

**ADAMA Ltd.**

ENGLISH TRANSLATION OF  
IMPAIRMENT TEST REPORT  
OF ASSETS ACQUIRED  
FROM MAJOR ASSET RESTRUCTURING  
AND ASSURANCE REPORT  
AS AT DECEMBER 31, 2019

Note: The assurance report will be issued in Chinese. This assurance report is English translation prepared for the Company's management review purpose only and cannot be provided to third parties for other purpose. If there is any conflict between the Chinese and English version, the Chinese version shall prevail.

**ASSURANCE REPORT ON THE IMPAIRMENT TEST REPORT OF ASSETS ACQUIRED FROM  
MAJOR ASSET RESTRUCTURING AS AT DECEMBER 31, 2019**

De Shi Bao (He) Zi (20) No. E00021  
(Page 1 of 2 pages)  
[Translation]

To the Board of Directors of ADAMA Ltd.:

We are entrusted to implement the assurance engagement with limited assurance on the accompanying impairment test report of 100% shareholders' equity of ADAMA Agricultural Solutions Ltd. as at December 31, 2019 (hereinafter referred to "Assets Acquired from Major Asset Restructuring")(hereinafter referred to "impairment test report") prepared by ADAMA LTD. (formerly known as "Hubei Sanonda Co., Ltd", hereinafter referred to "ADAMA", the "Company").

**I. Management's Responsibilities**

Management of ADAMA is responsible for the preparation of the impairment test report that give a true, accurate and complete view without false records, misleading statements or major omissions in accordance with relevant regulations of "Measures for the Administration of the Major Asset Restructurings of Listed Companies" (2019 Amendment)(CSRC Ling No.159) issued by China Securities Regulatory Commission, relevant provisions in the "Performance Compensation Agreement" signed by ADAMA and China National Chemical Corporation Ltd on September 13, 2016 and the basis of preparation stated in Note III of the impairment test report. These responsibilities includes design, implement and maintain internal controls related to the preparation of impairment test report, use an appropriate basis for preparation, and make reasonable estimates based on the situation.

**II. Auditor's Responsibilities**

Our responsibility is to issue our opinion on the impairment test report based on our assurance work. We performed our assurance work in accordance with Chinese CPA Standards on Other Assurance Engagement No.3101 - Assurance Engagement Other Than Audits or Reviews of Historical Financial Information. The standard requires us to comply with code of ethical, to plan and perform our work, and obtain limited assurance on whether the impairment test report has been prepared, in all material aspects, in accordance with the basis of preparation stated in Note III of the impairment test report based on the assurance work we performed.

## **II. Auditor's Responsibilities - continued**

The nature and time of the procedures implemented under the assurance engagement with limited assurance are different from those under the assurance engagement with reasonable assurance, and the scope of limited assurance is smaller, and the procedures in collecting evidence is more limited. Therefore, the degree of assurance of the assurance engagement with limited assurance is much lower than that of the assurance engagement with reasonable assurance. The planned assurance procedures depends on judgment of the certified public accountants and assessment of engagement risk. The scope of our assurance work includes checking accounting records, enquiring valuation agency, understanding and comparing important parameters used in valuations and other procedures that we consider necessary.

## **III. Conclusion**

Based on the limited assurance work we performed, nothing has come to our attention that causes us to believe that the impairment test report has not been prepared, in all material aspects, in accordance with the basis of the preparation stated in Note III of the impairment test reportthat.

## **IV. Limitation of Usage**

The assurance report is solely to the board of directors of ADAMA for the purpose of disclosure in accordance with Measures for the Administration of the Major Asset Restructurings of Listed Companies, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report (including but not limited to liability for negligence).

Deloitte Touche Tohmatsu CPA LLP

Shanghai, China

Chinese Certified Public Accountant: Hu Ke

Chinese Certified Public Accountant: Bao Jie

April 27, 2020

ADAMA Ltd.

Impairment Test Report of Assets Acquired from Major Asset Restructuring as at December 31, 2019

In accordance with relevant regulations of *Measures for the Administration of Major Asset Restructuring of Listed Companies(2019 Amendment)* (CSRC Ling No. 159) and the *Performance Compensation Agreement, Supplementary Agreement of the Performance Compensation Agreement and Supplementary Agreement (II) of Performance Compensation Agreement* (hereinafter referred to as "Compensation Agreements") signed between ADAMA Ltd. (Former name : Hubei Sanonda Co.,Ltd., herein after referred to as "ADAMA") and China National Agrochemical Co., Ltd. (Former name: China National Agrochemical Corporation, hereinafter referred to as "CNAC"), ADAMA prepared the impairment test report of 100% shareholders' equity of Adama Agricultural Solutions Ltd. ("Assets Acquired from Major Asset Restructuring") as at December 31, 2019 ("Impairment test report").

1. General information about this major asset restructuring

According to the resolutions of the Fifteenth Meeting of the Seventh Session of Board of Directors, the Seventeenth Meeting of the Seventh Session of Board of Directors, the Eighteenth Meeting of the Seventh Session of Board of Directors, the First Interim Shareholders Meeting in 2017 and resolution of the Seventh Provisional Meeting of the Seventh Session of Board of Directors in 2017 and after *approval of China Securities Regulatory Commission on agreeing Hubei Sanonda Co., Ltd. to issue shares to China National Agrochemical Co., Ltd. to acquire assets and raise supporting funds* (CSRC Permits [2017] No.1096), ADAMA issued 1,810,883,039 shares of A-share with RMB 1 per share to CNAC, increasing the registered capital by RMB 1,810,883,039.00, which became RMB2,404,806,259.00 after the change. The details are as below:

- CNAC paid RMB 1,810,883,039.00 of new registered capital and paid-in capital (share capital) with its 100% equity in ADAMA Agricultural Solutions Ltd. ("Solutions") in the form of equity contribution. The assessed value of CNAC's 100% equity in Solutions is USD 2,825,733,200, equivalent to RMB 18,738,002,200 (calculated at the central parity rate of interbank foreign exchange market on the base date of evaluation of June 30, 2016, i.e. USD 1 =RMB 6.6312). After the base date of the assets appraisal, Solutions announced, on September 15, 2016, distribution of dividends in the amount of USD 40,263,482.00, and through negotiation between both parties, the final price of this transaction is determined as CNY 18,471,006,998.16 by reducing such dividends of CNY 266,995,201.84 (calculated at the central parity rate of interbank foreign exchange market on the base date of evaluation of June 30, 2016, i.e. USD 1 =RMB 6.6312) from the appraised value of CNY 18,738,002,200.
- According to the *Agreement of Share Issuance and Asset Purchasing between Hubei Sanonda and CNAC* and its Supplementary Agreement, the original issuance price of the shares is RMB 10.22 per share, not lower than 90% of the average price of the shares on the 20 trading days prior to the resolution date of the Fifteenth Meeting of the Seventh Session of Board of Directors of ADAMA. On April 18, 2016, ADAMA held the annual general meeting of shareholders for 2015, and approved the *Pre-arranged Planning of Profit Distribution for the Year 2015*. On the basis of the total amount of the share capital as at 31 December 2015, all shareholders were distributed RMB 0.25 of cash bonus (including tax) for every 10 shares. The execution of this profit distribution planning has been completed on June 17, 2016. According to *Detailed Rules for the Implementation of the Private Issuance of Shares for Listed Companies* of CSRC and the resolution of the Fifteenth Meeting of the Seventh Session of Board of Directors of ADAMA, ADAMA should adjust the price of the shares issued for the current transaction if there are dividend matters during the pricing benchmark date and issuance date of the shares, therefore, the price of the shares issued for the current transaction is adjusted from RMB 10.22 per share to RMB 10.20 per share. Accordingly, the above-mentioned 100% of equity in Solutions is acquired by ADAMA by issuing 1,810,883,039 shares of RMB A-share to CNAC.

IMPAIRMENT TEST REPORT OF 100% SHAREHOLDERS' EQUITY of ADAMA AGRICULTURAL SOLUTIONS LTD. ("ASSETS ACQUIRED FROM MAJOR ASSET RESTRUCTURING")  
AS AT DECEMBER 31, 2019

1. General information about this major asset restructuring - (cont'd)

As at July 4, 2017, the 100% of equity in Solutions originally held by CNAC has been transferred to ADAMA and the relevant registration procedure of equity changes has been completed. The accumulated registered capital and paid-in capital (share capital) of ADAMA as at July 6, 2017 is RMB 2,404,806,259.00.

According to the resolutions of the Fifteenth Meeting of the Seventh Session of Board of Directors and the First Interim Shareholders Meeting in 2017, ADAMA repurchased 62,950,659 shares of equity from the shareholder ADAMA CELSIUS B.V. at the consideration of HKD 7.7 per share, with a total consideration of RMB 411,818,175.13 (calculated at the central parity rate of interbank foreign exchange market on the base date of evaluation of October 24, 2017, i.e. HKD 1 = RMB 0.8496) and cancelled the repurchased shares accordingly. It applied for reduction of RMB 62,950,659.00 in registered capital, which became RMB 2,341,855,600.00 after the change.

According to the resolutions of the Fifteenth Meeting of the Seventh Session of Board of Directors, the Seventeenth Meeting of the Seventh Session of Board of Directors, the Eighteenth Meeting of the Seventh Session of Board of Directors, the First Interim Shareholders Meeting in 2017 and resolution of the Seventh Provisional Meeting of the Seventh Session of Board of Directors in 2017 and after *approval of China Securities Regulatory Commission on agreeing ADAMA Ltd. to issue shares to China National Agrochemical Co., Ltd. to acquire assets and raise supporting funds* (CSRC Permits [2017] No.1096), ADAMA issued 104,697,982 shares of A-share with RMB 1 per share to specific investors to raise supporting assets. Thus, it applied for increase of RMB 104,697,982.00 in registered capital, which became RMB 2,446,553,582.00 after the change.

2. Relevant regulations on Committed Net Profit and Compensation

According to Compensation Agreements, CNAC promised that Solutions' net profit (the "Actual Net Profit") attributable to ADAMA after deducting non-recurring profit or loss, in 2017, 2018 and 2019 (the "Profit Compensation Period"), should not be lower than USD'0000 14,767.50, USD'0000 17,332.19, and USD'0000 22,241.68, respectively (the "Committed Net Profit"). Both the Committed Net Profit and Actual Net Profit are valued in USD for better understanding. The following impact and adjustments need to be considered for the determination of the difference between the Actual Net Profit and Committed Net Profit :

- When the management of Solutions forecasted the future cash flow, the impact of the raised supporting funds was not considered. In order to avoid the potential thickening impact that the investment of raised supporting funds in Solutions shall have on its performance, the Committed Net Profit of Solutions during the Profit Compensation Period shall be increased after deducting income tax from the saved interests on borrowings due to the investment of the raised supporting funds in accordance with Compensation Agreements. The borrowing rate is referred in the calculation of the interests on borrowings of the same period.
- According to the Asset Appraisal Report issued by China United Assets Appraisal Group Co., Ltd. on October 31, 2016 with the number of Zhong Lian Ping Bao Zi [2016] No.1728 (hereinafter referred to as "Appraisal Report"), the assessment failed to consider the revaluation gain/loss of put option and interest expenses of defined benefit obligation etc., therefore, the after-tax effect of the revaluation gain/loss of put option and interest expenses of defined benefit obligation shall be eliminated for the Actual Net Profit of Solutions to keep consistent with the Appraisal Report.

2. Relevant regulations on Committed Net Profit and Compensation - (cont'd)

(1) Calculation method of compensation in Profit Compensation Period

During the Profit Compensation Period, if the Actual Net Profit of Solutions is lower than the Committed Net Profit, CNAC shall compensate for ADAMA based on its shares in ADAMA after the disclosure of annual report after the completion of the major asset restructuring in accordance with the Compensation Agreements except for the reasons that cannot be acquired before-hand and cannot be controlled afterwards, and the insufficient part should be compensated in cash. The amount to be compensated in the current period and the number of shares of the current year for compensation shall be calculated according to the following formula:

Amount to be compensated in the current period = Aggregate amount to be compensated at the end of the then current period - Aggregate amount compensated

Total aggregate compensation amount to be compensated at the end of the then current period = (Aggregate promised net profit by the end of the then current period - Aggregate actual net profit by the end of the then current period) ÷ total promised net profit in the compensation period \* consideration of assets under this transaction.

Number of shares of the current year for compensation = total compensation amount by the end of the then current period / offering price of this private share issuance - aggregate number of shares used for compensation

The amount of compensation in cash shall be calculated according to the following formula:

When CNAC performs its compensation liability, if the shares held by CNAC is insufficient to cover the current compensation, then the deficit part shall be compensated in cash:

Amount in cash to be paid as compensation = total compensation amount by the end of the current period - aggregate number of shares paid in compensation \* offering price in this private share issuance.

If the compensation amount is less than 0 in a specific year, it shall be valued as 0, which means that shares paid as compensation will not be written back.

If ADAMA declares any cash dividend from the profit of the compensation period, any and all aggregate dividend income awarded before the require by reason of the shares that are to be repurchased and have been calculated according to the aforesaid formula shall be transferred to ADAMA free of charge; and if ADAMA declares stock dividend or conversion of capital reserve into share capital during the compensation period, then the "total number of shares subscribed" and "number of shares paid as compensation" in the aforesaid formula shall be adjusted accordingly.

2. Relevant regulations on Committed Net Profit and Compensation - (cont'd)

(2) Calculation method of asset impairment compensation upon expiry of Profit Compensation Period

After expiry of the Profit Compensation Period, ADAMA shall engage an accounting firm licensed for securities and futures business to review the impairment test report of the Assets Acquired from Major Asset Restructuring prepared by ADAMA, and to issue a special review opinion. If impairment is larger than compensated amount by CNAC during the Profit Compensation Period, CNAC shall compensate ADAMA for the deficit part and CNAC agrees to compensate by shares. Detailed calculation of impairment compensation:

Number of shares to be paid as compensation = (impairment amount at the end of the period — compensated amount during the Profit Compensation Period (if any)) / the current offering price — number of shares paid as compensation during the Profit Compensation Period by CNAC

When CNAC performs its compensation liability, if the ADAMA shares held by it are insufficient to cover its impairment compensation liability calculated according to the aforesaid formula, then the deficit part shall be paid by CNAC in cash.

Cash to be paid as compensation = number of shares for compensation of the deficit part \* the offering price of this time.

3. Basis of preparation

ADAMA prepared this impairment test report of the Assets Acquired from Major Asset Restructuring as at December 31, 2019 in accordance with the requirements of Measures for the Administration of the Major Asset Restructurings of Listed Companies and provisions in Performance Compensation Agreement.

- (1) According to the Valuation Report (Zhonglian Ping Bao Zi[2020] No.790) issued by China United Assets Appraisal Group Co. Ltd, the appraised value of the Assets Acquired from Major Asset Restructuring as at December 31, 2019 was USD317,539.43 ten thousand, equivalent to RMB2,215,218.54 ten thousand (calculated with the the exchange rate of 6.9762RMB/USD at the base date of evaluation of December 31, 2019). At the same time, the important parameters involved in the evaluation are compared and analysed.
- (2) Within the Profit Compensation Period, ADAMA did not inject in or withdraw any capital from Solutions, while Solutions did not accept any donations from or distribute any profits to ADAMA.
- (3) At December 31, 2019, the appraised value of the Assets Acquired from Major Asset Restructuring increased by RMB368,117.84 ten thousand compared with the transaction price of RMB1,847,100.70 ten thousand.

IMPAIRMENT TEST REPORT OF 100% SHAREHOLDERS' EQUITY of ADAMA AGRICULTURAL SOLUTIONS LTD. ("ASSETS ACQUIRED FROM MAJOR ASSET RESTRUCTURING")  
AS AT DECEMBER 31, 2019

4. Result of the impairment test

Item	Amount (RMB ten thousand)
Transaction price	1,847,100.70
Add: ADAMA inject in (withdraw) capital	-
Less: profit distribution to (accept donations from) ADAMA	-
Less: appraised value for the Assests Acquired from Major Asset Restructuring at December 31, 2019	(2,215,218.54)
Impairment amount	Not applicable

5. Comparison and analysis of important parameters

The Company compares the valuation of the Assets Acquired from Major Asset Restructuring at December 31, 2019 and that of the base date of the transaction, which served as a supporting for the transaction consideration, and also explains the difference of the important parameter and its reasonableness between them.

Both evaluations used the income approach. The important parameter selected is as follows:

Important parameter	the base date of transaction	December 31, 2019
Weighted average cost of capital	8.61% - 9.17%	8.93% - 8.96%

Both evaluations estimate the discount rate by identifying and applying market parameters, and use the capital asset pricing model and related parameters of the capital market to estimate the cost of equity capital; at the same time, consider the appropriate cost of debt to estimate the weighted average cost of capital of the assets acquired from major asset restructuring.

The difference in parameters used in the two weighted average cost of capital calculations includes risk-free interest rate, equity risk premium, leveraged beta, pre-tax debt capital cost, and debt / equity ratio. Among them, the risk-free interest rate, equity risk premium and leveraged beta-related parameter differences are affected by macroeconomics and are formed by market fluctuations. Debt / equity ratio was determined according to Solutions' debt / equity ratio at 31 December 2019. Debt is mainly consist of short-term and long-term loans and debentures – series B, of which the pre-tax debt capital cost is 6.50% and 6.27%, respectively. The management arrange the size and structure of interest-bearing debt in according to the financing amounts determined in the business plan, to support the business development. The abovementioned change in financing amounts leads to the fluctuation of pre-tax debt capital cost.

In summary, the Company believes that there is no major inconsistency in the important parameters selected in the two evaluations, and the difference in important parameters is reasonable.



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This impairment test report has been approved in the 25<sup>th</sup> Meeting of the Eighth Session of Board of Directors of ADAMA Ltd. on April 27, 2020.

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Legal Representative:

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Chief of accounting work

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Chief of accounting  
organisation

ADAMA Ltd.

April 27, 2020