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DONGJIANG ENVIRONMENTAL COMPANY LIMITED*

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(Stock code: 00895)

INSIDE INFORMATION ANNOUNCEMENT IN RELATION TO PROVISION FOR ASSET IMPAIRMENT

This announcement is made pursuant to Rules 13.09 and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of **Listing Rules** (the **Listing Rules**) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

On 27 March 2024, the **Company Board** convened the 41st and the 23rd meeting of the seventh session of the supervisory committee (the **Supervisory Committee**) to discuss the Provision for Asset Impairment for the Year 2023.

I. Overview of the Provision for Asset Impairment

According to the relevant requirements of the Accounting Standard for Business Enterprises, in order to truly reflect the financial position, asset value and operating results of the Company, the Company has reviewed and analyzed the value of relevant assets in the consolidated financial statements as at 31 December 2023 and carried out assessment based on asset types to make provision for asset impairment in respect of the assets that may be subject to an impairment loss.

II. Scope of Assets, Total Amount and Description of the Provision for Asset Impairment

The Company made provision for asset impairment in an aggregate amount of RMB203,409,100 in respect of the assets recorded in the consolidated financial

statements for the year of 2023, and the breakdown of provision for impairment made for each asset is set out as follows:

Unit: RMB ten thousand

Asset items	Amount of provision for asset impairment in 2023	Description of provision for asset impairment
Accounts receivable	1,995.58	Provision for asset impairment made based on expected credit loss model and individual expected credit loss rate
Other receivables	396.45	Provision for asset impairment made based on expected credit loss model and individual expected credit loss rate
Inventories	267.99	Provision for asset impairment made based on the difference between the higher amount of cost and net realizable value
Fixed assets	392.14	Provision for asset impairment made based on the difference between the net book value and the higher recoverable amount
Construction in progress	60.48	Provision for asset impairment made based on the difference between the net book value and the higher recoverable amount
Intangible assets	3,556.88	Provision for asset impairment made based on the difference between the net book value and the higher recoverable amount
Goodwill	13,671.39	The carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergy effect of corporate mergers. Where the results of the tests indicate that the recoverable amount of goodwill allocated to asset groups or groups of asset groups is lower than its carrying amount, the corresponding impairment loss is recognized.
Total	20,340.91	

III. Details of Significant Amount of Provision for Asset Impairment

1. Details of provision for bad debts in respect of accounts receivable

On the basis of expected credit losses, the Company performs impairment treatment on financial assets at amortized cost, debt instrument at fair value through other comprehensive income and lease receivables, mainly including bills receivables, accounts receivable, receivable financing, other receivables and long-term receivables. In addition, for contract assets and certain financial guarantee contracts, provision for impairment is made and credit impairment losses are recognized in accordance with the accounting policies described in this section.

The Company makes provision for impairment and recognizes credit impairment

losses for each of the above items in accordance with its applicable expected credit loss measurement method (general method or simplified method). For financial instruments with low credit risk on the balance sheet date, the Company makes the loss provision based on whether the credit risk has increased significantly since the initial confirmation, and uses the expected credit loss amount in the next 12 months or the entire period as the basis. The Company evaluates the credit risk of individual financial assets with significantly different credit risks. In addition to financial assets which are subject to individual credit risk assessments, the Company classifies financial assets into different groups based on common risk characteristics, and assesses credit risk on a portfolio basis.

Determination of credit losses on various types of financial assets:

Bills receivables

The Company measures the loss allowance for bills receivables based on the amount

Item	Basis of grouping
Group 2	Accounts receivable from related companies
Group 3	Accounts receivable from general customers or others
Contract assets:	
Group 1	Environmental engineering construction and service projects of related companies
Group 2	Government public utility construction projects
Group 3	Environmental engineering construction and service projects of other customers
Group 4	Household waste landfill projects
Group 5	Power generation subsidy project

Receivable financing

Bills receivables and accounts receivable at fair value through other comprehensive income with a maturity of one year (inclusive) or less from the date of initial recognition are presented as receivable financing. The Company measures impairment losses using the amount of expected credit loss for the entire credit period.

Other receivables

The Company measures impairment losses on other receivables based on whether there has been a significant increase in credit risk since initial recognition, using an amount equal to 12-month or expected credit loss for the entire credit period. In addition to other receivables that are individually assessed for credit risk, the Company classifies them into different groups according to the credit risk characteristics:

Item	Basis of grouping
Group 1	Accounts receivable from government
Group 2	Accounts receivable from related companies
Group 3	Accounts receivable from general customers or others
Group 4	Deposits, security deposit, reserve fund receivable and others

For 2023, based on the expected credit loss model and individual expected credit loss rate, the Company made bad debts provision for accounts receivable of RMB19,955,800 and bad debts provision for other receivables of RMB3,964,500.

2. Details of provision for impairment of inventories

Inventories are measured at the lower of cost or net realizable value, and provision for impairment of inventories is made for the difference of cost in excess of net realizable

value of inventories. For inventories used directly for sales, the net realizable value is determined by using the estimated selling price of the inventory less estimated selling expenses and relevant taxes in the normal course of production operations; for inventories that are subject to processing, the net realizable value is determined by using the estimated selling price of the finished goods produced less the estimated costs to be incurred to completion, estimated selling expenses and relevant taxes in the normal course of production operations. At the balance sheet date, if a portion of the same inventory has a contractual price agreement and the other portion does not have a contractual price, the net realizable value of the inventory shall be determined separately and compared with its corresponding cost to determine the amount of provision or reversal of provision for impairment of inventory respectively. For 2023, the Company made a provision for impairment of inventories of RMB2,679,900.

3. Details of provision for impairment of fixed assets

The recognition standard and accrual method of provision for impairment of the fixed assets are as follows: The Company checks whether there is any sign of possible impairment of the fixed assets on the balance sheet date. If there is sign of possible impairment, the Company will conduct an impairment test to confirm the recoverable amount. Provision for impairment shall be made on the basis of the difference between a lower recoverable amount and a higher carrying amount. The recoverable amount of fixed assets is determined according to the higher of the net amount after deducting disposal costs from the fair value of the asset and the present value of the expected future cash flow of the asset. For 2023, the Company made provision for impairment of fixed assets of RMB3,921,400.

4. Details of provision for impairment of construction in progress

The recognition standard and accrual method of provision for impairment of the there is any sign of possible impairment of the construction in progress on the balance sheet date. If there is sign of possible impairment, the Company will conduct an impairment test to confirm the recoverable amount. Provision for impairment shall be made on the basis of the difference between a lower recoverable amount and a higher carrying amount. The recoverable amount of construction in progress is determined according to the higher of the net amount after deducting disposal costs from the fair value of the asset and the present value of the expected future cash flow of the asset. For 2023, the Company made provision for impairment of construction in progress of RMB604,800.

5. Details of provision for impairment of intangible assets

The recognition standard and accrual method of provision for impairment of the intangible assets are as follows: The Company checks whether there is

any sign of possible impairment of the intangible assets on the balance sheet date. If there is sign of possible impairment, the Company will conduct an impairment test to confirm the recoverable amount. Provision for impairment shall be made on the basis of the difference between a lower recoverable amount and a higher carrying amount. The recoverable amount of intangible assets is determined according to the higher of the net amount after deducting disposal costs from the fair value of the asset and the present value of the expected future cash flow of the asset. For 2023, the Company made provision for impairment of intangible assets of RMB35,568,800.

6. Details of provision for goodwill impairment

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tested for impairment at the end of each year. Goodwill shall be tested for impairment in combination with the asset group or combination of asset groups associated with it. If the recoverable amount of an asset group or combination of asset groups is lower than its carrying amount, the corresponding impairment loss should be recognized. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or combination of asset groups, and is recognised in the profit and loss statement of the period as impairment loss on goodwill.

As at the end of 2023, the Company performed impairment test on goodwill arising from corporate mergers, and engaged asset valuation firms to appraise the recoverable amounts of their respective groups of assets (including goodwill) as at the valuation reference date. Based on the impairment test, the Company made provision for goodwill impairment of RMB136,713,900.

IV. Effect of Provision for Asset Impairment on the Company

The amount of provision for asset impairment for 2023 was in total RMB203,409,100, which

shareholders of listed company in 2023 by RMB195,427,200 and correspondingly 2023 of the Company by RMB195,427,200. After making provision for asset loss in 2023 amounted to RMB887,194,900, and the net loss attributable to shareholders of the listed company amounted to RMB750,470,600. The data above has been audited by the auditor of the Company, WUYIGE Certified Public Accountants LLP.

V. Explanation on Reasonableness of Provision for Asset Impairment for the Year of 2023

The provision for asset impairment was in compliance with relevant requirements of the Accounting Standard for Business Enterprises and had sufficient basis to

reflect the actual condition of the Company based on the accounting principle of prudence. After position and asset value as at 31 December 2023 could be more fairly presented,

VI. Opinions of the Supervisory Committee

The decision-making process for the provision for asset impairment was in compliance with the requirements of relevant laws and regulations and the Articles of Association, the resolution was in compliance with relevant requirements of the Accounting Standard for Business Enterprises and reflected operation results for the year of 2023 and asset position as at 31 December 2023. As such, the Supervisory Committee unanimously approved the provision for asset impairment.

By order of the Board
Dongjiang Environmental Company Limited*

Chairman

Shenzhen, the PRC
27 March 2024

** For identification purpose only*