ADAMA Ltd.
Assessment Report on Internal Control for 2021

All Shareholders of ADAMA Ltd.:

We evaluated the effectiveness of the internal control for the Company as of December 31, 2021 (the base date of the internal control assessment report) in accordance with the "*Basic Standards for Enterprise Internal Control*", its supporting guidelines and other internal control regulatory requirements (hereinafter referred as the internal control system of enterprises), while taking into consideration the internal control mechanism and assessment methods of our Company (hereinafter referred to as "ADAMA" or the "Company") and also on the basis of daily and special supervision.

I. Important Statement

In accordance with the internal control system of enterprises, the board of directors of a company holds the responsibility to establish and improve the internal control, evaluate its effectiveness and truthfully disclose the corresponding assessment report. The board of supervisors of a company supervises the establishment and implementation of the internal control by the board of directors. The management team is responsible for initiating and organizing daily activities of the enterprise internal control. The board of directors, board of supervisors and all members thereof, including directors and supervisors, as well as the senior management of the company, confirm that the report is true, accurate and complete, does not contain any misleading statements or material omissions and assume joint and several legal liability arising therefrom.

The goal of the internal control is to ensure that the business management of a company is legitimate and compliant, the company's assets are secured and that its financial reporting and related reported information are true and complete. It is also aimed at improving operational efficiency and effectiveness, and promoting the realization of development strategies. Due to the inherent limitations of an internal control, it can only provide reasonable assurance to achieve those objectives mentioned above. Moreover, changes in circumstances may cause the internal control to be inappropriate, or reduce compliance with policies and procedures. Therefore, there is a risk in speculating the effectiveness of future internal controls based on these assessment results.

II. Conclusion of the Internal Control Assessment

1. Does the company have a material deficiency in the internal control of the financial reporting on the base date of the internal control assessment report?

   □ Yes √ No

2. Assessment conclusion of internal control over financial reporting

   √ Valid □ Invalid

   According to the internal control's criteria for identification of material deficiencies in the internal control over financial reporting, there is no such deficiency as of the base date of the internal control assessment report. The board of directors of the Company believes that the Company has managed an effective internal control of its financial report in all major aspects in accordance with the requirements of the internal control system and related regulations.

3. Whether there is any material deficiency in the internal control over non-financial reporting

   □ Yes √ No

   According to the internal control's criteria for identification of material deficiencies in the internal control related to non-financial reporting of the Company, no such deficiency was found on the base date of the assessment report.

4. Factors affecting the effectiveness of the assessment conclusion as of the base date until the issuance date of the assessment report of the internal control

   □ Applicable √ Not Applicable

   There are no factors affecting the effectiveness of the assessment conclusion as of the base date until the issuance date of the assessment report of the internal control.

5. Whether the audit opinion for the internal control is consistent with the effectiveness assessment conclusion on the internal control over financial reporting

   √ Yes □ No

6. Whether the disclosure regarding material deficiencies in the internal control audit report is consistent with that of the assessment report of the company’s internal control

   √ Yes □ No

III. Assessment of Internal Control

(I) Scope of Internal Control Assessment

The Company confirms the main units, businesses, items and highly risky areas to be included in the assessment scope according to the risk-oriented principle.

1. **Main Units within the Assessment Scope include:**

   Major subsidiaries for the manufacturing, formulation, R&D and marketing.

2. **Proportion of units within the assessment scope**

Index	Proportion (%)
Total Assets of Units within the Assessment Scope Compared to Total Assets in the Consolidated Statements of the Company	69.25
Total Operating Income of Units within the Assessment Scope Compared to Total Operating Income in the Consolidated Statements of the Company	68.54

3. **Major businesses and items within the assessment scope**
   Financial Reporting, ITGC, Sales, Assets, Payroll, Purchase, Inventory, Treasury, Entity-level controls, Comprehensive Budget, Research and Development, Related Parties, Contract management.

4. **Highly risky areas of major concern include:**
   Sales, Assets, Purchase, Treasury (including derivatives)

5. **The above-mentioned units, businesses, items and highly risky areas within the assessment scope cover the main aspects of the company's operation and management. Is there any material omission?**
   □ Yes √ No

6. **Is there a statutory waiver?**
   √Yes □ No
   During 2021, the acquisition of Adama Huifeng (Jiangsu) Co., Ltd. (hereinafter - “Adama Huifeng”) were successfully completed.

   In accordance with Section 4 of "Answers to the Questions of the Supervision of the Internal Control Standard System of Listed Companies" (the first edition in 2011) published by China Securities Regulatory Commission (CSRC), companies who have mergers and acquisitions in the reporting year can be exempted from the evaluation of the effectiveness of internal control in the financial statements of acquired entities in the same year. As such, Adama Huifeng was not in the scope of 2021 assessment of internal control.

7. **Other Instructions**
   None

(II) Work Basis of the internal control assessment and the identification standards of deficiencies

The Company conducted the internal control evaluation based on the requirements of the internal control system and relevant external supervision regulations.

1. **Whether there is any adjustment of the specific criteria for defining the internal control deficiency compared to previous years**

√ Yes □ No

The board of directors of the Company distinguishes the internal control of financial reporting from that of non-financial reporting based on factors such as company size, industry characteristics, risk preference and tolerance according to the specific criteria of the internal control system to identify material, significant and general deficiencies. This year, additional criteria is added to evaluate the significant deficiency in the internal control for financial reporting.

2. **Identification criteria for a deficiency in the internal control of the financial report**

The quantitative criteria for deficiency assessment in the internal control of the financial reports as was determined by the Company are as follows:

Index	Quantitative Criteria for a Material Deficiency	Quantitative Criteria for a Significant Deficiency	Quantitative Criteria for a General Deficiency
Misstatement in Financial Report	The misstatement in financial report relates to an amount that is greater than or equal to RMB 100 million.	The misstatement in financial report relates to an amount that is greater than or equal to RMB 50 million, but less than RMB 100 million.	Resulting in other misstatement related amounts.

The qualitative criteria for deficiency assessment in the internal control of the financial reports as was determined by the Company are as follows:

Classification by Features	Qualitative Criteria
Material Deficiency	Resulting in an adverse opinion or disclaimer of opinion, by a CPA, on the Company's financial statements; or resulting in a material correction of the Company's publicly announced financial statements.
Significant Deficiency	Resulting in a qualified opinion, by a CPA, on the Company's financial statements; or resulting in an adverse opinion or disclaimer of opinion, by a CPA, on the Company's material subsidiaries' (i.e. Solutions) financial statements; or resulting in a significant correction of the Company's material subsidiaries' (i.e. Solutions) publicly announced financial statements. In addition, where no internal control or no relevant compensation control is established or implemented for the accounting treatment for unusual or special transactions.
General Deficiency	Resulting in an unqualified opinion, with an explanatory paragraph, by a CPA, on the Company's financial statements; or resulting in a qualified opinion, or unqualified opinion with an explanatory paragraph, by a CPA, on the Company's subsidiaries' financial statements.

3. Identification criteria for a deficiency in the internal control over non-financial reporting

The quantitative criteria for a deficiency assessment in the internal control over non-financial reporting as was determined by the Company are as follows:

Index	Quantitative Criteria of Material Deficiency	Quantitative Criteria of Significant Deficiency	Quantitative Criteria of General Deficiency
Asset Loss	Asset Loss $\geqslant$ RMB 150 million	RMB 80 million $\leqslant$ Asset Loss < 150 million RMB	Asset Loss < 80 million RMB

The qualitative criteria for a deficiency assessment in the internal control over non-financial reporting as was determined by the Company are as follows:

Classification by Features	Qualitative Criteria
Material Deficiency	1) Fraud committed in the Company by any of its directors, supervisors and senior management personnel; 2) The Company materially violates material laws and regulations, resulting in a material effect on the Company's business; 3) Material design deficiencies in the Company's relevant management system; 4) The Company materially violates the decision-making process thereby causing a material negative impact on the Company's business (generally related to matters that need to be approved by the shareholders meeting or the board of directors). 5) Material impact to the Company's reputation.
Significant Deficiency	1) Significant fraud committed by any department head of the Company; 2) Significant fraud committed by a head of any of the Company's material subsidiaries; 3) The Company violates significant laws and regulations, resulting in significant fines as well as a significant effect on the Company's business ; 4) Significant design deficiencies found in the Company's relevant management system; Material design deficiencies are found in the relevant management systems of subsidiaries; 5) The Company violates material decision-making procedures, resulting in a significant effect on the Company's business (generally referred to matters subject to senior management's decision); 6) Material Subsidiaries violate decision-making process, thereby causing a material negative impact on the Company's business (generally referred to matters that need to be decided by the shareholders' meeting or the board of directors). 7) Significant impact to the Company's reputation.
General Deficiency	1) Fraud committed by any other personnel in the Company; 2) Fraud committed by any other personnel in material subsidiaries; 3) The Company materially violates material internal regulations or non-materially violates material laws and regulations, resulting in negative feedback from regulatory authorities; 4) There are other violations of laws and regulations or internal regulations found in material subsidiaries. 5) There are general design deficiencies in the relevant management system of the Company; other design deficiencies exist in the relevant management system of the material subsidiaries; 6) The Company violates the decision-making process, resulting in a negative impact on the Company's business; 7) Material Subsidiaries violate decision-making process, resulting in a negative impact on the Company's business.

(III) Identification and rectification of internal control deficiencies

1. Identification and remediation of deficiencies included in the internal control deficiencies on the financial reporting

1.1. Material Deficiency
Whether the company has a material deficiency in the internal control of the financial reporting during the reporting period

□ Yes √ No

1.2. Significant Deficiency
During 2021, a significant deficiency was found in a marketing subsidiary of the Group. The deficiency does not have any significant impact on the financial results of the Group (less than 1 million RMB in 2021) and no fraud was found.

The deficiency was in the design and operational of controls over the accuracy and completeness of the rebates calculations, especially due to partial manual calculations that was not fully collaborated with the rebate system.

The management is working on improving the rebate system in a way that all approved rebates programs will be included in the system and the controls will assure that all provisions and actual payments will be accurate. In addition, before the actual payments to the customers according to the rebate programs, the finance department will check and approve the rebate calculation.

The CFO of the subsidiary together with the regional CFO, will be responsible on the rectification plan design and implementation.

1.3. General Deficiency
The general internal control deficiencies identified by the Company do not affect the realization of the control objectives; the Company acknowledges with great importance the general deficiencies found during the reporting period and has proposed remediation opinions and actively formulated corresponding plans for their implementation.

1.4. After the remediation, as of the base date of the internal control assessment report, whether the company has a material deficiency in the internal control over financial reporting that has not been rectified
□Yes √ No

1.5. After the remediation, as of the base date of the internal control assessment report, whether the company has a significant deficiency in the internal control over financial reporting that has not been rectified
√ Yes □No
As the date of the internal control assessment report, the above said control deficiency is still in the process of rectification.

2. Identification and Rectification of Internal Control Deficiencies over Non-Financial Reporting

2.1. Material Deficiency
Whether the company identified any material deficiency in the internal control over non-financial reporting during the reporting period

□Yes √ No

2.2 Significant Deficiency

Whether the company identified any significant deficiency in the internal control over non-financial reporting during the reporting period

□ Yes √ No

2.3. General Deficiency

The general deficiency identified by the company does not affect the realization of the control objectives; the Company acknowledges with great importance the general deficiency found during the reporting period and has proposed rectification opinions and actively formulated corresponding plans for implementation.

2.4. After the above rectification, as of the base date of the internal control assessment report, whether the company has a material deficiency in the internal control not related to financial reporting that has not been rectified

□ Yes √ No

2.5. After the rectification, as of the base date of the internal control assessment report, whether the company has a significant deficiency in the internal control not related to financial reporting that has not been rectified

□ Yes √ No

IV. Other important matters related to internal control

1. Rectification of internal control deficiencies in the previous year

□ Applicable √ Not Applicable

2. Internal Control Progress of the Current and the Next Years

□ Applicable √ Not Applicable

3. Other Major Items

□ Applicable √ Not Applicable

By order of the Board
ADAMA Ltd.
March 29, 2022