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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 FOR 2023**

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 OF ASSETS

In order to objectively, truthfully and accurately reflect the Company’s financial position as of December 31, 2023 and its operating performance in 2023, 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. Based on the test results, impairment provision of approximate RMB27.9646 million should be made by the Company and its subsidiaries in 2023.

II. DETAILS OF PROVISION FOR IMPAIRMENT

Impairment provision of RMB27,964,582.03 in total should be made for the year.

Details of the provision by asset category are as follows:

1. Provision for bad debts in accounts receivable

Pursuant to relevant requirements of the Accounting Standards for Business Enterprises No. 22 — Recognition and Measurement of Financial Instruments, 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. The Company calculated the default probability and default loss of account receivables based on historical experience, actual conditions and forward-looking estimates, and established an expected credit loss calculation model. Based on the expected credit loss of each category of accounts receivable, a provision for bad debts of RMB93,697.70 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 stages 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-133,039.91 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, the amount of debenture investments held by the Company at the first stage of the expected credit loss model was RMB589,952,844.19. The Company should make provision of RMB-1,330,685.27 for credit impairment loss of debenture investments pursuant to the accounting policies of the Company. The amount of debenture investments held by the Company at the third stage of the expected credit loss model was RMB100,350,716.00. The Company should make provision of RMB9,410,889.03 for credit impairment loss of debenture investments pursuant to the accounting policies of the Company. A total of RMB8,080,203.76 was provided for impairment losses on debt investments during the period.

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-222.09 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-stage” impairment model to measure its loss provision separately, recognizes expected credit loss and their changes, and makes provision for impairment of financial lease receivables and factoring 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 and factoring receivables. During the period, the Company should make provision of RMB19,500,482.92 for impairment loss of financial lease receivables and factoring receivables pursuant to the accounting policies of the Company.

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 RMB357,942.03 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 appointed external evaluation agency to assess the recoverable amount of the Company's consumable biological assets — green seedlings and dragon fruit seedlings. According to the result, the Company should make provision for inventory depreciation of RMB65,517.62 as the recoverable amount of consumable biological assets was lower than the book value.

III. IMPACT OF PROVISION FOR IMPAIRMENT OF ASSETS ON THE FINANCIAL POSITION OF THE COMPANY

Total profit of the Company in the 2023 consolidated statement will decrease by approximate RMB27.9646 million due to the impairment provisions made for the year.

The information contained in this announcement has been audited and 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 year ended December 31, 2023.

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 28, 2024

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

* For identification purpose only