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Provisions made by asset category are as follows:

1. Provision for bad debt for accounts receivable

According to relevant provisions of the Enterprise Accounting Standard No. 22 — Recognition and Measurement of Financial Instruments, the Company classifies its accounts receivable based on the importance of the credit risk characteristics on the balance sheet date and separately conducts impairment test for receivables which are individually significant in amount or individually insignificant in amount but with respect to which bad debt provision is made individually. The Company groups its customers or debtors based on different credit risk characteristics, assesses the expected credit loss on accounts receivable in conjunction with age combination, calculates the probability of default and loss given default of accounts receivable based on historical experience, realistic condition and forward-looking projections, and establishes the calculation model for the amount of expected credit loss. The bad debt provision for accounts receivable with the amount of RMB5,324,535.42 needs to be made based on the expected credit loss rate of various combinations of accounts receivable.

2. Bad debt provision in other receivables

According to relevant provisions of the Enterprise Accounting Standard No. 22 — Recognition and Measurement of Financial Instruments, the Company estimates the expected credit loss on other receivables either individually or by combination. The Company determines whether its loss provision is measured at an amount equivalent to the expected credit loss on a financial instrument within the next 12 months or its lifetime according to whether the credit risk from other receivables has significantly increased since the initial recognition. The Company generally determines the three phases at which other receivables being overdue for no more than 30 days, 30–90 days or more than 90 days, in order to determine the method for making loss provision. Where there is objective evidence that a particular financial asset has incurred credit impairment, the Company makes impairment provision for the financial asset on an individual basis. As a part of other receivables was recovered in this year, a bad debt provision for other receivables in the amount of RMB658,511.61 need to be made according to the Company's policy.

6. Provision for impairment loss of inventory

The Company measures the closing inventory at the lower of cost and net realizable value (the estimated selling price of inventory minus the cost estimated up to the time of completion, estimated selling costs and relevant taxes), and provision for impairment loss of inventory is made where the cost is higher than the net realizable value.

In the current period, a Subsidiary, Hainan Dazhong Ocean Industry Co., Ltd.* (海南大眾海洋產業有□公司) engaged an external valuation agency to assess the recoverable value of the Company's consumptive biological assets — beanstalk and dragon fruit seedlings, indicating that the provision for impairment loss of inventory of RMB53,122.29 needs to be made for the difference of the recoverable value of consumptive biological assets below the book balance.

In this year, Shanghai Weiming Biochemical Co., Ltd* (上海衛銘生化股份有□公司), Hainan Dazhong Ocean Industry Co., Ltd* (海南大眾海洋產業有□公司) and Shanghai Dazhong Run Supply Chain Management Co., Ltd.* (上海大眾行供應鏈管理有□公司), the Subsidiaries, have substantially incurred bad debt loss and recognized its non-recoverability, due to excessively long ages of accounts receivable from its customers involved in their respective business, and failed collection through various methods and channels such as lawsuit, thus resulting in a corresponding balance of accounts receivable in the amount of RMB8,266,939.86, all of which provision for impairment has been made and is now proposed to be written off.

In this year, the Company and its subsidiaries took a full inspection of fixed assets, construction in progress and other assets. Assets which are found destroyed, demolished, obsolete, irreparable or no longer producing economic benefits are scrapped. In this year, our subsidiaries Nantong Dazhong Gas Co., Ltd.* (南　大眾燃氣有□公司) and Shanghai Dazhong Gas Co., Ltd.* (上海大眾燃氣有□公司) write-off fixed assets such as obsolete pipeline networks and equipment with a book value of RMB5,729,553.23, which will reduce the Company's total profits of financial year 2024 by RMB5,729,553.23.

Various impairment provisions made in this year will reduce the Company's total profits of financial year 2024 on its consolidated statements of profit or loss by RMB1.6133 million. The accounts receivable written off this year will not affect the total profit of the consolidated financial statements of the Company for 2024. The fixed assets scrapped this year will reduce the total profit of the consolidated financial of the Company for 2024 by RMB5.7296 million.

The data contained herein has been audited and reviewed by the auditor of the Company. The Company will disclose further details about the financial performance of the Group when announcing its financial results for the year ended December 31, 2024.

Shareholders and prospective investors of the Company are advised to act prudently when dealing the shares of the Company.

By order of the Board
*
Chairman of the Board

Shanghai, the People's Republic of China
March 28, 2025

As of 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. JIANG Guofang, Ms. LI Yingqi, Mr. LIU Feng and Mr. YANG Ping.

* For identification purposes only.