Ningbo Shanshan Co., Ltd.

Announcement on Provision for Asset Impairment

I. Information on the Provision for Asset Impairment

In accordance with the relevant provisions of the Accounting Standards for Business Enterprises and the accounting policies of Ningbo Shanshan Co., Ltd. (the "Company")

Item	Breakdown	Amount of the provision for impairment in 2022	Amount of the provision for impairment collected or reversed in 2022	Total
	and long-term receivables due within one year			
	Provision for bad debts of notes receivable	593,910.20	3,558,289.34	-2,964,379.14
	Subtotal	46,746,829.02	36,699,547.02	10,047,282.00
Total		188,480,780.26	40,693,474.18	147,787,306.08

II. The impact on the financial condition of the Company

During the current period, the Company's consolidated statements made provisions for asset impairment and credit impairment of RMB188,480,780.26 and collected or reversed RMB40,693,474.18, which would in total reduce the Company's total profit for 2022 by RMB147,787,306.08.

III. Explanation of the Provisions for Asset Impairment and Credit Impairment

(I) Provision for asset impairment

1. Provision for decline in value of inventories

According to Accounting Standards for Business Enterprises No. 1 - Inventories, after accounting, the cost of some of the Company's inventories was higher than the net realizable value, and a provision for decline in value of inventories of RMB71,447,097.64 was made in the current period, and RMB3,993,927.16 was collected or reversed, which would reduce the Company's total profit under the consolidated statement for 2022 by RMB67,453,170.48.

2. Provision for impairment of fixed assets

In accordance with Accounting Standards for Business Enterprises No. 8 - Impairment of Assets, after the centralized inventory of assets at the end of the year, due to the Company's LCD polarizer business supporting customers' production line adjustment and the existence of idle equipment for over six months, as well as the

Company's plan to terminate the assets belonging to the new energy vehicle segment business, an impairment provision of RMB63,892,869.30 was made in the current period, which would reduce the Company's total profit under the consolidated statement for 2022 by RMB63.892,869.30.

3. Provision for impairment of other current assets

In accordance with Accounting Standards for Business Enterprises No. 8 - Impairment of Assets, the Company does not expect to be able to deduct the overpaid income tax, and an impairment provision of RMB6,393,984.30 was made in the current period, which would reduce the Company's total profit under the consolidated statement for 2022 by RMB6,393,984.30.

(II) Provision for credit impairment

1. Provision for bad debts of accounts receivable and other receivables

In accordance with Accounting Standards for Business Enterprises No. 22 - Financial Instruments, after accounting, the Company prepared the table for comparing the aging of accounts receivable and other receivables and lifetime expected credit loss rates with reference to historical credit loss experience and the current conditions and forecast of future economic conditions to calculate expected credit losses, and made a provision for bad debts of RMB46,152,918.82 for the current period, and collected or reversed RMB27,511,519.68, of which: provision for bad debts of accounts receivable was RMB8,198,470.08, with RMB22,797,897.96 collected or reversed, and provision for bad debts of other receivables was RMB37,954,448.74, with RMB4,713,621.72 reversed or recovered, which would reduce the Company's total profit under consolidated statement for 2022 by RMB18,641,399.14.

2. Provision for impairment of long-term receivables and long-term receivables due within one year

In accordance with Accounting Standards for Business Enterprises No. 22 - Financial Instruments, after accounting, the original value of the Company's long-term receivables was transferred to long-term receivables due within one year, and the provision for bad debts was transferred to provision for bad debts of long-term receivables due within one year accordingly. The collected or reversed provision for bad debts in the current period of RMB5,629,738.00 would increase the Company's total profit under consolidated statement for 2022 by RMB5,629,738.00.

3. Provision for bad debts of notes receivable

In accordance with Accounting Standards for Business Enterprises No. 22 - Financial Instruments, after accounting, the Company’s commercial acceptance bills receivable referred to historical credit loss experience, combined with current conditions and predictions of future economic conditions, and based on the expected credit loss rate comparison table for the entire duration of accounts receivable, calculated the expected credit loss. The provision for bad debts in the current period was RMB593,910.20, with RMB3,558,289.34 collected or reversed, which would increase the Company's total profit under consolidated statement for 2022 by RMB2,964,379.14. The bad debt reversal of this year's notes receivable was mainly due to the Company's judgment that the issuer KN New Energy Co., Ltd. had a payback risk last year. Therefore, its commercial acceptance bill of RMB3,500,000.00 was fully impaired, the above-mentioned bills were transferred to accounts receivable for non-performance in the current year, and the corresponding impairment was transferred to bad debts of accounts receivable.

IV. Other Relevant Explanations

At present, the operating management of the Company is normal, its financial position is stable and its liquidity is sufficient. The Company’s financial position can be reflected in a more impartial manner after this provision. The Company will

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