

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



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 2020**

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, 2020 and its operating performance in 2020, 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 RMB26.0505 million should be made by the Company and its subsidiaries in 2020. A total of RMB3.8957 million of assets should be written off for the year.

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

A. Impairment provision of RMB26,050,516.69 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 on the balance sheet date. 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 accounts receivable, a provision for bad debts of RMB2,919,196.36 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-1,125,644.08 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. At the end of the period, debenture investments held by the Company during the period were all at the first phase of the credit impairment loss model. The Company should make provision of RMB3,466,394.23 for credit impairment loss of debenture investments pursuant to the accounting policies of the Company.

### **4. Impairment loss of other debenture investments**

During the period, we recovered the bond investments carried forward at the beginning of the period and reversed the provision for impairment loss of other debenture investments of RMB3,661,556.53 made at the beginning of the period correspondingly.

### **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 RMB23,022,749.44 of impairment loss was made for financial lease receivables 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 of the Company should make

provision for impairment of inventories of RMB1,429,377.27 as part of the raw material of liquefied natural gas purchased was at a higher price at the end of the period and the net realizable value was lower than the book value.

B. A total of RMB3,895,714.33 should be written-off for the year.

During the year, the customer involved in the business had no property available for court execution for making repayment to Shanghai Dazhong Financial Leasing Co., Ltd.\*(上海大眾融資租賃有限公司), which is a subsidiary of the Company. The Company has fully made provision for the impairment of its financial lease receivable of RMB3,895,714.33 which has been overdue for more than 3 years, and currently intends to write it off.

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

Total profit of the Company in the 2020 consolidated statement will decrease by RMB26,050,500 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 during the period.

The information contained in this announcement has not 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 12 months ended December 31, 2020.

**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, 2021

*As at the date of this announcement, the executive directors of the Company are Mr. YANG Guoping, Mr. LIANG Jiawei, Mr. WANG Baoping and Mr. YANG Weibiao; the non-executive directors of the Company are Ms. QU Jia and Mr. JIN Yongsheng; and the independent non-executive directors of the Company are Mr. WANG Kaiguo, Mr. CHOW Siu Lui and Mr. LIU Zhengdong.*

\* For identification purpose only