

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 275 million (approximately \$39 million) for the first nine months of 2023 in provisions for asset and credit loss impairments. These provisions are mainly related to impairment of inventories and credit loss impairment of accounts receivables 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 nine months 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 nine months of the year, amounted to RMB 275 million (approximately \$39 million). The Company provided for asset impairments amounting to RMB 97 million (approximately \$14 million) in the first half of the year and RMB 178 million (approximately \$25 million) in the third quarter.

Further details of the impairments provided in the first nine months period are as follows:

Unit: '000 RMB

Item	Amount
Inventories	218,801
Credit losses	46,205
Fixed assets	4,717
Intangible assets	5,408
Total Asset impairments	275,131

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.

The Company provided for inventory impairment of RMB 114 million (approximately \$16 million) in the third quarter, reaching a total of RMB 219 million (approximately \$31 million) for the first nine months period. This is 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.

Credit impairment losses provided amounted to RMB 55 million (approximately \$7.6 million) in the third quarter. As an amount of RMB 8.5 million (approximately \$1.2 million) credit impairment losses was reversed during the first half of year, the total of credit impairment losses provided in the first nine months period reached RMB 46 million (approximately \$6.4 million).

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 nine months period, the Company has accrued an impairment of RMB 4.7 million (approximately \$0.66 million) for fixed assets, which was immaterial to the overall financial statements.

Basis and Explanation for Impairment of Intangible Assets

The Company assesses at each balance sheet date whether there is any indication that the intangible assets with a finite useful life may be impaired, and if such indication exists, the Company calculates the recoverable amount of the asset. When the recoverable amount of an asset is less than its carrying amount, an impairment loss is expected to be recognized to reduce the carrying amount to the recoverable amount.

Impairment of intangible assets amounting to RMB 5.4 million (approximately \$0.75 million) was made in the third quarter, 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 and credit loss impairment of accounts receivables 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.
October 31, 2023