Stock Code: 000553(200553) Stock Abbreviation: ADAMA A (B) NO. 2020-42

# ADAMA Ltd.

# Announcement on the Intended Renewal of the Financial Service Agreement with ChemChina Finance Co., Ltd., constituting a related-party transaction

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

## I. Basic Information on the Transaction

In order to continuously optimize financial management, improve capital efficiency, and reduce financing costs and risks, in 2017 ADAMA Ltd. (hereinafter referred to as "the Company") entered into a *Financial Service Agreement* with ChemChina Finance Co., Ltd. (hereinafter referred to as the "Finance Company") , according to which the Finance Company would provide relevant financial services to the Company and its wholly-owned subsidiary, ADAMA Anpon (Jiangsu) Ltd. (hereinafter referred to as "Anpon") for a 3-year period ending on September 21, 2020 (hereinafter referred to as "the Original Agreement").

The Company wishes to continue to receive financial services from the Finance Company, including deposits, clearance, credit and additional financial services approved by the China Banking and Insurance Regulatory Commission, and therefore wishes to enter into a new Financial Service Agreement with the Finance Company similar to the Original Agreement (hereinafter referred to as "the Transaction" and the "Renewed Agreement").

The Finance Company is a subsidiary of China National Chemical Corporation Ltd. (hereinafter referred to as "ChemChina"), the indirect controlling shareholder of the Company through Syngenta Group Co., Ltd.. According to the *Listing Rules of the Shenzhen Stock Exchange*, the Finance Company is therefore a related party to the Company due to them both being under the common control of ChemChina, and the Transaction constitutes a



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related-party transaction.

The Transaction has been reviewed and approved by the 26th Meeting of the 8th session of the Board of Directors of the Company. Among the five directors of the Company, there were five affirmative votes, zero negative votes and zero abstentions. The independent directors had a prior review on the Transaction and issued independent opinions.

The Transaction requires the approval of the Company's shareholders. Syngenta Group Co., Ltd. and Jingzhou Sanonda Holdings Co., Ltd. will refrain from voting.

The Transaction does not constitute a major asset reorganization as stipulated in the *Management Measures for Major Asset Restructuring of Listed Companies*.

**II. Description of the Related Party**

1. Basic Information of the Related Party

Name of the Related Party: ChemChina Finance Co., Ltd.

Registered Address: No. 62, West of the North Fourth Ring Road, Haidian district, Beijing

Ownership Property: Limited Liability Company

Unified Social Credit Code: 91110000100019622W

Licensed Financial Institution Code: L0100H211000001

Legal Representative: Shi Jie

Registered Capital: RMB 841.225 million

Date of Establishment: May 14th, 1996

Business scope: handling financial and financing consultants, credit certificates and related consulting and agency services for member companies; assisting member companies in receiving and paying transaction funds; approved insurance agency business; providing guarantees to member companies; handling entrusted loans and investments among member companies; handling bill acceptance and discounting for member companies; internal transfer settlement among member companies and design of corresponding settlement and liquidation arrangement; absorption of deposits from member companies; offering loans, financing and leasing for member companies; inter-bank lending; underwriting corporate bonds and fixed-income securities investments. (Market Entities shall independently select



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operating projects and carry out business activities in compliance with laws; operating projects that are subject to approval according to laws and the approval of relevant departments; No engagement in any business activity that is forbidden or restricted by the state and municipal industry policies is allowed.)

Credit status: After searching on the website of disclosure of enforcement information of China, it appears that the Finance Company is not a judgement debtor subject to enforcement.

2. Shareholders and their Shareholding Proportion

The Finance Company is jointly owned by ChemChina and three of its subsidiaries. The shareholders and their shareholding proportion are as follows:

ChemChina 49.41%, China Blue Star (Group) Co., Ltd 26.88%, China Haohua Chemical Group Co., Ltd. 15.81% and China National Agrochemical Co., Ltd. 7.9%.

3. Financial Status of the Finance Company

The most recent financial situation of the Finance Company is as follows:

Currency: RMB

| | At Jun 30, 2020 | At Dec 31,2019 |
|---|---|---|
| Total Assets (billion) | 11.089 | 16.656 |
| Total Liabilities (billion) | 9.67 | 15.248 |
| Shareholders' Equity (billion) | 1.418 | 1.408 |
| Capital Adequacy Ratio | 20.61% | 14.4% |
| | January to June 2020 | 2019 |
| Revenue (million) | 188.9307 | 383 |
| Total Profit (pre-tax income) (million) | 80.4999 | 104 |

4. Relations between the Related Parties

The controlling shareholder of the Company, Syngenta Group Co., Ltd., is a subsidiary indirectly controlled by ChemChina. The Finance Company is a subsidiary directly controlled by ChemChina. Therefore, both the Company and the Finance Company are ultimately controlled by ChemChina.

## III. Basic Information on the Subject of the Transaction

The Company and its wholly-owned subsidiary Anpon shall hold separate deposit accounts



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in the Finance Company, and the Finance Company shall provide the Company and Anpon with relevant financial services including deposits, clearance, credit and additional financial services approved by the China Banking and Insurance Regulatory Commission, all in accordance with the provisions of the Renewed Agreement.

**IV. Main Content and Pricing Principle of the Transaction Agreement**

The Company and ADAMA Anpon (Jiangsu) Ltd. ("Anpon ") (collectively referred to as "Party A") and ChemChina Finance Co., Ltd. ("Party B") intend to sign the Renewed Agreement, such that Party B shall continue to provide Party A with relevant financial services in accordance with the terms and conditions thereof.

1. Scope of Services

Party B shall provide Party A with the following financial services:

(1) Deposit:

Each of the Company & Anpon shall open separate deposit accounts in Party B. The accounts shall be used for deposit of funds with the freedom to deposit and withdraw at any time. The type of the account may be demand deposit, time deposit, notice deposit and agreement deposit etc...

The deposit interest rate provided by Party B to Party A shall not be lower than that of the same type: (i) identified by the People's Bank of China during the same period; or (ii) in major domestic commercial banks during the same period; or (iii) given by Party B to other subsidiaries of ChemChina during the same period time;

Party A's accumulated daily maximum deposit balance and interest in Party B shall not be more than RMB 400 million yuan in principal;

Party B shall deposit all funds that Party A shall have deposited into accounts of commercial banks that are established with approval by the China Banking and Insurance Regulatory Commission, such as China Construction Bank, Bank of China, Bank of Communications, etc. Party B shall ensure the security of the deposit of Party A;

If Party B fails to repay the deposit to Party A in full amount and on time, Party A shall have the right to terminate this Agreement and may offset the unpaid amount from any due loan provided by Party B in accordance with laws and regulations;

If Party A suffers economic losses due to other breach of contract by Party B, the latter shall compensate Party A for the full amount of such losses and Party A shall have the right to terminate this Agreement.



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(2) Clearance:

Party B shall provide payment, collection and other supporting services related to the clearance in accordance with Party A's instructions;

Party B shall provide Party A with free clearance services mentioned above;

Party B shall ensure the safety of network operation for fund clearance, guarantee fund security, control risks of assets and liabilities and satisfy Party A's payment demands.

(3) Credit:

In accordance with relevant national laws and regulations, Party B may provide each of the Company and Anpon with comprehensive credit service according to their operation and development needs. The Company and Anpon may use the credit line defined by Party B for loans, bill acceptance, bill discounting, guarantees and other forms of financing services. Party B shall prioritize Party A's needs within its own financial capacity;

Party B shall provide Party A with a preferential interest rate of loans that should not be higher than that of the same-grade loan obtained or that may be obtained by Party A in other domestic financial institutions during the same period of time;

The accumulated annual credit lines set by Party B to Party A shall not exceed RMB 900 million yuan;

Party B and each of the Company and Anpon shall sign separate loan agreements and other agreements concerning specific matters of credit service as required to provide the services.

(4) Additional Financial Services:

The Parties may agree from time to time during this Agreement that Party B shall provide Party A with additional financial services ("Additional Financial Services") within its business scope in accordance with Party A's instructions and requirements, subject to the execution of a separate written agreement between the Parties with respect to the nature, scope and fees regarding the Additional Financial Services;

The fees charged by Party B for the Additional Financial Services shall not be higher than those charged by major financial institutions in China for the same type of services.

2. Term of Validity

This Agreement shall become effective after being signed by all Parties and following the approval of the relevant organs of the Parties, including the Shareholders meeting of the Company, and shall remain in effect for three years.

**V. Risk Assessment**

On August 21, 2020, the Company disclosed the Finance Company's risk appraisal report on the website of Juchao Information, stating that: (i) the Finance Company holds a valid



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*Financial Institution License* and a *Business License*; (ii) no violation of the "*Administrative Measures for Financial Companies of Enterprise Groups*" promulgated by the China Banking Regulatory Commission has been identified; and (iii) its various regulatory indicators are in line with the requireents of Article 34 of the Measures.

The 14th meeting of the 8th session of the Board of Directors of the Company approved the revised "*Risk and Emergency Disposal Plan of ADAMA Ltd. for Deposits in ChemChina Finance Co., Ltd.*" to protect the safety and liquidity of the Company's deposits in the Finance Company.

**VI. Purpose of the Transaction and its Impact on the Company**

By signing the *Renewed Agreement*, the Finance Company will provide financial services to the Company and its wholly-owned subsidiary Anpon, which is conducive to continuously optimize the financial management of the Company, reduce the cost of capital and improve the efficiency of its financing. The transaction is aligned with the interests of the Company and all shareholders, and will not have a negative impact on the regular business activities and financial situation of the Company.

**VII. Status of Different Kinds of Executed Related Party Transactions between the Company and ChemChina**

From January 1, 2020 till the date of this Announcement, the status of different kinds of executed related party transactions between the Company and ChemChina are as follows:

1. The Company and Anpon's deposits and loans in the Finance Company: As of the date of this announcement, the balance of deposits remains RMB 15,587,026.48 and USD 44,826,665.84, and the loan amount is 20,000,000 yuan, which have been approved by the 2nd Interim Shareholders Meeting in 2017 and the 2nd Interim Shareholders Meeting in 2019.

2. Estimated related party transactions in the ordinary course of business in 2020 of an aggregate of RMB 3,631.557 million, were approved by the 2019 Annual General Meeting.

**VIII. Independent Directors' Opinions**

The Company's independent directors have provided independent opinions on the Transaction:



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1. The Finance Company is a normative non-bank financial institution approved by the China Banking and Insurance Regulatory Commission. The provision of financial services by the Finance Company to the Company and its wholly-owned subsidiary Anpon is within its business scope and complies with related laws and regulations;
2. The *Renewed Agreement* to be signed follows the principle of equality and voluntariness, and is based on the principles of fairness and transparency. It does not harm the interests of the Company or its minority shareholders; the Transaction is conducive to increasing the Company's return on capital and improving its financing capabilities;
3. The Finance Company's risk appraisal report fully reflects the Finance Company's operating qualifications, business and risk status. As a non-bank financial institution, its business scope, business content and procedures, internal risk control system and other measures are all subject to strict supervision by the China Banking and Insurance Regulatory Commission. Under the above-mentioned risk control conditions, the independent directors approve that the Finance Company will continue to provide relevant financial services to the Company and its wholly-owned subsidiary Anpon;
4. The *Risk Emergency Disposal Plan of ADAMA Ltd. for Deposits in ChemChina Finance Co., Ltd.* formulated by the Company can effectively and timely prevent, control and resolve the Company's financial risks and maintain security of its funds;
5. The decision-making procedures for the Transaction conform to the *Company Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Articles of Association of the Company* and other laws and regulations. The independent directors agree to submit the proposal to the Company's shareholders for approval.

**IX. Documents for Future Reference**

1. Resolution of the 26th Meeting of the 8th Session of the Board of Directors of the Company;
2. Independent Directors' Prior Written Approval;
3. Independent Directors' Opinions;
4. Renewed *Financial Service Agreement* to be Signed.

The Announcement is hereby made.



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The Board of Directors of ADAMA Ltd.

August 21, 2020



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