Announcement on Assets Impairment of ADAMA Ltd. during 2020

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

In accordance with the Accounting Standards for Business Enterprises, ADAMA Ltd. (hereinafter referred to as the "**Company**"), recorded a total of RMB 190 million (approximately $28 million) for the full year of 2020 in provisions for asset and credit impairments. These provisions are mainly related to the Company's multi-year Upgrade & Relocation program in China and the one-time impairments of non-core assets that are non-material to the main ongoing operations of the Company, as provided herein.

Overview and Financial Impact of Provision for the Assets Impairment

During 2020, the Company recorded provisions for asset and credit impairments based on principles of prudent accounting and according to the "Accounting Standards for Business Enterprises" and the Company's own applicable accounting policies.

These provisions are expected to lead to a one-time charge to the total profits of the Company of RMB 190 million (approximately $28 million).

Further details of the impairments are as follows:

Unit: '000 RMB

Item	**Amount**
Fixed assets	39,594
Construction in progress	17,265
Inventories	66,351
Long-term equity and other investment impairment	40,944
Credit losses	25,949
Total Asset impairments	**190,103**

Basis and Explanation for Impairment of Fixed Assets

The Company assesses at each balance sheet date whether there are any indications that the fixed assets may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets (recoverable amount is the higher between the assets' fair value less costs to sell and the present value of the future cash flow estimated to be derived from the asset). If the recoverable amount is below the assets' net cost recorded in the balance sheet, a provision for impairment is made.

The Company is in the process of its multi-year Upgrade & Relocation program in China. As part of this program, production assets located in the old production sites in Jingzhou and Huai'An are being relocated to the new sites, both in 2020 and in the coming years. Since some of the older production assets may not be able to be relocated, some of these assets which are no longer operational are being written off (or impaired).

Basis and Explanation for Impairment of Construction in Progress

The Company assesses at each balance sheet date whether there are any indications that any construction in progress may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets (recoverable amount is the higher between the assets' fair value less costs to sell and the present value of the future cash flow estimated to be derived from the asset). If the recoverable amount is below the assets' net cost recorded in the balance sheet, a provision for impairment is being made.

In recent years, the Company has been planning and designing a number of capital investment projects in China, related to both its multi-year Upgrade & Relocation program as well as to other initiatives. Due to certain regulatory developments in global markets, as well as evolving priorities and plans of the Company, a small number of the projects still at the preliminary design stage of their progress have been changed, requiring the impairment of certain of the investments made to date.

Basis and Explanation for Impairment of Inventories

Inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes.

In addition to an amount of 43.9 million RMB (6.2 million USD) in inventory impairment done in the ordinary course of the Company's business, the Company has recorded an approximately 22.5 million RMB (3.3 million USD) one-time impairment on inventories in Q3 as previously announced, related to a non-core aroma diffusion business that the Company invested in several years ago and based on the current and future market prospects of this business, the Company believes that the value of the relevant inventory has declined and therefore should now be impaired.

Basis and Explanation for the Long-term Equity Investment Impairment

The Company assesses at each balance sheet date whether there is any indication of a long-term equity investment that may be impaired, and if such indication exists, the Company calculates the recoverable amount of the investment. When the recoverable amount of an investment is less than its carrying amount, an impairment loss is recognized to reduce the carrying amount to the recoverable amount.

The impairment amount is mainly in respect of an investment made by the Company in 2013 in a seed start-up company. Based on the investee's current development prospects, there is an indication that the value of the long-term equity investment has declined. Therefore, as previously announced in Q3 2020, the Company recorded an approximately 40 RMB million (6 million USD) impairment provision in this regard.

Basis and Explanation for Credit Impairment Losses

The Company recognizes an impairment provision, which reflects its assessment regarding the credit risk of Account Receivables, Other Receivables and Investments on a lifetime expected credit loss basis. The examination for expected credit losses is performed using a model including aging analysis and historical loss experience, and is adjusted taking into account observable factors reflecting current and expected future economic conditions.

Explanation of the Asset Impairments

The aforementioned provisions resulted from non-cash charges due mainly to one-time impairments of peripheral, non-material assets in the seed technology and aroma diffusion, business not connected to the main Crop Protection business of the Company as well as to the Company's multi-year upgrade & relocation program in China.

Based on the current status of these assets, these non-cash, mostly one-time impairments serve to correctly present the balance sheet of the Company, while meeting requirements of accounting standards and related policies.

By order of the Board of
ADAMA LTD.
March 31, 2021