

## 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 243 million (approximately \$34 million) for the first nine months of 2024 in provisions for asset and credit loss impairments. These provisions are mainly related to one-time impairment of some intangible assets 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 2024, the Company recorded provisions for asset and credit loss impairments based on "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 243 million (approximately \$34 million). Further details of the impairments are as follows:

Unit: '000 RMB

Item	Amount
Intangible assets	151,658
Credit losses	85,476
Fixed assets and Construction in progress	6,470
Inventories	(881)
<b>Total Asset impairments</b>	<b>242,723</b>

#### 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 152 million (approximately \$21 million) was made in the first nine months of 2024. This was mainly due to the management's strategic decision to stop investing in the registrations related to products with low return

on investment, and hence to focus on the quality of business to achieve a better sales mix of higher margin products.

#### 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.

The credit impairment losses provided in the first nine months of the year was amounted to RMB 85 million (approximately \$12 million). Most of the impairment made was related to the accounts receivables in Brazil which was provided based on the evaluation of the current and future financial position of the local customers.

#### Basis and Explanation for Impairment of Fixed Assets and Construction in Progress

The Company assess at each balance sheet date whether there are any indications that the fixed assets and 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 made.

#### 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 impact of the impairment of fixed assets and construction in progress, and the impairment of inventories in the first nine months of 2024 was immaterial to the overall financial statements.

#### **Explanation on the Reasonableness of Asset Impairments**

The aforementioned provisions were mainly due to one-time impairment of some intangible assets and credit loss impairment of accounts receivables made during the

ordinary course of the Company's business.

Based on the current status of the assets, these impairments, some of which non-recurring, 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, 2024