

ADAMA Ltd.

Asset Impairment Announcement

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 97 million (approximately \$14 million) for the first half of 2023 in provisions for asset and credit loss impairments. These provisions are mainly related to impairment of inventories made during the ordinary course of the Company's business, as provided herein.

Overview and Financial Impact of Provision for the Asset Impairments

During the first half of 2023, the Company recorded provisions for asset 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, charged to the total profits of the Company during the first half of the year, amounted to RMB 97 million (approximately \$14 million).

Further details of the impairments are as follows:

Unit: '000 RMB

Item	Amount
Inventories	105,197
Credit losses (reversals)	(8,490)
Fixed assets	690
Total Asset impairments	97,397

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.

During the first half of 2023, an amount of RMB 105 million (approximately \$15 million) in inventory impairment was provided mainly due to the decline in the market price of certain products and other inventory management issues part of the ordinary course of the Company's business.

Basis and Explanation for Credit Impairment Losses and Reversals

The Company recognizes an impairment provision which reflects its assessment regarding the credit risk of accounts and other receivables 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. If there is objective evidence of a recovery in the value of receivables which can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed.

An amount of RMB 8.49 million (approximately \$1.2 million) credit impairment losses was reversed during the first half of 2023, which was immaterial to the overall financial statements.

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.

During the first half year, the Company has accrued an impairment of RMB 0.69million (approximately \$0.1 million) for fixed assets, which was immaterial to the overall financial statements.

Explanation on the Reasonableness of Asset Impairments

The aforementioned provisions resulted from non-cash charges due mainly to the impairment provision of inventories accrued during the ordinary course of the Company's business.

Based on the current status of these assets, these non-cash impairments serve to correctly present the balance sheet of the Company, truly and fairly reflects the company's financial situation, asset value and operating results, while meeting requirements of accounting standards and related policies.

It's hereby announced.

Board of Directors
ADAMA LTD.
August 31, 2023