

## ADAMA Ltd.

### Announcement on the Change of Accounting Policy

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

The 16<sup>th</sup> meeting of the 8<sup>th</sup> session of Board of Directors of ADAMA Ltd. (hereinafter referred to as “Company”) approved the proposal on the change in the accounting policy (hereinafter referred to as the “Change”). The proposal is not subject to the approval of the shareholders. The details of the Change are as follows.

#### 1. Overview of the Proposed Change

In preparation of the 2019 half-year financial report, the Company began to adopt the Notice on Revising the Format of 2018 Financial Statements for General Enterprises promulgated by Ministry of Finance on April 30, 2019 (CaiKuai [2019] No.6, hereinafter “CaiKuai No.6”). CaiKuai No.6 revised accounts in balance sheets, income statements, statements of cash flows and statements of changes in shareholders’ equity, including:

- (1) “Notes and accounts receivable” were split into “Notes receivable” and “Accounts receivable”;
- (2) “Notes and accounts payable” were split into “Notes payable” and “Accounts payable”;
- (3) Newly added “Receivables financing” and “Special reserve”;
- (4) Clarified or revised the contents presented within the accounts of “Other receivables”, “Non-current assets due within one year”, “Other payables”, “Deferred income”, “Other equity instruments”, “Research and Development expenses”, “Interest income” and “Interest expenses” as subitems of “Finance

expenses”, “Other income”, “Non-operating income”, “Non-operating expenses”, and “Capital injected by holders of other equity instruments”.

- (5) Added disclosure requirements for provision of loss allowance, for loan commitments and financial guarantee contracts;
- (6) Added “Gain/loss from derecognition of financial assets at amortized cost” as a subitem of “Investment income”;
- (7) Adjusted the sequence of some items within the income statements;
- (8) Clarified the items in the cash flow statements, referring to the cash flows related to government grants.

The above modifications were retrospectively adjusted for comparative numbers. The Change has no significant impact on the Company’s financial statements.

## **2. Explanations of the Board of Directors on the Reasonableness of the Change**

The Board of Directors confirms that the Change is made based on the requirements of relevant regulations. The decision-making process is in line with the laws, regulations, and the Articles of Association of the Company. The Change will not harm the interests of the Company and its shareholders.

## **3. Opinion of the Independent Directors**

The Change is in accordance with the Notice of Ministry of Finance. The Change will not harm the interests of the Company and its shareholders (especially the minority shareholders). The decision-making process is in line with the laws, regulations and the Articles of Association of the Company. The independent directors agree with the Change.

## **4. Opinion of the Board of Supervisors**

The Board of Supervisors confirms that the Change is based on the requirements of the Notice of Ministry of Finance. No interests of the Company and its shareholders will be harmed by the Changes. The Board of Supervisors agrees with the Changes.

It is hereby announced.

Board of Directors of ADAMA Ltd.

August 22, 2019