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上海大眾公用事業(集團)股份有限公司

Shanghai Dazhong Public Utilities (Group) Co., Ltd.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1635)

**INSIDE INFORMATION
ANNOUNCEMENT IN RELATION TO PROVISION FOR IMPAIRMENT
AND
WRITING-OFF OF ASSETS FOR 2022**

This announcement is made by Shanghai Dazhong Public Utilities (Group) Co., Ltd.* (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) under Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) of Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

I. SUMMARY OF PROVISION FOR IMPAIRMENT AND WRITING-OFF OF ASSETS

In order to objectively, truthfully and accurately reflect the Company’s financial position as of December 31, 2022 and its operating performance in 2022, based on the principle of prudence, the Company conducted impairment test on assets in each company under the consolidated statements and made impairment provision for assets with evidences of impairment in accordance with the Accounting Standards for Business Enterprises and relevant requirements of the Company’s accounting policies. Based on the test results, impairment provision of RMB97.3197 million should be made by the Company and its subsidiaries in 2022. A total of RMB44.1899 million of assets should be written off for the year.

II. DETAILS OF PROVISION FOR IMPAIRMENT AND WRITING-OFF OF ASSETS

(I) Impairment provision of RMB97,319,717.97 in total should be made for this year.

Details of the provision by asset category are as follows:

1. Provision for bad debts in account receivables

Pursuant to relevant requirements of the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, on the balance sheet date, the Company classifies account receivables based on materiality and credit risk characteristics. Impairment tests were conducted independently on individual account receivables that were material in terms of value or those that were not material in terms of value but bad debt provision of which were made individually. The Company divided customers or debtors based on different credit risk characteristics, and evaluated the expected credit loss of account receivables taking into account the aging categories. We calculated the default probability and default loss of account receivables based on historical experience, actual conditions and forward-looking estimates, and established a calculation model on the expected credit loss. Based on the expected credit loss of each category of account receivables, a provision for bad debts of RMB1,974,077.88 should be made for account receivables.

2. Provision for bad debts in other receivables

Pursuant to relevant requirements of the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Company estimates the expected credit loss of other receivables individually or based on categories. The Company measures loss provision based on either the expected credit loss of the financial instrument in the next 12 months or the expected credit loss during its entire existence, which is determined based on whether the credit risk of other receivables has increased significantly since initial recognition. The Company usually determines the manner of making loss provision based on the three phases of other receivables, including overdue for no more than 30 days, overdue for 30-90 days and overdue for over 90 days. If there is objective evidence showing that a certain financial asset is credit-impaired, the Company shall make provision for impairment of such financial asset

individually. As some other receivables were recovered during the year, provision for bad debts in other receivables of RMB-306,832.14 should be made pursuant to the policies of the Company.

3. Provision for impairment of debenture investments

The Company treats the impairment of financial assets measured at amortized cost based on expected credit loss and recognizes loss provision. During the period, debenture investments held by the Company at the first phase of the credit impairment loss model amounted to RMB796,794,650.20, and the Company should make provision of RMB2,595,923.01 for credit impairment loss of debenture investments pursuant to the accounting policies of the Company; debenture investments held by the Company at the third phase of the credit impairment loss model amounted to RMB98,677,424.80, and the Company should make provision of RMB81,952,389.56 for credit impairment loss of debenture investments pursuant to the accounting policies of the Company. The total provision for impairment of debenture investments during the period amounted to RMB84,548,312.57.

4. Impairment loss of other debenture investments

The Company treats the impairment of financial assets (debt instruments) at fair value through other comprehensive income based on expected credit loss and recognizes loss provision. During the period, the Company should make provision of RMB-181.90 for credit impairment loss of other debenture investments pursuant to the accounting policies of the Company.

5. Impairment loss of financial lease receivables

Pursuant to relevant requirements of the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, the Company adopts the “three-phase” impairment model to measure its loss provision separately, recognizes expected credit loss and their changes, and makes provision for impairment of lease receivables individually and based on category. If there is objective evidence showing that a certain financial asset has been credit-impaired, the Company will estimate the historical loss experience, loss emergency period and other adjustment factors based on its analysis and judgments on the financial and operational position of the debtor and estimation on the manner and time of recovery, and make impairment provision for relevant financial lease receivables. A total of RMB3,387,100.97 of provision for impairment loss was made for financial lease receivables by Shanghai Dazhong Financial Leasing Co., Ltd., being a subsidiary, for the period.

6. Provision for impairment of inventories

The Company measures the inventories based on the cost or the net realizable value (the estimated selling price of the inventories minus the estimated cost to be incurred before the completion, the estimated selling expenses and relevant taxes), whichever is lower, at the end of the period, and makes provision for impairment of inventories if the cost is higher than the net realizable value.

During the period, Nantong Dazhong Gas Co., Ltd.* (南通大眾燃氣有限公司), being a subsidiary, should make provision for impairment of inventories of RMB2,458,692.38 as part of the raw material of liquefied natural gas (LNG) purchased was at a higher price at the end of the period and the net realizable value was lower than the book value.

During the period, Hainan Dazhong Ocean Industry Co., Ltd.* (海南大眾海洋產業有限公司), being a subsidiary, engaged an external appraisal agency to assess the recoverable value of the Company's consumable biological assets, i.e. young seedlings and dragon fruit seedlings. Based on the appraisal results, a provision for impairment of inventories of RMB158,548.21 should be made as the recoverable value of the consumable biological assets was lower than the book value.

7. Provision for impairment of intangible assets

The Company conducts impairment test on intangible assets with uncertain useful life at the end of the period. Based on the appraisal conducted by the external appraisal agency engaged by the Company, the recoverable value of the Shanghai BH Small Freight Lease Quota License* (滬BH小型貨運出租額度許可) of Shanghai Dazhong Run Logistics Co., Ltd.* (上海大眾運行物流股份有限公司), being a subsidiary, was lower than the book value, and a provision for impairment of intangible assets of RMB5,100,000.00 should be made.

(II) A total of RMB44,189,875.69 should be written-off for the year.

During the year, for the financial lease receivables of Shanghai Dazhong Financial Leasing Co., Ltd.* (上海大眾融資租賃有限公司), being a subsidiary, due from China Smart Construction Group Co., Ltd.* (深圳藍波綠建集團股份有限公司) (hereinafter referred to as “CSC”), pursuant to the enforcement rulings of the People’s Court of Xuhui District, Shanghai [(2019) Hu 0104 Zhi No. 1773], [(2019) Hu 0104 Zhi No. 1775] and [(2019) Hu 0104 Zhi No. 1777]* (【(2019)滬0104執1773號】、【(2019)滬0104執1775號】、【(2019)滬0104執1777號】), it was ruled that CSC had no property available for enforcement, nor could it provide clues to other property available for enforcement, and it did not meet the conditions for continuous enforcement. The enforcement procedure was ruled to be terminated. The Company made a provision for impairment of RMB44,189,875.69 for the financial lease receivables from CSC in an amount of RMB44,189,875.69, and it is currently planned for write-off treatment.

III. IMPACT OF PROVISION FOR IMPAIRMENT AND WRITING-OFF OF ASSETS ON THE FINANCIAL POSITION OF THE COMPANY

Total profit of the Company in the 2022 consolidated statement will decrease by RMB97.3197 million due to the impairment provisions made for the year. The write-off made for the year will not have an impact on the profit or loss of the Company for the current period.

The information contained in this announcement has not been audited nor reviewed by the Company’s auditors. The Company will disclose further details of the Group’s financial performance when releasing its financial results for the 12 months ended December 31, 2022.

Shareholders and prospective investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Shanghai Dazhong Public Utilities (Group) Co., Ltd.*
YANG Guoping
Chairman

Shanghai, the People’s Republic of China
March 30, 2023

As at the date of this announcement, the executive directors of the Company are Mr. YANG Guoping, Mr. LIANG Jiawei and Mr. WANG Baoping; the non-executive directors of the Company are Mr. JIN Yongsheng and Mr. SHI Pingyang; and the independent non-executive directors of the Company are Mr. WANG Kaiguo, Ms. LI Yingqi, Mr. LIU Feng and Mr. YANG Ping.

** For identification purpose only*