

**ADAMA Ltd.**

**Announcement on Receiving a Notice Prior to Administrative Punishment (Hearing) and Decision Notice of Production Suspension and Rectification**

The Company and all members of the Company's Board of Directors confirm that all information disclosed herein is true, accurate and complete, with no false or misleading statement or material omission.

ADAMA Ltd. (hereinafter referred to as the "Company") received a Notice Prior to Administrative Punishment (Hearing) and a Decision Notice of Production Suspension and Rectification issued by the Law Enforcement Bureau of Jingzhou Economic and Technological Development Zone (hereinafter referred to as the "Bureau") on February 2, 2019. The following is relevant information in this regard.

**I. Main Contents of the Two Notices**

**1. Main Contents of the Notice Prior to Administrative Punishment (Hearing)**

On January 30th and 31st, 2019, the Provincial Environmental Inspection Team, together with personnel from its municipal branch, conducted an inspection at the Company's old production site at No. 93, Beijing Donglu Road, Jingzhou City. During such inspection, the inspectors took several samples, some of which showed elevated levels of water pollutant, in excess of discharge standards prescribed by the State in the production process.

According to the Notice, on January 30th, 2019, the "Monitoring Report by Jingzhou Environmental Protection Monitoring Station (Supervisory) (2019), File No. 10" showed that the total phosphorous at No. 2 pump pool of the wastewater discharge reached 5.32mg / L, exceeded the maximum allowable emission limit for the second category of pollutants in Table 4 of the General Discharge Standard of Wastewater (GB8978-1996).

Based on Item 2 of Article 83 of the *Law on the Prevention and Control of Water Pollution of the People's Republic of China*, the Bureau intends to impose an

administrative penalty of a fine of one million RMB yuan for the Company's wastewater discharge that exceeded the maximum allowable emission limit.

## 2. Main Contents of the Decision Notice of Production Suspension and Rectification

The alleged violation in the Decision Notice of Production Suspension and Rectification is as same as the one in the Notice Prior to Administrative Punishment (Hearing) mentioned above. According to the item 2 of Article 83 of the *Law on the Prevention and Control of Water Pollution of the People's Republic of China*, the Bureau instructed the Company:

- (1) to stop production immediately at the old site upon the receipt of the decision notice and take corrective measures to formulate and implement a rectification plan;
- (2) within 15 working days after receiving the decision notice, the rectification plan should be reported to the Bureau for filing and disclosed to the public;
- (3) after completing the rectification, the Company should report the achievement as well as disclose information regarding the progress of rectification to the Bureau for filing within 15 working days.

The decision notice of production suspension and rectification will be lifted on the date on which the above file is submitted to the Bureau.

## II. Measures taken by the Company

The Company is deeply committed to environmentally sustainable production, has a strong track record worldwide of compliance with relevant regulations, and takes seriously any potential instance of exceeding of emissions thresholds. The Company is, of course, fully cooperating with all relevant authorities in the execution of their inspection and has already taken specific measures as follows:

1. Upon learning of a potential exceeding of an emissions threshold, the Company immediately and voluntarily decided to suspend production at the old site in Jingzhou.
2. The Company set up an environmental emergency response working group which includes senior management and senior experts, from China and globally, to investigate and advance rectification, and is devoting all necessary resources to achieve compliance with all relevant laws and regulations and to ensure the safe

and environmentally sustainable operation of the facility.

3. The Company has already put together a proposed remediation plan which it is discussing with the authorities. Once it receives the approval of the authorities of the remediation plan, the Company will complete the rectification as soon as possible and file the achievements of the rectification to the authorities.
4. Since the combination which brought the China assets into the global ADAMA group, the Company has been conducting a comprehensive environmental self-examination in the course of which it is taking significant action and making investment to upgrade all operations in China and achieve best-in-class environmental standards. In this context, in recent years, the Company has already invested \$125 million in the relocation of the Jingzhou old site, and has installed advanced production and environmental facilities at a new and already operational site, including an investment of \$16 million in a new, state-of-the-art wastewater facility, which is ready to commence operation. The Company is committed to augment its efforts in whatever way necessary to rapidly bring its Chinese operations to the highest international standard.

### **III. Impact on the Company**

1. Neither the aforesaid violation of the Company is within the scope of articles two, four and five of the *Implementing Measures of the Shenzhen Stock Exchange for Compulsorily Delisting Listed Companies with Major Violations*, nor does it conform to item 7 to 9 of article 13.2.1 of the *Listing Rules of Shenzhen Stock Exchange*.
2. Bearing in mind that Sanonda's old plant is no longer the main production asset of the Company together with its subsidiaries, and given that the global ADAMA group has significant production capabilities elsewhere in China and worldwide, and assuming the rectification process proceeds according to the plan being proposed by the Company, it does not foresee a material impact of the suspension on its overall performance for the financial year 2019.

The Company will strictly follow the requirements of the *Listing Rules of Shenzhen*

*Stock Exchange*, and timely disclose the relevant information. The investors shall be aware of the investment risk.

It is hereby announced.

Board of Directors of the Company

February 12, 2019