

## **ADAMA Ltd.**

### **Announcement on Expected Related-Party Transactions in the Ordinary Course of Business in 2019**

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.

#### **I. Basic Information on Related Party Transactions in the ordinary course of business**

##### **(I) Overview of related-party transactions in the ordinary course of business**

The Company expects that in 2019 it and/or its subsidiaries (together the "Group Companies") will purchase raw materials/products, receive certain services, in a total amount that will not exceed RMB 1,198.78million, from subsidiaries controlled by China National Chemical Co., Ltd ("ChemChina"); and that the Group Companies will sell products, provide services, and be entrusted to sell products, in a total amount that will not exceed RMB715.65 million, to subsidiaries controlled by ChemChina. Such transactions hereinafter referred as the "related-party transactions".

These estimations were performed based on the current available data and may change, inter alia, as a result of changes to the Group Companies' business and/or due to market conditions as well as due to further cooperation to be negotiated between the Group Companies and Syngenta.

Related-party transactions of the above type performed by the Company in 2018 in the ordinary course of business amounted to RMB 1,143.51 million. The said amount is based on the current data available to the Company and has not been audited or reviewed by the Company's independent auditors. Please refer to the report for the full year and fourth quarter of 2018 to be duly disclosed by the Company.

The related-party transactions matter has been reviewed and approved at the 11<sup>th</sup> Meeting of the 8<sup>th</sup> session of the Board of Directors of the Company. Among the five directors of the Company, there were three affirmative votes, zero negative votes and zero abstentions, while the two related-party directors (Mr. Yang Xingqiang and Mr. An Liru) refrained from voting.

The related-party transactions matter shall be further approved by the Shareholders Meeting. China National Agrochemical Co., Ltd., and Jingzhou Sanonda Holdings Co., Ltd. will refrain from voting.

(II) The types and amounts of expected related-party transactions in the ordinary course of business

RMB10,000

Type of related-party transaction	Related party	Content of related-party transaction	The pricing principle of related-party transaction	Contract amount or estimated amount not to exceed	Amount incurred in the previous year
Purchasing raw materials and products from related parties	Jiangsu Anpon Electrochemical Co., Ltd.	Purchase of raw materials/products (including the designated products)	Market price	31,904	25,721
	Syngenta AG and its subsidiaries	Purchase of raw materials/products	Market price	82,800	42,394
	Shandong Dacheng Agrochemical Co., Ltd	Purchase of raw materials/products	Market price	690	388
	Bluestar (Beijing) Chemical Machinery Co., Ltd.	Purchase of raw materials/products	Market price	2,415	1,541
	Beijing Grand AgroChem Co., Ltd.	Purchase of raw materials/products	Market price	1,800	1,028
	Sub-total	-	-	-	119,609
Selling raw materials and products to related parties	Syngenta AG and its subsidiaries	Selling products	Market price	69,000	40,608
	Sub-total	-	-	69,000	40,608
Receiving services from related parties	China National Chemical Information Center	Value-added OA services	Market price	65	62
	Jiangsu Lianhai Testing Co., Ltd.	Testing Services	Market price	60	11
	Zhonglan Lianhai (Shanghai) Chemical Engineering Technology Co., Ltd.	Testing Services	Market price	144	119
	Sub-total	-	-	269	192
Providing services to related parties	Jiangsu Anpon Electrochemical Co., Ltd.	Consultancy and management services	Market price	1,996	1,172
	Sub-total	-	-	1,996	1,172
Accepting the entrustment	Jiangsu Anpon Electrochemical	Entrusted Sale	Market price	569	1,065

of the related party to sell its products	Co., Ltd.				
	Sub-total	-	-	569	1,065

**(III) Actual related-party transactions in the ordinary course of business performed in the previous year**

RMB10,000

Type of related-party transaction	Related party	Content of related transaction	Actually incurred amount	Estimated amount	Difference proportion
Purchasing raw materials and products from related parties	Jiangsu Anpon Electrochemical Co., Ltd.	Purchase of raw materials/products	25,523	31,660	19.38%
	Jiangsu Anpon Electrochemical Co., Ltd.	Purchasing designated products manufactured only for the Company Group	198	6,500	96.95%
	Syngenta AG and its subsidiaries	Purchase of raw materials/products	42,394	95,000	55.37%
	Beijing Grand AgroChem Co., Ltd.	Purchase of raw materials	1,028	2,250	54.31%
	Shandong Dacheng Agrochemical Co., Ltd	Purchase of raw materials/products	388	-	-
	Bluestar (Beijing) Chemical Machinery Co., Ltd	Purchase of raw materials/products	1,541	-	-
	Sub-total	-	71,072	135,410	47.51%
Selling products and goods to related parties	Syngenta AG and its subsidiaries	Selling products	40,608	46,000	11.72%
	Sub-total	-	40,608	46,000	11.72%
Receiving services from related party	China National Chemical Information Center	Value-added OA services	62	40	55%
	Jiangsu Lianhai Testing Co., Ltd.	Testing Services	11	-	-
	Zhonglan Lianhai (Shanghai) Chemical Engineering Technology Co., Ltd.	Testing Services	119	-	-
	Sub-total	-	192	40	380%
Providing services to related parties	Jiangsu Anpon Electrochemical Co., Ltd.	Consultancy and management services	1,172	1,500	21.87%
	Sub-total	-	1,172	1,500	21.87%
Accepting the entrustment of the related	Jiangsu Anpon Electrochemical Co., Ltd.	Entrusted Sale	1,065	925	15.13%
	Research Institute of Chemical Industry	Entrusted Sale	53	150	64.67%

party to sell its products	Anhui Kelihua Chemical Co., Ltd.	Entrusted Sale	189	600	68.5%
	Sub-total	-	1,307	1,675	21.97%
An explanation by the board of directors for the major difference between the actual occurred amount of daily related transactions and the estimated amount	To ensure the stable operation of its normal business and improve efficiency, the Company estimated the cap of the related party transactions in 2018, and then submitted the proposal to the shareholders' meeting for consideration and approval. The actual amount recorded was lower by more than 20% of the estimated amount, as a result of normal business operations, according to which the Company and its relevant related parties determined the levels of sales and/or the procurement of products and services from one another based on to their actual business demands.				
An explanation by the independent directors for the major difference between the actual occurred amount of daily related transactions and the expected amount	The transactions between related parties that have occurred in 2018 are all needed by the normal and daily operation of the Company. All the transactions were conducted in line with market practice and the laws and regulations; They have served the Company's long-term interests and met requirement of development strategies. The gap between the actual amount and the estimation of the transactions between related parties in 2018, is a reasonable and proper result of the market conditions and the actual needs of the Company. Such gap will neither trigger any major impact on production and operation, nor harm the interests of the Company and its minority shareholders, as well as will not compromise the independency of the Company.				

Notes:

1. Please refer to the announcement on June 8, 2018 for the 2018 expected related-party transactions of the Company (Announcement number 2018-28).
2. The Company is a global crop protection company, with sales amounting to RMB 23,819 million in 2017, such that the total related party transactions performed in 2018 represents only a relatively low proportion of the overall business of the Company, 4.8% of its total 2017 sales.

In 2018 the total cost of procurement of raw materials and products amounted to RMB 14,212 million out of which only 5% was from related parties.

## II. Introduction to Related Parties and Their Relationships with the Company

1. Jiangsu Anpon Electrochemical Co., Ltd. (legal representative: An Liru; registered address: No. 30, Huagong Road, Huai'an City) has registered capital of RMB51.38 million and mainly undertakes the businesses related to basic chemical engineering, pesticide products and thermoelectric steam. The main financial data as of September 30, 2018 are: operating revenue of RMB1,182.7 million, net profit of RMB

67.41million, total assets of RMB1,586.29 million, net assets of RMB503.39million.

Relationship with the Company: It is a legal person controlled by ChemChina, the actual control holder of the Company. According to the Article 10.1.3(2) of the *Rules of Shenzhen Stock Exchange for the Listing of Stocks*, it is a related party of the Company.

Analysis of performance capability: To the best knowledge of the Company, Jiangsu Anpon Electrochemical Co., Ltd. produces and operates normally and is in good operational and financial conditions and thus has a good performance capability. After searching on the website of disclosure of enforcement information of China, it is not a dishonest party subject to enforcement.

2. Beijing Grand AgroChem Co., Ltd. (legal representative: Yang Lin; registered address: No. 66, Anding Street North, Daxing District, Beijing) has registered capital of RMB 10.5 million and mainly undertakes the development, production and sales of new special pesticide adjuvants and the development and process study of environmentally-friendly pesticide preparations and provides relevant technical services and consultations for pesticide enterprises. The main financial data as of September 30, 2018 are: operating revenue of RMB105.48 million, net profit of RMB 7.05million, total assets of RMB54.22 million, net assets of RMB39 million.

Relationship with the Company: It is a legal person controlled by ChemChina, the actual control holder of the Company. According to the Article 10.1.3(2) of the *Rules of Shenzhen Stock Exchange for the Listing of Stocks*, it is a related party of the Company.

Analysis of contract performance capability: To the best knowledge of the Company, Beijing Grand AgroChem Co., Ltd. produces and operates normally and is in good operational and financial conditions and thus has a good contract performance capability. After searching on the website of disclosure of enforcement information of China, it is not a dishonest party subject to enforcement.

3. China National Chemical Information Center (legal representative: Shui Min; registered address: No. 53 Anwai Xiaoguan Street, Chaoyang District, Beijing) has registered capital of RMB150 million and mainly undertakes the businesses related to chemical information analysis and consultation, software development and network technologies and services. The main financial data as of the date September 30, 2018 are: operating revenue of RMB177.86 million, net profit of RMB 18.48 million, total assets of RMB764.4 million, net assets of RMB639.26 million.

Relationship with the Company: It is a legal person controlled by ChemChina, the actual control holder of the Company. According to the Article 10.1.3(2) of the Rules of Shenzhen Stock Exchange for the Listing of Stocks, it is a related party of the Company.

Analysis of contract performance capability: To the best knowledge of the Company, China National Chemical Information Center operates normally and is in good operational and financial conditions and thus has a good contract performance capability. After searching on the website of disclosure of enforcement information of China, it is not a dishonest party subject to enforcement.

4. Syngenta AG (legal representative: n/a; registered address: Schwarzwaldallee 215

4058 Basel) has the registered capital of RMB 41.33 million and mainly undertakes the businesses related to crop protection, seeds. The main financial data as of the date September 30, 2018 are: operating revenue of RMB65,181.59 million, total assets of RMB151,631.32 million, net assets of RMB28,424.85million.

Relationship with the Company: It is a legal person controlled by ChemChina, the actual control holder of the Company. According to the Article 10.1.3(2) of the Rules of Shenzhen Stock Exchange for the Listing of Stocks, it is a related party of the Company.

Analysis of contract performance capability: Syngenta AG and its subsidiaries produce and operate normally and are in good operational and financial conditions and thus have a good contract performance capability. After searching on the website of disclosure of enforcement information of China, it is not a dishonest party subject to enforcement.

5. Shandong Dacheng Agrochemical Co., Ltd (legal representative:Huang Jianjun; registered address: No. 25 Honggou Road, Zhangdian District, Zibo City) has registered capital of RMB540 million and mainly undertakes the businesses related to sales of fertilizer, manufacture and sale of chemical equipment and parts, import and export of goods, wholesale and retail of chemical products (excluding dangerous and preventable chemicals). The main financial data as of the date September 30, 2018 are: operating revenue of RMB9.33 million, net profit of RMB 7.72 million, total assets of RMB858.89 million, net assets of RMB-911.49 million.

Relationship with the Company: It is a legal person controlled by ChemChina, the actual control holder of the Company. According to the Article 10.1.3(2) of the Rules of Shenzhen Stock Exchange for the Listing of Stocks, it is a related party of the Company.

Analysis of contract performance capability: To the best knowledge of the Company, Shandong Dacheng Agrochemical Co., Ltd. operates normally and can perform its obligations under the contract. After searching on the website of disclosure of enforcement information of China, it is not a dishonest party subject to enforcement.

6. Bluestar (Beijing) Chemical Machinery Co., Ltd. (legal representative:Kang Jianzhong; registered address: No. 5, Xingye Street, Beijing Economic and Development Zone) has registered capital of RMB955.55 million and mainly undertakes the businesses related to production of chemical machinery and equipment, production of type III pressure vessels, design, maintenance and installation of chemical machinery and equipment, technical consultation, technical services, technical training. The main financial data as of the date September 30, 2018 are: operating revenue of RMB470.21 million, net profit of RMB 31.29 million, total assets of RMB1,192.89 million, net assets of RMB 721.54 million.

Relationship with the Company: It is a legal person controlled by ChemChina, the actual control holder of the Company. According to the Article 10.1.3(2) of the Rules of Shenzhen Stock Exchange for the Listing of Stocks, it is a related party of the Company.

Analysis of contract performance capability: To the best knowledge of the Company, Bluestar (Beijing) Chemical Machinery Co., Ltd. operates normally and is in good operational and financial conditions and thus has a good contract performance

capability. After searching on the website of disclosure of enforcement information of China, it is not a dishonest party subject to enforcement.

7. Jiangsu Lianhai Testing Co., Ltd. (legal representative: Wang Yanning; registered address: No. 51, Chaoyang West Street, Haizhou District, Lian Yungang City) has registered capital of RMB 6 million and mainly undertakes the businesses related to development of testing and analysis technology, R&D, sales and installation of testing instruments, testing equipment and environmental protection equipment, integration of testing software and environmental protection software, operation and maintenance of automatic monitoring equipment. The main financial data as of the date September 30, 2018 are: operating revenue of RMB15.98 million, net profit of RMB 1.57 million, total assets of RMB12.57 million, net assets of RMB 12.59 million.

Relationship with the Company: It is a legal person controlled by ChemChina, the actual control holder of the Company. According to the Article 10.1.3(2) of the Rules of Shenzhen Stock Exchange for the Listing of Stocks, it is a related party of the Company.

Analysis of contract performance capability: To the best knowledge of the Company, Jiangsu Lianhai Testing Co., Ltd. operates normally and is in good operational and financial conditions and thus has a good contract performance capability. After searching on the website of disclosure of enforcement information of China, it is not a dishonest party subject to enforcement.

8. Zhonglan Lianhai (Shanghai) Chemical Engineering Technology Co., Ltd. (legal representative: Liu Zhikui; registered address: No. 5656, Huaxia West Street, Pudong, Shanghai) has registered capital of RMB 5 million and mainly undertakes the businesses related to potassium salt, potassium chemical technology and products, project investment and other professional technologies and product technology development, technology transfer, technology design, technical training, production and sales of self-developed products, project management, chemical engineering survey and design. The main financial data as of the date September 30, 2018 are: operating revenue of RMB680 thousand, net profit of RMB 5 thousand, total assets of RMB2.91 million, net assets of RMB 2.62 million.

Relationship with the Company: It is a legal person controlled by ChemChina, the actual control holder of the Company. According to the Article 10.1.3(2) of the Rules of Shenzhen Stock Exchange for the Listing of Stocks, it is a related party of the Company.

Analysis of contract performance capability: To the best knowledge of the Company, Zhonglan Lianhai (Shanghai) Chemical Engineering Technology Co., Ltd. operates normally and is in good operational and financial conditions and thus has a good contract performance capability. After searching on the website of disclosure of enforcement information of China, it is not a dishonest party subject to enforcement.

### **III. Main Content of Related-Party Transactions**

#### **1. Main content**

- (1) All related-party transactions between the Group Companies and the relevant related parties should be carried out based on market terms and according to the principles of voluntariness, equality, mutual benefit, justice and fairness and

without prejudice to the interests of the Company.

- (2) If there is any available state fixed price, then the state fixed price shall prevail; if the state fixed price is inapplicable or not applicable any more, then the market price shall prevail; if the market price is inapplicable or not applicable any more, then both parties shall determine the exact and fair pricing standards they believe to be based on relevant data.

## 2. Signing of transaction agreement

The Group Companies will conclude contracts with the relevant related parties according to their production and operation requirements and their ordinary course business practices.

## IV. Purpose of Related-Party Transaction and its Impact on the Company

These related-party transactions are necessary for the daily business operation of the Group Companies. They mainly aim to capitalize on the Group Companies' unique positioning and profile, achieve cost savings, increase the Company's sales and market share and to drive its profitable growth. Based on the understanding of the related-parties' business performance, credit status and performance capability, the Group Companies have selected them to conduct transactions in the ordinary course of business. The related-party transaction activities follow the principle of fairness and justice, they will not adversely affect the Company and its non-related party shareholders. The Board of Directors of the Company holds that the related-party transactions benefit the continuity and stability of the Company's business operations, and has a positive impact on the normal operations of the Company. Those transactions will not impact the independence of the Company.

## V. Independent Directors' Opinions

The Company's independent directors have given separate opinions on the related party transactions matter: The Group's related-party transactions performed in the ordinary course of business are mainly to purchase or sell goods, materials and services from/to the related parties based on the principles of justice and fairness and the pricing standards consistent with those of non-related parties, in order to capitalize on the Group's unique positioning and profile, achieve cost savings, increase the Company's sales and market share and to drive its profitable growth. All such transactions shall conform to relevant national laws and regulations, as applicable, and market-oriented principles, and shall not influence the independence of the Company or damage the interests of the Group Companies and their other shareholders. The decision-making procedures for these related party transactions conform to the *Company Law of the People's Republic of China*, the *Rules of Shenzhen Stock Exchange for the Listing of Stocks*, the *Articles of Association* and other laws and regulations. We agree on this proposal and submit it to the General Meeting of Shareholders for deliberation.

## VI. Opinion of Guotai Jun'an Securities Co., Ltd as the Financial Consultant

After verification, the independent financial consultant is of the opinion that the estimated related-party transactions in the ordinary course of business of ADAMA Ltd. are necessary for the daily business operation of the Company. Pricing of these related-party transactions follows the market price. These transactions do not harm the interest of small and medium shareholders of the Company or affect independence of the Company. Aforementioned transaction matters have been approved at the 11<sup>th</sup> Meeting of the 8<sup>th</sup> session of the Board



of Directors of the Company, on which occasion related directors withdrew from the voting, independent directors expressed affirmative opinions and necessary procedures were implemented. The related-party transaction matter is subject to approval of the General Meeting of Shareholders. CNAC and Jingzhou Sanonda Holding Co., Ltd as related shareholders will withdraw from the voting. Above deliberation procedures are in line with the Company Law, AoA of the Company and relevant rules. The independent financial consultant does not have objection to the matter of estimated related-party transactions for 2019 in the ordinary course of business of ADAMA Ltd..

## **VII. Documents for Future Reference**

1. The resolution made at the 11<sup>th</sup> Meeting of the 8<sup>th</sup> session of the Board of Directors of the Company;
2. Independent directors' prior written approval;
3. Independent directors' opinions;
4. Opinion of Guotai Junan Securities Co., Ltd on the Expected Related Party Transactions in the Ordinary Course of Business in 2019 of the Company.

The Announcement is hereby given.

The Board of Directors of ADAMA Ltd.

February 21, 2019