

ADAMA Ltd.

FINANCIAL STATEMENTS AND AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2025

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AUDITOR'S REPORT

KPMG Huazhen Shen Zi No.2605093

To the shareholders of ADAMA Ltd.:

I. Opinion

We have audited the accompanying financial statements of ADAMA Ltd. (hereinafter referred to as the "Adama"), which comprise the consolidated and company balance sheets as at 31 December 2025, the consolidated and company income statements, the consolidated and company cash flows statements, and the consolidated and company statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of Adama as at 31 December 2025, and the consolidated and company financial performance and cash flows of Adama for the year then ended in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China (hereinafter referred to as the "ASBEs").

II. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants ("CSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Adama in accordance with the the Independence Standards for Chinese Certified Public Accountants No. 1 – Independence Requirements for Audit and Review Engagements, as applicable to audits of financial statements of public interest entities and the China Code of Ethics for Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

AUDITOR'S REPORT - continued

KPMG Huazhen Shen Zi No.2605093

III. Key Audit Matters - continued

Cut-off of revenue recognition	
Please refer to the accounting policies described in Note (III) 28 and details in Note (V) 42 to the financial statements.	
Description	Audit response
<p>The principal activities of ADAMA Ltd. and its subsidiaries (hereinafter referred to as the “ADAMA”) are the production and sale of agrochemical products, intermediate materials for other industries, food additives and synthetic aromatic products.</p> <p>In 2025, ADAMA’s consolidated revenue from principal business amounted to RMB 28.9 billion.</p> <p>ADAMA recognizes revenue when the customer obtains control of the relevant goods. Depending on the trading terms of the sales contracts entered into with customers and the specific business arrangements, ADAMA generally considers that control of the relevant goods has been transferred to the customer and recognizes sales revenue when the customer signs for or picks up the goods, when shipment of the goods is completed or when the goods arrive at the warehouse designated by the customer.</p> <p>As revenue is one of the key performance indicators of ADAMA, there is a risk that management may advance or defer the timing of revenue recognition in order to achieve specific targets or expectations. Accordingly, we have identified the risk of cut- off misstatements in revenue recognition as a key audit matter.</p>	<p>The audit procedures performed in relation to the assessment of revenue cut- off included the following:</p> <ul style="list-style-type: none"> • Understand and evaluate the design and operation effectiveness of key internal controls over financial reporting related to revenue recognition by management; • Check key sales contracts on a sampling basis to identify relevant trading terms related to the transfer of control of goods, and evaluate whether ADAMA’s revenue recognition accounting policies are in compliance with the requirements of the ASBEs; • On a sampling basis, reconcile the revenue recorded around the balance sheet date to the related sales orders, customer delivery notes or bills of lading and other supporting documents to assess whether revenue was recorded in the appropriate accounting period; • Check the sales records after the balance sheet date to identify any material sales returns and, where applicable, check the relevant supporting documents to assess whether the related revenue was recorded in the appropriate accounting period; and • Selecting revenue journal entries that meet specific risk criteria and inspecting the related supporting documentation.

AUDITOR'S REPORT - continued

KPMG Huazhen Shen Zi No.2605093

III. Key Audit Matters - continued

Provision for Impairment of Goodwill on Crop Protection Units	
Please refer to the accounting policies described in Note (III) 22 and 23, and details in Note (V) 18 to the financial statements.	
Description	Audit response
<p>As at 31 December 2025, the carrying amount of goodwill of ADAMA was RMB 4.96 billion, of which RMB 4.89 billion related to the groups of cash generating unit (hereinafter referred to as the "CGU") of crop protection.</p> <p>Management of ADAMA performs an impairment test on goodwill at each year-end by comparing the carrying amount of the groups of CGUs that includes goodwill with its recoverable amount in order to determine whether an impairment provision is required. The recoverable amount is determined as the higher of the fair value less costs of disposal of the groups of CGUs and the present value of the groups of CGUs's estimated future cash flows. Determining the present value of the estimated future cash flows involves significant management judgement, in particular in estimating the projected sales growth rate, gross profit margins, terminal growth rate and discount rate applied.</p> <p>Given the materiality of the carrying amount of goodwill to the financial statements, and the fact that the parameters used in the goodwill impairment test involve significant management judgement, which is subject to inherent uncertainty and may be influenced by management bias, we identified the potential impairment of goodwill as a key audit matter.</p>	<p>The audit procedures performed in relation to the assessment of the potential impairment of goodwill included the following:</p> <ul style="list-style-type: none"> • Understand and evaluate the design and operation effectiveness of key internal controls of ADAMA relating to goodwill impairment testing; • Based on our understanding of ADAMA's business, assess whether management's identification of the relevant groups of CGUs and the method of allocating goodwill to those groups of CGUs, as well as the method used to determine the recoverable amount of the groups of CGUs, are in compliance with the requirements of the ASBES; • Based on our understanding, experience and knowledge of the industry in which ADAMA operates, and taking into account both internal and external information such as ADAMA's approved business plans and industry research reports, evaluate the reasonableness of key assumptions adopted by management in estimating the present value of future cash flows including projected sales growth rate and gross profit margin; • Engage KPMG's internal valuation experts to evaluate the appropriateness of the valuation methodologies adopted by management in determining the present value of the estimated future cash flows of the relevant groups of CGU, and the reasonableness of the discount rate and terminal growth rate used;

	<ul style="list-style-type: none">• Perform sensitivity analyses on the discount rate and other key assumptions used by management in estimating the present value of future cash flows to assess the impact of changes in key assumptions on the results of the impairment test and whether there are any indications of management bias;• Compare the key assumptions used by management in estimating the present value of future cash flows in the prior year with the actual performance of the relevant groups of CGU in the current year to assess whether there are any indications of management bias; and• Evaluate whether the disclosures in the financial statements in respect of goodwill impairment and the key assumptions adopted are in compliance with the requirements of the ASBEs.
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AUDITOR'S REPORT - continued

KPMG Huazhen Shen Zi No.2605093

IV. Other Information

Adama's management is responsible for the other information. The other information comprises the information included in 2025 annual report of Adama, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for the design, implementation and maintenance of such internal control necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Adama's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Adama or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Adama's financial reporting process.

VI. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

AUDITOR'S REPORT - continued

KPMG Huazhen Shen Zi No.2605093

VI. Auditor's Responsibilities for the Audit of the Financial Statements - continued

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances;
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- (4) Conclude on the appropriateness of the management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Adama's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Adama to cease to continue as a going concern;
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Adama to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S REPORT - continued

KPMG Huazhen Shen Zi No.2605093

VI. Auditor's Responsibilities for the Audit of the Financial Statements - continued

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Huazhen CPA LLP

Chinese Certified Public Accountant

Beijing China

Wang Jia
(Engagement Partner)

Chinese Certified Public Accountant
Wang Shan

26 March 2026

This independent auditor's report of the financial statements and the accompanying financial statements are English translations of the independent auditor's report and the financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the balance sheet and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails

Consolidated Balance Sheet

	Notes	December 31 2025	December 31 2024
Current assets			
Cash at bank and on hand	V.1	3,450,300	3,630,608
Financial assets held for trading	V.2	1,223	1,035
Derivative financial assets	V.3	449,379	483,822
Bills receivable	V.4	358,489	65,565
Accounts receivable	V.5	7,124,736	7,977,830
Receivables financing	V.6	30,767	144,763
Prepayments	V.7	368,012	313,542
Other receivables	V.8	1,076,164	1,147,469
Inventories	V.9	11,607,842	11,164,663
Other current assets	V.10	1,094,273	988,093
Total current assets		<u>25,561,185</u>	<u>25,917,390</u>
Non-current assets			
Long-term receivables	V.11	118,203	159,813
Long-term equity investments	V.12	39,312	30,227
Other equity investments	V.13	129,796	131,473
Investment properties		18,869	20,509
Fixed assets	V.14	10,073,551	9,762,895
Construction in progress	V.15	897,175	1,996,892
Right-of-use assets	V.16	661,443	557,159
Intangible assets	V.17	4,302,343	4,796,655
Goodwill	V.18	4,964,450	5,074,283
Deferred tax assets	V.19	1,294,176	1,291,654
Other non-current assets	V.20	403,459	320,827
Total non-current assets		<u>22,902,777</u>	<u>24,142,387</u>
Total assets		<u>48,463,962</u>	<u>50,059,777</u>

Consolidated Balance Sheet (continued)

	Notes	December 31 2025	December 31 2024
Current liabilities			
Short-term loans	V.21	6,673,792	4,748,720
Derivative financial liabilities	V.22	189,581	278,580
Bills payable	V.23	622,660	439,495
Accounts payable	V.24	5,461,749	4,934,865
Contract liabilities	V.25	1,789,490	1,810,764
Employee benefits payable	V.26	936,724	851,784
Taxes payable	V.27	539,168	516,761
Other payables	V.28	1,418,093	1,417,319
Non-current liabilities due within one year	V.29	3,825,203	2,230,713
Other current liabilities	V.30	929,259	784,456
Total current liabilities		<u>22,385,719</u>	<u>18,013,457</u>
Non-current liabilities			
Long-term loans	V.31	1,507,514	2,166,625
Debentures payable	V.32	4,894,076	6,320,157
Lease liabilities	V.33	751,226	610,415
Long-term payables		164,735	191,103
Long-term employee benefits payable	V.34	536,895	543,855
Provisions	V.35	424,347	316,490
Deferred tax liabilities	V.19	224,024	283,081
Other non-current liabilities	V.36	-	2,623,500
Total non-current liabilities		<u>8,502,817</u>	<u>13,055,226</u>
Total liabilities		<u>30,888,536</u>	<u>31,068,683</u>
Shareholders' equity			
Share capital	V.37	2,329,812	2,329,812
Capital reserve	V.38	12,867,123	12,950,464
Less: Treasury shares		-	-
Other comprehensive income	V.39	1,570,748	1,721,028
Special reserves		6,156	10,798
Surplus reserve	V.40	298,610	298,610
Retained earnings	V.41	502,977	1,680,382
Total equity attributed to the shareholders of the company		<u>17,575,426</u>	<u>18,991,094</u>
Non-controlling interests		-	-
Total Equity		<u>17,575,426</u>	<u>18,991,094</u>
Total liabilities and equity		<u>48,463,962</u>	<u>50,059,777</u>

Gael Hili
Legal representative

Efrat Nagar
Chief Financial Officer

These financial statements were approved by the Board of Directors of the Company on March 26, 2026.

The notes form part of these financial statements.

Company's Balance Sheet

	Notes	December 31 2025	December 31 2024
Current assets			
Cash at bank and on hand	XV.1	64,964	41,031
Bills receivable		112,369	-
Accounts receivable	XV.2	1,636,608	1,182,104
Receivables financing	XV.3	10,490	34,350
Prepayments		92,227	50,485
Other receivables	XV.4	26,434	24,393
Inventories		210,072	252,747
Non-current assets due within one year		-	70,000
Other current assets		14,923	5,739
Total current assets		<u>2,168,087</u>	<u>1,660,849</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		1,522	2,071
Fixed assets		1,252,804	1,361,190
Construction in progress		10,184	88,292
Right-of-use assets		1,354	1,297
Intangible assets		227,391	237,120
Deferred tax assets		46,359	51,640
Other non-current assets		230,156	265,572
Total non-current assets		<u>19,254,785</u>	<u>19,492,197</u>
Total assets		<u>21,422,872</u>	<u>21,153,046</u>
Current liabilities			
Short-term loans		418,692	100,000
Bills payables		155,220	98,584
Accounts payables		280,455	148,262
Contract liabilities		21,420	10,854
Employee benefits payable		9,800	9,709
Taxes payable		3,171	2,748
Other payables		778,254	716,369
Non-current liabilities due within one year		13,930	641,392
Other current liabilities		116,585	-
Total current liabilities		<u>1,797,527</u>	<u>1,727,918</u>
Non-current liabilities			
Long-term loans		642,000	308,357
Lease liabilities		443	592
Long-term employee benefits payable		63,175	67,154
Provisions		24,871	25,507
Other non-current liabilities		-	55,860
Total non-current liabilities		<u>730,489</u>	<u>457,470</u>
Total liabilities		<u>2,528,016</u>	<u>2,185,388</u>
Shareholders' equity			
Share capital	V.37	2,329,812	2,329,812
Capital reserve		15,523,881	15,523,881
Other comprehensive income		24,916	23,894
Special reserves		6,847	11,489
Surplus reserve	V.40	298,610	298,610
Retained earnings		710,790	779,972
Total shareholders' equity		<u>18,894,856</u>	<u>18,967,658</u>
Total liabilities and shareholders' equity		<u>21,422,872</u>	<u>21,153,046</u>

Consolidated Income Statement

	Notes	Year ended December 31	
		2025	2024
I. Operating income	V.42	28,944,586	29,488,046
Less: Cost of sales	V.42	21,321,853	22,748,925
Taxes and surcharges	V.43	102,238	100,327
Selling and Distribution expenses	V.44	3,986,175	4,400,770
General and administrative expenses	V.45	1,473,980	1,185,443
Research and Development expenses	V.46	424,700	416,327
Financial expenses	V.47	2,232,695	1,769,830
Including: Interest expense		1,021,329	1,054,856
Interest income		192,291	242,845
Add: Investment income, net	V.48	11,963	10,525
Including: Income from investment in associates and joint ventures		9,638	8,201
Gain (loss) from changes in fair value	V.49	219,486	(46,074)
Credit impairment losses	V.50	(115,546)	(99,713)
Asset impairment losses	V.51	(432,930)	(961,358)
Gain from disposal of assets	V.52	16,716	48,108
II. Operating loss		(897,366)	(2,182,088)
Add: Non-operating income		239,224	83,702
Less: Non-operating expenses		41,456	25,916
III. Total loss		(699,598)	(2,124,302)
Less: Income tax expenses (income)	V.53	346,121	778,902
IV. Net loss		(1,045,719)	(2,903,204)
(1). Classified by nature of operations			
(1.1). Continuing operations		(1,045,719)	(2,903,204)
(2). Classified by ownership			
(2.1). Shareholders of the Company		(1,045,719)	(2,903,204)
(2.2). Non-controlling interests		-	-
V. Other comprehensive income (loss), net of tax	V.39	(150,280)	45,132
Other comprehensive income (loss) (net of tax) attributable to shareholders of the Company		(150,280)	45,132
(1) Items that will not be reclassified to profit or loss:		(2,443)	33,639
(1.1) Re-measurement of defined benefit plan liability		(2,443)	33,639
(1.2) Fair Value changes in other equity investment		-	-
(2) Items that were or will be reclassified to profit or loss		(147,837)	11,493
(2.1) Effective portion of gains or loss of cash flow hedge		(14,361)	24,880
(2.2) Translation differences of foreign financial statements		(133,476)	(13,387)
VI. Total comprehensive loss for the period attributable to Shareholders of the Company		(1,195,999)	(2,858,072)
Total comprehensive loss for the period attributable to shareholders of the Company		(1,195,999)	(2,858,072)
Total comprehensive income for the period attributable to Non-controlling interests		-	-
VII. Earnings per share	XIV.3		
(1) Basic loss per share (Yuan/share)		(0.45)	(1.25)
(2) Diluted earnings per share (Yuan/share)		N/A	N/A

Company's Income Statement

	Notes	Year ended December 31	
		2025	2024
I. Operating income	XV.6	2,011,533	1,801,793
Less: Operating costs	XV.6	1,670,990	1,566,346
Taxes and surcharges		12,905	10,830
Selling and Distribution expenses		11,394	7,442
General and administrative expenses		211,925	128,902
Research and Development expenses		21,964	4,699
Financial expenses		48,257	10,384
Including: Interest expense		29,163	34,071
Interest income		3,291	6,109
Add: Investment income, net		34,769	34,070
Gain from changes in fair value ("-" means loss)		(130,730)	326,340
Credit impairment reversal (losses)		(902)	-
Asset Impairment reversal (losses)		(10,258)	(160,041)
Gain from disposal of assets		3,618	865
II. Operating Profit		(69,405)	274,424
Add: Non-operating income		5,636	4,689
Less: Non-operating expenses		132	584
III. Total profit		(63,901)	278,529
Less: Income tax expense		5,281	28,601
IV. Net profit (loss)		(69,182)	249,928
V. Other comprehensive income, net of tax		1,022	24,896
(1) Items that will not be reclassified to profit or loss		1,022	24,896
(1.1) Re-measurement of defined benefit plan liability		1,022	24,896
(1.2) FV changes in other equity investment		-	-
VI. Total comprehensive income (loss) for the period		(68,160)	274,824

Consolidated Cash Flow Statement

	Notes	Year ended December 31	
		2025	2024
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		29,417,810	27,271,860
Refund of taxes and surcharges		206,689	205,975
Cash received relating to other operating activities	V.56(1)	351,471	548,629
Sub-total of cash inflows from operating activities		<u>29,975,970</u>	<u>28,026,464</u>
Cash paid for goods and services		18,277,314	16,805,907
Cash paid to and on behalf of employees		3,783,982	3,859,369
Payments of taxes and surcharges		549,750	600,027
Cash paid relating to other operating activities	V.56(2)	3,316,231	3,000,530
Sub-total of cash outflows from operating activities		<u>25,927,277</u>	<u>24,265,833</u>
Net cash flows provided by operating activities	V.57(1)a	<u>4,048,693</u>	<u>3,760,631</u>
II. Cash flows from investing activities:			
Cash received from disposal of investments		114,278	117,325
Cash received from returns of investments		3,336	2,705
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		68,540	272,730
Cash received relating to other investing activities	V.56(3)	-	2,324
Sub-total of cash inflows from investing activities		<u>186,154</u>	<u>395,084</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,213,660	1,423,510
Net cash paid to acquire subsidiaries or other business units		56,272	-
Cash paid relating to other investing activities	V.56(4)	124,725	125,641
Sub-total of cash outflows from investing activities		<u>1,394,657</u>	<u>1,549,151</u>
Net cash flows used in investing activities		<u>(1,208,503)</u>	<u>(1,154,067)</u>
III. Cash flows from financing activities:			
Cash received from borrowings		2,476,543	1,496,057
Cash received from other financing activities	V.56(5)	1,860,911	1,029,698
Sub-total of cash inflows from financing activities		<u>4,337,454</u>	<u>2,525,755</u>
Cash repayments of borrowings		5,241,628	4,834,040
Cash payment for dividends, profit distributions and interest		1,057,729	1,127,326
Including: Dividends paid to non-controlling interest		131,686	69,512
Cash paid relating to other financing activities	V.56(6)	1,047,822	523,578
Sub-total of cash outflows from financing activities		<u>7,347,179</u>	<u>6,484,944</u>
Net cash flow used in financing activities		<u>(3,009,725)</u>	<u>(3,959,189)</u>
IV. Effects of foreign exchange rate changes on cash and cash equivalent equivalent		(61,102)	79,230
V. Net decrease in cash and cash equivalents	V.57(1)b	(230,637)	(1,273,395)
Add: Cash and cash equivalents at the beginning of the year		3,583,963	4,857,358
VI. Cash and cash equivalents at the end of the period	V.57(2)	<u>3,353,326</u>	<u>3,583,963</u>

Company's Cash Flow Statement

	Notes	Year ended December 31	
		2025	2024
I. Cash flows from operating activities:			
Cash received from sale of goods and rendering of services		1,050,255	1,299,202
Refund of taxes and surcharges		64,246	73,706
Cash received relating to other operating activities	XV.7(1)	20,551	17,172
Sub-total of cash inflows from operating activities		<u>1,135,052</u>	<u>1,390,080</u>
Cash paid for goods and services		664,297	953,203
Cash paid to and on behalf of employees		130,321	119,998
Payments of taxes and surcharges		21,141	16,624
Cash paid relating to other operating activities	XV.7(2)	129,106	55,675
Sub-total of cash outflows from operating activities		<u>944,865</u>	<u>1,145,500</u>
Net cash flows provided by operating activities	XV.8	<u>190,187</u>	<u>244,580</u>
II. Cash flows from investing activities:			
Cash received from returns of investments		32,445	34,070
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		11,222	977
Cash received relating to other investing activities	XV.7.(3)	71,599	184,147
Sub-total of cash inflows from investing activities		<u>115,266</u>	<u>219,194</u>
Cash paid to acquire fixed assets, intangible assets and other long-term assets		11,617	27,413
Cash paid for other investing activities	XV.7.(4)	50,000	-
Sub-total of cash outflows from investing activities		<u>61,617</u>	<u>27,413</u>
Net cash flows provided by investing activities		<u>53,649</u>	<u>191,781</u>
III. Cash flows from financing activities:			
Cash received from borrowings		857,000	100,000
Cash received relating to other financing activities	XV.7.(5)	16,105	9,884
Sub-total of cash inflows from financing activities		<u>873,105</u>	<u>109,884</u>
Cash repayments of borrowings		1,052,017	636,779
Cash payment for dividends, profit distributions or interest		29,216	33,819
Cash paid relating to other financing activities	XV.7.(6)	20,699	5,742
Sub-total of cash outflows from financing activities		<u>1,101,932</u>	<u>676,340</u>
Net cash flow used in financing activities		<u>(228,827)</u>	<u>(566,456)</u>
IV. Effects of foreign exchange rate changes on cash and cash equivalents		4,768	12,082
V. Net increase (decrease) in cash and cash equivalents		19,777	(118,013)
Add: Cash and cash equivalents at the beginning of the year	XV.8(2)	<u>39,173</u>	<u>157,186</u>
VI. Cash and cash equivalents at the end of the period	XV.8(2)	<u><u>58,950</u></u>	<u><u>39,173</u></u>

Consolidated Statement of Changes in Shareholders' Equity

For the year ended December 31, 2025

	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Total	Non-controlling interests	Total equity
I. Balance at January 1, 2025	2,329,812	12,950,464	1,721,028	10,798	298,610	1,680,382	18,991,094	-	18,991,094
II. Changes in equity for the period	-	(83,341)	(150,280)	(4,642)	-	(1,177,405)	(1,415,668)	-	(1,415,668)
1. Total comprehensive loss	-	-	(150,280)	-	-	(1,045,719)	(1,195,999)	-	(1,195,999)
2. Owner's contributions and reduction	-	(83,341)	-	-	-	-	(83,341)	-	(83,341)
2.1 Transactions with holders of non controlling interest	-	(83,341)	-	-	-	-	(83,341)	-	(83,341)
3. Appropriation of profits	-	-	-	-	-	(131,686)	(131,686)	-	(131,686)
3.1 Distribution to non-controlling interest	-	-	-	-	-	(131,686)	(131,686)	-	(131,686)
4. Special reserve	-	-	-	(4,642)	-	-	(4,642)	-	(4,642)
4.1 Transfer to special reserve	-	-	-	9,029	-	-	9,029	-	9,029
4.2 Amount utilized	-	-	-	(13,671)	-	-	(13,671)	-	(13,671)
III. Balance at December 31, 2025	2,329,812	12,867,123	1,570,748	6,156	298,610	502,977	17,575,426	-	17,575,426

Statement of Changes in Shareholders' Equity

For the year ended December
31, 2024

	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Total	Non-controlling interests	Total equity
I. Balance at January 1, 2024	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	-	-	45,132	(5,797)	24,993	(2,997,709)	(2,933,381)	-	(2,933,381)
1. Total comprehensive loss	-	-	45,132	-	-	(2,903,204)	(2,858,072)	-	(2,858,072)
2. Appropriation of profits	-	-	-	-	24,993	(94,505)	(69,512)	-	(69,512)
2.1 Transfer to surplus reserve	-	-	-	-	24,993	(24,993)	-	-	-
2.2 Distribution to non-controlling interest	-	-	-	-	-	(69,512)	(69,512)	-	(69,512)
3. Special reserve	-	-	-	(5,797)	-	-	(5,797)	-	(5,797)
3.1 Transfer to special reserve	-	-	-	9,442	-	-	9,442	-	9,442
3.2 Amount utilized	-	-	-	(15,239)	-	-	(15,239)	-	(15,239)
III. Balance at December 31, 2024	2,329,812	12,950,464	1,721,028	10,798	298,610	1,680,382	18,991,094	-	18,991,094

Company's Statement of Changes in Shareholders' Equity

For the year ended December 31, 2025

	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Total
I. Balance at January 1, 2025	2,329,812	15,523,881	23,894	11,489	298,610	779,972	18,967,658
II. Changes in equity for the period	-	-	1,022	(4,642)	-	(69,182)	(72,802)
1. Total comprehensive income	-	-	1,022	-	-	(69,182)	(68,160)
2. Special reserve	-	-	-	(4,642)	-	-	(4,642)
2.1 Transfer to special reserve	-	-	-	9,029	-	-	9,029
2.2 Amount utilized	-	-	-	(13,671)	-	-	(13,671)
III. Balance at December 31, 2025	<u>2,329,812</u>	<u>15,523,881</u>	<u>24,916</u>	<u>6,847</u>	<u>298,610</u>	<u>710,790</u>	<u>18,894,856</u>

For the year ended December 31, 2024

	Share capital	Capital reserve	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	Total
I. Balance at January 1, 2024	2,329,812	15,523,881	(1,002)	17,286	273,617	555,037	18,698,631
II. Changes in equity for the period	-	-	24,896	(5,797)	24,993	224,935	269,027
1. Total comprehensive income	-	-	24,896	-	-	249,928	274,824
2. Appropriation of profits	-	-	-	-	24,993	(24,993)	-
2.1 Appropriations to surplus reserves	-	-	-	-	24,993	(24,993)	-
3. Special reserve	-	-	-	(5,797)	-	-	(5,797)
3.1 Transfer to special reserve	-	-	-	9,442	-	-	9,442
3.2 Amount utilized	-	-	-	(15,239)	-	-	(15,239)
III. Balance at December 31, 2024	<u>2,329,812</u>	<u>15,523,881</u>	<u>23,894</u>	<u>11,489</u>	<u>298,610</u>	<u>779,972</u>	<u>18,967,658</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 March 26, 2026.

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.

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 December 31, 2025 and have not identified any significant doubtful matter or event on the going concern, as such the financial statement have been prepared on the going concern basis.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance

These financial statements are in compliance with the Accounting Standards for Business Enterprises to truly and completely reflect the Company's consolidated financial position as at December 31, 2025 and the Company's consolidated operating results, changes in shareholders' equity and cash flows for the twelve months then ended.

2. Accounting period

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

3. Business cycle

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

4. Reporting currency

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

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
Material receivables assessed individually for impairment	Individual impairment higher than RMB 150 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 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 and notes 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

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, 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 32.1).

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. Accounts receivables

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

Expected credit losses in respect of accounts 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%-2.81%.

When credit risk on accounts 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 accounts receivables has increased significantly since initial recognition, the Group compares the risk of a default occurring on the accounts receivables at the reporting date with the risk of a default occurring on the accounts receivables 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. Receivables financing

All receivables financing are bank acceptance notes due within 1 year. From the past experience, the possibility of significant losses due to banks default is low, the Group believes that there is no significant credit risk in the bank acceptances notes held.

14. Other receivables

The Group determines expected credit losses for other receivables on an individual basis.

15. Inventories

15.1 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.

Notes to the Financial Statements

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

15. Inventories - (cont'd)

15.2 Valuation method of inventories upon delivery

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

15.3 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. In determining the realizable value of inventory, it is based on solid evidence obtained, while also considering the purpose of holding the inventory and the impact of events after the balance sheet date.

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.

15.4 The perpetual inventory system is maintained for stock system.

16. Long-term equity investments

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

16.1 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.

Notes to the Financial Statements

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

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

16.2 Determination of investment cost

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.

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.

16.3 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.

Notes to the Financial Statements

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

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

16.3 Subsequent measurement and recognition of profit or loss - (cont'd)

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.

16.4 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 23).

16.5 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.

17. 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.

Notes to the Financial Statements

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

18. Fixed assets

18.1 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.

18.2 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 (years)</u>	<u>Residual value (%)</u>	<u>Annual depreciation rate (%)</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.

Notes to the Financial Statements

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

18. Fixed assets - (cont'd)

18.3 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 23).

19. 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 23).

20. 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.

Notes to the Financial Statements

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

21. Intangible assets

21.1 Valuation methods, useful life, impairment test

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

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

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

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

Item	Amortization period (years)
Land use rights	49-50 years
Product registration	8-11 years
Intangible assets on purchase of products	7-20 years
Marketing rights, tradename and trademarks	4-10, 30 years
Exclusivity agreement	21 years
Software	3-5 years and 12 years for ERP
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 23).

Notes to the Financial Statements

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

21. Intangible assets - (cont'd)

21.2 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.

The research and development expenditure includes salaries and welfare expenses of personnel directly engaged in research and development activities, depreciation expenses of instruments and equipment used in research and development activities, expenses for field trial and professional services, materials consumed and lease and maintenance expenses related to research and development activities.

Notes to the Financial Statements

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

22. 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 23). 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.

23. 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.

24. 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.

Notes to the Financial Statements

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

25. Employee benefits

25.1 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.

25.2 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.

25.3 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.

Notes to the Financial Statements

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

25. Employee benefits - (cont'd)

25.4 Other long-term employee benefits

The Group's net obligation for long-term employee benefits, which are not attributable to post-K 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.

26. 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.

26.1 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.

27. 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.

Notes to the Financial Statements

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

Notes to the Financial Statements

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

28. 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. The timing of transferring the control of goods changes according to the specific terms of the sale contract. Regarding sales of products, transfer of the control of goods generally occurs when the products arrive at the customer's warehouse, while for certain overseas shipments the transfer occurs when the products are loaded on the shipper's transport vehicles.

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.

Variable consideration

Variable consideration includes sales with a right of return (see below), refunds, discounts, volume rebates etc. The amounts of variable consideration are estimated using the Group's past experience in the relevant markets. The Group includes in the transaction price the amounts of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

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.

Advance receipts for the sale of goods

When the Group receives advance payments from customers for the sale of goods, it first recognizes such payments as liabilities and then transfers them to revenue when the relevant performance obligations are fulfilled.

Notes to the Financial Statements

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

29. Government grants

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

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

Government grants are either related to assets or income.

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

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

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

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

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

30. Current and deferred tax

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

30.1 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.

30.2 Deferred tax assets and deferred tax liabilities

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

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

Notes to the Financial Statements

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

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

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

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

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

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

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

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

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

30.3 Offset of income tax

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

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

Notes to the Financial Statements

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

31. Leases

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

31.1 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.

31.2 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 31.4), and concurrently the Group recognizes a right-of-use asset at the same amount, adjusted for any prepaid lease payments paid at the lease date or before, plus initial direct costs incurred in respect of the lease.

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

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

31.3 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.

31.4 Variable lease payments

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

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

Notes to the Financial Statements

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

31. Leases - (cont'd)

31.5 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.

32. Other significant accounting policies and accounting estimates

32.1 Hedging

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

Hedge accounting

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

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

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

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

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

Notes to the Financial Statements

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

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

32.1 Hedging - (cont'd)

Cash-flow hedges

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

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

Economic hedge

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

32.2 Securitization of assets

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

32.3 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.

Notes to the Financial Statements

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

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

32.4 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.

33. Changes in significant accounting policies and accounting estimates

33.1 Changes in significant accounting policies

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

33.2 Changes in significant accounting estimates

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

34. 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:

34.1 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.

Notes to the Financial Statements

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

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

34.2 Provision for impairment of inventories

As described in Note III.15, 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.

34.3 Impairment of assets other than inventories and financial assets

As described in Note III.23, 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.

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

As described in Note III.18 and III.21, 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.

Notes to the Financial Statements

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

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

34.5 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.

34.6 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.

34.7 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.

Notes to the Financial Statements

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

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

34.8 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% (2024: 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 largest subsidiaries of the Group in respect of assets and operating income:

<u>Name of subsidiary</u>	<u>Location</u>	<u>2025</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.	24.1%
ADAMA India Private Ltd	India	25.2%
ADAMA Deutschland GmbH	Germany	32.5%
Control Solutions Inc.	U.S.	25.8%
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 2025 and 2024 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 2025 and 2024 is 15%.

(2) 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 in 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.

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 - (cont'd)

As of January 1, 2017 the law includes 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.

Notes to the Financial Statements

V. Notes to the consolidated financial statements

1. Cash at Bank and On Hand

	December 31	December 31
	2025	2024
Cash on hand	1,107	1,317
Deposits in banks	3,352,219	3,582,646
Other cash and bank balances	96,974	46,645
	3,450,300	3,630,608

Including cash and bank balances placed outside China 2,279,489 2,849,640

As at December 31, 2025 restricted cash and bank balances was 96,974 thousand RMB (as at December 31, 2024 46,645 thousand RMB) mainly including deposits that guarantee bank acceptance drafts.

2. Financial assets held for trading

	December 31	December 31
	2025	2024
Bank deposits	1,223	1,035
	1,223	1,035

3. Derivative financial assets

	December 31	December 31
	2025	2024
Economic hedge	401,091	445,465
Accounting hedge derivatives	48,288	38,357
	449,379	483,822

4. Bills Receivable

	December 31	December 31
	2025	2024
Post-dated checks receivable	358,489	65,565
	358,489	65,565

Notes to the Financial Statements

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

5. Accounts Receivable

a. By category

	December 31, 2025				
	Book value		Provision for expected credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Account receivables assessed individually for impairment	617,676	8	350,083	57	267,593
Account receivables assessed collectively for impairment	6,968,418	92	111,275	2	6,857,143
	7,586,094	100	461,358	6	7,124,736

	December 31, 2024				
	Book value		Provision for expected credit losses		Carrying amount
	Amount	Percentage (%)	Amount	Percentage (%)	
Account receivables assessed individually for impairment	497,541	6	321,410	65	176,131
Account receivables assessed collectively for impairment	7,911,529	94	109,830	1	7,801,699
	8,409,070	100	431,240	5	7,977,830

b. Aging analysis

	December 31, 2025
Within 1 year (inclusive)	7,015,671
Over 1 year but within 2 years	306,667
Over 2 years but within 3 years	49,131
Over 3 years but within 4 years	16,609
Over 4 years but within 5 years	13,109
Over 5 years	184,907
	7,586,094

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:

	December 31, 2025		
	Book value	Provision for expected credit loss	Percentage (%)
Credit group A	1,214,775	4,040	0.3
Credit group B	578,576	8,932	1.5
Credit group C	437,027	12,277	2.8
Credit group D	69,751	264	0.4
	2,300,129	25,513	1.1

Geographical location B:

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

	December 31, 2025		
	Book value	Provision for expected credit loss	Percentage (%)
Accounts receivable that are not overdue	571,330	5,646	1
Debts overdue less than 100 days	78,380	2,351	3
Debts overdue less than 190 days but more than 100 days.	7,316	732	10
Debts overdue less than 360 days but more than 190 days.	17,873	7,149	40
Debts overdue above 360 days	18,034	13,338	74
Legal Debtors	45,260	45,260	100
	738,193	74,476	10

Other geographical locations:

	December 31, 2025		
	Book value	Provision for expected credit loss	Percentage (%)
Other account receivables assessed collectively for impairment	3,930,096	11,286	0.3

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, 2025	55,908	375,332	431,240
Addition (write back) during the period, net	(12,641)	117,980	105,339
Write-off during the period	-	(31,365)	(31,365)
Classification between long term and short term, net	-	(45,942)	(45,942)
Exchange rate effect	(839)	2,925	2,086
Balance as of December 31, 2025	<u>42,428</u>	<u>418,930</u>	<u>461,358</u>

d. Five largest accounts receivable at December 31, 2025:

Name	Closing balance	Proportion of Accounts receivable (%)	Allowance of expected credit losses (credit losses has occurred)
Customer 1	211,212	2.8	-
Customer 2	121,331	1.6	-
Customer 3	118,864	1.6	-
Customer 4	102,135	1.3	95,261
Customer 5	94,636	1.2	-
Total	<u>648,178</u>	<u>8.5</u>	<u>95,261</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 31 December 2025, the Securitization agreement was approved up to October 24, 2026.

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 - 350m\$ (as of December -2025 2,460 million RMB), during the months of February through July – 400m\$ ((as of December -2025 2,812 million RMB), during the months of August through September – 300m\$ (as of December -2025 2,109 million RMB), during the months of October through November- 275m\$ (as of December -2025 1,933 million RMB) and during the month of December – 300m\$ (as of December -2025 2,109 million RMB). In addition the company has a permanent uncommitted facility of 50\$ million (as of December 30, 2025- 351 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 December 31 2025, 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:

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 December 31, 2025 is BRL 386 million (498 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.

In the agreement 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)

	December 31	December 31
	2025	2024
Accounts receivables derecognized	3,275,491	3,114,041
Continuing involvement	148,167	137,471
Subordinated note in respect of trade receivables	777,505	897,443
Liability in respect of trade receivables	29,191	21,127

	Year ended December 31	
	2025	2024
Loss in respect of sale of trade receivables	230,243	219,652

6. Receivables financing

	December 31	December 31
	2025	2024
Bank acceptance draft	30,767	144,763
	30,767	144,763

As at December 31, 2025, bank acceptance endorsed but not yet due amounts to 422,948 thousands RMB.

7. Prepayments

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

	December 31		December 31	
	2025		2024	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year (inclusive)	358,321	98	306,019	98
Over 1 year but within 2 years (inclusive)	8,726	2	5,138	2
Over 2 years but within 3 years (inclusive)	774	-	1,711	-
Over 3 years	191	-	674	-
	368,012	100	313,542	100

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

	Amount	Percentage of prepayments (%)
December 31, 2025	169,817	46

Notes to the Financial Statements

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

8. Other Receivables

(1) Other receivables by nature

	December 31 2025	December 31 2024
Dividend receivable	2,325	-
Others	1,073,839	1,147,469
	1,076,164	1,147,469

a. Others breakdown by categories

	December 31 2025	December 31 2024
Subordinated note in respect of trade receivables	777,505	897,443
Trade receivables as part of securitization transactions not yet eliminated	148,167	137,471
Other	162,387	130,385
Sub total	1,088,059	1,165,299
Provision for expected credit losses - other receivables	(14,220)	(17,830)
	1,073,839	1,147,469

b. Other receivables by aging

	December 31 2025
Within 1 year (inclusive)	1,065,262
Over 1 year but within 2 years	3,901
Over 2 years but within 3 years	3,564
Over 3 years but within 4 years	4,238
Over 4 years but within 5 years	2,474
Over 5 years	8,620
	1,088,059

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

	Year ended December 31, 2025
Balance as of January 1 2025,	17,830
Addition (written back) during the period	(1,031)
Write-off during the period	(2,430)
Exchange rate effect	(149)
Balance as of December 31, 2025	14,220

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 December 31, 2025:

Name	Closing balance	Proportion of other receivables (%)	Allowance of expected credit losses
Party 1	777,505	71	-
Party 2	7,479	1	-
Party 3	4,780	-	-
Party 4	3,125	-	3,125
Party 5	1,647	-	1,647
Total	794,536	72	4,772

9. Inventories

(1) Inventories by category:

	December 31, 2025		
	Book value	Provision for impairment	Carrying amount
Raw materials	2,903,909	32,098	2,871,811
Work in progress	1,806,286	820	1,805,466
Finished goods	6,729,824	277,285	6,452,539
Others	495,793	17,767	478,026
	11,935,812	327,970	11,607,842
	December 31, 2024		
	Book value	Provision for impairment	Carrying amount
Raw materials	2,675,281	24,255	2,651,026
Work in progress	1,831,853	4,151	1,827,702
Finished goods	6,490,899	280,088	6,210,811
Others	487,335	12,211	475,124
	11,485,368	320,705	11,164,663

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 year ended December 31, 2025

	<u>January 1, 2025</u>	<u>Provision</u>	<u>Reversal or write-off</u>	<u>Other</u>	<u>December 31, 2025, 2025</u>
Raw material	24,255	20,576	(12,027)	(706)	32,098
Work in progress	4,151	1,039	(4,363)	(7)	820
Finished goods	280,088	301,382	(302,202)	(1,983)	277,285
Others	12,211	6,396	(1,090)	250	17,767
	<u>320,705</u>	<u>329,393</u>	<u>(319,682)</u>	<u>(2,446)</u>	<u>327,970</u>

10. Other Current Assets

	<u>December 31 2025</u>	<u>December 31 2024</u>
Deductible VAT	528,604	611,737
Current tax assets	311,227	261,872
Short term investments	155,154	72,725
Others	99,288	41,759
	<u>1,094,273</u>	<u>988,093</u>

11. Long-Term Receivables

	<u>December 31 2025</u>	<u>December 31 2024</u>
Long term account receivables from sale of goods	180,324	159,813
Provision for expected credit losses	(62,121)	-
	<u>118,203</u>	<u>159,813</u>

1) Additions, recovery or reversal of provision for expected credit losses during the period:

	<u>Provision for long term receivables</u>
Balance as of January 1, 2025	-
Classification between long term and short term, net	45,942
Addition (write back) during the period, net	11,238
Exchange rate effect	4,941
Balance as of December 31, 2025	<u>62,121</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>December 31</u> <u>2025</u>	<u>December 31</u> <u>2024</u>
Joint venture	2,129	1,907
Associate	37,183	28,320
	<u>39,312</u>	<u>30,227</u>

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

	<u>January 1,</u> <u>2025</u>	<u>Investment</u> <u>income</u>	<u>Other</u> <u>Comprehensive</u> <u>gain (loss)</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	1,907	269	(47)	-	2,129
Sub-total	<u>1,907</u>	<u>269</u>	<u>(47)</u>	<u>-</u>	<u>2,129</u>
Associate					
Investee B	28,320	9,369	2,817	(3,323)	37,183
Sub-total	<u>28,320</u>	<u>9,369</u>	<u>2,817</u>	<u>(3,323)</u>	<u>37,183</u>
Sub-total	<u>30,227</u>	<u>9,638</u>	<u>2,770</u>	<u>(3,323)</u>	<u>39,312</u>

13. Other equity investments

	<u>December 31,</u> <u>2025</u>	<u>December 31,</u> <u>2024</u>	<u>Dividend recognized</u> <u>during 2025</u>
Investment A	54,299	54,299	2,325
Investment B	75,497	77,174	-
	<u>129,796</u>	<u>131,473</u>	<u>2,325</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, 2025	4,555,365	19,377,869	192,853	513,027	24,639,114
Purchases	111,311	81,426	32,442	37,344	262,523
Transfer from construction in progress	97,441	1,380,207	663	5,709	1,484,020
Disposals	(52,408)	(814,947)	(52,934)	(63,259)	(983,548)
Currency translation adjustment	(19,237)	(287,641)	(618)	5,585	(313,081)
Balance as at December 31, 2025	<u>4,692,472</u>	<u>19,736,914</u>	<u>172,406</u>	<u>487,236</u>	<u>25,089,028</u>
Accumulated depreciation					
Balance as at January 1, 2025	(1,931,798)	(11,484,429)	(85,812)	(410,178)	(13,912,217)
Charge for the period	(145,564)	(814,360)	(30,772)	(40,847)	(1,031,543)
Disposals	37,927	759,900	38,219	61,634	897,680
Currency translation adjustment	19,975	158,590	322	5,967	184,854
Balance as at December 31, 2025	<u>(2,019,460)</u>	<u>(11,380,299)</u>	<u>(78,043)</u>	<u>(383,424)</u>	<u>(13,861,226)</u>
Provision for impairment					
Balance as at January 1, 2025	(392,586)	(569,765)	(694)	(957)	(964,002)
Charge for the period	(191)	(246,817)	-	-	(247,008)
Transfer from construction in progress	-	(3,897)	-	-	(3,897)
Disposals	7,005	39,990	13	5	47,013
Currency translation adjustment	5,192	8,447	-	4	13,643
Balance as at December 31, 2025	<u>(380,580)</u>	<u>(772,042)</u>	<u>(681)</u>	<u>(948)</u>	<u>(1,154,251)</u>
Carrying amounts					
As at December 31, 2025	<u>2,292,432</u>	<u>7,584,573</u>	<u>93,682</u>	<u>102,864</u>	<u>10,073,551</u>
As at January 1, 2025	<u>2,230,981</u>	<u>7,323,675</u>	<u>106,347</u>	<u>101,892</u>	<u>9,762,895</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

December 31 2025			December 31 2024		
Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
1,213,760	(316,585)	897,175	2,306,480	(309,588)	1,996,892

(2) Details and Movements of major construction projects in progress during period ended December 31, 2025

	Budget	January 1, 2025	Additions	Including: Interest capitalized	Currency translation differences	Transfer to fixed assets	Impairment	December 31, 2025	Actual cost to budget (%)	Project progress (%)	Source of funds
Project A	1,048,741	123,633	8,889	-	-	(63,282)	(2,932)	66,308	77%	77%	Bank loan and internal finance
Project B	941,859	788,927	66,168	9,336	(72,198)	(620,521)	-	162,376	83%	83%	Bank loan and internal finance

* As of December 31, 2025 Project A and include impairment of RMB 17 million.

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, 2025	733,276	44,712	287,129	4,773	1,069,890
Additions	218,216	585	108,726	-	327,527
Decrease	(110,033)	(2,420)	(109,870)	(447)	(222,770)
Currency translation adjustment	11,484	(950)	(3,357)	(102)	7,075
Balance as at December 31, 2025	<u>852,943</u>	<u>41,927</u>	<u>282,628</u>	<u>4,224</u>	<u>1,181,722</u>
Accumulated depreciation					
Balance as at January 1, 2025	(338,365)	(20,471)	(151,141)	(2,754)	(512,731)
Charge for the period	(96,473)	(5,434)	(84,350)	(819)	(187,076)
Decrease	75,011	2,420	95,658	440	173,529
Currency translation adjustment	3,234	482	2,201	82	5,999
Balance as at December 31, 2025	<u>(356,593)</u>	<u>(23,003)</u>	<u>(137,632)</u>	<u>(3,051)</u>	<u>(520,279)</u>
Provision for impairment					
Balance as at January 1, 2025	-	-	-	-	-
Balance as at December 31, 2025	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amounts					
As at December 31, 2025	<u>496,350</u>	<u>18,924</u>	<u>144,996</u>	<u>1,173</u>	<u>661,443</u>
As at January 1, 2025	<u>394,911</u>	<u>24,241</u>	<u>135,988</u>	<u>2,019</u>	<u>557,159</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, 2025	13,458,047	4,280,000	1,522,254	851,480	647,905	507,127	677,222	21,944,035
Purchases	340,558	-	130,384	-	-	-	24,449	495,391
Disposals	(251,153)	-	(50,442)	(51,321)	-	-	(90,088)	(443,004)
Currency translation adjustment	(255,558)	(96,803)	(34,021)	(17,031)	(9,783)	(882)	(6,574)	(420,652)
Balance as at December 31, 2025	13,291,894	4,183,197	1,568,175	783,128	638,122	506,245	605,009	21,575,770
Accumulated amortization								
Balance as at January 1, 2025	(10,900,925)	(3,541,336)	(943,309)	(591,866)	(410,266)	(119,350)	(306,093)	(16,813,145)
Charge for the period	(560,979)	(111,158)	(115,929)	(21,579)	(42,412)	(10,335)	(21,084)	(883,476)
Disposals	230,152	-	50,074	51,321	-	-	88,449	419,996
Currency translation adjustment	225,193	80,507	16,910	11,649	6,647	(752)	3,921	344,075
Balance as at December 31, 2025	(11,006,559)	(3,571,987)	(992,254)	(550,475)	(446,031)	(130,437)	(234,807)	(16,932,550)
Provision for impairment								
Balance as at January 1, 2025	(161,347)	(161,782)	(9,488)	-	-	-	(1,618)	(334,235)
Charge for the period	(14,431)	(1,436)	-	-	-	-	-	(15,867)
Disposals	8,765	-	-	-	-	-	-	8,765
Currency translation adjustment	(3,376)	3,621	215	-	-	-	-	460
Balance as at December 31, 2025	(170,389)	(159,597)	(9,273)	-	-	-	(1,618)	(340,877)
Carrying amount								
As at December 31, 2025	2,114,946	451,613	566,648	232,653	192,091	375,808	368,584	4,302,343
As at January 1, 2025	2,395,775	576,882	569,457	259,614	237,639	387,777	369,511	4,796,655

(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 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 2025, 2026 workplan and the forecast results for the next 4 years. The key assumptions contains projected revenue growth rate and gross margin.
- The discount rate (8.6% 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, 2025 the value in use of the cash generating units to which goodwill has been allocated to exceeds its carrying amount.

	<u>January 1, 2025</u>	<u>Change during the year</u>	<u>Currency translation adjustment</u>	<u>Balance at December 31, 2025</u>
Book value	5,074,283	-	(109,833)	4,964,450
Impairment provision	-	-	-	-
Carrying amount	<u>5,074,283</u>	<u>-</u>	<u>(109,833)</u>	<u>4,964,450</u>

19. Deferred Tax Assets and Deferred Tax Liabilities

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

	<u>December 31 2025</u>		<u>December 31 2024</u>	
	<u>Deductible temporary differences</u>	<u>Deferred tax assets</u>	<u>Deductible temporary differences</u>	<u>Deferred tax assets</u>
Deferred tax assets				
Deferred tax assets in respect of carry forward losses	3,217,169	484,298	3,882,406	572,189
Deferred tax assets in respect of inventories	2,199,271	585,021	1,717,590	450,346
Deferred tax assets in respect of employee benefits	874,432	142,094	889,110	143,905
Other deferred tax asset	2,508,133	644,334	2,026,968	545,029
	<u>8,799,005</u>	<u>1,855,747</u>	<u>8,516,074</u>	<u>1,711,469</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

	<u>December 31</u>		<u>December 31</u>	
	<u>2025</u>		<u>2024</u>	
	<u>Taxable temporary differences</u>	<u>Deferred tax liabilities</u>	<u>Taxable temporary differences</u>	<u>Deferred tax liabilities</u>
Deferred tax liabilities				
Deferred tax liabilities in respect of fixed assets, intangible assets and right-of-use assets	4,258,988	785,595	3,982,775	702,896
	<u>4,258,988</u>	<u>785,595</u>	<u>3,982,775</u>	<u>702,896</u>

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

	<u>December 31</u>		<u>December 31</u>	
	<u>2025</u>		<u>2024</u>	
	<u>The offset amount of deferred tax assets and liabilities</u>	<u>Deferred tax assets or liabilities after offset</u>	<u>The offset amount of deferred tax assets and liabilities</u>	<u>Deferred tax assets or liabilities after offset</u>
Presented as:				
Deferred tax assets	561,571	1,294,176	419,815	1,291,654
Deferred tax liabilities	<u>561,571</u>	<u>224,024</u>	<u>419,815</u>	<u>283,081</u>

(4) Details of unrecognized deferred tax assets

	<u>December 31</u>	<u>December 31</u>
	<u>2025</u>	<u>2024</u>
Deductible temporary differences	830,630	790,191
Deductible losses carry forward	5,547,431	4,875,741
	<u>6,378,061</u>	<u>5,665,932</u>

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

	<u>December 31</u>	<u>December 31</u>
	<u>2025</u>	<u>2024</u>
2025	-	5,272
2026	190,326	190,008
2027	40,585	20,920
2028	238,789	215,536
2029	199,050	148,322
After 2029	4,878,681	4,295,683
	<u>5,547,431</u>	<u>4,875,741</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

	December 31	December 31
	2025	2024
Judicial deposits	152,033	117,624
Advances in respect of non-current assets	38,745	16,296
Assets related to securitization	27,799	60,296
Long term investments	-	49,837
Others	184,882	76,774
	403,459	320,827

21. Short-Term Loans

Short-term loans by category:

	December 31	December 31
	2025	2024
Unsecured loans	6,673,792	4,748,720
	6,673,792	4,748,720

Notes to the Financial Statements

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

22. Derivative financial liabilities

	December 31	December 31
	2025	2024
Economic hedge	152,525	268,149
Accounting hedge derivatives	37,056	10,431
	189,581	278,580

23. Bills Payables

	December 31	December 31
	2025	2024
Post-dated checks payables	221,808	202,821
Note payables draft	400,852	236,674
	622,660	439,495

As at December 31, 2025, none of the bills payable are overdue.

24. Accounts payable

	December 31	December 31
	2025	2024
Within 1 year (including 1 year)	5,379,999	4,881,335
1-2 years (including 2 years)	43,276	14,600
2-3 years (including 3 years)	4,125	11,061
Over 3 years	34,349	27,869
	5,461,749	4,934,865

There are no significant accounts payables aging over one year.

As at December 31, 2025, the amount of the accounts payable included under the supplier financing arrangements was 1,040,262 thousand RMB (as at December 31, 2024: 1,595,824 thousand RMB). Accounts payables under financing arrangements have payment due dates ranging from 90 to 180 days from the invoice date. Comparable accounts payable that are not part of supplier financing arrangements have similar payment terms.

Under supplier finance arrangements, participating suppliers may elect, to receive early payment from the financial institutions for invoices owed and the company makes a payment to the financial institutions on the original invoice due date, regardless of whether the supplier has elected to receive early payment or not.

Notes to the Financial Statements

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

24. Accounts payable - (cont'd)

The company may provide guarantees to the financial institutions (as may be provided to suppliers directly as well) but incurs no interest or other charges payable to the financial institutions on the payments made.

The balance of the accounts payable is not derecognized from the balance sheet because the original liability is not substantially modified on entering the arrangements as it continues to carry the characteristic of accounts payable and represent liabilities to pay for goods and services.

The settlements to the financial institutions are included within operating cash flows because they continue to be part of the normal operating cycle.

Supplier financing arrangements have no impact on the company's liquidity risk.

25. Contract liabilities

	December 31	December 31
	2025	2024
Discount for customers	813,747	941,955
Advances from customers	975,743	868,809
	1,789,490	1,810,764

26. Employee Benefits Payable

	December 31	December 31
	2025	2024
Short-term employee benefits	643,371	539,144
Post-employment benefits	46,389	53,100
Share based payment (See note XIII)	110	14,191
Other benefits within one year	197,286	185,565
	887,156	792,000
Current maturities	49,568	59,784
	936,724	851,784

Notes to the Financial Statements

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

27. Taxes Payable

	<u>December 31</u> <u>2025</u>	<u>December 31</u> <u>2024</u>
Corporate income tax	322,939	276,343
VAT	187,569	212,957
Others	28,660	27,461
	<u>539,168</u>	<u>516,761</u>

28. Other Payables

	<u>December 31</u> <u>2025</u>	<u>December 31</u> <u>2024</u>
Dividends payables	750	750
Other payables	1,417,343	1,416,569
	<u>1,418,093</u>	<u>1,417,319</u>

(1) Other payables

	<u>December 31</u> <u>2025</u>	<u>December 31</u> <u>2024</u>
Accrued expenses	762,284	692,046
Liability in respect of securitization transactions	29,191	21,127
Hold-back payment due to acquisitions	100,000	131,000
Payables in respect of intangible assets	43,944	100,350
Financial institutions	886	6,692
Others	481,038	465,354
	<u>1,417,343</u>	<u>1,416,569</u>

29. Non-Current Liabilities Due Within One Year

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

	<u>December 31</u> <u>2025</u>	<u>December 31</u> <u>2024</u>
Long term loans from related party due within one year	2,359,991	-
Long-term loans due within one year	819,790	1,493,018
Debentures payable due within one year	489,394	574,562
Lease liabilities due within one year	156,028	163,133
	<u>3,825,203</u>	<u>2,230,713</u>

Notes to the Financial Statements

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

30. Other Current Liabilities

	December 31	December 31
	2025	2024
Put options to holders of non-controlling interests	544,725	488,531
Provision in respect of returns	344,273	284,287
Provision in respect of claims	39,846	11,264
Others	415	374
	929,259	784,456

31. Long-Term Loans

Long-term loans by category

	December 31		December 31	
	2025	Interest range	2024	Interest range
Long term loans				
Guaranteed loans	-		352,017	3.20%-3.40%
Unsecured loans	2,327,304	1.65%-6.45%	3,307,626	1.73%-9.79%
Total Long term loans	2,327,304		3,659,643	
Less:				
Long term loans from banks due within 1 year	(819,790)		(1,493,018)	
Long term loans, net	1,507,514		2,166,625	

* 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

	December 31	December 31
	2025	2024
Debentures Series B	5,383,470	6,894,719
Current maturities	(489,394)	(574,562)
	4,894,076	6,320,157
		December 31
		2025
First year (current maturities)		489,394
Second year		489,394
Third year		489,394
Fourth year		489,394
Fifth year and thereafter		3,425,894
		5,383,470

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 year ended December 31, 2025:

<u>Maturity period</u>	<u>Original Face value in RMB</u>	<u>Original Face value NIS</u>	<u>Issuance date</u>	<u>Maturity period</u>	<u>Issuance amount</u>	<u>Balance at January 1, 2025</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 December 31, 2025</u>
Debentures Series B	2,673,640	1,650,000	4.12.2006	November 2020-2036	3,043,742	2,890,593	200	426,854	(1,005,619)	(74,572)	2,237,456
Debentures Series B	843,846	513,527	16.1.2012	November 2020-2036	842,579	876,223	9,170	131,418	(301,483)	(22,991)	692,337
Debentures Series B	995,516	600,000	7.1.2013	November 2020-2036	1,120,339	1,077,469	3,967	160,781	(365,644)	(28,197)	848,376
Debentures Series B	832,778	533,330	1.2.2015	November 2020-2036	1,047,439	1,002,056	(2,423)	149,367	(336,078)	(26,181)	786,741
Debentures Series B	418,172	266,665	1-6.2015	November 2020-2036	556,941	539,058	(6,490)	80,170	(177,507)	(14,058)	421,173
Debentures Series B	497,989	246,499	5.5.2020	November 2020-2036	692,893	509,320	(7,626)	75,816	(166,832)	(13,291)	397,387
						<u>6,894,719</u>	<u>(3,202)</u>	<u>1,024,406</u>	<u>(2,353,163)</u>	<u>(179,290)</u>	<u>5,383,470</u>

Series B debentures, in amount of NIS 3,810 million par value (2,958 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.

On August 5, 2024, ADAMA Solutions Board of Directors approved a buyback plan for the Company's debentures (Series B) in the amount of up to USD 50 million (RMB 356 million). On September 1, 2024, the Company purchased NIS 129,081 thousand par value of Bonds for a total consideration of approximately USD 50 million (RMB 356 million), fully utilizing the buyback plan

On May 26, 2025, ADAMA Solutions Board of Directors approved a buyback plan for the Company's debentures (Series B) in the amount of up to USD 300 million (RMB 2,148 million). On May 29, 2025, the Company purchased NIS 642,448,000 par value of Bonds for a total consideration of approximately USD 268 million (RMB 1,927 million). The loss in respect of the debentures buyback was USD 9 million (RMB 68 million), and included in the financial expenses.

Notes to the Financial Statements

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

33. Lease liabilities

	December 31		December 31	
	2025	Interest range	2024	Interest range
Lease liabilities	907,254	1.0%-14.1%	773,548	1.5%-15.4%
Less: Lease liabilities due within one year	(156,028)		(163,133)	
Long term lease liabilities, net	<u>751,226</u>		<u>610,415</u>	

34. Long-Term Employee Benefits Payable

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

	December 31	December 31
	2025	2024
Total present value of obligation	490,562	453,398
Less: fair value of plan's assets	(63,751)	(54,186)
Net liability related to Post-employment benefits	<u>426,811</u>	<u>399,212</u>
Termination benefits	67,828	78,054
Total recognized liability for defined benefit plan, net (1)	<u>494,639</u>	<u>477,266</u>
Other long-term employee benefits	91,824	126,373
Total long-term employee benefits, net	<u>586,463</u>	<u>603,639</u>
Including: Long-term employee benefits payable due within one year	49,568	59,784
	<u>536,895</u>	<u>543,855</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	
	2025	2024	2025	2024	2025	2024
Balance as at January 1,	531,452	593,169	54,186	59,884	477,266	533,285
Expense/income recognized in profit and loss:						
Current service cost	20,261	26,801	-	-	20,261	26,801
Past service cost	-	(7,200)	-	-	-	(7,200)
Gain or loss on plan settlement	-	(7,461)	-	-	-	(7,461)
Interest costs	21,659	20,783	2,722	2,556	18,937	18,227
Losses on curtailments and settlements	6,051	36,819	-	-	6,051	36,819
Changes in exchange rates	56,115	(3,889)	7,465	(306)	48,650	(3,583)
Actuarial losses due to early retirement	953	(755)	-	-	953	(755)
Included in other comprehensive income:						
Actuarial gain (losses) as a result of changes in actuarial assumptions	7,465	(31,779)	4,436	2,542	3,029	(34,321)
Foreign currency translation differences in respect of foreign operations	(12,808)	7,675	(1,664)	817	(11,144)	6,858
Additional movements:						
Benefits paid	(72,758)	(102,711)	(8,216)	(13,507)	(64,542)	(89,204)
Contributions paid by the Group	-	-	4,822	2,200	(4,822)	(2,200)
Balance as at December 31,	<u>558,390</u>	<u>531,452</u>	<u>63,751</u>	<u>54,186</u>	<u>494,639</u>	<u>477,266</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

	December 31	December 31
	2025	2024
Discount rate (%)*	1.8%-3.3%	1.8%-3.0%

* According to the demographic and the benefit components.

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

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

	As of December 31, 2025	
	Increase of 1%	Decrease of 1%
Change in defined benefit obligation	(36,711)	43,693

35. Provisions

	December 31	December 31
	2025	2024
Liabilities in respect of contingencies*	210,045	164,271
Provision in respect of site restoration	211,997	147,446
Other	2,305	4,773
	424,347	316,490

* 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

	December 31 2025	December 31 2024
Long term loans from related party	2,359,991	2,330,911
Put options to holders of non- controlling interests	-	292,589
	2,359,991	2,623,500
Current maturities	(2,359,991)	-
	-	2,623,500

37. Share Capital

	Balance at January 1, 2025	Issuance of new shares	Buyback of shares	Balance at December 31, 2025
Share capital	2,329,812	-	-	2,329,812

38. Capital Reserve

	Balance at January 1, 2025	Additions during the period	Reductions during the period	Balance at December 31, 2025
Share premiums	12,606,562	-	-	12,606,562
Other capital reserve	343,902	-	(83,341)	260,561
	12,950,464	-	(83,341)	12,867,123

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 December 31, 2025
	Balance at January 1, 2025	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	116,584	(3,029)	-	(586)	(2,443)	114,141
Re-measurement of changes in liabilities under defined benefit plans	87,909	(3,029)	-	(586)	(2,443)	85,466
Changes in fair value of other equity investment	28,675	-	-	-	-	28,675
Items that may be reclassified to profit or loss	1,604,444	(202,534)	(52,344)	(2,353)	(147,837)	1,456,607
Effective portion of gain or loss of cash flow hedge	23,241	(69,058)	(52,344)	(2,353)	(14,361)	8,880
Translation difference of foreign financial statements	1,581,203	(133,476)	-	-	(133,476)	1,447,727
	<u>1,721,028</u>	<u>(205,563)</u>	<u>(52,344)</u>	<u>(2,939)</u>	<u>(150,280)</u>	<u>1,570,748</u>

40. Surplus reserve

	Balance at January 1, 2025	Additions during the period	Reductions during the period	Balance at December 31, 2025
Statutory surplus reserve	294,796	-	-	294,796
Discretionary surplus reserve	3,814	-	-	3,814
	<u>298,610</u>	<u>-</u>	<u>-</u>	<u>298,610</u>

41. Retained Earnings

	2025	2024
Retained earnings as at January 1	1,680,382	4,678,091
Net loss for the period attributable to shareholders of the Company	(1,045,719)	(2,903,204)
Dividends to non-controlling Interest	(131,686)	(69,512)
Appropriation to statutory surplus reserve	-	(24,993)
Retained earnings as at December 31	<u>502,977</u>	<u>1,680,382</u>

Notes to the Financial Statements

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

42. Operating Income and Cost of Sales

	Year ended December 31		Year ended December 31	
	2025		2024	
	Income	Cost of sales	Income	Cost of sales
Principal activities	28,886,199	21,301,378	29,435,604	22,730,889
Other businesses	58,387	20,475	52,442	18,036
	<u>28,944,586</u>	<u>21,321,853</u>	<u>29,488,046</u>	<u>22,748,925</u>

43. Taxes and Surcharges

	Year ended December 31	
	2025	2024
Tax on turnover	28,162	29,988
Others	74,076	70,339
	<u>102,238</u>	<u>100,327</u>

44. Selling and Distribution Expenses

	Year ended December 31	
	2025	2024
Salaries and related expense	1,810,824	1,921,537
Depreciation and amortization	908,544	955,199
Advertising and sales promotion	288,392	295,674
Warehouse expenses	186,124	154,770
Registration	148,339	138,531
Travel expenses	134,915	126,026
Professional services	103,380	114,060
Insurance	76,038	95,313
Legal claims settlements	2,682	267,151
Others	326,937	332,509
	<u>3,986,175</u>	<u>4,400,770</u>

Notes to the Financial Statements

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

45. General and Administrative Expenses

	Year ended December 31	
	2025	2024
Salaries and related expenses	524,908	492,153
Professional services	450,697	233,964
IT systems	149,922	139,007
Depreciation and amortization	144,099	118,313
Cost contribution arrangement	49,385	66,506
Office rent, maintenance and expenses	36,326	38,422
Other	118,643	97,078
	<u>1,473,980</u>	<u>1,185,443</u>

46. Research and development expenses

	Year ended December 31	
	2025	2024
Salaries and related expenses	222,187	220,061
Depreciation and amortization	66,878	64,743
Materials	28,403	22,232
Field trial	26,957	24,910
Professional services	20,246	22,306
Office rent, maintenance and expenses	16,828	14,002
Other	43,201	48,073
	<u>424,700</u>	<u>416,327</u>

47. Financial expenses (incomes), net

	Year ended December 31	
	2025	2024
Interest expenses on debentures and loans and other charges	1,008,800	1,066,778
Exchange rate differences, net	710,749	560,080
CPI expenses in respect of debentures	165,400	255,618
Interest income from customers, banks and others	(192,291)	(242,845)
Loss in respect of sale of trade receivables	230,243	219,652
Revaluation of put option, net	107,777	(259,380)
Interest expense on lease liabilities	57,212	40,449
Interest expense in respect of post-employment benefits and early retirement, net	18,925	19,192
Others	125,880	110,286
	<u>2,232,695</u>	<u>1,769,830</u>

Notes to the Financial Statements

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

48. Investment income, net

	Year ended December 31	
	2025	2024
Income from long-term equity investments accounted for using the equity method	9,638	8,201
Other	2,325	2,324
	<u>11,963</u>	<u>10,525</u>

49. Gain (loss) from changes in fair value

	Year ended December 31	
	2025	2024
Gain (loss) from changes in fair value of derivative financial Instruments	177,185	(8,272)
Others	42,301	(37,802)
	<u>219,486</u>	<u>(46,074)</u>

50. Credit impairment reversal (losses)

	Year ended December 31	
	2025	2024
Bills receivable and accounts receivable	(116,577)	(103,524)
Other receivables	1,031	3,811
	<u>(115,546)</u>	<u>(99,713)</u>

51. Asset impairment losses

	Year ended December 31	
	2025	2024
Fixed assets	(247,008)	(634,114)
Inventories	(159,047)	(162,787)
Intangible asset	(15,867)	(161,126)
Construction in progress	(11,008)	(3,331)
	<u>(432,930)</u>	<u>(961,358)</u>

Notes to the Financial Statements

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

52. Gain from Disposal of Assets

	<u>Year ended December 31</u>		Included in non-recurring items
	<u>2025</u>	<u>2024</u>	
Gain from disposal of fixed assets	16,963	40,985	16,963
Gain (loss) from disposal of intangible assets	(247)	7,123	(247)
	<u>16,716</u>	<u>48,108</u>	<u>16,716</u>

53. Income Tax Expenses (incomes)

	<u>Year ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Current year	426,506	439,848
Deferred tax expenses (income)	(80,284)	301,259
Adjustments for previous years, net	(101)	37,795
	<u>346,121</u>	<u>778,902</u>

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

	<u>Year ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Loss before taxes	(699,598)	(2,124,302)
Statutory tax in china	25%	25%
Tax calculated according to statutory tax in china	(174,900)	(531,076)
Tax benefits from Approved Enterprises	(12,715)	(7,232)
Difference between measurement basis of income for financial statement and for tax purposes	(66,081)	165,229
Taxable income (loss) and temporary differences at other tax rate	(63,117)	186,598
Taxes in respect of prior years	(101)	37,795
Utilization of tax losses prior years for which deferred taxes were not created	(5,356)	(2,954)
Temporary differences and losses in the report year for which deferred taxes were not created	168,576	417,256
Non-deductible expenses, non-taxable income and other difference, net	415,525	47,808
Neutralization of tax calculated in respect of the Company's share in results of equity accounted investees	(3,219)	(2,758)
Effect of change in tax rate in respect of deferred taxes	(1,322)	341,041
Creation and reversal of deferred taxes for tax losses and temporary differences from previous years, net	88,831	127,195
Income tax expenses (incomes)	<u>346,121</u>	<u>778,902</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

<u>Category</u>	<u>Presentation accounts</u>	<u>Amount recognized in the profit and loss statements during the year ended December 31</u>	
		<u>2025</u>	<u>2024</u>
Government grants related to income	Non-Operating income	16,498	6,268
Government grants related to assets	Fixed assets, Intangible assets	10,372	12,114

56. Notes to items in the cash flow statements

(1) Cash received relating to other operating activities

	<u>Year ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Derivatives transactions	-	159,217
Financial institutions	22,552	83,292
Interest income	63,733	110,267
Government subsidies	17,501	6,268
Compensation related to product liabilities	186,867	-
Others	60,818	189,585
	<u>351,471</u>	<u>548,629</u>

(2) Cash paid relating to other operating activities

	<u>Year ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Derivatives transactions	632,808	309,927
Financial institutions	71,112	41,613
Professional services	590,901	364,417
Advertising and sales promotion	270,237	286,467
IT and Communication	234,502	220,619
Commissions and Warehouse	196,490	197,662
Registration and Field trials	145,197	142,700
Insurance	114,736	132,979
Travel	107,042	87,641
Legal claims settlements	-	257,201
Other	953,206	959,304
	<u>3,316,231</u>	<u>3,000,530</u>

(3) Cash received relating to other investing activities

	<u>Year ended December 31</u>	
	<u>2025</u>	<u>2024</u>
Dividend received from other equity investment	-	2,324
Other	-	-
	<u>-</u>	<u>2,324</u>

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

	Year ended December 31	
	2025	2024
Increase in short and long term investments	124,725	125,641
	124,725	125,641

(5) Cash received from other financing activities

	Year ended December 31	
	2025	2024
Borrowing from related party *	789,364	569,822
Proceeds in respect of hedging transactions on debentures	845,416	403,236
Deposit for issuing bills payables	226,131	46,568
Other	-	10,072
	1,860,911	1,029,698

* 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

	Year ended December 31	
	2025	2024
Payment in respect of hedging transactions on debentures	165,934	270,667
Repayment of lease liability	181,873	183,208
Deposit for issuing bills payable	276,460	69,243
Realization of Call option	423,114	-
Others	441	460
	1,047,822	523,578

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:

	Year ended December 31	
	2025	2024
Net loss	(1,045,719)	(2,903,204)
Add: Impairment provisions for assets	432,930	961,358
Credit impairment losses	115,546	99,713
Depreciation of fixed assets and investment property	1,033,181	1,081,821
Depreciation of right-of-use asset	187,076	194,390
Amortization of intangible asset	883,476	889,460
Gains on disposal of fixed assets, intangible assets, and other long-term assets, net	(16,716)	(48,108)
Gain (losses) from changes in fair value	(219,486)	46,074
Financial expenses	2,229,841	908,791
Investment income, net	(11,963)	(10,525)
Decrease (increase) in deferred tax assets, net	(34,983)	315,167
Decrease in deferred tax liabilities, net	(45,301)	(13,908)
Decrease (increase) in inventories, net	(640,792)	1,801,866
Increase in operating receivables, net	(592,368)	(213,492)
Increase in operating payables, net	1,773,971	669,167
Others	-	(17,939)
Net cash flow provided by operating activities	4,048,693	3,760,631

b. Net Decrease in cash and cash equivalents

	Year ended December 31	
	2025	2024
Closing balance of cash and cash equivalents	3,353,326	3,583,963
Less: Opening balance of cash and cash equivalents	3,583,963	4,857,358
Decrease in cash and cash equivalents	(230,637)	(1,273,395)

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

	December 31	December 31
	2025	2024
Cash on hand	1,107	1,317
Bank deposits available on demand without restrictions	3,352,219	3,582,646
	3,353,326	3,583,963

58. Assets with Restricted Ownership or Right of Use

	December 31	Reason
	2025	
Cash	96,974	Pledged Guarantees
Other non-current assets	152,033	
	249,007	

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 December 31, 2025			
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Cash and bank balances			
EUR	31,639	8.253	261,120
USD	29,416	7.029	206,768
ILS	72,202	2.203	159,062
BRL	112,329	1.277	143,444
ARS	7,921,458	0.005	39,607
RUB	404,859	0.090	36,437
RON	21,086	1.619	34,139
PLN	15,336	1.952	29,936
Other			288,673
Total			1,199,186
 Bills and Accounts receivable			
BRL	988,710	1.277	1,262,583
EUR	67,666	8.253	558,444
ZAR	541,882	0.423	229,216
RON	111,158	1.619	179,965
USD	20,633	7.029	145,026
GBP	8,874	9.453	83,887
CAD	12,535	5.128	64,278
ILS	17,382	2.203	38,293
HUF	1,614,616	0.021	33,907
CZK	88,491	0.3407	30,147
TRY	175,206	0.164	28,734
Other			242,057
Total			2,896,537
 Other receivables			
EUR	22,715	8.253	187,466
ILS	27,005	2.203	59,491
GBP	5,621	9.453	53,133
BRL	29,711	1.277	37,941
Other			43,743
Total			381,774

Notes to the Financial Statements

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

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

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

As at December 31, 2025			
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Other current assets			
BRL	91,903	1.277	117,360
ILS	52,213	2.203	115,026
EUR	8,106	8.253	66,900
ARS	7,880,691	0.005	39,403
UAH	233,221	0.166	38,715
CLP	3,191,075	0.008	25,529
CAD	2,854	5.128	14,634
TRY	80,617	0.164	13,221
GBP	1,353	9.453	12,792
Other			73,662
Total			517,242
 Long-term receivables			
BRL	92,563	1.277	118,203
Total			118,203
 Long-term investments, loans and other			
BRL	215,850	1.277	275,641
Other			9,208
Total			284,849
 Short-term loans			
UAH	169,919	0.166	28,207
ARS	2,676,567	0.005	13,537
Total			41,744
 Bills and Accounts payable			
ILS	489,081	2.203	1,077,445
EUR	60,555	8.253	499,763
BRL	160,182	1.277	204,552
USD	3,471	7.029	24,397
Other			81,520
Total			1,887,677

Notes to the Financial Statements

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

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

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

As at December 31, 2025			
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Other payables			
ILS	102,793	2.203	226,454
BRL	86,911	1.277	110,985
EUR	8,654	8.253	71,419
Other			139,409
Total			548,267
Contract liabilities			
EUR	26,322	8.253	217,232
BRL	54,034	1.277	69,002
CAD	8,046	5.128	41,259
TRY	81,088	0.164	13,298
Other			42,068
Total			382,859
Non-current liabilities due within one year			
CNH	2,000,000	1.004	2,008,550
ILS CPI	246,665	2.203	543,403
EUR	1,637	8.253	13,509
Other			33,935
Total			2,599,397
Other current liabilities			
EUR	6,536	8.253	53,939
Other			3,767
Total			57,706
Debentures payable			
ILS CPI	2,221,551	2.203	4,894,076
Total			4,894,076
Provision and Long-term payables			
BRL	152,289	1.277	194,473
ILS	54,367	2.203	119,771
Total			314,244
Lease liabilities			
ILS CPI	34,065	2.203	75,046
EUR	5,530	8.253	45,638
ILS	5,820	2.203	12,821
Other			38,342
Total			171,847

Notes to the Financial Statements

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

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

(4) Major foreign operations

<u>Name of the Subsidiary</u>	<u>Registration & Principal place of business</u>	<u>Business nature</u>	<u>Functional currency</u>
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	INR
Makhteshim Agan of North America Inc.	United States	Distribution; Registration 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;		100%	Established
Makhteshim Agan of North America Inc.	United States	Distribution; Registration		100%	Established
Control Solutions Inc.	United States	Manufacturing; Distribution; Registration		100%	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

	December 31 2025	December 31 2024
Joint venture	2,129	1,907
Associate	37,183	28,320
	<u>39,312</u>	<u>30,227</u>

3. Summarized financial information of joint ventures and associates

	December 31, 2025 and twelve months then ended	December 31, 2024 and twelve months then ended
Joint venture:		
Total carrying amount	2,129	1,907
The Group's share of the following items:		
Net profit	269	444
Other comprehensive income	(47)	26
Total comprehensive income	<u>222</u>	<u>470</u>
Associate:		
Total carrying amount	37,183	28,320
The Group's share of the following items:		
Net profit	9,369	7,757
Other comprehensive income	2,817	(6,788)
Total comprehensive income	<u>12,186</u>	<u>969</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 September 2025, 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.11 – Financial instruments, III.12 – Accounts receivables and III.14 – Other 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:

	December 31, 2025
Past due by less than 90 days	533,262
Past due by more than 90 days	657,545
	1,190,807

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 6,801,553 thousand relate to category of "Lifetime expected credit losses (credit losses has not occurred)" and amounted to RMB 784,538 thousand related to category of "Lifetime expected credit losses (credit losses occurred)". The Group has a provision for other receivables amounted to RMB 14,220 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 December 31, 2025					Contractual Cash flow	Carrying amount
	First year	Second year	Third- Fourth year	Fifth year and above			
Non-derivative financial liabilities							
Short-term loans	6,833,357	-	-	-	-	6,833,357	6,673,792
Bills payables	622,660	-	-	-	-	622,660	622,660
Accounts payables	5,461,749	-	-	-	-	5,461,749	5,461,749
Other payables	1,418,093	-	-	-	-	1,418,093	1,418,093
Other current liabilities	544,725	-	-	-	-	544,725	544,725
Debentures payable	741,883	740,224	1,404,959	4,124,732	-	7,011,798	5,383,470
Long-term loans	881,049	789,203	774,328	-	-	2,444,580	2,327,304
Long-term payables	9,343	23,021	42,066	151,968	-	226,398	164,735
Lease Liabilities	216,672	175,467	216,666	1,068,131	-	1,676,936	907,254
Other non-current liabilities	2,398,650	-	-	-	-	2,398,650	2,359,991
Derivative financial liabilities							
Foreign currency derivatives	177,605	-	-	-	-	177,605	177,605
CPI/shekel forward transactions	11,976	-	-	-	-	11,976	11,976
	<u>19,317,762</u>	<u>1,727,915</u>	<u>2,438,019</u>	<u>5,344,831</u>	<u>-</u>	<u>28,828,527</u>	<u>26,053,354</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 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 nonK U.S. dollar currency. The Group uses foreign currency derivatives to hedge its currency risk 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:

	December 31, 2025	
	Total assets	Total liabilities
In US Dollar	3,353,204	2,456,826
In Euro	1,134,491	924,350
In Brazilian real	1,955,172	384,539
CPI-linked NIS	3,683	5,522,590
In New Israeli Shekel	372,547	1,331,923
Denominated in or linked to other foreign currency	1,821,470	2,432,203
	8,640,567	13,052,431

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

	December 31, 2025					
	Currency/ linkage receivable	Currency/ linkage payable	Average expiration date	USD thousands Par value	RMB thousands Par value	Fair value
Forward foreign currency	USD	EUR	10/05/2026	403,454	2,835,800	(5,197)
Contracts and call options	USD	PLN	18/03/2026	16,367	115,042	(141)
	USD	BRL	22/01/2026	171,035	1,202,174	2,431
	USD	GBP	15/02/2026	20,045	140,892	(168)
	USD	ZAR	09/02/2026	31,549	221,752	(7,574)
	ILS	USD	09/02/2026	1,064,933	7,485,200	315,350
CPI forward contracts	USD	OTHER		839,368	5,899,750	(33,463)
	CPI	ILS	28/08/2026	501,567	3,525,417	(11,440)

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 December 31, 2025 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.

	December 31, 2025			
	Decrease of 5%		Increase of 5%	
	Equity	Profit (loss)	Equity	Profit (loss)
New Israeli shekel	62,366	28,861	(16,505)	4,738
British pound	(424)	(424)	424	424
Euro	(99,539)	6,120	98,027	(6,120)
Brazilian real	16,012	16,012	(21,933)	(21,933)
Polish zloty	8,007	8,007	(7,436)	(7,436)
South African Rand	(1,547)	(1,547)	408	408
Chinese Yuan Renminbi	165,421	165,421	(146,966)	(146,966)
CPI-linked NIS	122,697	122,697	(122,697)	(122,697)

(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:

	December 31, 2025
Fixed-rate instruments – unlinked to the CPI	
<u>Financial assets</u>	
Other non-current assets	1,567
<u>Financial liabilities</u>	
Long-term loans (1)	2,221,304
Long-term payables	23,089
Other non-current liabilities (1)	351,441
	(2,594,267)
Fixed-rate instruments – linked to the CPI	
<u>Financial liabilities</u>	
Debentures payable (1)	5,383,470
Variable-rate instruments	
<u>Financial assets</u>	
Cash at banks	694,509
Financial assets at fair value through profit or loss	1,223
Other current assets	155,154
<u>Financial liabilities</u>	
Short-term loans and credit from banks	6,673,792
Long-term loans (1)	106,000
Long-term payables	129,492
Other non-current liabilities (1)	2,008,550
	(8,066,948)

(1) Including current maturities.

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, 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 nonK current financial instruments presented in the financial statements not in accordance with their fair values:

	December 31, 2025	
	Carrying amount	Fair value
Financial assets		
Other non-current assets (a – Level 2)	15,252	11,910
Financial liabilities		
Long-term loans and others (b – Level 2)	5,761,468	5,670,850
Debentures (c – Level 1)	5,383,470	5,901,859

- 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:

	December 31, 2025
	%
U.S. dollar interest	6.01 -7.80
Chinese Yuan Renminbi	1.66 -3.30

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.

	December 31
	2025
Forward contracts and options used for hedging the cash flow (Level 2)	11,232
Forward contracts and options used for economic hedging (Level 2)	248,566
Other equity investment (Level 2)	129,796
Receivables financing (Level 2)	30,767
Other non-current assets (Level 2)	27,799
Other (Level 2)	1,223

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	11,182,127	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 - (cont'd)

Name of other related parties	Related party relationship
Agro Jangada Ltda	Common control
Beijing Guangyuan Yinnong Chemical Co., LTD	Common control
Bluestar (Beijing) Chemical Machinery Co. Ltd.	Common control
Bluestar Engineering Co. Ltd.	Common control
Dipagro LTDA	Common control
Elkem Silicones Brasil Ltd.	Common control
Hangzhou (Torch) Xidoumen Membrane Industry Co., LTD	Common control
Huaxia Hanhua Chemical Equipment Co., LTD	Common control
Jiangsu Huaihe 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
Liaocheng Luxi Polyol New Material Technology Co. Ltd.	Common control
Sino MAP	Common control
Ningxia Ruitai Technology Co. Ltd.	Common control
P.T. Syngenta Indonesia	Common control
Produtécnica Nordeste Comércio de Insumos Agrícolas Ltda.	Common control
Shandong Dacheng Agrochemical Company Limited	Common control
Shenyang Sciencreat Chemicals Co. Ltd.	Common control
Shenyang Shenhua Institute Testing Technology Co. Ltd.	Common control
Shenyang Sinochem Agrochemicals R&D Co. Ltd.	Common control
Sinochem (Hainan) Agroecology Co.	Common control
Sinochem (Linyi) Crop Nutrition Co. Ltd	Common control
Sinochem Agro Co. Ltd.	Common control
Sinochem International Crop Care (Overseas) Pte. Ltd.	Common control
Sinochem Information Technology Co., Ltd.	Common control
Sinochem Fertilizer Company Limited and its branches	Common control
Sinochem Finance Co. Ltd.	Common control
Sinochem Hebei Co. Ltd.	Common control
Sinochem Modern Agriculture (Hunan) Co. LTD	Common control
Sinochem Modern Agriculture (Inner Mongolia) Co. LTD	Common control
Sinochem Modern Agriculture (Xinjiang) Co. LTD	Common control
Sinochem Modern Agriculture Anhui Co. LTD	Common control
Sinochem Modern Agriculture Co., LTD.	Common control
Sinochem Oil (Hainan) Co.Ltd.	Common control
Sinochem Petrochemical Sales Co. Ltd.	Common control
Sinochem Shared Financial Services (Shanghai) Co., LTD	Common control
Sinochem Zhoushan Hazardous Chemicals Emergency Rescue Base Co. Ltd.	Common control
Syngenta (Shanghai) Crop Protection Technology Co., Ltd.	Common control
Syngenta Agro (Argentina) S.A.	Common control
Syngenta Agro AG	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 A/S	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>
Syngenta Crop Protection AG	Common control
Syngenta Crop Protection BV	Common control
Syngenta Crop Protection Lda	Common control
Syngenta Crop Protection LLC	Common control
Syngenta Crop Protection SA	Common control
Syngenta Czech s.r.o.	Common control
Syngenta España S.A.	Common control
Syngenta France SAS	Common control
Syngenta Group Co. Ltd	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 Nantong Crop Protection Co Ltd	Common control
Syngenta Protecao de Cultivos Ltda	Common control
Syngenta Slovakia s.r.o.	Common control
Syngenta Tarim Sanay ve Ticaret AS	Common control
Taicang Zhonglan Environmental Protection Technology Service Co., LTD	Common control
China Bluestar Chengrand Research Institute Chemical Industry	Common control
Zhonglan International Chemical Co. Ltd.	Common control
Zhonglan Lianhai Design Institute Co., Ltd.	Common control
Jiangsu Huifeng Biological Agriculture Co., Ltd	Minority shareholder and its subsidiary
Nongyi Net (Yangling) e-commerce Co., Ltd.	Minority shareholder and its subsidiary
Shanghai focus supply chain Co., Ltd	Minority shareholder and its subsidiary
Shanghai nengjianyuan Biological Agriculture Co., Ltd	Minority shareholder and its subsidiary

Notes to the Financial Statements

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

4. Transactions and balances with related parties

(1) Transactions with related parties

<u>Type of purchase</u>	<u>Related Party Relationship</u>	<u>Year ended December 31</u>	
		<u>2025</u>	<u>2024</u>
<u>Summary of purchase of goods/services:</u>			
Purchase of goods/services received	Common control under Sinochem Holdings	1,252,090	1,404,596
	Minority shareholder and its subsidiary	17,359	27,400
Purchase of fixed assets and other assets	Common control under Sinochem Holdings	49	-
Lease expenses	Common control under Sinochem Holdings	-	285
	Minority shareholder and its subsidiary	1,849	1,849
<u>Summary of Sales of goods:</u>			
Sale of goods/ Service rendered	Common control under Sinochem Holdings	988,686	1,212,588
	Joint venture	93,908	82,375
	Minority shareholder and its subsidiary	26,061	51,403
Lease income	Minority shareholder	1,088	1,132

(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	263,000	21/04/2021	20/04/2028	Y
	67,971	01/06/2021	31/05/2028	Y

* During the reporting period, the Company paid a guarantee fee amounting to 343 thousand RMB (Year ended December 31, 2024: 414 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 December 31	
	2025	2024
Remuneration of key management personnel and directors	35,005	24,251

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

Receivable Items

Items	Related Party Relationship	December 31		December 31	
		2025		2024	
		Book Balance	Expected credit losses	Book Balance	Expected credit losses
Trade receivables	Common control under Sinochem Holdings	214,960	-	243,093	-
	Joint venture	15,063	-	13,198	-
	Minority shareholder and its subsidiary	5,201	-	8,163	-
Prepayments	Common control under Sinochem Holdings	1,629	-	617	-
	Minority shareholder and its subsidiary	-	-	547	-

Payable Items

Items	Related Party Relationship	December 31			
		2025		December 31	
		2025		2024	
Trade payables	Common control under Sinochem Holdings	328,410		235,899	
	Minority shareholder and its subsidiary	63		256	
Other payables	Common control under Sinochem Holdings	66,612		35,450	
	Minority shareholder and its subsidiary	517		1,641	
Contractual liability	Common control under Sinochem Holdings	22,912		38,676	
Short-term loans *	Common control under Sinochem Holdings	3,444,112		2,731,591	
Other non-current liabilities (including current maturities). *	Common control under Sinochem Holdings	2,359,991		2,330,911	

* Include liabilities are loans from a related party, the interest expenses for the Year ended December 31, 2025 is 278,062 thousand RMB (Year ended December 31, 2024: 238,966 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 715 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 2,863 million). As of December 31, 2025, a total of \$400 million (RMB 2,863 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 December 31, 2025, a total of RMB 2,000 million was utilized.

On April 25, 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 a committed credit facility agreement ("the Previous Credit Facility") in the amount of \$200 million (RMB 1,432 million) with one subsidiary of Syngenta Group.

On November 6, 2024, the Board of Directors approved (following the pre-approval of the Company's independent directors dated November 5, 2024) the Company to apply, on top of the previous credit facility, a new credit line with an estimated amount of no more than \$200 million (RMB 1,432 million) and to sign a new facility agreement. As of December 31, 2025, \$140 million (RMB 1,002 million) was utilized under this agreement.

(5) Other related party transactions

The closing balance of bank deposit in Sinochem Finance Corporation was 912,869 thousand RMB (31.12.24: 627,434) Interest income of bank deposit for the current period was 6,727 thousand RMB (amount for Year ended December 31, 2024 was 6,626 thousand RMB).

The closing balance of a loan received from Sinochem Finance Corporation was 209,641 thousand RMB (31.12.24: 20,000). Interest expenses in the current period was 2,168 thousand RMB (amount for Year ended December 31, 2024 was 228 thousand RMB).

Notes to the Financial Statements

XI. Commitments and contingencies

1. Significant commitments

	December 31	December 31
	2025	2024
Investment in Fixed assets		
	125,136	195,204

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.

Based on the Shareholders meeting approval, the Company's management renewed the Directors and Officers liability insurance policy, and the insurance period was extended to April 30, 2026.

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 argued that the product allegedly poses a risk to users or those who have been exposed to it.

On August 7, 2025, the court rendered a first-instance judgment dismissing the Motion. On November 9, 2025, an appeal was submitted to the Supreme Court.

According to the Solutions' external counsels, given the preliminary stages of the appeal, it is too early to assess the chances of the appeal, and the Motion, to be accepted.

As Solutions is an authorized distributor of the Manufactures, the Manufacturers 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)

Therefore, and based on the opinion of Solutions' external counsels, as of the date of the financial statements it is the Company's estimation that this proceeding is not expected to have any non-negligible effect on the Company's financial results.

In June 2021, a lawsuit was filed against a subsidiary of the Company, alleging two patents owned by a large competitor of the Company, have been infringed by such subsidiary. Among the claims, the plaintiff seeks preliminary and permanent injunctions to prevent the subsidiary from manufacturing, using or commercializing 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, the subsidiary filed lawsuits seeking declarations that the said patents are invalid and not infringed. These proceedings remain pending. In May 2023, the same competitor filed an additional lawsuit alleging infringement of the same two patents by a different product and sought a preliminary injunction. The injunction was rejected at first instance, upheld on appeal, and finally dismissed by the superior court - a decision that is now final and unappealable. All these lawsuits are pending as of the approval date of the financial statements. At this stage, the claims filed by the plaintiff are not expected to have a material effect on the Company.

Various immaterial claims have been filed against Group companies in courts throughout the world, in immaterial amounts, for causes of action primarily involving employee-employer relations and various civil claims, for which the Company did not record a provision in the financial statements. The claims that in the estimation of Company's management, based on its legal advisors' opinion, have lower chances of succeeding than being rejected, amount to a negligible amount. Furthermore, claims were filed against the Company for product liability damages, for which the Company has adequate insurance coverage, such that the Company's exposure in respect thereof is limited to the deductible amount or the amount thereof does not exceed the deductible amount.

Performance commitments

When the Company acquired the equity interest in Adama Huifeng (shanghai) Agricultural Technology Co., Ltd ("Adama Huifeng (Shanghai)") and Adama Huifeng (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. There were 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 was accepted in May 2024. The arbitration case was heard by the arbitration tribunal in September 2024.

On April 1, 2025, Shanghai International Economic and Trade Arbitration Commission rendered an award in respect of the arbitration, according to which Jiangsu Huifeng shall pay the Company the price adjustment payment of RMB45,000,000 yuan, the damage compensation for failure to pay the price adjustment amount on time, and a certain proportion of fees for the attorney and the arbitration as well as other expenses incurred by the Company for initiating the case.

Notes to the Financial Statements

XI. Commitments and contingencies - (cont'd)

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

Performance commitments - (cont'd)

On June 30, 2025, the Company signed an agreement with Jiangsu Huifeng, stipulating that the mutual payments in the price adjustment payment case and the case of payment for equity transfer between the Company and Jiangsu Huifeng shall be offset.

According to the above agreement, after calculation, Jiangsu Huifeng shall pay the offset balance of RMB 34,669 to the Company. On July 9, 2025, Jiangsu Huifeng has paid the balance to the Company. The above-mentioned performance commitments of Jiangsu Huifeng have been fulfilled.

XII. Events subsequent to the balance sheet date

ADAMA is headquartered and has three manufacturing sites in Israel. Regional tensions escalated on October 7, 2023, and more recently widened on February 28, 2026. The Company's Israeli production sites and supply chain, including ports, continue to operate without significant delays. As of this publication date, the events have not had nor are expected to have material impact on the Company's ability to support its markets, its ongoing activities, or its consolidated financial results.

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 were vested in four equal portions, where the first and second quarters were exercisable after two years, the third quarter after three years and the fourth quarter after four years from January 1, 2019. The warrants were 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 were exercisable until the end of 2025, at which time they expired.

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	20,290,025
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	(20,290,025)
Total number of Phantom warrants at the end of the period	-
	RMB 9.87 – 10.85

Notes to the Financial Statements

The exercise prices and the remainder of the contractual period for Phantom Warrants outstanding at the end of period 0 year

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)	-
Expenses (income) arising from cash-settled share-based payments in current period (in thousands RMB)	(9,490)

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

	Phantom warrants
Changes in the number of 2017 Plan:	
Total number of Phantom warrants at the beginning of the period	7,404,561
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	(3,715,017)
Total number of Phantom warrants at the end of the period	3,689,544
 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 0.75 year

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)	110
Expenses (income) arising from cash-settled share-based payments in current period related to the alternative plan (in thousands RMB)	(4,502)

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:

	<u>Crop Protection</u>		<u>Intermediates and ingredients</u>		<u>Elimination among segments</u>		<u>Total</u>	
	<u>Year ended</u>		<u>Year ended</u>		<u>Year ended</u>		<u>Year ended</u>	
	<u>December 31</u>		<u>December 31</u>		<u>December 31</u>		<u>December 31</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Operating income from external customers	26,652,467	26,802,036	2,292,119	2,686,010	-	-	28,944,586	29,488,046
Inter-segment operating income	-	-	1,452	1,336	(1,452)	(1,336)		
Interest in the profit or loss of associates and joint ventures	-	-	9,638	8,201	-	-	9,638	8,201
Segment's results	1,146,924	(363,092)	164,362	52,370	-	-	1,311,286	(310,722)
Financial expenses							2,232,695	1,769,830
Gain (loss) from changes in fair value							219,486	(46,074)
Investment income							2,325	2,324
loss before tax							(699,598)	(2,124,302)
Income tax expenses							346,121	778,902
Net Loss							(1,045,719)	(2,903,204)

	<u>Crop Protection</u>		<u>Intermediates and ingredients</u>		<u>Unallocated assets and liabilities</u>		<u>Total</u>	
	<u>December 31</u>		<u>December 31</u>		<u>December 31</u>		<u>December 31</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Total assets	39,011,654	40,394,519	2,092,328	2,371,148	7,359,980	7,294,110	48,463,962	50,059,777
Total liabilities	7,904,219	6,878,372	240,167	291,201	22,744,150	23,899,110	30,888,536	31,068,683

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	
	Year ended December 31	
	2025	2024
Europe, Africa and Middle East	8,124,365	8,310,285
North America	6,727,577	6,059,617
Latin America	7,177,085	7,375,759
Asia Pacific	6,915,559	7,742,385
	<u>28,944,586</u>	<u>29,488,046</u>

	Specified non-current assets	
	December 31	
	2025	2024
Europe, Africa and Middle East	13,319,926	14,249,233
North America	1,232,186	1,252,352
Latin America	1,905,677	1,730,472
Asia Pacific	4,606,298	5,044,172
	<u>21,064,087</u>	<u>22,276,229</u>

* As of 2025, South Africa is included in the Europe, Africa and Middle East region . The information for 2024 was re- classified accordingly.

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	<u>(1,045,719)</u>	<u>(2,903,204)</u>

	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	<u>2,329,811,766</u>	<u>2,329,811,766</u>

	Amount for the current period	Amount for the prior period
Calculated based on net loss attributable to ordinary shareholders		
Basic losses per share	(0.45)	(1.25)
Diluted losses per share	N/A	N/A
Calculated based on net loss from continuing operations attributable to ordinary shareholders:		
Basic losses per share	(0.45)	(1.25)
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

	December 31	December 31
	2025	2024
Deposits in banks	58,950	39,173
Other cash and bank balances	6,014	1,858
	64,964	41,031

As at December 31, 2025, restricted cash and bank balances was 6,014 thousand RMB (as at December 31, 2024: 1,858 thousand RMB).

2. Accounts receivable

a. By category

	December 31, 2025					
	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	1,637,510	99	902	-	1,636,608	
	1,651,403	100	14,795	1	1,636,608	

	December 31, 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	1,182,104	99	-	-	1,182,104	
	1,195,997	100	13,893	1	1,182,104	

b. Aging analysis

	December 31, 2025
Within 1 year (inclusive)	1,130,403
Over 1 year but within 2 years	507,107
Over 2 years but within 3 years	-
Over 3 years but within 4 years	-
Over 4 years but within 5 years	-
Over 5 years	13,893
	1,651,403

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

	Year ended December 31, 2025
Balance as of January 1	13,893
Addition during the period, net	902
Balance as of December 31	14,795

d. Five largest accounts receivable at December 31, 2025:

	Closing balance	Proportion of Accounts receivable (%)	Allowance of expected credit losses
Party 1*	1,561,634	94	-
Party 2	25,093	2	-
Party 3	20,329	1	902
Party 4	14,400	1	-
Party 5	3,004	-	-
	1,624,460	98	902

* Include intergroup balance with ADAMA Solutions.

3. Receivable financing

	December 31 2025	December 31 2024
Bank acceptance draft	10,490	34,350
	10,490	34,350

As at December 31, 2025, bank acceptance endorsed but not yet due amounts to 224,677 thousand RMB.

4. Other Receivables

	December 31	December 31 2024
Dividends receivable	2,325	-
Other receivables	24,109	24,393
	26,434	24,393

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

	December 31	December 31
	2025	2024
Other	29,485	29,769
Provision for expected credit losses	(5,376)	(5,376)
	24,109	24,393

b. Other receivables by aging

	December 31, 2025
Within 1 year (inclusive)	-
Over 1 year but within 2 years	12,498
Over 2 years but within 3 years	
Over 3 years but within 4 years	113
Over 4 years but within 5 years	91
Over 5 years	16,783
	29,485

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

	Year ended December 31, 2025
Balance as of January 1, 2025	5,376
Addition during the period	-
Balance as of December 31, 2025	5,376

d. Five largest other receivables at December 31 2025:

Name	Closing balance	Proportion of other receivables (%)	Credit loss provision
Party 1*	24,109	82	-
Party 2	3,125	11	3,125
Party 3	548	2	548
Party 4	237	1	237
Party 5	221	1	221
	28,240	97	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

	December 31, 2025			December 31, 2024		
	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

	Year ended December 31, 2025		Year ended December 31, 2024	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	1,960,398	1,651,258	1,756,578	1,551,341
Other operations	51,135	19,732	45,215	15,005
	<u>2,011,533</u>	<u>1,670,990</u>	<u>1,801,793</u>	<u>1,566,346</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

	Year ended December 31, 2025	Year ended December 31, 2024
Interest income	1,727	6,109
Government subsidies	6,760	4,657
Other	12,064	6,406
	20,551	17,172

(2) Other cash paid relevant to operating activities

	Year ended December 31, 2025	Year ended December 31, 2024
Professional services	108,111	33,553
Other	20,995	22,122
	129,106	55,675

(3) Other cash received relevant to investing activities

	Year ended December 31, 2025	Year ended December 31, 2024
Loans	70,000	180,000
Other	1,599	4,147
	71,599	184,147

(4) Other cash paid relevant to investing activities

	Year ended December 31, 2025	Year ended December 31, 2024
Loans	50,000	-
	50,000	-

(5) Other cash paid relevant to investing activities

	Year ended December 31, 2025	Year ended December 31, 2024
Deposit for issuing bills payables	16,105	9,884
	16,105	9,884

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

(6) Other cash paid relevant to financing activities:

	Year ended December 31, 2025	Year ended December 31, 2024
Deposit for issuing bills payable	20,261	5,282
Other	438	460
	20,699	5,742

8. Supplementary information to cash flow statement

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

	Year ended 2025	December 31 2024
Net profit (loss)	(69,182)	249,928
Add: Asset Impairment reversal (losses)	10,258	160,041
Credit impairment reversal (losses)	902	-
Depreciation of fixed assets and investment property	193,048	235,036
Depreciation of-right-of use assets	774	1,136
Amortization of intangible assets	13,229	12,116
Gain (losses) on disposal of fixed assets, intangible assets and other long-term assets	(3,486)	(481)
Losses (gains) from changes in fair value	130,730	(326,340)
Financial expenses	49,809	12,223
Investment income	(34,769)	(34,070)
Decrease in deferred income tax assets	5,281	28,601
Decrease (increase) in inventory	38,069	(38,120)
Increase in accounts receivable from operating activities	(594,557)	(117,885)
Increase in payables from operating activities	450,081	62,395
Net cash flows generated from operating activities	190,187	244,580

(2) Net increase in cash and cash equivalents

	Year ended 2025	December 31 2024
Closing balance of cash	58,950	39,173
Less: Opening balance of cash	39,173	157,186
Net increase in cash and cash equivalents	19,777	(118,013)

Notes to the Financial Statements

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

9. Related parties and related parties transactions

(1) Information on parent Company

<u>Company name</u>	<u>Registered place</u>	<u>Business nature</u>	<u>Registered capital (Thousand RMB)</u>	<u>Shareholding percentage</u>	<u>Percentage of voting rights</u>
Syngenta Group	Shanghai, China	Production and sales of agrochemicals, fertilizers and GM seeds	11,182,127	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

	<u>Related Party Relationship</u>	<u>Year ended December 31</u>	
		<u>2025</u>	<u>2024</u>
<u>Summary of Purchase of goods/services received:</u>			
Purchase of goods/services received	Common control under Sinochem Holdings	54,553	67,599
	Subsidiary	110,609	67,852
<u>Summary of Sales of goods:</u>			
Sale of goods	Common control under Sinochem Holdings	750	737
	Subsidiary	1,145,848	1,010,141

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	72,595	01.12.2021	28.11.2027	N
	27,000	17.11.2022	16.11.2027	N
	50,000	10.04.2024	09.04.2027	N
	29,000	25.03.2025	24.03.2028	N
	66,000	23.06.2022	22.06.2028	N
	10,000	26.04.2023	05.05.2028	N
	4,473	15.08.2025	16.02.2026	N
	8,774	25.07.2025	21.01.2026	N
	16,545	12.09.2025	11.03.2026	N
	5,840	12.09.2025	11.03.2026	N
	11,000	05.09.2025	04.03.2026	N
	10,632	24.12.2025	24.06.2026	N
	5,000	26.12.2025	24.06.2026	N
	22,623	26.12.2025	24.06.2026	N

Notes to the Financial Statements

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

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

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

b. Guarantees - (cont'd)

The Company 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	263,000	21.04.2021	20.04.2028	Y
Parent company	67,971	01.06.2021	31.05.2028	Y

During the year, the Company paid a guarantee fee amounting to 343 thousand RMB (2024: 414) to the parent company.

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>Interest rate</u>
Lending					
Subsidiary	70,000	2023.12	2025.12	-	2.4%
Subsidiary	50,000	2025.12	2028.11	50,000	2.4%

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

Receivable Items

<u>Items</u>	<u>Related Party Relationship</u>	<u>December 31</u>		<u>December 31</u>	
		<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
		<u>Book Balance</u>	<u>Expected credit losses</u>	<u>Book Balance</u>	<u>Expected credit losses</u>
Trade receivables	Subsidiary	1,563,401	-	1,102,274	-
Non-current assets within one year	Subsidiary	-	-	70,000	-
Other non-current assets	Subsidiary	50,000	-	-	-
Other receivables	Subsidiary	24,109	-	24,393	-
Prepayments	Common control under Sinochem Holding	83	-	617	-

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)

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

Payable Items

<u>Items</u>	<u>Related Party Relationship</u>	<u>December 31</u> <u>2025</u>	<u>December 31</u> <u>2024</u>
Trade payables	Subsidiary	-	10
Trade payables	Common control under Sinochem Holdings	4,665	4,023
Other payables	Subsidiary	587,644	525,071
	Common control under Sinochem Holdings	471	522

e. Other related party transactions

As at December 31, 2025, the closing balance of bank deposit in SinoChem Finance Corporation was 41,343 thousand RMB (31.12.24: 28,470 thousand RMB) Interest income of bank deposit for the year was 1,569 thousand RMB (2024: 1,768 thousand RMB).

Supplementary information

(Expressed in RMB '000)

1. Extraordinary Gain and Loss

	<u>Year ended</u> <u>December 31, 2025</u>
Disposal of non-current assets	16,716
Government grants recognized through profit or loss	16,498
Changes in fair value of financial assets and liabilities held for trading	30,714
Custodian fees earned from entrusted operation	4,266
Recovery or reversal of expected credit losses which is assessed individually during the years	76,059
Post vesting fair value revaluation of cash-settled share based payment	13,992
Other non-operating income or expenses other than the above	176,288
Tax effect	(44,491)
	<u>290,042</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.

<u>Profit during the reporting period</u>	<u>Weighted average rate of return on net assets</u>	<u>Basic EPS (RMB/share)</u>	<u>Diluted EPS (RMB/share)</u>
Net loss attributable to ordinary shareholders of the Company	(5.71%)	(0.45)	N/A
Net loss after deduction of extraordinary gains/losses attributable to ordinary shareholders of the Company	(7.35%)	(0.57)	N/A