



# ADAMA LTD.

## FIRST QUARTER REPORT 2020

ADAMA Ltd. (hereinafter referred to as “**the Company**”) 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.

**Please see important additional information and further details included in the Annex.**

**April 2020**

## Section I - Important Notice

**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 Aviram Lahav, the person leading the accounting function (Chief Financial Officer & Deputy Chief Executive 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.**

**This Report and its abstract have been prepared in both Chinese and English. Should there be any discrepancy between the two versions, the Chinese version shall prevail.**

## Section II - Financial Highlights & Shareholder Changes

### 1. Main accounting and financial results

Whether the Company performs any retroactive adjustments to, or restatements of, its accounting data of last year due to change in accounting policies or correction of accounting errors

Yes  No

|  | January - March 2020           | January - March 2019    | YoY +/- (%)    |
|--|--------------------------------|-------------------------|----------------|
| Operating revenues (RMB'000)   | 6,782,243                      | 6,787,751               | -0.08%         |
| Net profit attributable to shareholders of the Company (RMB'000)   | (16,707)                       | 366,756                 | -104.56%       |
| Net profit attributable to shareholders of the Company excluding non-recurring profit and loss (RMB'000) | 16,813                         | 285,087                 | -94.10%        |
| Net cash flow from operating activities (RMB'000)  | (384,708)                      | (1,289,484)             | -70.17%        |
| Basic EPS (RMB/share)  | (0.007)                        | 0.150                   | -104.67%       |
| Diluted EPS (RMB/share)  | NA                             | NA                      | NA             |
| Weighted average return on net assets  | -0.07%                         | 1.61%                   | -1.68%         |
|  | <b>End of Reporting Period</b> | <b>End of last year</b> | <b>+/- (%)</b> |
| Total assets (RMB'000)   | 47,780,240                     | 45,288,940              | 5.50%          |
| Net assets attributable to shareholders (RMB'000)  | 22,500,143                     | 22,371,665              | 0.57%          |

Please see key additional information and further details included in the Annex.

Non-Recurring profit/loss

Applicable  Not applicable

Unit: RMB'000

| Item   | January-March 2020 | Notes                                   |
|--|--------------------|---|
| Gains/losses on the disposal of non-current assets (including the write-off of asset impairment provisions accrued during the period)  | 7,692              |   |
| Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard) | 10,794             |   |
| Reversal of provision for receivables and contract assets, that are subject to specific provision  | 9,871              |   |
| Other non-operating income and expenses other than the above   | 2,176              |   |
| Other profit or loss that meets the definition of non-recurring profit or loss   | (59,752)           | Employee early retirement plan expenses |
| Less: Income tax effects   | 4,301              |   |
| Total  | (33,520)           |   |

Explanation of why the Company classified an item as non-recurring profit/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering their Securities to the Public - Non-recurring Profit and Loss, and reclassified any non-recurring profit/loss item given as an example in the said explanatory announcement to recurrent profit/loss

Applicable  Not applicable

No such cases during the Reporting Period.

## I. Total number of shareholders and shareholdings of top 10 shareholders at the period-end

### 1. Total number of ordinary shareholders and preference shareholders who had resumed their voting right and shareholdings of top 10 shareholders at the period-end

Unit: share

| Total number of ordinary shareholders at the end of the Reporting Period   |  | 51,151<br>(the number of ordinary A share shareholders is 35,706; the number of B share shareholders is 15,445) |                       | Total number of preference shareholders who had resumed their voting right at the end of the Reporting Period (if any) |                          | 0      |  |
|--|--|---|-----------------------|--|--------------------------|--------|--|
| Shareholdings of top 10 shareholders   |  |   |                       |  |                          |        |  |
| Name of shareholder  | Nature of shareholder                                  | Shareholding percentage   | Number of shares held | Number of restricted shares held   | Pledged or frozen shares |        |  |
|  |  |   |                       |  | Status                   | Number |  |
| China National Agrochemical Co., Ltd.  | State-owned legal person                               | 74.02%  | 1,810,883,039         | 1,810,883,039  | --                       | --     |  |
| Jingzhou Sanonda Holding Co., Ltd.   | State-owned legal person                               | 4.89%   | 119,687,202           | --   | --                       | --     |  |
| China Cinda Asset Management Co., Ltd.   | State-owned legal person                               | 1.37%   | 33,557,046            | --   | --                       | --     |  |
| China Structural Reform Fund Co., Ltd.   | State-owned legal person                               | 1.37%   | 33,557,046            | --   | --                       | --     |  |
| Portfolio No.503 of National Social Security Fund  | Others   | 0.92%   | 22,500,052            | --   | --                       | --     |  |
| UBS AG   | Overseas legal person                                  | 0.58%   | 14,264,374            | --   | --                       | --     |  |
| CCB Principal-ICBC-Avic Trust, Trust Plan of Pooled Funds of CCB Principal Private Placement Investment, Tianqi (2016) No. 293 of Avic Trust | Others   | 0.53%   | 12,885,906            | --   | --                       | --     |  |
| Caitong Fund Fuchun Chuangyi Private Placement No.3 Asset Management Plan  | Others   | 0.19%   | 4,697,986             | --   | --                       | --     |  |
| GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED  | Overseas legal person                                  | 0.18%   | 4,309,872             | --   | --                       | --     |  |
| State-owned Assets Administration Bureau of Qichun County  | State  | 0.17%   | 4,169,266             | --   | --                       | --     |  |
| Shareholdings of top 10 non-restricted shareholders  |  |   |                       |  |                          |        |  |
| Name of shareholder  | Number of non-restricted shares held at the period-end | Type of shares  |                       |  |                          |        |  |
|  |  | Type  | Number                |  |                          |        |  |
| Jingzhou Sanonda Holding Co., Ltd.   | 119,687,202  | RMB ordinary share  | 119,687,202           |  |                          |        |  |
| China Cinda Asset Management Co., Ltd.   | 33,557,046   | RMB ordinary share  | 33,557,046            |  |                          |        |  |
| China Structural Reform Fund Co., Ltd.   | 33,557,046   | RMB ordinary share  | 33,557,046            |  |                          |        |  |
| Portfolio No.503 of National Social Security Fund  | 22,500,052   | RMB ordinary share  | 22,500,052            |  |                          |        |  |
| UBS AG   | 14,264,374   | RMB ordinary share  | 14,264,374            |  |                          |        |  |
| CCB Principal-ICBC-Avic Trust, Trust Plan of Pooled Funds of CCB Principal Private Placement Investment, Tianqi (2016) No. 293 of Avic Trust | 12,885,906   | RMB ordinary share  | 12,885,906            |  |                          |        |  |
| Caitong Fund Fuchun Chuangyi Private Placement No.3 Asset  | 4,697,986  | RMB ordinary share  | 4,697,986             |  |                          |        |  |

|  |   |                                   |           |
|--|---|-----------------------------------|-----------|
| Management Plan  |   |                                   |           |
| GUOTAI JUNAN<br>SECURITIES(HONGKONG)<br>LIMITED                                  | 4,309,872   | Domestically listed foreign share | 4,309,872 |
| State-owned Assets Administration<br>Bureau of Qichun County                     | 4,169,266   | RMB ordinary share                | 4,169,266 |
| China Agricultural Bank-CSI 500<br>Trading Open Index Investment<br>Funds        | 4,030,584   | RMB ordinary share                | 4,030,584 |
| Related or act-in-concert parties<br>among the shareholders above                | Jingzhou Sanonda Holdings Co., Ltd. and CNAC are related parties, and are acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies. Sanonda Holding is a wholly-controlled subsidiary of CNAC. It is unknown to the Company whether the other shareholders are related parties or acting-in-concert parties as prescribed in the Administrative Methods for Acquisition of Listed Companies. |                                   |           |
| Top 10 ordinary shareholders<br>conducting securities margin<br>trading (if any) | No such issue.  |                                   |           |

Note: China National Agrochemical Co., Ltd. (“**CNAC**”) and Syngenta Group Co., Ltd. (formerly: “China (Shanghai) Agricultural Technology Co., Ltd.”, and hereinafter: the “**Syngenta Group**”) have signed a *Share Transfer Agreement* on January 5, 2020 for the transfer of the State-owned 74.02% shares of the Company directly held by CNAC to Syngenta Group.

Did any of the top 10 ordinary shareholders or the top 10 non-restricted ordinary shareholders of the Company conduct any promissory buy-back transaction during the Reporting Period?

Yes  No

No such cases in the Reporting Period.

## 2. Total number of preference shareholders and shareholdings of the top 10 of them

Applicable  Not applicable

## Section III - Significant Events

### I. Changes in main accounting statement items and financial indicators in the Reporting Period, as well as reasons for the changes

Applicable  Not applicable

During the first quarter of 2020, the global agrochemical market, amongst many others, was impacted by the unprecedented Coronavirus pandemic, COVID-19 ("**COVID-19**"). The pandemic, which started early in the quarter and now continues to rage throughout the rest of the world, has had a number of adverse effects on the Company's performance in the first quarter, compared to the corresponding period last year, the most significant of which were:

- In China, while operations at the Company's Huai'An, Jiangsu site have continued without material interruption, operations at the Jingzhou site in Hubei province were temporarily suspended from late January until the end of February due to the COVID-19 in the province. Although operations at the site recommenced at the beginning of March, restrictions on logistics remained, impacting the free transport of goods to and from the sites and to the ports;
- Renewed tightening in supply of raw materials and intermediates sourced from third parties in China and around the world;
- Restrictions on international trading and sales through the Company's global channels, as well as increased costs of global shipping, airfreight and other logistics;
- Lower demand in the Company's US Consumer & Professional (non-crop) businesses, as retailers slowed their restocking of products;
- Significant impacts on global currency markets, which have seen the rapid depreciation of many currencies against the US dollar, most notably the Brazilian Real, Australian dollar, Turkish Lira and Indian Rupee, as well as increased volatility in the Euro. These movements have negatively impacted the Company's performance in the first quarter compared to the corresponding period last year.

The ongoing spread of the pandemic is expected to continue to negatively impact the performance of the Company in the second quarter, and potentially beyond.

The Company is actively managing its response to the outbreak in order to ensure the safety of its employees and limit the impact on the Company's performance. Actions being taken include extending and strengthening distribution channels, use of expedited transport options where possible, working collaboratively with supply chain partners, and raising prices wherever possible to accommodate the weaker currencies and increased logistics costs.

|   | Q1 2020<br>(000'RMB) | Q1 2019<br>(000'RMB) | +/-%            | Q1 2020<br>(000'USD) | Q1 2019<br>(000'USD) | +/-%            |
|---|----------------------|----------------------|-----------------|----------------------|----------------------|-----------------|
| <b>Operating income (Revenues)</b>                        | <b>6,782,243</b>     | <b>6,787,751</b>     | <b>-0.08%</b>   | <b>972,531</b>       | <b>1,006,421</b>     | <b>-3.37%</b>   |
| Cost of goods sold  | 4,757,413            | 4,449,236            | 6.93%           | 682,181              | 659,691              | 3.41%           |
| <b>Gross Profits</b>                                      | <b>2,024,830</b>     | <b>2,338,515</b>     | <b>-13.41%</b>  | <b>290,350</b>       | <b>346,730</b>       | <b>-16.26%</b>  |
| <i>% of Sales</i>   | 29.85%               | 34.45%               | -               | 29.85%               | 34.45%               | -               |
| <b>*Total Operating Expenses</b>                          | <b>1,647,108</b>     | <b>1,682,833</b>     | <b>-2.12%</b>   | <b>240,055</b>       | <b>249,511</b>       | <b>-3.79%</b>   |
| Financial Expenses  | 411,620              | 479,381              | -14.14%         | 59,022               | 71,082               | -16.97%         |
| Gain (loss) from Changes in Fair Value                    | 323,813              | 794,180              | -59.23%         | 46,433               | 117,753              | -60.57%         |
| Investment Income (loss)                                  | -129,323             | -550,462             | -76.51%         | -18,544              | -81,617              | -77.28%         |
| <b>Total Net Financial Expenses and Investment Income</b> | <b>217,130</b>       | <b>235,663</b>       | <b>-7.86%</b>   | <b>31,133</b>        | <b>34,946</b>        | <b>-10.91%</b>  |
| <b>Total profits</b>                                      | <b>136,632</b>       | <b>415,111</b>       | <b>-67.09%</b>  | <b>19,601</b>        | <b>61,547</b>        | <b>-68.15%</b>  |
| <i>% of Sales</i>   | 2.02%                | 6.12%                | -               | 2.02%                | 6.12%                | -               |
| Income tax expenses                                       | 153,339              | 48,355               | 217.11%         | 21,988               | 7,171                | 206.62%         |
| <b>Net income</b>   | <b>(16,707)</b>      | <b>366,756</b>       | <b>-104.56%</b> | <b>-2,387</b>        | <b>54,376</b>        | <b>-104.39%</b> |
| <i>% of Sales</i>   | -0.25%               | 5.4%                 | -               | -0.25%               | 5.4%                 | -               |
| <b>EBITDA</b>   | <b>927,888</b>       | <b>1,232,110</b>     | <b>-24.69%</b>  | <b>133,058</b>       | <b>182,689</b>       | <b>-27.17%</b>  |
| <i>% of Sales</i>   | 13.68%               | 18.15%               | -               | 13.68%               | 18.15%               | -               |

\* Total operating expenses includes Sales and Marketing, General and Administrative and Research and Development expenses

Note: As the Company's functional currency is USD, following explanations and analysis are based on USD-denominated numbers as listed above.

## Analysis of Financial Highlights

### (1) Revenues

Revenues in the first quarter were \$973 million, up 2% at constant exchange rates, with continued business growth in the face of the COVID-19 pandemic. Constant currency sales were constrained by an estimated \$47 million due to COVID-19. In addition, sales were heavily impacted by the depreciation of global currencies, resulting in sales in US dollar terms being 3% below those of the same period last year.

The Company delivered solid business growth in Europe, driven by a strong performance in Eastern European countries, as well as throughout the India, Middle East & Africa region supported by favorable weather conditions in key areas. In Latin America, the Company was strengthened by its recent acquisition in Peru, but sales were impacted by the depreciation of regional currencies, most notably the Brazilian Real. Sales in North America were lower largely due to the impact of the COVID-19 on demand for the Company's Consumer & Professional products. In Asia-Pacific (excluding China), a strong performance in Australia, which has begun to see a recovery from the extreme drought conditions of the past few years, largely compensated for a COVID-19-driven slowdown in East-Asian markets and the depreciation of local currencies.

In China, despite seeing continued growth in the sales of the Company's branded, formulated products, overall sales in the country were impacted by lower sales of intermediates and unformulated products, mainly those produced at the Jingzhou site which was temporarily suspended during the quarter.

## Regional Sales Performance

|                             | Q1 2020<br>\$m | Q1 2019<br>\$m | Change<br>USD |
|-----------------------------|----------------|----------------|---------------|
| Europe                      | 357            | 360            | -1.0%         |
| North America               | 168            | 180            | -6.7%         |
| Latin America               | 159            | 159            | -0.3%         |
| Asia Pacific                | 158            | 186            | -14.9%        |
| Of which China              | 68             | 94             | -27.1%        |
| India, Middle East & Africa | 131            | 121            | +8.3%         |
| <b>Total</b>                | <b>973</b>     | <b>1,006</b>   | <b>-3.4%</b>  |

**Europe:** Sales increased by 2.7% in the first quarter at constant exchange rates, compared with the corresponding period last year, driven by continued business growth, partially offset by lower prices resulting from high inventory levels in the industry's distribution channels.

In Northern Europe, the Company saw pleasing business growth in the quarter, partially recovering from supply constraints seen in 2019 that affected key products. The Company delivered robust growth in most Eastern European countries supported by favorable weather conditions, with noteworthy performances recorded in Russia and Ukraine, where the Company is seeing continued market share gains, as well as Hungary and Romania, which benefited from an early start to the 2020 season. In addition, the Company grew in the key western European markets of France and Italy.

In US dollar terms, sales in Europe were lower by 1.0% in the quarter, compared to the corresponding period last year, reflecting the net impact of weaker currencies, largely due to the COVID-19.

**North America:** Sales in the quarter were lower by 6.0%, at constant exchange rates, compared to the corresponding period last year, largely due to the impact of the COVID-19, which reduced demand for the Company's Consumer & Professional (non-crop) products.

The Company recorded strong business growth in Canada with solid demand for crop protection products, as well as favorable weather conditions. In the US, the Company obtained two new rice herbicide registrations in the quarter, enhancing its portfolio of solutions for conventional rice and complementing the Company's Preface™ and Postscript™ herbicides for the FullPage™ Rice Cropping Solution, furthering the Company's offering to rice farmers.

In US dollar terms, sales in North America were lower by 6.7% in the quarter, compared to the corresponding period last year, reflecting the COVID-19-related weakening of the Canadian Dollar.

**Latin America:** Sales grew by 12.5% in the first quarter, at constant exchange rates, compared to the corresponding period last year. The robust performance was driven by strong business growth, bolstered by the Company's recent acquisition in Peru, alongside continued price increases.

The Company saw continued constant-currency business growth in Brazil in the quarter, despite drought conditions which delayed the planting season in key crops including soybean and reduced application of fungicides. Noteworthy performances were also recorded in the quarter in Mexico, benefiting from good weather conditions particularly in the Pacific region, as well as Colombia and Ecuador, driven by a good harvest season in key crops.

The Company continues to expand its differentiated product offering in the region with the launch during the quarter of EMINENT®, a dual mode broad-spectrum insecticide, in Argentina. The Company also obtained the registration of UBERTOP®, an insecticide used mainly for the control of a wide range of pests in tomato and cabbage, in Mexico.

In US dollar terms, sales in Latin America were lower by 0.3% in the quarter, compared to the corresponding period last



year, reflecting the significant depreciation of regional currencies, most notably the Brazilian Real, as a result of the COVID-19 outbreak.

**Asia Pacific:** Sales were lower by 9.8% in the quarter, at constant exchange rates, compared to the corresponding period last year, due largely to the outbreak of the COVID-19, which started early in the quarter.

In Asia-Pacific (excluding China), a strong performance in Australia, which has begun to see a recovery from the extreme drought conditions of the past few years, largely compensated for a COVID-19-driven slowdown in East-Asian markets. In China, despite seeing continued growth in the sales of the Company's branded, formulated products, overall sales in the country were impacted by the COVID-19 which resulted in logistics and supply challenges, and reduced sales of intermediates and unformulated products from the temporarily suspended Jingzhou site.

During the quarter, the Company launched new products including QUALIPRO ENCLAVE®, a quadruple-mode of action fungicide mixture for use in turf in Australia, and obtained multiple new product registrations in the region, including BALORIC® and SOLITO®, an early post-emergence rice herbicide, in Thailand and Indonesia.

In US dollar terms, sales in Asia-Pacific were lower by 14.9% in the quarter, compared to the corresponding period last year, reflecting the impact of weaker currencies following the COVID-19.

**India, Middle East and Africa:** Sales in the first quarter grew by 12.5%, at constant exchange rates, compared to the corresponding period last year. The Company recorded robust business growth in all major markets throughout the region, alongside increased prices, despite the impact of the missing sales of Jingzhou old site products resulting from the temporary suspension of operations there due to the COVID-19.

The Company delivered solid business growth in India combined with higher pricing, in spite of a countrywide lockdown enforced by the Indian government that commenced towards the end of the quarter. The Company also grew strongly in South Africa and Israel, benefiting from favorable weather conditions, and delivered pleasing results in Turkey from where the Company is also expanding its presence into surrounding countries in the region.

In US dollar terms, sales in the region grew by 8.3% in the quarter, compared to the corresponding period last year, reflecting the impact of softer currencies, which were adversely affected by the COVID-19, most notably the Turkish Lira and the Indian Rupee.

## (2) Gross Profit:

Gross margin was lower mainly a result of the material depreciation of global currencies, alongside some pricing pressure, mainly in Europe and China, and sustained high procurement costs, all of which were only partially offset by the business growth achieved in the quarter.

## (3) Operating Expenses:

Operating expenses include Sales and Marketing, General and Administration and R&D - The Company continues to exercise tight control of its operating expenses, assisted by the beneficial impact of the strengthening of the US dollar against global currencies, achieving significant savings even while including companies acquired during 2019. The first quarter this year also saw the recording of Jingzhou-related idleness costs resulting from the temporary suspension of operations there due to the COVID-19 in an amount similar to those recorded also during Q1 2019 when the sites were similarly suspended.

In recent years, the Company recorded various one-time or non-cash or non-operational items affecting its reported numbers, including as a result of mergers and acquisitions, which resulted in the inclusion within its operating expenses

of, mainly, the following items:

- **Amortization of legacy Purchase Price Allocation (PPA) of 2011 acquisition of Adama Agricultural Solutions Ltd., a wholly-owned subsidiary of the Company (hereinafter: “Solutions”) (non-cash):** Under PRC GAAP, since the first combined reporting in Q3 2017 following the combination, the Company has inherited the historical “legacy” amortization charge that ChemChina previously was incurring in respect of its acquisition of Solutions in 2011. This amortization is done in a linear manner on a quarterly basis, most of which will be fully amortized by the end of 2020. Its reported financial impact (affecting the Sales & Marketing expenses) in the first quarter of 2020 is RMB 66.3 million (USD 9.6 million), net of tax, compared with RMB 64.1 million (USD 9.6 million) in the corresponding period in 2019.
- **Amortization of Transfer assets received and written-up due to 2017 ChemChina-Syngenta transaction (non-cash):** 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. Its reported financial impact (affecting the Sales & Marketing expenses) in the first quarter of 2020 is RMB 54.9 million (USD 7.9 million), net of tax, compared with RMB 71.7 million (USD 10.6 million) in the corresponding period in 2019.
- **Employee early retirement plan expenses:** a one-time provision for the early retirement plan of employees at the Company’s Israeli manufacturing facilities. Its reported financial impact (affecting the General & Administrative expenses) in the first quarter of 2020 is RMB 59.8 million (USD 8.6 million), net of tax.

#### (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 412 million (USD 59 million) for the first three months of 2020 compared with RMB 479 million (USD 71 million) for the corresponding period in 2019.

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 194 million (USD 28 million) in the first three months of 2020 compared with RMB 244 million (USD 36 million) in the corresponding period in 2019.

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 217 million (USD 31 million) in the first three months of 2020 compared with RMB 236 million (USD 35 million) in the corresponding period in 2019.

The lower level in the first quarter compared with the same period last year reflects mainly financial income earned due to the effect of the appreciation of the US dollar against the RMB on the value of US dollar-denominated monetary assets in China, while the higher expenses in the prior year resulted from the opposite. This financial income in the quarter more than offset the slightly increased interest costs on higher net debt levels.

**(5) Income Tax Expenses**

The net tax expense in the quarter was higher largely due to the impact of weakening of currencies, against the US dollar, most notably that of the Brazilian Real, driving higher non-cash tax expenses due to differences between the functional (US dollar) and tax (local) currencies regarding the value of non-monetary assets.

**Changes in main assets and liabilities**

Unit: RMB'000

| Assets and liabilities           | March 31, 2020 | December 31, 2019 | % change | Explanation for any major change  |
|----------------------------------|----------------|-------------------|----------|---|
| Derivative financial assets*     | 1,829,988      | 490,113           | 273.38%  | Realization and revaluation of derivatives  |
| Accounts receivable              | 8,577,783      | 8,004,157         | 7.17%    | Due to the Company's strong growth in regions with generally longer credit terms, especially Brazil and Latin America |
| Derivative financial liabilities | 1,687,360      | 691,475           | 144.02%  | Realization and revaluation of derivatives.   |
| Taxes payable                    | 515,575        | 369,038           | 39.71%   | Seasonality increase mainly due to VAT  |
| Contractual liability            | 888,232        | 664,228           | 33.72%   | Seasonality increase mainly due to rebates  |
| Deferred tax liability           | 447,499        | 323,304           | 38.41%   | Increase mainly due to tax basis revaluation of non-monetary assets in Brazil   |

\*Both derivative financial assets and liabilities are hedging instruments, the sum-up of which reflects the net position.

**II. Progress on significant events, as well as the impact and solutions**

√ Applicable □ Not applicable

1. In January 2020 the Company announced that it is becoming a distinctive member of the Syngenta Group, a newly-formed ag-industry leader being created through the bringing together of the agricultural businesses of ChemChina and Sinochem. The Syngenta Group, comprising the Company, Syngenta AG and Sinochem's agriculture-related activities, is expected to become one of the world's leading agriculture inputs companies, spanning crop protection, seeds, fertilizers, additional agricultural and digital technologies, as well as an advanced distribution network in China, reaching farmers nationwide.

As mentioned above, CNAC and Syngenta Group have signed a Share Transfer Agreement on January 5, 2020 for the transfer of the State-owned 74.02% shares of the Company directly held by CNAC to Syngenta Group, which is also owned by ChemChina. The Company will maintain its unique brand and positioning.

2. In this context, Mr. Chen Lichtenstein ceased to serve as the President and CEO of the Company (while continuing to serve as a director) effective as of March 1, 2020, following his nomination as CFO of Syngenta Group, with responsibility also for strategy and Integration; Mr. Ignacio Dominguez was appointed on February 26, 2020 as the President and CEO of the Company also acting as its legal representative, effective from March 1, 2020, after serving as the CCO of the Company's subsidiary - Adama Agricultural Solutions Ltd. (hereinafter: "**Solutions**") for the last 6 years, and in other executive positions prior to that. Due to the impact of the coronavirus pandemic, the Company will register Ignacio Dominguez as the legal representative in Hubei Administration for Market Regulation Bureau when circumstance permits; Mr. Aviram Lahav, the CFO of the Company was also appointed as Deputy CEO, concurrently with his appointment as

Solutions' CEO (on top of his role as Solution's CFO).

Additionally, on April 9, 2020, the shareholders meeting approved the nomination of Mr. Erik Fyrwald, the CEO of Syngenta Group and CEO and Executive Director of Syngenta AG, as director and Chairman of the Board of Directors of the Company, replacing Mr. Yang Xingqiang, and the continuous nomination of Mr. Chen Lichtenstein, CFO of the Syngenta Group and Syngenta AG, as a director of the Board of Directors of the Company. Concurrently, Mr. Ignacio Dominguez was nominated as the Chairman of the board of directors of Solutions, replacing Mr. Yang Xingqiang.

3. Within the context of the 2017 combination between the Company and Solutions, the Company entered into a Performance Compensation Agreement with CNAC, then the 100% owner of Solutions and the controlling shareholder of the Company, according to which, CNAC made a commitment regarding Solutions' aggregate net profit in the years 2017, 2018 and 2019. In case of failure to meet such commitment, CNAC committed to compensate the Company either through shares or cash according to a predetermined formula. Despite Solutions' strong performance during the three-year period, due to exogenous reasons, the calculated net profit of Solutions for this period implies a certain shortfall. This shortfall was caused entirely by the impact of the Divestment & Transfer of several products that Solutions implemented to facilitate the approval by the EU Commission of the acquisition of Syngenta by ChemChina, which caused an incremental non-cash amortization charges related to the written-up value of the assets received from Syngenta. Absent these non-cash amortization charges, Solutions would have exceeded the profit commitment.

As a result, CNAC shall return to the Company a certain number of shares of the Company it received in exchange for the transfer of 100% of Solutions to the Company, and return an additional amount in dividends it received in respect of such shares. Following their receipt, these shares will be canceled by the Company. As a result, the total number of shares in issue will be reduced, and CNAC's ownership (directly and indirectly) in the Company will go from 78.9% to 78.0%.

Additionally, according to the Impairment Test Report of Solutions due to the Expiration of the Compensation Period of Major Assets Restructuring Project issued by Deloitte, there was no impairment of Solutions on December 31, 2019.

In view of CNAC transferring the shares directly held by it in the Company to the Syngenta Group, CNAC and Syngenta Group will compensate the Company. For details, please refer to the Announcement on the Overall Achievement of the Committed Performance in the Major Assets Restructuring and the Planned Compensations to the Company by the Obligors disclosed by the Company on April 28, 2020 on the website [www.cninfo.com.cn](http://www.cninfo.com.cn).

For details on the aforesaid compensation, please refer to Item II of Section V of the 2019 Annual Report.

| Significant Events   | Date of Disclosure | Index of the Disclosed Announcements   |
|--|--------------------|--|
| CNAC is transferring its direct ownership in the Company to Syngenta Group | January 6, 2020    | Announcement on the Transfer of State-owned Shares of Controlling Shareholders (Announcement No. 2020-1)   |
|  | January 23, 2020   | Announcement-SinoChem Group and ChemChina Planning for Strategic Restructuring (Announcement No. 2020-4)   |
|  | March 14, 2020     | Announcement on Approval from China Securities Regulatory Commission for the Application of Offeror and its Person Acting in Concert for Waiving of the Obligation of a Mandatory Tender Offer for the Transfer (Announcement No. 2020-12) |
| Replacement of directors and senior executives                             | February 27, 2020  | Announcement on the Resolutions of the 21 <sup>st</sup> meeting of the 8 <sup>th</sup> Session of the Board (Announcement No. 2020-7)  |
|  | March 26, 2020     | Announcement on the Resolutions of the 23 <sup>rd</sup> meeting of the 8 <sup>th</sup> Session of the Board (Announcement No. 2020-15)   |
|  | April 10, 2020     | Announcement on the Resolutions of the 2 <sup>nd</sup> Interim Shareholders Meeting in 2020 (Announcement No. 2020-20)   |

**Please see key additional information and further details included in the Annex.**

Status of share buyback

Applicable Not applicable

Status of share buyback in the way of centralized bidding

Applicable Not applicable

III. None completion of Commitments that should have been completed in the reporting period by the Company, actual controller, shareholders, related parties, acquirer, and other committed parties

Applicable  Not applicable

IV. Securities investment

Applicable  Not applicable

No such cases in the Reporting Period.

V. Wealth management entrustment

Applicable  Not applicable

No such cases in the Reporting Period.

## VI. 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  | 2,078,908   | 2020/02/17    | 26/05/2020    | 2,078,908                                    | 3,703,626                                    | -3,671,174                              | No                          | 2,111,360                              | 9.38%   | 73,918                                |
| Banks   | No                        | No                                | Forward | 19,122,640  | 29/11/2019    | 04/08/2020    | 19,122,640                                   | 37,826,042                                   | -37,527,533                             | No                          | 19,421,149                             | 86.32%  | 172,474                               |
| Total   |                           |                                   |         | 21,201,548  | --            | --            | 21,201,548                                   | 41,529,668                                   | -41,198,707                             |                             | 21,532,509                             | 95.70%  | 246,392                               |
| Source of fund for the investment   |                           |                                   |         | Internal  |               |               |  |  |   |                             |  |   |                                       |
| Litigation-related situations (if applicable)   |                           |                                   |         | N/A   |               |               |  |  |   |                             |  |   |                                       |
| Date of disclosure of Board approval (if any)   |                           |                                   |         | December 30, 2017   |               |               |  |  |   |                             |  |   |                                       |
| Date of disclosure of Shareholders' approval (if any)   |                           |                                   |         | N/A   |               |               |  |  |   |                             |  |   |                                       |
| Risk and control analysis for the reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)                          |                           |                                   |         | <p>The aforesaid refers to short term hedging currency transactions made with banks. 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. 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> </ul> <p>Every 2-3 years the internal audit of the relevant subsidiaries' department is auditing the entire procedure.</p> |               |               |  |  |   |                             |  |   |                                       |
| Market price or fair value change of investments during the reporting period. Specific methodology and assumptions should be disclosed in the analysis of fair value of the investments |                           |                                   |         | <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 XI of the annual 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>   |               |               |  |  |   |                             |  |   |                                       |
| Explanation for any significant changes in accounting policies and principles, compared with last reporting period  |                           |                                   |         | N/A   |               |               |  |  |   |                             |  |   |                                       |
| Independent Directors' opinion on the investment in derivative financial instruments and related risk controls  |                           |                                   |         | <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>   |               |               |  |  |   |                             |  |   |                                       |

## VII. Information regarding communication with investors

Applicable  Not applicable

| Date of visit                 | Way of visit    | Type of visitor | About                                       |
|-------------------------------|-----------------|-----------------|---|
| March 30 <sup>th</sup> , 2020 | Tele-conference | Institutional   | Debriefing of 2019 Annual Financial Preview |

## VIII. Illegal provision of guarantees for external parties

Applicable  Not applicable

No such cases in the Reporting Period.

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

Applicable  Not applicable

No such cases in the Reporting Period.

## Section IV Financial Statements

### II. Financial statements

#### 1. Consolidated balance sheet

Prepared by ADAMA Ltd.

31 March 2020

Unit: RMB'000

| Item                              | March 31,<br>2020 | December 31,<br>2019 | Item  | March 31,<br>2020 | December 31,<br>2019 |
|-----------------------------------|-------------------|----------------------|---|-------------------|----------------------|
| <b>Current assets:</b>            |                   |                      | <b>Current liabilities:</b>                       |                   |                      |
| Cash at bank and on hand          | 4,264,450         | 4,348,588            | Short-term loans                                  | 2,515,622         | 2,009,882            |
| Financial assets held for trading | 26,831            | 29,510               | Derivative financial liabilities                  | 1,687,360         | 691,475              |
| Derivative financial assets       | 1,829,988         | 490,113              | Bills payable                                     | 379,381           | 321,674              |
| Bills receivable                  | 31,203            | 26,000               | Accounts payable                                  | 4,434,631         | 4,205,901            |
| Accounts receivable               | 8,577,783         | 8,004,157            | Contract liabilities                              | 888,232           | 664,228              |
| Receivables financing             | 35,624            | 78,948               | Employee benefits payable                         | 1,127,486         | 1,211,713            |
| Prepayments                       | 388,841           | 377,808              | Taxes payable                                     | 515,575           | 369,038              |
| Other receivables                 | 1,752,959         | 1,195,253            | Other payables                                    | 1,237,407         | 1,049,594            |
| Inventories                       | 10,091,315        | 9,932,654            | Non-current liabilities due within one year       | 1,079,671         | 1,066,243            |
| Other current assets              | 639,603           | 659,195              | Other current liabilities                         | 303,740           | 355,243              |
| <b>Total current assets</b>       | <b>27,638,597</b> | <b>25,142,226</b>    | <b>Total current liabilities</b>                  | <b>14,169,105</b> | <b>11,944,991</b>    |
| <b>Non-current assets:</b>        |                   |                      | <b>Non-current liabilities:</b>                   |                   |                      |
| Long-term receivables             | 135,332           | 170,896              | Long-term loans                                   | 1,181,250         | 927,159              |
| Long-term equity investments      | 141,184           | 133,098              | Debentures payable                                | 7,804,486         | 7,965,942            |
| Other equity investments          | 156,148           | 155,062              | Lease liabilities                                 | 406,109           | 406,358              |
| Investment properties             | 3,690             | 3,771                | Long-term accounts payable                        | 26,570            | 29,021               |
| Fixed assets                      | 6,926,084         | 6,939,610            | Long-term employee benefits payables              | 686,505           | 738,854              |
| Construction in progress          | 859,769           | 788,386              | Provisions  | 164,473           | 176,822              |
| Right-of-use assets               | 533,749           | 536,034              | Deferred tax liabilities                          | 447,499           | 323,304              |
| Intangible assets                 | 5,698,552         | 5,835,785            | Other non-current liabilities                     | 394,100           | 404,824              |
| Goodwill                          | 4,609,054         | 4,511,193            | <b>Total non-current liabilities</b>              | <b>11,110,992</b> | <b>10,972,284</b>    |
| Deferred tax assets               | 833,511           | 826,696              | <b>Total liabilities</b>                          | <b>25,280,097</b> | <b>22,917,275</b>    |
| Other non-current assets          | 244,570           | 246,183              | <b>Shareholders' equity:</b>                      |                   |                      |
| <b>Total non-current assets</b>   | <b>20,141,643</b> | <b>20,146,714</b>    | Share capital                                     | 2,446,554         | 2,446,554            |
| <b>Total assets</b>               | <b>47,780,240</b> | <b>45,288,940</b>    | Capital reserves                                  | 12,903,168        | 12,903,168           |
|                                   |                   |                      | Other comprehensive income                        | 1,336,915         | 1,192,681            |
|                                   |                   |                      | Special reserves                                  | 15,888            | 14,927               |
|                                   |                   |                      | Surplus reserves                                  | 240,162           | 240,162              |
|                                   |                   |                      | Retained earnings                                 | 5,557,456         | 5,574,173            |
|                                   |                   |                      | <b>Total shareholders' equity</b>                 | <b>22,500,143</b> | <b>22,371,665</b>    |
|                                   |                   |                      | <b>Total liabilities and shareholders' equity</b> | <b>47,780,240</b> | <b>45,288,940</b>    |

**Ignacio Dominguez**

Legal representative

**Aviram Lahav**

Chief of the accounting work

**Aviram Lahav**

Chief of the accounting organ



## 2. Balance sheet of the Company

Unit: RMB'000

| Item                            | March 31,<br>2020 | December 31,<br>2019 | Item  | March 31,<br>2020 | December 31,<br>2019 |
|---------------------------------|-------------------|----------------------|---|-------------------|----------------------|
| <b>Current assets:</b>          |                   |                      | <b>Current liabilities:</b>                       |                   |                      |
| Cash at bank and on hand        | 1,464,248         | 1,423,051            | Short-term loans                                  | 122,000           | 150,000              |
| Accounts receivable             | 192,541           | 349,109              | Bills payable                                     | 83,020            | 90,190               |
| Receivables financing           | 11,091            | 11,722               | Accounts payable                                  | 125,030           | 124,228              |
| Prepayments                     | 38,418            | 6,055                | Contract liabilities                              | 7,230             | 6,748                |
| Other receivables               | 28,964            | 14,051               | Employee benefits payable                         | 176,567           | 204,238              |
| Inventories                     | 89,956            | 97,861               | Taxes payable                                     | 2,710             | 3,614                |
| Other current assets            | 7,164             | 19,117               | Other payables                                    | 239,224           | 237,266              |
| <b>Total current assets</b>     | <b>1,832,382</b>  | <b>1,920,966</b>     | Non-current liabilities due within one year       | 11,339            | 454                  |
| <b>Non-current assets:</b>      |                   |                      | <b>Total current liabilities</b>                  | <b>767,120</b>    | <b>816,738</b>       |
| Long-term equity investments    | 16,371,411        | 16,371,411           | <b>Non-current liabilities:</b>                   |                   |                      |
| Other equity investments        | 85,495            | 85,495               | Long-term loans                                   | 173,210           | 141,960              |
| Investment properties           | 3,690             | 3,771                | Lease liabilities                                 | -                 | 21                   |
| Fixed assets                    | 738,208           | 777,476              | Long-term employee benefits payables              | 95,961            | 96,826               |
| Construction in progress        | 532,564           | 504,936              | Provisions  | 43,379            | 43,238               |
| Right-of-use assets             | 369               | 486                  | Other non-current liabilities                     | 171,770           | 171,770              |
| Intangible assets               | 168,942           | 170,053              | <b>Total non-current liabilities</b>              | <b>484,320</b>    | <b>453,815</b>       |
| Deferred tax assets             | 86,353            | 84,950               | <b>Total liabilities</b>                          | <b>1,251,440</b>  | <b>1,270,553</b>     |
| Other non-current assets        | 77,247            | 73,668               | <b>Shareholders' equity:</b>                      |                   |                      |
| <b>Total non-current assets</b> | <b>18,064,279</b> | <b>18,072,246</b>    | Share capital                                     | 2,446,554         | 2,446,554            |
| <b>Total assets</b>             | <b>19,896,661</b> | <b>19,993,212</b>    | Capital reserves                                  | 15,449,878        | 15,449,878           |
|                                 |                   |                      | Other comprehensive income                        | 41,308            | 41,308               |
|                                 |                   |                      | Special reserves                                  | 13,933            | 12,973               |
|                                 |                   |                      | Surplus reserves                                  | 240,162           | 240,162              |
|                                 |                   |                      | Retained earnings                                 | 453,386           | 531,784              |
|                                 |                   |                      | <b>Total shareholders' equity</b>                 | <b>18,645,221</b> | <b>18,722,659</b>    |
|                                 |                   |                      | <b>Total liabilities and shareholders' equity</b> | <b>19,896,661</b> | <b>19,993,212</b>    |

## 3. Consolidated income statement

Unit: RMB'000

| Item  | January-March, 2020 | January-March, 2019 |
|---|---------------------|---------------------|
| <b>1. Total operating income</b>  | <b>6,782,243</b>    | <b>6,787,751</b>    |
| Less: Cost of sales   | 4,757,413           | 4,449,236           |
| Taxes and surcharges  | 18,943              | 24,541              |
| Selling and Distribution expenses   | 1,256,871           | 1,268,966           |
| General and Administrative expenses   | 325,229             | 317,514             |
| Research and Development expenses   | 92,008              | 96,353              |
| Financial expenses  | 411,620             | 479,381             |
| Including: Interest expense   | 165,243             | 163,299             |
| Interest income   | 10,530              | 20,227              |
| Add: Investment income, net   | (129,323)           | (550,462)           |
| Including: Income from investment in associates and joint ventures                | 9,128               | 5,773               |
| Gain (loss) from changes in fair value  | 323,813             | 794,180             |
| Credit impairment loss  | 13,886              | (8,580)             |
| Asset impairment loss   | (1,923)             | (8,777)             |
| Gain (loss) from disposal of assets   | 7,692               | 40,479              |
| <b>2. Operating profit</b>  | <b>134,304</b>      | <b>418,600</b>      |
| Add: Non-operating income   | 17,390              | 5,707               |
| Less: Non-operating expense   | 15,062              | 9,196               |
| <b>3. Total profit</b>  | <b>136,632</b>      | <b>415,111</b>      |
| Less: income tax expense  | 153,339             | 48,355              |
| <b>4. Net profit</b>  | <b>(16,707)</b>     | <b>366,756</b>      |
| 5.1 Classified by nature of operations  |                     |                     |
| 5.1.1 Continuing operations   | (16,707)            | 366,756             |
| 5.2 Classified by ownership   |                     |                     |
| 5.2.1 Shareholders of the Company   | (16,707)            | 366,756             |
| <b>5. Other comprehensive income net of tax</b>                                   |                     |                     |
| Other comprehensive income net of tax attributable to shareholders of the Company | 144,207             | (390,043)           |
| 5.1 Items that will not be reclassified into profit/loss                          | 34,218              | (4,152)             |
| 5.1.1 Re-measurement of defined benefit plan liability                            | 34,218              | (9,202)             |
| 5.1.2 FV changes in other equity investment                                       | -                   | 5,050               |
| 5.2 Items that were or will be reclassified to profit or loss                     | 109,989             | (385,891)           |
| 5.2.1 Effective portion of gains or loss of cash flow hedge                       | 45,885              | (40,304)            |
| 5.2.2 Translation differences of foreign financial statements                     | 64,104              | (345,587)           |
| <b>6. Total comprehensive income for the period</b>                               | <b>127,500</b>      | <b>(23,287)</b>     |
| <b>7. Earnings per share</b>  |                     |                     |
| 7.1 Basic earnings per share (RMB/ share)   | (0.007)             | 0.150               |
| 7.2 Diluted earnings per share (RMB/ share)                                       | N/A                 | N/A                 |

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**Ignacio Dominguez**

Legal representative

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**Aviram Lahav**

Chief of the accounting work

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**Aviram Lahav**

Chief of the accounting organ

## 4. Income statement of the Company

Unit: RMB'000

| Item   | January-March, 2020 | January-March, 2019 |
|--|---------------------|---------------------|
| <b>1. Operating income</b>                               | <b>170,951</b>      | <b>416,354</b>      |
| Less: Cost of sales                                      | 149,890             | 292,548             |
| Taxes and surcharges                                     | 1,695               | 6,241               |
| Selling and Distribution expenses                        | 2,938               | 19,482              |
| General and Administrative expenses                      | 98,878              | 96,492              |
| Research and Development expenses                        | 1,961               | 1,470               |
| Financial expenses (income)                              | (3,725)             | 8,886               |
| Including: Interest expense                              | 1,415               | 1,077               |
| Interest income  | 4,033               | 6,901               |
| Add: Credit impairment loss                              | (1,266)             | (577)               |
| Asset Impairment loss                                    | (1,587)             | (69)                |
| <b>2. Operating profit</b>                               | <b>(83,539)</b>     | <b>(9,411)</b>      |
| Add: Non-operating income                                | 4,100               | 710                 |
| Less: Non-operating expense                              | 363                 | 1,857               |
| <b>3. Total profit</b>                                   | <b>(79,802)</b>     | <b>(10,558)</b>     |
| Less: Income tax expense                                 | (1,404)             | (2,828)             |
| <b>4. Net profit</b>                                     | <b>(78,398)</b>     | <b>(7,730)</b>      |
| 4.1 Continuing operations                                | (78,398)            | (7,730)             |
| <b>5. Other comprehensive income net of tax</b>          | <b>-</b>            | <b>5,050</b>        |
| 5.1 Items that will not be reclassified into profit/loss | -                   | 5,050               |
| 5.1.1 FV changes in other equity investment              | -                   | 5,050               |
| <b>6. Total comprehensive income for the period</b>      | <b>(78,398)</b>     | <b>(2,680)</b>      |

## 5. Consolidated cash flow statement

Unit: RMB'000

| Item  | January-March, 2020 | January-March, 2019 |
|---|---------------------|---------------------|
| <b>1. Cash flows from operating activities:</b>   |                     |                     |
| Cash received from sale of goods and rendering of services                                    | 5,144,846           | 5,006,120           |
| Refund of taxes and surcharges  | 26,579              | 30,497              |
| Cash received relating to other operating activities  | 167,605             | 109,616             |
| <b>Sub-total of cash inflows from operating activities</b>                                    | <b>5,339,030</b>    | <b>5,146,233</b>    |
| Cash paid for goods and services  | 4,028,009           | 4,604,831           |
| Cash paid to and on behalf of employees   | 905,294             | 829,857             |
| Payments of taxes and surcharges  | 75,043              | 264,648             |
| Cash paid relating to other operating activities  | 715,392             | 736,381             |
| <b>Sub-total of cash outflows from operating activities</b>                                   | <b>5,723,738</b>    | <b>6,435,717</b>    |
| Net cash flows from operating activities  | (384,708)           | (1,289,484)         |
| <b>2. Cash flows from investing activities:</b>   |                     |                     |
| Cash received from disposal of investments  | 2,218               | 8,148               |
| Cash received from returns of investments   | -                   | 3,372               |
| Net cash received from disposal of fixed assets, intangible assets and other long-term assets | 9,429               | 30,843              |
| <b>Sub-total of cash inflows from investing activities</b>                                    | <b>11,647</b>       | <b>42,363</b>       |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets               | 357,353             | 287,509             |
| Net cash paid to acquire subsidiaries or other business units                                 | -                   | 824,583             |
| Cash paid for other investing activities  | 27,393              | -                   |
| <b>Sub-total of cash outflows from investing activities</b>                                   | <b>384,746</b>      | <b>1,112,092</b>    |
| Net cash flows from investing activities  | (373,099)           | (1,069,729)         |
| <b>3. Cash flows from financing activities:</b>   |                     |                     |
| Cash received from borrowings   | 1,194,240           | 1,537,197           |
| <b>Sub-total of cash inflows from financing activities</b>                                    | <b>1,194,240</b>    | <b>1,537,197</b>    |
| Cash repayment of borrowings  | 428,544             | 258,676             |
| Cash payment for dividends, profit distributions or interest                                  | 46,210              | 64,551              |
| Including: dividends paid to non-controlling interest   | -                   | 23,830              |
| Cash paid relating to other financing activities  | 90,259              | 380,425             |
| <b>Sub-total of cash outflows from financing activities</b>                                   | <b>565,013</b>      | <b>703,652</b>      |
| Net cash flows from financing activities  | 629,227             | 833,545             |
| <b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>                | <b>46,592</b>       | <b>(81,844)</b>     |
| <b>5. Net increase (decrease) in cash and cash equivalents</b>                                | <b>(81,988)</b>     | <b>(1,607,512)</b>  |
| Add: Cash and cash equivalents at the beginning of the period                                 | 4,319,907           | 6,346,196           |
| <b>6. Cash and cash equivalents at the end of the period</b>                                  | <b>4,237,919</b>    | <b>4,738,684</b>    |

## 6. Cash flow statement of the Company

Unit: RMB'000

| Item  | January-March, 2020 | January-March, 2019 |
|---|---------------------|---------------------|
| <b>1. Cash flows from operating activities:</b>                                 |                     |                     |
| Cash received from sale of goods and rendering of services                      | 309,170             | 633,069             |
| Refund of taxes and surcharges  | 17,306              | 15,759              |
| Cash received relating to other operating activities                            | 8,199               | 7,737               |
| <b>Sub-total of cash inflows from operating activities</b>                      | <b>334,675</b>      | <b>656,565</b>      |
| Cash paid for goods and services  | 169,917             | 290,452             |
| Cash paid to and on behalf of employees   | 59,625              | 55,606              |
| Payments of taxes and surcharges  | 2,723               | 20,779              |
| Cash paid relating to other operating activities                                | 43,067              | 51,452              |
| <b>Sub-total of cash outflows from operating activities</b>                     | <b>275,332</b>      | <b>418,289</b>      |
| Net cash flows from operating activities  | 59,343              | 238,276             |
| <b>2. Cash flows from investing activities:</b>                                 |                     |                     |
| Cash received relating to other investing activities                            | -                   | 1,808               |
| <b>Sub-total of cash inflows from investing activities</b>                      | <b>-</b>            | <b>1,808</b>        |
| Cash paid to acquire fixed assets, intangible assets and other long-term assets | 32,861              | 25,850              |
| <b>Sub-total of cash outflows from investing activities</b>                     | <b>32,861</b>       | <b>25,850</b>       |
| Net cash flows from investing activities  | (32,861)            | (24,042)            |
| <b>3. Cash flows from financing activities:</b>                                 |                     |                     |
| Cash received from borrowings   | 114,500             | -                   |
| Cash received relating to other financing activities                            | 2,151               | -                   |
| <b>Sub-total of cash inflows from financing activities</b>                      | <b>116,651</b>      | <b>-</b>            |
| Cash repayment of borrowings  | 100,000             | -                   |
| Cash payment for dividends, profit distributions or interest                    | 3,381               | 1,077               |
| Cash paid relating to other financing activities                                | -                   | 8,610               |
| <b>Sub-total of cash outflows from financing activities</b>                     | <b>103,381</b>      | <b>9,687</b>        |
| Net cash flows from financing activities  | 13,270              | (9,687)             |
| <b>4. Effect of foreign exchange rate changes on cash and cash equivalents</b>  | <b>3,596</b>        | <b>(4,777)</b>      |
| <b>5. Net increase (decrease) in cash and cash equivalents</b>                  | <b>43,348</b>       | <b>199,770</b>      |
| Add: cash and cash equivalents at the beginning of the period                   | 1,395,994           | 2,005,313           |
| <b>6. Cash and cash equivalents at the end of the period</b>                    | <b>1,439,342</b>    | <b>2,205,083</b>    |

### III. Adjustments of the financial statements

#### 1. Opening balance adjustments due to adoption of new accounting standards for financial instruments, revenue and leases

Applicable  Not applicable

#### 2. Retrospective adjustments due to adoption of new accounting standards for financial instruments and leases

Applicable  Not applicable

### IV. Auditor's report

Is this Report audited?

Yes  No

This Report is unaudited.

ADAMA Ltd.

April 27, 2020