills payable are overdue.

24. Accounts payable

	June 30	December 31
	2024	2023
Within 1 year (including 1 year)	4,945,694	4,590,057
1-2 years (including 2 years)	18,614	23,467
2-3 years (including 3 years)	12,104	14,445
Over 3 years	23,087	21,764
	4,999,499	4,649,733

There are no significant accounts payables aging over one year.

25. Contract liabilities

	June 30	December 31
	2024	2023
Discount for customers	1,197,417	952,123
Advances from customers	192,300	562,242
	1,389,717	1,514,365

26. Employee Benefits Payable

	June 30	December 31
	2024	2023
Short-term employee benefits	480,324	500,932
Post-employment benefits	42,641	60,438
Share based payment (See note XIII)	1,122	18,401
Other benefits within one year	202,790	200,144
	726,877	779,915
Current maturities	56,062	67,124
	782,939	847,039

Notes to the Financial Statements

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

27. Taxes Payable

	June 30	December 31
	2024	2023
Corporate income tax	317,938	197,983
VAT	200,741	179,471
Others	31,646	29,776
	550,325	407,230

28. Other Payables

	June 30	December 31
	2024	2023
Dividends payables	750	750
Other payables	1,772,634	1,468,569
	1,773,384	1,469,319

(1) Other payables

	June 30	December 31
	2024	2023
Accrued expenses	806,332	721,034
Hold-back payment due to acquisitions	131,000	131,000
Payables in respect of intangible assets	50,394	115,214
Financial institutions	48,676	50,032
Liability in respect of securitization transactions	243,652	32,368
Others	492,580	418,921
	1,772,634	1,468,569

29. Non-Current Liabilities Due Within One Year

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

	June 30	December 31
	2024	2023
Long-term loans due within one year	1,279,559	1,552,217
Debentures payable due within one year	570,344	576,638
Lease liabilities due within one year	164,048	169,033
	2,013,951	2,297,888

Notes to the Financial Statements

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

30. Other Current Liabilities

	<u>June 30</u>	<u>December 31</u>
	<u>2024</u>	<u>2023</u>
Put options to holders of non-controlling interests	484,045	468,514
Provision in respect of returns	199,180	271,629
Provision in respect of claims	198,717	13,294
Others	378	390
	<u>882,320</u>	<u>753,827</u>

31. Long-Term Loans

Long-term loans by category

	<u>June 30</u>		<u>December 31</u>	
	<u>2024</u>	<u>Interest range</u>	<u>2023</u>	<u>Interest range</u>
Long term loans				
Guaranteed loans	368,063	3.20%-3.40%	383,795	3.55%-3.75%
Unsecured loans	3,803,141	1.73%-9.79%	4,054,361	1.73%-9.28%
Total Long term loans	4,171,204		4,438,156	
Less:				
Long term loans from banks due within 1 year	(1,279,559)		(1,552,217)	
Long term loans, net	<u>2,891,645</u>		<u>2,885,939</u>	

* For more details 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

	<u>June 30</u>	<u>December 31</u>
	<u>2024</u>	<u>2023</u>
Debentures Series B	7,414,510	7,496,061
Current maturities	(570,344)	(576,638)
	<u>6,844,166</u>	<u>6,919,423</u>
		<u>June 30</u>
		<u>2024</u>
First year (current maturities)		570,344
Second year		570,344
Third year		570,344
Fourth year		570,344
Fifth year and thereafter		5,133,134
		<u>7,414,510</u>

Notes to the Financial Statements

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

32. Debentures Payable - (cont'd)

Movements of debentures payable:

For the Six months ended June 30, 2024:

<u>Maturity period</u>	<u>Face value in RMB</u>	<u>Face value NIS</u>	<u>Issuance date</u>	<u>Maturity period</u>	<u>Issuance amount</u>	<u>Balance at January 1, 2024</u>	<u>Amortization of discounts or premium</u>	<u>CPI and exchange rate effect</u>	<u>Repayment during the period</u>	<u>Currency translation adjustment</u>	<u>Balance at June 30, 2024</u>
Debentures Series B	2,673,640	1,650,000	4.12.2006	November 2020-2036	3,043,742	3,145,201	128	(52,650)	-	19,431	3,112,110
Debentures Series B	843,846	513,527	16.1.2012	November 2020-2036	842,579	947,332	5,037	(16,020)	-	5,864	942,213
Debentures Series B	995,516	600,000	7.1.2013	November 2020-2036	1,120,339	1,168,256	2,188	(19,679)	-	7,219	1,157,984
Debentures Series B	832,778	533,330	1.2.2015	November 2020-2036	1,047,439	1,089,440	(1,329)	(18,350)	-	6,721	1,076,482
Debentures Series B	418,172	266,665	1-6.2015	November 2020-2036	556,941	588,749	(3,609)	(9,911)	-	3,624	578,853
Debentures Series B	497,989	246,499	5.5.2020	November 2020-2036	692,896	557,083	(4,249)	(9,392)	-	3,426	546,868
						<u>7,496,061</u>	<u>(1,834)</u>	<u>(126,002)</u>	<u>-</u>	<u>46,285</u>	<u>7,414,510</u>

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.

Notes to the Financial Statements

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

33. Lease liabilities

	June 30		December 31	
	2024	Interest range	2023	Interest range
Lease liabilities	611,863	1.0%-15.4%	664,492	1.1%-15.3%
Less: Lease liabilities due within one year	(164,048)		(169,033)	
Long term lease liabilities, net	<u>447,815</u>		<u>495,459</u>	

34. Long-Term Employee Benefits Payable

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

	June 30	December 31
	2024	2023
Total present value of obligation	486,619	525,316
Less: fair value of plan's assets	(51,648)	(59,884)
Net liability related to Post-employment benefits	<u>434,971</u>	<u>465,432</u>
Termination benefits	60,716	67,853
Total recognized liability for defined benefit plan, net (1)	<u>495,687</u>	<u>533,285</u>
Other long-term employee benefits	132,115	205,369
Total long-term employee benefits, net	<u>627,802</u>	<u>738,654</u>
Including: Long-term employee benefits payable due within one year	56,062	67,124
	<u>571,740</u>	<u>671,530</u>

(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	
	2024	2023	2024	2023	2024	2023
Balance as at January 1, 2024	593,169	632,332	59,884	70,001	533,285	562,331
Expense/income recognized in profit and loss:						
Current service cost	10,685	17,410	-	-	10,685	17,410
Past service cost	1,158	1,724	-	1,717	1,158	7
Interest costs	10,624	10,046	1,286	1,295	9,338	8,751
Losses on curtailments and settlements	8,696	10,221	-	-	8,696	10,221
Changes in exchange rates	(15,145)	(22,559)	(2,032)	(3,206)	(13,113)	(19,353)
Actuarial losses due to early retirement	(105)	122	-	-	(105)	122
Included in other comprehensive income:						
Actuarial gain (losses) as a result of changes in actuarial assumptions	(10,583)	(17,680)	(938)	(1,766)	(9,645)	(15,914)
Foreign currency translation differences in respect of foreign operations	3,082	21,971	340	2,276	2,742	19,695
Additional movements:						
Benefits paid	(54,040)	(37,361)	(7,304)	(3,330)	(46,736)	(34,031)
Classification to termination	(206)	(14,861)	-	(4,211)	(206)	(10,650)
Contributions paid by the Group	-	-	412	623	(412)	(623)
Balance as at June 30, 2024	<u>547,335</u>	<u>601,365</u>	<u>51,648</u>	<u>63,399</u>	<u>495,687</u>	<u>537,966</u>

Notes to the Financial Statements

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

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

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

(2) Actuarial assumptions and sensitivity analysis

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

	June 30	December 31
	2024	2023
Discount rate (%)*	2.4%-3%	2.6%-2.8%

* 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, 2024	
	Increase of 1%	Decrease of 1%
Change in defined benefit obligation	(41,293)	49,936

35. Provisions

	June 30	December 31
	2024	2023
Liabilities in respect of contingencies*	173,318	182,172
Provision in respect of site restoration	138,341	62,889
Long-term liability in respect of business combinations	3,307	52,929
Other	1,269	1,261
	316,235	299,251

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

Notes to the Financial Statements

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

36. Other Non-Current Liabilities

	June 30	December 31
	2024	2023
Put options to holders of non- controlling interests	362,119	566,433
Long term loans – others	2,356,334	2,354,133
	2,718,453	2,920,566
Current maturities	-	-
	2,718,453	2,920,566

37. Share Capital

	Balance at January 1, 2024	Issuance of new shares	Buyback of shares	Balance at June 30, 2024
Share capital	2,329,812	-	-	2,329,812

38. Capital Reserve

	Balance at January 1, 2024	Additions during the period	Reductions during the period	Balance at June 30, 2024
Share premiums	12,606,562	-	-	12,606,562
Other capital reserve	343,902	-	-	343,902
	12,950,464	-	-	12,950,464

Notes to the Financial Statements

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

39. Other Comprehensive Income, net of tax

	Attributable to shareholders of the company					Balance at June 30, 2024
	Balance at January 1, 2024	Before tax amount	Less: transfer to profit or loss	Less: Income tax expenses	Net-of-tax amount	
Items that will not be reclassified to profit or loss	82,945	9,645	-	1,123	8,522	91,467
Re-measurement of changes in liabilities under defined benefit plans	54,270	9,645	-	1,123	8,522	62,792
Changes in fair value of other equity investment	28,675	-	-	-	-	28,675
Items that may be reclassified to profit or loss	1,592,951	11,439	22,143	1,552	(12,256)	1,580,695
Effective portion of gain or loss of cash flow hedge	(1,639)	29,978	22,143	1,552	6,283	4,644
Translation difference of foreign financial statements	1,594,590	(18,539)	-	-	(18,539)	1,576,051
	1,675,896	21,084	22,143	2,675	(3,734)	1,672,162

40. Surplus reserve

	Balance at January 1, 2024	Additions during the period	Reductions during the period	Balance at June 30, 2024
Statutory surplus reserve	269,803	-	-	269,803
Discretionary surplus reserve	3,814	-	-	3,814
	273,617	-	-	273,617

Notes to the Financial Statements

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

41. Retained Earnings

	2024	2023
Retained earnings as at January 1	4,678,091	6,469,604
Net loss for the period attributable to shareholders of the Company	(894,866)	(242,156)
Dividends to non-controlling Interest	(34,892)	(18,763)
Dividend to the shareholders of the company (Note 1)	-	(62,905)
Retained earnings as at June 30	3,748,333	6,145,780

Note 1:

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.

Notes to the Financial Statements

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

42. Operating Income and Cost of Sales

	Six months ended June 30		Six months ended June 30	
	2024		2023	
	Income	Cost of sales	Income	Cost of sales
Principal activities	14,887,442	11,465,990	17,232,976	13,349,948
Other businesses	22,847	8,084	20,225	8,779
	<u>14,910,289</u>	<u>11,474,074</u>	<u>17,253,201</u>	<u>13,358,727</u>

43. Taxes and Surcharges

	Six months ended June 30	
	2024	2023
Tax on turnover	13,009	16,382
Others	35,349	35,038
	<u>48,358</u>	<u>51,420</u>

44. Selling and Distribution Expenses

	Six months ended June 30	
	2024	2023
Salaries and related expense	1,013,080	972,566
Depreciation and amortization	507,333	476,152
Advertising and sales promotion	156,657	179,661
Warehouse expenses	76,853	98,906
Registration	65,733	69,834
Travel expenses	63,152	72,342
Professional services	56,684	56,550
Insurance	48,859	47,574
Others	375,025	187,614
	<u>2,363,376</u>	<u>2,161,199</u>

Notes to the Financial Statements

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

45. General and Administrative Expenses

	Six months ended June 30	
	2024	2023
Salaries and related expenses	257,344	157,127
Professional services	68,482	61,710
IT systems	60,008	61,002
Depreciation and amortization	57,725	55,710
Cost contribution arrangement	31,604	39,065
Office rent, maintenance and expenses	18,822	22,964
Other	42,281	63,568
	536,266	461,146

46. Research and development expenses

	Six months ended June 30	
	2024	2023
Salaries and related expenses	122,214	134,457
Depreciation and amortization	31,207	38,407
Professional services	13,149	23,639
Field trial	11,155	21,526
Materials	10,807	13,741
Office rent, maintenance and expenses	7,000	5,416
Other	22,575	25,192
	218,107	262,378

47. Financial expenses (incomes), net

	Six months ended June 30	
	2024	2023
Interest expenses on debentures and loans and other charges	542,663	562,720
CPI expenses in respect of debentures	138,427	184,710
Loss in respect of sale of trade receivables	97,379	115,352
Interest expense in respect of post-employment benefits and early retirement, net	10,849	11,287
Revaluation of put option, net	(190,694)	83,584
Interest income from customers, banks and others	(130,667)	(134,254)
Exchange rate differences, net	42,455	(414,163)
Interest expense on lease liabilities	20,205	16,132
Others	93,030	30,487
	623,647	455,855

Notes to the Financial Statements

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

48. Investment income, net

	Six months ended June 30	
	2024	2023
Income from long-term equity investments accounted for using the equity method	4,418	3,439
Other	-	6,651
	4,418	10,090

49. Loss from Changes in Fair Value

	Six months ended June 30	
	2024	2023
Loss from changes in fair value of derivative financial Instruments	(204,837)	(775,528)
Others	8,345	(6,690)
	(196,492)	(782,218)

50. Credit impairment reversal (losses)

	Six months ended June 30	
	2024	2023
Bills receivable and accounts receivable	(17,570)	865
Other receivables	1,894	7,625
	(15,676)	8,490

51. Asset impairment losses

	Six months ended June 30	
	2024	2023
Inventories	8,938	(105,197)
Fixed assets	-	(690)
Construction in progress	(2,995)	-
Intangible asset	(65,077)	-
	(59,134)	(105,887)

Notes to the Financial Statements

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

52. Gain from Disposal of Assets

	<u>Six months ended June 30</u>		<u>Included in non-recurring items</u>
	<u>2024</u>	<u>2023</u>	
Gain from disposal of fixed assets	18,370	23,402	18,370
Loss from disposal of intangible assets	(153)	-	(153)
	<u>18,217</u>	<u>23,402</u>	<u>18,217</u>

53. Income Tax Expenses (incomes)

	<u>Six months ended June 30</u>	
	<u>2024</u>	<u>2023</u>
Current year	160,810	286,525
Deferred tax expenses (income)	148,269	(367,924)
Adjustments for previous years, net	14,357	4,966
	<u>323,436</u>	<u>(76,433)</u>

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

	<u>Six months ended June 30</u>	
	<u>2024</u>	<u>2023</u>
Loss before taxes	(571,430)	(318,589)
Statutory tax in china	25%	25%
Tax calculated according to statutory tax in china	(142,858)	(79,647)
Tax benefits from Approved Enterprises	(16,702)	(14,942)
Difference between measurement basis of income for financial statement and for tax purposes	81,121	(28,110)
Taxable income (loss) and temporary differences at other tax rate	55,568	(128,074)
Taxes in respect of prior years	14,357	4,966
Utilization of tax losses prior years for which deferred taxes were not created	(7,009)	(5,308)
Temporary differences and losses in the report year for which deferred taxes were not created	172,664	14,398
Non-deductible expenses, non-taxable income and other difference, net	(17,312)	93,470
Neutralization of tax calculated in respect of the Company's share in results of equity accounted investees	(1,474)	(931)
Effect of change in tax rate in respect of deferred taxes	151,281	66,971
Creation and reversal of deferred taxes for tax losses and temporary differences from previous years	33,800	774
Income tax expenses (incomes)	<u>323,436</u>	<u>(76,433)</u>

54. Other comprehensive income

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

Notes to the Financial Statements

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

55. Government grants

Category	Presentation accounts	Amount recognized in the profit and loss statements during the Six months ended June 30	
		2024	2023
Government grants related to income	Non-Operating income	2,299	11,665
Government grants related to assets	Fixed assets, Intangible assets	6,352	7,388

56. Notes to items in the cash flow statements

(1) Cash received relating to other operating activities

	Six months ended June 30	
	2024	2023
Interest income	56,151	80,270
Financial institutions	83,292	38,020
Government subsidies	2,299	12,883
Others	151,086	69,838
	292,828	201,011

(2) Cash paid relating to other operating activities

	Six months ended June 30	
	2024	2023
Derivatives transactions	223,110	225,818
Advertising and sales promotion	154,594	167,451
Professional services	149,886	164,944
Commissions and Warehouse	95,631	118,902
IT and Communication	105,993	114,304
Registration and Field trials	79,681	85,831
Travel	51,867	83,184
Insurance	51,790	70,183
Financial institutions	-	67,142
Others	479,162	444,295
	1,391,714	1,542,054

(3) Cash received relating to other investing activities

	Six months ended June 30	
	2024	2023
Investment grant	-	16,643
	-	16,643

Notes to the Financial Statements

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	
	2024	2023
Increase in short and long term investments	107,950	-
	107,950	-

(5) Cash received from other financing activities

	Six months ended June 30	
	2024	2023
Borrowing from related party *	355,148	1,393,370
Proceeds in respect of hedging transactions on debentures	403,236	-
Deposit for issuing bills payables	23,267	34,932
	781,651	1,428,302

* For more details 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	
	2024	2023
Payment in respect of hedging transactions on debentures	145,548	347,870
Repayment of lease liability	91,643	86,608
Deposit for issuing bills payable	23,634	3,210
Repayment of loan from others	460	625
Realization of Call option	-	116,311
	261,285	554,624

Notes to the Financial Statements

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	
	2024	2023
Net loss	(894,866)	(242,156)
Add: Impairment provisions for assets	59,134	105,887
Credit impairment losses (reversal)	15,676	(8,490)
Depreciation of fixed assets and investment property	531,833	487,815
Depreciation of right-of-use asset	96,938	93,719
Amortization of intangible asset	471,597	449,372
Gains on disposal of fixed assets, intangible assets, and other long-term assets, net	(18,217)	(23,402)
Losses from changes in fair value	196,492	782,218
Financial expenses	160,503	329,817
Investment income, net	(4,418)	(10,090)
Decrease (increase) in deferred tax assets, net	153,953	(350,613)
Decrease in deferred tax liabilities, net	(5,684)	(17,311)
Decrease in inventories, net	764,477	905,851
Increase in operating receivables, net	(881,861)	(752,091)
Increase (decrease) in operating payables, net	1,103,531	(1,786,212)
Others	(17,970)	(29,190)
Net cash flow provided by (used in) operating activities	1,731,118	(64,876)

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

	Six months ended June 30	
	2024	2023
Closing balance of cash and cash equivalents	3,970,880	4,570,537
Less: Opening balance of cash and cash equivalents	4,857,358	4,225,253
Increase (decrease) in cash and cash equivalents	(886,478)	345,284

Notes to the Financial Statements

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	December 31
	2024	2023
Cash on hand	800	820
Bank deposits available on demand without restrictions	3,970,080	4,856,538
	3,970,880	4,857,358

58. Assets with Restricted Ownership or Right of Use

	June 30	Reason
	2024	
Cash	24,337	Pledged
Other current assets	117,884	Guarantees
Other non-current assets	124,363	Guarantees
	266,584	

Notes to the Financial Statements

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

59. Foreign currencies denominated items

(1) Foreign currencies denominated items

	As at June 30, 2024		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Cash and bank balances			
BRL	402,898	1.282	516,515
CNY	347,089	1.000	347,089
EUR	18,891	7.622	143,986
PLN	76,826	1.768	135,829
USD	16,654	7.127	118,694
RON	33,863	1.533	51,912
ARS	6,089,851	0.008	48,719
ZAR	114,117	0.386	44,049
ILS	21,221	1.896	40,235
RUB	302,503	0.083	25,108
GBP	2,723	9.007	24,527
CAD	4,028	5.197	20,931
Other			224,161
Total			<u>1,741,755</u>
Bills and Accounts receivable			
EUR	107,334	7.622	818,100
BRL	619,364	1.282	794,025
TRY	2,067,659	0.217	448,682
RON	190,071	1.533	291,379
CAD	51,359	5.197	266,913
HUF	9,120,804	0.019	173,295
USD	15,350	7.127	109,398
THB	411,582	0.193	79,435
ILS	29,076	1.896	55,128
Other			176,616
Total			<u>3,212,971</u>
Other receivables			
EUR	28,867	7.622	220,023
AUD	45,486	4.727	215,012
GBP	7,377	9.007	66,448
BRL	37,224	1.282	47,721
	23,719	1.896	44,971
Other			18,235
Total			<u>612,410</u>

Notes to the Financial Statements

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, 2024		
	<u>Foreign currency at the end of the period</u>	<u>Exchange rate</u>	<u>RMB at the end of the period</u>
Other current assets			
BRL	141,713	1.282	181,676
USD	16,650	7.127	118,661
ILS	48,663	1.896	92,265
ARS	11,213,129	0.008	89,705
EUR	9,148	7.622	69,724
CAD	5,717	5.197	29,712
CLP	3,431,554	0.008	27,452
PEN	12,229	1.859	22,734
RUB	213,632	0.083	17,731
UAH	88,883	0.176	15,643
INR	118,724	0.085	10,092
Other			97,366
Total			<u>772,761</u>
Long-term receivables			
BRL	43,016	1.282	55,147
Total			<u>55,147</u>
Other non-current assets			
BRL	192,301	1.282	246,530
Other			6,552
Total			<u>253,082</u>
Short-term loans			
UAH	49,968	0.176	8,794
ARS	1,096,636	0.008	8,773
TRY	19,870	0.217	4,312
Total			<u>21,879</u>
Bills and Accounts payable			
ILS	441,181	1.896	836,480
EUR	42,979	7.622	327,585
BRL	107,747	1.282	138,132
USD	12,383	7.127	88,252
Other			94,295
Total			<u>1,484,744</u>
Other payables			
ILS	78,277	1.896	148,414
BRL	71,429	1.282	91,572
PLN	24,582	1.768	43,461
ILS CPI	16,520	1.896	31,322
UAH	140,552	0.176	24,737
Other			41,554
Total			<u>381,060</u>

Notes to the Financial Statements

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, 2024		
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Contract liabilities			
EUR	54,596	7.622	416,134
CAD	41,200	5.197	214,118
TRY	353,811	0.217	76,777
BRL	49,493	1.282	63,450
Other			93,924
Total			864,403
 Non-current liabilities due within one year			
ILS CPI	319,398	1.896	605,578
EUR	30,910	7.622	235,598
Other			44,635
Total			885,811
 Other current liabilities			
EUR	31,142	7.622	237,365
Other			1,447
Total			238,812
 Debentures payable			
ILS CPI	3,609,792	1.896	6,844,165
Total			6,844,165
 Provision and Long-term payables			
BRL	119,571	1.282	153,290
EUR	373	7.622	2,844
ILS	41,348	1.896	78,395
Total			234,529
 Other non-current liabilities and lease liabilities			
CNY	2,000,000	1.000	2,000,000
ILS CPI	35,980	1.896	68,218
EUR	6,459	7.622	49,232
Other			36,982
Total			2,154,432

Notes to the Financial Statements

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

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

(2) Major foreign operations

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

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

VI. Change in consolidation Scope

There is no change of consolidation scope during the period.

Notes to the Financial Statements

VII. Interest in Other Entities

1. Interests in subsidiaries

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

Name of the Subsidiary	Registration & Principal place of business	Business nature	Direct	Indirect	Method of obtaining the subsidiary
ADAMA France S.A.S	France	Distribution		100%	Established
ADAMA Brasil S/A	Brazil	Manufacturing; Distribution; Registration		100%	Purchased
ADAMA Deutschland GmbH	Germany	Distribution; Registration;		100%	Established
ADAMA India Private Ltd.	India	Manufacturing; Distribution; Registration		100%	Established
Makhteshim Agan of North America Inc.	United States	Manufacturing; Distribution; Registration		100%	Established
Control Solutions Inc.	United States	Manufacturing; Distribution; Registration		67%	Purchased
ADAMA Agan Ltd.	Israel	Manufacturing; Distribution; Registration		100%	Restructure
ADAMA Makhteshim Ltd.	Israel	Manufacturing; Distribution; Registration		100%	Restructure
ADAMA Australia Pty Limited	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 2024	December 31 2023
Joint venture	1,781	1,437
Associate	27,524	30,037
	<u>29,305</u>	<u>31,474</u>

3. Summarized financial information of joint ventures and associates

	June 30, 2024 and six months then ended	December 31, 2023 and six months ended June 30, 2023
Joint venture:		
Total carrying amount	1,781	1,437
The Group's share of the following items:		
Net profit	334	70
Other comprehensive income	10	33
Total comprehensive income	<u>344</u>	<u>103</u>
Associate:		
Total carrying amount	27,524	30,037
The Group's share of the following items:		
Net profit	4,084	3,369
Other comprehensive income	(3,912)	3,072
Total comprehensive income	<u>172</u>	<u>6,441</u>

Notes to the Financial Statements

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 2024, 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 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.

Notes to the Financial Statements

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

B. Credit risk - (cont'd)

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

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

The Group closely monitors the economic situation in Eastern Europe and 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:

	<u>June 30, 2024</u>
Past due by less than 90 days	879,415
Past due by more than 90 days	547,038
	<u>1,426,453</u>

Notes to the Financial Statements

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 8,178,909 thousand relate to category of "Lifetime expected credit losses (credit losses has not occurred)" and amounted to RMB 588,743 thousand related to category of "Lifetime expected credit losses (credit losses occurred)". The Group has credit risk exposures for other receivables amounted to RMB 36,562 thousand related to category of "Lifetime expected credit losses (credit losses occurred)". The credit risk exposures for all remaining balance of financial assets at amortised cost and financial assets at FVTOCI are related to "12-month expected credit losses".

C. Liquidity risk

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

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

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

Notes to the Financial Statements

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

C. Liquidity risk - (cont'd)

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

	As at June 30, 2024					Contractual Cash flow	Carrying amount
	First year	Second year	Third- Fourth year	Fifth year and above			
Non-derivative financial liabilities							
Short-term loans	4,740,080	-	-	-	-	4,740,080	4,597,378
Bills payables	424,493	-	-	-	-	424,493	424,493
Accounts payables	4,999,499	-	-	-	-	4,999,499	4,999,499
Other payables	1,773,384	-	-	-	-	1,773,384	1,773,384
Other current liabilities	484,045	-	-	-	-	484,045	484,045
Debentures payable	904,619	906,622	1,725,263	6,312,171	-	9,848,675	7,414,510
Long-term loans	1,331,416	1,394,846	1,653,612	26,333	-	4,406,207	4,171,204
Long-term payables	6,718	12,654	24,103	93,834	-	137,309	95,571
Lease Liabilities	199,975	144,209	151,468	403,599	-	899,251	611,863
Long-term liability in respect of business combinations	-	3,795	-	-	-	3,795	3,307
Other non-current liabilities	65,621	498,684	2,421,955	-	-	2,986,260	2,718,453
Derivative financial liabilities							
Foreign currency derivatives	280,463	-	-	-	-	280,463	280,463
CPI/shekel forward transactions	55	-	-	-	-	55	55
	<u>15,210,368</u>	<u>2,960,810</u>	<u>5,976,401</u>	<u>6,835,937</u>		<u>30,983,516</u>	<u>27,574,225</u>

D. Market risks

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

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

(1) CPI and foreign currency risks

Currency risk

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

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

Notes to the Financial Statements

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

D. Market risks - (cont'd)

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

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

Solutions debentures are linked to the NIS-CPI and, therefore, an increase in the NIS-CPI, as well as changes in the NIS exchange rate, could cause significant impact 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, 2024	
	Total assets	Total liabilities
In US Dollar	2,173,293	2,250,951
In Euro	1,321,979	1,257,853
In Brazilian real	1,841,614	293,168
CPI-linked NIS	549	7,547,252
In New Israeli Shekel	236,436	990,460
Denominated in or linked to other foreign currency	3,918,469	3,143,951
	9,492,340	15,483,635

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

	June 30, 2024					
	Currency/ linkage receivable	Currency/ linkage payable	Average expiration date	USD thousands Par value	RMB thousands Par value	Fair value
Forward foreign currency	USD	EUR	01/10/2024	83,021	591,677	(90,371)
Contracts and call options	USD	PLN	15/07/2024	2,155	15,362	177
	USD	BRL	10/08/2024	200,591	1,429,568	68,021
	USD	GBP	12/07/2024	19,477	138,808	829
	USD	ZAR	22/08/2024	28,951	206,326	(4,973)
	ILS	USD	19/07/2024	1,256,213	8,952,776	(93,138)
	USD	OTHER		868,689	6,190,975	28,844
CPI forward contracts	CPI	ILS	10/12/2024	651,769	4,645,028	32,755

Notes to the Financial Statements

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

D. Market risks - (cont'd)

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

(C) Sensitivity analysis

The appreciation or depreciation of the Dollar against the following currencies as of June 30, 2024 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, 2024			
	Decrease of 5%		Increase of 5%	
	Equity	Profit (loss)	Equity	Profit (loss)
New Israeli shekel	16,984	8,295	19,359	32,056
British pound	14,068	14,068	(14,068)	(14,068)
Euro	(19,054)	6,352	19,054	(6,352)
Brazilian real	22,530	16,627	(28,306)	(22,395)
Polish zloty	3,624	3,624	(3,546)	(3,546)
South African Rand	(5,961)	(129)	4,924	(356)
Chinese Yuan Renminbi	186,046	172,485	(175,711)	(160,636)
CPI-linked NIS	155,837	155,837	(155,837)	(155,837)

(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 SOFR and Euro ESTER interest. As a result, most of the variable interest exposure of those loans is to the SOFR interest.

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

Notes to the Financial Statements

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

D. Market risks - (cont'd)

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

(A) Type of interest

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

	<u>June 30, 2024</u>
Fixed-rate instruments – unlinked to the CPI	
<u>Financial assets</u>	
Other current assets	117,884
Other non-current assets	1,254
<u>Financial liabilities</u>	
Long-term loans (1)	3,361,302
Long-term payables	26,619
Other non-current liabilities	2,356,334
	<u>(5,625,117)</u>
Fixed-rate instruments – linked to the CPI	
<u>Financial liabilities</u>	
Debentures payable (1)	<u>7,414,510</u>
Variable-rate instruments	
<u>Financial assets</u>	
Cash at banks	1,157,677
Financial assets at fair value through profit or loss	2,125
Other current assets	78,103
<u>Financial liabilities</u>	
Short-term loans and credit from banks	4,597,378
Long-term loans (1)	809,902
Long-term payables	63,842
	<u>(4,233,217)</u>

(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.

	<u>Profit or loss</u>		<u>Equity</u>	
	<u>Increase in interest</u>	<u>Decrease in interest</u>	<u>Increase in interest</u>	<u>Decrease in interest</u>
As at June 30, 2024	<u>832</u>	<u>(843)</u>	<u>832</u>	<u>(843)</u>

Notes to the Financial Statements

IX. Fair Value

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

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

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

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

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

	June 30, 2024	
	Carrying amount	Fair value
Financial assets		
Other non-current assets (a – Level 2)	89,997	80,833
Financial liabilities		
Long-term loans and others (b – Level 2)	7,236,239	6,968,450
Debentures (c – Level 1)	7,414,510	7,955,755

- 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, 2024
	%
U.S. dollar interest	7.89%-8.73%
Chinese Yuan Renminbi	1.82%-3.85%
Euro	5.08%-6.78%

Notes to the Financial Statements

IX. Fair Value - (cont'd)

3. Fair value hierarchy of financial instruments measured at fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The table below presents an analysis of financial instruments measured at fair value. The various levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active market for identical instrument.
- Level 2: inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.
- Level 3: inputs that are not based on observable market data (unobservable inputs).

The Company's forward contracts and options are carried at fair value and are evaluated by observable inputs and therefore are concurrent with the definition of level 2.

	June 30
	2024
Forward contracts and options used for hedging the cash flow (Level 2)	7,234
Forward contracts and options used for economic hedging (Level 2)	(65,090)
Other equity investment (Level 2)	132,579
Receivables financing (Level 2)	149,457
Other non-current assets (Level 2)	72,544
Other (Level 2)	2,125

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

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

No change in the valuation techniques in the reporting period.

Notes to the Financial Statements

X. Related parties and related party transactions

1. Information on parent Company

<u>Company name</u>	<u>Registered place</u>	<u>Business nature</u>	<u>Registered capital (Thousand RMB)</u>	<u>Shareholding percentage</u>	<u>Percentage of voting rights</u>
Syngenta Group	Shanghai, China	Production and sales of agrochemicals, fertilizers and GM seeds	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:

<u>Name of entity</u>	<u>Relationship with the Company</u>
Innovaroma SA	Joint venture of the Group

Notes to the Financial Statements

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

4. Information on other related parties

<u>Name of other related parties</u>	<u>Related party relationship</u>
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
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 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 (Hubei) 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 (Liaoning) 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

Notes to the Financial Statements

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 (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 Korea 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
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
Syngenta Nantong Crop Protection Co.,LTD	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
Shenyang Sciencreat Chemicals Co. Ltd.	Common control
Shenyang Sinochem Agrochemicals R&D Co.,Ltd.	Common control
Sinochem Finance Corporation	Common control
Luxi Group Co.Ltd.	Common control
Sinochem Zhoushan Hazardous Chemicals Emergency Rescue Base Co. Ltd.	Common control
Liaocheng Luxi Polyol New Material Technology Co. Ltd.	Common control
Liaocheng Luxi Methylamine Chemical Co. Ltd.	Common control
Sinochem Agricultural Ecological Technology (Hubei) Co., Ltd.	Common control

Notes to the Financial Statements

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

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

<u>Name of other related parties</u>	<u>Related party relationship</u>
Jiangsu Huifeng Biological Agriculture Co., Ltd	Minority shareholder
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

5. Transactions and balances with related parties

(1) Transactions with related parties

<u>Type of purchase</u>	<u>Related Party Relationship</u>	<u>Six months ended</u>	
		<u>June 30</u>	
		<u>2024</u>	<u>2023</u>
<u>Summary of purchase of goods/services:</u>			
Purchase of goods/services received	Common control under Sinochem Holdings	675,406	982,940
	Minority shareholder and its subsidiary	17,564	7,478
Purchase of fixed assets and other assets	Common control under Sinochem Holdings	-	396
Lease expenses	Common control under Sinochem Holdings	284	97
	Minority shareholder and its subsidiary	544	2,668
<u>Summary of Sales of goods:</u>			
Sale of goods/ Service rendered	Common control under Sinochem Holdings	659,835	920,513
	Joint venture	44,550	34,979
	Minority shareholder and its subsidiary	26,159	38,840
Lease income	Minority shareholder	588	631

(2) Guarantees

The Group as the guarantee receiver

<u>Guarantee provider</u>	<u>Amount of guaranteed loan</u>	<u>Inception date of guaranty</u>	<u>Maturity date of guaranty</u>	<u>Guaranty completed (Y / N)</u>
Parent company	298,000	21/04/2021	20/04/2028	N
	70,063	01/06/2021	31/05/2028	N

* During the reporting period, the Company paid a guarantee fee amounting to 210 thousand RMB (2023 1-6: 219 thousand RMB) to the parent company.

Notes to the Financial Statements

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

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

(3) Remuneration of key management personnel and directors

	Periods ended June 30	
	2024	2023
Remuneration of key management personnel and directors	16,195	33,773

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

Receivable Items

Items	Related Party Relationship	June 30		December 31	
		Book Balance	Expected credit losses	Book Balance	Expected credit losses
Trade receivables	Common control under Sinochem Holdings	146,522	-	150,942	-
	Joint venture	19,114		23,507	-
	Minority shareholder and its subsidiary	34,075		22,361	-
Other Non-Current assets	Common control under Sinochem Holdings	5		21	-
Prepayments	Common control under Sinochem Holdings	2,437		19,208	-
	Minority shareholder and its subsidiary	-		1,530	-

Payable Items

Items	Related Party Relationship	June 30	December 31
		2024	2023
Trade payables	Common control under Sinochem Holdings	280,738	272,928
	Minority shareholder and its subsidiary	604	63
Other payables	Common control under Sinochem Holdings	36,542	32,122
	Minority shareholder and its subsidiary	1,826	1,826
Contractual liability	Common control under Sinochem Holdings	12,262	75,903
Short-term loans *	Common control under Sinochem Holdings	2,494,380	2,124,810
Other non-current liabilities *	Common control under Sinochem Holdings	2,356,334	2,354,133

* Include liabilities are loans from a related party, the interest expenses for the Six months ended June 30, 2024 is 117,494 thousand RMB (six months ended June 30, 2023: 43,976 thousand RMB).

Notes to the Financial Statements

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

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

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

On October 27, 2021, the Board of Directors first approved (following the pre-approval of the Company's independent directors 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 713 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 2,851 million). As of 30 June 2024, a total of \$400 million (RMB 2,851 million) was utilized.

On August 28, 2023, the Board of Directors approved (following the pre-approval of the Company's independent directors dated August 22, 2023) the Company, through one of its subsidiaries, entering into an additional committed credit facility agreement in the amount of RMB 2,000 million with Syngenta Group, or any of its subsidiaries. As of June 30, 2024, a total of RMB 2,000 million was utilized.

On April 26, 2024, the Board of Directors approved (following the pre-approval of the Company's independent directors dated April 24, 2024) the Company, through one of its subsidiaries, entering into an additional committed credit facility agreement in the amount of \$200 million (RMB 1,425 million) with one subsidiary of Syngenta Group. As of June 30, 2024, none was utilized yet under this agreement.

(5) Other related party transactions

The closing balance of bank deposit in Sinochem Finance Corporation was 460,042 thousand RMB (31.12.23: 565,624) Interest income of bank deposit for the current period was 3,773 thousand RMB (amount for six months ended June , 2023 was 2,802 thousand RMB).

The closing balance of a loan received from Sinochem Finance Corporation was nil thousand RMB (31.12.23: nil). The loan and the repayment during the year was nil thousand RMB respectively. Interest expenses in the current period was nil thousand RMB (amount for six months ended June , 2023 was 137 thousand RMB).

Notes to the Financial Statements

XI. Commitments and contingencies

1. Significant commitments

	June 30	December 31
	2024	2023
Investment in Fixed assets	258,636	308,875

2. Commitments and Contingent Liabilities

On June 12, 2024, the 3rd meeting of the 10th session of the Board of Directors of the Company approved the engagement on the purchase of joint liability insurance policy for Directors, Supervisors and Senior Executives of the Company and its PRC subsidiaries, by way of adding the Company to the Directors and Officers liability insurance policy of Syngenta Group, which shall provide shared coverage. On June 28, 2024, the Company's 2nd Interim Shareholders Meeting in 2024 approved the above engagement. The insurance period is from July 1, 2024 to June 30, 2025.

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.

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.

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.

Notes to the Financial Statements

XI. Commitments and contingencies - (cont'd)

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

Claims against subsidiaries (cont'd)

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.

Certain claims relating to alleged product liability damages were issued to a Company's subsidiary. The financial statements include adequate provisions where necessary to cover the exposure resulting from said claims.

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.

Performance commitments

When the Company acquired the equity interest in Adama Huifeng (shanghai) Agricultural Technology Co., Ltd ("Adama Huifeng (Shanghai)") and Adama Hiufeng (Jiangsu) Co. Ltd. ("Adama Huifeng (Jiangsu)") from Jiangsu Huifeng Biological Agriculture Co., Ltd ("Jiangsu Huifeng") during 2020 and 2021, there were performance commitments made by Jiangsu Huifeng regarding specific business operations of the acquired subsidiaries. If the performance commitments is not met, Jiangsu Huifeng shall make a price adjustment payment calculated based on a method as agreed. By the end of 2023 when the commitment period ended, the performance commitments has not been fulfilled. As of the date of this report, the Company has not received any confirmation from Jiangsu Huifeng for the price adjustment payment, nor has it received the corresponding price adjustment payment. There are currently disputes between the Company and Jiangsu Huifeng regarding the price adjustment payment, and the arbitration application filed by the Company as the Applicant to the Shanghai International Economic and Trade Arbitration Commission against Jiangsu Huifeng as the claimant has been accepted in May, 2024. The arbitration session has not yet commenced, and there is uncertainty about the final realization of the above-mentioned price adjustment payment. Therefore, it is not yet possible to make a reliable estimate of the amount and recoverability of the price adjustment payment.

Notes to the Financial Statements

XII. Events subsequent to the balance sheet date

A. ADAMA Makhteshim Ltd., a wholly-owned subsidiary of Solutions, filed with Israel's Ministry of Protection a remediation plan regarding its plant in Be'er Sheva. Following additional discussions between the parties, a final approval to such plan, which is expected to be gradually implemented during the coming years, was received from the Ministry after the date of the financial reports. As a result of the submission of the plan, the Company has made a provision in its financial statements for June 30, 2024 according to its best estimation.

B. On August 5, 2024, Solutions' Board of Directors approved a buyback plan for the its publicly traded Bonds (Series B) in the amount of up to USD 50 million.

XIII. Share-based Payments

- In February 2019, the remuneration committee and Solutions Board of Directors (as well as the General Meeting with respect to the former 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	29,060,009
Total number of Phantom warrants granted in current period	-
Total number of Phantom warrants exercised in current period	-
Total number of Phantom warrants forfeited in current period	(2,739,296)
Total number of Phantom warrants at the end of the period	26,320,713
The exercise prices and the remainder of the contractual period for Phantom warrants outstanding at the end of period	RMB 9.87 – 10.85 1.5 years

Notes to the Financial Statements

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

1. (cont'd)

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)	37
Expenses arising from cash-settled share-based payments in current period (in thousands RMB)	(11.270)

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.

Notes to the Financial Statements

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

2. (cont'd)

Statement of share based payments in the period

	<u>Phantom warrants</u>
Changes in the number of 2017 Plan:	
Total number of Phantom warrants at the beginning of the period	11,182,004
Total number of Phantom warrants granted in current period	-
Total number of Phantom warrants exercised in current period	-
Total number of Phantom warrants forfeited in current period	(1,001,590)
Total number of Phantom warrants at the end of the period	<u>10,180,414</u>
The range of the exercise prices and the remainder of the contractual period for Phantom warrants outstanding at the end of period	RMB 9.37 – 9.43 2.25 years

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)	1,085
Expenses (income) arising from cash-settled share-based payments in current period related to the alternative plan (in thousands RMB)	(6,068)

Notes to the Financial Statements

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 payables and lease liabilities. All other assets and liabilities which are not attributable to a specific segment are presented as unallocated assets and liabilities.

Notes to the Financial Statements

XIV. Other significant items - (cont'd)

1. Segment reporting - (cont'd)

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

	Crop Protection		Intermediates and ingredients		Elimination among segments		Total	
	Six months ended June 30		Six months ended June 30		Six months ended June 30		Six months ended June 30	
	2024	2023	2024	2023	2024	2023	2024	2023
Operating income from external customers	13,534,044	15,855,165	1,376,245	1,398,036	-	-	14,910,289	17,253,201
Inter-segment operating income	-	-	829	709	(829)	(709)	-	-
Interest in the profit or loss of associates and joint ventures	-	-	4,418	3,439	-	-	4,418	3,439
Segment's results	178,932	954,027	69,777	(41,194)	-	-	248,709	912,833
Financial expenses							623,647	455,855
Loss from changes in fair value							(196,492)	(782,218)
Investment income							-	6,651
Loss before tax							(571,430)	(318,589)
Income tax expenses (income)							323,436	(76,433)
Loss							(894,866)	(242,156)

	Crop Protection		Intermediates and ingredients		Unallocated assets and liabilities		Total	
	June 30	December 31	June 30	December 31	June 30	December 31	June 30	December 31
	2024	2023	2024	2023	2024	2023	2024	2023
Total assets	42,696,384	43,609,235	2,174,634	2,322,873	7,983,463	9,473,695	52,854,481	55,405,803
Total liabilities	6,763,326	6,574,117	261,803	321,614	24,846,866	26,585,597	31,871,995	33,481,328

Notes to the Financial Statements

XIV. Other significant items - (cont'd)

1. Segment reporting - (cont'd)

Geographic information

The following tables sets out information about the geographical segments of the Group's operating income based on the location of customers (sales target) and the Group's non-current assets (including 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	
	2024	2023
Europe, Africa and Middle East	4,827,131	5,286,856
North America	2,941,766	3,018,617
Latin America	2,841,344	3,902,210
Asia Pacific	4,300,048	5,045,518
	14,910,289	17,253,201

	Specified non-current assets	
	June 30	December 31
	2024	2023
Europe, Africa and Middle East	14,207,795	14,258,655
North America	1,253,274	1,303,868
Latin America	2,259,093	2,303,208
Asia Pacific	5,488,455	5,747,484
	23,208,617	23,613,215

2. The dependency on major customers

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

Notes to the Financial Statements

XIV. Other significant items - (cont'd)

3. Calculation of losses per share and Diluted earnings per share

	Amount for the current period	Amount for the prior period
Net loss from continuing operations attributable to ordinary shareholders	(894,866)	(242,156)

	Amount for the current period	Amount for the prior period
Shares		
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 loss attributable to ordinary shareholders		
Basic losses per share	(0.38)	(0.10)
Diluted losses per share	N/A	N/A
Calculated based on net loss from continuing operations attributable to ordinary shareholders:		
Basic losses per share	(0.38)	(0.10)
Diluted losses per share	N/A	N/A
Calculated based on net loss from discontinued operations attributable to ordinary shareholders:		
Basic losses per share	N/A	N/A
Diluted losses per share	N/A	N/A

Notes to the Financial Statements

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

1. Cash at bank and on hand

	June 30	December 31
	2024	2023
Deposits in banks	69,085	157,186
Other cash and bank balances	3,424	6,460
	72,509	163,646

As at June 30, 2024, restricted cash and bank balances was 3,424 thousand RMB (as at December 31, 2023: 6,460 thousand RMB).

2. Accounts receivable

a. By category

	June 30, 2024					
	Book value		Provision for expected credit losses			Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)		
Account receivables assessed individually for impairment	13,893	1	13,893	100	-	
Account receivables assessed collectively for impairment	1,013,461	99	2	-	1,013,459	
	1,027,354	100	13,895	1	1,013,459	

	December 31, 2023					
	Book value		Provision for expected credit losses			Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)		
Account receivables assessed individually for impairment	13,893	1	13,893	100	-	
Account receivables assessed collectively for impairment	1,141,839	99	-	-	1,141,839	
	1,155,732	100	13,893	1	1,141,839	

b. Aging analysis

	June 30, 2024
Within 1 year (inclusive)	1,013,461
Over 1 year but within 2 years	-
Over 2 years but within 3 years	-
Over 3 years but within 4 years	-
Over 4 years but within 5 years	15
Over 5 years	13,878
	1,027,354

Notes to the Financial Statements

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

2. Accounts receivable - (cont'd)

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

	Six months ended June 30, 2024
Balance as of January 1	13,893
Addition during the year, net	2
Write back during the year	-
Write-off during the year	-
Exchange rate effect	-
Balance as of June 30	13,895

d. Five largest accounts receivable at June 30, 2024:

	Closing balance	Proportion of Accounts receivable (%)	Allowance of expected credit losses
Party 1	929,794	91	-
Party 2	22,240	2	2
Party 3	14,826	1	-
Party 4	13,844	1	-
Party 5	11,831	1	-
	992,535	96	2

3. Receivable financing

	June 30	December 31
	2024	2023
Bank acceptance draft	25,125	7,929
	25,125	7,929

As at June 30, 2024, bank acceptance endorsed but not yet due amounts to 210,903 thousand RMB.

4. Other Receivables

	June 30	December 31
	2024	2023
Other receivables	11,611	11,611
	11,611	11,611

Notes to the Financial Statements

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

4. Other Receivables - (cont'd)

(1) Other receivables

a. Other receivables by categories

	June 30	December 31
	2024	2023
Other	16,987	16,987
Provision for expected credit losses	(5,376)	(5,376)
	11,611	11,611

b. Other receivables by aging

	June 30, 2024
Within 1 year (inclusive)	-
Over 1 year but within 2 years	113
Over 2 years but within 3 years	91
Over 3 years but within 4 years*	11,830
Over 4 years but within 5 years	-
Over 5 years	4,953
	16,987

* Include intergroup balance with Anpon

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

	Six months ended June 30, 2024
Balance as of January 1, 2024	5,376
Addition during the period	-
Written back during the period	-
Write-off during the period	-
Balance as of December 31, 2024	5,376

d. Five largest other receivables at June 30 2024:

Name	Closing balance	Proportion of other receivables (%)	Credit loss provision
Party 1*	11,611	68	-
Party 2	3,125	19	3,125
Party 3	548	3	548
Party 4	237	1	237
Party 5	221	1	221
	15,742	92	4,131

* Include intergroup balance with Anpon

Notes to the Financial Statements

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

5. Long-term equity investments

	June 30, 2024			December 31, 2023		
	Amount balance	Impairment loss	Book value	Amount balance	Impairment loss	Book value
Invest in subsidiaries	17,511,352	80,636	17,430,716	17,511,352	80,636	17,430,716
	<u>17,511,352</u>	<u>80,636</u>	<u>17,430,716</u>	<u>17,511,352</u>	<u>80,636</u>	<u>17,430,716</u>

Investments in subsidiaries

Invested unit	Opening balance	Increase	Decrease	Provision of impairment loss	Closing balance	Balance of 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.	789,116	-	-	-	789,116	(59,024)
Hubei Sanonda Foreign Trade Co. Ltd.	11,993	-	-	-	11,993	-
Adama Huifeng (shanghai) Agricultural Technology Co., Ltd	288,945	-	-	-	288,945	(21,612)
	<u>17,430,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,430,716</u>	<u>(80,636)</u>

6. Operating Income and operating costs

	Six months ended June 30, 2024		Six months ended June 30, 2023	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	958,749	823,699	1,073,326	884,306
Other operations	22,843	8,082	20,383	8,932
	<u>981,592</u>	<u>831,781</u>	<u>1,093,709</u>	<u>893,238</u>

Notes to the Financial Statements

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

7. Notes to items in the cash flow statements

(1) Other cash received relevant to operating activities

	Six months ended June 30, 2024	Six months ended June 30, 2023
Interest income	1,292	1,964
Government subsidies	1,588	7,766
Other	9,684	15,929
	12,564	25,659

(2) Other cash paid relevant to operating activities

	Six months ended June 30, 2024	Six months ended June 30, 2023
Professional services	8,683	71,288
Transportation and Commissions	-	26,151
Other	11,616	14,600
	20,299	112,039

(3) Other cash received relevant to investing activities

	Six months ended June 30, 2024	Six months ended June 30, 2023
Loans	125,000	2,850
Other	2,600	-
	127,600	2,850

(4) Other cash paid relevant to investing activities

	Six months ended June 30, 2024	Six months ended June 30, 2023
Loans	-	-
	-	-

(5) Other cash received relevant to financing activities

	Six months ended June 30, 2024	Six months ended June 30, 2023
Deposit for issuing bills payables	6,460	12,750
	6,460	12,750

Notes to the Financial Statements

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, 2024	Six months ended June 30, 2023
Deposit for issuing bills payable	3,424	3,210
Other	460	627
	3,884	3,837

8. Supplementary information to cash flow statement

(1) Reconciliation of net profit to net cash flows provided by (used in) operating activities:

	Six months ended June 30	
	2024	2023
Net profit	(12,812)	93,632
Add: Assets impairment loss	3,565	3,067
Credit impairment loss	2	(91)
Depreciation of fixed assets and investment property	118,953	114,931
Depreciation of right-of use assets	787	1,177
Amortization of intangible assets	6,058	6,033
Loss (gain) on disposal of fixed assets, intangible assets and other long-term assets	39	472
Loss of fair value change	30,870	-
Financial expenses	5,180	2,661
Decrease in deferred income tax assets	51,414	20,379
Decrease (increase) in inventory	(16,667)	77,725
Decrease (increase) in accounts receivable from operating activities	112,480	(327,200)
Increase (decrease) in payables from operating activities	4,048	(56,446)
Net cash flows provided by (used in) operating activities	303,917	(63,660)

(2) Net increase in cash and cash equivalents

	Six months ended June 30	
	2024	2023
Closing balance of cash	69,085	121,346
Less: Opening balance of cash	157,186	258,330
Net increase in cash and cash equivalents	(88,101)	(136,984)

Notes to the Financial Statements

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

9. Related parties and related parties transactions

(1) Information on parent Company

Company name	Registered place	Business nature	Registered capital (Thousand RMB)	Shareholding percentage	Percentage of voting rights
Syngenta Group	Shanghai, China	Production and sales of agrochemicals, fertilizers and GM seeds	11,144,545	78.47%	78.47%

The ultimate controlling shareholder is Sinochem Holdings .

(2) Information on the subsidiaries of the Company

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

(3) Transactions with related parties

a. Transactions of goods and services

		Six months ended June 30	
		2024	2023
<u>Summary of Purchase of goods/services received:</u>	Related Party Relationship		
Purchase of goods/services received	Common control under Sinochem Holdings Subsidiary	35,789	50,950
Purchase of fixed assets and other assets	Common control under Sinochem Holdings	42,440	53,851
		-	-
<u>Summary of Sales of goods:</u>			
Sale of goods	Common control under Sinochem Holdings Subsidiary	226	2,553
Rendering of services	Subsidiary	555,090	499,786
		-	164

Notes to the Financial Statements

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

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

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

b. Guarantees

The Company as the guarantor

	Amount of guaranteed loan	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y / N)
Subsidiary	16,000	2021.12.01	2024.11.28	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
	30,000	2024.01.23	2024.12.06	N
	10,000	2023.01.12	2025.06.20	N
	19,000	2022.11.17	2024.12.20	N
	12,000	2023.04.03	2025.06.20	N
	3,000	2023.07.28	2027.11.10	N
	5,000	2023.10.17	2027.11.10	N
	50,000	2024.04.10	2027.04.26	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
	2,000	2023.04.13	2026.09.28	N
	3,000	2024.02.05	2026.09.29	N
	9,000	2022.08.11	2028.06.22	N
	10,000	2022.08.31	2028.06.22	N
	11,000	2022.10.28	2027.06.22	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
	4,000	2024.02.07	2026.06.23	N
	1,500	2023.04.26	2028.05.05	N

The Company as the guarantee receiver

Guarantee provider	Amount of guaranteed loan	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y / N)
Parent company	298,000	21/04/2021	20/04/2028	N
	70,063	01/06/2021	31/05/2028	N

During the reporting period, the Company paid a guarantee fee amounting to 210 thousand RMB (2023.1-6: 219) to the parent company.

Notes to the Financial Statements

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

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

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

c. Intercompany borrowings/lending

<u>Related party</u>	<u>Borrowing/ Lending amount</u>	<u>Commencement date</u>	<u>Termination date</u>	<u>Balance at year end</u>	<u>Note</u>
Lending					
Subsidiary	125,000	2022.06	2024.05	-	Fixed rate at 2.4%
Subsidiary	125,000	2023.12	2025.12	125,000	Fixed rate at 2.4%

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

Receivable Items		June 30	December 31
<u>Items</u>	<u>Related Party Relationship</u>	<u>2024</u>	<u>2023</u>
		Book Balance	Expected credit losses
		Book Balance	Expected credit losses
Trade receivables	Subsidiary	941,625	-
Non-current assets within one year	Subsidiary	-	-
Other non-current assets	Subsidiary	125,000	-
Other receivables	Subsidiary	11,611	-
Prepayments	Common control under Sinochem Holding	1,714	-
Other non-current assets	Common control under Sinochem Holding	5	-

Payable Items		June 30	December 31
<u>Items</u>	<u>Related Party Relationship</u>	<u>2024</u>	<u>2023</u>
Trade payables	Subsidiary	10	1,383
Trade payables	Common control under Sinochem Holdings	9,519	9,493
Other payables	Subsidiary	486,827	436,815
	Common control under Sinochem Holdings	318	507

Notes to the Financial Statements

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

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

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

e. Other related party transactions

The closing balance of bank deposit in SinoChem Finance Corporation was 52,108 thousand RMB (31.12.23: 26,552) Interest income of bank deposit for the current period was 1,181 thousand RMB (amount for six months ended June 30, 2023 was 1,490 thousand RMB).

Supplementary information

(Expressed in RMB '000)

1. Extraordinary Gain and Loss

	Six months ended June 30, 2024
Disposal of non-current assets	18,217
Government grants recognized through profit or loss	2,299
Recovery or reversal of expected credit losses which is assessed individually during the years	16,710
Post vesting fair value revaluation of cash-settled share based payment	17,338
Other non-operating income or expenses other than the above	7,799
Tax effect	(10,174)
	<u>52,189</u>

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 loss attributable to ordinary shareholders of the Company	(4.17%)	(0.38)	N/A
Net loss after deduction of extraordinary gains/losses attributable to ordinary shareholders of the Company	(4.42%)	(0.41)	N/A