



# **ADAMA LTD. ANNUAL REPORT 2021**

ADAMA Ltd. is a global leader in crop protection, providing solutions to farmers across the world to combat weeds, insects and disease. ADAMA has one of the widest and most diverse portfolios of active ingredients in the world, state-of-the art R&D, manufacturing and formulation facilities, together with a culture that empowers our people in markets around the world to listen to farmers and ideate from the field. This uniquely positions ADAMA to offer a vast array of distinctive mixtures, formulations and high-quality differentiated products, delivering solutions that meet local farmer and customer needs in over 100 countries globally.

**For further important additional information and details, please refer to the Annex.**

**March 2022**

## Section I - Important Notice, Table of Contents and Definitions

- The Company's Board of Directors, Board of Supervisors, directors, supervisors and senior managers confirm that the content of the Report is true, accurate and complete and contains no false statements, misleading presentations or material omissions, and assume joint and several legal liability arising therefrom.
- Ignacio Dominguez, the person leading the Company (President and Chief Executive Officer) as well as its legal representative and the person leading the accounting function (acting Chief Financial Officer), hereby assert and confirm the truthfulness, accuracy and completeness of the Financial Report.
- All of the Company's directors attended the board meeting for the review of this Report.
- The forward looking information described in the Report, such as future plans, development strategy etc., does not constitute, in any manner whatsoever, a substantial commitment of the Company to investors. Investors and other relevant people are cautioned to be sufficiently mindful of investment risks as well as the difference between plans, forecasts and commitments.
- The Company has described its future development strategies, work plan for 2022 and possible risks in "VIII. Outlook of the Company's future development" in Section III. The major risks of the Company include, among others, exchange rate fluctuations; exposure to interest rate, Israel CPI and NIS exchange rate fluctuations; fluctuations in raw material inputs and prices, and in sales. Investors and other relevant people are cautioned to be sufficiently mindful of investment risks. For the complete "Risk factors and countermeasures" of the Company, please see the relevant section below.
- The pre-plan of the dividend distribution approved by the meeting of the Board of Directors on March 29, 2022 refers to the total outstanding 2,329,811,766 shares of the Company on February 28, 2022 as the basis for the distribution as cash dividend of RMB 0.08 (before tax) per 10 shares, to all the shareholders of the Company. No shares will be distributed as share dividend, and no reserve will be transferred to equity capital.
- This Report and its abstract have been prepared in both Chinese and English. Should there be any discrepancies between the two versions, the Chinese version shall prevail.

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## Contents of Documents Available for Reference

- (I) Duly signed Financial Statements by the Legal Representative and Accounting Principal as well as Head of the Accounting Organ.
- (II) Duly signed Auditor's Report and seals the certified public accountants.
- (II) Originals of all Company's documents previously disclosed in media designated by the CSRC as well as the originals of all the public notices, were deposited in the Company's office.

## Definitions

In this Report, the following terms have the meaning appearing alongside them, unless otherwise specified:

General Terms	Definition
Company, the Company	ADAMA Ltd.
Adama Solutions	Adama Agricultural Solutions Ltd., a wholly-owned subsidiary of the Company, incorporated in Israel according to its laws
Anpon, ADAMA Anpon	ADAMA Anpon (Jiangsu) Ltd., a wholly-owned subsidiary of the Company
Board of Directors/Board	The Board of Directors of the Company
Board of Supervisors	The Board of Supervisors of the Company
Articles of Association / AOA	The Articles of Association of the Company
Group, the Group, ADAMA	The Company, including all its subsidiaries, unless expressly stated otherwise
ChemChina	China National Chemical Co., Ltd.
ChemChina-Syngenta Transaction	The acquisition of Syngenta AG by ChemChina in 2017
CNAC	China National Agrochemical Co., Ltd.
CSRC	China Securities Regulatory Commission
SZSE	Shenzhen Stock Exchange
SASAC	State Assets Supervision and Administration Commission of China
Syngenta Group	Syngenta Group Co., Ltd., the controlling shareholder of the Company as of June 15, 2020, a wholly-owned subsidiary of CNAC
Sinochem Holdings	Sinochem Holdings Corporation Ltd.
Sinochem Group	Sinochem Holdings including all its subsidiaries unless otherwise indicated or the context otherwise requires
Report	This 2021 Annual Report
Financial Report	The Financial Reports for the year 2021, as contained in this Report
Reporting Period, this Period, Current Year	Year 2021
Company Law	Company Law of the People's Republic of China
Securities Law	Securities Law of the People's Republic of China
Listing Rules	Listing Rules of the SZSE

## Section II - Corporate Profile and Financial Results

### I. Corporate information

<b>Stock name</b>	ADAMA A, ADAMA B	<b>Stock code</b>	000553, 200553
<b>Stock exchange</b>	Shenzhen Stock Exchange		
<b>Company name in Chinese</b>	安道麦股份有限公司		
<b>Abbr.</b>	安道麦		
<b>Company name in English (if any)</b>	ADAMA Ltd.		
<b>Abbr. (if any)</b>	ADAMA		
<b>Legal representative</b>	Ignacio Dominguez		
<b>Registered address</b>	No. 93, East Beijing Road, Jingzhou, Hubei		
<b>Zip code</b>	434001		
<b>Office address</b>	No. 93, East Beijing Road, Jingzhou, Hubei		
<b>Zip code</b>	434001		
<b>Company website</b>	<a href="http://www.adama.com">www.adama.com</a>		
<b>Email</b>	<a href="mailto:irchina@adama.com">irchina@adama.com</a>		

### II. Contact information

	<b>Board Secretary</b>	<b>Securities Affairs Representative Investor Relations Manager</b>
<b>Name</b>	Guo Zhi	Wang Zhujun
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### III. Information disclosure

<b>Website of the Stock Exchange on which the Company Discloses its Annual Report</b>	China Securities Journal Securities Times Ta Kung Pao
<b>Media and Website on which the Company Discloses its Annual Report</b>	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
<b>Location on which this Report is kept</b>	Securities office of the Company

### IV. Company registration and alteration

<b>Credibility code</b>	91420000706962287Q
<b>Changes in main business activities of the Company after going public (if any)</b>	None in the reporting period.
<b>Changes of controlling shareholder (if any)</b>	<p>The Company was reorganized as Hubei Sanonda Co., Ltd. in 1992 after being approved by departments of Commission for Reorganization of Hubei Province. The largest shareholder of the Company was Shashi State-Owned Assets Administration Bureau.</p> <p>In 1994, the original Shashi State-Owned Assets Administration Bureau and Jiangling State-owned Assets Administration Bureau were classified as Jingsha State-Owned Assets Administration Bureau. Therefore, the shares of the Company held by Shashi State-Owned Assets Administration Bureau and Jiangling State-Owned Assets Administration Bureau were all held by Jingsha State-Owned Assets Administration Bureau, and Jingsha State-Owned Assets Administration Bureau became the controlling shareholder of the Company.</p> <p>In 1996, according to the Reply of Hubei Provincial People's Government on Authorization of Sanonda Group Co., Ltd. Operating the State-Owned Assets (EZBH[1995] No.92), Jingsha State-Owned Assets Administration Bureau set up Sanonda Group Co., Ltd. (renamed "Jingzhou Sanonda Holdings Co., Ltd."). On March 20, 2005, Jingzhou State-Owned Assets Administration Bureau and China Mingda Chemical and Mining Corporation (later renamed "China National Agrochemical Co., Ltd., CNAC") signed the Asset Transfer Agreement of Sanonda Group Co., Ltd, and CNAC received 100% equity of Sanonda Group Co., Ltd, from Jingzhou State-Owned Assets Administration Bureau. After the completion of the above transfer, the actual controller of the Company was changed from Jingzhou State-Owned Assets Administration Bureau to SASAC.</p> <p>In July, 2017, the Company received the Approval on Issuing Shares by Hubei Sanonda Co., Ltd. to China National Agrochemical Corporation for Acquiring Assets and Raising Supporting Funds (CSRC license No. [2017]1096). CSRC approved of the Company's issuance of 1,810,883,039 shares to China National Agrochemical Corporation for the purchase of 100% equity of ADAMA Solutions held by it. After the completion of the major assets restructuring,</p>

the controlling shareholder of the Company was changed from Jingzhou Sanonda Holdings Co., Ltd. to CNAC.

In June, 2020, CNAC transferred 1,810,883,039 shares of the Company held by it to Syngenta Group free of charge and completed the registration procedures for the above transferred shares. After the completion of the share transfer, Syngenta Group has become the direct controlling shareholder of the Company.

During the reporting period, the controlling shareholder of the Company did not change.

## V. Other information

### The Accounting Firm Engaged by the Company

<b>Company's Auditors</b>	<b>Name</b>	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	<b>Office address</b>	30/F, Bund Center, 222 Yan An Road East, Shanghai PRC
	<b>Signing Certified Public Accountant</b>	Mou Zhengfei and Ji Yuting

Sponsor engaged by the Company to continuously perform its supervisory function during the Reporting Period

☐ Applicable ☒ Not applicable

Financial advisor engaged by the Company to continuously perform its supervisory function during the Reporting Period

☐ Applicable ☒ Not applicable



## VI. Main accounting and financial results

Whether the Company performed any retroactive adjustments to or restatement of its accounting data

☐ Yes ☒ No

	2021	2020	+/- (%)	2019
Operating revenue (RMB'000)	31,038,605	28,444,833	9.12%	27,563,239
Net profit attributable to the shareholders (RMB'000)	157,397	352,753	-55.38%	277,041
Net profit attributable to the shareholders, excluding non-recurring profit and loss (RMB'000)	77,853	287,724	-72.94%	610,059
Net cash flows from operating activities (RMB'000)	4,561,875	2,023,015	125.50%	843,487
Basic EPS (RMB/share)	0.0676	0.1505	-55.08%	0.1132
Diluted EPS (RMB/share)	N/A	N/A	N/A	N/A
Weighted average return on equity	0.74%	1.61%	-0.87%	1.23%
	31.12.2021	31.12.2020	+/- (%)	31.12.2019
Total assets (RMB'000)	50,235,308	46,801,034	7.34%	45,288,940
Net assets attributable to the shareholders (RMB'000)	21,075,083	21,353,752	-1.31%	22,371,665

The net income before or after deduction of non-recurring profit or loss for the last three fiscal years is negative no matter which amount is less and the audit report for the most recent year shows that there is uncertainty about the company's ability to continue its operation.

☐ Yes ☒ No

The less amount of the net income before and after extraordinary gain or loss is negative

☐ Yes ☒ No

## VII. Differences in accounting data under domestic and foreign accounting standards

### 1. Differences in the net profit and the net assets disclosed in the financial reports prepared under Chinese and international accounting standards

☐ Applicable ☒ Not applicable

None during the Reporting Period.

### 2. Differences in the net profit and the net assets disclosed in the financial reports prepared under Chinese and foreign accounting standards

☐ Applicable ☒ Not applicable

None during the Reporting Period.

### 3. Explanation on the differences in accounting data

☐ Applicable ☒ Not applicable

## VIII. Main Financial results by quarter

Unit: RMB'000

	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Operating revenue	7,187,164	7,876,616	7,424,584	8,550,241
Net profit attributable to the shareholders	148,784	218,252	-370,952	161,313
Net profit attributable to the shareholders excluding non-recurring profit and loss	121,678	200,445	-384,112	139,842
Net cash flows from operating activities	-837,773	2,329,066	690,694	2,379,888

Any material differences between the financial indicators above or their summations and those which have been disclosed in quarterly or semi-annual reports

☐ Yes ☒ No

## IX. Non-Recurring profit/loss

√ Applicable □ Not applicable

Unit: RMB'000

Item	2021	2020	2019	Note
Gains/losses on the disposal of non-current assets (including the offset part of asset impairment provisions)	846	69,710	127,073	
Government grants charged to the profit/loss for the Reporting Period (except for the government grants closely related to the regular operation of the Company and continuously given at a fixed quota or amount in accordance with certain standards)	38,543	41,871	27,410	
Profit or loss of subsidiaries generated before combination date of a business combination involving enterprises under common control	-	-	38,027	
Profit or loss arising from contingencies other than those related to normal operating business	-	-	(45,989)	
Recovery or reversal of provision for bad debts which is assessed individually during the years	32,487	26,102	25,821	
Other non-operating income and expenses other than the above	12,503	19,989	(40,992)	
Other profit or loss that meets the definition of non-recurring profit or loss	13,191	(62,855)	(574,500)	Mainly provision for early retirement plan of employees at the Company's Israeli manufacturing facilities.
Less: Income tax effects	18,026	29,788	(110,132)	
NCI (after tax)	-	-	-	
<b>Total</b>	<b>79,544</b>	<b>65,029</b>	<b>(333,018)</b>	

Details of other profit and loss items that meet the definition of non-recurring profit or loss.

√ Applicable □ Not applicable

Mainly provision for early retirement plan of employees at the Company's Israeli manufacturing facilities as explained above in the note.

Explanation of non-recurring items of profit or loss listed in "Explanatory Announcement No. 1 on Information Disclosure for Companies Offering their Securities to the Public-Non-Recurring Profit and Loss" reclassified as recurring items of profit or loss

□ Applicable √ Not applicable

No such cases during the Reporting Period.

## Section III - Performance Discussion and Analysis

### I. Industry in which the Company operates during the reporting period

#### General environment and the effect of external factors on the Company's operations

As a global leader in the crop protection industry, major trends, events and key developments in the Group's macro-economic environment may materially impact the Group's business results and development. The impact of these factors may differ by geographic region and the different products of the Group. Since the Group offers one of the widest and most diverse product portfolios of crop protection products and since it operates in many geographic regions, the aggregate effect of these factors in any given year, and during the course thereof, is not uniform and may sometimes be mitigated by offsetting effects. The activities and results of the Group are further subject to, and affected by, certain global, localized and other factors, such as: demographic changes; economic growth and rising standards of living; agricultural commodity prices; significant fluctuations in raw material costs and global energy prices; development of new crop protection technologies; patent expiries and growth in volumes of off-patent products; the global agricultural markets and volatile weather conditions; regulatory changes; government policies; world ports, international monetary policies and the financial markets.

### II. Main business of the Company during the Reporting Period

The Company is a corporation incorporated in the People's Republic of China.

The Group is a global leader in crop protection, engaging in the development, manufacturing and commercialization of a wide range of crop protection products, that are largely off-patent. The Group provides solutions to farmers to combat weeds, insects and disease, and sells its products in over 100 countries, through approximately 60 subsidiaries worldwide.

The Group's business model integrates end-customer access, regulatory expertise, state-of-the art global R&D, production and formulation facilities, thereby providing the Group a significant competitive edge and allowing it to launch new and differentiated products that meet local farmers and customer needs in key markets.

The Group's primary operations are global, spanning activities in Europe, North America, Latin America, Asia-Pacific (including China) and India, the Middle-East and Africa.

The Group also utilizes its expertise to adapt such products also for the development, manufacturing and commercialization of similar products for non-agricultural purposes (Consumer and Professional Solutions).

In addition, the Group leverages its core capabilities in the agricultural and chemical fields and operates in several other non-agricultural areas, none of which, individually, is material for the Group. These activities, collectively reported as Intermediates and Ingredients, include primarily, (a) the manufacturing and marketing of dietary supplements, food colors, texture and flavor enhancers, and food fortification ingredients; (b) fragrance products for the perfume, cosmetics, body care and detergents industries; (c) the manufacturing of industrial products and (d) other non-material activities.

#### Syngenta Group

As of June 2020, the Group is a distinctive member of Syngenta Group, a world leader in agricultural inputs, spanning crop protection, seeds, fertilizers, additional agricultural and digital technologies, as well as an advanced distribution network in China. As of August 2021, following the combination between ChemChina and Sinochem Group, Syngenta Group, and subsequently the Group, are ultimately controlled by Sinochem Holdings - parent of both ChemChina and Sinochem Group, subordinated to SASAC.

**Performance in the context of general crop protection market environment**

During 2021, crop prices of most of the major commodity crops remained elevated, and even further increased, supporting strong crop protection demand in most regions. The positive crop price environment, along with associated higher planted areas, combined to drive global demand for crop protection products.

On the whole, farmers continue to benefit from the high global crop prices. However, this benefit is somewhat dampened by broad inflationary pressures they are experiencing across most of their input costs, including seeds, fertilizers, crop protection, fuel and machinery.

During the year, prices of intermediates and active ingredients sourced from China remained high due to rising oil prices and high raw material prices. In the third quarter, availability of intermediates and active ingredients sourced from China was more constrained, although improved somewhat in the fourth quarter as the "Dual Control" energy saving measures in the country were relaxed, and agrochemical production came back online. However, China agrochemical prices remained high and COVID-19 restrictions and lockdowns continued to negatively impact agrochemical production and logistics.

Global energy prices recovered and remained high over the course of 2021. In addition, global freight and logistics costs rose considerably during the year, and even further increased in December as COVID-19 continued to disrupt port activity, coupled with high stay-at-home demand brought on by the Omicron wave. Similarly, in-land logistics remained challenged as pandemic-related restrictions continued to create frictions in domestic supply lines. Taken together, these constraints have impacted both availability of shipping and transportation resources, as well as significantly increased their costs, a dynamic widely observed across all international trade-related industries.

The Company continues to actively manage its procurement and supply chain activities in order to mitigate these higher procurement and logistics costs. It also endeavors to adjust its pricing wherever market conditions allow, to compensate for these increased costs, the results of which were apparent in Q4, and are continuing to be seen into the beginning of this year.

As the world continues to watch in horror the unfolding tragic and traumatic events in Ukraine, the Company is doing everything possible to ensure the safety and security of its people, and stands strongly in support of its employees, partners and customers. Although the Company is continuing to support farmers in Ukraine, its business in the country is being impacted to a certain extent. At this stage, the Company anticipates that its overall results for the first quarter of 2022 will not be materially impacted, due to promising performance in other geographies.. The Company is continuously reviewing the situation on the ground and assessing the potential risks involved, and will provide a further update in due course. At times like these, the Company is keenly aware of the important role it plays in helping farmers to continue to grow their crops, in order to ensure global food security.

**China Operations Update**

The Company's manufacturing site in Jingzhou, Hubei (ADAMA Sanonda) continues on its path of gradually ramping up production following the completion of the Relocation & Upgrade program at the site, progressively reducing the need for incurring additional procurement costs, and gradually reducing idleness charges as production and utilization levels steadily increase.

As a result of the institution during 2021 of China's "Dual Control" energy restrictions as well as certain regulatory inspections conducted at some industrial parks, the Company's manufacturing facilities in Huai'An (ADAMA Anpon) and in Dafeng (ADAMA Huifeng), both in Jiangsu province, were suspended for a number of weeks in September and October

2021. As the restrictions were loosened in the following weeks, operations at these sites resumed, albeit initially at a more limited capacity, reaching normal operations by December. This temporary suspension caused an increase in idleness costs during the quarter.

The energy restrictions and resulting widespread production suspensions contributed to a significant increase in procurement costs of raw materials and intermediates, on top of the already high costs seen in prior months in the face of strong underlying demand and relatively constrained supply. Although these industry-wide supply shortages have started to alleviate somewhat in recent weeks, the Company is expecting the high procurement costs seen in H2 2021 to continue to pose challenges for its margins in the coming months as these inventories progress through the Company's inventory cycle. The Company endeavors, wherever possible and supported by market conditions, to increase prices in order to mitigate the impact of the higher costs.

In China, the Company is benefiting to some extent from the generally higher pricing environment in the sales of its raw materials and intermediates, where it is seeing robust demand, driving the strong performance in China in the fourth quarter.

### **Crop Protection Products**

The Group is focused on the development, manufacturing and commercialization of largely off-patent crop protection products, which are generally herbicides, insecticides and fungicides, which protect agricultural and other crops against weeds, insects and disease, respectively.

Herbicides - During cultivation, crops are exposed to various weeds that grow in their environment and compete for water, light and nutrients. Herbicides are designed to prevent or stunt the development of such weeds to allow the cultivated crop to develop optimally throughout the different stages of its growth, and therefore to reach optimum yield. The herbicides sold by the Company are both selective (do not affect or harm the crop itself) and non-selective. The best-selling herbicides are those designed to protect soy, corn, cereals, rice and cotton.

Insecticides - Insecticides are designed to control various types of insects and pests in a selective manner (without harming the crop itself). The best-selling insecticides are designed to protect fruits and vegetables, corn, cotton and soy.

Fungicides - Fungicides are designed to combat various diseases and parasitical fungi. In general, when weather conditions in the agricultural season are dry, the prevalence of crop diseases is much smaller, reducing demand for such products. Crops in which fungicides are used most frequently are cereals, fruit, vegetables, soy, grapevines and rice.

### **Main production processes, and upstream and downstream elements**

Production - The Group's manufacturing sites house two types of facilities: (1) dedicated facilities designed to produce a single product or product family; and (2) multi-purpose facilities - comprising the majority of the Group's facilities where several kinds of products may be manufactured. The latter provide the Group with manufacturing flexibility and enable it to prepare for the manufacturing of new products, subject to maintaining and ensuring quality standards.

Value chain - Generally, the value chain between the Group and the end customer who ultimately purchases its products around the world may be characterized as follows: Importer / Formulator -> Distributor -> Retailer -> Farmer. Due to the expansion of the Company's activities and the acquisition and establishment of subsidiary companies in different regions of the world in recent years, in most cases companies owned by the Group carry out the role of the formulator and/or the importer, and occasionally also the role of the distributor and sometimes the retailer. In the past, farmers stored the inventory in their own warehouses, but this trend has changed and today most of inventories are stored either in the importers' or the distributors' warehouses.

**Raw materials and suppliers** - The Group procures and manufactures a large variety of raw materials, which may not be uniformly characterized, together with complementary raw materials or intermediates required to produce the finished products and/or their formulations. The most significant element of the Group's cost of sales is the cost of raw materials used in its production processes, which is primarily influenced by global changes in the supply of raw materials, and, to a certain extent, extreme fluctuations in international oil prices. Similarly, the cost of purchasing finished products for sale to third parties is also significant. The Group purchases its raw materials from various suppliers, primarily in China, Europe, the U.S.A., and South America. The Group's supplier network has not changed significantly over the past few years, while suppliers from China are still a main source for raw material, due to the wide range of products and competitive prices offered by them, together with the improved quality of the products that are examined by the Group through product quality testing.

**Customers** - The Company's customers are numerous and are distributed across many countries throughout the world, although in some countries, sales are made to a relatively small number of customers. Generally, the Group's products are primarily sold to regional and local distributors in the different countries, who in turn market them to end customers in that country, some of whom are large cooperatives. The Group also sells, inter alia, to multinational companies and to other producers that manufacture end-use products based on active ingredients sourced from the Group's. The vast majority of sales are made to returning customers, typically without long-term supply contracts, as is customary in the industry. In most countries, purchases are made without long-term advance orders, while in some areas they are made based on (non-binding) rolling sales forecasts and actual orders. The Group's actual production is based on these forecasts.

**Distribution and marketing** - The Group's marketing operations are global and designed to consistently increase profits and market share. The Group markets its products directly through local representation in all of the largest agricultural markets worldwide by means of local salespeople and commercial activities directed at the distributors, agricultural consultants and farmers.

**For further important additional information and details, please refer to the Annex.**

#### Procurement model of major raw materials

Main raw materials	Procurement model	Proportion out of total purchase amount	Significant change in the settlement method	Average price in H1 (RMB/Kg)*	Average price in H2 (RMB/Kg)*
AI Tech	Purchase through multiple channels	40.0%	No	51.95	63.17
Raw Materials		23.4%	No	9.51	10.42
Co-Formulants		5.7%	No	9.83	14.28
Formulated Products		21.9%	No	28.73	32.87
Packaging		6.2%	No	1.23	1.67
Other		2.8%	No	0.32	0.71

\* Prices in RMB are based on average exchange rates for the relevant period.

Reasons for significant changes in raw material prices compared with the previous reporting period

☐ Applicable ☒ Not applicable

Whether the Company spends more than 30% of its total production cost on energy supply

☐ Applicable ☒ Not applicable

Reasons that there is material change to the main energy types during the reporting period

☐ Applicable ☒ Not applicable

Production technologies of main products

Main Products	Stage of Production Technologies of Main Products	Key Technical Experts	Patents	R&D advantages
Herbicides	Industrialized production	Employed by the Group	Some are patent protected	Off-patent AIs developed into differentiated mixtures and formulations, in combination with new formulation and delivery technologies that provide more efficient ways to deliver the products into the plants
Fungicides	Industrialized production	Employed by the Group	Some are patent protected	Off-patent AIs developed into differentiated mixtures and formulations, in combination with new formulation and delivery technologies that provide more efficient ways to deliver the products into the plants
Insecticides	Industrialized production	Employed by the Group	Some are patent protected	Off-patent AIs developed into differentiated mixtures and formulations, in combination with new formulation and delivery technologies that provide more efficient ways to deliver the products into the plants

Capacity of main products

Main Products	Normal Capacity (tons/year)	Capacity Utilization (%)	Capacity Under Construction (tons/year)	construction Investment in the production of Main Products
Herbicides	53,170	81%	13,150	Ongoing
Fungicides	14,615	98%	3,000	Ongoing
Insecticides	70,804	19%	41,400	Ongoing

Capacity figures in the above table is the synthesis capacity of the Group. In addition, the Group has approximately 590,000 tons of formulation capacity globally.



## Products produced in major chemical industry parks

Major Chemical Industry Parks	Products
Neot Hovav, Israel	Plant for production of insecticides and fungicides active ingredients as well as formulations, R&D center and Non-Agro activity
Ashdod, Israel	Manufacturing of the herbicides' active ingredients, formulations and Non-Agro activity as well
Anpon, China	Plant for the manufacturing of insecticides and herbicides active ingredients, formulations, Flame Retardants and Non-Agro activity
Sanonda, China	Plant for the manufacturing of insecticides active ingredients as well as number of formulations and Non-Agro activity
ADAMA Huifeng, China	Plant for production of Herbicides and Fungicides AIs, as well as number of formulations, alongside a packaging plant
Taquari, Brazil	Plant for the manufacturing of active ingredients as well as number of formulations used for the manufacturing of insecticides, fungicides and herbicides

EIA approval status that is being applied or newly obtained during the reporting period

☒ Applicable ☐ Not applicable

During the reporting period, the Company received the following EIA approvals:

- "Review Opinions on the Reconstruction and Expansion of Wastewater Discharge at the Estuary".
- "Approval of Amendment to Environmental Impact Report of the Insecticide Relocation and Upgrading Project".
- "Reply to the Environmental Impact Report of Salt Well Survey and Drilling Project"

ADAMA Anpon, the subsidiary of the Company, received the following EIA approvals:

- "Reply to the Environmental Impact Report of Expansion of Utilities and Auxiliary Facilities"
- "Reply on the Environmental Impact Report of the Relocation and Upgrading of 1000 t/a Pymetrozine (converted into 100%)"

ADAMA Huifeng, the subsidiary of the Company, received the following EIA approvals:

- Reply to the Environmental Impact Reports of Upgrading of Flutriafof AI, Epoxiconazole AI, Glufosinate AI and 2,4-D isooctyl ester AI.

Abnormal production suspension during the reporting period

☐ Applicable ☒ Not applicable

Relevant approvals, permits and qualifications

√ Applicable □ Not applicable

Entity in China	Name of the Certificate	Number	Expiration
ADAMA Ltd.	Pesticide Production Permit	Pesticide Production Permit (E) 0010	March 15 <sup>th</sup> , 2023
	Safety Production Permit	( E ) WH [2020] extended No. 0011	March 1 <sup>st</sup> , 2023
	Safety Production Permit	(E) FM [2021] No.050781	August 13 <sup>th</sup> , 2024
	Business record certificate of non-pharmaceutical precursor chemicals	(E) 3J42100111328	July 2 <sup>nd</sup> , 2024
	Special Permit for the Manufacturing of Monitored Chemicals	HW-D42I0001	April 3 <sup>rd</sup> , 2024
	National Industrial Production Permit	XK13-008-00019 of Hubei	November 13 <sup>th</sup> , 2023
	Business License for Hazardous Chemicals	No. [2021] 980014 of Safety Operation of Hubei D	July 5 <sup>th</sup> , 2024
	Port Operation Permit	No. ( 0045 ) for Port Operation of Jingzhou of Hubei	January 20 <sup>th</sup> , 2025
	Port Shoreline Use Permit	No. 5, 2015 for Use of Port Shoreline	August 7 <sup>th</sup> , 2061
	Water Extraction Permit	No. 3, 2020 for Water Extraction of Jingzhou of Hubei	August 13 <sup>th</sup> , 2025
	Registration Certificate of Hazardous Chemicals	421012001	December 9 <sup>th</sup> , 2024
	Pollutant Emission Permit	91420000706962287Q001P	December 25 <sup>th</sup> , 2025
ADAMA Anpon (Jiangsu) Ltd.	Safety Production Permit	WH No. [H00029] for Safety Production of Jiangsu	January 17 <sup>th</sup> , 2025
	Business License for Hazardous Chemicals	No. 00394 for Business of Hazardous Chemicals of Huai'an of Jiangsu	October 11 <sup>th</sup> , 2024
	Pesticide Business License	No. 32080020034 for Pesticide Business of Jiangsu	December 26 <sup>th</sup> , 2024
	Pesticide Production Permit	No. 0014 for Pesticide Production of Jiangsu	December 6 <sup>th</sup> , 2022
	Pollutant Emission Permit	9132080013943337K001P	May 31 <sup>th</sup> , 2025
	National Industrial Production Permit	XK13-010-00189 of Jiangsu	January 12 <sup>th</sup> , 2024
	National Industrial Production Permit	XK13-008-00007 of Jiangsu	September 23 <sup>rd</sup> , 2023
	National Industrial Production Permit	XK13-014-00235 of Jiangsu	July 11 <sup>th</sup> , 2024
	Mining License	C3200002009096120039192	September 30 <sup>th</sup> , 2025
	Safety Production Permit	FM No. [2021]0818 of Jiangsu	November 9 <sup>th</sup> , 2024
Maidao, Branch of ADAMA Anpon	Business License for Hazardous Chemicals	No. 00641 for Business of Hazardous Chemicals of Jiangsu	December 30 <sup>th</sup> , 2022

Entity in China	Name of the Certificate	Number	Expiration
(Jiangsu) Ltd.	Safety Production Permit	WH No. [H00015] for Safety Production of Jiangsu	July 22 <sup>nd</sup> , 2024
	Pollutant Emission Permit	91320800MA1NX3QW56001P	December 19 <sup>th</sup> , 2026
Hubei Sanonda Trading Co., Ltd.	Pesticide Business License	No. 42000010083 for Pesticide Business of Hubei	September 3 <sup>rd</sup> , 2023
ADAMA (Beijing) Agricultural Technology Company Limited	Pesticide Business License	No. 11000010005 for Pesticide Business of Beijing	April 11 <sup>th</sup> , 2023
ADAMA Huifeng (Shanghai) Agricultural Technology Co., Ltd.	Pesticide Business License	No. 31011420006 for Pesticide Business of Shanghai	September 3 <sup>rd</sup> , 2023
	Business License for Hazardous Chemicals	No. [2020]203153 of Shanghai for Business of Hazardous Chemicals	August 25 <sup>th</sup> , 2023
ADAMA Huifeng (Jiangsu) Ltd.	Safety Production Permit	(Su) WH No. [J00138]	February 10 <sup>th</sup> , 2024
	Pesticide Business License	No. 32090420577 for Pesticide Business of Jiangsu	January 6 <sup>th</sup> , 2026
	Pesticide Production Permit	Pesticide Production Permit (Su) 0199	May 13 <sup>th</sup> , 2026
	Registration Certificate of Hazardous Chemicals	320912188	March 8 <sup>th</sup> , 2024
	Pollutant Emission Permit	91320982MA1WNXWQX6001P	December 20 <sup>th</sup> , 2025
	Business record certificate of non-pharmaceutical precursor chemicals	(Su) 3S32090000086	February 9 <sup>th</sup> , 2024
	Export Enterprise Registration Form	04136730	--

Company focused on oil processing and trade

☐ Applicable ☒ Not applicable

Company focused on fertilizer

☐ Applicable ☒ Not applicable

Company focused on agrochemicals

☒ Applicable ☐ Not applicable

**Market share** - As mentioned herein, ADAMA is a leading company among the crop-protection companies that focus on off-patent crop protection solutions. The Group's global crop protection market share was approximately 6.0% in 2021, based on AgBio Investor's preliminary estimation of the global agrochemical industry in 2021, and 5.5% in 2020.

**Registration** - The materials and products marketed by the Group require, at various stages of their development production and marketing, registration in every country where the Company intends to market them. The Company has development and registration centers, located in Europe, Israel, Latin America, Brazil, North America, India and Asia. Further, its global registration network, providing local registration capabilities in over 100 countries, enables the Group to efficiently introduce new products in all major markets and provide farmers with a comprehensive portfolio of crop protection solutions. In the last three years, the Group's registration network of highly-skilled professionals has obtained approximately 1,300 new product registrations. These capabilities are increasingly important as regulatory requirements continue to increase globally.

Tax policies - The Group develops, purchases, manufactures and markets its products through many companies worldwide, and as such operates through approximately 60 subsidiaries. To the best of the Group's knowledge, it is in material compliance with applicable tax laws.

Company focused on chlorine alkali and caustic soda business

☐ Applicable ☒ Not applicable

Company focused on chemical fiber industry

☐ Applicable ☒ Not applicable

Company focused on plastic and rubber making

☐ Applicable ☒ Not applicable

### III. Core competitiveness analysis

As a leading off-patent crop protection provider in the global crop protection market, the Group believes that the following strengths provide it with sustainable competitive advantages and the foundation to capitalize on favorable underlying agriculture and crop protection industry trends:

- Off-patent Industry Leader.** The Group's success as one of the world's leading off-patent companies has given it a deep understanding of the industry and enabled it to build one of the most extensive off-patent product offerings, giving it the ability to provide efficient, value-added solutions to farmers of every major crop around the world. Moreover, the breadth of the Group's product portfolio, with no single active ingredient constituting more than 5% of its sales in 2021, combined with its extensive geographic reach, provide effective diversification and enhanced stability. The Group strives to continue to gain market share, building on its leading role in the market, farmer-centric focus and broad product portfolio. Furthermore, the Group's addressable market continues to expand as the crop protection market globally continues to shift towards off-patent products, the segment of the market on which the Group focuses. This shift is the result of significant increases in the costs and risks of discovering and developing novel and effective Active Ingredients (AIs), which over time has led to fewer introductions of new molecules each year by the Company's Research-Based Company (RBC) competitors. The Group believes that its strength in the off-patent market provides it with a certain competitive advantage relative to RBCs, as it is able, with its research, technology and know-how, to access off-patent crop protection products developed by all of the various major RBCs. This allows the Group to enhance existing crop protection products and introduce unique mixtures and formulations. In parallel, the Group's global scale, registration expertise and manufacturing footprint are competitive advantages in comparison to many of its off-patent peers.
- Global Reach and Strength in Emerging Markets.** The Group has an industry leading global footprint with extensive market presence. The Group enjoys broad geographic diversification by selling in over 100 countries with a balanced regional split, as evidenced by its 2021 revenue breakdown of approximately 22% in Europe, 27% in Latin America, 19% in North America, 19% in Asia Pacific, and 14% in India, the Middle East and Africa. This regional balance enhances the Group's growth profile and provides diversification across different countries, climates, crops and planting seasons. The Group has a particularly strong presence in emerging markets, where growth is expected to outpace developed markets, and from which it derived more than half of its 2021 sales.
- Unique Positioning and Access to China.** The Group believes that the foundation provided by the integration of

Adama Solutions with the operational and commercial infrastructure of the Company in China, together with its unique relationship with its ultimate controlling shareholder, Sinochem Holdings, provides it with a clear advantage in penetrating the Chinese market, one of the largest and fastest growing agricultural markets in the world. The Group is one of the only global crop protection providers with a significant integrated commercial and operational infrastructure within China. The Group intends to leverage this infrastructure to pursue a leading position in the Chinese crop protection market and capitalize on the growing importance of high-quality global brands in China. With its activities in China also forming part of Syngenta Group China, the Group believes it is uniquely positioned to capitalize on the trend toward consolidation within the high-growth, highly fragmented Chinese crop protection market. In addition to helping it become a leader in the Chinese crop protection market, the integration of the Company's China-based manufacturing facilities into the Group's global manufacturing operations provides it with the ability to more effectively develop and commercialize advanced, differentiated products, as well as benefit from improved cost positions in key molecules, enhance the optimization of its global supply chain over time, drive greater efficiency throughout the organization, and secure both revenue growth as well as increased profitability.

- **Collaborations with members of the Syngenta Group.** The Group is working together with the other companies within the Syngenta Group to create value for itself and the Syngenta Group through increasing the Group's sales, reducing costs and improving processes. Such efforts include various collaboration initiatives for the sale and distribution of finished products, raw materials supply and procurement, logistics and supply chain, as well as in the R&D and products' registration fields.
- **Vertically Integrated Business with Global Scale.** The Group is one of the few off-patent crop protection providers that is active across virtually the entire value chain, from worldwide marketing, sales and distribution, to registration, production and R&D. As a result, the Group is able to efficiently manage its product portfolio and operations in response to the dynamic needs of farmers, changing weather conditions, government policies and regulations, and capture value at each point in the value chain. Approximately 85% of the Group's products are produced, formulated or both in its world-class, well-invested facilities across the globe. Having deep knowledge, expertise and experience in all aspects of the development process, integrated chemical synthesis and formulation production and control over the entire supply chain, provides the Group with cost and control advantages, and the agility to address market challenges and capture value. Further, its global registration network, providing local registration capabilities in over 100 countries, enables the Group to efficiently introduce new products in all major markets and provide farmers with a comprehensive portfolio of crop protection solutions. In the three years, the Group's registration network of highly-skilled professionals has obtained approximately 1,300 new product registrations. These capabilities are increasingly important as regulatory requirements continue to increase globally. The Group's sales and marketing infrastructure is characterized by its local sales forces in each of its strategic markets, who build strong relationships with local distributors and with the end users, the farmers, to better understand their needs. This drives demand at the wholesale, retail and farmer level and provides the Group with valuable market insight and understanding.
- **Extensive, Differentiated Offering.** The Group offers farmers a hybrid portfolio of increasingly differentiated products and solutions that are tailored to the specific needs of each geographic region and each type of crop. The Group utilizes an integrated, solutions-based approach to its entire offering in order to meet the unique demands of its global customer base. The Group strives to offer farmers a branded portfolio that is comprised of both high-value differentiated products as well as high-volume off-patent products, alongside an increasing number of unique mixtures and formulations and novel, innovative products and services, aimed to provide solutions to farmers in nearly every region, and for all major crops. The Group's extensive portfolio is composed of over 200 centrally managed AIs and over 1,475 mixtures and formulations.

- **Experienced and Empowered Management Team.** With a deep understanding of the crop protection industry and firm focus on sustaining the Group's leadership and financial strength, its management team is a cohesive and integrated team that has the knowledge, skills and experience required to guide the Group on its path to achieving its ambition of global leadership. The Group believes in empowering its teams and creating leaders from its strongest performers, with the result that its management team is composed of the people who have successfully managed its business, and developed and executed its strategy over the last few years, continuing its track record of consistent, profitable growth.

## IV. Main business analysis

### I. Overview

For general crop protection market environment, please refer to I. Main business of the Company during the Reporting Period of Section III above.

Item	Fourth Quarter (000'RMB)	Same period of last year as previously reported (000'RMB)	+/-%
<b>Revenues</b>	8,550,241	7,555,210	13.2%
<b>Pre-Tax Profits</b>	299,252	109,653	172.9%
Pre-tax profit margin	3.5%	1.5%	-
<b>Net income</b>	165,032	127,683	29.3%
Net income margin	1.9%	1.7%	-
<b>EBITDA</b>	1,201,894	1,019,715	17.9%
EBITDA margin	14.1%	13.5%	-

Item	Fourth Quarter (000'USD)	Same period of last year as previously reported (000'USD)	+/-%
<b>Revenues</b>	1,337,049	1,141,142	17.2%
<b>Pre-Tax Profits</b>	46,767	16,546	182.6%
Pre-tax profit margin	3.5%	1.4%	-
<b>Net income</b>	25,197	19,271	30.8%
Net income margin	1.9%	1.7%	-
<b>EBITDA</b>	187,946	154,019	22.0%
EBITDA margin	14.1%	13.5%	-

Item	Reporting Period (000'RMB)	Same period of last year as previously reported (000'RMB)	+/-%
<b>Revenues</b>	31,038,605	28,444,833	9.12%
<b>Pre-Tax Profits</b>	543,802	575,212	-5.46%
Pre-tax profit margin	1.8%	2.0%	-
<b>Net income</b>	163,313	352,753	-53.70%
Net income margin	0.5%	1.2%	-
<b>EBITDA</b>	3,821,303	4,088,571	-6.54%
EBITDA margin	12.3%	14.4%	-

Item	Reporting Period (000'USD)	Same period of last year as previously reported (000'USD)	+/-%
<b>Revenues</b>	4,813,041	4,127,751	16.60%
<b>Pre-Tax Profits</b>	84,564	82,620	2.35%
Pre-tax profit margin	1.8%	2.0%	-
<b>Net income</b>	25,518	51,068	-50.03%
Net income margin	0.5%	1.2%	-
<b>EBITDA</b>	592,846	592,480	0.06%
EBITDA margin	12.3%	14.4%	-

*Note: Since the functional currency of main overseas subsidiaries is the USD, and the Company's management review of the Company's performance is based on the USD results, following explanations and analysis are based on USD-denominated numbers.*

## 2. Revenues and costs

### Revenues

Revenues in the fourth quarter grew by 17% (+13% in RMB terms) to \$1,337 million, driven by a significant 14% increase in prices, a trend which started in the third quarter and accelerated into the fourth quarter. The markedly higher prices were complemented by continued volume growth (5%), including the contribution of newly acquired companies, and only slightly moderated by the adverse impact of exchange rate movements.

In the quarter, the Company delivered significant growth in Latin America, both in Brazil and across much of the rest of the region. In Brazil, the Company benefited from the good soybean planting season, as well as the strong farmer demand which supported higher prices, factors which are also supporting growth throughout South and Central America. The Company continues to grow strongly in Asia Pacific, led by a significant increase in sales in the quarter in China, with sales of its raw materials and intermediates in the country benefiting from higher prices resulting from strong demand in a generally supply-constrained environment. In North America, the Company saw a pleasing performance in the fourth quarter, enjoying robust pre-season demand in both US and Canadian agricultural markets as farmers order early in light of continued industry-wide concerns around availability later in the season. Sales in the India, Middle-East & Africa region grew in the quarter, led by a strong performance in India driven by new product launches in the country, as well as South Africa, where the Company continues to benefit from favorable cropping conditions and new product launches. The fourth quarter saw sales in Europe only slightly higher than the same period last year, as growth across most of the region was largely offset by supply challenges, felt mainly in France and Germany.

The continued robust growth in the quarter brought full year sales to a record-high of \$4,813 million, an increase of 17% (+9% in RMB terms), driven by 12% volume growth alongside 4% higher prices, and further aided somewhat by stronger currencies.



**(1) Operating revenues**

Unit: RMB'000

	2021		2020		YoY +/-%
	Amount	Ratio of the operating revenue	Amount	Ratio of the operating revenue	
Total operating revenue	31,038,605	100%	28,444,833	100%	9.1%
<b>Classified by industries</b>					
Manufacture of chemical raw materials and chemical products	31,038,605	100%	28,444,833	100%	9.1%
<b>Classified by products</b>					
Herbicides	12,716,458	41.0%	11,763,783	41.4%	8.1%
Fungicides	6,137,712	19.8%	5,898,321	20.7%	4.1%
Insecticides	9,192,554	29.6%	8,095,679	28.5%	13.5%
Ingredients and Intermediates (Formerly referred to as Non-Agro)	2,991,881	9.6%	2,687,050	9.4%	11.3%
<b>Classified by regions</b>					
Europe	6,920,884	22.3%	7,155,152	25.2%	-3.3%
North America	5,907,944	19.0%	5,333,514	18.8%	10.8%
Latin America	8,217,586	26.5%	7,460,282	26.2%	10.2%
Asia-Pacific	5,793,987	18.7%	4,533,778	15.9%	27.8%
India, Middle East and Africa	4,198,204	13.5%	3,962,107	13.9%	6.0%
<b>Classified by Sales Channel</b>					
Direct Sales	1,300,368	4.1%	1,439,278	4.8%	-5.8%
Dealership	26,746,356	86.2%	24,318,505	85.8%	9.7%
Others	2,991,881	9.6%	2,687,050	9.4%	11.3%

Unit: USD'000

	2021		2020		YoY +/-%
	Amount	Ratio of the operating revenue	Amount	Ratio of the operating revenue	
Total operating revenue	4,813,041	100%	4,127,751	100%	16.6%
<b>Classified by industries</b>					
Manufacture of chemical raw materials and chemical products	4,813,041	100%	4,127,751	100%	16.6%
<b>Classified by products</b>					
Herbicides	1,971,982	41.0%	1,707,193	41.4%	15.5%
Fungicides	951,654	19.8%	856,648	20.8%	11.1%
Insecticides	1,425,106	29.6%	1,174,463	28.5%	21.3%
Ingredients and Intermediates (Non-Agro)	464,299	9.6%	389,447	9.4%	19.2%
<b>Classified by regions</b>					
Europe	1,072,415	22.3%	1,035,865	25.1%	3.5%
North America	916,603	19.0%	775,744	18.8%	18.2%
Latin America	1,275,558	26.5%	1,087,796	26.4%	17.3%
Asia-Pacific	898,084	18.7%	656,276	15.9%	36.8%
India, Middle East and Africa	650,381	13.5%	572,070	13.8%	13.7%
<b>Classified by Sales Channel</b>					
Direct Sales	203,364	4.2%	209,059	5.1%	-2.7%
Dealership	4,145,906	86.1%	3,529,245	85.5%	17.5%
Others	463,771	9.6%	389,447	9.4%	19.1%

Note: the sales split per product category is provided for convenience purposes only, and is not representative of the way the Company is managed or in which it makes its operational decisions.

### Regional Performance Review

**Europe:** Sales were up by 3.4% in the fourth quarter and by 3.0% in the full year, in constant exchange rates (CER) terms, compared with the corresponding periods last year.

In the fourth quarter, the Company saw moderate growth in Europe, achieved despite the impact of the COVID-19 Omicron wave hampering regular commercial activities, with growth across most of the region being partially offset by supply challenges, mainly felt in France and Germany.

In US dollar terms, sales were higher by 0.4% in the quarter and by 3.5% in the full year, compared to the corresponding periods last year, reflecting the net impact of the weaker currencies in the quarter, contrasted with the somewhat stronger currencies over the full year.

**North America:** Sales were up by 11.1% in the fourth quarter and by 17.4% in the full year, in CER terms, compared with the corresponding periods last year.

The pleasing performance in the fourth quarter reflects the robust pre-season demand seen in both US and Canadian agricultural markets as farmers order early in light of continued industry-wide concerns around availability later in the season.

In US dollar terms, sales in the region grew by 11.7% in the quarter and by 18.2% in the full year, compared to the corresponding periods last year, reflecting the strengthening of the Canadian Dollar.

**Latin America:** Sales grew by 25.8% in the fourth quarter and by 19.3% in the full year, in CER terms, compared to the

corresponding periods last year.

Strong growth was seen in Brazil and across much of the rest of the region. In Brazil, the Company benefited from the good soybean planting season, as well as the strong farmer demand which supported higher prices. The Company commenced local production and commercialization in Brazil of ARMERO™, its new dual-mode fungicide containing the active ingredients Prothioconazole and Mancozeb, benefiting from its new in-house production of Prothioconazole, a leading broad-spectrum systemic fungicide. The Company also delivered pleasing growth in Paraguay following an acquisition in the country in the fourth quarter of 2020, as well as in Central America and many other countries in the wider region.

In US dollar terms, sales in the region grew by 21.9% in the quarter, and by 17.3% in the full year, compared to the corresponding periods last year, reflecting the generally weaker average currency levels that prevailed over the periods, in particular the BRL.

**Asia-Pacific:** Sales grew by 36.4% in the quarter and by 28.5% in the full year, in CER terms, compared to the corresponding periods last year.

The Company continues to grow strongly in Asia Pacific, led by a significant increase in sales in the quarter in China. In China, the Company's sales of raw materials and intermediates, where it continues to see strong demand, also benefited from the higher pricing environment resulting from general supply constraints. In addition, ADAMA continues to grow sales of its branded, formulated portfolio, and was also bolstered by the acquisition of Huifeng during the year.

In the wider APAC region, the Company saw moderate growth in the quarter, with increases in the Pacific region being balanced by somewhat softer performances in some east Asian markets, where commercial activities continued to be hampered by COVID-related restrictions and supply constraints.

In US dollar terms, sales in the region grew by 38.6% in the fourth quarter and by 36.8% in the full year, compared to the corresponding periods last year, reflecting the impact of the strengthening of regional currencies, most notably the Australian Dollar and Chinese Renminbi.

**India, Middle East & Africa:** Sales grew by 20.7% in the quarter and by 12.7% in the full year, in CER terms, compared to the corresponding periods last year.

Growth in the quarter was led by a strong performance in India, driven by new product launches in the country, including BARROZ®, a leading tool for the control of stem borer in rice, as well as South Africa, where the Company continues to benefit from favorable cropping conditions and new product launches.

In US dollar terms, sales in the region grew by 20.4% in the quarter and by 13.7% in the full year, compared to the corresponding periods last year, reflecting the impact of the somewhat weaker currencies in the quarter contrasted with the strengthening of regional currencies over the full year period, most notably the Israeli Shekel.

## (2) List of the industries, products, regions and distribution models exceed 10% of the operating revenues or operating profits of the Company

√ Applicable □ Not applicable

Unit: RMB'000

	Operating revenues	Cost of goods sold	Gross Margin (%)	YoY increase/decrease of the operating revenues	YoY increase/decrease of the cost of goods sold	YoY increase/decrease of the gross margin
Classified by industries						
Manufacturing chemical raw materials and chemical products	31,038,605	23,412,519	24.6%	9.1%	16.6%	-8.9%
Crop Protection	28,046,724	21,045,667	25.0%	8.9%	17.8%	-11.3%
Ingredients and Intermediates	2,991,881	2,366,852	21.0%	11.5%	7.4%	29.9%

In the event that the statistical manner of the Company's main business data is adjusted during the reporting period, the Company's main business data for the most recent year adjusted to the manner at the end of the reporting period

□ Applicable √ Not applicable

Whether the Company generates more than 10% revenue or net profit from its overseas business against the audited annual revenue and net profit for the most recent accounting year

√ Applicable □ Not applicable

Overseas Business	How it operates in foreign markets	Whether the tax policy influences the business overseas	measures it takes during the reporting period
Adama Solutions	The Group develops, purchases, manufactures and markets its products through many companies worldwide. As such, the Group operates through approximately 60 subsidiaries, with each of the Group companies being independent and fulfilling a different role and making a different contribution to the Group's operations, and being assessed according to the tax laws in their specific localities.	No material influence exists.	The Group's services or products are priced based on transfer pricing studies conducted to reflect the market price that would have been determined for these services or products were they to be provided to non-group members. Such transfer prices are reviewed on a quarterly basis.

**(3) Whether the Company's revenue from sale of goods exceed the revenue from services**√ Yes ☐ No

Industries	Items	Units	2021	2020	YoY +/- %
Crop Protection	Sales volume	Ton	911,724	768,688	18.6%
	Production	Ton	520,242	491,925	5.8%
	Inventory	Ton	220,547	223,176	-1.2%

Reasons for any over -30% YoY movement of the data above:

☐ Applicable ☒ Not applicable**(4) Execution of the significant sales and procurement contracts signed by the Company up to the Reporting Period**☐ Applicable ☒ Not applicable**(5) Composition of Operating Costs**

Category of the industries

Unit: RMB'000

Industries	Items	2021		2020		YoY +/- %
		Amount	Ratio of the operating costs	Amount	Ratio of the operating costs	
Industry of manufacturing chemical raw materials and chemical products	Cost of materials (procurement costs)	17,995,565	76.9%	16,740,996	83.4%	7.5%
Industry of manufacturing chemical raw materials and chemical products	Labor cost	1,201,040	5.1%	1,153,968	5.7%	4.1%
Industry of manufacturing chemical raw materials and chemical products	Depreciation expense	679,590	2.9%	669,414	3.3%	1.5%

**Explanations:**

The Company recorded certain extraordinary charges within its reported cost of goods sold, totaling approximately RMB 652 million (\$101 million) in the full year period compared with RMB 338 million (\$ 50 million) in 2020. These charges were largely related to its Relocation & Upgrade program and include mainly (i) excess procurement costs, both in quantity and cost terms, incurred as the Company continued to fulfill demand for its products in order to protect its market position through replacement sourcing at significantly higher costs from third-party suppliers, and (ii) elevated idleness charges largely related to suspensions at the facilities being relocated and upgraded, as well as to the temporary suspension of the Jingzhou site in Q1 2020 at the outbreak of COVID-19 in Hubei Province. While Huai'an site (Jiangsu Province) is under relocation, Jingzhou site (Hubei Province) continues on its path of gradually ramping up production following the completion of the Relocation & Upgrade program at the site, progressively reducing the need for incurring additional procurement costs, and gradually reducing idleness charges as production and utilization levels steadily increase.

Excluding the impact of the abovementioned, largely non-recurring and relocation-related costs, over the full-year period, the increased gross profit was driven by the higher prices, a trend which started in the third quarter and accelerated into the fourth quarter, alongside the strong volume increases seen in each of the four quarters of the year, as well as a net positive impact from portfolio mix, and generally favorable currency movements. These combined to more than offset higher logistics, procurement and production costs, which nevertheless resulted in a somewhat lower adjusted gross margin over the full year period.

In addition, please note that as a result of recent changes in the ASBE guidelines, certain items in 2021 (specifically certain transportation costs and certain idleness charges) have been reclassified from Operating Expenses to COGS.

## (6) Has the consolidated scope changed during the Reporting Period

☒ Yes ☐ No

During the reporting period, the Group acquired 51% of the outstanding shares of Adama Huifeng (Jiangsu) Co., Ltd -

## (7) List of significant changes or adjustment of the industries, products or services of the Company during the reporting period

☐ Applicable ☒ Not applicable

## (8) List of major trade debtors and major suppliers

List of the major trade debtors of the Company

<b>Total sales to top 5 customers (RMB'000)</b>	2,002,104
<b>Ratio of total sales to top 5 customers to annual total sales</b>	6.54%
<b>Ratio of total sales to related parties (within top 5 customers) to annual total sales</b>	2.74%

Information of the Top 5 Customers

	<b>Customers</b>	<b>Sales Amount (RMB'000)</b>	<b>Ratio of the sales to this customer to the annual total sales</b>
<b>1</b>	A	838,834	2.74%
<b>2</b>	B	332,415	1.09%
<b>3</b>	C	319,541	1.04%
<b>4</b>	D	258,038	0.84%
<b>5</b>	E	253,276	0.83%
<b>Aggregated</b>		<b>2,002,104</b>	<b>6.54%</b>

Notes of other situation of the major customers

☐ Applicable ☒ Not applicable

List of the major suppliers of the Company

<b>Total purchase to top 5 suppliers (RMB'000)</b>	2,729,650
<b>Ratio of total purchase to top 5 suppliers to annual total purchase</b>	15.5%
<b>Ratio of total purchase from related parties (within top 5 suppliers) to annual total purchase</b>	5.43%

Information of the Top 5 Suppliers

	<b>Suppliers</b>	<b>Purchase Amount (RMB'000)</b>	<b>Ratio to the annual total sales</b>
<b>1</b>	A	954,199	5.43%
<b>2</b>	B	537,499	3.06%
<b>3</b>	C	488,729	2.78%
<b>4</b>	D	399,112	2.27%
<b>5</b>	E	350,111	1.99%
<b>Aggregated</b>		2,729,650	15.53%

Notes of the other situation of the major suppliers

☐ Applicable ☒ Not applicable

### 3. Expenses

	<b>In RMB '000</b>			<b>In USD '000</b>		
	<b>2021</b>	<b>2020</b>	<b>YoY +/-%</b>	<b>2021</b>	<b>2020</b>	<b>YoY +/-%</b>
<b>Sales and Marketing expenses</b>	4,019,257	4,945,345	-18.73%	623,076	717,453	-13.5%
<b>General and Administrative expenses</b>	1,089,599	1,043,708	4.40%	168,937	151,517	11.50%
<b>R&amp;D expenses</b>	501,377	478,778	4.72%	77,787	70,058	11.03%
<b>Financial (income) / expenses</b>	1,939,422	1,847,189	4.99%	301,307	269,341	11.87%
<b>Tax expenses</b>	380,489	222,459	71.04%	59,044	31,552	87.13%

#### Explanations for the change of above expenses:

Note: As noted above and since functional currency of main overseas subsidiaries is the USD, and the Company's management review of the Company's performance is based on the USD results, following explanations and analysis are based on USD-denominated numbers.

#### (1) Sales and Marketing Expenses

Please also note that as a result of recent changes in the ASBE guidelines, most transportation costs have been reclassified from Operating Expenses to COGS, which offset the level of sales and marketing expenses.

In recent years, the Company conducted various corporate development activities, including mergers and acquisitions, which resulted in the inclusion within its sales and marketing expenses of various non-operational, mostly non-cash charges affecting the Company's reported numbers, mainly as follows:

- RMB 149 million (\$23 million) in 2021 (2020: RMB 211 million (\$31 million)) in non-cash amortization charges in respect of Transfer assets received and written-up related to the 2017 ChemChina-Syngenta acquisition. The proceeds from the Divestment of crop protection products in connection with the approval by the EU Commission of the acquisition of Syngenta by ChemChina, net of taxes and transaction expenses, were paid to Syngenta in

return for the transfer of a portfolio of products in Europe of similar nature and economic value. Since the products acquired from Syngenta are of the same nature, and with the same net economic value as those divested, the Divestment and Transfer transactions had no net impact on the underlying economic performance of the Company. These additional amortization charges will continue until 2032 but at a reducing rate, yet will still be at a meaningful level until 2028;

- RMB 86 million (\$13 million) in 2021 (2020: RMB 72 million (\$11 million)) in charges related mainly to the non-cash amortization of intangible assets created as part of the Purchase Price Allocation (PPA) on acquisitions, with no impact on the ongoing performance of the companies acquired, as well as other M&A-related costs.

Excluding the abovementioned non-operational charges, the level of selling and marketing expenses reflected the strong growth of the business, the additional expenses of the newly acquired companies, generally stronger global currencies against the US dollar, and the generally inflationary environment being seen globally in recent quarters.

Please also note that as a result of recent changes in the ASBE guidelines, most transportation costs have been reclassified from Operating Expenses to COGS, which partially offset the increase.

## **(2) General and Administrative Expenses**

The Company continues to maintain strong operating cost discipline. Nevertheless, the higher general and administrative expenses are affected by the additional expenses of the newly acquired companies, generally stronger global currencies against the US dollar, and the generally inflationary environment being seen globally in recent quarters.

In addition, in the full year, alongside the many benefits the Company enjoys from the collaboration with other companies in the Syngenta Group, most notably in commercial cross-sales as well as in the areas of procurement and operations, ADAMA recorded certain related expenses.

## **(3) R&D Expenses**

In order to capitalize on future opportunities in the agrochemical market, the Group has intensified its efforts in recent years to develop a leading pipeline of crop protection products aimed at providing value-added solutions to farmers around the world and build significant positions in a number of strategic market segments, based on dozens of AIs that are expected to come off-patent in the coming years, under a strategic plan named "Core Leap" adopted by the Company. These newly off-patent AIs will be developed into new differentiated mixtures and formulations, in combination with new formulation and delivery technologies that provide more efficient ways to deliver the products into the plants, thereby creating truly unique and differentiated, value-added solutions to farmers. Since the strategy was launched, the Company has already added more than 100 product concepts to its pipeline, some of which have already been launched and are driving growth in key markets. In this way, the Group strives to achieve a double competitive advantage - to be the first to market launching new products after the expiry of the patent on the AI, and to capitalize on cost leadership through increased backward integration through the Group's global operations capabilities.

## **(4) Financial Expenses:**

"Financial Expenses" alone mainly reflect interest payments on corporate bonds and bank loans as well as foreign exchange gains/losses on the bonds and other monetary assets and liabilities before the Company carries out any hedging. The impact of Financial Expenses (before hedging) is RMB 1,939 million (\$301 million) for 2021 compared with RMB 1,847 million (\$269 million) for 2020.

Given the global nature of its operational activities and the composition of its assets and liabilities, the Company, in the ordinary course of its business, uses foreign currency derivatives (forwards and options) to hedge the cash flow risks associated with existing monetary assets and liabilities that may be affected by exchange rate fluctuations. Net gains/losses from hedging of those positions, are recorded in "**Gains/Losses from Changes in Fair Value**", and are then transferred



to “**Investment Income**” upon realization. The combined impact of **Gains/Losses from Changes in Fair Value** and **Investment Income** is a net gain of RMB 602 million (\$94 million) in 2021 compared with a net gain RMB 681 million (\$100 million) in 2020.

In addition, Investment Income also mainly includes an amount of RMB 6 million (\$1 million) in respect of equity accounted investees in 2021 compared with RMB 16 million (\$2 million) and RMB 59 million (\$9 million) capital gain from gaining control over an equity investee in 2020, bringing the total Gains/Losses from Changes in Fair Value and Investment Income to RMB 608 million (\$95 million) in 2021 compared with RMB 747 million (\$110 million) in 2020.

The aggregate of **Financial Expenses, Gains/Losses from Changes in Fair Value** and **Investment Income** (hereinafter as “**Total Net Financial Expenses and Investment Income**”), which more comprehensively reflects the financial expenses of the Company in supporting its main business and protecting its monetary assets/liabilities, amounts to RMB 1,337 million (\$206 million) in 2021 compared with RMB 1,166 million (\$169 million) in 2020.

The higher Total Net Financial Expenses and Investment Income in the full year period were mainly driven by the net effect of the increase in the Israeli CPI on the ILS-denominated, CPI-linked bonds, and higher non-cash charges related to put options in respect of minority interests. It also reflect increased hedging costs on the BRL, which were somewhat mitigated by the benefit from hedges in respect of the RMB.

#### (5) Income Tax expenses:

The significantly higher tax expenses over the full year period reflects the incurring of higher taxes by the Company's high-growth selling entities in end-markets. They were partially mitigated by the relatively lower weakening of the BRL during 2021 as compared to its more significant weakening during 2020, which then resulted in relatively higher BRL-related tax expenses during 2020.

## 4. R&D Investment

✓ Applicable    ☐ Not applicable

Name of Major R&D Projects	Purpose	Progress	Objectives to be Achieved	Expected Impact on the Future Development of the Company
<b>Fungicide project A</b>	AI Production to achieve pipeline increase and resistance management	In launch phase	Process improvement	To increase the Company’ s pipeline and expand future portfolio
<b>Fungicide project B</b>	AI Production of a fungicide for broad spectrum disease control	Advanced development	Tech Transfer	To expand the Company’ s future portfolio
<b>Herbicide project C</b>	AI Production of a selective broad spectrum herbicide	Pre-launch phase	Process validation	To expand the Company’ s future portfolio
<b>Insecticide project D</b>	AI Production of a broad spectrum insecticide	In launch phase	Process improvement	To expand the Company’ s future portfolio
<b>Insecticide project E</b>	AI Production for cross	Advanced	Tech Transfer	To expand the

Name of Major R&D Projects	Purpose	Progress	Objectives to be Achieved	Expected Impact on the Future Development of the Company
	spectrum insect control	development		Company's future portfolio

## R&amp;D Personnel

	2021	2020	Change (%)
<b>R&amp;D Headcount</b>	263	259	1.54%
<b>Ratio to the Total Headcount</b>	2.86%	3.34%	-0.48%
<b>Composition of Educational Background</b>	---	---	---
<b>B.A.</b>	11	5	120.00%
<b>M.A.</b>	11	9	22.22%
<b>Doctor</b>	3	6	-50.00%
<b>College</b>	1	1	0.00%
<b>Composition of Age</b>	---	---	---
<b>Under 30 Years Old</b>	4	2	100.00%
<b>30 to 40 Years Old</b>	18	13	38.46%
<b>Over 40 Years Old</b>	4	6	-33.33%

Note: The figures under "Composition of Educational Background" and "Composition of Age" represent those of the Company and the domestic subsidiaries held by it and do not cover the Group's overseas R&D employees.

## R&amp;D Investment of the Company

	2021	2020	Change (%)
<b>R&amp;D Investment (RMB'000)</b>	501,377	478,778	4.72%
<b>Ratio of R&amp;D investment to operating income</b>	1.62%	1.68%	-
<b>Amount of capitalized R&amp;D investment (RMB'000)</b>	-	-	-
<b>Ratio of capitalized R&amp;D investment to total R&amp;D investment</b>	-	-	-

Reasons for and effects of significant changes to the composition of the Company's R&D personnel

☐ Applicable ☒ Not applicable

Reason of notable changes over the last year in the ratio of total R&D investment amount to operating income

☐ Applicable ☒ Not applicable

Reason of notable change in the ratio of R&D investment capitalization and its reasonable explanation

☐ Applicable ☒ Not applicable

## 5. Cash flow

Unit: RMB'000

Item	2021	2020	YoY +/-%
Subtotal of cash inflows from operating activities	31,178,654	27,729,885	12.44%
Subtotal of cash outflows from operating activities	26,616,779	25,706,870	3.54%
<b>Net cash flows from operating activities</b>	<b>4,561,875</b>	<b>2,023,015</b>	<b>125.50%</b>
Subtotal of cash inflows from investing activities	40,749	110,787	-63.22%
Subtotal of cash outflows from investing activities	3,424,200	2,442,755	40.18%
<b>Net cash flows from investing activities</b>	<b>-3,383,451</b>	<b>-2,331,968</b>	<b>45.09%</b>
Subtotal of cash inflows from financing activities	5,690,509	4,685,824	21.44%
Subtotal of cash outflows from financing activities	4,853,346	4,542,773	6.84%
<b>Net cash flows from financing activities</b>	<b>837,163</b>	<b>143,051</b>	<b>485.22%</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,924,409</b>	<b>-484,836</b>	<b>-496.92%</b>

Notes of the major effects on the YoY significant changes occurred of the data above

√ Applicable □ Not applicable

**Cash flow from Operating Activities:** The markedly stronger operating cash flow generated in both the fourth quarter and full year periods reflects the higher reported operating income achieved in both periods this year, alongside the abovementioned reduction in working capital during 2021 compared to its expansion during the same periods in 2020.

**Cash flow from Investing Activities:** The higher level of cash used in investing activities over the full year period largely reflects an increase in investments in fixed assets, mainly driven by the payments for the upgrading of facilities in Israel and globally, as well as the payments for acquisitions.

**Cash flow from Financing Activities:** The higher level of financing cash flow in the full-year period is due to the fact that in 2020, as a result of the COVID-19 pandemic, the Company utilized its credit lines and expanded its Israeli bond series, in order to strengthen its liquidity. During 2021, due to the strong collections of receivables and utilization of securitization tool, the Company has been able to pay down a portion of its short-term loans and replaced it with long terms loans to benefit lower interest rate in the future. In addition, the Company has seen an inflow of funds in 2021 due to the realization of profit on hedging positions in respect of the Company's Israeli ILS-denominated bonds, as a result of the strengthening of the Shekel against the US dollar.

Notes to the reason of the significant differences between the net cash flow from the operating activities and the net profits of 2021 of the Company during the Reporting Period

√ Applicable □ Not applicable

Please refer to the notes provided above under this item.

## II. Analysis of the non-core business

√ Applicable □ Not applicable

Unit: RMB'000

	Amount	% of total profit	Explanation	Recurrence
Investment income	928,947	170.82%	Mainly from realization of hedging derivatives (Refer to explanation to Financial expenses above).	No
Gain/loss from change of FV	-321,094	-59.05%	Mainly foreign currency effect on financial assets and liabilities (refer to explanation to Financial expenses above).	No
Impairment of asset	70,267	12.92%		No
Gain from disposal of assets	-2,604	-0.48%		No
Non-operating income	65,240	12.00%		No
Non-operating loss	37,453	6.89%		No

## III. List and Analysis of the assets and liabilities

### 1. List of significant changes of assets

Unit: RMB'000

Item	As at 31 Dec. 2021		As at 31 Dec. 2020		% change	Explanation for any major change
	Amount	% of total assets	Amount	% of total assets		
Cash at bank and on hand	5,818,835	11.58%	3,863,886	8.26%	3.32%	
Accounts receivable	8,362,493	16.65%	8,766,869	18.73%	-2.08%	
Inventories	11,750,162	23.39%	10,338,273	22.09%	1.30%	
Investment property	3,716	0.01%	4,364	0.01%	0.00%	
Long term equity investments	15,335	0.03%	14,081	0.03%	0.00%	
Fixed assets	8,048,389	16.02%	6,576,116	14.05%	1.97%	
Construction in progress	2,143,400	4.27%	1,405,328	3.00%	1.27%	
Short-term loans	874,755	1.74%	1,205,498	2.58%	-0.84%	
Contract Liabilities	1,381,311	2.75%	1,092,253	2.33%	0.42%	
Long-term loans	3,498,912	6.97%	2,387,628	5.10%	1.87%	

### 2. Main overseas assets

√ Applicable □ Not applicable

Specific contents of the assets	Reason	Scale (Amount) of the assets (RMB'000)	Location	Operation /Management mode	Control measures to guarantee safety of the assets	Net Profit of the assets (RMB'000)	Proportion of overseas assets out of total net assets (%)	Significant impairment risk?
Equity investment in Adama Solutions	Acquired through Major Assets Restructuring	18,366,036	Israel and globally	Corporate Governance	Corporate Governance	190,917	87%	No
Other explanations		N/A						

### 3. Assets and liabilities measured at fair value

√ Applicable □ Not applicable

Unit: RMB'000

Item	Opening balance	Fair value change recognized in P&L	Fair value change recognized in equity	Purchase	Sale	Other change	Closing balance
<b>Financial assets</b>							
1. Financial assets measured at FVTPL (excluding derivative financial assets)	1,253	-	-	226	-	-	1,479
2. Derivative financial assets	1,560,781	-874,236	287,390	347,874	-1,078,499	-	243,310
3. Other equity investments	152,200	-	-82	-	-	-	152,118
<b>Total financial assets</b>	<b>1,714,234</b>	<b>-874,236</b>	<b>287,308</b>	<b>348,100</b>	<b>-1,078,499</b>	<b>-</b>	<b>396,907</b>
Others	174,236	40,620	-	10,674	-	-25,715	199,815
<b>Total of above</b>	<b>1,888,470</b>	<b>-833,616</b>	<b>287,308</b>	<b>358,774</b>	<b>-1,078,499</b>	<b>-25,715</b>	<b>596,722</b>
<b>Financial liabilities</b>	<b>1,463,612</b>	<b>-1,287,406</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>176,206</b>

Significant changes in the measurement attributes of the main assets in the Reporting Period

□ Applicable √ Not applicable

### 4. Restriction / limitation on asset rights

At the end of the Reporting Period, restricted assets including Company's bank balance of RMB 59,355,000 as cash deposit for bills receivable; and other non-current assets of RMB 122,849,000 as deposit for asset securitization and legal suits.

## IV. List and Analysis of the investment

### 1. Overall condition

√ Applicable □ Not applicable

Investment during the Reporting Period (RMB'000)	Investment during the Same Period Last Year (RMB'000)	+/- % YoY
18,088,184	52,081,331	-65%

## 2. List of the significant equity investment during the Reporting Period

√ Applicable    □ Not applicable

Name of the Invested Company	Main Business	Mode of Investment	Investment Amount	Shareholding Proportion	Source of Funds	Investment Partner	Investment Term	Types of Products	Progress as of the Balance Sheet Date	Estimated Return	Profit or Loss on Investments for the Reporting Period	Involved in Litigation or Not	Date of Disclosure (if applicable)	Disclosure Index (if applicable)
ADAMA Huifeng (Jiangsu) Co., Ltd.	Agrochemical	Acquisition	663,352	51%	Co-financing raised funds and self-raised funds	None	Long-term	Fungicide, insecticide and herbicide	Completed	--	(75,250)	No	June 1, 2021	Announcement on the Closing of the Acquisition of 51% Equity Interests in ADAMA Huifeng (Jiangsu) Co., Ltd. (Announcement No. 2021-25) disclosed at <a href="http://www.cninfo.com">www.cninfo.com</a>
<b>Total</b>	--	--	663,352	--	--	--	--	--	--	0	(75,250)	--	--	--

Note: The investment amount in the table is the amount actually paid for ADAMA Huifeng by the end of the reporting period.

**3. List of the significant non-equity investments executed during the Reporting Period**

☐ Applicable ☒ Not applicable

**4. Investment on the financial assets****(1) List investments in securities**

☐ Applicable ☒ Not applicable

No such investments were executed during the Reporting Period.

**(2) Investment in derivative financial instruments**

√ Applicable □ Not applicable

Unit: RMB'000

The party that operates the investment	Relation with the Company	Related party transaction or not?	Type	Initial investment amount	Starting date	Expiring date	Investment amount at beginning of the period	Amount purchased during the Reporting Period	Amount sold during the Reporting Period	Impairment accrued (if any)	Investment amount at end of the period	Percentage of investment amount divided by net asset at end of the period	Gain/loss during the Reporting Period
Banks	No	No	Option	1,994,238	18/09/2021	06/03/2022	1,994,238	2,385,059	-1,817,903	No	2,561,394	12.15%	123,951
Banks	No	No	Forward	20,796,924	22/11/2021	18/01/2022	20,796,924	15,703,125	-21,679,535	No	14,820,514	70.32%	289,219
<b>Total</b>				22,791,162	--	--	22,791,162	18,088,184	-23,497,438	No	17,381,908	82.47%	413,170
<b>Source of fund for the investment</b>				Internal.									
<b>Litigation-related situations (if applicable)</b>				N/A									
<b>Date of disclosure of Board approval (if any)</b>				December 30, 2017									
<b>Date of disclosure of Shareholders' approval (if any)</b>				N/A									
<b>Risk and control analysis for the Reporting Period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)</b>				<p>The aforesaid refers to short term hedging currency transactions made with banks.</p> <p>The Group's transactions are not traded in the market. The Transactions are between the applicable company in the Group and the applicable bank until the expiration date of the transaction, therefore no market risk is involved.</p> <p>Regarding credit and liquidity risk, the Group is working with large and substantial banks only and with some of them the Group has ISDA agreements.</p>									



	<p>As to operational risk, the Group is working with relevant software, which is its back office for all transactions.</p> <p>No legal risk is involved.</p> <p>The actions taken in order to further reduce risks are:</p> <ul style="list-style-type: none"> <li>• The relevant subsidiaries have specific guidelines, under the Group's policy, which were approved by the subsidiaries' financial statements committee of the board, which specifies, inter alia, the hedging policy, the persons that have the authorization to deal with hedging, the tools, ranges etc. The only subsidiary that has hedging positions in the Group in the period was Solutions and its subsidiaries.</li> <li>• The relevant subsidiaries apply management designed procedures and controls, which among other things, monitor the working process and the controls of the hedging transactions and are quarterly reviewed and annually audited.</li> <li>• The controllers of the relevant subsidiaries are involved in the process and are monitoring the hedging accounting treatment.</li> <li>• Every 2-3 years the internal audit of the relevant subsidiaries' department is auditing the entire procedure.</li> </ul>
<p><b>Market price or fair value change of investments during the Reporting Period.</b></p> <p><b>Specific methodology and assumptions should be disclosed in the analysis of fair value of the investments</b></p>	<p>The aforesaid refers to short time hedging currency transactions made by the relevant subsidiary with banks.</p> <p>Segregation of duties as follows:</p> <p>For the fair value evaluation, the relevant subsidiary is usually using external experts. The relevant subsidiary hedges currencies only; the relevant transactions are simple (Options and forwards) for short terms. For fair value methodology see section X of this report, note IX. Fair Value. The exchange rates are provided by the accounting department of the relevant subsidiary and all other parameters are provided by the experts.</p>
<p><b>Explanation for any significant changes in accounting policies and principles, compared with last reporting period</b></p>	N/A
<p><b>Independent Directors' opinion on the investment in derivative financial instruments and related risk controls</b></p>	<p>The derivative investments carried by the Company are for hedging and narrowing down the risk of market fluctuations. The investments respond to the Company's routine business demands and are in accordance with the relevant laws and regulations. Additionally, the Company has adopted Currency Risk Hedging Policy to strengthen the risk management and control which benefit the Company's ability to protect against market risk. The derivative investments do not harm the interests of the Company and its shareholders.</p>

## 5. Use of raised funds

√ Applicable □ Not applicable

### (1) Overall Situation of Use of the Funds Raised

√ Applicable □ Not applicable

RMB'0000

Year of Raising	Type of Raising	Total Amount Raised	Total Amount Used during the Reporting Period	Accumulated Amount Used	Total Amount of Fund with Purpose Being Changed during the Reporting Period	Accumulated Amount of Fund with Purpose Being Changed	Proportion of Accumulated Amount of Fund with Purpose Being Changed against Total Amount Raised	Total Amount Not Used Yet	Usage and Destination of Funds Not Used Yet	Amount of Funds Being Idle for over Two Years
2017	Non-public offering of shares	155,999.99	62,471	161,808	-	129,381	83%	-	-	-
<b>Total</b>	--	<b>155,999.99</b>	62,471	161,808	-	129,381	83%	-	-	-

### General Summary of Use of Raised Funds

The Company received the raised funds on December 27, 2017. More details of the usage of the raised funds can be founded in the annual *Special Reports on the Deposit and Actual Usage of the Raised Funds* disclosed by the Company on March 29, 2018, March 21, 2019, April 28, 2020, March 31, 2021 and March 31, 2022; *Special Reports on the Deposit and Actual Usage of the Raised Funds in the First-Half Year* disclosed by the Company on August 28, 2018, August 22, 2019, August 21, 2020 and August 26, 2021.

Note: On May 20, 2020, the Annual Shareholders Meeting approved a Proposal on the Termination of the Use of Raised Funds for Certain Designated Projects included in the Project of Share Issuance for Assets Purchase and Supporting Finance. The Company will no longer use of the raised funds for the following previously designated projects: Projects of product development and registration, and fixed-asset Investment of ADAMA Agricultural Solutions Ltd. (the "Solutions").

On October 28, 2020, the 27th meeting of the 8th session of the Board of Directors and the 14th meeting of the 8th session of the Board of Supervisors approved a Proposal on the Use of the Raised Funds for the Acquisition of the 51% Equity Stake in Jiangsu Kelinong Agrochemical Co., Ltd. as well as that in Shanghai Dibai Plant Protection Co., Ltd.. In order to efficiently use the raised funds, the Company plans to use the balance of the raised funds, in the amount of approximately RMB 893,731,302.67 (balance as at 30 September 2020, including interest income and the actual amount is subject to the bank settlement balance on the date of transfer ), and which are no longer designated for previously approved projects according to the resolutions of the Company's Board and Shareholders meeting held on April 27, 2020 and May 20, 2020 respectively, for the payment for the acquisitions

of 51% equity stake in Adama Huifeng (Shanghai) Agricultural Technology Co., Ltd (former name: Shanghai Dibai Plant Protection Co., LTD., hereinafter: “Adama Shanghai”) and 51% equity stake in Adama Huifeng (Jiangsu) Co., Ltd (former name: Jiangsu Kelinong Agrochemical Co. Ltd, hereinafter: “Adama Huifeng”) from Jiangsu Huifeng Agrochemical Co., Ltd. (“Jiangsu Huifeng”). This proposal had been approved by the 4th Interim Shareholders Meeting on 16 November, 2020.

(2) The Status of Designated Projects of Raised Funds

√ Applicable □ Not applicable

RMB'0000

Designated Projects and Investment of Extra Funds Raised	Any Project Change (Including Partial Change)	Total Investment Committed	Total Investment after Adjustment (1)	Amount Invested during the Reporting Period	Accumulated Invested Amount by the End of the Reporting Period (2)	Investment Progress by the End of the Reporting Period (3)=(2)/(1)	Date by which the Project Can be Put into Use as Planned	Benefits Realized during the Reporting Period	Expected Benefits Reached or Not	Any Material Change to Project Feasibility
<b>Designated Projects</b>										
Acquisition of Anpon	No	-	40,008	0	40,008	100%	2019	Not applicable	Not applicable	No
Acquisition of 51% Adama Shanghai and 51% Adama Huifeng	No	-	89,373	62,471	90,071	100%	Not applicable	Not applicable	Not applicable	No
Huai'an Pesticide Formulation Center	Yes	24,980	-	0	0	0.00%	Not applicable	Not applicable	Not applicable	Yes
Project development and registration	Yes	93,507	13,103	0	13,103	100%	Terminated	Not applicable	Not applicable	Yes
Fixed-asset Investment of ADAMA	Yes	66,204	5,913	0	5,913	100%	Terminated	Not applicable	Not applicable	Yes
Fees for the intermediary agencies and transaction taxes	No	13,600	12,713	0	12,713	100%		Not applicable	Not applicable	Not applicable
<b>Sub-total of Designated Projects</b>	--	198,291 (Note 1)	161,110	62,471 (Note 2)	161,808	--	--		--	--
<b>Investment of Extra Funds Raised</b>										
Not Applicable										
<b>How and why the planned progress or expected income is not met (per</b>	1 Construction of Huai'an Pesticide Formulation Center Since Adama Pesticide (Jiangsu) Co., Ltd., a subsidiary company of the third-tier subsidiary of Solutions, is the entity to implement the									

Designated Projects and Investment of Extra Funds Raised	Any Project Change (Including Partial Change)	Total Investment Committed	Total Investment after Adjustment (1)	Amount Invested during the Reporting Period	Accumulated Invested Amount by the End of the Reporting Period (2)	Investment Progress by the End of the Reporting Period (3)=(2)/(1)	Date by which the Project Can be Put into Use as Planned	Benefits Realized during the Reporting Period	Expected Benefits Reached or Not	Any Material Change to Project Feasibility
<b>Designated Projects</b>										
project)	<p>construction project of Huai'an Pesticide Formulation Center, the Company needs to increase the capital of Solutions first, and then increase the capital of the subsidiaries by Solutions. The time and process required for the relevant approval process, such as funds entry and exist, is complicated. In order to avoid delays of the project, the Company invested its own capital on the project. Following approval of the 2018 Annual Shareholders Meeting, this project had been replaced by the Anpon acquisition.</p>									
	<p>2. Development and Registration</p> <p>Since ADAMA Makhteshim Ltd., ADAMA Agan Ltd., and ADAMA Brazil S/A, the subsidiaries of Solutions, are the entities to implement the projects of products development and registration, this project also involves approval procedures for cross boarder investments. In order to avoid delays of this project, the Company invested its own capital in the project.</p>									
	<p>3. ADAMA Fixed-Assets Investment</p> <p>(1) Capacity Expansion Project for Pesticide Product A</p> <p>Since Product A is the Company's newly developed product, it takes time to develop the market. In view of this, the management made changes to the time schedule of original expansion plan and suspended the investment in the second phase after careful deliberation. While adjusting the capacity expansion of the first stage in accordance with the needs of the market, the process is optimized to further enhance the product's market advantage. Based on the changes in the market environment and in order to reduce the investment risk of raised funds, the Company decided to complete its replacement of the raised funds in 2017 (RMB 6.84 million). The follow-up investment of this project will be carried out by the Company with its own capital.</p>									
	<p>(2) Equipment Investment for Fungicide product B for Brazilian market &amp; Project on Capacity Expansion Investment for New Fragrance Ingredient Product C</p> <p>The above two projects started in 2017. Both projects involve cross-border investment by the Company, while the local approval process for cross-border investment might take some time. In order to meet the increasing demand of the market for Fungicide product B and New Fragrance Ingredient Product C as soon as possible, the Company decided that its overseas subsidiaries shall be responsible for meeting project investment needs through their own funds and local financing. The fungicide project for Brazilian market was carried out in accordance with the original investment plan and officially delivered for use in January 2020, and the fragrance ingredient product project</p>									

Designated Projects and Investment of Extra Funds Raised	Any Project Change (Including Partial Change)	Total Investment Committed	Total Investment after Adjustment (1)	Amount Invested during the Reporting Period	Accumulated Invested Amount by the End of the Reporting Period (2)	Investment Progress by the End of the Reporting Period (3)=(2)/(1)	Date by which the Project Can be Put into Use as Planned	Benefits Realized during the Reporting Period	Expected Benefits Reached or Not	Any Material Change to Project Feasibility
<b>Designated Projects</b>										
										<p>has been completed and delivered for use in May 2020.</p> <p>(3) Investment of the Equipment of Liquid Product Packaging</p> <p>The project aims to increase liquid packaging capacity to cope with expected future incremental demand and make inventory management more flexible and effective. However, due to the continuous climate change in Europe and North America in the past two years, there has been some changes in the incremental demand of the market. Based on the principle of prudence, the Company postponed the investment progress of the project and terminated the use of raised funds on this project.</p> <p>(4) Investment for the Relocation of Be'er Sheva Plant and Its Integration with Neot-Hovav Plant in Israel</p> <p>The purpose of this project is to improve the overall production efficiency and product quality through the integration and optimization of the two plants in production and operation. Since the integration of the plants involves a wide range, it will take a long time to carry out master planning procedures in Israel. At present, the project is in the planning and design stage. The Company believes that there will be some differences in the implementation time of the project and the schedule of use of raised funds. Therefore, the Company terminated the use of raised funds on this project.</p> <p>The proposal on terminating the above projects has been approved by the shareholders of the Company, on May 20, 2020. The Company will no longer use the raised funds for the following previously designated projects: Projects of product development and registration and fixed-asset Investment of Solutions.</p>
<b>Explanation on material change to project feasibility</b>										Please see the above the reasons why planned progress is not met.

Designated Projects and Investment of Extra Funds Raised	Any Project Change (Including Partial Change)	Total Investment Committed	Total Investment after Adjustment (1)	Amount Invested during the Reporting Period	Accumulated Invested Amount by the End of the Reporting Period (2)	Investment Progress by the End of the Reporting Period (3)=(2)/(1)	Date by which the Project Can be Put into Use as Planned	Benefits Realized during the Reporting Period	Expected Benefits Reached or Not	Any Material Change to Project Feasibility
<b>Designated Projects</b>										
Amount, purpose of use and progress of extra funds raised	Not applicable									
Change of location of designated projects	Not applicable									
Adjustment to way of execution of designated projects	Not applicable									
Advance investment in designated projects and replacement of funds	Applicable; The fifth meeting of the 8th session of the Board of Directors approved the utilization of RMB 276,530,000 of the Raised Funds for replacing capital previously invested in the Designated Projects on June 25, 2018. The Company completed the replacement in 2018. Please refer to the “ <i>Announcement on Utilization of Part of the Raised Funds for Replacing Capital Previously Invested in the Designated Projects</i> ” published on June 26, 2018 (announcement number 2018-32).									
Temporary supplement to working capital with idle raised funds	Not applicable									
Amount of surplus funds out of projects and causes	Not applicable									
Usage and destination of funds that have not been used	On August 10,2021, the Company transferred the remaining balance of the raised funds of RMB 890,692.57 (including interest income) into the general bank account of the Company for the permanent supplement of working capital. The special account of the raised funds at Sanwan sub-branch Jingzhou Branch China Construction Bank Co. Ltd. was closed after the transfer. As of December 31,2021, all the raised funds has been used up.									
Problems or other issues in the use raised funds and disclosure	Not applicable									

Note 1: The Company intends to raise funds of no more than 198,291 RMB'0000 in the supporting finance program, while the actual funds raised was 155,999.99 RMB'0000 on December 27, 2017.

Note 2: The utilized amount during the year was 62,471 RMB'0000, including interest income of 681 RMB'0000. Therefore, the accumulated investment amount as at the end of the reporting period was slightly higher than the total investment amount.

(3) Change to the Designated Projects of Raised Funds

√ Applicable □ Not applicable

Unit: RMB '0000

New Committed Project	Original Committed Projects	Total committed investment amount (1)	Investment amount for the current period	Accumulated investment amount as at the end of the current period (2)	Investment progress as at the end of period (%) (3) = (2)/ (1)	Date of projects reaching intended useable condition	Realized benefits of the current period	Whether the expected benefits are achieved	Whether the feasibility of the project has changed significantly
Acquisition of Anpon	Huai'an pesticide formulation center project	40,008	0	40,008	100%	2019	N/A	N/A	No
	ADAMA fixed asset investment project								
Acquisition of 51% Adama Shanghai and 51% Adama Huifeng	Product development and registration project	89,373	62,471	90,071	100%	N/A	N/A	N/A	N/A
Total	-	129,381	62,471	130,079	-	-	-	-	-
The reason for changes, decision-making procedures, and disclosure of information	1. Project of the Construction of Huai'an Pesticide Formulation Center Since Adama Pesticide (Jiangsu) Co., Ltd., a subsidiary company of the third-tier subsidiary of Solutions, is the entity to implement the construction project of Huai'an Pesticide Formulation Center, the Company needs to increase the capital of Solutions first, and then increase the capital of the subsidiaries by Solutions. The time and process required for the relevant approval process, such as funds entry and exist, is complicated. In order to avoid delays of the project, the Company invested its own capital into the project.								
	2. Fixed Assets Investment-Product A 600t/a The project also needs to be carried out through the Company's capital increase for its subsidiaries, involving the relevant approval process for cross-border investment, which takes a long time. Product A is an innovative product. The market needs to accept innovative								

New Committed Project	Original Committed Projects	Total committed investment amount (1)	Investment amount for the current period	Accumulated investment amount as at the end of the current period (2)	Investment progress as at the end of period (%) (3) = (2)/ (1)	Date of projects reaching intended useable condition	Realized benefits of the current period	Whether the expected benefits are achieved	Whether the feasibility of the project has changed significantly
	<p>products for a certain period. Additionally, due to the extreme weather in the European market, the project has been delayed. Therefore, the Company replaced this original designated project.</p> <p>Decision-making Procedures: The matter on change of fund use was approved by the 12<sup>th</sup> Meeting of the 8<sup>th</sup> BOD and 2018 Annual Shareholder meeting. The Company's independent directors, the Board of Supervisors and the agency for continuous supervision have provided clear consent on this matter.</p> <p>Information Disclosure: Please refer to the Announcement on the Change of Certain Designated Projects disclosed on March 21<sup>st</sup>, 2019 at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a></p> <p>Acquisition of 51% Adama Shanghai and 51% Adama Huifeng</p> <p>On May 20, 2020, the Company's Annual Shareholding Meeting approved a Proposal on Terminating the Use of Raised Funds on Certain Designated Projects Included in the Project of Share Issuance for Assets Purchase and Supporting Finance. The Company plans to stop using the raised funds on the projects of products development and registration, and fixed-asset Investment of ADAMA. After the termination of the use of the raised funds for the certain designated projects, the remaining unused raised funds (including the resulting interest) will continue to be deposited in the corresponding raised funds account. The Company will actively deliberate on new investment projects which the remaining raised funds can be used for. Under the premises of ensuring the good market prospects of new investment projects and being able to effectively manage investment risks, the Company will perform the corresponding approval procedures for use of the remaining raised funds in accordance with relevant laws and regulations.</p> <p>Decision-making procedure:</p> <p>On October 28, 2020, the 27th meeting of the 8th session of the Board of Directors and the 14th meeting of the 8th session of the Board of Supervisors approved a Proposal on the Use of the Raised Funds for the Acquisition of the 51% Equity Stake in Jiangsu Kelinong Agrochemical Co., Ltd. as well as that in Shanghai Dibai Plant Protection Co., Ltd.. In order to efficiently use the raised funds, the Company plans to use the balance of the raised funds, in the amount of approximately RMB 893,731,302.67 (balance as at 30 September 2020, including interest income and the actual amount is subject to the bank settlement balance on the date of transfer ), and which are no longer designated for previously approved projects according to the resolutions of the Company's Shareholders meeting held on May 20, 2020, for the payment for the</p>								



New Committed Project	Original Committed Projects	Total committed investment amount (1)	Investment amount for the current period	Accumulated investment amount as at the end of the current period (2)	Investment progress as at the end of period (%) (3) = (2)/ (1)	Date of projects reaching intended useable condition	Realized benefits of the current period	Whether the expected benefits are achieved	Whether the feasibility of the project has changed significantly
	<p>acquisitions of 51% equity stake in Adama Shanghai and 51% equity stake in Adama Huifeng from Jiangsu Huifeng. This proposal had been approved by the 4th Interim Shareholders Meeting on November 16, 2020.</p> <p>Information disclosure of the Company: The detailed information please refer to Announcement on the Use of the Raised Funds for the Acquisition of the 51% Equity Stake in Jiangsu Kelinong Agrochemical Co., Ltd. as well as that in Shanghai Dibai Plant Protection Co., Ltd., published on the Cninfo (<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>), 29, October, 2020.</p>								
Situations failing to meet the planned schedule or achieve expected benefits and the reasons	N/A								
Explanation of the new committed project whose feasibility changed significantly	N/A								

## V. Sale of significant assets and equities

### 1. Sale of significant assets

☐ Applicable ☒ Not applicable

No selling of significant assets occurred during the reporting period.

### 2. Sale of significant equities

☐ Applicable ☒ Not applicable

## VI. Analysis of major controlling and stock-participating companies

☒ Applicable ☐ Not applicable

List of stock-participating companies responsible for over 10% of the net profits of the Company:

Unit: RMB'000

Name	Type	Main services	Registered capital	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Adama Solutions	Subsidiary	Development, manufacturing and marketing of agrochemicals, intermediate materials for other industries, food additives and synthetic aromatic products, mainly for export.	720,085	40,452,146	15,815,370	28,300,476	558,359	196,243

Subsidiaries acquired or disposed during the Reporting Period

☒ Applicable ☐ Not applicable

Company Name	Way of Acquisition or Disposal	Impact on the Business Operation and Performance of the Company
Adama Huifeng (Jiangsu) Co., Ltd	Purchase 51% of Share Equity	Upon and immediately after completion of the transaction, the Company currently owns and holds 51% equity interests in ADAMA Huifeng, and the latter has become a controlled subsidiary of the Company. Based on the Accounting Standards for Business Enterprises, ADAMA Huifeng has been included in the Company's consolidated financial statements. For details, please refer to the Announcement on the Closing of the Acquisition of 51% Equity Interests in ADAMA Huifeng (Jiangsu) Co., Ltd. (Announcement No. 2021-25)

### Description of major holding and equity participating companies

During the Reporting Period, total sales of Solutions, a wholly-owned subsidiary of the Company, amounted to USD 4,384 million, an increase of 13%, driven by 10% volume growth alongside 2% higher prices, and further aided

somewhat by stronger currencies. Solutions' full-year net income was USD 31 million in the full year period, lower than the corresponding period last year. For detailed explanation of the performance movement, see above explanation of the Section.

## VII. List of the structured main entities controlled by the Company

☐ Applicable ☒ Not applicable

## VIII. Outlook of the Company's future development

### (I) Industry structure and trends

#### 1. The competitive structure of crop protection industry

##### **(1) The competitive structure of the global crop protection industry**

The global crop protection market is dominated by seven multinational companies, including the Group, five of which are originator companies. In the past decade, a number of mergers and acquisitions were completed among the largest players in the crop protection industry. Nonetheless, the crop protection industry as a whole is relatively decentralized, with a number of local manufacturers competing in each country against the global multinational companies. The Group believes that entry barriers for the crop protection market are relatively high, although they vary from region to region.

ADAMA is a leading company (in sales terms) among the crop-protection companies that focus on off-patent crop protection solutions. The Group's global crop protection market share was approximately 6% in 2021, based on AgBio Investor's preliminary estimation of the global agrochemical industry in 2020.

The Group's competitors are multinational Originator Companies that continue producing and marketing their original products after their patent expiry ("**Originator Companies**"), as well as other crop protection companies. In the Group's experience, in most cases the Originator Company's market share in a particular product fall to approximately 30% - 70% within a number of years following the expiry of the relevant patent, leaving the remaining market share open to competition among off-patent crop protection companies, in addition to their competition with the Originator Company (which continues manufacturing the product and even leads its market prices and sales terms).

The Group competes with Originator Companies and other international off-patent crop protection companies in all the markets in which it operates, as these companies generally also have global marketing and distribution networks. In addition, there are several smaller Originator Companies that also compete with the Group. As a rule, other off-patent crop protection companies that do not have international marketing and distribution networks compete with the Group locally in those geographical markets in which they operate.

##### **(2) The competitive structure of the crop-protection industry in China**

The chemicals industry in China, which the Company understands to be the largest in the world, as well as the agrochemicals industry in the country, includes thousands of companies which have invested in manufacturing infrastructure, most of whose production capacity is currently aimed at exports, intended for sale through small and large companies across the world, including companies like the Group and its competitors. The growth in production capacity, on one hand, and the price levels and competitiveness of the products produced in China on the other, affect the structure of competition in the entire industry. However, price levels of the products manufactured in China have risen in recent years, mainly stemming from the increase of costs relating to environment protection and regulation in China, including by way of limited granting of production permits, shutting down of plants, fines, etc. Active Ingredient prices in China declined through 2020 as the cost of oil and related basic chemicals decreased sharply. However, towards the end of 2020 prices began to increase again due to the recovery of oil price together with reduced capacities of chemical manufactures caused by higher raw material costs - a dynamic that has continued throughout 2021. This together with stronger demand due to higher crop commodities price and a strong RMB has led to the increase in the price of Active Ingredients seen in recent

years. The Company believes that prices for many Active Ingredients will remain generally elevated at least during the first half of 2022.

## 2. The development trends of the crop-protection industry

In the last few years, some new emerging trends that may affect the nature of competition in this sector can be identified: (1) The market share of products whose patents have expired continues to rise relative to that of patented original products, primarily due to the fact that the rate of patent expiry exceeds that of the launching of new patent-protected products; (2) a trend of some off-patent companies expanding and becoming stronger (inter alia, as a result of corporate mergers and acquisitions as well as product acquisitions), which may lead to them competing with the Group in geographic markets in which they have not operated up to now; (3) smaller companies have begun operating, in limited scale, in certain markets with relatively low entry barriers; (4) improvement of the agrochemicals industry in China inter alia, increasing market entry barriers; (5) price competition in certain markets by multinational Originator Companies and/or increasing the credit days to its customers; and (6) large mergers and acquisitions among leading companies in the sector.

The Group believes that in view of the industry's development trends, the following are critical success factors: (i) reputation, branding, expertise and accumulated knowledge in the sector in the various countries and among customers and suppliers; (ii) financial strength and resilience combined with consistent growth, allowing the Group to realize a corporate development strategy including the potential for mergers and acquisitions with other companies in the sphere, and being able to respond efficiently to attractive business opportunities in order to expand its product portfolio and the scale of its operations; and (iii) access to funding sources and reasonable funding terms allowing the Group to make investments that earn a positive return.

### (II) Development strategy of the Company

The Group strives to be a global leader in the Crop Protection industry, and intends to achieve this aim by execution of the following strategies:

- **Utilize the Group's Differentiated Offering to Strengthen and Grow its Market Position.** The Group intends to continue to drive the growth of its business through effective commercialization of differentiated, high quality products that meet farmers' needs efficiently. To that end, the Group will leverage its extensive R&D and registration capabilities to continue to provide unique yet simple solutions to farmers. In addition, the Group adds value by enhancing the functionality and efficacy of the industry's most successful and commercially proven molecules, by developing new and unique mixtures and advanced formulations. These innovative products are designed to provide farmers with better solutions to the challenges they face, including weeds, insects and disease, increasing resistance and insufficient pest control related to the use of genetically modified seeds.

Aiming to provide distinct benefit to farmers and enhance the sustainability of the business, in addition to the ongoing efforts to expand existing product registrations to additional crops and regions, a key portion of the Group's strategy involves the deliberate shift of its product offering towards more innovative and value-added solutions. Such solutions include higher-margin, higher-value complex off-patent products, unique mixtures and formulations as well as innovative, novel products that are protected by patents and other intellectual property rights. As evidence of this effort, the Group has significantly increased the proportion of unique mixtures and formulations in its R&D pipeline over the last several years. Over the coming years, as this shift in the pipeline towards more differentiated and innovative solutions starts to be reflected in the Group's commercial offering, it is expected to be a significant driver of growth, both in revenues and in profitability. In this respect, and in order to capitalize on future opportunities in the agrochemical market, the Group has intensified its efforts to develop a leading pipeline of crop protection products aimed at providing value-added solutions to farmers around the world, based on AIs that are expected to come off-patent in the coming years. These newly off-patent AIs will be developed into new mixtures and formulations, in combination with new formulation and delivery technologies that provide more efficient ways to deliver the products into the plants, thereby creating truly unique and differentiated, value-added solutions to farmers. In this way, the Group strives to achieve a double competitive

advantage – to be the first to market launching new products after the expiry of the patent on the AI, and to capitalize on cost leadership through increased backward integration through the Group's global operations capabilities.

- **Bridge China and the World.** The Group is striving to become a leading global crop protection company in China, both commercially and operationally, and in so doing, to drive its global growth in the future.

China is currently the third largest, and one of the fastest growing, agricultural markets in the world. Furthermore, the Group believes that, over the long term, China has the potential to grow into the world's largest crop protection market. Also, as the Chinese domestic market is highly fragmented, with limited penetration by the global agrochemical companies, the Group believes that there is a unique opportunity for it to capitalize on the significant untapped potential of the Chinese market and to gain market share. Moreover, in recent decades, China has become the leading manufacturing center for the global crop protection industry - from the sourcing of raw materials and chemical intermediates to the synthesizing of active ingredients and the formulation of finished products.

The Group intends to capitalize on its status in China and its relationship with ChemChina, as well as close collaboration Syngenta Group, to increase its commercial activity in the country, where it is already building additional infrastructure. The Group's commercial teams are working closely together. Through the commercial collaborations, the Group has an operational infrastructure and commercial foundation upon which a leading Chinese domestic distribution network has been built, and which the Group believes will make it one of the only global crop protection providers with significant integrated commercial and operational infrastructures both within and outside of China.

Through the combination with Solutions and the collaboration with the Syngenta Group Companies, the Group intends to achieve cost savings and improved margins and efficiencies through the vertical integration of manufacturing and formulation together with the Group's global supply chain and logistics capabilities. In addition, the Group's global R&D efforts are being complemented by a new R&D center in Nanjing to service the Group's expanded product development needs and enable the introduction of advanced technologies into China and globally. The Group expects to drive significant demand for its products by launching new and advanced active ingredients and intermediates with higher R&D content. In addition, the advanced formulation center in Jiangsu Province will serve as a platform to introduce cost-advantaged crop protection solutions into China and globally.

The Group expects that its unique positioning and profile in China, including the relationship with Syngenta group and Sinochem, should establish it as a partner of choice for companies outside China seeking to access its domestic market, as well as for Chinese companies looking to expand their global footprint. In addition to the combination and the commercial collaboration, the Group is assessing strategic joint ventures and selected acquisitions to further bolster its commercial and operational platform in China.

- **Collaboration of the Company with Syngenta and Sinochem as members of the Syngenta Group.** The Company engaged with Syngenta in collaboration agreements for sale and distribution of finished products, raw materials supply, joint ventures in the fields of procurement, logistics, production and supply chain as well as in the R&D and products' registration fields, in order to reduce costs, to improve processes and to increase the Company's sales. Such collaborations have and are expected to continue to generate additional revenues, accelerate growth and increase productivity, for the Group as well as Syngenta Group.
- **Continue to Strengthen Position in Emerging Markets.** In addition to developing its China platform, the Group enjoys strong and leading positions in key emerging agricultural markets such as Latin America, India, Asia and Eastern Europe, with around half of its global sales achieved in these emerging markets. Over the last several years, in order to establish direct market access and distribution capabilities in these markets, the Group has successfully integrated acquisitions in Colombia, Chile, Poland, Serbia, Romania, the Czech Republic, Slovakia, and South Korea. Similarly, the Group has a direct go-to-market strategy in many high-growth markets around the world, leveraging a direct sales force and driving demand at the retail and farmer level. The Group intends to continue to invest in its growth in the key emerging markets with high growth potential. The Group's strong global platform and leading commercial infrastructure in such markets will

allow it to capitalize on worldwide growth opportunities, and continue to drive its profitable growth.

- **Grow Revenues and Increase Profitability.** The Group believes that it has the capacity and operational leverage to increase profitability through focused execution of its strategy within the framework of prudent working capital management. The Group is aiming to increase its revenues and margins consistently over time as it shifts to a more differentiated, higher-margin product portfolio and continues to strengthen its product pipeline with significant number of higher-value products, based on AIs which patent protection has just expired, unique mixtures and formulations, as well as innovative and, in some cases, patent-protected products. Similarly, the Group intends to drive revenue growth through increased penetration of high-growth markets including China, Brazil and other key markets in Latin America, Asia-Pacific and eastern Europe. The Group believes that its investment in developing an operational footprint in China will lower costs and improve manufacturing efficiency and distribution logistics and reduce inventory requirements in many markets worldwide.

In recent years, the Group has focused on growing and improving its business, infrastructure and brand. Other than investments in the further development of its China operations, the Group believes that its existing global infrastructure is largely of sufficient scale to support higher revenues, allowing it to enjoy economies of scale and continually improve profitability over time.

- **Continue to Capitalize on the Global Portfolio Integration and Rebranding Initiative.** In 2014 the ADAMA brand was launched, integrating dozens of legacy brands across the globe to form a single, streamlined sales and distribution entity under a unified brand name. In 2019, following extensive farmer and customer research in 13 major markets, the Company further evolved its brand, creating a unique and compelling brand story that elevates ADAMA's distinct entrepreneurial and agile culture; increases its relevance to its customers (channel partners and growers); and further differentiates the Company from key competitors. The evolved brand positioning, known as "Listen, Learn, Deliver", focuses on a process of listening to customer needs, bringing insights from the field and combining them with the extensive know-how and experience in the Company; and delivering solutions that meet local farmer and customer pain points. The Core Leap strategy discussed above provides the platform needed to create distinct mixtures and formulations based on farmer needs. With this new brand positioning the Company is investing in platforms to ensure ongoing and intimate farmer and customer interactions which will provide the source for future product and solution ideation.
- **Strategically Pursue Acquisitions to Enhance Market Access and Strengthen the Product Portfolio.** Throughout its history, the Group has successfully completed and integrated several add-on acquisitions across the globe. The Group intends to continue to pursue acquisitions, in-licensing agreements and joint ventures that offer attractive opportunities to enhance its market access and position, as well as strengthen and further differentiate its product portfolio. The Group plans to focus these efforts largely in high-growth geographies, particularly in emerging markets where it aims to gain market share, as well as access to selected sources of innovation. The Group continues with its track record of making and integrating selective.

### (III) 2022 Business plan

In 2022, the Company is expecting moderate growth, supported by higher crop commodity prices, which in recent months have bolstered farmer profitability levels. Overall, the Group is expecting to see revenue growth driven by volume growth and the continued launch of new products. The overall pricing environment is expected to be positive, as relatively higher crop prices and strong farmer demand allow the passing on of some of the higher input costs. However, the extent to which this will materialize will be counterbalanced by intensive competitive dynamics in most key markets across the globe.

Raw material and Active Ingredient (AI) procurement costs are expected to remain relatively high resulting from continued tight supply conditions that have driven ongoing elevated costs of raw materials and AIs.

The Group will continue to exercise discipline in management of its operating expenses, while focusing on continued

improvement in working capital efficiency and quality of business.

In 2022, the Group will continue to pursue its comprehensive portfolio development strategy, driven by further momentum and investment in Innovation, Research and Development, and focusing on all aspects of development of its portfolio – product development, obtaining of registrations, development of advanced formulations and innovative delivery technologies, as well as differentiated mixtures, alongside further investments in chemical R&D.

During 2022, the Group will remain focused on the ongoing optimization and implementation of its global AI synthesis layout transformation, a long-term initiative that seeks to align the Group's AI synthesis layout with the Group's identified pipeline opportunities.

Furthermore, following the completion of the Relocation & Upgrade program in Jingzhou, in the coming year the Group will continue to focus on the upgrading and relocation of the production facilities in Huai'An, as well as the continued build-up of its commercial and operational presence in China.

The Group is continuing to invest in the upgrading and expansion of its IT capabilities, including the implementation of its ERP project in the production facilities in Israel and China.

**Note: The business plan described above does not constitute a commitment to investors on the Company's performance, and the Company suggests that investors should maintain adequate risk awareness therefor, and understand the difference between the Company's business plan and a performance commitment.**

(IV) Company's financing and credit

The Group finances its business activities by means of its equity as well as credit from external sources. The primary external financing is by means of long-term bonds issued by Solutions.

The Group has additional sources of external funding from: (1) long-term credit from banks and related parties; (2) short-term bank credit as well as non-tradable commercial securities; and (3) supplier credit. In addition, the Group has significant cash balances as well as unused set bank credit lines.

(V) Risk factors and countermeasures

The Group is exposed to several major risk factors, resulting from its economic environment, the industry and the Group's unique characteristics, as follows (the order below does not indicate priority):

**Exchange rate fluctuations**

Although the Company reports its consolidated financial statements in RMB, the Company's material subsidiary Solutions reports its consolidated financial statements in US dollars, which is its functional currency, while its operations, sales and purchases of raw materials are carried out in various currencies. Therefore, fluctuations in the exchange rate of the selling currency against the purchasing currency impact the Company's results. The Group's most significant exposures are to the Euro, the Israeli Shekel and the Brazilian Real. The Group has lesser exposures to other currencies. The strengthening of the US dollar against other currencies in which the Company operates reduces the dollar value of such sales and vice versa.

On an annual basis, approximately 22% of the Group's sales are to the European market and therefore the impact of long-term trends on the Euro may affect the Company's results and profitability.

Concentration of currency exposure from foreign currency exchange rate fluctuations against assets, including inventory of finished products in countries of sale, liabilities and cash flow denominated in foreign currencies are done constantly. High volatility of the exchange rates of these currencies could increase the costs of transactions to hedge against currency exposure, thereby increasing the Company's financing costs.

The Group uses commonly accepted financial instruments to hedge most of its substantial net balance sheet exposure to any particular currency. Nonetheless, since as part of these operations the Group hedges against most of its balance sheet exposure and only against part of its economic exposure, exchange rate volatility might impact the Group's results and

profitability. As of the date of publication of this Report, the Group has hedged most of its balance sheet exposure for 2021. In addition, as the Company's product sales depend directly on the cyclical nature of the agricultural seasons, therefore the Company's income and its exposure to the various currencies is not evenly distributed over the year. Countries in the northern hemisphere have similar agricultural seasons and therefore, in these countries, the highest sales are usually during the first half of the calendar year. During this period, the Company is most exposed to the Euro. In the southern hemisphere, the seasons are opposite and most of the local sales are carried out during the second half of the year. During these months, most of the Company's exposure pertains to the Brazilian Real.

#### **Exposure to Interest rate, Israel CPI and NIS exchange rate fluctuations**

The debentures issued by Solutions, the material subsidiary of the Company, are Israeli Shekel based and linked to the Israel Consumer Price Index "CPI" and therefore an increase in the CPI and an appreciation of the shekel rate against the dollar might lead to a significant increase in its financing expenses. As of the date of approval of the financial statements, Solutions hedged most of its exposure to these risks on an ongoing basis, through CPI hedging and USD-ILS exchange rate hedging transactions.

Since on December 31, 2021 the Group have had dollar denominated liabilities bearing variable London Interbank Offered Rates (LIBOR) interest. As a result, the Group was exposed to changes in the US dollar LIBOR interest rate. The Group prepares a quarterly summary of its exposure to changes in the relevant interest rate benchmarks (which replaced the LIBOR interest rate) and periodically examines hedging the variable interest rate by converting it to a fixed rate. As part of the global reform in interest rate benchmarks, the phasing out of LIBOR (the so-called LIBOR fallback) fallback was scheduled for the end of 2021. As of January 1, 2022 three global interest rate benchmarks has transitioned to alternative risk-free rates while replacing the former benchmark LIBOR: SOFR (USD), ESTR (EUR) and SONIA (GBP). As of the date of publication of this Report, the Group has not carried out hedging for such exposure, since US dollar interest rates have been relatively stable.

#### **Business operations in emerging markets**

The Group conducts business - mainly product sales and raw material procurement – inter alia, in emerging markets such as Latin America (particularly in Brazil, the largest market, country wise, in which the Group operates), Eastern Europe, Southeast Asia and Africa. The Group's activity in emerging markets is exposed to risks typical of those markets, including: political and regulatory instability; volatile exchange rates; economic and fiscal instability and frequent revisions of economic legislation; relatively high inflation and interest rates; terrorism or war; restrictions on import and trade; differing business cultures; uncertainty as to the ability to enforce contractual and intellectual property rights; foreign currency controls; governmental price controls; restrictions on the withdrawal of money from the country; barter deals and potential entry of international competitors and accelerated consolidations by large-scale competitors in these markets. Developments in these regions may have a significant effect on the Group's operations. Distress to the economies of these markets could impair the ability of the Group's customers to purchase its products or the ability to market them at international market prices, as well as harm the Group's ability to collect customer debts, in a way that could have a significant adverse effect on the Group's operating results.

The Group's operations in multiple regions allows for the diversification of such risks and for the reduction of its dependency on particular economies. In addition, changes in registration requirements or customers' preferences in developed western countries, which may limit the use of raw materials purchased from emerging economies, may require redeployment of the Group's procurement organization, which might negatively affect its profitability for a certain period.

#### **Operating in a competitive market**

The crop protection products industry is highly competitive. Currently, seven multinational companies, including the Company, lead the global industry. Five of these, Bayer, Syngenta, Corteva, BASF and FMC, are Originator Companies, which develop, manufacture and market both patent-protected as well as off-patent products. The Group competes with



the original products with the aim of maintaining and increasing its market share.

The Originator Companies possess resources enabling them to compete aggressively, in the short-to-medium term, on price and profit margins, so as to protect their market share. Loss of market share or inability to acquire additional market share from the Originator Companies can affect the Group's position in the market and adversely affect its financial results. For details regarding the Group's competitive advantages see section III - subsection III. Core competitiveness analysis above.

Similarly, the Group also competes in the more decentralized off-patent segment of the market, against other off-patent companies and smaller-scale Originator Companies, which have significantly grown in number in recent years and are materially changing the face of the crop protection industry, the majority of whom have not yet deployed global distribution networks, and are only active locally. These companies often price their products aggressively and at times have lower profit margins than the Group, which may adversely impact the Group's sales and product prices. The Group's ability to maintain its revenues and profitability from a specific product in the long term is affected by the number of companies producing and selling comparable off-patent products and the timing of their entrance to the relevant market.

Any delay in developing or obtaining registrations for products and/or delayed penetration into markets and/or growth of competitors that focus on off-patent active ingredients (whether by the expansion of their product portfolio, granting registrations to other manufacturers (including manufacturers in China and India) to operate in additional markets, transforming their distribution network to a global scale or increasing the competition for distribution access), and/or difficulty in purchasing low cost raw materials, may harm the Group's sales, affect its global position and lead to price erosion.

#### **Decline in scope of agricultural activities; exceptional changes in weather conditions**

The scope of general agricultural activities worldwide may be negatively affected by many exogenous factors, such as extreme weather conditions, natural disasters, a decrease in agricultural commodity prices, government policies and the economic condition of farmers. A material decline in the scope of agricultural activities would by necessary implication cause a decline in the demand for the Group's products, erosion of its prices and collection difficulties, which may have a significant adverse effect on the Group's results. Extreme weather conditions as well as other damages caused by nature may have an impact on the demand for the Group's products. The Group believes, that should a number of such bad seasons occur in succession, without favorable seasons in the interim, its results may sustain significant harm.

#### **Environmental, health and safety legislation, standards, regulation and exposure**

Many aspects of the Group's operations are strictly regulated, including in relation to production and trading, and particularly in relation to the storage, treatment, manufacturing, transport, usage and disposal of its products, their ingredients and byproducts, some of which are considered hazardous. The Group's activities involve hazardous materials. Defective storage or handling of hazardous materials may cause harm to human life or to the environment in which the Group operates. The regulatory requirements regarding the environment, health and safety could, inter alia, include soil and groundwater clean-up requirements; as well as restrictions on the volume and type of emissions the Group is permitted to release into the air, water and soil.

The regulatory requirements applicable to the Group vary from product to product and from market to market, and tend to become stricter with time. In recent years, both government authorities and environmental protection organizations have been applying increasing pressure, including through investigations and indictments as well as increasingly stricter legislative proposals and class action suits related to companies and products that may potentially pollute the environment. Compliance with these legislative and regulatory requirements and protection against such legal actions requires the Group to commit considerable human and financial resources (both in terms of substantial ongoing costs and in terms of material one-time investments) to meet mandatory environmental standards. In some instances, this may result in delaying the introduction of products into new markets or in adverse effects on the Group's profitability. In addition, the toughening,

material alteration or revocation of environmental licenses or permits, or their stipulations, or the inability to obtain such licenses and permits, may significantly affect the Group's ability to operate its production facilities, which in turn may have a material adverse effect on the financial and business results of the Group. The Group may be required to bear significant civil liabilities (including due to class actions) or criminal liabilities (including high penalties and/or high compensation payments and/or costs of environmental monitoring and rehabilitation), resulting from violation of environmental, health and safety regulations, while some of the existing legislation may impose "strict liability" regime on the Group, i.e. the Group will be held liable, regardless of proof of negligence or malice.

While the Group invests material sums in adapting its facilities and in constructing special facilities in accordance with environmental requirements, it is currently unable to assess with any certainty whether these investments (current and future) and their outcomes may satisfy current or future requirements, should these be significantly increased or changed. In addition, the Group is unable to predict with any certainty the extent of future costs and investments it may incur in order to meet the requirements of the environmental authorities in the relevant countries in which it operates since, inter alia, the Group is unable to estimate the extent of potential pollutions, their duration, the extent of the measures required to be taken by the Group in handling them, the division of responsibility among other parties and the amounts recoverable from third parties.

Furthermore, the Group may be the target of bodily injury claims and property damage claims caused by exposure to hazardous materials, which are largely covered under the Group's insurance policies.

#### **Legislative, standard and regulatory changes in product registration**

The majority of the substances and products marketed by the Group require registration at various stages of their development, production, import, utilization and marketing, and are also subject to strict regulatory supervision by the regulatory authorities in each country. Compliance with the regulatory requirements that vary from country to country and which are becoming more stringent with time, involves significant time and costs, and rigorous compliance with individual registration requirements for each product. Noncompliance with these regulatory requirements might materially adversely affect the Group's expenses, cost structure and profit margins, as well as penetration of its products in the relevant market, and may even lead to suspension of sales of the relevant product, and recall of those products already sold, or to legal action. Moreover, to the extent new regulatory requirements are imposed on existing registered products (requiring additional investment or leading to the existing registration's revocation) and/or the Group is required to compensate another company for its use of the latter's product registration data, these might amount to significant sums, considerably increasing the Group's costs and adversely affecting its results and reputation. In recent years the industry has been suffering from revocation of registration for many products around the world. This trend is particularly evident in European countries as well as in many other countries worldwide.

Nevertheless, the Group believes that, in countries where the Group maintains a competitive edge, any toughening of registration requirements may actually increase this edge, since this will make it difficult for its competitors to penetrate the same market, whereas in countries in which the Group possesses a small market share, if any, such toughening may make further penetration of the Group's products into that market more difficult.

#### **Product liability**

Product and producer liability are a risk for the Group. Regardless of their prospects or actual results, product liability lawsuits might involve considerable costs as well as tarnish the Group's reputation, thus potentially impacting its profits. The Group has a third-party and defective product liability insurance cover. However, there is no certainty that the scope of insurance cover is sufficient. Any future product liability lawsuit or series of lawsuits could materially affect the Group's operations and results, should the Group lose the lawsuit or should its insurance cover not suffice or apply in a particular instance. In addition, while the Group has not currently encountered any difficulty renewing such insurance policy, it is possible that it will encounter future difficulties in renewing an insurance policy for third party liability and defective products on terms acceptable to the Group.

**Successful market penetration and product diversification**

The Group's growth and profit margins are affected, inter alia, by the extent of its success in developing differentiated products and obtaining registrations for them, so as to enable it to gain market share at the expense of its competitors. Usually, being the first to launch a certain off-patent product affords the Group continuing advantage, even after other competitors penetrate the same market. As such, the Group's revenues and profit margins from a certain new off-patent product could be materially affected by its ability to launch such product ahead of the launch of a comparable product by its competitors.

Should new products fail to meet registration requirements in the different countries or should it take a long period of time to obtain such registrations, the Group's ability to successfully introduce a new product to the relevant market in the future may be affected, since entry into the market prior to other competitors is important for successful market penetration. Furthermore, successful market penetration involves, inter alia, product diversification in order to suit each market's changing needs. Therefore, if the Group fails to adapt its product mix by developing new products and obtaining the required regulatory approvals, its future ability to penetrate that market and to maintain its existing market share could be affected. Failure to introduce new products to given markets and meet Group objectives (given the considerable time and resources invested in their development and registration) might affect the sales of the product in question in the relevant market, the Group's results and margins.

**Intellectual property rights of the Group and of third parties**

The Group's ability to develop off-patent products is dependent, inter alia, on its ability to oppose patents or patent application of Originator Companies or other third parties, or to develop products that do not otherwise infringe intellectual property rights in a manner that may involve significant legal and other costs. Originator Companies tend to vigorously defend their products and may attempt to delay the launch of competing off-patent products by registering patents on slightly different versions of products for which the original patent protection is about to expire or has expired, with the aim of competing against the off-patent versions of the original product. The Originator Companies may also change the branding and marketing of their products. Such actions may increase the Group's costs and the risk it entails, and harm or even prevent its ability to launch new products.

The Group is also exposed to legal claims that its products or production processes infringe on third-party intellectual property rights. Such claims may involve time, costs, substantial damages and management resources, impair the value of the Group's brands and its sales and adversely affect its results. Such lawsuits that were concluded involved non-material amounts.

Furthermore, although the Group protects its brands and trade secrets with patents, trademarks and other methods of intellectual property protection, these protective means may not be sufficient for fully safeguarding its intellectual property. Any unlawful or other unauthorized use of the Group's intellectual property rights could adversely affect the value of its intellectual property and goodwill. In addition, the Group may be required to take legal actions involving financial costs and resources to safeguard its intellectual property rights.

**Fluctuations in raw material inputs and prices, and in sales costs**

Significant percentage of the Groups' cost of sales derives from raw material costs. Hence, significant increases or decreases in raw material costs affect the cost of goods sold, and are, due to the length of the Company's inventory cycle, generally reflected in the Company's financials. Most of the Group's raw materials are distant derivatives of oil prices and therefore, extreme changes or decrease in oil prices may affect the costs of raw materials, although only partially.

To reduce exposure to fluctuations in the prices of raw materials, the Group customarily engages in long-term purchase contracts for key raw materials, wherever possible. Similarly, the Group acts to adjust its sales prices, wherever possible, to reflect the changes in the costs of raw materials.

As of the date of approval of the financial statements, the Group has not engaged in any hedging transactions against

increases in oil and other raw material costs.

**Exposure due to recent developments in the genetically modified seeds market**

Any significant development in the market of genetically modified seeds for agricultural crops, including as a result of regulatory changes in certain countries currently prohibiting the use of genetically modified seeds, and/or any significant increase in the sales of genetically modified seeds and/or to the extent new crop protection products are developed for further crops that would be widely used (substituting traditional products), will affect demand for crop protection products, requiring the Group to respond by adapting its product portfolio to the new demand structure. Consequently, to the extent that the Group fails to adapt its product mix accordingly, this may reduce demand for its products, erode their sales price and by implication affect the Group's results and market share.

Nevertheless, the fact that the Group itself markets some of the products for which herbicide tolerance traits have been developed, acts to mitigate this exposure (albeit only in terms of marketing margins).

In addition, natural and/or biological substances that attack weeds, pests and diseases are potential alternatives for the Company's products, though as of the date of the report, their efficiency is relatively limited, and they are commercialized in a relatively small volumes.

**Operational risks**

The Group's operations, including its manufacturing activities, rely, inter alia, on state-of-the-art computer systems. The Group continually invests in upgrading and protecting these systems from malfunctions and attack. Any unexpected failure of these systems, as well as the integration of new systems, could involve substantial costs and adversely affect the Group's operations until completion of the repair or integration. The potential occurrence of a substantial failure that cannot be repaired within a reasonable time frame may also affect the Group's operations and its results. Currently, the Group has a property and loss-of-profit insurance policy.

**Data protection and cyber security**

During its activity, the Group may be exposed to risks and threats, related to the stability of its information technologies systems, data protection and cyber security, which could appear in many different forms (such as service denial, misleading employees, malfunction, encryption or data erasing and other cyber-attacks via E-mail or malicious software). An attack on such computerized systems, mainly network based systems may cause the group material damages and expenses and even partial suspension and disruption of their proper functioning. In order to minimize the abovementioned risks, the group invests resources in its technological resilience and in proper protection of its systems.

**Raw material supply and/or shipping and port service disruptions**

Lack of raw materials or other inputs utilized in the manufacture of the Group's products may prevent the Group from supplying its products or significantly increase production costs. Moreover, the Group imports raw materials to its production facilities worldwide, from where it then exports the technical or formulated products to its subsidiaries around the world for formulation and/or commercialization purposes. Disruptions in the supply of raw materials from regular suppliers may adversely affect operations until an alternative supplier is engaged. If any of the Group's suppliers are unable to supply raw materials for a prolonged period, including due to ongoing disruptions and/or prolonged strikes and/or infrastructure defects in the operating of a relevant port, and if the Group is unable to engage with an alternative supplier at similar terms and in accordance with the relevant product registration requirements, this may adversely affect the Group's results, significantly affect its ability to obtain raw materials in general, or obtain them at reasonable prices, as well as limit its ability to supply products and/or meet customer supply deadlines. These might negatively affect the Group, its finances and operating results. In order to reduce this risk, it is the Group's practice to occasionally adjust the volume of its product inventories and at times utilize air freight.

**Failed mergers and acquisitions; difficulties in integrating acquired operations**

The Group's strategy includes growth through mergers, acquisitions, investments and collaborations designed to expand

its product portfolio and deepen its presence in certain geographical markets.

Growth through mergers and acquisitions requires assimilation of acquired operations and their effective integration in the Group, including realization of certain forecasts, profitability, market conditions and competition.

Failure to successfully implement the above and/or non-realization of the relevant forecasts may result in not achieving the incremental value forecasted, loss of customers, exposure to unexpected liabilities, reduced value of the intangible assets included in the merger or acquisition as well as the loss of professional and skilled human resources.

#### **Production concentration in limited plants**

A large portion of the Group's production operations is concentrated in a relatively small number of locations. Natural disasters, hostilities, labor disputes, substantial operational malfunction or any other material damage might significantly affect Group operations, as a result of the difficulty, the time and investment required for relocating the production operation or any other activity.

#### **International taxation**

Most of the Group's sales are global, through its consolidated subsidiaries worldwide. These individual companies are assessed in accordance with the tax laws effective in each respective location. The Group's effective tax rate could be significantly affected by different classification or attribution of the profits arising from the proportional value of the components of each of the companies in the Group in the various countries, as is recognized in each tax jurisdiction; changes in the characteristics (including regarding the location of control and management) of these companies; changes in the breakdown of the Group's profits into regions where differing tax rates apply; changes in statutory tax rates and other legislative changes; changes in assessment of the Group's deferred tax assets or deferred tax liabilities; changes in determining the areas in which the Group is taxed; and potential changes in the Group's organizational structure.

Changes in tax regulations and the manner of their implementation, including with regard to the implementation of BEPS, may lead to a substantial increase in the Group's applicable tax rates and have a material adverse effect on its financial position, results and cash flows.

The Group's Financial Statements do not include a material provision for exposure for international taxation, as stated above.

#### **Risks arising from the Group's debt**

The Group finances its business operations by means of its own equity and loans from external sources (primarily traded debentures issued by Solutions and bank credit). The Group's main source for servicing the debt and its operating expenses is by means of the profits from the Group companies' operations. Restrictions applying to the Group companies regarding distribution of dividends to the Group, or the tax rate applicable on these dividends, may affect the Group's ability to finance its operations and service its debt.

In addition, the Group's Finance Documents, as contained in the bank credit agreements, require meeting certain Financial Covenants. Failure to meet these covenants due to an exogenous event or non-materialization of Group forecasts, and insofar as the financing parties refuse to extend or update these Financial Covenants as per the Group's capabilities, may lead the financing parties to demand the immediate payment of these liabilities (or part thereof).

#### **Exposure to customer credit risks**

The Group's sales to customers worldwide usually involve customer credit as is customary in each market. A portion of these credit lines is insured, while the remainder are exposed to risk, particularly during economic slowdowns in the relevant markets. The Group's aggregate credit, however, is diversified among many customers in dozens of countries, mitigating this risk. In addition, in certain regions, particularly in South America, credit days are particularly long (compared to those extended to customers in regions such as Europe), and on occasion, inter alia, owing to agricultural seasons or economic downturns in those countries, the Group may encounter difficulty in timely collection of customer debts, with the collection period being extended over several years.

Generally, such issues arise more often in developing countries where the Group may be less familiar with its customers, the collaterals might be in double until actual repayment and the insurance cover of these customers is likely to be limited. Credit default by any of the customers may negatively impact the Group's cash flow and financial results.

#### The Group's working capital and cash flow needs

Similar to other companies operating in the crop protection industry, the Group has substantial cash flow and working capital requirements in the ordinary course of operations. In view of the Group's growth and considering its primary growth regions, the Group's broad product portfolio and the Group's investments in manufacturing infrastructures, the Group has significant financing and investment needs. The Group acts continually to improve the state and management of its working capital. While currently the Group is in compliance with all its financial covenants, significant deterioration of its operating results may in the future lead the Group to fail to comply with its financial covenants and fail to meet its financial needs. As a result, the Group's ability to meet its goals and growth plans, as well as its ability to meet its financial obligations, may be harmed.

#### Contagious disease outbreak

Outbreak of a contagious disease and pandemics, or other adverse public health developments, in territories where significant production activity is taking place or from which raw materials are supplied to a significant extent, may have a material adverse effect on the Company's activity, such that the Company may encounter difficulties with procurement of raw materials and intermediates, experience a certain decrease of activity within its production facilities due to governmental instructions, and be constrained with respect to its logistics and supply lines. In addition, the Company sales could be potentially impacted by a temporary decrease in demand for its products, as well as by temporary disruption of the Company's ability to sell and distribute products as mentioned above.

## IX. Information regarding communication with investors during the Reporting Period

√ Applicable □ Not applicable

Date	Place	Reception mode	Type of visitor	Name of the visitor	About	Index
March 30, 2021	Not applicable	Phone call	Others (Sell-side analysts)	CICC, Industrial Securities, TF Securities, Haitong Securities, Dongxing Securities, BOC International, Nanjing Securities, HSBC Qianhai Securities, Guolian Securities, SWHY Securities, CITIC Securities, Everbright Securities, North East Securities and Citi, etc.	Introduction on 2020 Q4 and FY performance. Corresponding presentation was published on the website of the Company.	Record of the Communications between the Company and the Investors (No. 2021-01) was published by the Company on April 1, 2021 at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> .
March 31, 2021	Not applicable	Webcasting	Institutional and individual investors	Not applicable	Introduction on the 2020 Q4 and FY performance. Corresponding presentation was published on the website of the Company.	Record of the Communications between the Company and the Investors (No. 2021-02) was published by the Company on April 2, 2021 at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> .
April 28,	Not	Phone call	Others (Sell-side	CICC, TF Securities, Haitong Securities, Everbright	Introduction on 2021Q1	Record of the Communications

Date	Place	Reception mode	Type of visitor	Name of the visitor	About	Index
2021	applicable		analysts)	Securities, BOC International, Nanjing Securities, HSBC Qianhai Securities, Guolian Securities, SWHY Securities, Anxin Securities, Zhongtai Securities, Guangfa Securities, Fangzheng Securities, etc.	performance. Corresponding presentation was published on the website of the Company.	between the Company and the Investors (No. 2021-03) was published by the Company on April 30, 2021 at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> .
August 25, 2021	Not applicable	Phone call	Others (Sell-side analysts)	CICC, TF Securities, Everbright Securities, China Securities, Industrial Securities, BOC International, Nanjing Securities, HSBC Qianhai Securities, Guolian Securities, Haitong Securities, Anxin Securities, Zhongtai Securities, Northeast Securities, Orient Securities, Changjiang Securities, etc.	Introduction on 2021 Q2 and Half-year performance. Corresponding presentation was published on the website of the Company.	Record of the Communications between the Company and the Investors (No. 2021-04) was published by the Company on August 27, 2021 at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> .
August 26, 2021	Not applicable	Webcasting	Institutional and individual investors	Not applicable	Introduction on the 2021 Q2 and Half-year performance. Corresponding presentation was published on the website of the Company.	Record of the Communications between the Company and the Investors (No. 2021-05) was published by the Company on August 30, 2021 at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> .
October 27, 2021	Not applicable	Phone call	Others (Sell-side analysts)	CICC, TF Securities, Everbright Securities, Industrial Securities, CITIC, Guangfa Securities, BOC International, Guolian Securities, Huatai Securities, Zhongtai Securities, Northeast Securities, Dongxin Securities, Guohai Securities, etc.	Introduction on 2021 Q3 and 9M performance. Corresponding presentation was published on the website of the Company.	Record of the Communications between the Company and the Investors (No. 2021-06) was published by the Company on October 29, 2021 at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> .
October 28, 2021	Not applicable	Webcasting	Institutional and individual investors	Not applicable	Introduction on the 2021 Q3 and 9M performance. Corresponding presentation was published on the website of the Company.	Record of the Communications between the Company and the Investors (No. 2021-07) was published by the Company on November 1, 2021 at <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a> .

## Section IV - Corporate Governance

### I. Basic details of corporate governance

During the Reporting Period, the Company continuously improved the awareness of corporate governance and corporate governance structure and perfected the corporate system as well as standardized the operation of the Company, promoted internal control activities, and constantly improve the Company's management levels stringently according to requirements of relevant laws and regulations, such as *the Company Law*, *Securities Law*, and *Corporate Governance Principle of Listed Company*, as well as *Rules for Listing Shares in Shenzhen Stock Exchange*.

#### 1. About Shareholders and the Shareholders' meeting

During the Reporting Period, the Company has ensured that all shareholders, especially small and medium shareholders, are treated equal and able to fully exercise their rights. It held one annual general meeting of shareholders, during which 13 proposals in total were reviewed and approved. Lawyers were invited to attend all the meetings mentioned above for testimony and issuing legal opinions. Online voting has been applied during all above-mentioned meetings to ensure that all shareholders, especially small and medium shareholders, enjoy equal status and fully exercise their rights. Notices of shareholders' meeting, meeting proposals, discussion procedures, voting on proposals and information disclosure all meet the requirements. Every major decision of the Company has been decided by the shareholders' meeting according to laws and regulations with lawyers as the witness to ensure that the right to know, to participate and vote on major issues of all shareholders, especially the small and medium shareholders are properly protected.

#### 2. About Directors and the Board of Directors

During the Reporting Period, the number, composition and qualifications of the board of directors were in compliance with the laws and regulations as well as the Articles of Association of the Company. All board members are diligent and responsible for attending the board and shareholders' meetings in accordance with the relevant provisions of *the Company Law* and the Articles of Association. During the Reporting Period, the Company held 10 board meetings during which 34 proposals were reviewed. The organizing, convening and formation of resolutions were carried out in accordance with relevant provisions of the Articles of Association and *the Rules of Procedure for the Board of Directors*. The Company has established an independent director system in accordance with relevant regulations. Each of the independent directors have expressed independent opinions on important business of the Company during the Reporting Period. The Company's board of directors consists of one strategy committee, one nomination committee, one audit committee and one remuneration and appraisal committee, all of which are functioning with respective implementation rules to ensure the scientific and compliant decision-making by the board of directors.

#### 3. About Supervisors and the Board of Supervisors

During the Reporting Period, the board of supervisors of the Company consisted of three supervisors. The number, composition and qualifications of the Board of Supervisors were in compliance with laws and regulations as well as *the Articles of Association of the Company*. During the Reporting Period, five meetings were held and 13 proposals were reviewed. All meetings were organized and convened in accordance with the procedures of the *Articles of Association* and *the Rules of Procedure for the Board of Supervisors*. All supervisors have earnestly performed their duties by reviewing the company's periodic reports and other matters and issuing verification opinions with a strong sense of responsibilities to the shareholders. All of them have effectively fulfilled their duties and safeguarded the legitimate rights and interests of the Company and its shareholders.

#### 4. About Investors' Relations

The Company communicates with investors through public announcements, consultations by telephone, interactive



platforms, e-mails and other multiple media to enhance opinion exchange. It has been making various efforts on deepening the understanding of investors about the Company's operation and development outlook and also maintaining good relations with them. Meanwhile, it has been serious to receive investors' opinions and suggestions and encouraged the interaction between investors and itself. During the Reporting Period, the Company has been patient to respond investors by answering calls and questions through all interactive platforms, which has guaranteed a sound and fair access for investors to obtain information.

Whether there is any difference between the actual corporate governance situation of the Company and the provisions of the laws, administrative regulations and relevant rules of CSRC or not?

☐ Yes ☒ No

There is no difference between the actual corporate governance situation of the Company and the provisions of the relevant rules of CSRC.

## **II. Particulars about the Company's independence from the controlling shareholder and the actual controller in ensuring the company's assets, personnel, financials, institutions and business, etc.**

1. In respect of assets: The assets relationship between the Company and the controlling shareholder is clear. The company has complete control over all its assets. There is no such thing as a free possession or usage by the controlling shareholder.
2. In respect of personnel: The Company and controlling shareholder are mutually independent in the labor, personnel and salary management, the Company CEO and other senior management personnel get the salary in the Company, and not perform administrative work in the controlling shareholder unit.
3. In respect of financing, the Company owned independent financial department, established independent accounting system and financial management system, opened independent bank account, paid tax in line with laws.
4. In respect of organization, the Company has set up the organization that was independent from the controlling shareholder completely, the Board of Directors, the Supervisory Committee and internal organization could operate independently.
5. In respect of business: the Company had a complete business system and independent operation, and conducts its independent and complete business with self-management ability.

### III. Horizontal competition

√ Applicable □ Not applicable

Type	Type of Affiliation with the Company	Name of the Company	Nature of the Company	Cause of the problem	Solutions	Work-schedule and follow-up plan
Horizontal competition and related party transactions	ultimate controlling party of the Company's controlling shareholder	Sinochem Holdings Corporation Ltd.	Central enterprise	The subsidiaries controlled by Sinochem Holdings are in similar or the same business as the Company or the supplier or the client of the Company.	Sinochem Holdings commits itself to take appropriate actions to solve the horizontal competition and related party transactions between its subsidiaries and the Company. For details, please refer to I Performance of commitments of Section VI of the Annual Report.	In process/ performance .

### IV. Particulars regarding the annual shareholders' general meeting and special shareholders' general meetings held during the Reporting Period

#### 1. Particulars regarding the shareholders' general meeting during Reporting Period

Session	Type	Proportion of investors' participation	Convening date	Disclosure date	Index to the disclosed
2020 Annual Shareholders Meeting	Annual Shareholders Meeting	75.21%	May 21, 2021	May 22, 2021	Announcement on the Resolutions of 2020 Annual General Meeting (Announcement Number: 2021-22). Disclosed at the website CNINFO <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>

#### 2. Special Shareholders' General Meeting applied by the preferred stockholder with restitution of voting right

□ Applicable √ Not applicable

### V. Directors, Members of the Supervisory Board, Senior Management Staff & Employees

#### 1. Basic Information

Name	Position	Office Status	Gender	Age	Beginning date of office term	Ending date of office term	Shares held at the year-begin (share)	Amount of shares increased at the Reporting Period (share)	Amount of shares decreased at the Reporting Period (share)	Other changes increase/decrease (share)	Shares held at the end of the Reporting Period (share)	Reasons for the Shareholding Changes
Erik Fyrwald	Chairman of the BOD	In Office	Male	63	April 9, 2020		0	0	0	0	0	N/A
Chen Lichtenstein	Director	In Office	Male	54	Sep 29, 2017		0	0	0	0	0	N/A
An Liru	Director	In Office	Male	52	Apr 29, 2015		0	0	0	0	0	N/A
Xi Zhen	Independent Director	In Office	Male	58	Dec 25, 2017		0	0	0	0	0	N/A
Ge Ming	Independent Director	In Office	Male	70	Nov 16, 2020		0	0	0	0	0	N/A
Ignacio Dominguez	President & CEO	In Office	Male	62	March 1, 2020		0	0	0	0	0	N/A
Michal Arlosoroff	General Legal Counsel	In Office	Female	63	Sep 29, 2017		0	0	0	0	0	N/A
Jiang Chenggang	Chairman of the Supervisory Board	In Office	Male	47	Jan 6, 2013		6,000	0	0	0	6,000	N/A
Liu Jianhua	Member of the Supervisory Board	In Office	Male	43	May 21, 2021		0	0	0	0	0	N/A
Yuan Yuan	Member of the Supervisory	In Office	Male	41	May 21, 2021		0	0	0	0	0	N/A

Name	Position	Office Status	Gender	Age	Beginning date of office term	Ending date of office term	Shares held at the year-begin (share)	Amount of shares increased at the Reporting Period (share)	Amount of shares decreased at the Reporting Period (share)	Other changes increase/decrease (share)	Shares held at the end of the Reporting Period (share)	Reasons for the Shareholding Changes
	Board											
Guo Zhi	Secretary of the BOD	In Office	Male	44	Nov 27, 2020		0	0	0	0	0	N/A
Aviram Lahav	Chief Financial Officer & Deputy CEO	Demission	Male	62	Sep 29, 2017 (Deputy CEO as of March 1, 2020)	Sep 30, 2021	0	0	0	0	0	N/A
Li Dejun	Member of the Supervisory Board	Demission	Male	64	March 19, 2018	May 21, 2021	0	0	0	0	0	N/A
Clement Tung	Member of the Supervisory Board	Demission	Male	53	Nov 16, 2020	May 21, 2021	0	0	0	0	0	N/A
<b>Total</b>	--		--	--	--	--	<b>6,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,000</b>	--

## VI. Whether there was any departure of directors and supervisors and dismissal of senior management during the reporting period

☒ Yes ☐ No

1. On May 21, 2021, due to the expiration of office terms of the board of supervisors, Mr. Li Dejun and Mr. Clement Tung no longer served as supervisors of the Company.
2. On September 30, 2021, the Board received notice from Mr. Aviram Lahav informing the Company of his resignation as the Chief Financial Officer ("CFO") and Deputy Chief Executive Officer due to personal reasons. Mr. Aviram Lahav's resignation came into effect upon the receiving of the above notice by the Board. Following his resignation, Mr. Aviram Lahav ceased to hold any position in the Company and its wholly-owned subsidiary, ADAMA Solutions. For details, please refer to the Announcement on the Resignation of the Chief Financial Officer & Deputy Chief Executive Officer (Announcement No. 2021-41).

## VII. Particulars regarding changes of Directors, Supervisors and Senior Executives

☒ Applicable ☐ Not applicable

Name	Position	Type	Date	Reason
Aviram Lahav	Chief Financial Officer and Deputy Chief Executive Officer	Left the position	Sep 30, 2021	Resignation for personal reasons
Li Dejun	Member of the Supervisory Board	Left the position due to the expiration of office terms	May 21, 2021	--
Clement Tung	Member of the Supervisory Board	Left the position due to the expiration of office terms	May 21, 2021	--
Liu Jianhua	Member of the Supervisory Board	Accepted the position	May 21, 2021	Elected by the shareholders
Yuan Yuan	Member of the Supervisory Board	Accepted the position	May 21, 2021	Elected by the shareholders

## 2. Resumes of important personnel

Professional background, main working experience and main responsibilities of current directors, supervisors and senior management staff

**Mr. Erik Fyrwald**, American, serves as the Chairman of the Board of Directors of the Company. He is currently the CEO of Syngenta Group, CEO and Executive Director of Syngenta A.G. and Chairman of Syngenta Foundation for Sustainable Agriculture. He currently also serves on the board of directors of CropLife International, the Swiss-American Chamber of Commerce and the listed entities Bunge Limited and Eli Lilly & Company. Previously served as President and CEO of

Univar, a leading distributor of chemistry and related services, President of Ecolab, a cleaning and sanitation, water treatment, and oil and gas products and services provider, and Chairman, President and CEO of Nalco, a water treatment and oil and gas products and services company, and Group Vice President of the Agriculture and Nutrition Division of the DuPont Company. He graduated from the University of Delaware with a bachelor's degree in Chemical Engineering and completed the Advanced Management Program at Harvard Business School.

**Mr. Chen Lichtenstein**, Israeli, serves as a Director of the Company and its wholly-owned subsidiary, Adama Solutions, CFO of the Syngenta Group (with responsibility also for Strategy, Integration and Productivity), and its wholly-owned subsidiary - Syngenta AG and a member of the Board of directors of the Israeli Democracy Institute, and Member of the Board of Trustees of Tel Aviv University.. He holds joint doctoral degrees from Stanford University's Graduate School of Business and School of Law, and B.Sc. (Physics) and LL.B. from the Hebrew University of Jerusalem. He previously served as the President & CEO of the Company and its wholly-owned subsidiary, Adama Solutions, after holding several executive positions in the Company (Deputy CEO, running global operations and heading corporate development and capital market activities) and serving as the President & CEO of China National Agrochemical Corporation (CNAC), Syngenta Group's parent.

**Mr. An Liru**, serves as a Director of the Company. He holds a master degree of chemical engineering and MBA, senior engineering, senior economist. He used to be the Assistant of General Manager, Vice General Manager, General Manager, Deputy Party Secretary of Jiangsu Anpon Electrochemical Co., Ltd., Chairman of Directors, Party Secretary of Jiangsu Huaihe Chemicals Co., Ltd., Executive Director and CEO of Jiangsu Maidao Agrochemical Co., Ltd., the Chairman of the Board of Directors of the Company, Executive Director of Jiangsu Anpon Electrochemical Co., Ltd., Chairman of Directors and Party Secretary of China National Agrochemical Co., Ltd. Currently, he serves also as a Director and the Senior Vice President of Solutions, Director and General Manager of Adama (China) Investment Co., Ltd., Chairman of Directors of Adama (Beijing) Agricultural Technology Co., Ltd., Chairman of Directors of Adama Agrochemical (Jiangsu) Co., Ltd.

**Mr. Ge Ming**, serves as an independent director of the Company. He holds a master's degree in western accounting, and he is a senior accountant, a certified Chinese public accountant as well as an Australian certified public accountant. He previously served as the chairman and chief accountant of Ernst & Young Hua Ming Certified Public Accountants Firm, and as the managing partner, chief accountant and senior advisor of Ernst & Young Hua Ming Certified Public Accountants (special general partnership). Mr. Ge currently serves as an independent director on the boards of AsiaInfo. He currently also serves on the supervisory boards of the Bank of Shanghai, Bank of Suzhou, Tencent Foundation, and serves as the executive director and general manager of Beijing Huaming Fulong Accounting Consulting Co., Ltd.

**Mr. Xi Zhen**, serves as an independent director of the Company. He holds a professor degree and a doctor of Bioorganic Chemistry degree. Mr. Xi was Assistant Professor in Hubei Medical School which is currently the Wuhan University School of Medicine from 1983 to 1985, was Engineer in Beijing Institute of Chemical Reagents from 1988 to 1990, was a Research Associate in Department of Biological Chemistry and Molecular Pharmacology of Harvard Medical School from 1997 to 2001. Mr. Xi is currently Cheung Kong Scholar of Pesticide Science of the Ministry of Education of the PRC, Chairman of Department of Chemical Biology, Professor of Chemistry and Chemical Biology, Fellow of the University Committee of Nankai University in China, and Director of National Pesticide Engineering Research Center (Tianjin). Mr. Xi is also a Committee Member of Chinese Chemical Society and Deputy Director of its Division of Chemical Biology, Deputy Director of the Pesticide Science Division of Chinese Chemical Industry and Engineering Society. In addition, he is a director of Suzhou Ribo Life Science Co., Ltd.

**Mr. Ignacio Dominguez**, Spanish, serves as the President & Chief Executive Officer of the Company. He was the CCO of Solutions and has been with Solutions for more than a decade. Prior to joining Solutions, Ignacio held various management positions in companies such as Syngenta and American Cyanamid, boasting more than 20 years of experience in the agrochemical industry. He holds a master's degree in physics from Complutense University of Madrid.

**Ms. Michal Arlosoroff**, Israeli, serves as the Company's General Legal Counsel. Ms. Arlosoroff also serves as Senior Vice President, General Legal Counsel, Company Secretary and CSR Officer of Solutions. Ms. Arlosoroff holds an LL.B. as well as a B.A. in Political Science and Labor Relations (cum laude) from Tel Aviv University, Israel. Ms. Arlosoroff also graduated from the Advanced Management Program at Harvard Business School. Prior to joining the Group, Ms. Arlosoroff served for 22 years as full Partner and General Manager of the Tel Aviv branch at E.S. Shimron, I. Molho, Persky & Co., one of the most prominent, respected and established law firms in Israel.

**Mr. Jiang Chenggang**, serves as the Chairman of the Supervisory Board of the Company. He served as a Deputy Director of the Office and Deputy Secretaries of the Discipline Inspection Commission of the Company; acted as the Chairman of the Labor Union, Supervisor, Deputy Director of the Office and Deputy Secretaries of the Discipline Inspection Commission of the Company from Jun. 2012 to Dec. 2012; has been acting as the Deputy Party Committee Secretary of Jingzhou Sanonda Holdings Co., Ltd. and Secretary of the Discipline Inspection Commission of the company since January 2017; and he has been the Chairman of the Labor Union, Supervisor and Secretaries of the Discipline Inspection Commission of the Company since Jan. 2013.

**Mr. Liu Jianhua**, Doctor of Engineering, serves as a member of the Supervisory Board of the Company and as the Non Ag Business Manager of ADAMA China. He previously served as the GM Assistant of Hubei Sanonda Co. Ltd., as the COO of Jiangsu Anpon Electrochemical Co., Ltd., and as the member of CPC Committee of China National Agrochemical Corporation.

**Ms. Yuan Yuan**, serves as a member of the Supervisory Board of the Company and as Strategy & Business Manager of ADAMA China. She obtained a bachelor's degree of international trade from Zhongnan University of Economics and Law and a master degree of business administration from University of International Business and Economics. Before joining ADAMA, she served as Deputy and Executing Director of Commerce Dept. in China National Agrochemical Corporation.

**Mr. Guo Zhi**, serves as the secretary of the Board of Directors and the legal head of ADAMA China. Mr. Guo got his Master of Laws severally from Peking University and Melbourne University. From 2004 to 2017, he practiced law in Commerce & Finance Law Offices ("C&F") and had been a partner of C&F for eight years. His practicing area covers IPO, M&A, and Foreign Investment. From March 19, 2018 to November 16, 2020, he was a member of the Supervisory Board of the Company.

Positions in shareholder units

√ Applicable □ Not applicable

Name of the person holding any post in any shareholder unit	Name of the shareholder unit	Position in the shareholder unit	Beginning date of office term	Ending date of office term	Receives payment from the shareholder unit?
Erik Fyrwald	Syngenta Group	CEO	January 2020	--	No
	Syngenta AG	CEO and Executive Director	June 2016	--	Yes
Chen Lichtenstein	Syngenta Group	CFO	March, 2020	--	Yes
	Syngenta AG	CFO	March, 2020	--	Yes
Jiang Chenggang	Jingzhou Sanonda Holdings Co., Ltd.	Deputy Party Secretary, Secretary of the Discipline Inspection Commission	January 2017	--	No

## Positions in other units

√ Applicable □ Not applicable

Name of the person holding any post in any shareholder unit	Name of other unit	Position in other unit	Beginning date of office term	Ending date of office term	Receives payment from the other unit?
Erik Fyrwald	CropLife International	Director of the Board	2016	-	No
	Swiss-American Chamber of Commerce	Director of the Board	2016	-	No
	Bunge Limited	Director of the Board	2018	-	Yes
	Eli Lilly & Co.	Director of the Board	2005	-	Yes
Chen Lichtenstein	Solutions	Director	October 2017	-	Yes (as of March 1, 2020)
Chen Lichtenstein	The Israeli democracy institute	Director of the Board		-	No
Chen Lichtenstein	Friends of Tel Aviv University	Member of the Board of Trustees		-	No
An Liru	Solutions	Director	February 2014	-	Yes
An Liru	Solutions	Head of China Cluster	September 2017	-	Yes
An Liru	Adama (China) Investment Co., Ltd.	Director and General Manager	November 2018	-	No
An Liru	Adama (Beijing) Agricultural Technology Co., Ltd.	Chairman of Directors	November 2018	-	No
An Liru	Adama Agrochemical (Jiangsu) Co., Ltd.	Chairman of Directors	June 2017	-	No
Michal Arlosoroff	Solutions	SVP, General Counsel, Company Secretary & CSR Officer	October 2017	-	Yes



Name of the person holding any post in any shareholder unit	Name of other unit	Position in other unit	Beginning date of office term	Ending date of office term	Receives payment from the other unit?
Ge Ming	China Pingan Group	Independent Director	June 2015	August 2021	Yes
Ge Ming	Focus Media	Independent Director	January 2016	November 2021	Yes
Ge Ming	AsialInfo	Independent Director	December 2018	--	Yes
Ge Ming	Bank of Shanghai	Supervisor	June 2017	--	Yes
Ge Ming	Bank of Suzhou	Supervisor	July 2017	--	Yes
Ge Ming	Tencent Foundation	Supervisor	Jan 2019	--	No
Ge Ming	Beijing Huaming Fulong Accounting Consulting Co., Ltd.	Executive Director and General Manager	December 2001	--	No
Xi Zhen	Nankai University	Professor, Chairman of Department of Chemical Biology, Fellow of the University Committee	August 2002	-	Yes
Xi Zhen	National Agrochemical Engineering Research Center (Tianjin)	Director	May 2014	-	No
Xi Zhen	Division of Chemical Biology of Chinese Chemical Society	Deputy Director	January 2015	-	No
Xi Zhen	Agrochemical Science Division of Chinese Chemical Industry and Engineering Society	Deputy Director	November 2014	-	No
Xi Zhen	Suzhou Ribo Life Science Co., Ltd.	Director	January 2007	-	No
Liu Jianhua	Hubei Sanonda Foreign Trade Co., Ltd.	Executive Director	June 2021	-	No
Liu Jianhua	Jiangsu Anpon International Trading Co., Ltd.	Executive Director	April 2021	-	No

Particulars regarding the Company's current directors, supervisors and senior managers who received punishments, if any, from Securities Regulatory Institution during the recent three years (including the Reporting Period)

☐ Applicable ☒ Not applicable

### 3. Remuneration of directors, supervisors and senior management

#### Decision-making procedures, basis for determination and actual payment of the remuneration to directors, supervisors and senior executives

Remuneration of office holders is decided by the authorized organs of the Company according to the Remuneration Policy. In addition, global professional benchmarks, implementations of performance at the Company level, and the actual performance of the respective person are also taken into account in the resolutions regarding remuneration.

Independent directors are entitled to receive annual allowance and would not receive salary by the Company. The Company also adopted a remuneration plan of the non-independent directors. A non-independent director who holds a management position in the Company and/or any of its subsidiaries, shall receive the remuneration set for such position and will not be entitled to any additional remuneration for serving as a director; A non-independent director who doesn't hold a management position in the Company or any of its subsidiaries, may receive a monthly remuneration. For details, please see the Announcement of the Resolutions of 25<sup>th</sup> meeting of the 7<sup>th</sup> Session of the Board of Directors (Announcement no. 2018-5) and the Announcement of the Resolutions of 21<sup>st</sup> meeting of the 8<sup>th</sup> Session of the Board of Directors (Announcement no. 2020-7).

Internal supervisors, who are full-time employees of the Company (or any of its subsidiaries), will be entitled to receive a remuneration set for their posts and will not be entitled to any additional remuneration for serving as supervisors.

External supervisors, who are not employees of the Company (or any of its subsidiaries), will be entitled to receive annual allowance and would not receive salary by the Company.

For details, please see the Announcement of the Resolutions of 4<sup>th</sup> meeting of the 8<sup>th</sup> Session of the Board of Supervisors (Announcement no. 2018-25).

Total remuneration of the directors, supervisors and senior management of the Company during the Reporting Period is as follow:

Unit RMB'0000

Name	Position	Gender	Age	Current/Former	Total before-tax remuneration gained from the Company	Whether gained remuneration from the related parties of the Company
Erik Fyrwald	Chairman of the BOD	Male	63	Current		Yes
Chen Lichtenstein	Director	Male	54	Current		Yes
An Liru	Director	Male	52	Current		No
Ge Ming	Independent Director	Male	70	Current		No
Xi Zhen	Independent Director	Male	58	Current		No
Ignacio Dominguez	President & CEO	Male	62	Current		No
Michal Arlosoroff	General Legal Counsel	Female	63	Current		No
Jiang Chenggang	Chairman of the Supervisory Board	Male	47	Current		No
Liu Jianhua	Member of the Supervisory Board	Male	43	Current		No
Yuan Yuan	Member of the	Female	41	Current		No

Name	Position	Gender	Age	Current/Former	Total before-tax remuneration gained from the Company	Whether gained remuneration from the related parties of the Company
	Supervisory Board					
Guo Zhi	Secretary of the BOD	Male	44	Current		No
Aviram Lahav	Chief Financial Officer and Deputy CEO	Male	62	Former		No
Li Dejun	Member of the Supervisory Board	Male	64	Former		No
Clement Tung	Member of the Supervisory Board	Male	53	Former		No
<b>Total</b>					<b>10,602</b>	

## VIII. Performance of Directors of the Board during the Reporting Period

### 1. Particulars regarding the Board meeting during Reporting Period

Session	Convening date	Disclosure date	Resolutions of the Meeting
the 31st Meeting of the 8th Session of the Board of Directors	Mar 29, 2021	Mar 31, 2021	<p>The following resolutions were deliberated and adopted:</p> <ol style="list-style-type: none"> <li>1. Proposal on the 2020 Annual Report and its Abstract;</li> <li>2. Proposal on the 2020 Financial Statements;</li> <li>3. Proposal on the Pre-Plan of the 2020 Dividend Distribution;</li> <li>4. Proposal on the Self-Assessment report on the 2020 Internal Control of the Company;</li> <li>5. Proposal on the 2020 Working Report of the Board of Directors;</li> <li>6. Proposal on the 2020 Risk Appraisal Report of ChemChina Finance Co., Ltd;</li> <li>7. Proposal on the Remuneration of Senior Executives;</li> <li>8. Proposal on the Engagement with an Audit Firm for the Audit of the Financial Statements and Internal Control of the Company for 2021;</li> <li>9. Proposal on the Expected Related Party Transactions in the Ordinary Course of Business in 2021;</li> <li>10. Proposal on the Special Report on the Deposit and Actual Use of the Raised Funds in 2020;</li> <li>11. Proposal on the Cancellation of the Repurchased Shares and the Subsequent Decrease of the Registered Capital of the Company;</li> <li>12. Proposal on Revisions to the Articles of Association of the Company;</li> </ol> <p>After the review of the above proposals, 2020 Working Reports of the Independent Directors were presented to the meeting.</p>
the 32nd Meeting of the 8th Session of the Board of Directors	Apr 16, 2021	--	<p>The following resolution was deliberated and adopted:</p> <ol style="list-style-type: none"> <li>1. Proposal on the Disposal of Assets located at the Company's Jingzhou Site</li> </ol>
the 33rd Meeting of the 8th Session of the Board of	Apr 28, 2021	Apr 29, 2021	<p>The following resolutions were deliberated and adopted:</p> <ol style="list-style-type: none"> <li>1. Proposal on the Q1 2021 Report;</li> <li>2. Proposal on Bank Loans for the Working Capital of Jingzhou</li> </ol>

Session	Convening date	Disclosure date	Resolutions of the Meeting
Directors			Site; 3. Proposal on Providing Guarantees in Favor of two Wholly-owned Subsidiaries; 4. Proposal on the Nomination of Non-Independent Directors to Compose the 9th Session of the BOD; 5. Proposal on the Nomination of Independent Directors to Compose the 9 <sup>th</sup> Session of the BOD; 6. Proposal on the Election of the Chairman of the Board and Members of the Special Committees of the 9th Session of the Board of Directors; 7. Proposal on Calling for the 2020 Annual General Meeting
the 1st Meeting of the 9th Session of the Board of Directors	Jun 28, 2021	Jun 29, 2021	The following resolution was deliberated and adopted: 1. Proposal on Providing Guarantees in Favor of a Controlled Subsidiary
the 2nd Meeting of the 9th Session of the Board of Directors	Aug 17, 2021	-	The Board discussed the 2021 semi-annual report and related matters. No resolution was made.
the 3rd Meeting of the 9th Session of the Board of Directors	Aug 24, 2021	Aug 26, 2021	The following resolutions were deliberated and adopted: 1. Proposal on the 2021 Semi-Annual Report and its Abstract; 2. Proposal on the Special Report on the Deposit and Actual Usage of the Raised Funds in the First Half of 2021; 3. Proposal on the Risk Appraisal Report of ChemChina Finance Co., Ltd.
the 4th Meeting of the 9th Session of the Board of Directors	Sep 30, 2021	-	The following resolution was deliberated and adopted: 1. Proposal on the Arrangement for the Resignation of the Chief Financial Officer & Deputy Chief Executive Officer
the 5th Meeting of the 9th Session of the Board of Directors	Oct 27, 2021	Oct 28, 2021	The following resolutions were deliberated and adopted: 1. Proposal on the Q3 2021 Report; 2. Proposal on Credit Facilities of \$100m from the Related Party; 3. Proposal on Providing Guarantees in Favor of two Wholly-owned Subsidiaries
the 6th Meeting of the 9th Session of the Board of Directors	Dec 22, 2021	Dec 24, 2021	The following resolutions were deliberated and adopted: 1. Proposal on the 2022 Work Plan; 2. Proposal on the Signing of a Financial Service Agreement with Sinochem Finance Co., Ltd; 3. Proposal on the Risk Appraisal Report of Sinochem Finance Co., Ltd.; 4. Proposal on the Contingency Plan for Deposits at Sinochem Finance Co., Ltd; 5. Proposal on Calling for the 1st Interim Shareholders Meeting in 2022
the 7th Meeting of the 9th Session of the Board of Directors	Dec 31, 2021	Jan 4, 2022	The following resolution was deliberated and adopted: 1. Proposal on Signing of Entrusted Operation and Management Agreement on Anhui Petro & Chemical

## 2. Particulars regarding directors' attendance to board sessions and shareholders' general meetings

Details of directors' attendance to board sessions and shareholders' meetings							
Name of the Directors	Sessions required to attend during the Reporting Period	On-Site Attendance	Attendance by way of communication	Entrusted presence (times)	Absence rate	Non-attendance in person for two consecutive times	Attendance to shareholder meetings
Erik Fyrwald	10	--	10	--	--	No	1
Chen Lichtenstein	10	--	10	--	--	No	1
An Liru	10	--	10	--	--	No	1
Ge Ming	10	--	10	--	--	No	1
Xi Zhen	10	--	10	--	--	No	1

Note: As two directors are abroad, the Company's board meetings in 2021 were all conducted by means of communication, including video conference.

## 3. Particulars regarding directors' objections

Whether directors objected to various events

☐ Yes ☒ No

During the Reporting Period, no directors proposed any objection on relevant events of the Company.

## 4. Other explanations regarding the directors' duty performance

Whether directors' advice were adopted

☒ Yes ☐ No

### Explanation regarding advices of directors:

According to the Company Law, the Listed Corporate Governance Standards, and "Articles of Association", the directors, in general, during the Reporting Period, focus actively over Company's operation, and earnestly performs their duties, render professional suggestions to the Company's information disclosure and daily management decision-making, etc. The directors play a proper role in improving the supervision, and safeguard the legitimate rights and interests of the Company and its shareholders. The directors especially pay attention (and paid attention - during the Reporting Period) to the Company's operation state, dynamic state of the industry, public opinion and dynamic state report of the Company. They actively and effectively perform the duties of directors and well maintained overall benefits of the Company and the legal interests of all shareholders, especially the middle and small shareholders. Their roll is required for positive, normal, stable and healthy development of the Company.

## IX. Performance of the Special Committees under the Board during the Reporting Period

Name of the Committees	Member of Committees	Number of Meetings Held	Convening Date	Themes of Meetings	Important Comments and Proposals Made	Other Performance of Duties	Specifics of Objection Matters (if any)
Audit Committee	Ge Ming (Chairperson), Xi Zhen, An Liru	6	Mar 18, 2021	1. Proposal on the 2020 Financial Report 2. Proposal on the Engagement with an Audit Firm for the Audit of the Financial Statements and Internal Control of the Company for 2021 3. Proposal on the Expected Related Party Transactions in the Ordinary Course of Business in 2021 4. Proposal on the Self-Assessment Report on the 2020 Internal Control of the Company 5. Proposal on the 2020 Risk Appraisal Report of ChemChina Finance Company 6. Proposal on the Special Report on Annual Fund-raising and Actual Use of Funds	Approved	--	--
			Apr 26, 2021	1. Proposal on the Q1 2021 Report	Approved	--	--
			Aug 16, 2021	1. Proposal on the 2021 Semi-Annual Report and its Abstract 2. Proposal on the Special Report on the Deposit and Actual Usage of the Raised Funds in the First Half of 2021 3. Proposal on the Risk Appraisal Report of ChemChina Finance Co., Ltd.	Approved	--	--
			Oct 25, 2021	1. Proposal on the Q3 2021 Report 2. Proposal on Credit Facilities of \$100m from the Related Party	Approved	--	--
			Dec 22,	1. Proposal on the Signing	Approved	--	--

Name of the Committees	Member of Committees	Number of Meetings Held	Convening Date	Themes of Meetings	Important Comments and Proposals Made	Other Performance of Duties	Specifics of Objection Matters (if any)
			2021	1. of a Financial Service Agreement with Sinochem Finance Co., Ltd. 2. Proposal on the Risk Appraisal Report of Sinochem Finance Co., Ltd. 3. Proposal on the Contingency Plan for Deposits at Sinochem Finance Co., Ltd.			
			Dec 31, 2021	1. Proposal on Signing of Entrusted Operation and Management Agreement on Anhui Petro & Chemical	Approved	--	--
Remuneration and Appraisal Committee	Xi Zhen (Chairperson), Ge Ming, An Liru	2	Mar 21, 2021	1. Proposal on the Remuneration of Senior Executives	Approved	--	--
			Sep 30, 2021	1. Proposal on the Arrangement for the Resignation of the Chief Financial Officer & Deputy Chief Executive Officer	Approved	--	--
Nomination Committee	Xi Zhen (Chairperson), Ge Ming, An Liru	1	Mar 18, 2021	1. Proposal on the Nomination of Non-Independent Directors to Compose the 9th Session of the Board of Directors 2. Proposal on the Nomination of Independent Directors to Compose the 9th Session of the Board of Directors	Approved	--	--
Strategy Committee	Erik Fyrwald (Chairperson), Chen Lichtenstein, An Liru, Ge Ming, Xi Zhen	0	--	--	--	--	--

## X. Performance of the Supervisory Committee

Has the Supervisory Committee, during the Reporting Period, found a risk in the Company within its supervisory activity

☐ Yes ☒ No

The Supervisory Committee had no objection on the supervised events during the Reporting Period.

## XI. Particulars regarding Group's employees

### 1. Number of employees, professional composition and educational background

The number of on-duty employees in ADAMA Ltd. (person)	751
The number of on-duty employees in main subsidiary companies (person)	8,450
The total number of on-duty employees of the Group (person)	9,201
The total number of employees of the Group who received salaries in the period (person)	9,201
The number of retired employees for whom ADAMA Ltd. and main subsidiary companies need to pay retirement expense.	3,085
<b>Professional Composition</b>	
<b>Category</b>	<b>Number</b>
Production personnel	2,505
Sales personnel	342
Technicians	294
Financial personnel	92
Administrative personnel	470
<b>Total</b>	<b>3,703</b>
<b>Educational Background</b>	
<b>Category</b>	<b>Number</b>
Doctor	8
Master	156
Bachelor	703
College	766
Others	2,070
<b>Total*</b>	

Note: The figures under "Professional Composition" represent those of the Company and the domestic subsidiaries held by it and do not cover the Group's 5,498 overseas employees.

### 2. Employee's remuneration policy

The Company's remuneration policy in 2021 is the same as in 2020. It is still a salary structure that integrates post salary, quarterly performance bonus and annual performance bonus.



The Company established an online and offline assessment model. Online assessment is carried out by SF system. Individual goals are set at the beginning of the year and are assessed at the end of the year.

### 3. Employee's training plan

The Group usually conducts seminars, trainings, exercises and refresh of procedures (including with respect to increasing safety awareness) to its various employees in its various entities, as needed and/or required under its applicable procedures.

### 4. Labor outsourcing

√ Applicable □ Not applicable

Details of ADAMA Ltd. on labor sourcing are as follows.

Total number of hours of service outsourcing (hours)	745,798
Total remuneration paid for service outsourcing (RMB)	24,073,771.62

X. Situations for dividend distribution and turning capital reserve into share capital Dividend distribution policies, especially the formulation, execution or the adjustment of the cash dividend policies during the Reporting Period

√ Applicable □ Not applicable

The Company did not revise its dividend distribution policy over the Reporting Period. The 2020 Annual General Meeting which was held on May 21, 2021 approved the dividend distribution plan for the year 2020. The Company accordingly published an Announcement of Dividend Distribution for the Year 2020 on July 3, 2021 (announcement No.2021-30).

Special explanation of the cash dividend policy	
Whether conformed with the regulations of the Articles of association or the requirements of the resolutions of the shareholders' meeting:	Yes
Whether the dividend standard and the proportion were definite and clear:	Yes
Whether the relevant decision-making process and the system were complete:	Yes
Whether the independent director acted dutifully and exerted the proper function:	Yes
Whether the medium and small shareholders had the chances to fully express their suggestions and appeals, of which their legal interest had gained fully protection:	Yes
Whether the conditions and the process met the regulations and was transparent of the adjustment or altered of the cash dividend policy:	Not Applicable

List of the dividend distribution proposals (preplan) of the common shares, and the proposal (preplan) of turning capital reserve into share capital of the Company of the recent 3 years:

**2019 profit distribution proposal:** based on the total share capital on February 28, 2020, after obtaining the approval of Board of Directors, the Company declared a cash dividend of RMB 0.12 (before tax) for every 10 shares to the all

shareholders. No share will be distributed as share dividend, as well as no reserve will be transferred to equity capital.

**2020 profit distribution proposal:** based on the total share capital of 2,329,811,766 which are entitled to the dividends as of the record day when this profit distribution proposal is implemented, after obtaining the approval of Board of Directors, the Company declared a cash dividend of RMB 0.16 (before tax) for every 10 shares to the all shareholders. No share will be distributed as share dividend, as well as no reserve will be transferred to equity capital.

**2021 profit distribution proposal:** based on the total share capital of 2,329,811,766 on February 28, 2022, after obtaining the approval of Board of Directors, the Company plans to declare a cash dividend of RMB 0.08 (before tax) for every 10 shares to the all shareholders. No share will be distributed as share dividend, as well as no reserve will be transferred to equity capital.

Cash dividend distribution of the common shares of the Company in the last 3 years (including the Reporting Period):

Unit: RMB

Dividend year	Amount of cash dividend (before tax)	Net profit belonging to shareholders of the listed company in consolidated statement of dividend year	The ratio of the cash dividends accounting in net profit which belongs to shareholders of the listed company in consolidated statement	Amount of the cash dividend by other methods (such as share buyback)	Ratio of the cash dividend by other methods accounting in net profit which belongs to shareholders of the listed company in consolidated statement	Total amount of cash dividend (including other ways)	The ratio of total amount of cash dividend (including other ways) accounting in net profit which belongs to shareholders of the listed company in consolidated statement
2021	18,638,494.13	163,313,000	11.4%	0.00	0.00%	18,638,494.13	11.4%
2020	37,276,988.26	352,753,000	10.57%	60,399,296	17.12%	97,676,284.26	27.69%
2019	29,358,642.98	277,041,000	10.6%	0.00	0.00%	29,358,642.98	10.6%

The Company (including its subsidiaries) made profit in the reporting period and the profits distribution of the common shares held by the shareholders of the Company (without subsidiaries) was positive, but it did not put forward a preplan for cash dividend distribution of the common shares:

☐ Applicable ☒ Not applicable

Situations for dividend distribution and turning capital reserve into share capital for the Reporting Period

☒ Applicable ☐ Not applicable

The Company plans to distribute cash dividends for the year 2021, and does not intend to issue bonus shares or transfer capital reserve to share capital.

Bonus shares for every 10-share (Share)	Not Applicable.
Dividends for every 10-share (RMB) (Tax included)	0.08
Every 10-share increased the shares' number	0
Equity base of distribution plan (Share)	On the basis of 2,329,811,766 shares on February 28, 2022

Cash dividend (RMB) (Tax included)	18,638,494.13
Amount of the cash dividend by other methods (e.g. share buyback)	0
Total cash dividend (RMB) (Tax included)	18,638,494.13
Distributable profits (RMB)	163,313,000
Ratio of the Cash dividend (including the amount to be distributed in other ways) accounting in the total amount of the distributed dividend	100%

#### Cash dividends of This Time

If the development phase of the Company was the mature period with significant funds expenditures arrangement, the proportion of the cash dividend should at least reach 40% of the total profit distribution.

#### Detailed Description on the Pre-Plan for Profit Allocation or Turning Capital Reserve into Share Capital

As audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, the net profit attributable to shareholders of the Company is RMB 163,313 thousand. As there is no transfer to statutory surplus reserve (10% of the net profit on a standalone basis of the Reporting Period is RMB 0), profit available for distribution for the year 2021 is RMB 163,313 thousand.

The proposal for profit distribution for the year 2021 is a distribution of 10% of the total profit available for distribution, calculated as follows with no transfer of reserves into equity:

On the basis of 2,329,811,766 shares on February 28, 2022, the Company plans to declare a cash dividend of RMB 0.08 (before tax) for every 10 shares to all shareholders, resulting in a total cash dividend of RMB 18,638,494.13 (before tax). No share will be distributed as share dividend, and no reserve shall be transferred to equity capital.

## XII. Stock incentive plans, ESOPs or other employee incentives

☐ Applicable ☒ Not applicable

To the date of the report, the Company does not have stock incentive plans, ESOP or other staff incentives. It shall be noted, that Adama Solutions currently has several long-term incentive plans according to which it has granted long-term cash rewards to executive officers and employees. These long-term incentive plans are based either on the performance of the Company's shares (phantom cash incentives) and/or the Company's performance.. Adama Solutions has further adopted an incentive plan linked to the increase in the Syngenta Group EBITDA.

## XIII. System Establishment and Implementation for Internal Control during the Reporting Period

### 1. System Establishment and Implementation

The Group's existing internal control system adapts to the management requirements. It also provides a reasonable basis for the preparation of true and fair financial statements, and ensures the healthy operation of the Group's various business activities, as well as the implementation and compliance of relevant laws and regulations and the Group's own internal rules. With the changes in the external environment and the development of the Group's business, the Company plans to take the following measures to further improve the internal control system:

(1) Further improve the internal control system by strengthening the research and implementation of internal control management and risk management. Based on the risk assessment result and the needs of the Group, adjust and improve

the relevant business processes in a timely manner to establish effective internal control system which would improve work efficiency.

(2) Emphasizing on the importance and education of the internal control system within the Group. Providing training to managerial personnel on the related laws and regulations regarding internal controls. This would enhance the awareness and level of standardization of operation, which could further improve the corporate governance structure.

(3) Regularly evaluating key controls in the business processes. Through the rectification of issues identified, the management and operation risks would be reduced which could lead to a better operation.

(4) Continuously improving the execution of internal controls. Constructing the internal control systems including internal environment, risk assessment, control activities, information and communication, and internal supervision in accordance with the requirements by the "Basic Standards for Enterprise Internal Control", in order to improve the systematization and effectiveness of the internal control.

(5) Strengthening the management and control of high-risk areas through effective integration with the internal control evaluation system to ensure that the Group's major risks are under control. At the same time, the existing internal control system is continuously reviewed and improved along with the optimization of management processes, which is to minimize business risks and ensure the Group's sustainable, stable and healthy development.

For details, please refer to the "2021 Annual Internal Control Self-Assessment Report" published by the Company on www.cninfo.com.cn on March 31, 2022.

## 2. Details of the Material deficiencies in internal control identified during the reporting period

☐ Yes ☒ No

## XIV. Management control over subsidiaries during the reporting period

Name of the Company	Integration Plan	Integration Progress	Problems during the Integration	Solutions Taken	Progress in Solving the Problems	Follow-up Solutions
ADAMA Huifeng (Jiangsu) Co., Ltd	The Company plans to control and manage ADAMA Huifeng after the closing through the shareholders' meeting, meeting of the board of directors and the general manager and legal representative appointed by the Company. In addition, the Company plans to carry out integration plan from financial information uploading, sorting out organizational structure and	The directors and general manager nominated by the Company have taken office in time. ADAMA Huifeng convened meetings of the board of directors and shareholders as needed deciding on relevant matters. The corporate governance structure, management team, reporting	Procurement of information system hardware lagged behind, affecting the system integration schedule.	Before the information system is connected, data will be imported into the Company's system on time and as required through offline mode.	The information system integration plan has been adjusted according to the time of hardware procurement. At present, the alternative offline data transmission can basically meet the demand.	At present, integration work has been basically completed. The Company will optimize management of ADAMA Huifeng according to the actual situation.

Name of the Company	Integration Plan	Integration Progress	Problems during the Integration	Solutions Taken	Progress in Solving the Problems	Follow-up Solutions
	authorization, and strengthening safety and environmental protection., etc.	and authority division with the Company are completed.				

## XV. Self-assessment Report or Audit Report on Internal Control

### 1. Self-assessment report on internal control

Date of disclosure of self-assessment report on internal control	March 31, 2021
Reference website of self-assessment report on internal control	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
Rate of total Assets of Units within the Assessment Scope Compared to Total Assets in the Consolidated Statements of the Company	69.25%
Rate of total Operating Income of Units within the Assessment Scope Compared to Total Operating Income in the Consolidated Statements of the Company	68.54%

#### Criteria of Deficiency

Categories	Internal control over financial reporting	Internal control not related to financial reporting
Qualitative criteria	<p><b>Material Deficiency:</b> Resulting in an adverse opinion or disclaimer of opinion, by a CPA, on the Company's financial statements; or resulting in a material correction of the Company's publicly announced financial statements.</p> <p><b>Significant Deficiency:</b> Resulting in a qualified opinion, by a CPA, on the Company's financial statements; or resulting in an adverse opinion or disclaimer of opinion, by a CPA, on the Company's material subsidiaries' (i.e. Solutions) financial statements; or resulting in a significant correction of the Company's material subsidiaries' (i.e. Solutions) publicly announced financial statements. In addition, where no internal control or no relevant compensation control is established or implemented for the accounting treatment for unusual or special transactions.</p> <p><b>General Deficiency:</b> Resulting in an unqualified opinion, with an explanatory paragraph, by a CPA,</p>	<p><b>Material Deficiency:</b></p> <ol style="list-style-type: none"> <li>1) Fraud committed in the Company by any of its directors, supervisors and senior management personnel;</li> <li>2) The Company materially violates material laws and regulations, resulting in a material effect on the Company's business;</li> <li>3) Material design deficiencies in the Company's relevant management system;</li> <li>4) The Company materially violates the decision-making process thereby causing a material negative impact on the Company's business (generally related to matters that need to be approved by the shareholders meeting or the board of directors).</li> <li>5) Material impact to the Company's reputation.</li> </ol> <p><b>Significant Deficiency:</b></p> <ol style="list-style-type: none"> <li>1) Significant fraud committed by any department head of the Company;</li> </ol>

	<p>on the Company's financial statements; or resulting in a qualified opinion, or unqualified opinion with an explanatory paragraph, by a CPA, on the Company's subsidiaries' financial statements.</p>	<p>2) Significant fraud committed by a head of any of the Company's material subsidiaries;  3) The Company violates significant laws and regulations, resulting in significant fines as well as a significant effect on the Company's business;  4) Significant design deficiencies found in the Company's relevant management system; Material design deficiencies are found in the relevant management systems of subsidiaries;  5) The Company violates material decision-making procedures, resulting in a significant effect on the Company's business (generally referred to matters subject to senior management's decision);  6) Material Subsidiaries violate decision-making process, thereby causing a material negative impact on the Company's business (generally referred to matters that need to be decided by the shareholders' meeting or the board of directors).  7) Significant impact to the Company's reputation.</p> <p><b>General Deficiency:</b>  1) Fraud committed by any other personnel in the Company;  2) Fraud committed by any other personnel in material subsidiaries;  3) The Company materially violates material internal regulations or non-materially violates material laws and regulations, resulting in negative feedback from regulatory authorities;  4) There are other violations of laws and regulations or internal regulations found in material subsidiaries.  5) There are general design deficiencies in the relevant management system of the Company; other design deficiencies exist in the relevant management system of the material subsidiaries;  6) The Company violates the decision-making process, resulting in a negative impact on the Company's business;  7) Material Subsidiaries violate decision-making process, resulting in a negative impact on the Company's business.</p>
<b>Quantitative criteria</b>	<p><b>Material Deficiency:</b>  The misstatement in financial report relates to an amount that is greater than or equal to RMB 100 million.</p> <p><b>Significant Deficiency:</b>  The misstatement in financial report relates to an amount that is greater than or equal to RMB 50</p>	<p><b>Material Deficiency:</b> Asset Loss <math>\geq</math> RMB 150 million  <b>Significant Deficiency:</b> RMB 80 million <math>\leq</math> Asset Loss &lt; 150 million RMB  <b>General Deficiency:</b> Asset Loss &lt; 80 million RMB</p>

	million, but less than RMB 100 million. <b>General Deficiency:</b> Resulting in other misstatement related amounts.	
Number of material deficiencies in internal control over financial reporting	0	
Number of material deficiencies in internal control not related to financial reporting	0	
Number of significant deficiencies in internal control over financial reporting	1	
Number of significant deficiencies in internal control not related to financial reporting	0	

## 2. Audit report on internal control

☒ Applicable ☐ Not applicable

Audit opinion paragraph in the internal control audit report	
Disclosure of internal control audit report	Disclose
Date of disclosure of internal control audit report	March 31, 2021
Reference website of internal control audit report	<a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
Type of audit opinion in the internal control audit report	Unqualified opinion.
Is there any material deficiencies in internal control not related to financial reporting	No.

Does the accounting firm issue non-standard audit opinion on internal control?

☐ Yes ☒ No

Is the opinion issued by accounting firm consistent with the opinion in the self-assessment report by the Board?

☒ Yes ☐ No

## **XVI. Rectification of Problems Identified during the Self-examination Action Dedicated for Corporate Governance of Listed Companies**

In January 2021, Hubei Regulatory Bureau of CSRC issued the Notice on Special Actions of Corporate Governance of Listed Companies under its Jurisdiction. The Company attached great importance to this self-inspection and carried out relevant work.

Through self-inspection, the Company identified following areas that it needs to further improve and strengthen the level of corporate governance:

- Update relevant policies and procedures of corporate governance and internal control according to latest laws, regulations and regulatory requirements and in combination with the actual situation of the Company;
- Further strengthen training of the Company's directors, supervisors and senior management of relevant laws and regulations, and further standardize their work and raise self-discipline awareness;
- New Board of Directors and Board of Supervisors were not elected when the 8<sup>th</sup> Board of Directors and Board of Supervisors expired.

The Company carried out the following rectification measures:

- On April 28, 2021, the Company held the 33rd meeting of the 8th Board of Directors approving the proposal on the election of the board of directors and the nomination of non-independent directors and independent directors, as well as the proposal on the Chairman of the 9th Board of Directors and members of the special committee of the Board. The 17th meeting of the 8th Board of Supervisors approved the proposal on the election of the Board of Supervisors and the nomination of non-employee representative supervisors. On May 21, 2021, the 2020 annual general meeting of shareholders was held approving the above proposals and elected the 9<sup>th</sup> Board of Directors and Board of Supervisors of the company.
- The 9<sup>th</sup> meeting of the 9<sup>th</sup> Board of Directors was held on March 29, 2022, approving the update of the Management Policy of Related-Party Transactions, the Management Policy of Registration of Insiders Information and the Management Policy of Information Disclosure.
- The Company actively organized the directors, supervisors and senior management participate in the relevant trainings organized by the dispatched organs of CSRC and Shenzhen Stock Exchange. It regularly compiled training material and latest development of China's capital market laws, regulations and hot events into Chinese and English regulatory reports, which are sent to directors, supervisors and senior management, to enhance timely study and in-depth implementation of China's policies by foreign directors and senior managers.



## Section V - Environment and Social Responsibilities

### I. Major Environmental Protection Issues

Is the Company listed as key polluting entities by environmental protection agencies?

√ Yes □ No

Company name	Main pollutants and special pollutants	Way of emission	Number of emission points	Layout of emission points	Concentration	Pollution standards applied	Total amount emitted/ Discharged (ton)	Total amount Approved (ton)	Exceeding limit
ADAMA Ltd.	COD	Continuous	2	Centralized discharge point	Old site: 30.57mg/L New site: 18.99mg/L	(1) for the old site: Comprehensive Standard on Discharge of Waste Water (GB8978-2002), COD<100mg/L; (2) for the new site: Discharge Standards for Pollutants from Urban Sewage Treatment Plant (GB 18918 – 2002), COD <50mg/L	94.534	173.2104	No
	Ammonia nitrogen	Continuous	2	Centralized discharge point	Old site: 0.97mg/L New site: 2.07mg/L	(1) for the old site: Comprehensive Standard on Discharge of Waste Water (GB8978-2002), ammonia nitrogen<15mg/L; (2) for the new site: Discharge Standards for Pollutants from Urban Sewage Treatment Plant (GB 18918 – 2002), ammonia nitrogen<8mg/L;	9.941	17.321	No
	Total Phosphorous	Continuous	2	Centralized Discharge Point	Old site: 0.28mg/L New site: 0.59 mg/L	for the old site & new site: Discharge Standards for Pollutants from Urban Sewage Treatment Plant (GB 18918 – 2002), total phosphorous <0.5mg/L	1.267	1.722	No
	NOx	Continuous	3	Power plant, incinerator of hazardous waste, RTO	Power plant: 20.1mg/m3 Incinerator of hazardous waste: 51.40 mg/m3 RTO: 5.65 mg/m3	(1) Power plant: Standard on Ultra-Low Pollutant Emission, NOx <50mg/m <sup>3</sup> (2) Incinerator of hazardous waste: Standard on Pollution Control of Hazardous Waste Incineration (GB18484-2020), Table 3, NOx <300 mg/m <sup>3</sup> (3) RTO: Standard on Air Pollutants of Agro-chemical Manufacturing Industry (GB 39727—2020), Table 1 and 2, NOx <200 mg/m <sup>3</sup>	32.856	260.27	No

Company name	Main pollutants and special pollutants	Way of emission	Number of emission points	Layout of emission points	Concentration	Pollution standards applied	Total amount emitted/ Discharged (ton)	Total amount Approved (ton)	Exceeding limit
	SO <sub>2</sub>	Continuous	3	Power plant, incinerator of hazardous waste, RTO	Power plant: 2.9 mg/m <sup>3</sup> Incinerator of hazardous waste: 7.66 mg/m <sup>3</sup> RTO: 5.06 mg/m <sup>3</sup>	(1) Power plant: Standard on Low Pollutant Emission, SO <sub>2</sub> <35mg/m <sup>3</sup> (2) Incinerator of hazardous waste: Standard on Pollution Control of Hazardous Waste Incineration (GB18484-2020), Table 3, SO <sub>2</sub> <100 mg/m <sup>3</sup> (3) RTO: Standard on Air Pollutants of Agro-chemical Manufacturing Industry (GB 39727—2020), Table 1 and 2, SO <sub>2</sub> <200 mg/m <sup>3</sup>	5.365	116.48	No
	Fume and dust	Continuous	3	Power plant, incinerator of hazardous waste, RTO	Power plant: 0.6 mg/m <sup>3</sup> Incinerator of hazardous waste: 2.38 mg/m <sup>3</sup> RTO: 13.67 mg/m <sup>3</sup>	(1) Power plant: Standard on Low Pollutant Emission, fume and dust<10mg/m <sup>3</sup> (2) Incinerator of hazardous waste: Standard on Pollution Control of Hazardous Waste Incineration (GB18484-2020), Table 3, fume and dust<30 mg/m <sup>3</sup> (3) RTO: Standard on Air Pollutants of Agro-chemical Manufacturing Industry (GB 39727—2020), Table 1 and 2, fume and dust<30 mg/m <sup>3</sup>	0.671	44.8824	No
	VOCs	Continuous	1	RTO	RTO: 7.44 mg/m <sup>3</sup>	Standard on Air Pollutants of Agro-chemical Manufacturing Industry (GB 39727—2020), Table 1 and 2, VOCs<100 mg/m <sup>3</sup>	0.0636	6.941t/a	No
Anpon	COD	Continuous	3	Centralized Discharge Point	79.67 mg/L	Comprehensive Standard on Discharge of Waste Water (GB8978-1996), COD<500mg/L	190.99	311.202	No
	Ammonia Nitrogen	Continuous	3	Centralized Discharge Point	2.32 mg/L	Water Quality Standard for Sewage Discharged into Urban Sewerage (GBT 31962-2015) , Ammonia Nitrogen <45mg/L	1.49	31.617	No
	Total Phosphorous	Continuous	3	Centralized Discharge Point	0.99 mg/L	For Anpon: Water Quality Standard for Sewage Discharged into Urban Sewerage (GBT 31962-2015) , total phosphorous <8mg/L; For branch Maidao: Agreement on Waste Water Discharge, total phosphorous <3mg/L;	1.032	20.442	No
	NO <sub>x</sub>	Continuous	1	Power Plant	/	Standard on Air Pollution of Power Plant (GB13223-2011) NO <sub>x</sub> <100mg/m <sup>3</sup>	/	447.366	No. Power plant was

Company name	Main pollutants and special pollutants	Way of emission	Number of emission points	Layout of emission points	Concentration	Pollution standards applied	Total amount emitted/ Discharged (ton)	Total amount Approved (ton)	Exceeding limit
									stopped.
	SO <sub>2</sub>	Continuous	1	Power Plant	/	Standard on Air Pollution of Power Plant (GB13223-2011) SO <sub>2</sub> <50mg/m <sup>3</sup>	/	447.366	No. Power plant was stopped.
	Fume and Dust	Continuous	1	Power Plant	/	Standard on Air Pollution of Power Plant (GB13223-2011) Fume and Dust<20mg/m <sup>3</sup>	/	67.105	No. Power plant was stopped.
	VOCs	Continuous	22	Anpon:18, Maidao:4	Maidao: 3.86 mg/m <sup>3</sup> Anpon: 26.23 mg/m <sup>3</sup>	Standard on VOCs Emission of Chemical Industry (DB 32/3151-2016)	2.56	84.678	
Huifeng	COD	Continuous	1	Centralized Discharge Point	176.1063mg/l	Standard of Industry Park	115.165	247.6378	No
	Ammonia Nitrogen	Continuous	1	Centralized Discharge Point	2.006mg/l	Standard of Industry Park	1.3798	19.3783	No
	Total Phosphorous	Continuous	1	Centralized Discharge Point	0.5997mg/l	Standard of Industry Park	0.4169	0.9285	No
	Total Nitrogen	Continuous	1	Centralized Discharge Point	26.9804mg/l	Standard of Industry Park	17.0209	46.77204	No
	NO <sub>x</sub>	Continuous	10	RTO, plants	16.8813mg/m <sup>3</sup>	Standard on Air Pollutants of Agro-chemical Manufacturing Industry (GB 39727—2020)	19.8814	147.7072	No
	SO <sub>2</sub>	Continuous	10	RTO, plants	5.9869mg/m <sup>3</sup>	Standard on Air Pollutants of Agro-chemical Manufacturing Industry (GB 39727—2020)	6.4714	47.1958	No
	Fume and Dust	Continuous	10	RTO, plants	9.7608mg/m <sup>3</sup>	Standard on Air Pollutants of Agro-chemical Manufacturing Industry (GB 39727—2020)	10.966	22.7146	No
	NMHC	Continuous	10	RTO, plants	9.9983mg/m <sup>3</sup>	Standard on Air Pollutants of Agro-chemical Manufacturing Industry (GB 39727—2020)	13.3653	62.92994	No

## 1. Development and Operation of Environmental Facilities

### (1) Development and Operation of Waste Water Facilities

The Company has a 20,000 tons/ D wastewater treatment station, adopting the process of "two-layer A / O + MBR + ozone synergistic oxidation + MBBR + calcium removal of phosphorus". The wastewater treatment facilities are running normally. After treatment, the COD, ammonia nitrogen and total phosphorus in the discharged wastewater are within the limit.

ADAMA Anpon, the subsidiary of the Company, has a 11,000 tons/ D wastewater treatment station. As all its facilities are operating well, COD, ammonia nitrogen, and total phosphorous discharged after the treatment are within the limit.

ADAMA Hufeng, the subsidiary of the Company has a 5000 tons/D wastewater treatment station. As all its facilities are operating well, COD, ammonia nitrogen, total nitrogen and total phosphorous discharged after the treatment are within the limit.

### (2) Development and Operation of Waste Gas Facilities

The Company's coal-fired thermal power plant was carried out ultra-low emission transformation. After the transformation, the environmental protection facilities of the power plant operate normally. Sulfur dioxide, nitrogen oxides and dust in flue gas all meet the ultra-low emission standards.

The incinerator of hazardous waste of the Company adopt the process of "SNCR + semi dry (quench) deacidification + activated carbon injection + bag dust removal + SCR" for the tail gas. Sulfur dioxide, nitrogen oxides and fume and dust in tail gas all meet the standard.

The RTO of the Company adopts treatment process of VOCs using "acid washing and absorption + alkali washing and absorption + three-chamber RTO incineration + quench tower + alkali absorption". Sulfur dioxide, nitrogen oxide, fume and dust, and VOCs in the tail gas all meet the standard.

ADAMA Anpon, the subsidiary of the Company, is equipped with RTO, TO, resin adsorption and other tail gas treatment facilities. Under the condition of meeting the emission standard, operation management is strengthened to further reduce the total VOCs emission.

ADAMA Huifeng, the subsidiary of the Company, has RTO, alkali washing facilities and acid washing facilities, which are respectively used to treat process waste gas containing volatile organic compounds, acid washing waste gas and alkali washing waste gas. The main emission indicators of waste gas, such as sulfur dioxide, nitrogen oxides, fume and dust, and NMHC in tail gas all meet the standard.

(3) The Company and its subsidiaries, ADAMA Anpon and ADAMA Huifeng disclose production and pollution information according the Interim Measures on Environmental Information Disclosure and transfer information of main wastewater and air pollutants to the information platform of the local environmental bureaus on a daily basis.

## 2. EIA of construction projects and other environmental administrative permits

During the reporting period, the Company obtained "Review Opinions on the Reconstruction and Expansion of Waste Water Discharge at the Estuary", "Approval of Amendment to Environmental Impact Report of the Insecticide Relocation and Upgrading Project" and "Reply to the Environmental Impact Report of Salt Well Survey and Drilling Project". It also renewed its waste discharge permit which is now valid.

ADAMA Anpon, the subsidiary of the Company, received "Reply to the Environmental Impact Report of Expansion of Utilities and Auxiliary Facilities" and "Reply on the Environmental Impact Report of the Relocation and Upgrading of 1000 t/a Pymetrozine (converted into 100%)". Its Maidao branch changed its waste discharge permit which is now valid.

ADAMA Huifeng, the subsidiary of the Company, received approvals of Yancheng Ecological Environment Bureau on upgrading of Flutriafol AI, Epoxiconazole AI, Glufosinate AI and 2,4-D isooctyl ester AI. It also renewed its waste discharge permit.

### 3. Contingency Plan of Environmental Accidents

The Company and its relevant subsidiaries have formulated the Contingency Plan for Environmental Emergencies according to their production facilities and industry features, and then submitted files to the local environmental protection authorities as record.

### 4. Environment self-monitoring plan

ADAMA attributes great importance to protecting the environment, out of a sense of responsibility to society and the environment and strives to meet the relevant regulatory requirements and to even go beyond mere compliance, engaging in constant dialogue with stakeholders, including the authorities and the community.

In order to improve the environmental management, track the discharge of various pollutants, evaluate the impact on the surrounding environment, strengthen the discharge management of pollutants in the production process, accept the supervision and inspection of environmental authorities and provide reference for pollution prevention and control, the company and its subsidiaries Anpon and Huifeng have formulated a self-monitoring plan, which conducts regular tests in strict accordance with the requirements.

The major monitored indicators and frequency are as the following:

#### 1. Monitored Indicators

Waste water: COD, NH<sub>3</sub>-N, PH, SS, Petroleum, TP.

Air Pollutant: SO<sub>2</sub>, Nitrogen oxide, Fume and Dust, Non Methane Hydrocarbon

Noise: Noise at the Site Border

#### 2. Frequency

Fume and dust and NMHC in boiler emission, SO<sub>2</sub>, NO<sub>x</sub>, fume and dust of RTO, and wastewater discharged from the centralized point (COD, Ammonia Nitrogen and total phosphorous): continuous auto monitoring

Manual sampling: particles from certain air emissions, suspended particles from wastewater and Petroleum once a month.

Noise: once a quarter.

ADAMA continually examines the implications of the environmental laws, taking actions to prevent or mitigate the environmental risks and to reduce the environmental effects that may result from its activities, and invests extensive resources to fulfill those legal provisions that are, and are anticipated to, affect it. ADAMA's plants are subject to atmospheric emissions regulations, whether by virtue of the stipulations provided in the business licenses or under the applicable law. Hazardous materials are stored and utilized in the Company's plants, together with infrastructures and facilities containing fuels and hazardous materials. ADAMA takes actions to prevent soil and water pollution by these materials and treats them, if revealed. ADAMA's plants conduct various soil surveys, risk surveys and tests with regard to treatment of the soil or ground water at the plants.

ADAMA intends to continue investing in environmental protection, to the extent required and beyond this, whether on its own volition or in compliance with contractual commitments, regulatory or legal standards relating to environmental protection, so as to realize its best available policy and comply with any legal requirements.

As part of its policy of ecological process improvement, ADAMA also invests in remediation, changes in production processes, establishment of sewage facilities, as well as in byproduct storage and recycling.

**5. Administrative punishment for environmental problems during the reporting period**

Name of the Company or Subsidiaries	Reasons of Punishment	Violations	Penalty Results	Impact on the Production and Business of the Listed Company	Rectification Measures
ADAMA (Nanjing) Agricultural Technology Co., Ltd.	Failed to change activated carbon on time and in full	Activated carbon has been used over its service life	Shall rectify immediately and pay a fine of 20,000 RMB	No impact	Changed activated carbon a

**6. Other environmental information that should be disclosed**

None

**7. Measures taken to reduce its carbon emissions during the reporting period and their effects**√ Applicable ☐ Not applicable

During the reporting period, the Company established the working group on energy conservation and carbon reduction, formulated the indicators of energy conservation and carbon reduction in the future, completed carbon emission verification and compliance, and carried out a number of energy conservation and emission reduction work, such as recovering the waste heat of hydrogen brine by adding heat exchangers, saving steam consumption, and reasonably allocating resources through the combined transformation of utilities (refrigeration station and compressed air station), reducing energy consumption and maintaining facilities, changing the model of water pumps and motors, adding frequency converter make water pump motors better match the actual demand, optimizing the design of chlor-alkali brine process pipeline to reduce energy consumption and CO<sub>2</sub> emission, etc.

**8. Other environmental related information**

None

**II. Social Responsibilities**

ADAMA is being engaged in more than 10-year journey of an ongoing commitment to accountability and transparency regarding its operations and business. During 2021, ADAMA published its first ESG report following 10 years of reporting CSR reports using a dedicated website, reflecting its activities and improvements that are the outcome of at least 10-year investment. The website and the ESG report provide meaningful insights into the challenges and opportunities it faces in becoming not only a global supplier of crop protection products, solutions, and services, but one that aims to bolster food security in a world where populations are rising, resources are dwindling, and energy demands are increasing.

The website is also an opportunity for ADAMA group to engage with, and enter into, a dialogue with its employees and stakeholders. ADAMA is committed in its efforts to further increase transparency broadening its disclosures and continuing working closely with all relevant stakeholders on reporting ESG performance.

With the aid of the designated website, the Company shares how it integrates sustainability into its business and operations to create long-term value for all the Company's stakeholders: customers, people, communities, shareholders, and society at large. In this respect, the Company is periodically updating the Sustainability Report presented on its website. The Sustainability Reports issued are in accordance with the Global Reporting Initiative (GRI) SRS framework at the "Core" level.

The Company and its production subsidiaries have passed the review of safety standardization enterprises (hazardous chemicals). The Company integrates safety standardization with HSE system and operates effectively. It optimized the management structure, earnestly implemented the mechanism of one post with two responsibilities and revised the safe production accountability policy according to the structure and the functions of each department. It enhanced safe production management organization and network, designated full-time safety personnel, adjusted the composition of safety standardization working group according to its actual operation, and clarified the responsibilities and division of labor. During the reporting period, the Company improved safe production process from the perspectives of resources and budget, equipment and processes and safety management. In terms of the process, measures such as using low-risk chemicals to replace high-risk chemicals, continuous reaction to replace batch reaction, reducing process temperature and pressure, etc. are taken to improve intrinsic safety. In terms of engineering, the Company has continuously improved automation, and equipped production with effective safety measures such as automatic control, alarm, interlocking, safety instrument system and emergency pressure relief devices. In terms of management, the Company has continued to focus on core elements such as process hazard analysis, change management, safety inspection before start-up and mechanical integrity, significantly improving process safety. At the same time, the Company attaches importance to strengthening safety investment in safety facilities, equipment maintenance and testing, daily monitoring and evaluation, training, promotion and application of new technologies, etc. In terms of safe production education and training, the Company focuses on learning and implementing the safe production law, defines the requirements of "Safe Production Responsibilities for All", and organized nearly 900 safety education and training sessions. During the reporting period, production sites altogether received various inspections from governments and companies at higher levels for 81 times, and basically completed the rectification according to the inspection results.

### **III. Enhancement of the results of poverty alleviation and rural revitalization**

In terms of consolidating and expanding the achievements of poverty alleviation and rural revitalization, in order to deeply implement the decisions and deployment of poverty alleviation by central, provincial and municipal governments, and vigorously implement targeted poverty alleviation, targeted poverty alleviation and "sunshine poverty alleviation", the Company's Jingzhou site actively responded to the call of Hubei Federation of Trade Unions and Jingzhou Federation of Trade Unions and purchased 154,000 yuan of poverty alleviation materials from local agricultural produce points designated by Jingzhou City. Anpon, a wholly-owned subsidiary of the Company, established poverty alleviation leading team headed by the Secretary of the Party Committee and coordinated by the chairman of the trade union. The vice chairman of the trade union participated in the county and district assistance team of the municipal party committee. According to the work plan of the municipal party committee and the municipal government, Anpon was designated to help Shidang village, Boli Town of Huai'an, a village with weak economy in the province, and actively explored ways and methods of poverty alleviation to ensure that the poverty alleviation work is implemented. According to the characteristics of the subsidiary's production, Anpon sent crop protection products to the village. According to its agreement with the assisted village and local crops, Anpon sent a batch of crop protection products to local farmers. Anpon provided 160,000 yuan of special poverty alleviation assistance fund for the village to build the villagers' service center and party member activity center. Anpon actively participated in the project review and fund allocation and use, so as to ensure the smooth implementation of the project. At the same time, Anpon also actively participated in activities organized by ChemChina to Gulang in Gansu province and Pingshan in Hebei province.

## Section VI - Significant Events

### I. Performance of commitments

1. Commitments completed by the Company, the shareholders, the actual controllers, the purchasers, or the other related parties during the Reporting Period and those hadn't been completed execution up to the period-end

√ Applicable □ Not applicable

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitment on share reform	-	-	-	-	-	-
Commitment in the acquisition report or the report on equity changes	ChemChina	Commitments on the horizontal competition	1. The business of ChemChina's subsidiaries - Jiangsu Anpon Electrochemical Co., Ltd., Anhui Petroleum Chemical Group Co., Ltd., Shangdong Dacheng Agrochemical Co., Ltd., Jiamusi Heilong Agrochemicals Co., Ltd., and Hunan Haohua Chemical Co., Ltd. and its subsidiary are the same or similar business as the main business of ADAMA. As for horizontal domestic competition, ChemChina committed to gradually eliminate such kind of horizontal competition in the future and to fight for the internal assets reconstruction, to adjust the industrial plan and business structure, to transform technology and to upgrade products, to divide the market so as to make each corporation differ in the products and its ultimate users according to the securities laws and	September 7, 2013	Regarding commitment 1, September 6, 2020 (According to the commitments made by ChemChina on October 12, 2016, the date to eliminate the domestic horizontal competition between the	Regarding Commitment 1, completed. The committed party complies with the commitments:(1) ChemChina had transferred its shares in Anpon to ADAMA; (2) ChemChina had transferred its shares in Jiamusi Heilong to a third party, such that. Jiangmusi Heilong is no longer a subsidiary of ChemChina; (3)



Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			<p>regulations and industry policy within 7 years, thus to eliminate the current domestic horizontal competition between ChemChina's controlled subsidiaries and ADAMA.</p> <p>2. Other than the existing and potential horizontal competition stated in the acquisition report, ChemChina will take effective measures to avoid engagements by itself and its controlled subsidiaries in new business that is in the same or similar business to ADAMA, within the territory in future. 3. If ChemChina or its controlled subsidiaries domestically conduct related business which form horizontal competition with ADAMA, in the future, ChemChina will actively take steps, to gradually eliminate the competition, the concrete measures including but not limited to internal assets reorganization, (including putting the business into ADAMA or operated through ADAMA) to adjust the industrial plan and business structure, to modify technology and to upgrade products, to segment the market so as to distinguish each corporation in terms of products and its end users, thus to avoid and eliminate domestic horizontal competition between ChemChina's controlled subsidiaries and ADAMA.</p>		<p>Company and Jiangsu Anpon Electrochemical Co., Ltd., Anhui Petroleum Chemical Group Co., Ltd., and Jiamusi Heilong Agrochemicals Co., Ltd., is January 4, 2022).</p> <p>Regarding commitments 2 and 3, long term.</p>	<p>Shangdong Dacheng is not a subsidiary of CNAC and doesn't carry out agrochemical business; (4) ChemChina is not the actual controller of Haohua; (5) CNAC, the wholly-owned subsidiary of ChemChina, signed an Entrusted Operation and Management Agreement with the Company, and entrusted the operation and management of Anhui Petrochemical Co., Ltd. to the Company.</p> <p>Regarding commitments 2 and 3, On-going. The committed party complies with the commitments.</p>
	ChemChina	Commitments on the independence of	ChemChina will comply with laws, regulations and other regulatory documents to avoid and reduce related-party transactions with ADAMA. However,	September 7, 2013 and January 7, 2020	Long term	<p>On-going.</p> <p>The committed party complies with the</p>

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
		ADAMA and related- party transactions	<p>for related-party transactions that are inevitable or based on reasonable grounds, ChemChina will follow the market principles of just, fairness and openness, and enter into agreement(s) legally and go through lawful procedures. ChemChina will honor its disclosure obligations and apply for relevant approvals according to the AoA of ADAMA, rules regarding related-party transactions and relevant regulations, not impairing the lawful rights and interest of ADAMA and its shareholders by related-party transactions.</p> <p>After completion of the acquisition transaction, ADAMA will continue to keep complete procurement, production and sales systems and to possess independent intellectual properties. ChemChina and its affiliated parties will be completely independent from ADAMA in terms of staff, assets, finance, business and organization. ADAMA will have full capacity of operation in Chinese agricultural chemical market. ChemChina will continue to follow the Company Law and Securities Law so as to avoid any action that may impair the operating independence of ADAMA.</p>			commitments.
	ChemChina	Commitments on horizontal competition	ChemChina will keep taking appropriate measures to resolve the same issue between ADAMA and Anhui Petrochemical Co., Ltd. within four years after ADAMA buys 100% shares of ADAMA Solutions through the issuance of shares to CNAC and finishes the raising of supporting finance in accordance with the original commitments as well	January 7, 2020	January 4, 2022	Completed. The committed party complies with the commitments. CNAC, the wholly-owned subsidiary of ChemChina, signed an

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			as various the requirements of securities laws and regulations and industry policies.			<p>Entrusted Operation and Management Agreement with the Company, and entrusted the operation and management of Anhui Petrochemical Co., Ltd. to the Company.</p> <p>Note: On January 4, 2018, ADAMA completed the purchase of the shares of ADAMA Agricultural Solutions Ltd. and the raising of supporting finance.</p>
			Based on a preliminary review, ChemChina believes that Syngenta A.G. and ADAMA may have horizontal competition to some extent. It will further analyze, confirm and specify if the two companies share the same or similar businesses and products in terms of business content, suppliers and customers, product substitution, processes and core technologies and distribution channels, etc. If the result will be positive, ChemChina will gradually solve the issue within 5 years after the issuance of this Letter by taking	January 7, 2020	January 7, 2025	<p>On-going.</p> <p>The committed party complies with the commitments.</p>

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			appropriate measures, including but not limited to internal asset restructuring, industrial planning and business structure adjustment, technology transformation and product upgrading, market segmentation or other feasible solutions in accordance with the requirements of securities laws and regulations and industry policies.			
			Once Sinofert and Sinochem Agriculture are the subsidiaries of ChemChina, ChemChina will analyze if there are same or similar businesses among the three subsidiaries. If the result will be positive, ChemChina will then propose corresponding solutions for any business or product that constitutes competition in accordance with the requirements of applicable laws, regulations and regulations to solve the issue of horizontal competition.	January 7, 2020	Long term	On-going. The committed party complies with the commitments.
			Other than the foregoing, none of the main business of ChemChina and other controlled subsidiaries is the same or similar to that of ADAMA.	January 7, 2020	Long term	On-going. The committed party complies with the commitments.
			ChemChina will continue to take effective measures to prevent itself and its other subsidiaries from adding new businesses in the future that are the same as or similar to those of ADAMA.	January 7, 2020	Long term	On-going. The committed party complies with the commitments.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			If ChemChina or any of its other subsidiaries develops related businesses that constitutes horizontal competition against the domestic business of ADAMA in the future, it will actively take relevant measures, including but not limited to asset restructuring, adjustment of industrial planning and business structure, technological transformation and Product upgrades, market segmentation and other feasible solutions, so that each enterprise will be different in their portfolio and end users and avoid and eliminate the horizontal competition with ADAMA.			
			From the effective date of the Commitment Letter, if ChemChina violates the above commitments, it should compensate ADAMA for the losses or expenses suffered or incurred by the violation.	January 7, 2020	Long term effective	On-going. The committed party complies with the commitments.
	Sinochem Holdings	Commitment to maintain the independence of ADAMA	This acquisition will not materially adversely affect the independence of ADAMA in terms of staff, assets, finance, business and organization. After completion of the acquisition transaction, ADAMA will continue to keep complete procurement, production and sales systems and to possess independent intellectual properties. Sinochem Holdings and its affiliated parties will strictly abide by the relevant provisions on the independence of listed companies in relevant laws, regulations and normative documents and be completely independent from ADAMA in terms of staff, assets, finance, business and organization, so as to ensure ADAMA will have full	September 16, 2021	continue to be effective during the period that Sinochem Holdings controls ADAMA	On-going. The committed party complies with the commitments.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			capacity of operation in Chinese agricultural chemical market. Sinochem Holdings will follow related regulations in Company Law and Securities Law, and avoid engagement in any action that impairs the operating independence of ADAMA.			
	Sinochem Holdings	Commitments on the horizontal competition	With regard to the present or future possible competition between the subsidiaries of ChemChina and ADAMA, Sinochem Holdings will earnestly urge ChemChina to fulfill its commitments to ADAMA to avoid horizontal competition.	September 16, 2021	continue to be effective during the period that Sinochem Holdings controls ADAMA	On-going. The committed party complies with the commitments.
			As for the horizontal competition between Sinochem Holdings' subsidiaries and ADAMA arising from this equity transfer, Sinochem Holdings will, according to the requirements of relevant securities regulatory authorities, within five years from the effective date of this letter of commitment, comprehensively use entrusted management, asset reorganization, equity replacement/transfer, business merger/adjustment or other legal means to steadily promote the integration of related assets or businesses that meet the requirements of injection into ADAMA in line with the principle of benefiting the development of ADAMA and safeguarding shareholders' interests, especially those of minority shareholders.	September 16, 2021	September 16, 2026	On-going. The committed party complies with the commitments.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			Sinochem Holdings will strictly abide by the relevant laws, regulations and normative documents, AOA and other internal management system of ADAMA, exercise the rights of shareholders according to the law through the equity relationship, in line with the principle of state ownership and hierarchical management of state-owned assets, properly handle matters involving ADAMA's interests, and shall not use the control position to seek improper interests or transfer interests.	September 16, 2021	continue to be effective during the period that Sinochem Holdings controls ADAMA	On-going. The committed party complies with the commitments.
	Sinochem Holdings	Commitment to standardize related-party transactions	Sinochem Holdings and its controlled subsidiaries will, as required by law, regulation and other specifications, avoid and reduce related party transactions with ADAMA; however, for the related party transactions that are inevitable or based on reasonable grounds, Sinochem Holdings and its controlled subsidiaries will strictly abide by the relevant laws, regulations and normative documents and relevant systems of ADAMA, legally enter into agreement(s) by law, go through lawful procedures, ensure fair pricing and perform its disclosure obligations. Sinochem Holdings and its controlled subsidiaries warrant that no related party transaction will be done to impair lawful rights and interest of ADAMA and its shareholders.	September 16, 2021	continue to be effective during the period that Sinochem Holdings controls ADAMA	On-going. The committed party complies with the commitments.
<b>Commitments made at the time of assets reorganization</b>	ChemChina	Commitments on the horizontal competition	The subsidiaries controlled by ChemChina, namely Anpon, HH, Maidao, Anhui Petrochemical and Heilong as well as their subsidiaries are in similar or the same business as ADAMA. For the	October 12, 2016	January 4, 2022	The commitments listed in the left column have been completed. The committed party

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			<p>horizontal competition in China, ChemChina commits to take appropriate actions to solve the horizontal competition between its subsidiaries and ADAMA step-by-step in an appropriate way within 4 years after completion of the reorganization, in accordance with securities laws, regulations and sector/industrial policies. The means by which ChemChina addresses the horizontal competition include but are not limited to the following,</p> <p>ADAMA acquires crop protection-related assets under ChemChina. ADAMA holds or controls other crop protection-related assets of ChemChina in line with national laws and by reasonable commercial means such as entrusted operation. ChemChina divests other crop protection-related assets or transfers the control power of such subsidiaries to external parties. ChemChina reorganizes internal assets, adjusts sector planning and business structure, upgrades technologies and products and makes market segmentation so that each company will differentiate its products and end users to eliminate horizontal competition between the subsidiaries controlled by ChemChina and ADAMA.</p>			<p>complies with the commitments: (1) the reorganization, i.e. the issuance of shares to CNACA for purchasing assets and implementation of private placement, completed on January 4, 2018; (2) Anpon merged with Maidao and ChemChina's shares in Anpon had been transferred to ADAMA; (3) ChemChina had transferred its shares in Heilong to a third party. Heilong is no longer a subsidiary of ChemChina; (4) HH withdrew from the agrochemical business;(5) CNAC, the wholly-owned subsidiary of ChemChina, signed an Entrusted Operation and Management Agreement with the</p>



Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
						Company, and entrusted the operation and management of Anhui Petrochemical Co., Ltd. to the Company.
	ChemChina	Commitments on Potential Horizontal Competition	ChemChina will take effective actions to avoid that it or its controlled subsidiaries will add new business in China same or similar to ADAMA. If ChemChina or its controlled subsidiaries will in the future be engaged in business in China that constitutes horizontal competition with ADAMA, ChemChina will take active actions, including but not limited to reorganizing internal assets, adjusting sector planning and business structure, upgrading technologies and products and making market segmentation so that each company will differentiate its products and end users to avoid and eliminate horizontal competition between the subsidiaries controlled by ChemChina and ADAMA.	October 12, 2016	Long term	On-going. The committed party complies with the commitments.
	ChemChina	Commitment to reduce and standardize related-party transactions	ChemChina will, as required by law, regulation and other specifications, avoid and reduce related party transactions with ADAMA; however, for the related party transactions that are inevitable or based on reasonable grounds, ChemChina will follow the just, fairness and open principles in market, legally enter into agreement(s) by law, go through lawful procedures, and perform its disclosure obligations and approving procedures	August 4, 2016	Long term	On-going. The committed party complies with the commitments.

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			as required by related systems and regulations. ChemChina warrants that no related party transaction will be done to impair lawful rights and interest of ADAMA and its shareholders.			
	ChemChina	Commitment to maintain independence of the ADAMA	After completion of the acquisition transaction, ADAMA will continue to keep complete procurement, production and sales systems and to possess independent intellectual properties, and ChemChina and its affiliated parties will be completely independent from ADAMA in terms of staff, assets, finance, business and organization, and ADAMA will have full capacity of operation in Chinese agricultural chemical market. ChemChina will follow related regulations in Company Law and Securities Law, and avoid engagement in any action that impairs the operating independence of ADAMA.	August 4, 2016	Long term	On-going. The committed party complies with the commitments.
Commitments made at IPO or refinancing	--	--	--	--	--	--
Share incentive commitments	--	--	--	--	--	--
Other commitments to the company's minority shareholders	--	--	--	--	--	--
Whether the commitments	Yes					

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
are fulfilled on time						
If the commitment is overdue, the specific reasons for not completing the performance and the next work plan should be explained in detail.	--					

**2. Assets or projects with profit forecast, still relevant for forecast period**

☐ Applicable ☒ Not applicable

**II. Inadequate use of Company's capital by the controlling shareholder or by its related parties for non-operating purposes**

☐ Applicable ☒ Not applicable

No such situation occurred during the Reporting Period.

**III. Non-compliance with external guarantees**

☐ Applicable ☒ Not applicable

No such cases during the reporting period.

**IV. Explanation by the board of directors on the latest "non-standard audit report"**

☐ Applicable ☒ Not applicable

**V. Explanation by the Board of Directors, the Supervisory Board and independent directors (if any) regarding "non-standard audit report" issued by Company's auditor for the Reporting Period**

☐ Applicable ☒ Not applicable

**VI. Changes in accounting standards, accounting estimates or corrections of significant accounting errors compared to last financial report**

☒ Applicable ☐ Not applicable

**"Accounting Standards for Business Enterprises Interpretation No. 15"**

On 30 December 2021, the Ministry of Finance issued "Accounting Standards for Business Enterprises Interpretation No. 15" (hereinafter referred to as "Interpretation No. 15") which clarified the following accounting treatments:

- (1) The accounting treatment of the sale of the products or by-products produced before the assets being capable of operating in a predetermined manner or produced during the research and development process;
- (2) Disclosure requirements for centralized management of funds; and
- (3) costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

According to the Interpretation No.15, the second clarification was effective from 30 December 2021. Adoption of the interpretation has no significant impact on the Group's financial statements.

## VII. Change of the consolidation scope as compared with the financial reporting of last year

☒ Applicable ☐ Not applicable

During the reporting period, the Group acquired Adama Huifeng (Jiangsu) Co., Ltd through business combination not under common control.

## VIII. Engagement of Company's Auditor

Auditor engaged at present

<b>Name of domestic Auditor</b>	Deloitte Touche Tohmatsu Certified Public Accountants LLP
<b>Remuneration for domestic Auditor for the Reporting Period (RMB Ten Thousand Yuan)</b>	324
<b>Consecutive years of the audit services provided by domestic Auditor</b>	5
<b>Name of domestic accountants</b>	Mou Zhengfei, and Ji Yuting
<b>Consecutive years of the audit services provided by the domestic accountants</b>	4
<b>Name of overseas Auditor</b>	Not applicable
<b>Remuneration for overseas Auditor for the Reporting Period (RMB Ten Thousand Yuan)</b>	--
<b>Consecutive years of the audit services provided by overseas Auditor</b>	--
<b>Name of overseas accountants</b>	--
<b>Consecutive years of the audit services provided by the overseas accountants</b>	--

Change of the Auditor at Reporting Period

☐ Yes ☒ No

Engagement of the Auditor for internal control, financial adviser or sponsor

☒ Applicable ☐ Not applicable

In the Reporting Period, the Company continued to engage Deloitte Touche Tohmatsu Certified Public Accountants LLP as the auditor of the Company for 2021 annual financial reports and 2021 annual internal control of the Company. Total remuneration for the Auditor was RMB 3.2 million.

## IX. Trading termination of Company's securities that the Company will face after the disclosure of this annual report

☐ Applicable ☒ Not applicable

## X. Bankruptcy and reorganization

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

#### **xI. Material Legal Claims/proceedings**

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

#### **xII. Punishment and rectification**

☐ Applicable ☒ Not applicable

None during the Reporting Period.

#### **xIII. Credibility of the Company, its controlling shareholders and actual controller**

☒ Applicable ☐ Not applicable

The Company's controlling shareholder and actual controller are in good credibility status. They are not in the situation that the effective judgment of the court was not executed and the large amount of debt was not repaid when due during the reporting period.

## xiv. Significant related-party transactions

### 1. Related-party transactions in the ordinary course of business

✓ Applicable    ☐ Not applicable

Related party	Relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price	Value (RMB '0000)	Percentage against transactions of the same kind	Approved transaction quota (RMB '0000)	Whether exceeds the approved quota	Settlement methods	Market price of similar transactions if the Company knows	Date of announcement	Index of the disclosure
Syngenta A.G. and its subsidiaries	Under the same control of ChemChina	Purchasing raw materials and products from related parties	Purchase of raw materials/products	Market price	Market price	90,985	4.96%	132,936	No	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Bluestar (Beijing) Chemical Machinery Co., Ltd.	Under the same control of ChemChina	Purchasing raw materials and products from related parties	Purchase of raw materials/products	Market price	Market price	560	0.03%	940	No	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Jiangsu Huaihe Chemicals Co., Ltd.	Under the same control of ChemChina	Purchasing raw materials and products from related parties	Purchase of raw materials/products	Market price	Market price	16,492	0.90%	19,000	No	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)

Related party	Relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price	Value (RMB '0000)	Percentage against transactions of the same kind	Approved transaction quota (RMB '0000)	Whether exceeds the approved quota	Settlement methods	Market price of similar transactions if the Company knows	Date of announcement	Index of the disclosure
		related parties											Business in 2021 (No.2021-6)
Sinofert	Under the same control of ChemChina	Purchasing raw materials and products from related parties	Purchase of raw materials/products	Market price	Market price	688	0.04%	220	Yes	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Jiangsu Yangnong Chemical Co., Ltd.	Under the same control of ChemChina	Purchasing raw materials and products from related parties	Purchase of raw materials/products	Market price	Market price	50,113	2.73%	52,010	No	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Jiangsu Youshi Chemical Co., Ltd.	Under the same control of ChemChina	Purchasing raw materials and products from related parties	Purchase of raw materials/products	Market price	Market price	4,106	0.22%	120	Yes	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Jiangsu Ruixiang	Under the same control	Purchasing raw	Purchase of raw	Market price	Market price	43	0.00%	160	No	Cash Settlement	N/A	March 31, 2021	Announcement on Expected



Related party	Relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price	Value (RMB '0000)	Percentage against transactions of the same kind	Approved transaction quota (RMB '0000)	Whether exceeds the approved quota	Settlement methods	Market price of similar transactions if the Company knows	Date of announcement	Index of the disclosure
Chemical Co., Ltd.	of Sinochem Holdings	materials and products from related parties	materials/products										Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Jiangsu Youjia Plant Protection Co., Ltd.	Under the same control of ChemChina	Purchasing raw materials and products from related parties	Purchase of raw materials/products	Market price	Market price	5,794	0.32%	160	Yes	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Hangzhou(Torch)Xidoumen Membrane Industries Co.,Ltd.	Under the same control of ChemChina	Purchasing raw materials and products from related parties	Purchase of raw materials/products	Market price	Market price	13	0.00%	10	Yes	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Bluestar Engineering Co.,Ltd.	Under the same control of ChemChina	Purchasing raw materials and products from	Purchase of raw materials/products	Market price	Market price	14	0.00%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of

Related party	Relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price	Value (RMB '0000)	Percentage against transactions of the same kind	Approved transaction quota (RMB '0000)	Whether exceeds the approved quota	Settlement methods	Market price of similar transactions if the Company knows	Date of announcement	Index of the disclosure
		related parties											Business in 2021 (No.2021-6)
Nantong Xingchen Synthetic Material Co., Ltd.	Under the same control of ChemChina	Purchasing raw materials and products from related parties	Purchase of raw materials/products	Market price	Market price	14	0.00%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Sinochem Agro Co.,Ltd.	Under the same control of ChemChina	Purchasing raw materials and products from related parties	Purchase of raw materials/products	Market price	Market price	6,592	0.36%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Shenyang Shenhua Institute Testing Technology Co., Ltd.	Under the same control of Sinochem Holdings	Purchasing raw materials and products from related parties	Purchase of raw materials/products	Market price	Market price	2	0.00%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Shandong Dacheng	Under the same control	Purchasing raw	Purchase of raw	Market price	Market price	91	0.00%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected

Related party	Relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price	Value (RMB '0000)	Percentage against transactions of the same kind	Approved transaction quota (RMB '0000)	Whether exceeds the approved quota	Settlement methods	Market price of similar transactions if the Company knows	Date of announcement	Index of the disclosure
Agrochemical Company Limited	of ChemChina	materials and products from related parties	materials/products										Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Sinochem International Crop Care (Overseas) Pte. Ltd.	Under the same control of ChemChina	Purchasing raw materials and products from related parties	Purchase of raw materials/products	Market price	Market price	591	0.03%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
China Bluestar Chengrand Research Institute Chemical Industry	Under the same control of ChemChina	Purchasing raw materials and products from related parties	Purchase of raw materials/products	Market price	Market price	1,221	0.07%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Shenyang Chemical Co., Ltd.	Under the same control of ChemChina	Purchasing raw materials and products from	Purchase of raw materials/products	Market price	Market price	409	0.02%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of

Related party	Relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price	Value (RMB '0000)	Percentage against transactions of the same kind	Approved transaction quota (RMB '0000)	Whether exceeds the approved quota	Settlement methods	Market price of similar transactions if the Company knows	Date of announcement	Index of the disclosure
		related parties											Business in 2021 (No.2021-6)
ELKEM SILICONES BRASIL LTDA	Under the same control of ChemChina	Purchasing raw materials and products from related parties	Purchase of raw materials/products	Market price	Market price	192	0.01%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Zhonglan Lianhai (Shanghai) Chemical Engineering Technology Co., Ltd.	Under the same control of ChemChina	Purchasing fixed assets from related parties	Purchase of fixed assets	Market price	Market price	123	0.01%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Changsha Huaxing Construction Supervision Co., Ltd.	Under the same control of ChemChina	Purchasing fixed assets from related parties	Purchase of fixed assets	Market price	Market price	175	0.01%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Syngenta AG	Under the same control	Purchasing fixed	Purchase of fixed assets	Market price	Market price	4,677	0.25%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected

Related party	Relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price	Value (RMB '0000)	Percentage against transactions of the same kind	Approved transaction quota (RMB '0000)	Whether exceeds the approved quota	Settlement methods	Market price of similar transactions if the Company knows	Date of announcement	Index of the disclosure
	of ChemChina	assets from related parties											Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Bluestar Engineering Co.,Ltd.	Under the same control of ChemChina	Purchasing fixed assets from related parties	Purchase of fixed assets	Market price	Market price	137	0.01%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Syngenta AG and its subsidiaries	Under the same control of ChemChina	Selling raw materials and products to related parties	Selling products	Market price	Market price	90,625	2.93%	92,586	No	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Jiangsu Huaihe Chemicals Co., Ltd.	Under the same control of ChemChina	Selling raw materials and products to related parties	Selling products	Market price	Market price	18,816	0.61%	21,000	No	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of

Related party	Relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price	Value (RMB '0000)	Percentage against transactions of the same kind	Approved transaction quota (RMB '0000)	Whether exceeds the approved quota	Settlement methods	Market price of similar transactions if the Company knows	Date of announcement	Index of the disclosure
													Business in 2021 (No.2021-6)
Sinofert	Under the same control of ChemChina	Selling raw materials and products to related parties	Selling products	Market price	Market price	6,075	0.20%	8,030	No	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Sino MAP	Under the same control of ChemChina	Selling raw materials and products to related parties	Selling products	Market price	Market price	523	0.02%	500	Yes	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Jiangsu Yangnong Chemical Co., Ltd.	Under the same control of ChemChina	Selling raw materials and products to related parties	Selling products	Market price	Market price	146	0.00%	300	No	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Jiangsu Youshi Chemical Co.,	Under the same control	Selling raw materials	Selling products	Market price	Market price	13,343	0.43%	25,000	No	Cash Settlement	N/A	March 31, 2021	Announcement on Expected

Related party	Relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price	Value (RMB '0000)	Percentage against transactions of the same kind	Approved transaction quota (RMB '0000)	Whether exceeds the approved quota	Settlement methods	Market price of similar transactions if the Company knows	Date of announcement	Index of the disclosure
Ltd.	of ChemChina	and products to related parties											Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Zhonglan International Chemical Co., Ltd.	Under the same control of ChemChina	Selling raw materials and products to related parties	Selling products	Market price	Market price	58	0.00%	360	No	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Jiangsu Youjia Plant Protection Co., Ltd.	Under the same control of ChemChina	Selling raw materials and products to related parties	Selling products	Market price	Market price	237	0.01%	280	No	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Sinochem Chongqing Fuling Chemical Co., Ltd.	Under the same control of ChemChina	Selling raw materials and products to related parties	Selling products	-	-	0	0.00%	50	No	-	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of

Related party	Relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price	Value (RMB '0000)	Percentage against transactions of the same kind	Approved transaction quota (RMB '0000)	Whether exceeds the approved quota	Settlement methods	Market price of similar transactions if the Company knows	Date of announcement	Index of the disclosure
													Business in 2021 (No.2021-6)
Jiangsu Ruixiang Chemical Co., Ltd.	Under the same control of Sinochem Holdings	Selling raw materials and products to related parties	Selling products	Market price	Market price	4	0.00%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Sinochem Agro Co.,Ltd.	Under the same control of ChemChina	Selling raw materials and products to related parties	Selling products	Market price	Market price	42	0.00%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Shenyang Sinochem Agrochemicals R&D Co.,Ltd.	Under the same control of ChemChina	Selling raw materials and products to related parties	Selling products	Market price	Market price	9	0.00%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
China National Chemical	Under the same control	Selling raw materials	Selling products	Market price	Market price	126	0.00%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected



Related party	Relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price	Value (RMB '0000)	Percentage against transactions of the same kind	Approved transaction quota (RMB '0000)	Whether exceeds the approved quota	Settlement methods	Market price of similar transactions if the Company knows	Date of announcement	Index of the disclosure
Information Center	of ChemChina	and products to related parties											Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Shenyang Chemical Institute Testing Technology Co., Ltd.	Under the same control of Sinochem Holdings	Selling raw materials and products to related parties	Selling products	Market price	Market price	3	0.00%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
China National Chemical Information Center	Under the same control of ChemChina	Receiving services from related parties	Value-added OA services	Market price	Market price	46	0.00%	128	No	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Zhonglan Lianhai Design Institute Co., Ltd.	Under the same control of ChemChina	Receiving services from related parties	Design services	Market price	Market price	247	0.01%	120	Yes	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of

Related party	Relationship	Type of related party transaction	Content of related party transaction	Pricing principle of related party transaction	Price	Value (RMB '0000)	Percentage against transactions of the same kind	Approved transaction quota (RMB '0000)	Whether exceeds the approved quota	Settlement methods	Market price of similar transactions if the Company knows	Date of announcement	Index of the disclosure
													Business in 2021 (No.2021-6)
Syngenta A.G. and its subsidiaries	Under the same control of ChemChina	Receiving services from related parties	Regular services	Market price	Market price	39	0.00%	-		Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
Shenyang Chemical Research Institute Co., Ltd	Under the same control of Sinochem Holdings	Receiving services from related parties	-	Market price	Market price	68	0.07%	-	-	Cash Settlement	N/A	March 31, 2021	Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.2021-6)
<b>Total</b>				--	--	313,439	--	353,910	--	--	--	--	--
<b>Details of large sales return</b>				-									
<b>Execution of related-party transactions in the ordinary course of business whose value was expected by types during this reporting period (if any)</b>				According to the Company's daily business operation needs, the Company estimates that the total amount of daily related party transactions in 2021 will not exceed RMB 3,539.1 million. For details, please refer to Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021 (No.: 2021-6). The Company's actual amount of daily related party transactions defined in the listing rules incurred in 2021 is RMB 3,134.39 million, which does not exceed the expected amount.									
<b>Reasons for large difference between transaction price and market reference price (if applicable)</b>				The Company's related transactions with related party shall be carried out in accordance with the principle of voluntary, equality and mutual benefit, fair, and will not harm the interests of the Company.									

## 2. Related-party transactions arising from asset acquisition or sale

☐ Applicable ☒ Not applicable

There were no related-party transactions arising from asset acquisition or sale in the Reporting Period.

## 3. Related-party transitions with joint investments

☐ Applicable ☒ Not applicable

The Company was not involved in any significant related-party transaction with joint investments during the Reporting Period.

## 4. Credits and liabilities with related parties

☒ Applicable ☐ Not applicable

Whether there was non-operating credit and liability with related parties

☐ Yes ☒ No

The Company was not involved in any non-operating credit and liability with related parties.

## 5. Transactions with finance companies with related relationships

☒ Applicable ☐ Not applicable

Deposit business

In RMB '0000

Related Parties	Relations	Maximum Daily Deposit Limit	Range of Interest Rate	Opening Balance	Transactions during the Reporting Period		Ending Balance
					Total Deposit Amount for the Reporting Period	Total Withdrawal Amount for the Reporting Period	
ChemChina Finance Corporation	Under the same control of Sinochem Holdings	40,000	0.05%-1.3%	37,014	75,868	76,994	35,888

## Loans

In RMB '0000

Related Parties	Relations	Credit Amount of the Loan	Range of Interest Rate	Opening Balance	Transactions during the Reporting Period		Ending Balance
					Total Amount of Loans for the Reporting Period	Total Amount of Payment for the Reporting Period	
ChemChina Finance Corporation	Under the same control of Sinochem Holdings	40,000	3.567%-3.85%	-	10,000	10,000	-

## Facilities and Other Financial Services

In RMB '0000

Related Party	Relations	Type of the Services	Total Amount	Actual Amount Incurred
ChemChina Finance Corporation	Under the same control of Sinochem Holdings	Facilities	40,000	10,000

## 6. Transactions between the finance company controlled by the Company and related parties

☐ Applicable ☒ Not applicable

The company does not hold any equity interest in any finance company.

## 7. Other material related-party transactions

☒ Applicable ☐ Not applicable

- (1) The 2020 Annual General Meeting approved the expected related-party transactions in the ordinary business course of the Company in 2021. Please refer to Item 5 of Section X "in "Financial Report" for details of the related-party transactions in the ordinary business course.
- (2) The 5<sup>th</sup> Meeting of the 9<sup>th</sup> Session of the Board of Directors approved the Proposal on Credit Facilities of \$100m from the Related Party.
- (3) The 1<sup>st</sup> Interim Shareholders Meeting in 2022 approved the proposal on the Signing of a Financial Service Agreement with Sinochem Finance Co., Ltd.
- (4) The 7<sup>th</sup> Meeting of the 9<sup>th</sup> Session of the Board of Directors approved the Proposal on Signing of Entrusted Operation and Management Agreement on Anhui Petro & Chemical.

The website to disclose the interim announcements on significant related-party transactions:

Name of the interim announcement	Disclosure date of the interim announcement	Website to disclose the interim announcement
Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2021(Announcement No.2021-6)	March 31, 2021	Juchao website <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
Announcement on Credit Facilities of \$100m from the Related Party (Announcement No.2021-46)	October 28, 2021	Juchao website <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
Announcement on the Signing of a Financial Service Agreement with Sinochem Finance Co., Ltd., constituting a related-party transaction (Announcement No.2021-50)	December 24, 2021	Juchao website <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>
Announcement on Signing of an Entrusted Operation and Management Agreement with a Related Party (Announcement No.2022-2)	January 4, 2022	Juchao website <a href="http://www.cninfo.com.cn">www.cninfo.com.cn</a>

## xv. Particulars regarding material contracts and execution thereof

### 1. Particulars about trusteeship, contract and lease

#### (1) Trusteeship

☐ Applicable ☒ Not applicable

There was no trusteeship of the Company in the reporting period.

#### (2) Contract Operation

☐ Applicable ☒ Not applicable

There was no contract operation of the Company in the reporting period.

#### (3) Lease

☐ Applicable ☒ Not applicable

There is no major lease in the reporting period.

## 2. Significant guarantees

√ Applicable □ Not applicable

### (1) Guarantees

Unless otherwise specified, the unit hereunder is RMB '0000

Guarantees provided by the Company in favor of third parties (excluding subsidiaries)										
Guaranteed party	Disclosure date of the announcement	Planned guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Period of guarantee	expired or not	Guarantee for a related party or not
--	--	--	--	--	--	--	--	--	--	--
Total guarantee line approved in favor of third parties (excluding subsidiaries) during the reporting period (A1)			--	Total amount of the occurred guarantee in favor of third parties (excluding subsidiaries) during the reporting period (A2)						
Aggregated guarantee line in favor of third parties (excluding subsidiaries) that has been approved by the end of the reporting period (A3)			5,000	Total guarantee balance in favor of third parties (excluding subsidiaries) by the end of the reporting period (A4)						
Guarantees provided by the Company in favor of its subsidiaries										
Guaranteed party	Disclosure date of the announcement	Planned guarantee amount	Actual occurrence date	Actual guarantee amount	Type of guarantee	Collateral (if any)	Counter-guarantee (if any)	Period of guarantee	expired or not	Guarantee for a related party or not
ADAMA Anpon (Jiangsu) Ltd.	February 27,2020 and August 21, 2020	147,000	May 19, 2020	3,000	Joint liability and several liability	--	--	Three years after the loan matures	Yes	No
			June 29, 2020	5,000	Joint liability and several liability	--	--	Three years after the loan matures	Yes	No
			September	3,000	Joint	--	--	Two years	Yes	No

			1, 2020		liability and several liability			after the loan matures		
			July 20, 2020	5,000	Joint liability and several liability	--	--	Three years after the loan matures	Yes	No
			December 14, 2020	5,000	Joint liability and several liability	--	--	Three years after the loan matures	Yes	No
			December 16, 2020	5,000	Joint liability and several liability	--	--	Three years after the loan matures	Yes	No
			December 22, 2020	2,000	Joint liability and several liability	--	--	Two years after the loan matures	Yes	No
	December 22, 2020; April 29, 2021 and October 28, 2021	125,800	January 15, 2021	4,050	Joint liability and several liability	--	--	Two years after the loan matures	Yes	No
			January 20, 2021	3,000	Joint liability and several liability	--	--	Two years after the loan matures	Yes	No
			January 27, 2021	7,000	Joint liability and several liability	--	--	Two years after the loan matures	Yes	No
			February 1, 2021	4,000	Joint liability and several liability	--	--	Three years after the loan matures	Yes	No
			February 26, 2021	3,000	Joint liability and several liability	--	--	Three years after the loan matures	No	No
			February 8, 2021	2,776	Joint liability and	--	--	Three years after	Yes	No

					several liability			the loan matures		
			March 18, 2021	4,000	Joint liability and several liability	--	--	Three years after the loan matures	No	No
			April 27, 2021	5,950	Joint liability and several liability	--	--	Two years after the loan matures	No	No
			May 21, 2021	4,500	Joint liability and several liability	--	--	Two years after the loan matures	No	No
			May 21, 2021	1,500	Joint liability and several liability	--	--	Two years after the loan matures	Yes	No
			June 25, 2021	3,000	Joint liability and several liability	--	--	Three years after the loan matures	No	No
			December 16, 2021	3,300	Joint liability and several liability	--	--	Three years after the loan matures	No	No
			December 1, 2021	4,000	Joint liability and several liability	--	--	Three years after the project loan matures	No	No
Hubei Sanonda Foreign Trade Co., Ltd.	August 21, 2020	20,000	October 28, 2020	3,444	Joint liability and several liability	--	--	Two years after the loan matures	Yes	No
			January 29, 2021	1,453	Joint liability and several liability	--	--	Two years after the loan matures	Yes	No
ADAMA Huifeng	June 29, 2021	33,000	July 27, 2021	10,000	Joint liability and	--	--	Three years after	No	No



(Jiangsu) Ltd.					several liability			the project loan matures		
			November 5, 2021	5,300	Joint liability and several liability	--	--	Two years after the expiration of the debt period	No	No

Total guarantee line approved in favor of the subsidiaries during the reporting period (B1)	33,600	Total amount of the occurred guarantee in favor of the subsidiaries during the reporting period (B2)	66,829
Aggregated guarantee line that has been approved in favor of the subsidiaries by the end of the reporting period (B3)	325,800	Total guarantee balance in favor of the subsidiaries by the end of the reporting period (B4)	43,050

**Guarantees provided by subsidiaries in favor of subsidiaries (USD '0000)**

<b>Guaranteed party</b>	<b>Disclosure date of the announcement</b>	<b>Planned guarantee amount</b>	<b>Actual occurrence date</b>	<b>Actual guarantee amount</b>	<b>Type of guarantee</b>	<b>Collateral (if any)</b>	<b>Counter- guarantee (if any)</b>	<b>Period of guarantee</b>	<b>expired or not</b>	<b>Guarantee for a related party or not</b>
Control Solutions, Inc.	October 31, 2018	1,300	October 30, 2018	0	joint and several liability	--	--	Generally 7 years (subject to the overseas laws)	No	No
Control Solutions, Inc.	January 10, 2019	4,000	January 9, 2019	2,250	joint and several liability	--	--	The loan term (5 years) and any applicable statute of limitations period (generally 7 years).	No	No

ADAMA Brazil	Not applicable	23,688.29	Related guarantees existed before the company was consolidated into the financial statements of the Company.	3,544.08	joint and several liability	--	--	Valid until cancelled	No	No
ADAMA Brazil	January 22, 2022	900	December 29, 2021	0	joint and several liability	--	--	December 31, 2025	No	No
Adama India Private Ltd.	Not applicable	10,350.45	Related guarantees existed before the company was consolidated into the financial statements of the Company.	5,112.01	joint and several liability	--	--	Valid until cancelled	No	No
ADAMA (Beijing) Agricultural Technology Company Limited	Not applicable	2,500	The guarantee existed before the company was consolidated into the financial statements of the Company.	0	joint and several liability	--	--	Valid until cancellation	Yes	No
ADAMA Turkey Tarım Sanayi ve	Not applicable	7,150	Related guarantees existed before the	978.67	joint and several liability	--	--	Valid until cancelled	No	No

Ticaret Limited Şirketi			company was consolidated into the financial statements of the Company.							
Adama Makhteshim	Not applicable	unlimited	Related guarantees existed before the company was consolidated into the financial statements of the Company.	22,969.8	joint and several liability	--	--	Valid until cancelled	No	No
Adama Agan	Not applicable	unlimited	Related guarantees existed before the company was consolidated into the financial statements of the Company.	22,587.7	joint and several liability	--	--	Valid until cancelled	No	No
ADAMA Agricultural Solutions UK Ltd.	Not applicable	365.64	Related guarantees existed before the company was consolidated into the financial statements of the	0	joint and several liability	--	--	Valid until cancelled	Yes	No

			Company.							
ADAMA CELSIUS BV, Curacao branch, & ADAMA Fahrenheit BV, Curacao Branch	Not applicable	4,000	Related guarantees existed before the company was consolidated into the financial statements of the Company.	2,978.16	joint and several liability	--	--	Valid until cancelled	No	No
ADAMA Ukraine LLC	Not applicable	3,000	Related guarantees existed before the company was consolidated into the financial statements of the Company.	311.6	joint and several liability	--	--	Valid until cancelled	No	No
Makhteshim Agan of North Amercia Inc.	Not applicable	2,500	Related guarantees existed before the company was consolidated into the financial statements of the Company.	0	joint and several liability	--	--	Valid until cancelled	No	No

**Total guarantee line  
approved in favor of the  
subsidiaries during the  
reporting period (C1)**

900 (approximately RMB  
57.38million)

**Total amount of the guarantee in favor of the  
subsidiaries occurred during the reporting  
period (C2)**

60,732.02 (approximately  
RMB 3,872.0914 million)

**Aggregated guarantee line  
that has been approved in**

59,754.38  
(approximately RMB

**Total guarantee balance in favor of the  
subsidiaries by the end of the reporting period**

60,732.02 (approximately  
RMB 3,872.0914)

favor of the subsidiaries by the end of the reporting period (C3)	3,809.76million) (As for Adama Makhteshim and Adama Agan, the planned guarantee amount is unlimited)	(C4)	
Total guarantee amount provided by the Company (total of the above-mentioned three kinds of guarantees)			
Total guarantee line approved during the reporting period (A1+B1+C1)	39,338	Total actual occurred amount of guarantee during the reporting period (A2+B2+C2)	454,038.14
Total guarantee line that has been approved at the end of the reporting period (A3+B3+C3)	711,776	Total actual guarantee balance at the end of the reporting period (A4+B4+C4)	430,259.14
Proportion of total guarantee amount (A4+B4+C4) to the net assets of the Company		20.42%	
Of which:			
The balance of the guarantee provided in favor of the controlling shareholder and related party.		0	
Amount of debt guarantee provided for the guaranteed party whose asset-liability ratio is not less than 70% directly or indirectly (E)		USD 278.0415 million (approximately RMB 1,772.7092 million)	
The amount of the guarantee that exceeds 50% of the net assets		0	
Total amount of the above three guarantees (D+E+F)		USD 278.0415 million (approximately RMB 1,772.7092 million)	
As for undue guarantee, liability to guarantee has happened or there is evidence showing that joint liquidated liability may be undertaken during this Reporting Period (if existing)		--	
Regulated procedures are violated to offer guarantee (if existing)		--	

### **3. Cash assets management entrustment**

#### **(1) Wealth management entrustment**

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

#### **(2) Entrustment loans**

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

### **4. Other significant contracts**

☐ Applicable ☒ Not applicable

No such cases in the Reporting Period.

**xvi. Other significant events**

☐ Applicable ☒ Not applicable

There were no other significant events during the Reporting Period.

**xvii. Significant events of subsidiaries**

☐ Applicable ☒ Not applicable

## Section VII - Change in Shares & Shareholders

### I. Changes in shares

Unit: share

	Before the change		Increase/decrease (+/-)					After the change	
	Amount	Proportion	Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	Amount	Proportion
XVIII. Restricted shares	4,500	0.0002%	--	--	--	--	--	4,500	0.0002%
a) State-owned shares	--	--	--	--	--	--	--	--	--
b) State-owned legal person's shares	0	0.0000%	--	--	--	--	--	0	0.0000%
c) Shares held by domestic investors	4,500	0.0002%	--	--	--	--	--	4,500	0.0002%
i. Shares held by domestic legal person	0	0.0000%	--	--	--	--	--	0	0.0000%
ii. Shares held by domestic natural person	4,500	0.0002%	--	--	--	--	--	4,500	0.0002%
XIX. Shares not subject to trading moratorium	2,344,116,802	99.9998%	--	--	--	- 14,309,536	-14,309,536	2,329,807,266	99.9998%
a) RMB ordinary shares	2,177,067,461	92.8735%	--	--	--	--	--	2,177,067,461	93.4439%
b) Domestically listed foreign shares	167,049,341	7.1263%	--	--	--	- 14,309,536	-14,309,536	152,739,805	6.5559%
XX. Total shares	2,344,121,302	100.0000%	--	--	--	- 14,309,536	-14,309,536	2,329,811,766	100.0000%



## Reason for the change in shares

√ Applicable ☐ Not applicable

From September 16, 2020, the first day the Company started repurchase, to December 6, 2020, when the repurchase period expired, the Company repurchased 14,309,536 shares of B-Shares by means of a centralized price bidding transaction. On June 17, 2021, the Company completed cancellation of above B shares at the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. After the cancellation is completed, the total share capital of the Company decreased from 2,344,121,302 shares to 2,329,811,766 shares.

## Approval of the change in shares

√ Applicable ☐ Not applicable

The 26th Meeting of the 8th Session of the Board of Directors held on August 19, 2020 and the 3rd Interim Shareholders Meeting in 2020 held on September 7, 2020 of the Company approved the Repurchase Plan for Part of the Company's Domestically Listed Foreign Shares (B share), approving the Company to repurchase part of its domestically listed foreign shares (B shares).

After above repurchase is completed, the 31st Meeting of the 8th Session of the Board of Directors held on March 29, 2021 and the 2020 Annual General Meeting of the Company held on May 21<sup>st</sup>, 2021, approved the Proposal on the Cancellation of the Repurchased Shares and the Subsequent Decrease of the Registered Capital and Proposal on Revisions to the Articles of Association of the Company, approving cancellation of repurchased shares and subsequent decrease of the Company's registered capital, as well as revision of the Articles of Association accordingly.

The registered status for the change in shares

☒ Applicable ☐ Not applicable

From September 16, 2020, the first day the Company started repurchase, to December 6, 2020, when the repurchase period expired, the Company repurchased 14,309,536 shares of B-Shares. On June 17, 2021, the Company completed cancellation of above B shares at the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. Please refer to Announcement on the Completion of Cancelling Repurchased Shares and Share Capital Change (Announcement No. 2021-26) for details.

Effects of the change in shares on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes over the last year and last period.

☐ Applicable ☒ Not applicable

Other contents that the Company considered necessary or were required by the securities regulatory authorities to disclose

☐ Applicable ☒ Not applicable

## 2. Changes in restricted shares

√ Applicable □ Not applicable

Unit: share

Shareholders	Restricted shares at the opening of the Reporting Period	Shares released in the Reporting Period	Restricted shares increased in the Reporting Period	Ending shares restricted	Restricted reasons	Date for released
Jiang Chenggang	4,500	0	0	4,500	Shares held by a supervisor should be locked up.	six months after the expiration of the term
<b>Total</b>	<b>4,500</b>	<b>0</b>	<b>0</b>	<b>4,500</b>	<b>--</b>	<b>--</b>

## II. Issuance and listing of securities

### 1. Issuance of securities (excluding preferred stock) during the Reporting Period

☐ Applicable ☒ Not applicable

### 2. Explanation on changes in share capital & the structure of shareholders, the structure of assets and liabilities

☒ Applicable ☐ Not applicable

From September 16, 2020, the first day the Company started repurchase, to December 6, 2020, when the repurchase period expired, the Company repurchased 14,309,536 shares of B-Shares by means of a centralized price bidding transaction. On June 17, 2021, the Company completed cancellation of above B shares at the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. After the cancellation is completed, the total B-share capital of the Company decreased from 167,049,341 shares to 152,739,805 shares, the total share capital of the Company decreased from 2,344,121,302 shares to 2,329,811,766 shares and the registered capital of the Company decreased from 2,344,121,302 RMB to 2,329,811,766 RMB. The Company completed industrial and commercial registration procedures for the above change.

### 3. Shares held by internal staffs of the Company as a measure of the reform of State-Owned Enterprises

☐ Applicable ☒ Not applicable

### III. Particulars about the shareholders and actual controller

#### 1. Total number of shareholders and their shareholding

Unit: share

<b>Total number of shareholders as of the end of the Reporting Period</b>	44,886 (the number of ordinary A share shareholders is 31,062; the number of B share shareholders is 13,824)	<b>Total number of shareholders on the 30th trading day before the disclosure date of the annual report</b>	43,735	<b>Total number of preferred stockholder with vote right restored (if any)</b>	0	<b>Total number of preferred stockholder with vote right restored on the 30th trading day before the disclosure date of the annual report</b>	0
---	--	---	--------	--	---	---	---

#### Shareholding of shareholders holding more than 5% shares

Name of shareholder	Nature of shareholder	Holding percentage (%)	Number of shareholding at the end of the Reporting Period	Increase and decrease of shares during Reporting Period	Number of shares held subject to trading moratorium	Number of shares held not subject to trading moratorium	Pledged or frozen shares	
							Status of shares	Amount
Syngenta Group Co., Ltd.	State-owned legal person	78.47%	1,828,137,961	119,687,202	--	1,828,137,961	--	--
China Cinda Asset Management Co., Ltd.	State-owned legal person	1.34%	31,115,916	--	--	31,115,916	--	--
Portfolio No.503 of National Social Security Fund	Others	0.64%	15,000,000	-8,000,052	--	15,000,000	--	--
Huarong Ruitong Equity Investment Management Co., Ltd.	State-owned legal person	0.55%	12,885,906	--	--	12,885,906	--	--
Hong Kong Securities Clearing Company Ltd. (HKSCC)	Overseas legal person	0.32%	7,485,077	1,536,757	--	7,485,077	--	--
Bosera Funds-China Merchants Bank- Bosera Funds Xincheng No.2	Others	0.28%	6,500,000	6,500,000	--	6,500,000	--	--

Collective Asset Management Plan								
Bosera Funds-Postal Savings Bank- Bosera Funds Xincheng No.3 Collective Asset Management Plan	Others	0.26%	6,000,000	6,000,000	--	6,000,000	--	--
China Universal Fund-Industrial Bank-China Universal-Strategic Enhancement No.3 Collective Asset Management Plan	Others	0.19%	4,400,000	4,400,000	--	4,400,000	--	--
Qichun County State-owned Assets Administration	State-owned legal person	0.18%	4,169,266	--	--	4,169,266	--	--
Zhu Shenglan	Domestic Individual	0.18%	4,100,000	180,000	--	4,100,000	--	--
<b>Strategic investors or the general legal person due to the placement of new shares become the top 10 shareholders (if any)</b>	Not applicable							
<b>Explanation on associated relationship or/and persons</b>	Syngenta Group Co., Ltd. is not related party or acting-in-concert party as prescribed in the Administrative Methods for Acquisition of Listed Companies to other shareholders. It is unknown to the Company whether shareholders above are related parties or acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies.							
<b>Description of the above shareholders involved in proxy/trustee voting rights and abstention from voting rights</b>	Not applicable							
<b>Special note on the existence of dedicated accounts for repurchase among the top 10 shareholders (if any)</b>	Not applicable							

**Details of shares held by top 10 shareholders not subject to trading moratorium**

Name of shareholder	Number of shares held not subject to trading moratorium at the end of the period	Type of share	
		Type of share	Amount
Syngenta Group Co., Ltd.	1,828,137,961	RMB ordinary share	1,828,137,961
China Cinda Asset Management Co., Ltd.	31,115,916	RMB ordinary share	31,115,916
Portfolio No.503 of National Social Security Fund	15,000,000	RMB ordinary share	15,000,000
Huarong Ruitong Equity Investment Management Co., Ltd.	12,885,906	RMB ordinary share	12,885,906

Hong Kong Securities Clearing Company Ltd. (HKSCC)	7,485,077	RMB ordinary share	7,485,077
Bosera Funds-China Merchants Bank- Bosera Funds Xincheng No.2 Collective Asset Management Plan	6,500,000	RMB ordinary share	6,500,000
Bosera Funds-Postal Savings Bank- Bosera Funds Xincheng No.3 Collective Asset Management Plan	6,000,000	RMB ordinary share	6,000,000
China Universal Fund-Industrial Bank-China Universal-Strategic Enhancement No.3 Collective Asset Management Plan	4,400,000	RMB ordinary share	4,400,000
Qichun County State-owned Assets Administration	4,169,266	RMB ordinary share	4,169,266
Zhu Shenglan	4,100,000	RMB ordinary share	4,100,000
<b>Explanation on associated relationship among the top ten shareholders of tradable share not subject to trading moratorium, as well as among the top ten shareholders of tradable share not subject to trading moratorium and top ten shareholders, or explanation on acting-in-concert</b>	Qichun County Administration of State-Owned Assets held shares of the Company on behalf of the government. It is unknown whether the other shareholders are related parties or acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies.		
<b>Particular about shareholder participate in the securities lending and borrowing business ( if any)</b>	Shareholder Zhu Shenglan held 4,100,000 shares of the Company through a credit collateral securities trading account.		

Did any top 10 common shareholders or the top 10 common shareholders not subject to trading moratorium of the Company carry out an agreed buy-back in the Reporting Period?

☐ Yes ☒ No

The top 10 common shareholders or the top 10 common shareholders of the Company were not subject to trading moratorium of the Company carry out an agreed buy-back in the reporting period

## 2. Particulars about the controlling shareholder

Nature of controlling shareholder: The central state-owned

Type of controlling shareholder: legal person

By the end of the Reporting Period, the particulars of the Company's controlling shareholder are as follows:

Name of controlling shareholder	Legal representative / company principal	Date of establishment	Organization code	Business scope
Syngenta Group Co., Ltd.	Ning Gaoning	June 27, 2019	91310000MA1FL6MN13	General projects: agricultural scientific research and experimental development; Engineering and technical research and experimental development; Natural science research and experimental development; Research and development of biopesticide technology; Technology, information, facility construction and operation and other services related to agricultural production and operation; Agricultural specialty and auxiliary activities; Information technology consulting services; Technical services, technical development, technical consultation, technical exchange, technology transfer and technology promotion; Research and development of biochemical product technology; Sales of chemical products (excluding licensed chemical products); Fertilizer sales; General cargo warehousing services (excluding hazardous chemicals and other items requiring license); Low temperature storage (excluding hazardous chemicals and other items requiring license); Socio economic advisory services; Import and export of goods; Technology import and export. (except for the projects that must be approved according to law, business activities shall be carried out independently and legally according to the business license). Licensed projects: seed production of main crops; Crop seed business; Genetically modified crop seed production. (for projects that must be approved according to law, business activities shall be carried out only with the approval of relevant departments. The specific business projects shall be subject to the approval documents or licenses of relevant departments).
<b>Shares held by the controlling shareholder in other listed companies by holding or shareholding during the Reporting Period</b>			By the end of the Reporting Period, Syngenta Group directly holds 52.65% equity of SinoFert Holdings Limited and 36.17% equity of Jiangsu Yangnong Chemical Co., Ltd., and indirectly holds 20.37% equity of Win-All High-tech Seed Co., Ltd. through China National Seed Group Co., Ltd.	

Change of the controlling shareholder during the Reporting Period



☐ Applicable ☒ Not applicable

The controlling shareholder did not change during the Reporting Period.

Note: 1. On August 30, 2021, the Company received the Notice of Sinochem Holdings Corporation Ltd. on the Initiation of Joint Restructuring Procedure released by Sinochem Holdings stating that, Sinochem Holdings decided to initiate, starting from the date of the notice, the acquisition procedure for the listed companies associated with Sinochem Group and ChemChina in accordance with the relevant provisions. On September 16, 2021, the Company received a letter from Sinochem Holdings, stating that the industrial and commercial change registration on the transfer of equity in ChemChina to Sinochem Holdings has been completed. After the completion of such transfer, the controlling shareholder and the actual controller of the Company remain unchanged. Please refer to Announcement on Equity Transfer of China National Chemical Corporation Ltd. at Nil Consideration (Announcement No. 2021-38) and Announcement on Completion of Industrial and Commercial Registration of Changes on Equity Transfer of China National Chemical Corporation Ltd. at Nil Consideration (Announcement No. 2021-39) for details.

On September 28, 2021, Syngenta Group forwarded to the Company the Shares Registration Confirmation Letter issued by China Securities Depository and Clearing Corporation Limited, stating that the registration procedures for the free transfer of the 5.14% shares of the Company's total share capital held by Jingzhou Sanonda Holdings Co., Ltd. to Syngenta Group were completed on September 24<sup>th</sup>, 2021. After the completion of the transfer, Syngenta Group holds 1,828,137,961 shares (accounting for 78.47% of the Company's total share capital). The controlling shareholder and the actual controller of the Company remain unchanged. Please refer to Announcement on the Completion of the Registration of the Transfer of State-owned Shares held by the Controlling Shareholder (Announcement No. 2021-40) for details.

### 3. Particulars regarding actual controller and the persons acting in concert

Nature of actual controller: State-owned Assets Supervision and Administration Commission

Type of actual controller: Legal person

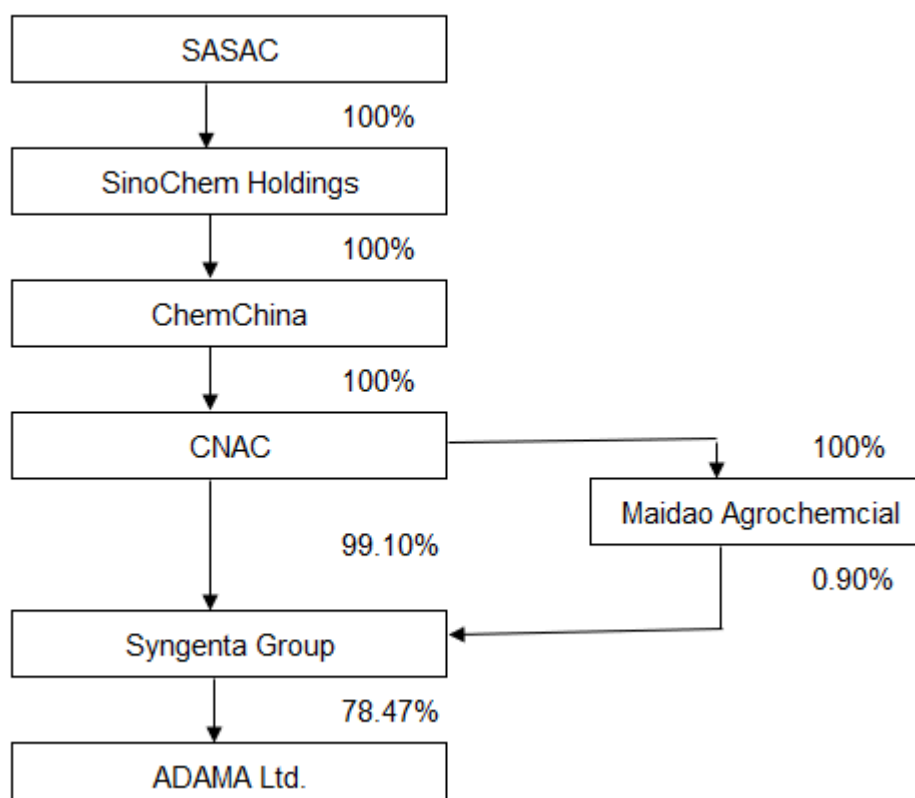
Name of the actual controller	Legal representative / company principal	Date of establishment	Organization code	Business scope
State-owned Assets Supervision and Administration Commission of the State Council	Hao Peng	March 16, 2003	-	-
<b>Shares held by the actual controller in other listed companies by holding or shareholding during the reporting period</b>	Not applicable			

Change of the actual controller during the Reporting Period

☐ Applicable ☒ Not applicable

The actual controller did not change during the Reporting Period.

Block diagram of equity and control relationship between the Company and actual controller:



The actual controller controls the Company via trust or other ways of asset management

☐ Applicable ☒ Not applicable

#### 4. The controlling shareholder or the largest shareholder of the Company and its concert parties have pledged 80% of their shares in the Company

☐ Applicable ☒ Not applicable

#### 5. Particulars regarding other corporate shareholders with over 10% holdings

☐ Applicable ☒ Not applicable

#### 6. Particulars regarding restriction of reducing holding-shares of controlling shareholders, actual controller, restructuring parties and other commitment entities

☐ Applicable ☒ Not applicable

#### IV. Specific implementation of share repurchases during the reporting period

##### Progress of implementation of share repurchase

☒ Applicable ☐ Not applicable

Disclosure Time of the Program	Number of Shares to be Repurchased	Ratio to the Total Equity	Amount for the Repurchase	Proposed Repurchase Period	Repurchase Purpose	Number of Repurchased Shares	Ratio of Repurchased Shares to the Target Shares Involved in the Equity Incentive Plan (if any)
August 21 <sup>st</sup> , 2020	13,000,000-26,000,000	0.55%-1.1% against 2,344,121,302 shares, total share capital of the Company at that time	No more than 132.56 million RMB56.2	Within 3 months since approval of the plan by the Company's shareholder meeting	To protect the Company's value and shareholders' interests, the repurchased shares will be cancelled resulting in a corresponding reduction of the Company's registered capital.	14,309,536	Not applicable

Note: The repurchase of the B shares by the Company expired on December 6<sup>th</sup>, 2020. From September 16, 2020 to December 6, 2020, the Company repurchased 14,309,536 shares of B-Shares by means of a centralized price bidding transaction through a special securities repurchase account for B-Shares, which accounts for 0.61% of the Company's total share capital. The highest transaction price is 5.22 HKD/share, the lowest transaction price is 4.27 HKD/share, and the total payment amount is HKD 69,747,209 (including transaction fees). Please refer to Announcement on the Expiry of the Repurchase Period and the Results of the B-Shares Repurchase (Announcement No. 2020-71) for details.

After above repurchase is completed, the 31st Meeting of the 8th Session of the Board of Directors held on March 29, 2021 and the 2020 Annual General Meeting of the Company held on May 21st, 2021, approved the Proposal on the Cancellation of the Repurchased Shares and the Subsequent Decrease of the Registered Capital and Proposal on Revisions to the Articles of Association of the Company, approving cancellation of repurchased shares and subsequent decrease of the Company's registered capital, as well as revision of the Articles of Association accordingly.

On June 17, 2021, the Company completed cancellation of above B shares at the Shenzhen Branch of China Securities Depository and Clearing Co., Ltd. Please refer to Announcement on the Completion of Cancelling Repurchased Shares and Share Capital Change (Announcement No. 2021-26) for details.

Status of reducing holding of repurchased shares in the way of centralized bidding

☐ Applicable ☒ Not applicable

## Section VIII - Preferred stock

☐ Applicable ☒ Not applicable

There was no preferred stock during Reporting Period.

## Section IX - Corporate Bonds

☐ Applicable ☒ Not applicable

## Section X - Financial Report

Type of auditor's opinion	Standard Unqualified Opinion
Audit opinion signoff date	March 29, 2022
Name of the auditor	Deloitte Touche Tohmatsu CPA LLP
Reference number of the audit report	De Shi Bao (Shen) Zi (22) No P02154
Name of CPA	Mou Zhengfei, Ji Yuting

## AUDITOR'S REPORT

De Shi Bao (Shen) Zi (22) No. P02154

(Page 1 of 6)

To the shareholders of ADAMA Ltd.:

### I. Opinion

We have audited the financial statements of ADAMA Ltd. (hereinafter referred to as the "Company"), which comprise the consolidated and the Company's balance sheets as at 31 December 2021, and the consolidated and the Company's income statements, the consolidated and the Company's statements of changes in shareholders' equity and the consolidated and the Company's statements of cash flows 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 the Company's financial position as of 31 December 2021, and the consolidated and the Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

### II. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing. 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 the Company in accordance with the Code of Ethics for Chinese 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. The followings are key audit matters that we have determined to communicate in the auditor's report.



**AUDITOR'S REPORT - continued**

De Shi Bao (Shen) Zi (22) No. P02154  
(Page 2 of 6)

**III. Key Audit Matters - continued****(I) Cut-off of revenue recognition****Description**

ADAMA's sale revenue is mainly contributed by the sales of goods in about 100 countries all over the world. As stated in Note (V), 42 operating income, ADAMA's consolidated principal activities revenue for 2021 was RMB 30,971,009,000, which was significant to the financial statements. As stated in Note (III), 24, ADAMA recognizes revenue when the customer obtains control over relevant commodities, and the Company has a risk of overstating the revenue by late cutoffs. Therefore, we considered the appropriateness of cutoffs and correctness of accounting periods for principal activities revenue recognition as a key audit matter.

**Audit response**

Our procedures in relation to this matter mainly include:

1. Testing and assessing the design, implementation and operating effectiveness of internal controls relating to the cut-off of principal activities revenue recognition;
2. Reviewing the contracts with key customers for the terms and conditions relating to the transfer of controls of goods and services, and assessing whether the timing of principal activities revenue recognition complies with the Accounting Standards for Business Enterprises;
3. Performing cut-off test by selecting samples from sales of goods recorded in the current year, checking the supporting documents such as sales invoices and inventory transfer documents, and checking whether the income is recorded in the correct accounting period;
4. Performing analytic procedures and comparing whether there is abnormal fluctuation in the sales of the major sales regions in the current period and the previous period, and analyzing whether there is any abnormality in the sales return of the products.

**AUDITOR'S REPORT - continued**

De Shi Bao (Shen) Zi (22) No. P02154  
(Page 3 of 6)

**III. Key Audit Matters - continued****(II) Provision for Impairment of Goodwill on Crop Protection Units****Description**

As stated in Note (V), 18, the carrying amount of goodwill was RMB4,409,599,000 as of 31 December 2021, which was mainly allocated to Crop Protection unit. As disclosed in Note III, 19 and 20, ADAMA's goodwill arising from business combination is measured at the cost less the accumulated impairment loss after initial recognition, and should be entitled to impairment test at least at the end of each year. When performing impairment test of Crop Protection unit with goodwill allocated, the management determined the recoverable amount of relevant assets group of units based on the model of present value determined on future cash flows, which depend on the judgement of the management, it requires the management to estimate the cash flows from relevant assets group of units and select an appropriate discount rate that reflects the time value of money in the current market and the specific risk of the assets. As significant accounting estimates and judgments are involved and the goodwill allocated to Crop Protection unit is significant in amount, we considered the provision for impairment of goodwill on Crop Protection unit as a key audit matter.

**Audit response**

Our procedures in relation to this matter mainly include:

1. Testing and assessing the design, implementation and operating effectiveness of internal controls relating to the provision for impairment of goodwill on Crop Protection unit;
2. Checking the basis on which the management allocated goodwill to Crop Protection unit and assessing the reasonableness;
3. Reviewing and assessing the reasonableness of the management's adoption of discount cash flow model for the Crop Protection unit containing goodwill;
4. Analyzing and reviewing the significant accounting estimates and judgements used in estimation of future cash flows, including the key parameters such as discount rate and growth rate, etc., with assistance from internal valuation specialist;
5. Checking the expected future cash flows to historical data and other supporting evidence, and assess the reasonableness;
6. Performing sensitivity analysis on possible changes in relevant key assumptions in impairment test models.

**AUDITOR'S REPORT - continued**

De Shi Bao (Shen) Zi (22) No. P02154  
(Page 4 of 6)

**IV. Other Information**

Management of the Company is responsible for the other information. The other information comprises the information included in the 2021 annual report, but does not include 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**

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with Accounting Standards for Business Enterprises, and designing, implementing and maintaining internal control that is necessary to enable the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 China Standards on Auditing 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**

De Shi Bao (Shen) Zi (22) No. P02154

(Page 5 of 6)

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

As part of an audit in accordance with China Standards on Auditing, 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 the Company'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 the Company to cease to continue as a going concern;
- (5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, 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 the Company 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**

De Shi Bao (Shen) Zi (22) No. P02154  
(Page 6 of 6)

**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.

Deloitte Touche Tohmatsu CPA LLP

Chinese Certified Public Accountant

Shanghai China

Mou Zhengfei  
(Engagement Partner)

Chinese Certified Public Accountant  
Ji Yuting

29 March 2022

*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*

(Expressed in RMB '000)

**Consolidated Balance Sheet**

	Notes	December 31 2021	December 31 2020
<b>Current assets</b>			
Cash at bank and on hand	V.1	5,818,835	3,863,886
Financial assets held for trading	V.2	1,479	1,253
Derivative financial assets	V.3	243,316	1,560,788
Bills receivable	V.4	81,992	102,082
Accounts receivable	V.5	8,362,493	8,766,869
Receivables financing	V.6	120,157	109,483
Prepayments	V.7	379,788	406,008
Other receivables	V.8	691,939	1,310,029
Inventories	V.9	11,750,162	10,338,273
Other current assets	V.10	938,453	769,641
<b>Total current assets</b>		<b>28,388,614</b>	<b>27,228,312</b>
<b>Non-current assets</b>			
Long-term receivables	V.11	56,234	95,329
Long-term equity investments	V.12	15,335	14,081
Other equity investments	V.13	152,118	152,200
Investment properties		3,716	4,364
Fixed assets	V.14	8,048,389	6,576,116
Construction in progress	V.15	2,143,400	1,405,328
Right-of-use assets	V.16	463,915	483,618
Intangible assets	V.17	5,326,288	5,226,455
Goodwill	V.18	4,409,599	4,584,226
Deferred tax assets	V.19	723,075	773,673
Other non-current assets	V.20	504,625	257,332
<b>Total non-current assets</b>		<b>21,846,694</b>	<b>19,572,722</b>
<b>Total assets</b>		<b>50,235,308</b>	<b>46,801,034</b>

(Expressed in RMB '000)

**Consolidated Balance Sheet (continued)**

	Notes	December 31 2021	December 31 2020
<b>Current liabilities</b>			
Short-term loans	V.21	874,755	1,205,498
Derivative financial liabilities	V.22	176,206	1,463,614
Bills payable	V.23	493,376	369,791
Accounts payable	V.24	6,294,163	4,557,006
Contract liabilities	V.25	1,381,311	1,092,253
Employee benefits payable	V.26	1,247,979	1,208,834
Taxes payable	V.27	368,682	358,988
Other payables	V.28	1,342,188	1,075,721
Non-current liabilities due within one year	V.29	1,795,754	1,272,581
Other current liabilities	V.30	412,909	315,597
<b>Total current liabilities</b>		<b>14,387,323</b>	<b>12,919,883</b>
<b>Non-current liabilities</b>			
Long-term loans	V.31	3,498,912	2,387,628
Debentures payable	V.32	7,797,131	8,078,113
Lease liabilities	V.33	362,086	379,190
Long-term payables		95,699	27,327
Long-term employee benefits payable	V.34	792,358	645,755
Provisions	V.35	186,430	163,251
Deferred tax liabilities	V.19	380,138	331,942
Other non-current liabilities	V.36	1,660,148	434,030
<b>Total non-current liabilities</b>		<b>14,772,902</b>	<b>12,447,236</b>
<b>Total liabilities</b>		<b>29,160,225</b>	<b>25,367,119</b>
<b>Shareholders' equity</b>			
Share capital	V.37	2,329,812	2,344,121
Capital reserve	V.38	12,977,171	13,023,219
Less: Treasury shares		-	60,357
Other comprehensive income	V.39	(432,384)	(72,055)
Special reserves		19,857	15,960
Surplus reserve	V.40	240,162	240,162
Retained earnings	V.41	5,940,465	5,862,702
<b>Total equity attributed to the shareholders of the company</b>		<b>21,075,083</b>	<b>21,353,752</b>
<b>Non-controlling interests</b>		<b>-</b>	<b>80,163</b>
<b>Total Equity</b>		<b>21,075,083</b>	<b>21,433,915</b>
<b>Total liabilities and equity</b>		<b>50,235,308</b>	<b>46,801,034</b>

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 Ignacio Dominguez

 Legal representative  
 Chief of the accounting work  
 Chief of the accounting organ

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

The notes form part of these financial statements.

(Expressed in RMB '000)

**Balance Sheet**

	Notes	December 31 2021	December 31 2020
<b>Current assets</b>			
Cash at bank and on hand	XV.1	265,558	1,034,812
Accounts receivable	XV.2	208,109	387,117
Receivables financing	XV.3	11,752	25,060
Prepayments		29,364	5,973
Other receivables	XV.4	21,496	27,138
Inventories		220,329	141,235
Other current assets		44,221	42,243
<b>Total current assets</b>		<b>800,829</b>	<b>1,663,578</b>
<b>Non-current assets</b>			
Long-term equity investments	XV.5	17,511,352	16,663,212
Other equity investments		84,720	85,495
Investment properties		3,716	4,364
Fixed assets		1,264,210	784,218
Construction in progress		728,742	992,863
Right-of-use assets		5,453	37
Intangible assets		265,510	220,963
Deferred tax assets		60,668	66,036
Other non-current assets		560,982	238,750
<b>Total non-current assets</b>		<b>20,485,353</b>	<b>19,055,938</b>
<b>Total assets</b>		<b>21,286,182</b>	<b>20,719,516</b>
<b>Current liabilities</b>			
Short-term loans			100,000
Bills payables		20,415	19,600
Accounts payables		205,985	324,047
Contract liabilities		10,145	17,480
Employee benefits payable		28,880	99,808
Taxes payable		2,662	3,143
Other payables		560,098	240,939
Non-current liabilities due within one year		612,666	39,302
<b>Total current liabilities</b>		<b>1,440,851</b>	<b>844,319</b>
<b>Non-current liabilities</b>			
Long-term loans		905,840	941,430
Lease liabilities		2,925	-
Long-term employee benefits payable		99,495	89,658
Provisions		44,385	44,743
Other non-current liabilities		312,130	143,770
<b>Total non-current liabilities</b>		<b>1,364,775</b>	<b>1,219,601</b>
<b>Total liabilities</b>		<b>2,805,626</b>	<b>2,063,920</b>
<b>Shareholders' equity</b>			
Share capital	V.37	2,329,812	2,344,121
Capital reserve		15,523,881	15,569,929
Less: Treasury shares		-	60,357
Other comprehensive income		30,668	47,390
Special reserves		20,548	16,651
Surplus reserve		240,162	240,162
Retained earnings	V.41	335,485	497,700
<b>Total shareholders' equity</b>		<b>18,480,556</b>	<b>18,655,596</b>
<b>Total liabilities and shareholders' equity</b>		<b>21,286,182</b>	<b>20,719,516</b>



(Expressed in RMB '000)

**Consolidated Income Statement**

		Notes	Year ended December 31	
			2021	2020
I.	Operating income	V.42	31,038,605	28,444,833
	Less:			
	Cost of sales	V.42	23,412,519	20,071,035
	Taxes and surcharges	V.43	106,282	88,591
	Selling and Distribution expenses	V.44	4,019,257	4,945,345
	General and administrative expenses	V.45	1,089,599	1,043,708
	Research and Development expenses	V.46	501,377	478,778
	Financial expenses	V.47	1,939,422	1,847,189

(Expressed in RMB '000)

**Income Statement**

		<b>Year ended December 31</b>	
	<b>Notes</b>	<b>2021</b>	<b>2020</b>
<b>I. Operating income</b>	XV.6	1,157,419	1,516,459
<b>Less:</b> Operating costs	XV.6	1,062,232	1,177,550
Taxes and surcharges		6,637	6,033
Selling and Distribution expenses		5,897	46,036
General and administrative expenses		156,141	179,481
Research and Development expenses		44,661	49,219
Financial expenses (income)		17,599	23,671
Including: Interest expense		26,101	9,757
Interest income		14,491	18,382
<b>Add:</b> Investment income (loss), net		1,808	(16,173)
Gain from changes in fair value ("-" means loss)		(6,070)	-
Credit impairment reversal (losses)		(301)	4,071
Asset Impairment reversal (losses)		(9,369)	(17,655)
Gain from disposal of assets		16,630	4,174
<b>II. Operating Profit</b>		(133,050)	8,886
<b>Add:</b> Non-operating income		15,647	13,730
<b>Less:</b> Non-operating expenses		2,051	1,934
<b>III. Total profit</b>		(119,454)	20,682
<b>Less:</b> Income tax expense (income)		5,484	25,407
<b>IV. Net profit (loss)</b>		(124,938)	(4,725)
<b>V. Other comprehensive income, net of tax</b>		(16,722)	6,082
(1) Items that will not be reclassified to profit or loss		(16,722)	6,082
(1.1) Re-measurement of defined benefit plan liability		(16,064)	(411)
(1.2) FV changes in other equity investment		(658)	6,493
<b>VI. Total comprehensive income (loss) for the period</b>		(141,660)	1,357

(Expressed in RMB '000)

**Consolidated Cash Flow Statement**

	Notes	Year ended December 31	
		2021	2020
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		30,128,925	26,822,969
Refund of taxes and surcharges		184,881	213,704
Cash received relating to other operating activities	V.55(1)	864,848	693,212
Sub-total of cash inflows from operating activities		31,178,654	27,729,885
Cash paid for goods and services		20,020,798	18,671,558
Cash paid to and on behalf of employees		3,615,590	3,605,027
Payments of taxes and surcharges		449,010	385,056
Cash paid relating to other operating activities	V.55(2)	2,531,381	3,045,229
Sub-total of cash outflows from operating activities		26,616,779	25,706,870
<b>Net cash flows from operating activities</b>	V.56(1)a	4,561,875	2,023,015
<b>II. Cash flows from investing activities:</b>			
Cash received from disposal of investments		3,864	29,808
Cash received from returns of investments		867	55,078
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		27,456	22,678
Cash received relating to other investing activities	V.55(3)	8,562	3,223
Sub-total of cash inflows from investing activities		40,749	110,787
Cash paid to acquire fixed assets, intangible assets and other long-term assets		2,589,460	1,969,793
Cash paid for acquisition of investments		2,225	53,422
Net cash paid to acquire subsidiaries or other business units		655,039	371,192
Cash paid relating to other investing activities	V.55(4)	177,476	48,348
Sub-total of cash outflows from investing activities		3,424,200	2,442,755
<b>Net cash flows used in investing activities</b>		(3,383,451)	(2,331,968)
<b>III. Cash flows from financing activities:</b>			
Cash received from borrowings		4,565,565	3,772,193
Cash received from issuance of debentures		-	692,893
Cash received from other financing activities	V.55(5)	1,124,944	220,738
Sub-total of cash inflows from financing activities		5,690,509	4,685,824
Cash repayments of borrowings		3,670,409	3,405,046
Cash payment for dividends, profit distributions and interest		791,993	728,369
Including: Dividends paid to non-controlling interest		42,357	34,865
Cash paid relating to other financing activities	V.55(6)	390,944	409,358
Sub-total of cash outflows from financing activities		4,853,346	4,542,773
<b>Net cash flows from financing activities</b>		837,163	143,051
<b>IV. Effects of foreign exchange rate changes on cash and cash equivalents</b>		(91,178)	(318,934)
<b>V. Net increase in cash and cash equivalents</b>	V.56(1)b	1,924,409	(484,836)
<b>Add: Cash and cash equivalents at the beginning of the year</b>		3,835,071	4,319,907
<b>VI. Cash and cash equivalents at the end of the period</b>	V.56(2)	5,759,480	3,835,071

(Expressed in RMB '000)

**Cash Flow Statement**

	Notes	Year ended December 31	
		2021	2020
<b>I. Cash flows from operating activities:</b>			
Cash received from sale of goods and rendering of services		1,122,545	1,275,007
Refund of taxes and surcharges		65,104	91,565
Cash received relating to other operating activities	XV.7(1)	126,387	31,031
Sub-total of cash inflows from operating activities		1,314,036	1,397,603
Cash paid for goods and services		923,676	1,032,657
Cash paid to and on behalf of employees		185,037	208,933
Payments of taxes and surcharges		10,936	9,234
Cash paid relating to other operating activities	XV.7(2)	108,015	242,563
Sub-total of cash outflows from operating activities		1,227,664	1,493,387
<b>Net cash flows from (used in) operating activities</b>	XV.8	86,372	(95,784)
<b>II. Cash flows from investing activities:</b>			
Cash received from returns of investments		1,808	2,583
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		19,360	4,357
Sub-total of cash inflows from investing activities		21,168	6,940
Cash paid to acquire fixed assets, intangible assets and other long-term assets		380,744	519,363
Cash paid for acquisition of investments		697,909	276,000
Cash paid for other investing activities		-	150,000
Sub-total of cash outflows from investing activities		1,078,653	945,363
<b>Net cash flows used in investing activities</b>		(1,057,485)	(938,423)
<b>III. Cash flows from financing activities:</b>			
Cash received from borrowings		758,200	1,094,232
Cash received relating to other financing activities	XV.7.(3)	12,345	21,177
Sub-total of cash inflows from financing activities		770,545	1,115,409
Cash repayments of borrowings		295,046	333,500
Cash payment for dividends, profit distributions or interest		86,524	34,407
Cash paid relating to other financing activities	XV.7.(4)	178,186	66,971
Sub-total of cash outflows from financing activities		559,756	434,878
<b>Net cash flow provided by (used in) financing activities</b>		210,789	680,531
<b>IV. Effects of foreign exchange rate changes on cash and cash equivalents</b>		(3,000)	(19,560)
<b>V. Net decrease in cash and cash equivalents</b>		(763,324)	(373,236)
<b>Add:</b> Cash and cash equivalents at the beginning of the year	XV.8(2)	1,022,758	1,395,994
<b>VI. Cash and cash equivalents at the end of the period</b>	XV.8(2)	259,434	1,022,758

(Expressed in RMB '000)

**Consolidated Statement of Changes in Shareholders' Equity****For the year ended December 31, 2021**

	Attributable to shareholders of the Company									
	Share capi- tal *	Capital re- serve *	Less: Treasury shares *	Other compre- hensive in- come	Special reserves	Surplus re- serve	Retained earn- ings	Total	Non-controlling interests	Total equity
I. Balance at January 1, 2021	2,344,121	13,023,219	60,357	(72,055)	15,960	240,162	5,862,702	21,353,752	80,163	21,433,915
II. Changes in equity for the period	(14,309)	(46,048)	(60,357)	(360,329)	3,897	-	77,763	(278,669)	(80,163)	(358,832)
1. Total comprehensive income	-	-	-	(360,329)	-	-	157,397	(202,932)	5,916	(197,016)
2. Owner’s contributions and reduction	(14,309)	(46,048)	(60,357)	-	-	-	-	-	(86,079)	(86,079)
2.1 Cancellation of shares	(14,309)	(46,048)	(60,357)	-	-	-	-	-	-	-
2.2 Non-controlling interests in re- spect of business combination	-	-	-	-	-	-	-	-	(86,079)	(86,079)
3. Appropriation of profits	-	-	-	-	-	-	(79,634)	(79,634)	-	(79,634)
3.1 Distribution to owners	-	-	-	-	-	-	(37,277)	(37,277)	-	(37,277)
3.2 Distribution to non-controlling interest	-	-	-	-	-	-	(42,357)	(42,357)	-	(42,357)
4. Special reserve	-	-	-	-	3,897	-	-	3,897	-	3,897
4.1 Transfer to special reserve	-	-	-	-	7,733	-	-	7,733	-	7,733
4.2 Amount utilized	-	-	-	-	(3,836)	-	-	(3,836)	-	(3,836)
III. Balance at December 31, 2021	2,329,812	12,977,171	-	(432,384)	19,857	240,162	5,940,465	21,075,083	-	21,075,083

\* For further information of the changes during the period see Note V.37 – Share capital.

(Expressed in RMB '000)

**Statement of Changes in Shareholders' Equity****For the year ended December 31, 2020**

	Attributable to shareholders of the Company									
	Share capi- tal *	Capital re- serve *	Less: Treasury shares *	Other compre- hensive in- come	Special reserves	Surplus re- serve	Retained earn- ings	Total	Non-controlling interests	Total equity
I. Balance at January 1, 2020	2,446,554	12,903,168	-	1,192,681	14,927	240,162	5,574,173	22,371,665	-	22,371,665
II. Changes in equity for the period	(102,433)	120,051	60,357	(1,264,736)	1,033	-	288,529	(1,017,913)	80,163	(937,750)
1. Total comprehensive income	-	-	-	(1,264,736)	-	-	352,753	(911,983)	-	(911,983)
2. Owner's contributions and reduction	(102,433)	120,051	60,357	-	-	-	-	(42,739)	80,163	37,424
2.1 Repurchase of shares	(102,433)	102,433	60,357	-	-	-	-	(60,357)	-	(60,357)
2.2 Non-controlling interests in respect of business combination	-	-	-	-	-	-	-	-	80,163	80,163
2.3 Other	-	17,618	-	-	-	-	-	17,618	-	17,618
3. Appropriation of profits	-	-	-	-	-	-	(64,224)	(64,224)	-	(64,224)
3.1 Distribution to owners	-	-	-	-	-	-	(29,359)	(29,359)	-	(29,359)
3.2 Distribution to non-controlling interest	-	-	-	-	-	-	(34,865)	(34,865)	-	(34,865)
4. Special reserve	-	-	-	-	1,033	-	-	1,033	-	1,033
4.1 Transfer to special reserve	-	-	-	-	7,511	-	-	7,511	-	7,511
4.2 Amount utilized	-	-	-	-	(6,478)	-	-	(6,478)	-	(6,478)
III. Balance at December 31, 2020	2,344,121	13,023,219	60,357	(72,055)	15,960	240,162	5,862,702	21,353,752	80,163	21,433,915

\* For further information of the changes during the year see Note V.37 – Share capital.

(Expressed in RMB '000)

**Statement of Changes in Shareholders' Equity****For the year ended December 31, 2021**

	Attributable to shareholders of the Company							Total
	Share capital	Capital reserve	Less: treasury share	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	
<b>I. Balance at January 1, 2021</b>	2,344,121	15,569,929	60,357	47,390	16,651	240,162	497,700	18,655,596
<b>II. Changes in equity for the period</b>	(14,309)	(46,048)	(60,357)	(16,722)	3,897	-	(162,215)	(175,040)
1. Total comprehensive income	-	-	-	(16,722)	-	-	(124,938)	(141,660)
2. Owner's contributions and reduction	(14,309)	(46,048)	(60,357)	-	-	-	-	-
2.1 Cancellation of shares	(14,309)	(46,048)	(60,357)	-	-	-	-	-
3. Appropriation of profits	-	-	-	-	-	-	(37,277)	(37,277)
3.1 Transfer to Distribution to shareholders	-	-	-	-	-	-	(37,277)	(37,277)
4. Special reserve	-	-	-	-	3,897	-	-	3,897
4.1 Transfer to special reserve	-	-	-	-	7,733	-	-	7,733
4.2 Amount utilized	-	-	-	-	(3,836)	-	-	(3,836)
<b>III. Balance at December 31, 2021</b>	<u>2,329,812</u>	<u>15,523,881</u>	<u>-</u>	<u>30,668</u>	<u>20,548</u>	<u>240,162</u>	<u>335,485</u>	<u>18,480,556</u>

**For the year ended December 31, 2020**

	Attributable to shareholders of the Company							Total
	Share capital	Capital reserve	Less: treasury share	Other comprehensive income	Special reserves	Surplus reserve	Retained earnings	
<b>I. Balance at January 1, 2020</b>	2,446,554	15,449,878	-	41,308	12,973	240,162	531,784	18,722,659
<b>II. Changes in equity for the period</b>	(102,433)	120,051	60,357	6,082	3,678	-	(34,084)	(67,063)
1. Total comprehensive income	-	-	-	6,082	-	-	(4,725)	1,357
2. Owner's contributions and reduction	(102,433)	120,051	60,357	-	-	-	-	(42,739)
2.1 Repurchase of shares	(102,433)	102,433	60,357	-	-	-	-	(60,357)
2.2 Other	-	17,618	-	-	-	-	-	17,618
3. Appropriation of profits	-	-	-	-	-	-	(29,359)	(29,359)
3.1 Transfer to Distribution to shareholders	-	-	-	-	-	-	(29,359)	(29,359)
4. Special reserve	-	-	-	-	3,678	-	-	3,678
4.1 Transfer to special reserve	-	-	-	-	7,511	-	-	7,511
4.2 Amount utilized	-	-	-	-	(3,833)	-	-	(3,833)
<b>III. Balance at December 31, 2020</b>	<u>2,344,121</u>	<u>15,569,929</u>	<u>60,357</u>	<u>47,390</u>	<u>16,651</u>	<u>240,162</u>	<u>497,700</u>	<u>18,655,596</u>

## **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 29, 2022.

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

## **II BASIS OF PREPARATION**

### **1. Basis of preparation**

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

### **2. Accrual basis and measurement principle**

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, deferred tax assets and liabilities, assets and liabilities relating to employee benefits, provisions, and investments in associated companies and joint ventures, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

In the historical cost measurement, assets obtained shall be measured at the amount of cash or cash equivalents or fair value of the consideration paid. Liabilities shall be measured at the actual amount of cash or assets received, or the contractual amount in a present obligation, or the prospective amount of cash or cash equivalents paid to discharge the liabilities.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing market participants in an arm’s length transaction at the measurement date. Fair value measured and disclosed in the financial statements are determined on this basis whether it is observable or estimated by valuation techniques.



## **II BASIS OF PREPARATION - (cont'd)**

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

The following table provides an analysis, grouped into Levels 1 to 3 based on the degree to which the fair value input is observable and significant to the fair value measurement as a whole:

Level 1 - based on quoted prices (unadjusted) in active markets;

Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable (other than quoted prices included within Level 1), either directly or indirectly;

Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

### **3. Going concern**

The financial statements have been prepared on the going concern basis.

The Group has performed going concern assessment for the following 12 months from December 31, 2021 and have not identified any significant doubtful matter or event on the going concern, as such the financial statement have been prepared on the going concern basis.

## **III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES**

### **1. Statement of compliance**

These financial statements are in compliance with the Accounting Standards for Business Enterprises to truly and completely reflect the Company's consolidated financial position as at December 31, 2021 and the Company's consolidated operating results, changes in shareholders' equity and cash flows for the twelve months then ended.

### **2. Accounting period**

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

### **3. Business cycle**

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

### **4. Reporting currency**

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

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

#### **5. Business combinations**

##### **5.1 Business combinations involving enterprises under common control**

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

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

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

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

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

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

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

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

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

#### **6. Basis for preparation of consolidated financial statements**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **7. Classification and accounting methods of joint arrangement**

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

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

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

#### **8. Cash and cash equivalents**

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

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

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

##### **9.1 Transactions denominated in foreign currencies**

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

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

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

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

##### **9.2 Translation of financial statements denominated in foreign currency**

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

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

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

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

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

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

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

#### **10. Financial instruments**

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

##### **10.1 Classification and measurement of financial assets**

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

###### **10.1.1 Financial assets at amortised cost**

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

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

###### **10.1.1.1 Effective interest method and amortised cost**

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

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

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

#### **10. Financial instruments - (cont'd)**

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

###### **10.1.2 Financial assets at FVTOCI**

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

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

###### **10.1.3 Financial assets at FVTPL**

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

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

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

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

###### **10.1.4 Designated financial assets at FVTOCI**

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

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

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

#### **10. Financial instruments - (cont'd)**

##### **10.2 Impairment of financial assets**

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

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

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

##### **10.2.1 Significant increases in credit risk**

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

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

- (a) significant changes in internal price indicators of credit risk as a result of a change in credit risk since inception.
- (b) significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life.
- (c) a significant change in the debtors' ability to meet its debt obligations.
- (d) an actual or expected significant change in the operating results of the debtor.
- (e) significant increases in credit risk on other financial instruments of the same debtor.
- (f) an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor.
- (g) significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the debtor's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.
- (h) significant changes that are expected to reduce the receivable's economic incentive to make scheduled contractual payments.
- (i) significant changes in the expected performance and behaviour of the debtor.
- (j) past due information.

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



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

#### **10. Financial instruments - (cont'd)**

##### **10.2 Impairment of financial assets - (cont'd)**

##### **10.2.2 Credit-impaired financial asset**

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

- (a) significant financial difficulty of the issuer or the receivable;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the receivable, for economic or contractual reasons relating to the receivable's financial difficulty, having granted to the receivable a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the receivable will enter bankruptcy or other financial reorganization;

##### **10.2.3 Recognition of expected credit losses**

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

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

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

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

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

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

#### **10. Financial instruments - (cont'd)**

##### **10.2 Impairment of financial assets - (cont'd)**

###### **10.2.4 Written-off of financial assets**

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

##### **10.3 Transfer of financial asset**

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

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

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

##### **10.4 Classification and measurement of financial liabilities**

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

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

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

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

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

#### **10. Financial instruments - (cont'd)**

##### **10.5 Derecognition of financial liabilities**

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

##### **10.6 Derivatives**

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

##### **10.7 Offsetting financial assets and financial liabilities**

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

##### **10.8 Equity instruments**

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

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

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

#### **11. Receivables**

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

Expected credit losses in respect of a receivables is measured at an amount equal to lifetime expected credit losses. The assessment is made collectively for account receivables, where receivables share similar credit risk characteristics based on geographical location, using the expected credit losses model including inter-alia aging analysis, historical loss experiences adjusted by the observable factors reflecting current and expected future economic conditions. The ratio of the account receivables collective provision for expected credit losses in which credit losses has not occurred is between 0%-4.36%.

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

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

#### **12. Inventories**

##### **12.1 Categories of inventories and initial measurement**

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

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

##### **12.2 Valuation method of inventories upon delivery**

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

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

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

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

#### **12. Inventories - (cont'd)**

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

12.4 The perpetual inventory system is maintained for stock system.

#### **13. Long-term equity investments**

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

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

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

##### **13.1 Determination of investment cost**

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

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

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

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

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

##### **13.2 Subsequent measurement and recognition of profit or loss**

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

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

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

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

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

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

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

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

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

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

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

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

##### **13.5 The disposal of long-term equity investment**

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

#### **14. Investment properties**

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

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

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

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

#### **15. Fixed assets**

##### **15.1 Recognition criteria for fixed assets**

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

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

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

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

#### 15. Fixed assets - (cont'd)

##### 15.2 Depreciation of each category of fixed assets

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

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

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

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

Overseas Land owned by the Group is not depreciated.

##### 15.3 Other explanations

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

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

#### 16. Construction in progress

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

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



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

#### 17. Borrowing costs

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

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

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

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

#### 18. Intangible assets

##### 18.1 Valuation methods, useful life, impairment test

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

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

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

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

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

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

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

#### **18. Intangible assets - (cont'd)**

##### **18.2 Research and development expenditure**

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

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

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

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

#### **19. Goodwill**

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

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

#### **20. Impairment of long-term assets**

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

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

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

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

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

#### **21. Employee benefits**

##### **21.1 Short-term employee benefits**

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

##### **21.2 Post-employment benefits**

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

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

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

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

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

#### **21. Employee benefits - (cont'd)**

##### **21.3 Termination benefits**

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

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

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

##### **21.4 Other long-term employee benefits**

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

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

#### **22. Share-based payment**

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

##### **22.1 Cash-settled share-based payment**

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

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

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

#### 23. Provisions

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

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

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

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

#### 24. Revenue

Revenue of the Group is mainly from sale of goods.

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

##### Significant financing component

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

##### Sale with a right of return

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

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

#### **25. Government grants**

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

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

Government grants are either related to assets or income.

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

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

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

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

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

#### **26. Current and deferred tax**

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

##### **26.1 Current income tax**

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

##### **26.2 Deferred tax assets and deferred tax liabilities**

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

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

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

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

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

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

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

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

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

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

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

##### **26.3 Offset of income tax**

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

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

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

#### **27. Leases**

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

##### **27.1 Determining whether an arrangement contains a lease**

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

- (a) The right to obtain substantially all the economic benefits from use of the identified asset; and
- (b) The right to direct the identified asset's use.

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

##### **27.2 Initial recognition of leased assets and lease liabilities**

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

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

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

##### **27.3 The lease term**

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

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

##### **27.4 Variable lease payments**

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

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



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

#### **27. Leases (cont'd)**

##### **27.5 Subsequent measurement**

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

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

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

#### **28. Other significant accounting policies and accounting estimates**

##### **28.1 Hedging**

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

##### *Hedge accounting*

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

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

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

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

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

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

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

##### 28.1 Hedging (cont'd)

###### *Measurement of derivative financial instruments*

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

###### *Cash-flow hedges*

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

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

###### *Economic hedge*

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

###### *Derivatives that are not used for hedging*

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

##### 28.2 Securitization of assets

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

##### 28.3 Segment reporting

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

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

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

##### **28.3 Segment reporting - (cont'd)**

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

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

##### **28.4 Profit distributions to shareholders**

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

#### **29. Changes in significant accounting policies and accounting estimates**

##### **29.1 Changes in significant accounting policies**

###### **"Accounting Standards for Business Enterprises Interpretation No. 15"**

On 30 December 2021, the Ministry of Finance issued "Accounting Standards for Business Enterprises Interpretation No. 15" (hereinafter referred to as "Interpretation No. 15") which clarified the following accounting treatments:

- (4) The accounting treatment of the sale of the products or by-products produced before the assets being capable of operating in a predetermined manner or produced during the research and development process;
- (5) Disclosure requirements for centralized management of funds; and
- (6) costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.

According to the Interpretation No.15, the second clarification was effective from 30 December 2021. Adoption of the interpretation has no significant impact on the Group's financial statements.

##### **29.2 Changes in significant accounting estimates**

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

### **30. Significant accounting estimates and judgments**

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

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

#### **30.1 Expected credit loss of trade receivables**

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

#### **30.2 Provision for impairment of inventories**

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

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

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

##### **30.3 Impairment of assets other than inventories and financial assets**

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

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

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

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

##### **30.5 Income taxes and deferred income tax**

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

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

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

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

##### **30.6 Contingent liabilities**

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

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

##### **30.7 Employee benefits**

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

##### **30.8 Derivative financial instruments**

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

#### IV. Taxation

##### 1. Main types of taxes and corresponding tax rates

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

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

<u>Name of subsidiary</u>	<u>Location</u>	<u>2021</u>
ADAMA agriculture solutions Ltd.	Israel	23.0%
ADAMA Makhteshim Ltd.	Israel	7.5%
ADAMA Agan Ltd.	Israel	7.5%
ADAMA Brasil S/A	Brazil	34.0%
Makhteshim Agan of North America Inc.	U.S.	24.7%
ADAMA India Private Ltd	India	25.2%
ADAMA Deutschland GmbH	Germany	32.5%
Control Solutions Inc.	U.S.	24.0%
Adama Australia Pty Ltd	Australia	30.0%
ADAMA France S.A.S	France	27.5%
ADAMA Northern Europe B.V.	Nether-lands	25.0%
ADAMA Italia S.R.L.	Italy	27.9%
Alligare Inc.	U.S.	27.5%

The VAT rate of the Group's subsidiaries is in the range between 2.5% to 27%.

#### **IV. Taxation - (cont'd)**

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

###### **(1) Benefits from High-Tech Certificate**

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

Adama Anpon (Jiangsu) Ltd. (Formally know as Jiangsu Anpon Electrochemical Co. Ltd, hereinafter - "Anpon"), a subsidiary of the Company, was jointly approved as new and high-tech enterprise, by the Jiangsu Provincial Department of Science and Technology, Department of Finance of Jiangsu Province and Jiangsu Provincial Office of the State Administration of Taxation. The applicable income tax rate from 2021 to 2023 is 15%.

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

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

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

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

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

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



#### **IV. Taxation - (cont'd)**

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

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

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

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

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

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

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

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

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

#### **IV. Taxation - (cont'd)**

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

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

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

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

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

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

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

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

## V. Notes to the consolidated financial statements

### 1. Cash at Bank and On Hand

	<u>December 31</u> <u>2021</u>	<u>December 31</u> <u>2020</u>
Cash on hand	1,196	4,590
Deposits in banks	5,758,284	3,830,481
Other cash and bank	59,355	28,815
	<u>5,818,835</u>	<u>3,863,886</u>
Including cash and bank placed outside China	4,935,072	2,064,876

As at December 31, 2021 restricted cash and bank balances was 59,355 thousand RMB (as at December 31, 2020 28,815 thousand RMB) mainly including deposits that guarantee bank acceptance drafts.

### 2. Financial assets held for trading

	<u>December 31</u> <u>2021</u>	<u>December 31</u> <u>2020</u>
Bank deposits	1,479	1,253
	<u>1,479</u>	<u>1,253</u>

### 3. Derivative financial assets

	<u>December 31</u> <u>2021</u>	<u>December 31</u> <u>2020</u>
Economic hedge	198,775	1,545,481
Accounting hedge derivatives	44,541	15,307
	<u>243,316</u>	<u>1,560,788</u>

### 4. Bills Receivable

	<u>December 31</u> <u>2021</u>	<u>December 31</u> <u>2020</u>
Post-dated checks receivable	79,996	91,975
Bank acceptance draft	1,996	10,107
	<u>81,992</u>	<u>102,082</u>

All bills receivables are due within 1 year.

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

**5. Accounts Receivable**

**a. By category**

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

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

**b. Aging analysis**

	<b>December 31, 2021</b>
Within 1 year (inclusive)	8,235,000
Over 1 year but within 2 years	122,949
Over 2 years but within 3 years	72,651
Over 3 years but within 4 years	31,553
Over 4 years but within 5 years	32,159
Over 5 years	96,853
	<u>8,591,165</u>

## 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:

	<b>December 31, 2021</b>		
	<b>Book value</b>	<b>Provision for expected credit loss</b>	<b>Percentage (%)</b>
Credit group A	1,449,790	5,602	0.08-0.62
Credit group B	793,486	6,867	0.87
Credit group C	204,873	8,938	4.36
Credit group D	36,139	754	2.09
	<u>2,484,288</u>	<u>22,161</u>	<u>0.89</u>

#### Geographical location B:

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

	<b>December 31, 2021</b>		
	<b>Book value</b>	<b>Provision for expected credit loss</b>	<b>Percentage (%)</b>
Accounts receivable that are not overdue	304,566	2,706	0.9
Debts overdue less than 60 days	86,562	2,788	3.2
Debts overdue less than 180 days but more than 60 days	25,993	2,663	10.2
Debts overdue above 180 days	13,315	5,390	40.5
Legal Debtors	37,910	37,910	100.0
	<u>468,346</u>	<u>51,457</u>	<u>11.0</u>

#### Other geographical locations:

	<b>December 31, 2021</b>		
	<b>Book value</b>	<b>Provision for expected credit loss</b>	<b>Percentage (%)</b>
Other account receivables assessed collectively for impairment	<u>5,348,307</u>	<u>11,227</u>	<u>0.0-3.6</u>

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

### 5. Accounts Receivable – (cont'd)

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

Addition of provision for expected credit loss during the period

	Lifetime expected credit loss (credit losses has not oc- curred)	Lifetime expected credit loss (credit losses has occurred)	Total
January 1, 2021	51,896	310,378	362,274
Addition (write back) during the period, net	(14,904)	9,291	(5,613)
Write-off during the period	-	(102,995)	(102,995)
Exchange rate effect	(898)	(24,096)	(24,994)
Balance as of December 31, 2021	36,094	192,578	228,672

#### d. Five largest accounts receivable at December 31, 2021:

Name	Closing balance	Proportion of Accounts receivable (%)	Allowance of expected credit losses (credit losses has occurred)
Customer 1	200,312	2	-
Customer 2	116,717	1	-
Customer 3	90,423	1	-
Customer 4	86,303	1	12,492
Customer 5	70,498	1	-
Total	564,253	6	12,492

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

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

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

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

Every year the credit facility is re approved in accordance with the Securitization Program. As at the report date, the Securitization agreement was approved up to October 31, 2022.

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

### **5. Accounts Receivable – (cont'd)**

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

The maximum scope of the securitization is adjusted for the seasonal changes in the scope of the Company's activities, as follows: during the months March through June the maximum scope of the securitization is \$350 million (as of December 31, 2021 – 2,225 million RMB), during the months July through September the maximum scope of the securitization is \$300 million (as of December 31, 2021 – 1,913 million RMB) and during the months October through February the maximum scope of the securitization is \$250 million (as of December 31, 2021 - 1,594 million RMB). In addition the company has uncommitted facility of \$50 million (as of December 31, 2021 - 319 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, 2021, Solutions was in compliance with the financial covenants.

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

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

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

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

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

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

### **5. Accounts Receivable – (cont'd)**

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

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

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

As at the report date, the subsidiary agreement was approved up to September 1, 2022. The maximum securitization scope as of December 31, 2021 is BRL 364 million (RMB 470 million).

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

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

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

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

As at the report date, the subsidiary agreement was approved up to November 10, 2025. The agreement has a maximum scope of BRL 306 million (RMB 342 million).

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

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

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

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



## 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)

	<u>December 31</u> <u>2021</u>	<u>December 31</u> <u>2020</u>
Accounts receivables derecognized	2,962,111	2,850,745
Continuing involvement	117,995	125,578
Subordinated note in respect of trade receivables	388,631	762,598
Liability in respect of trade receivables	98,836	22,002

	<u>Year ended December 31</u> <u>2021</u>	<u>2020</u>
Loss in respect of sale of trade receivables	93,307	73,673

### 6. Receivables financing

	<u>December 31</u> <u>2021</u>	<u>December 31</u> <u>2020</u>
Bank acceptance draft	120,157	109,483
	<u>120,157</u>	<u>109,483</u>

As at December 31, 2021, bank acceptance endorsed but not yet due amounts to 670,411 thousands RMB.

### 7. Prepayments

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

	<u>December 31</u> <u>2021</u>		<u>December 31</u> <u>2020</u>	
	<u>Amount</u>	<u>Percentage (%)</u>	<u>Amount</u>	<u>Percentage (%)</u>
Within 1 year (inclusive)	368,565	97	400,549	99
Over 1 year but within 2 years (inclusive)	8,850	2	3,037	1
Over 2 years but within 3 years (inclusive)	429	-	640	-
Over 3 years	1,944	1	1,782	-
	<u>379,788</u>	<u>100</u>	<u>406,008</u>	<u>100</u>

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

	<u>Amount</u>	<u>Percentage of prepayments</u> <u>(%)</u>
December 31, 2021	<u>90,265</u>	<u>24</u>

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

### 8. Other Receivables

#### (1) Other receivables by nature

	<b>December 31</b>	<b>December 31</b>
	<b>2021</b>	<b>2020</b>
Dividends receivable	1,599	-
Others	690,340	1,310,029
	<b>691,939</b>	<b>1,310,029</b>

#### a. Others breakdown by categories

	<b>December 31</b>	<b>December 31</b>
	<b>2021</b>	<b>2020</b>
Trade receivables as part of securitization transactions not yet eliminated	117,995	125,578
Subordinated note in respect of trade receivables	388,631	762,598
Financial institutions	-	231,183
Receivables in respect of disposal of fixed assets	19,940	23,949
Other	174,624	182,867
Sub total	701,190	1,326,175
Provision for expected credit losses - other receivables	(10,850)	(16,146)
	<b>690,340</b>	<b>1,310,029</b>

#### b. Other receivables by aging

	<b>December 31</b>
	<b>2021</b>
Within 1 year (inclusive)	655,455
Over 1 year but within 2 years	10,548
Over 2 years but within 3 years	4,734
Over 3 years but within 4 years	11,543
Over 4 years but within 5 years	321
Over 5 years	18,589
	<b>701,190</b>

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

### 8. Other Receivables - (cont'd)

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

	<b>Year ended December 31, 2021</b>
Balance as of January 1 2021,	16,146
Addition during the period	2,448
Written back during the period	(7,719)
Write-off during the period	-
Exchange rate effect	(25)
Balance as of December 31, 2021	<u>10,850</u>

#### (3) Five largest other receivables at December 31, 2021:

Name	Closing balance	Proportion of other re- ceivables (%)	Allowance of ex- pected credit losses
Party 1	388,631	55	-
Party 2	9,143	1	-
Party 3	9,315	1	-
Party 4	12,785	2	-
Party 5	10,627	2	-
Total	<u>430,501</u>	<u>61</u>	<u>-</u>

### 9. Inventories

#### (1) Inventories by category:

	<b>December 31, 2021</b>		
	Book value	Provision for impair- ment	Carrying amount
Raw materials	4,217,049	26,514	4,190,535
Work in progress	766,650	16,647	750,003
Finished goods	6,545,536	139,307	6,406,229
Others	415,047	11,652	403,395
	<u>11,944,282</u>	<u>194,120</u>	<u>11,750,162</u>
	<b>December 31, 2020</b>		
	Book value	Provision for impair- ment	Carrying amount
Raw materials	3,060,965	42,945	3,018,020
Work in progress	704,391	-	704,391
Finished goods	6,488,658	153,577	6,335,081
Others	288,218	7,437	280,781
	<u>10,542,232</u>	<u>203,959</u>	<u>10,338,273</u>

## 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, 2021

	January 1, 2021	First time consolidation	Provision	Reversal or write-off	Other	December 31, 2021
Raw material	42,945	2,341	13,960	(31,498)	(1,234)	26,514
Work in progress	-	5,608	11,762	(157)	(566)	16,647
Finished goods	153,577	4,183	77,712	(93,379)	(2,786)	139,307
Others	7,437	2,464	3,001	(1,064)	(186)	11,652
	<u>203,959</u>	<u>14,596</u>	<u>106,435</u>	<u>(126,098)</u>	<u>(4,772)</u>	<u>194,120</u>

### 10. Other Current Assets

	<u>December 31</u> <u>2021</u>	<u>December 31</u> <u>2020</u>
Deductible VAT	615,406	499,136
Current tax assets	158,440	232,051
Short term investments	121,629	-
Others	42,978	38,454
	<u>938,453</u>	<u>769,641</u>

### 11. Long-Term Receivables

	<u>December 31</u> <u>2021</u>	<u>December 31</u> <u>2020</u>
Long term account receivables from sale of goods	56,234	95,329
	<u>56,234</u>	<u>95,329</u>

## 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>2021</u>	<u>December 31</u> <u>2020</u>
Investments in Joint ventures	15,335	14,081
Investments in Associate *	-	-
	<u>15,335</u>	<u>14,081</u>

\* The associate was liquidated in 2020.

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

	<u>January 1,</u> <u>2021</u>	<u>Investment</u> <u>income</u>	<u>Other Compre-</u> <u>hensive income</u>	<u>Declared dis-</u> <u>tribution of</u> <u>cash dividend</u>	<u>Change in</u> <u>consolidation</u> <u>scope</u>	<u>Balance at the</u> <u>end of the period</u>
<b>Joint ven-</b> <b>tures</b>						
Investee A	2,884	1,010	(68)	(1,599)	-	2,227
Investee B	933	-	(84)	-	(849)	-
Investee C	10,264	4,913	(1201)	(868)	-	13,108
Sub-total	<u>14,081</u>	<u>5,923</u>	<u>(1353)</u>	<u>(2,467)</u>	<u>(849)</u>	<u>15,335</u>

### 13. Other equity investments

	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>	<u>Dividend received</u> <u>during 2021</u>
Investment A	84,720	85,495	1,808
Investment B	65,765	65,034	1,599
Investment C	<u>1,633</u>	<u>1,671</u>	<u>-</u>
	<u>152,118</u>	<u>152,200</u>	<u>3,407</u>

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

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

### 14. Fixed assets

	Land & Buildings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
<b>Cost</b>					
Balance as at January 1, 2021	3,299,569	13,982,376	122,215	371,573	17,775,733
First time consolidation	347,361	900,321	2,050	6,795	1,256,527
Purchases	44,480	261,957	18,410	28,205	353,052
Transfer from construction in progress	226,360	688,823	1,232	3,417	919,832
Disposals	(28,604)	(157,214)	(13,256)	(21,463)	(220,537)
Currency translation adjustment	(63,490)	(265,512)	(9,953)	(13,085)	(352,040)
Balance as at December 31, 2021	<u>3,825,676</u>	<u>15,410,751</u>	<u>120,698</u>	<u>375,442</u>	<u>19,732,567</u>
<b>Accumulated depreciation</b>					
Balance as at January 1, 2021	(1,673,044)	(8,647,241)	(62,224)	(293,523)	(10,676,032)
First time consolidation	(12,402)	(63,575)	(349)	(1,604)	(77,930)
Charge for the period	(106,151)	(668,171)	(17,503)	(36,298)	(828,123)
Disposals	22,527	135,606	11,069	21,444	190,646
Currency translation adjustment	34,220	164,297	2,405	10,386	211,308
Balance as at December 31, 2021	<u>(1,734,850)</u>	<u>(9,079,084)</u>	<u>(66,602)</u>	<u>(299,595)</u>	<u>(11,180,131)</u>
<b>Provision for impairment</b>					
Balance as at January 1, 2021	(159,691)	(363,008)	(651)	(235)	(523,585)
First time consolidation	-	(1,645)	(8)	-	(1,653)
Charge for the period	-	(384)	-	(548)	(932)
Disposals	3,948	16,274	8	8	20,238
Currency translation adjustment	180	1,695	5	5	1,885
Balance as at December 31, 2021	<u>(155,563)</u>	<u>(347,068)</u>	<u>(646)</u>	<u>(770)</u>	<u>(504,047)</u>
<b>Carrying amounts</b>					
As at December 31, 2021	<u>1,935,263</u>	<u>5,984,599</u>	<u>53,450</u>	<u>75,077</u>	<u>8,048,389</u>
As at January 1, 2021	<u>1,466,834</u>	<u>4,972,127</u>	<u>59,340</u>	<u>77,815</u>	<u>6,576,116</u>

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

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

### 15. Construction in Progress

#### (1) Construction in progress

December 31			December 31		
2021			2020		
Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
2,164,394	(20,994)	2,143,400	1,431,068	(25,740)	1,405,328

#### (2) Details and Movements of major construction projects in progress during year ended December 31, 2021

	Budget	January 1, 2021	Additions	Including: Interest capitalized	Currency translation differences	Transfer to fixed assets	December 31, 2021	Actual cost to budget (%)	Project progress (%)	Source of funds
Project A	1,509,420	632,656	120,651	26,421	-	(420,585)	332,722	57	57	Bank loan
Project B	722,302	25,441	190,130	90	-	-	215,571	30	30	Bank loan
Project C	465,248	15,803	161,642	-	(2,891)	-	174,554	38	38	Internal finance
Project D	338,008	56,460	190,427	7,574	(3,520)	-	243,367	72	72	Internal finance
Project E *	172,055	51,402	113,269	-	-	(40,012)	124,659	72	72	Internal finance
Project G	138,812	53,922	71,751	2,968	(610)	(125,063)	-	100	100	Internal finance
Project F	138,000	39,786	59,829	-	-	-	99,615	72	72	Internal finance
Project H	133,890	59,699	42,419	-	(1,862)	-	100,256	75	75	Internal finance
Project I	96,401	32,300	40,944	-	-	-	73,244	76	76	Internal finance
Project J	82,247	54,618	26,513	-	-	-	81,131	99	99	Internal finance

\* As of December 31, 2021 Project E include impairment of RMB 21 million.

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

### 16. Right-of-use assets

	Land & Build- ings	Machinery & equipment	Motor vehicles	Office & other equipment	Total
<b>Cost</b>					
Balance as at January 1, 2021	468,521	45,329	223,914	3,445	741,209
Additions	64,577	768	105,146	1,832	172,323
Disposals	(19,051)	(768)	(63,933)	(968)	(84,720)
Currency translation adjustment	(21,015)	(1,070)	(7,016)	(121)	(29,222)
Balance as at December 31, 2021	493,032	44,259	258,111	4,188	799,590
<b>Accumulated depreciation</b>					
Balance as at January 1, 2021	(145,226)	(12,553)	(98,233)	(1,579)	(257,591)
Charge for the period	(78,816)	(5,948)	(77,796)	(813)	(163,373)
Disposals	17,596	742	57,467	658	76,463
Currency translation adjustment	5,296	366	3,107	57	8,826
Balance as at December 31, 2021	(201,150)	(17,393)	(115,455)	(1,677)	(335,675)
<b>Provision for impairment</b>					
Balance as at January 1, 2021	-	-	-	-	-
Balance as at December 31, 2021	-	-	-	-	-
<b>Carrying amounts</b>					
As at December 31, 2021	291,882	26,866	142,656	2,511	463,915
As at January 1, 2021	323,295	32,776	125,681	1,866	483,618



Notes to the Financial Statements

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

17. Intangible Assets

	Product registra- tion	Intangible assets on Purchase of Products	Software	Marketing rights, trade- name and trade- marks	Customers rela- tions	Land use rights <sup>(1)</sup>	Others <sup>(2)</sup>	Total
<b>Costs</b>								
Balance as at January 1, 2021	10,693,031	3,918,407	856,741	744,060	451,008	392,876	320,747	17,376,870
First time consolidation <sup>(3)</sup>	14,638	-	2,833	-	98,711	85,500	190,338	392,020
Purchases	561,514	-	117,911	1,019	-	20,627	33,246	734,317
Currency translation adjustment	(257,833)	(89,602)	(22,926)	(17,622)	(11,480)	(826)	(7,640)	(407,929)
Transfer from construction in progress	-	-	46,712	-	-	-	-	46,712
Disposal	(217,503)	-	(3,058)	(510)	-	-	-	(221,071)
Balance as at December 31, 2021	10,793,847	3,828,805	998,213	726,947	538,239	498,177	536,691	17,920,919
<b>Accumulated amortization</b>								
Balance as at January 1, 2021	(8,106,183)	(2,456,612)	(538,255)	(443,625)	(220,302)	(71,468)	(183,235)	(12,019,680)
First time consolidation <sup>(3)</sup>	(1,879)	-	(141)	-	-	(1,162)	(609)	(3,791)
Charge for the period	(516,925)	(251,655)	(75,220)	(24,830)	(35,582)	(10,090)	(36,274)	(950,576)
Currency translation adjustment	198,327	59,139	14,542	10,909	6,579	-	5,110	294,606
Disposal	212,084	-	2,877	67	-	-	-	215,028
Balance as at December 31, 2021	(8,214,576)	(2,649,128)	(596,197)	(457,479)	(249,305)	(82,720)	(215,008)	(12,464,413)
<b>Provision for impairment</b>								
Balance as at January 1, 2021	(81,679)	(48,806)	-	-	-	-	(250)	(130,735)
Charge for the period	(2,497)	-	-	-	-	-	-	(2,497)
Disposal	-	-	-	-	-	-	-	-
Currency translation adjustment	1,898	1,116	-	-	-	-	-	3,014
Balance as at December 31, 2021	(82,278)	(47,690)	-	-	-	-	(250)	(130,218)
<b>Carrying amount</b>								
As at December 31, 2021	2,496,993	1,131,987	402,016	269,468	288,934	415,457	321,433	5,326,288
As at January 1, 2021	2,505,169	1,412,989	318,486	300,435	230,706	321,408	137,262	5,226,455

- (1) Include land parcel in Israel that has not yet been registered in the name of the Group subsidiaries at the Land Registry Office, mostly due to registration procedures or technical problems.
- (2) Mainly non-compete and exclusivity agreements.
- (3) For further information refer to note VI. – Changes in consolidation scope.

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

### 18. Goodwill

#### Changes in goodwill

The Group allocates goodwill to two cash generating units ("CGU"), Crop Protection (Agro) and a non-core activity included in the Intermediates and ingredients segment. At the end of the year, or more frequently whether indicators for impairment exists, the Group estimates the recoverable amount of each CGU for which goodwill has been allocated to using the DCF model based on the Group business plan. The discount rate used in the DCF model is determined based on the company's cost of equity and cost of debt, taking into account the comprehensive risk factors.

The carrying amount of goodwill is mainly allocated to Agro units, which includes RMB 127 million from the acquisitions of Adama Huifeng (shanghai) Agricultural Technology Co., Ltd and Adama Huifeng (Jiangsu) Co. Ltd. Total amount of goodwill allocated to the Agro units amounts to RMB 4,346 thousand. The goodwill allocated to non-core CGU is not significant.

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

	January 1, 2021	Change dur- ing the year (*)	Currency translation adjustment	Balance at De- cember 31, 2021
Book value	4,584,226	(74,695)	(99,932)	4,409,599
Impairment provision	-	-	-	-
Carrying amount	4,584,226	(74,695)	(99,932)	4,409,599

\* For further information regarding the changes in goodwill during the period see note VI. – Changes in consolidation scope.

### 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

	December 31 2021		December 31 2020	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
<b>Deferred tax assets</b>				
Deferred tax assets in respect of carry forward losses	1,378,984	197,354	785,259	142,312
Deferred tax assets in respect of inventories	1,117,094	294,043	1,555,528	422,995
Deferred tax assets in respect of employee benefits	1,009,387	150,742	910,081	128,676
Other deferred tax asset	1,375,455	331,258	1,569,188	366,652
	4,880,920	973,397	4,820,056	1,060,635

**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**

	<b>December 31</b>		<b>December 31</b>	
	<b>2021</b>		<b>2020</b>	
	<b>Taxable temporary differences</b>	<b>Deferred tax liabilities</b>	<b>Taxable temporary differences</b>	<b>Deferred tax liabilities</b>
<b>Deferred tax liabilities</b>				
Deferred tax liabilities in respect of fixed assets and intangible assets	3,392,987	630,460	3,512,629	618,904
	<u>3,392,987</u>	<u>630,460</u>	<u>3,512,629</u>	<u>618,904</u>

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

	<b>December 31</b>		<b>December 31</b>	
	<b>2021</b>		<b>2020</b>	
	<b>The offset amount of deferred tax assets and liabilities</b>	<b>Deferred tax assets or liabilities after offset</b>	<b>The offset amount of deferred tax assets and liabilities</b>	<b>Deferred tax assets or liabilities after offset</b>
<b>Presented as:</b>				
Deferred tax assets	250,322	723,075	286,962	773,673
Deferred tax liabilities	<u>250,322</u>	<u>380,138</u>	<u>286,962</u>	<u>331,942</u>

- (4) **Details of unrecognized deferred tax assets**

	<b>December 31</b>	<b>December 31</b>
	<b>2021</b>	<b>2020</b>
Deductible temporary differences	496,972	523,951
Deductible losses carry forward	<u>308,812</u>	<u>103,402</u>
	<u>805,784</u>	<u>627,353</u>

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

	<b>December 31</b>	<b>December 31</b>
	<b>2021</b>	<b>2020</b>
2021	-	2,388
2022	1,596	1,626
2023	2,068	2,105
2024	19,063	1,785
2025	5,751	5,885
After 2025	<u>280,334</u>	<u>89,613</u>
	<u>308,812</u>	<u>103,402</u>

## 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

	<u>December 31</u> <u>2021</u>	<u>December 31</u> <u>2020</u>
Judicial deposits	115,649	93,182
Assets related to securitization	74,169	31,979
Advances in respect of non-current assets	165,555	40,857
Others	149,252	91,314
	<u>504,625</u>	<u>257,332</u>

### 21. Short-Term Loans

#### Short-term loans by category:

	<u>December 31</u> <u>2021</u>	<u>December 31</u> <u>2020</u>
Unsecured loans	874,755	1,205,498
	<u>874,755</u>	<u>1,205,498</u>

### 22. Derivative financial liabilities

	<u>December 31</u> <u>2021</u>	<u>December 31</u> <u>2020</u>
Economic hedge	167,987	1,197,274
Accounting hedge derivatives	8,219	266,340
	<u>176,206</u>	<u>1,463,614</u>

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

### 23. Bills Payables

	<u>December 31</u> <u>2021</u>	<u>December 31</u> <u>2020</u>
Post-dated checks payables	371,467	264,402
Note payables draft	121,909	105,389
	<u>493,376</u>	<u>369,791</u>

As at December 31, 2021, none of the bills payable are overdue.

### 24. Accounts payable

	<u>December 31</u> <u>2021</u>	<u>December 31</u> <u>2020</u>
Within 1 year (including 1 year)	6,238,230	4,523,845
1-2 years (including 2 years)	30,707	7,454
2-3 years (including 3 years)	3,181	4,349
Over 3 years	22,045	21,358
	<u>6,294,163</u>	<u>4,557,006</u>

There are no significant accounts payables aging over one year.

### 25. Contract liabilities

	<u>December 31</u> <u>2021</u>	<u>December 31</u> <u>2020</u>
Discount for customers	763,964	633,882
Advances from customers	617,347	458,371
	<u>1,381,311</u>	<u>1,092,253</u>

### 26. Employee Benefits Payable

	<u>December 31</u> <u>2021</u>	<u>December 31</u> <u>2020</u>
Short-term employee benefits	852,806	660,144
Post-employment benefits	44,260	122,216
Share based payment (See note XIII)	112,176	85,900
Other benefits within one year	205,562	306,506
	<u>1,214,804</u>	<u>1,174,766</u>
Current maturities	33,175	34,068
	<u>1,247,979</u>	<u>1,208,834</u>

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

### 27. Taxes Payable

	<b>December 31</b>	<b>December 31</b>
	<b>2021</b>	<b>2020</b>
Corporate income tax	174,705	168,033
VAT	153,336	166,073
Others	40,641	24,882
	<b>368,682</b>	<b>358,988</b>

### 28. Other Payables

	<b>December 31</b>	<b>December 31</b>
	<b>2021</b>	<b>2020</b>
Dividends payables	750	3,780
Other payables	1,341,438	1,071,941
	<b>1,342,188</b>	<b>1,075,721</b>

#### (1) Other payables

	<b>December 31</b>	<b>December 31</b>
	<b>2021</b>	<b>2020</b>
Accrued expenses	621,024	541,250
Payables in respect of intangible assets	115,987	135,176
Financial institutions	6,127	111,863
Liability in respect of securitization transactions	98,836	22,002
Hold-back payment due to acquisitions	254,000	-
Others	245,464	261,650
	<b>1,341,438</b>	<b>1,071,941</b>

As at December 31, 2021, the Group did not have any significant other payables overdue.

### 29. Non-Current Liabilities Due Within One Year

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

	<b>December 31</b>	<b>December 31</b>
	<b>2021</b>	<b>2020</b>
Long-term loans due within one year	1,099,643	587,864
Lease liabilities due within one year	139,162	146,178
Debentures payable due within one year	556,949	538,539
	<b>1,795,754</b>	<b>1,272,581</b>

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

### 30. Other Current Liabilities

	<b>December 31</b>	<b>December 31</b>
	<b>2021</b>	<b>2020</b>
Put options to holders of non-controlling interests	170,422	87,388
Provision in respect of returns	196,831	194,775
Provision in respect of claims	45,293	33,036
Others	363	398
	<u>412,909</u>	<u>315,597</u>

### 31. Long-Term Loans

#### Long-term loans by category

	<b>December 31</b>		<b>December 31</b>
	<b>2021</b>	<b>Interest range</b>	<b>2020</b>
			<b>Interest range</b>
<b>Long term loans</b>			
Guaranteed loans	415,887	3.95% - 4.1%	-
Unsecured loans	4,182,668	1.36% - 4.05%	2,947,492
Total Long term loans	4,598,555		2,947,492
Less:			
Long term loans from banks due within 1 year	(1,099,643)		(559,864)
Long term loans, net	<u>3,498,912</u>		<u>2,387,628</u>

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

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

### 32. Debentures Payable

	<b>December 31</b>	<b>December 31</b>
	<b>2021</b>	<b>2020</b>
Debentures Series B	8,354,080	8,616,652
Current maturities	(556,949)	(538,539)
	<u>7,797,131</u>	<u>8,078,113</u>
		<b>December 31</b>
		<b>2021</b>
First year (current maturities)		556,949
Second year		556,949
Third year		556,949
Fourth year		556,949
Fifth year and thereafter		6,126,284
		<u>8,354,080</u>

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

### 32. Debentures Payable - (cont'd)

#### Movements of debentures payable:

#### For the year ended December 31, 2021:

Maturity period	Face value in RMB	Face value NIS	Issuance date	Maturity period	Issuance amount	Balance at January 1, 2021	Amortization of discounts or premium	CPI and exchange rate effect	Repayment during the period	Currency translation adjustment	Balance at December 31, 2021
Debentures Series B	2,673,640	1,650,000	4.12.2006	November 2020-2036	3,043,742	3,611,389	225	204,961	(235,836)	(78,107)	3,502,632
Debentures Series B	843,846	513,527	16.1.2012	November 2020-2036	842,579	1,074,338	11,279	61,081	(77,163)	(23,200)	1,046,335
Debentures Series B	995,516	600,000	7.1.2013	November 2020-2036	1,120,339	1,335,327	4,927	75,708	(90,155)	(28,856)	1,296,951
Debentures Series B	832,778	533,330	1.2.2015	November 2020-2036	1,047,439	1,255,064	(3,095)	71,232	(80,139)	(27,152)	1,215,910
Debentures Series B	418,172	266,665	1-6.2015	November 2020-2036	556,941	687,307	(8,416)	39,045	(40,069)	(14,877)	662,990
Debentures Series B	497,989	246,499	5.5.2020	November 2020-2036	692,896	653,227	(9,963)	37,175	(37,042)	(14,135)	629,262
						<u>8,616,652</u>	<u>(5,043)</u>	<u>489,202</u>	<u>(560,404)</u>	<u>(186,327)</u>	<u>8,354,080</u>

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

On May 5, 2020, the Company issued debentures through an expansion of Series B totaling NIS 246.5 million par value, in consideration for 115.6% of their par value. The total net proceeds amounted to \$98 million. The issuance costs were \$341 thousand.

On November 30, 2020 through 2021, the Company repaid a total of NIS 438.8 million par value Series B debentures, which amounted to about \$165.7 million, as payments of the debenture principal of Series B (approximately RMB 1,000 million).



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

### 33. Lease liabilities

	December 31		December 31	
	2021	Interest range	2020	Interest range
Lease liabilities	501,248	1.3%-6.1%	525,368	1.3%-6.1%
Less: Lease liabilities due within one year	(139,162)		(146,178)	
Long term lease liabilities, net	362,086		379,190	

### 34. Long-Term Employee Benefits Payable

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

	December 31 2021	December 31 2020
Total present value of obligation	687,759	594,165
Less: fair value of plan's assets	(86,282)	(92,634)
Net liability related to Post-employment benefits	601,477	501,531
Termination benefits	91,912	99,466
Total recognized liability for defined benefit plan, net (1)	693,389	600,997
Share based payment (See note XIII)	5,674	21,088
Other long-term employee benefits	123,826	57,738
Total long-term employee benefits, net	822,889	679,823
Including: Long-term employee benefits payable due within one year	30,531	34,068
	792,358	645,755

#### (1) Movement in the net liability and assets in respect of defined benefit plans, early retirement and their components

	Defined benefit obligation and early retirement		Fair value of plan's assets		Total	
	2021	2020	2021	2020	2021	2020
Balance as at January 1, 2021	693,631	721,931	92,634	104,448	600,997	617,483
<b>Expense/income recognized in profit and loss:</b>						
Current service cost	31,070	34,181	(1,310)	-	32,380	34,181
Interest costs	17,836	22,932	2,077	3,270	15,759	19,662
Losses (gains) on curtailments and settlements	24,584	54,959	-	-	24,584	54,959
Changes in exchange rates	17,662	41,922	3,283	7,409	14,379	34,513
Actuarial gain (losses) due to early retirement	(11,391)	(4,670)	-	-	(11,391)	(4,670)
<b>Included in other comprehensive income:</b>						
Actuarial gain (losses) as a result of changes in actuarial assumptions	39,638	(43,604)	6,077	(7,941)	33,561	(35,663)
Foreign currency translation differences in respect of foreign operations	(16,030)	(42,276)	(2,152)	(6,584)	(13,878)	(35,692)
<b>Additional movements:</b>						
Benefits paid	(117,368)	(95,546)	(18,611)	(13,212)	(98,757)	(82,334)
Classification from short term	100,039	-	-	-	100,039	-
Contributions paid by the Group	-	-	4,284	5,244	(4,284)	(5,244)
First time consolidation	-	3,802	-	-	-	3,802
<b>Balance as at December 31, 2021</b>	<b>779,671</b>	<b>693,631</b>	<b>86,282</b>	<b>92,634</b>	<b>693,389</b>	<b>600,997</b>

## 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

	<u>December 31</u> <u>2021</u>	<u>December 31</u> <u>2020</u>
Discount rate (%)*	(0.8%)-3%	0.6%-3.3%

\* According to the demographic and the benefit components.

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

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

	<u>As of December 31, 2021</u>	
	<u>Increase of 1%</u>	<u>Decrease of 1%</u>
Change in defined benefit obligation	(60,732)	74,560

### 35. Provisions

	<u>December 31</u> <u>2021</u>	<u>December 31</u> <u>2020</u>
Liabilities in respect of contingencies*	104,220	77,138
Provision in respect of site restoration	62,370	79,706
Long-term liability in respect of business combinations	17,411	3,954
Other	2,429	2,453
	<u>186,430</u>	<u>163,251</u>

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

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

### 36. Other Non-Current Liabilities

	<b>December 31</b>	<b>December 31</b>
	<b>2021</b>	<b>2020</b>
Put options to holders of non- controlling interests *	1,341,362	290,260
Long term loans – others	318,786	171,770
	<u>1,660,148</u>	<u>462,030</u>
Current maturities	-	(28,000)
	<u>1,660,148</u>	<u>434,030</u>

\* For further information see note VI.1 – Change in consolidation Scope.

### 37. Share Capital

	<b>Balance at Janu- ary 1, 2021</b>	<b>Issuance of new shares</b>	<b>Buyback of shares</b>	<b>Balance at December 31, 2021</b>
Share capital	<u>2,344,121</u>	<u>-</u>	<u>(14,309)</u>	<u>2,329,812</u>

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

### 38. Capital Reserve

	<b>Balance at Janu- ary 1, 2021</b>	<b>Additions during the period</b>	<b>Reductions during the period</b>	<b>Balance at December 31, 2021</b>
Share premiums	12,652,610	-	(46,048)	12,606,562
Other capital reserve	370,609	-	-	370,609
	<u>13,023,219</u>	<u>-</u>	<u>(46,048)</u>	<u>12,977,171</u>

\* See note 37 above.

## 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, 2021
	Balance at January 1, 2021	Before tax amount	Less: transfer to profit or loss	Less: Income tax expenses	Net-of-tax amount	
<b>Items that will not be reclassified to profit or loss</b>	<b>49,933</b>	<b>(34,220)</b>	-	<b>(2,958)</b>	<b>(31,262)</b>	<b>18,671</b>
Re-measurement of changes in liabilities under defined benefit plans	(5,258)	(33,561)	-	(2,958)	(30,603)	(35,861)
Changes in fair value of other equity investment	55,191	(659)	-	-	(659)	54,532
<b>Items that may be reclassified to profit or loss</b>	<b>(121,988)</b>	<b>(486,819)</b>	<b>(192,468)</b>	<b>34,716</b>	<b>(329,067)</b>	<b>(451,055)</b>
Effective portion of gain or loss of cash flow hedge	(220,719)	94,922	(192,468)	34,716	252,674	31,955
Translation difference of foreign financial statements	98,731	(581,741)	-	-	(581,741)	(483,010)
	<b>(72,055)</b>	<b>(521,039)</b>	<b>(192,468)</b>	<b>31,758</b>	<b>(360,329)</b>	<b>(432,384)</b>

### 40. Surplus reserve

	Balance at January 1, 2021	Additions during the period	Reductions during the period	Balance at December 31, 2021
Statutory surplus reserve	236,348	-	-	236,348
Discretionary surplus reserve	3,814	-	-	3,814
	<b>240,162</b>	<b>-</b>	<b>-</b>	<b>240,162</b>

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

### 41. Retained Earnings

	<u>2021</u>	<u>2020</u>
Retained earnings as at January 1	5,862,702	5,574,173
Net profits for the period attributable to shareholders of the Company	157,397	352,753
Dividends to non-controlling Interest	(42,357)	(34,865)
Dividend to the shareholders of the company (Note 1 & 2)	<u>(37,277)</u>	<u>(29,359)</u>
Retained earnings as at December 31	<u>5,940,465</u>	<u>5,862,702</u>

#### Note 1:

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

#### Note 2:

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

#### Note 3:

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

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

### 42. Operating Income and Cost of Sales

	Year ended December 31		Year ended December 31	
	2021		2020	
	Income	Cost of sales *	Income	Cost of sales
Principal activities	30,971,009	23,375,892	28,385,744	20,033,482
Other businesses	67,596	36,627	59,089	37,553
	<u>31,038,605</u>	<u>23,412,519</u>	<u>28,444,833</u>	<u>20,071,035</u>

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

### 43. Taxes and Surcharges

	Year ended December 31	
	2021	2020
Tax on turnover	26,123	24,690
Others	80,159	63,901
	<u>106,282</u>	<u>88,591</u>

### 44. Selling and Distribution Expenses

	Year ended December 31	
	2021	2020
Salaries and related expense	1,772,447	1,638,087
Depreciation and amortization	1,012,691	1,404,220
Transportation and Commissions *	33,148	771,765
Advertising and sales promotion	306,292	302,921
Travel expenses	87,212	70,999
Warehouse expenses	155,557	154,425
Registration	123,587	150,921
Professional services	101,275	88,307
Insurance	100,689	83,293
Others	326,359	280,407
	<u>4,019,257</u>	<u>4,945,345</u>

\* See note 42 above.

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

### 45. General and Administrative Expenses

	Year ended December 31	
	2021	2020
Salaries and related expenses	657,074	518,889
Idleness expenses *	-	134,164
Professional services	111,610	105,270
Depreciation and amortization	89,949	86,730
IT systems	107,641	95,734
Office rent, maintenance and expenses	43,525	37,522
Other	79,800	65,399
	<u>1,089,599</u>	<u>1,043,708</u>

### 46. Research and development expenses

	Year ended December 31	
	2021	2020
Salaries and related expenses	227,261	218,596
Field trial	45,303	45,828
Professional services	43,894	61,927
Depreciation and amortization	55,086	44,112
Materials	65,950	53,596
Office rent, maintenance and expenses	10,739	7,833
Other	53,144	46,886
	<u>501,377</u>	<u>478,778</u>

### 47. Financial expenses, net

	Year ended December 31	
	2021	2020
Interest expenses on debentures and loans	682,919	700,658
CPI expense (income) in respect of debentures	212,883	(57,101)
Loss in respect of sale of trade receivables	93,307	73,673
Interest expense in respect of post-employment benefits and early retirement, net	18,833	19,473
Revaluation of put option, net	141,676	10,525
Interest income from customers, banks and others	(65,059)	(64,022)
Exchange rate differences, net	813,567	1,111,631
Interest expense on lease liabilities	25,500	24,251
Others	15,796	28,101
	<u>1,939,422</u>	<u>1,847,189</u>

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

### 48. Investment income, net

	Year ended December 31	
	2021	2020
Investment income (expenses) from disposal of derivatives	918,779	125,300
Income from long-term equity investments accounted for using the equity method	5,923	15,584
Gain from change in consolidation scope	-	58,995
Other	4,245	6,623
	<u>928,947</u>	<u>206,502</u>

### 49. Gain (loss) from Changes in Fair Value

	Year ended December 31	
	2021	2020
Gain (loss) from changes in fair value of derivative financial instruments	(313,141)	555,223
Others	(7,953)	(14,525)
	<u>(321,094)</u>	<u>540,698</u>

### 50. Credit impairment reversal (losses)

	Year ended December 31	
	2021	2020
Bills receivable and accounts receivable	5,613	(24,435)
Other receivables	5,271	(1,514)
	<u>10,884</u>	<u>(25,949)</u>

### 51. Asset impairment reversal (losses)

	Year ended December 31	
	2021	2020
Inventories	(66,838)	(66,351)
Fixed assets	(932)	(39,594)
Construction in progress	-	(17,265)
Intangible asset	(2,497)	(173)
Long-term equity investment	-	(40,077)
Other	-	(694)
	<u>(70,267)</u>	<u>(164,154)</u>



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

### 52. Gain from Disposal of Assets

	Year ended December 31		Included in non-recurring items
	2021	2020	
Gain from disposal of fixed assets	5,698	4,134	5,698
Gain (loss) from disposal of intangible assets	(8,302)	6,616	(8,302)
	<u>(2,604)</u>	<u>10,750</u>	<u>(2,604)</u>

### 53. Income Tax Expenses

	Year ended December 31	
	2021	2020
Current year	380,504	327,341
Deferred tax expenses (income)	(66)	(39,919)
Adjustments for previous years, net	51	(64,963)
	<u>380,489</u>	<u>222,459</u>

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

	Year ended December 31	
	2021	2020
Profit before taxes	543,802	575,212
Statutory tax in china	25%	25%
Tax calculated according to statutory tax in china	135,951	143,803
Tax benefits from Approved Enterprises	(32,837)	(26,140)
Difference between measurement basis of income for financial statement and for tax purposes	34,715	104,890
Taxable income and temporary differences at other tax rate	91,431	(20,873)
Taxes in respect of prior years	51	(64,963)
Utilization of tax losses prior years for which deferred taxes were not created	(52)	(2,968)
Temporary differences and losses in the report year for which deferred taxes were not created	38,527	23,293
Non-deductible expenses and other differences	48,139	34,704
Neutralization of tax calculated in respect of the Company's share in results of equity accounted investees	(1,913)	(5,246)
Effect of change in tax rate in respect of deferred taxes	71,033	38,775
Creation and reversal of deferred taxes for tax losses and temporary differences from previous years	(4,556)	(2,816)
Income tax expenses	<u>380,489</u>	<u>222,459</u>

### 54. Other comprehensive income

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

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

### 55. Government grants

Category	Presentation accounts	Amount recognized in the profit and loss statements during the year ended December 31	
		2021	2020
Government grants related to income	Non-Operating income	19,377	17,272
Government grants related to assets	Fixed assets, Intangible assets	19,166	21,452

### 56. Notes to items in the cash flow statements

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

	Year ended December 31	
	2021	2020
Derivatives transactions	191,485	404,824
Financial institutions	441,306	126,770
Interest income	39,316	53,895
Government subsidies	19,856	12,759
Others	172,885	94,964
	<u>864,848</u>	<u>693,212</u>

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

	Year ended December 31	
	2021	2020
Transportation, Commissions and Warehouse	189,988	847,272
Advertising and sales promotion	286,520	297,623
Professional services	242,003	246,200
Financial institutions	211,211	369,655
IT and Communication	186,169	184,149
Registration and Field trials	162,585	166,551
Derivatives transactions	347,874	183,065
Travel	91,581	93,357
Insurance	120,444	103,038
Others	693,006	554,319
	<u>2,531,381</u>	<u>3,045,229</u>

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

	Year ended December 31	
	2021	2020
Dividend received from other equity investment	1,808	2,583
Investment grant	6,754	640
	<u>8,562</u>	<u>3,223</u>

**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	
	2021	2020
Increase in securitization facility	51,121	31,483
Increase in short and long term investments	126,355	16,865
	<u>177,476</u>	<u>48,348</u>

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

	Year ended December 31	
	2021	2020
Cash received in respect of hedging transactions on debentures	777,968	186,727
Deposit for issuing bills payables	27,234	34,011
Borrowing from related party *	319,742	-
	<u>1,124,944</u>	<u>220,738</u>

\* 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	
	2021	2020
Repayment of lease liability	161,400	160,522
Payment in respect of hedging transactions on debentures	-	154,335
Repurchase of treasury shares	-	60,357
Repayment of loan from others	171,770	-
Deposit for issuing bills payable	57,774	34,144
	<u>390,944</u>	<u>409,358</u>

## 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	
	2021	2020
Net profit	163,313	352,753
Add: Impairment provisions for assets	70,267	164,154
Credit impairment losses (gain)	(10,884)	25,949
Depreciation of fixed assets and investment property	828,561	768,076
Depreciation of right-of-use asset	163,373	163,787
Amortization of intangible asset	950,576	1,325,395
Gains on disposal of fixed assets, intangible assets, and other long-term assets, net	2,604	(10,750)
Losses (gains) from changes in fair value	321,094	(540,698)
Financial expenses	1,193,967	1,398,807
Investment income, net	(43,939)	(286,930)
Increase in deferred tax assets, net	37,957	(38,515)
Increase in deferred tax liabilities, net	(38,023)	(1,404)
Increase in inventories, net	(1,456,207)	(939,779)
Increase in operating receivables, net	(142,169)	(1,173,437)
Increase in operating payables, net	2,507,502	796,618
Others	13,883	18,989
Net cash flow from operating activities	4,561,875	2,023,015

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

	Year ended December 31	
	2021	2020
Closing balance of cash	5,759,480	3,835,071
Less: Opening balance of cash	3,835,071	4,319,907
Increase in cash and cash equivalents	1,924,409	(484,836)

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

	Year ended December 31
	2021
Cash paid for business combination not under common control	697,909
Less: cash and cash equivalents of the acquirees at the date of acquisition	42,870
Net cash paid to acquire subsidiaries	655,039

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

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

**(3) Details of cash and cash equivalents**

	<b>Year ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Cash on hand	1,196	4,590
Bank deposits available on demand without restrictions	5,758,284	3,830,481
	<u>5,759,480</u>	<u>3,835,071</u>

**58. Assets with Restricted Ownership or Right of Use**

	<b>December 31</b>	<b>Reason</b>
	<b>2021</b>	
Cash	59,355	Pledged Guarantees
Other non-current assets	123,658	
	<u>183,013</u>	

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

### 59. Foreign currencies denominated items

#### (1) Foreign currencies denominated items

<b>As at December 31, 2021</b>			
	<b>Foreign currency at the end of the pe- riod</b>	<b>Exchange rate</b>	<b>RMB at the end of the period</b>
<b>Cash and bank balances</b>			
EUR	64,679	7.216	466,727
BRL	416,235	1.142	475,340
ILS	90,942	2.050	186,432
USD	17,671	6.376	112,669
PLN	53,345	1.570	83,751
ZAR	119,624	0.400	47,850
ARS	699,065	0.062	43,342
RON	24,288	1.459	35,436
RUB	406,933	0.086	34,996
GBP	3,136	8.617	27,020
CAD	3,674	5.007	18,394
HUF	737,668	0.020	14,753
Other			187,567
Total			<u>1,734,277</u>
<b>Bills and Accounts receivable</b>			
BRL	1,564,573	1.142	1,786,742
EUR	91,418	7.216	659,670
ZAR	493,304	0.400	197,322
RON	104,922	1.459	153,081
TRY	294,165	0.491	144,435
RUB	1,657,756	0.086	142,567
USD	46,361	6.376	295,600
PLN	35,289	1.570	55,403
ILS	22,426	2.050	45,973
CAD	7,419	5.007	37,145
HUF	1,505,940	0.020	30,119
GBP	3,238	8.617	27,901
Other			280,541
Total			<u>3,856,499</u>
<b>Other receivables</b>			
EUR	36,813	7.216	265,642
ILS	65,111	2.050	133,477
GBP	15,020	8.617	129,429
BRL	26,849	1.142	30,661
Other			30,248
Total			<u>589,457</u>
<b>Other current assets</b>			
ILS	95,147	2.050	195,052
BRL	135,861	1.142	155,153
EUR	6,735	7.216	48,602
CLP	1,654,950	0.007	11,585
ARS	157,644	0.062	9,774
Other			73,205
Total			<u>493,371</u>

## 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, 2021			
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
<b>Long-term receivables</b>			
BRL	49,242	1.142	56,234
Total			56,234
<b>Other non-current assets</b>			
BRL	128,787	1.142	147,075
Other			3,902
Total			150,977
<b>Short-term loans</b>			
TRY	127,618	0.491	62,660
ARS	678,806	0.062	42,086
UAH	84,900	0.234	19,867
EUR	1,352	7.216	9,755
Other			325
Total			134,693
<b>Bills and Accounts payable</b>			
ILS	707,525	2.050	1,450,427
EUR	59,020	7.216	425,890
BRL	179,335	1.142	204,800
USD	10,557	6.376	67,310
VND	97,168,500	0.000	27,352
UAH	109,858	0.234	25,707
Other			188,007
Total			2,389,493
<b>Other payables</b>			
ILS	101,557	2.050	208,191
BRL	74,242	1.142	84,784
EUR	7,159	7.216	51,660
ILS CPI	17,760	2.050	36,407
PLN	19,981	1.570	31,370
UAH	89,832	0.234	21,021
ZAR	43,052	0.400	17,221
GBP	1,370	8.617	11,805
OTHER			58,877
TOTAL			521,336
<b>Contract liabilities</b>			
EUR	34,766	7.216	250,871
BRL	65,102	1.142	74,347
CAD	13,245	5.007	66,320
TRY	43,942	0.491	21,575
USD	2,346	6.376	14,957
Other			49,979
Total			478,049

## 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, 2021			
	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
<b>Non-current liabilities due within one year</b>			
ILS CPI	294,253	2.050	603,218
EUR	24,534	7.216	177,034
Other			35,073
Total			815,325
<b>Other current liabilities</b>			
EUR	4,494	7.216	32,427
ILS	2,376	2.050	4,871
Other			6,172
Total			43,470
<b>Long-term loan</b>			
EUR	22,842	7.216	164,825
Total			164,825
<b>Debentures payable</b>			
ILS CPI	3,803,478	2.050	7,797,130
Total			7,797,130
<b>Provision and Long-term payables</b>			
BRL	73,504	1.142	83,942
EUR	372	7.216	2,684
Total			86,626
<b>Other non-current liabilities</b>			
USD	8,998	6.376	57,369
EUR	6,412	7.216	46,269
ILS CPI	17,118	2.050	35,092
ILS	6,142	2.050	12,592
GBP	1,002	8.617	8,633
Other			40,485
Total			200,440



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

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

**(2) Major foreign operations**

<b>Name of the Subsidiary</b>	<b>Registration &amp; Principal place of business</b>	<b>Business nature</b>	<b>Functional currency</b>
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

### 1. Business combinations involving enterprises not under common control

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

Name of the Company	Acquisition date	Total consideration of equity investment	Proportion of equity investment	Acquisition method	Basis of acquisition date determination	From acquisition date till period end	
						Revenue	Net profit
Adama Huifeng (Jiangsu) Co. Ltd.	28.5.2021	931,140	51%	Stock purchase	Obtained control	704,445	(75,250)

#### (2) Acquisition cost and goodwill

In May 28th 2021, the Company acquired 51% stake in ADAMA Huifeng (Jiangsu) Co., Ltd (hereinafter – "ADAMA Huifeng"), a wholly owned subsidiary of Jiangsu Huifeng Bio Agriculture Co., Ltd (hereinafter – "Jiangsu Huifeng"). ADAMA Huifeng was established to incorporate Jiangsu Huifeng's key crop protection synthesis and formulation facilities. This acquisition follows the acquisition of 51% stake in Adama Huifeng (Shanghai) Agricultural Technology Co. Ltd, a wholly owned subsidiary of Jiangsu Huifeng focused on the sale and distribution of key formulated crop protection products in China, which took place on December 31<sup>st</sup>, 2020.

The total cash consideration for both acquisition amounted to approximately RMB 1,229 million (including RMB 254 million held back to secure the post-acquisition closing obligations of Jiangsu Huifeng). The acquisition agreement also include potential earn-out payment to Jiangsu Huifeng depending on the performance of the acquired companies for the 5-year period starting from January 1<sup>st</sup> 2021 and an option was granted to the Company and Jiangsu Huifeng to buy (sell) the remaining 49% equity interests of the acquired companies within a certain period of time.

In previous periods, the accounting treatment of the acquisitions was based on "provisional amounts" (as this term is defined in ASBE 20 Business combination). The financial reports of 2021 reflect the final results of the purchase price allocation.

The Group consolidated ADAMA Shanghai and ADAMA Huifeng starting from the respective acquisition dates on which dates the Group obtained control over the companies. The contingent consideration which is linked to the performance of the acquired companies was measured at fair value on the date of acquisition. The put option issued to Jiangsu Huifeng, as the holder of non-controlling interests, was recognized as a liability at present value of the exercise price (according to the "anticipated acquisition method").

<b>Acquisition costs</b>	<b>Total of ADAMA Shanghai and ADAMA Huifeng</b>
Total acquisition cost in cash	974,557
Contingent consideration	13,140
Put option	998,022
Other	254,000
Less: share of the fair value of the identifiable net assets acquired	2,112,556
<b>Goodwill</b>	<b>127,163</b>

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

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

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

	<b>Adama Huifeng (Jiangsu) Co. Ltd.</b>	
	<b>Fair value at acquisition date</b>	<b>Book value at acquisition date</b>
	<b>1.6.2021</b>	<b>1.6.2021</b>
<b>Assets:</b>		
Cash and bank balances	42,870	42,870
Bills and Accounts receivable	106,454	106,454
Prepayments	10,222	10,222
Other receivables	1,223	1,223
Inventories	387,255	333,122
Other current assets	20,396	20,396
Fixed assets	1,176,943	1,176,943
Construction in progress	64,944	64,944
Intangible assets	400,701	151,019
Deferred tax assets	15,709	15,709
Other non-current assets	9,512	9,512
<b>Liabilities:</b>		
Bills and Accounts payable	187,825	187,825
Employee benefits payable	11,198	11,198
Taxes payable	602	602
Deferred tax liabilities	75,954	-
Other payables	1,446	1,446
Contract liabilities	913	913
<b>Net assets</b>	<b>1,958,291</b>	<b>1,730,430</b>
Less: Non-controlling interests	-	-
<b>Net assets acquired</b>	<b>1,958,291</b>	<b>1,730,430</b>

	<b>Adama Huifeng (Shanghai) Agricultural Technology Co. Ltd.</b>	
	<b>Fair value at acquisition date</b>	<b>Book value at acquisition date</b>
	<b>31.12.2020</b>	<b>31.12.2020</b>
<b>Assets:</b>		
Cash and bank balances	11,965	11,965
Bills and Accounts receivable	6,256	6,256
Prepayments	78,857	78,857
Inventories	263	235
Fixed assets	805	805
Intangible assets	187,529	-
Other assets	191	191
<b>Liabilities:</b>		
Bills and Accounts payable	-	-
Other payables	17,953	17,953
Deferred tax liabilities	47,447	557
Contract liabilities	66,201	66,201
<b>Net assets acquired</b>	<b>154,265</b>	<b>13,598</b>
Less: Non-controlling interests	-	-
<b>Net assets acquired</b>	<b>154,265</b>	<b>13,598</b>

## VII. Interest in Other Entities

### 1. Interests in subsidiaries

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

Name of the Subsidiary	Registration & Principal place of business	Business nature	Direct	Indirect	Method of obtaining the subsidiary
ADAMA France S.A.S	France	Distribution		100%	Established
ADAMA Brasil S/A	Brazil	Manufacturing; Distribution; Registration		100%	Purchased
ADAMA Deutschland GmbH	Germany	Distribution; Registration;		100%	Established
ADAMA India Private Ltd.	India	Manufacturing; Distribution; Registration		100%	Established
Makhteshim Agan of North America Inc.	United States	Manufacturing; Distribution; Registration		100%	Established
Control Solutions Inc.	United States	Manufacturing; Distribution; Registration		67%	Purchased
ADAMA Agan Ltd.	Israel	Manufacturing; Distribution; Registration		100%	Restructure
ADAMA Makhteshim Ltd.	Israel	Manufacturing; Distribution; Registration		100%	Restructure
ADAMA Australia Pty Limited	Australis	Distribution		100%	Purchased
ADAM Italia SRL	Italy	Distribution		100%	Established
ADAMA Northern Europe B.V.	Netherlands	Distribution		55%	Purchased
Alligare LLC	United States	Manufacturing; Distribution; Registration		100%	Purchased
Adama Anpon (Jiangsu) Ltd.	China	Manufacturing; Distribution	100%		Purchased
Adama Huifeng (Jiangsu) Co. Ltd.	China	Manufacturing; Distribution	51%		Purchased

### 2. Interests in joint ventures or associates

	December 31 2021	December 31 2020
Joint ventures	15,335	14,081
Associates	-	-
	<u>15,335</u>	<u>14,081</u>

### 3. Summarized financial information of joint ventures and associates

	December 31, 2021 and twelve months then ended	December 31, 2020 and twelve months then ended
Joint ventures:		
Total carrying amount	15,335	14,081
The Group's share of the following items:		
Net profit	5,923	15,584
Other comprehensive income	(1,353)	1,658
Total comprehensive income	<u>4,570</u>	<u>17,242</u>
Associates:		
Total carrying amount	-	-
The Group's share of the following items:		
Net profit	-	-
Other comprehensive income	-	(326)
Total comprehensive income	<u>-</u>	<u>(326)</u>

## VIII. Risk Related to Financial Instruments

### A. General

The Group has extensive international operations, and, therefore, it is exposed to credit risks, liquidity risks and market risks (including currency risk, interest risk and other price risk). In order to reduce the exposure to these risks, the Group uses financial derivatives instruments, including forward transactions and options (hereinafter - “derivatives”).

Transactions in derivatives are undertaken with major financial institutions, and therefore, in the opinion of Group Management the credit risk in respect thereof is low.

This note provides information on the Group’s exposure to each of the above risks, the Group’s objectives, policies and processes regarding the measurement and management of the risk. Additional quantitative disclosure is included throughout the consolidated financial statements.

The Board of Directors has overall responsibility for establishing and monitoring the framework of the Group's risk management policy. The Finance Committee is responsible for establishing and monitoring the Group's actual risk management policy. The Chief Financial Officer reports to the Finance Committee on a regular basis regarding these risks.

The Group’s risk management policy, established to identify and analyze the risks facing the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The policy and methods for managing the risks are reviewed regularly, in order to reflect changes in market conditions and the Group's activities. The Group, through training, and management standards and procedures, aims to develop a disciplined and constructive control environment in which all the employees understand their roles and obligations.

### B. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and derives mainly from trade receivables and other receivables as well as from cash and deposits in financial institutions.

#### *Accounts and other receivables*

The Group’s revenues are derived from a large number of widely dispersed customers in many countries. Customers include multi-national companies and manufacturing companies, as well as distributors, agriculturists, agents and agrochemical manufacturers who purchase the products either as finished goods or as intermediate products for their own requirements.

The Company entered into an agreement for the sale of trade receivables in a securitization transaction, for details see note V.5.e.

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

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

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

### B. Credit risk - (cont'd)

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

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

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

The Group recognizes an impairment provision, which reflects its assessment regarding the credit risk of account receivables, Other receivables and investments on a lifetime expected credit loss basis. See also notes III.10 – Financial instruments and III.11 – Receivables.

#### *Cash and deposits in banks*

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

#### *Guarantees*

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

### **Aging of receivables and expected credit risk**

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

	<u>December 31, 2021</u>
Past due by less than 90 days	575,485
Past due by more than 90 days	453,002
	<u>1,028,487</u>

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

### **B. Credit risk - (cont'd)**

The company measure the provision for credit losses on a collective group basis, where receivables share similar credit risk characteristics based on geographical locations. The examination for expected credit losses is performed using model including aging analysis and historical loss experiences, and adjusted by the observable factors reflecting current and expected future economic conditions.

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

The Group has credit risk exposures for accounts receivables amounted to RMB 8,137,161 thousand relate to category of "Lifetime expected credit losses (credit losses has not occurred)" and amounted to RMB 454,004 thousand related to category of "Lifetime expected credit losses (credit losses occurred)". The Group has credit risk exposures for other receivables amounted to RMB 10,850 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.

## 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, 2021					
	First year	Second year	Third- Fourth year	Fifth year and above	Contractual Cash flow	Carrying amount
<b>Non-derivative financial liabilities</b>						
Short-term loans	888,941	-	-	-	888,941	874,755
Bills payables	493,376	-	-	-	493,376	493,376
Accounts payables	6,294,163	-	-	-	6,294,163	6,294,163
Other payables	1,342,188	-	-	-	1,342,188	1,342,188
Other current liabilities	170,422	-	-	-	170,422	170,422
Debentures payable	947,901	955,711	1,825,618	7,996,071	11,725,301	8,354,080
Long-term loans	1,224,099	945,539	1,421,032	1,418,839	5,009,509	4,598,555
Long-term payables	3,163	11,388	22,389	73,802	110,742	95,699
Lease Liabilities	161,388	117,740	126,067	253,262	658,457	501,248
Long-term liability in respect of business combinations	-	956	34,101	2,439	37,496	17,411
Other non-current liabilities	8,607	286,032	1,704,891	394,261	2,393,791	1,660,148
<b>Derivative financial liabilities</b>						
Foreign currency derivatives	175,492	-	-	-	175,492	175,492
CPI/shekel forward transactions	714	-	-	-	714	714
	11,710,454	2,317,366	5,134,098	10,138,674	29,300,592	24,578,251

### D. Market risks

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

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

#### (1) CPI and foreign currency risks

##### *Currency risk*

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

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



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

### D. Market risks - (cont'd)

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

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

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

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

	December 31, 2021	
	Total assets	Total liabilities
In US Dollar	1,311,873	1,815,556
In Euro	1,478,933	1,179,134
In Brazilian real	2,651,205	364,262
CPI-linked NIS	-	8,452,994
In New Israeli Shekel	560,934	1,694,934
Denominated in or linked to other foreign currency	2,760,423	845,976
	<u>8,763,368</u>	<u>14,352,856</u>

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

December 31, 2021						
	Currency/link age receiv- able	Currency/link age paya- ble	Average expiration date	USD thou- sands Par value	RMB thousands Par value	Fair value
Forward foreign currency	USD	EUR	05/04/2022	192,512	1,227,396	(54,424)
Contracts and call options	USD	PLN	29/01/2022	19,252	122,743	(924)
	USD	BRL	09/02/2022	324,302	2,067,654	(10,870)
	USD	GBP	12/01/2022	20,878	133,111	2,288
	USD	ZAR	20/01/2022	39,086	249,200	8,156
	ILS	USD	12/01/2022	1,640,964	10,462,297	19,831
	USD	OTHER		2,308,016	14,715,220	56,694
CPI forward contracts	CPI	ILS	09/04/2022	667,203	4,253,883	46,353

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

### D. Market risks - (cont'd)

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

##### (C) Sensitivity analysis

The appreciation or depreciation of the Dollar against the following currencies as of December 31, 2021 and the increase or decrease in the CPI would increase (decrease) the equity and profit or loss by the amounts presented below. This analysis assumes that all the remaining variables, among others interest rates, remains constant.

	December 31, 2021			
	Decrease of 5%		Increase of 5%	
	Equity	Profit (loss)	Equity	Profit (loss)
New Israeli shekel	54,874	34,943	(3,992)	14,038
British pound	727	727	(727)	(727)
Euro	(4,765)	(3,629)	8,162	7,026
Brazilian real	(25)	6,177	(12,317)	(16,383)
Polish zloty	1,535	1,535	(925)	(925)
South African Rand	(1,019)	(1,019)	(182)	(182)
Chinese Yuan Renminbi	19,138	6,056	(3,808)	(2,827)
CPI-linked NIS	480,591	480,591	(480,591)	(480,591)

#### (2) Interest rate risks

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

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

## 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:

	<b>December 31, 2021</b>
<b>Fixed-rate instruments – unlinked to the CPI</b>	
<b><u>Financial assets</u></b>	
Other non-current assets	43,425
<b><u>Financial liabilities</u></b>	
Long-term loans (1)	3,050,021
Long-term payables	23,289
Other non-current liabilities	318,786
	<u>(3,348,671)</u>
<b>Fixed-rate instruments – linked to the CPI</b>	
<b><u>Financial liabilities</u></b>	
Debentures payable (1)	<u>8,354,080</u>
<b>Variable-rate instruments</b>	
<b><u>Financial assets</u></b>	
Cash at banks	2,309,425
Financial assets at fair value through profit or loss	1,479
Other current assets	121,629
Other non-current assets	22,474
<b><u>Financial liabilities</u></b>	
Short-term loans and credit from banks	874,755
Long-term loans (1)	1,548,534
Long-term payables	67,551
	<u>(35,833)</u>

(1) Including current maturities.

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

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

	<b>Profit or loss</b>		<b>Equity</b>	
	<b><u>Increase in interest</u></b>	<b><u>Decrease in interest</u></b>	<b><u>Increase in interest</u></b>	<b><u>Decrease in interest</u></b>
As at December 31, 2021	<u>1,606</u>	<u>(1,621)</u>	<u>1,606</u>	<u>(1,621)</u>

## IX. Fair Value

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

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

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

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

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

	<b>December 31, 2021</b>	
	<b>Carrying amount</b>	<b>Fair value</b>
<b>Financial assets</b>		
Other non-current assets (a – Level 2)	62,826	58,673
<b>Financial liabilities</b>		
Long-term loans and others (b – Level 2)	5,516,724	5,600,573
Debentures (c – Level 1)	8,354,080	11,836,592

- 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:

	<b>December 31, 2021</b>
	<b>%</b>
U.S. dollar interest	(0.83%) - 1.92%
Chinese Yuan Renminbi	2.01% - 2.71%
Euro	(0.72%) - 0.06%

## 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.

	<b>December 31</b>
	<b>2021</b>
Forward contracts and options used for hedging the cash flow (Level 2)	36,316
Forward contracts and options used for economic hedging (Level 2)	30,788
Other equity investment (Level 2)	152,118
Receivables financing (Level 2)	120,157
Other non-current assets (Level 2)	79,658
Other (Level 2)	1,479

<b><u>Financial Instrument</u></b>	<b><u>Fair value</u></b>
<b>Forward contracts</b>	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.
<b>Foreign currency options</b>	The fair value is measured based on the Black&Scholes model.

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

No change in the valuation techniques in the reporting period.

## **X. Related parties and related party transactions**

### **1. Information on parent Company**

<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 agro-chemicals, fertilizers and GM seeds	11,144,545	78.47%	78.47%

The Company's ultimate controlling shareholder is Sinochem Holdings .

### **2. Information on the largest subsidiaries of the Company**

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

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

For information about the joint ventures and associates of the Company, refer to Note V.12.

Other joint ventures and associates that have related party transactions with the Group during this period or the previous periods are as follows:

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

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

### **4. Information on other related parties**

<b>Name of other related parties</b>	<b>Related party relationship</b>
Bluestar (Beijing) Chemical Machinery Co. Ltd.	Common control
Bluestar Engineering co.,LTD .	Common control
Changsha Huaxing Construction Supervision Co., Ltd.	Common control
ChemChina Asset Management co.,LTD .	Common control
ChemChina Information Center co.,LTD .	Common control
ChemChina Finance Corporation	Common control
China Bluestar Chengrand Research Institute Chemical Industry	Common control
China National Chemical Information Center Co. LTD	Common control
Elkem Silicones Brasil LTD	Common control
Hangzhou (Torch)XidoumenMembraneIndustry co.,LTD	Common control
Jiangsu Huaihe Chemical Co. Ltd. (H&H)	Common control
Jingzhou Sanonda Holdings Co.,Ltd.	Common control
MRI Seed Zambia Limited	Common control
Nantong Xingchen Synthetic Material Co. Ltd.	Common control
OOO Syngenta	Common control
PT Syngenta Indonesia	Common control
PT Syngenta Seed Indonesia	Common control
Shandong Dacheng Agrochemical Company Limited	Common control
Shandong Dacheng Biochemical Co., Ltd.	Common control
Shanghai focus supply chain Co., Ltd	Common control
Shanghai nengjianyuan Biological Agriculture Co., Ltd	Common control
Shenyang Chemical Co Ltd	Common control
Shenyang Chemical Research Institute Co. LTD	Common control
Shenyang Shenhua Institute Testing Technology Co. Ltd.	Common control
Shenyang Sinochem Agrochemicals R&D Co. Ltd.	Common control
Sinochem (Hainan) Crop Technology Co. LTD	Common control
Sinochem Agriculture (Xinjiang) Biotechnology Co. Ltd.	Common control
Sinochem Agriculture Co., Ltd	Common control
Sinochem Agriculture Eco-Tech (Hubei) Co. Ltd.	Common control
Sinochem Agro Co., Ltd.	Common control
Sinochem Chongqing Fuling Chemical Co. Ltd.	Common control
Sinochem Fertilizer Co., Ltd Fujian Branch	Common control
Sinochem Fertilizer Co., Ltd Guangxi Branch	Common control
Sinochem Fertilizer Co., Ltd Hebei Branch	Common control
Sinochem Fertilizer Co., Ltd Jiangsu Branch	Common control
Sinochem Fertilizer Co., Ltd Jilin Branch	Common control
Sinochem Fertilizer Co., Ltd Nothwest Branch	Common control
Sinochem Fertilizer Co., Ltd Shandong Branch	Common control
Sinochem Fertilizer Co., Ltd Southwest Branch	Common control
Sinochem Fertilizer Co., Ltd Xinan Branch	Common control
Sinochem Fertilizer Company Limited	Common control
Jiangsu Huifeng Agrochemical Co. Ltd.	Minority shareholder and its subsidiary
Jiangsu Huifeng Biological Agriculture Co., Ltd	Minority shareholder and its subsidiary
Nongyi Net (Yangling) e-commerce Co., Ltd.	Minority shareholder and its subsidiary
Jiangsu Ruixiang Chemical co., LTD .	Common control/Associate of Group
Jiangsu Yangnong Chemical Group Co. Ltd.	Common control/Associate of Group
Jiangsu Youjia Plant Protection co., LTD .	Common control/Associate of Group
Jiangsu Youshi Chemical Co., Ltd.	Common control/Associate of Group

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

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

Name of other related parties	Related party relationship
Sinochem International Crop Care (Overseas) Pte. Ltd.	Common control
Sinochem Modern Agriculture (Jiangsu) Co. LTD	Common control
Sinochem Modern Agriculture (Shaanxi) Co. LTD	Common control
Sinochem Modern Agriculture (Shandong) Co. LTD	Common control
Sinochem Modern Agriculture (Xinjiang) Co. LTD	Common control
Sinochem Modern Agriculture Anhui Co. LTD	Common control
Sinochem Modern Agriculture Sichuan Co. LTD	Common control
Sinochem Shandong Fertilizer Co., Ltd.	Common control
Syngenta (China) Investment Company Limited	Common control
Syngenta AG	Common control
Syngenta Agro AG	Common control
Syngenta Agro d.o.o. (Serbia)	Common control
Syngenta Agro GmbH	Common control
Syngenta Agro S.A.	Common control
Syngenta Agro S.R.L.	Common control
Syngenta Australia Pty Ltd	Common control
Syngenta Canada Inc.	Common control
Syngenta Coml Agro LTDA	Common control
Syngenta Crop Protection AG	Common control
Syngenta Crop Protection BV	Common control
Syngenta Crop Protection LLC	Common control
Syngenta Crop Protection Ltd	Common control
Syngenta Crop Protection NV	Common control
Syngenta Crop Protection SA	Common control
Syngenta Czech s.r.o.	Common control
Syngenta Espana S.A	Common control
Syngenta France SAS	Common control
Syngenta Group (NL) B.V.	Common control
Syngenta Hellas AEBE	Common control
Syngenta India Ltd	Common control
Syngenta Italia SpA – seeds	Common control
Syngenta Kft.	Common control
Syngenta Korea Ltd	Common control
Syngenta Polska Sp. z.o.o.	Common control
Syngenta Protecao Cultivos LTDA	Common control
Syngenta Seeds LTDA	Common control
Syngenta Slovakia s.r.o.	Common control
Syngenta South Africa (Pty) Ltd	Common control
Syngenta Vietnam Limited	Common control
SyngentaTarim Sanayive Ticaret A.S.	Common control
Zhonglan International Chemical co.,LTD	Common control
Zhonglan Lianhai Design Institute co.,LTD	Common control
Zhonglan Lianhai (Shanghai) Chemical Engineering Technology Co.,Ltd.	Common control
Zhonlan Chenguang Chemical Research and Design Institute Co., Ltd. Xin-jin Branch	Common control
ChemChina Finance Corporation	Common control



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

### 5. Transactions and balances with related parties

#### (1) Transactions with related parties

Type of purchase	Related Party Relationship	Year ended December 31	
		2021	2020
<u>Summary of purchase of goods/services:</u>			
Purchase of goods/services received	Common control under Sinochem Holdings	1,798,000	1,273,820
	Joint venture	-	1,661
	Associates	-	260,570
	Minority shareholder and its subsidiary	68,349	-
Purchase of fixed assets and other assets	Common control under Sinochem Holdings	51,121	325,700
Lease expenses	Common control under Sinochem Holdings	489	-
<u>Summary of Sales of goods:</u>			
Sale of goods/ Service rendered	Common control under Sinochem Holdings	1,300,066	953,257
	Joint venture	93,388	133,356
	Associates	-	43,317
	Minority shareholder and its subsidiary	217,444	-

#### (2) Guarantees

##### The Group as the guarantee receiver

Guarantee provider	Amount of guaranteed loan	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y / N)
Parent company	343,000	21/04/2021	20/04/2028	N
	72,886	01/06/2021	31/05/2028	N

\* During the year, the Company paid a guarantee fee amounting to 141 thousand RMB (2020: nil) to the parent company.

#### (3) Remuneration of key management personnel and directors

	Periods ended December 31	
	2021	2020
Remuneration of key management personnel and directors	99,000	56,833

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

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

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

**Receivable Items**

Items	Related Party Relationship	December 31		December 31	
		2021	Expected credit losses	2020	Expected credit losses
		Book Balance		Book Balance	
Trade receivables	Common control under Sinochem Holdings	200,954	-	155,050	-
	Joint venture	23,150	-	21,630	-
	Associates	-	-	327	-
	Minority shareholder and its subsidiary	32,953	-	-	-
Other receivables	Common control under Sinochem Holdings	83	-	681	-
Other Non-Current assets	Common control under Sinochem Holdings	84	-	-	-
Prepayments	Common control under Sinochem Holdings	33,069	-	17,065	-
	Associates	-	-	350	-

**Payable Items**

Items	Related Party Relationship	December 31	December 31
		2021	2020
Trade payables	Common control under Sinochem Holdings	489,859	357,148
	Associates	-	15,907
	Minority shareholder and its subsidiary	355	-
Other payables	Common control under Sinochem Holdings	30,006	19,354
Contract liabilities	Common control under Sinochem Holdings	-	2,355
	Associates	-	340
Other non-current liabilities due within one year	Common control under Sinochem Holdings	-	28,000
Other non-current liabilities *	Common control under Sinochem Holdings	318,786	143,770

\* The liability is a loan from a related party, the interest expense for the year ended December 31, 2021 is 3,897 thousand RMB (twelve months ended December 31, 2020: 2,096 thousand RMB). The loan was fully repaid during 2021. See other related party transactions note below (5) regarding the new credit facility received during 2021 (RMB 319 million).

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

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

**(5) Other related party transactions**

The closing balance of bank deposit in ChemChina Finance Corporation was 358,881 thousand RMB (31.12.20: 370,141 thousand RMB) Interest income of bank deposit for the current period was 2,725 thousand RMB (amount for twelve months ended December 31, 2020 is 1,422 thousand RMB).

The closing balance of a loan received from ChemChina Finance corporation was 0 thousand RMB (31.12.20: 0 thousand RMB). Interest expenses in the current period was 1,571 thousand RMB (amount for twelve months ended December 31, 2020 is 665 thousand RMB).

Following the approvals from Solutions Board of Directors and the Audit Committee dated October 25, 2021, on October 27, 2021, Solutions, through one of its subsidiaries, entered into a committed credit facilities agreements in the aggregate amount of USD 100 million (RMB 638 million) on market terms with Syngenta Group, or any of its subsidiaries. As of December 31, 2021 the amount utilized is USD 50 million (RMB 319 million).

## **XI. Commitments and contingencies**

### **1. Significant commitments**

	<u>December 31</u> <u>2021</u>	<u>December 31</u> <u>2020</u>
Investment in Fixed assets	<u>623,156</u>	<u>571,367</u>

### **2. Commitments and Contingent Liabilities**

On December 10, 2018 the 9th meeting of the 8th session of the Board of Directors of the Company approved the extension of the engagement in annual liability insurance policies for directors, supervisors and senior officers of the Company (“D&O Liability Insurance”) as originally approved by the 22nd meeting of the 7th session of Board of Directors and the 4th Interim Shareholders Meeting in 2017, and authorized the management to annually deal with all matters relating to renewal/extension of the customary D&O Liability Insurance policies, with up to 20% flexibility in the relevant terms of the original policy. On December 26, 2018 the 3rd Interim Shareholders Meeting approved the above resolution. The current D&O Liability Insurance was renewed for an additional one-year term commencing November 15, 2021.

#### **Environmental protection**

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

#### **Other**

For two of the Company’s production sites in China that have been in the process of relocation, Jingzhou site in Jingzhou, Hubei Province completed its relocation and upgrade program and continues on its path of gradually ramping up production and Anpon old site in Huai’An, Jiangsu Province is in the process of relocating to the new site. As part of the relocation process, the Company executed in previous years a reduction plan to reduce the number of employees during the relocation period.

#### **Claims against subsidiaries**

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

## **XI. Commitments and contingencies - (cont'd)**

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

#### **Claims against subsidiaries (cont'd)**

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

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

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

## **XII. Events subsequent to the balance sheet date**

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

### XIII. Share-based Payments

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

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

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

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

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

Statement of share based payments in the period	Phantom warrants
Total number of Phantom warrants at the beginning of the period	60,047,067
Total number of Phantom warrants granted in current period	-
Total number of Phantom warrants exercised in current period	-
Total number of Phantom warrants forfeited in current period	(4,326,492)
Total number of Phantom warrants at the end of the period	55,720,575

The exercise prices and the remainder of the contractual period for Phantom warrants outstanding at the end of period	RMB 9.91 – 10.85 4 years
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**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)	86,416
Expenses arising from cash-settled share-based payments in current period (in thousands RMB)	8,776

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

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

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

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

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

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

#### Statement of share based payments in the period

	<b>Phantom warrants</b>
<b>Changes in the number of 2017 Plan:</b>	
Total number of Phantom warrants at the beginning of the period	20,739,142
Total number of Phantom warrants granted in current period	-
Total number of Phantom warrants exercised in current period	-
Total number of Phantom warrants forfeited in current period	(2,028,355)
Total number of Phantom warrants at the end of the period	18,710,787
 The range of the exercise prices and the remainder of the contractual period for Phantom warrants outstanding at the end of period	 RMB 9.40 – 9.43 4.75 years

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

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

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

The methods for the determination of the fair value of liabilities arising from cash-settled share-based payments related to the alternative plan	The binomial pricing model
Accumulated amount of liabilities arising from cash-settled share-based payments related to the alternative plan (in thousands RMB)	31,434
Expenses (income) arising from cash-settled share-based payments in current period related to the alternative plan (in thousands RMB)	5,106

### 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.



#### XIV. Other significant items - (cont'd)

##### 1. Segment reporting - (cont'd)

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

	Crop Protection		Intermediates and ingredients		Elimination among segments		Total	
	Year ended December 31		Year ended December 31		Year ended December 31		Year ended December 31	
	2021	2020	2021	2020	2021	2020	2021	2020
Operating income from external customers	28,046,724	25,757,783	2,991,881	2,687,050	-	-	31,038,605	28,444,833
Inter-segment operating income	-	-	1,649	1,519	(1,649)	(1,519)	-	-
Interest in the profit or loss of associates and joint ventures	-	10,841	5,923	4,743	-	-	5,923	15,584
Segment's results	1,527,239	1,599,829	354,055	149,950	-	-	1,881,294	1,749,779
Financial expenses, net							(1,939,422)	(1,847,189)
Gain (loss) from changes in fair value							(321,094)	540,698
Investment income							923,024	131,924
Profit before tax							543,802	575,212
Income tax expense							380,489	222,459
Net profit							163,313	352,753

	Crop Protection		Intermediates and ingredients		Unallocated assets and liabilities		Total	
	December 31	December 31	December 31	December 31	December 31	December 31	December 31	December 31
	2021	2020	2021	2020	2021	2020	2021	2020
Total assets	39,213,516	36,454,726	2,071,074	2,135,310	8,950,718	8,210,998	50,235,308	46,801,034
Total liabilities	6,867,619	5,037,016	282,006	268,972	22,010,600	20,061,131	29,160,225	25,367,119

#### **XIV. Other significant items - (cont'd)**

##### **1. Segment reporting - (cont'd)**

###### **Geographic information**

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

	<b>Operating income from external customers</b>	
	<b>Year ended December 31</b>	
	<b>2021</b>	<b>2020</b>
Europe	6,920,884	7,155,152
North America	5,907,944	5,333,514
Latin America	8,217,586	7,460,282
Asia Pacific	5,793,987	4,533,778
Africa, Middle East and India	4,198,204	3,962,107
	<u>31,038,605</u>	<u>28,444,833</u>

	<b>Specified non-current assets</b>	
	<b>December 31</b>	<b>December 31</b>
	<b>2021</b>	<b>2020</b>
Europe	962,601	1,039,248
Latin America	2,227,234	2,122,291
North America	1,116,510	1,169,812
Asia Pacific	5,609,749	3,550,785
Africa, Middle East and India	10,713,739	10,489,849
	<u>20,629,833</u>	<u>18,371,985</u>

##### **2. The dependency on major customers**

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

**XIV. Other significant items - (cont'd)**

**3. Calculation of Earnings per share and Diluted earnings per share**

	<u>Amount for the current period</u>	<u>Amount for the prior period</u>
Net profit from continuing operations attributable to ordinary shareholders	<u>157,397</u>	<u>352,753</u>

Shares	<u>Amount for the current period</u>	<u>Amount for the prior period</u>
Number of ordinary shares outstanding at the beginning of the year	2,329,811,766	2,446,553,582
Add: weighted average number of ordinary shares issued during the year	-	-
Less: weighted average number of ordinary shares repurchased during the year	-	(45,076,938)
Weighted average number of ordinary shares outstanding at the end of the year	<u>2,329,811,766</u>	<u>2,401,476,644</u>

	<u>Amount for the current period</u>	<u>Amount for the prior pe- riod</u>
<b>Calculated based on net profit attributable to ordinary shareholders</b>		
Basic earnings per share	0.07	0.15
Diluted earnings per share	N/A	N/A
<b>Calculated based on net profit from continuing operations attributable to ordinary shareholders:</b>		
Basic earnings per share	0.07	0.15
Diluted earnings per share	N/A	N/A
<b>Calculated based on net profit from discontinued operations attributable to ordinary shareholders:</b>		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

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

### 1. Cash at bank and on hand

	December 31 2021	December 31 2020
Deposits in banks	259,434	1,022,758
Other cash and bank	6,124	12,054
	<u>265,558</u>	<u>1,034,812</u>

As at December 31, 2021, restricted cash and bank balances was 6,124 thousand RMB (as at December 31, 2020: 12,054 thousand RMB).

### 2. Accounts receivable

#### a. By category

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

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

#### b. Aging analysis

	December 31, 2021
Within 1 year (inclusive)	208,111
Over 1 year but within 2 years	15
Over 2 years but within 3 years	1
Over 3 years but within 4 years	1
Over 4 years but within 5 years	1,699
Over 5 years	12,177
	<u>222,004</u>

## 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

	<u>Year ended December 31, 2021</u>
Balance as of January 1	13,894
Addition during the year, net	16
Write back during the year	(15)
Write-off during the year	-
Exchange rate effect	-
Balance as of December 31	<u><u>13,895</u></u>

#### d. Five largest accounts receivable at December 31, 2021:

Name	Closing balance	Proportion of Accounts re- ceivable (%)	Allowance of expected credit losses
Party 1 *	152,633	69	-
Party 2	22,851	10	-
Party 3	11,142	5	-
Party 4 *	7,556	3	-
Party 5	4,075	2	-
	<u><u>198,257</u></u>	<u><u>89</u></u>	<u><u>-</u></u>

\* The amounts are intergroup balances with Solutions' subsidiaries.

### 3. Receivable financing

	<u>December 31 2021</u>	<u>December 31 2020</u>
Bank acceptance draft	11,752	25,060
	<u><u>11,752</u></u>	<u><u>25,060</u></u>

As at December 31, 2021, bank acceptance endorsed but not yet due amounts to 193,436 thousand RMB.

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

### 4. Other Receivables

	<u>December 31</u>	<u>December 31</u>
	<u>2021</u>	<u>2020</u>
Other receivables	21,496	27,138
	<u>21,496</u>	<u>27,138</u>

#### (1) Other receivables

##### a. Other receivables by categories

	<u>December 31</u>	<u>December 31</u>
	<u>2021</u>	<u>2020</u>
Other	27,477	32,819
Provision for expected credit losses	(5,981)	(5,681)
	<u>21,496</u>	<u>27,138</u>

##### b. Other receivables by aging

	<u>December 31, 2021</u>
Within 1 year (inclusive)	679
Over 1 year but within 2 years *	12,249
Over 2 years but within 3 years	-
Over 3 years but within 4 years	9,585
Over 4 years but within 5 years	-
Over 5 years	4,964
	<u>27,477</u>

\* Include intergroup balance with Anpon.

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

### 4. Other Receivables - (cont'd)

#### (2) Other receivables - (cont'd)

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

	<u>Year ended December 31, 2021</u>
Balance as of January 1, 2021	5,681
Addition during the period	415
Written back during the period	(115)
Write-off during the period	-
Balance as of December 31, 2021	<u>5,981</u>

#### d. Five largest other receivables at December 31 2021:

Name	Closing balance	Proportion of other re- ceivables (%)	Credit loss provision
Party 1 *	11,611	42	-
Party 2	9,313	34	-
Party 3	3,125	11	3,125
Party 4	548	2	548
Party 5	543	2	-
	<u>25,140</u>	<u>91</u>	<u>3,673</u>

\* Intergroup balance with Anpon.

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

### 5. Long-term equity investments

	December 31, 2021			December 31, 2020		
	Amount balance	Impairment loss	Book value	Amount balance	Impairment loss	Book value
Invest in subsidiaries	17,511,352	-	17,511,352	16,663,212	-	16,663,212
	<u>17,511,352</u>	<u>-</u>	<u>17,511,352</u>	<u>16,663,212</u>	<u>-</u>	<u>16,663,212</u>

#### Investments in subsidiaries

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

### 6. Operating Income and operating costs

	Year ended December 31, 2021		Year ended December 31, 2020	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	1,113,595	888,638	1,463,475	1,149,768
Other operations	43,824	28,236	52,984	27,782
	<u>1,157,419</u>	<u>916,874</u>	<u>1,516,459</u>	<u>1,177,550</u>



## 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 Decem- ber 31, 2021	Year ended Decem- ber 31, 2020
Interest income	14,491	18,382
Government subsidies	15,470	5,923
Other	96,426	6,726
	<u>126,387</u>	<u>31,031</u>

#### (2) Other cash paid relevant to operating activities

	Year ended Decem- ber 31, 2021	Year ended Decem- ber 31, 2020
Professional services	68,104	114,444
Transportation and Commissions	24,804	46,601
Other	15,107	81,518
	<u>108,015</u>	<u>242,563</u>

#### (3) Other cash received relevant to financing activities

	Year ended Decem- ber 31, 2021	Year ended Decem- ber 31, 2020
Deposit for issuing bills payables	<u>12,345</u>	<u>21,177</u>

#### (4) Other cash paid relevant to financing activities:

	Year ended Decem- ber 31, 2021	Year ended Decem- ber 31, 2020
Repurchase of treasury shares	-	60,357
Deposit for issuing bills payables	6,416	6,174
Repayment of loan from others	171,770	-
Other	-	440
	<u>178,186</u>	<u>66,971</u>

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

### 8. Supplementary information to cash flow statement

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

	Year ended December 31	
	2021	2020
Net profit	(124,938)	(4,725)
Add: Assets impairment loss	9,369	17,655
Credit impairment loss	301	(4,071)
Depreciation of fixed assets	120,046	144,061
Depreciation of-right-of use assets	754	449
Amortization of intangible assets	10,418	5,018
Loss (gain) on disposal of fixed assets, intangible assets and other long-term assets	(14,965)	(3,644)
Losses (gains) from changes in fair value	6,070	-
Financial expenses	31,974	41,827
Investment loss (income)	(1,808)	16,173
Decrease (increase) in deferred income tax assets	5,484	25,407
Decrease (increase) in inventory	(88,462)	(49,395)
Increase in accounts receivable from operating activities	164,507	(146,241)
Increase in payables from operating activities	(32,378)	(138,298)
Net cash flows generated from operating activities	86,372	(95,784)

#### (2) Net increase in cash and cash equivalents

	Year ended December 31	
	2021	2020
Closing balance of cash	259,434	1,022,758
Less: Opening balance of cash	1,022,758	1,395,994
Net increase in cash and cash equivalents	(763,324)	(373,236)

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

### 9. Related parties and related parties transactions

#### (1) Information on parent Company

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

The ultimate controlling shareholder is Sinochem Holdings .

#### (2) Information on the subsidiaries of the Company

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

#### (3) Transactions with related parties

##### a. Transactions of goods and services

		Year ended December 31	
		2021	2020
<u>Summary of Purchase of goods/services received:</u>	<u>Related Party Relationship</u>		
Purchase of goods/services received	Common control under Sinochem Holdings	1,469	8,536
	Subsidiary	136,070	92,475
Purchase of fixed assets and other assets	Common control under Sinochem Holdings	51,044	310,976
	Subsidiary	-	4,752
<u>Summary of Sales of goods:</u>			
Sale of goods	Common control under Sinochem Holdings	1,082	32,809
Sale of goods	Associated enterprises		
Sale of goods	Subsidiary	552,023	923,077
Rendering of services	Subsidiary	6,167	8,791

**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**

	<b>Amount of guaranteed loan</b>	<b>Inception date of guaranty</b>	<b>Maturity date of guaranty</b>	<b>Guaranty completed (Y/ N)</b>
Subsidiary	30,000	21/07/2020	21/01/2021	Y
	18,000	19/08/2020	19/02/2021	Y
	30,000	01/09/2020	17/08/2021	Y
	50,000	20/07/2020	14/07/2021	Y
	30,000	19/05/2020	18/05/2021	Y
	20,000	22/12/2020	16/12/2021	Y
	50,000	16/12/2020	15/12/2021	Y
	50,000	14/12/2020	13/12/2021	Y
	50,000	29/06/2020	27/06/2021	Y
	20,438	30/10/2020	30/04/2021	Y
	14,004	17/12/2020	17/06/2021	Y
	40,000	01/12/2021	28/11/2024	N
	59,500	27/04/2021	26/04/2022	N
	33,000	16/12/2021	15/12/2022	N
	30,000	26/02/2021	24/02/2022	N
	30,000	25/06/2021	24/06/2022	N
	45,000	21/05/2021	18/05/2022	N
	40,000	18/03/2021	17/03/2022	N
	100,000	19/07/2021	10/07/2022	N
	20,000	05/11/2021	04/05/2022	N
	33,000	05/11/2021	03/05/2022	N

**The Company as the guarantee receiver**

<b>Guarantee provider</b>	<b>Amount of guaranteed loan</b>	<b>Inception date of guaranty</b>	<b>Maturity date of guaranty</b>	<b>Guaranty com- pleted (Y / N)</b>
Parent company	343,000	21/04/2021	20/04/2028	N
	72,886	01/06/2021	31/05/2028	N

\* During the year, the Company paid a guarantee fee amounting to 141 thousand RMB (2020: nil) to the parent company

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

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

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

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

**Receivable Items**

Items	Related Party Relationship	December 31		December 31	
		2021		2020	
		Book Balance	Expected credit losses	Book Balance	Expected credit losses
Trade receivables	Subsidiary	160,190	-	344,436	-
Other non-current assets	Subsidiary	150,000	-	212,771	-
Other receivables	Subsidiary	11,611	-	11,744	-
Prepayments	Common control under Sinochem Holding	10,000	-	-	-
Other non-current assets	Common control under Sinochem Holding	84	-	-	-

**Payable Items**

Items	Related Party Relationship	December 31	December 31
		2021	2020
Trade payables	Subsidiary	71	
	Common control under Sinochem Holdings	52,075	127,082
Trade payables	Subsidiary	241,049	143,840
	Common control under Sinochem Holdings	249	108
	Associated enterprises under Sinochem Holdings	-	340
Contract liability	Holdings	-	340
Other non-current liabilities due within one year *	Common control under Sinochem Holdings	-	28,000
Other non-current liabilities*	Common control under Sinochem Holdings	-	143,770

\* loans from related party, the interest expense for the year ended December 31, 2021 was 2,865 thousand RMB (2,096 thousand RMB in 2020). The loan was fully repaid during 2021.

**d. Other related party transactions**

The closing balance of bank deposit in ChemChina Finance Corporation was 189,978 thousand RMB (31.12.20: 170,210 thousand RMB). Interest income of bank deposit for the current period was 1,019 thousand RMB (amount for the year ended December 31, 2020 is 776 thousand RMB).

The closing balance of a loan received from ChemChina Finance corporation was 0 thousand RMB (31.12.20: 0 thousand RMB). Interest expense in the current period was 0 thousand RMB (amount for the year ended ended December 31, 2020 is 370 thousand RMB).

**Supplementary information**  
(Expressed in RMB '000)

**1. Extraordinary Gain and Loss**

	<b>Year ended December 31, 2021</b>
Disposal of non-current assets	846
Government grants recognized through profit or loss	38,543
Recovery or reversal of expected credit losses which is assessed individually during the years	32,487
Other non-operating income or expenses other than the above	12,503
Other profit or loss that meets the definition of non-recurring profit or loss	13,191
Tax effect	(18,026)
	<u>79,544</u>

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

**2. Return on net assets and earnings per share (“EPS”)**

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

<b>Profit during the reporting period</b>	<b>Weighted average rate of return on net assets</b>	<b>Basic EPS (RMB/share)</b>	<b>Diluted EPS (RMB/share)</b>
Net profit attributable to ordinary shareholders of the Company	0.74	0.07	N/A
Net profit after deduction of extraordinary gains/losses attributable to ordinary shareholders of the Company	0.37	0.03	N/A

ADAMA Ltd.

Legal Representative: Ignacio Dominguez

March 29, 2022