

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”) on the provision for asset impairment and credit impairment, the Company conducted a comprehensive review of each asset at the end of 2023 and made provisions for asset impairment and credit impairment for the impairment in the value of each asset. The provision for asset impairment and provision for credit impairment are announced as follows:

Unit: RMB

Item	Breakdown	Amount of the provision for impairment in 2023	Amount of the provision for impairment collected or reversed in 2023	Total
Provision for asset impairment	Provision for decline in value of inventories	211,046,014.53	—	211,046,014.53
	Provision for impairment of fixed assets	11,595,336.14	—	11,595,336.14
	Provision for impairment of intangible assets	42,800.00	—	42,800.00
	Provision for impairment of long-term equity investments	30,575,111.39	—	30,575,111.39
	Provision for impairment of goodwill	128,044,702.20	—	128,044,702.20
	Provision for impairment of held-for-sale assets	5,663,253.88	—	5,663,253.88
	Subtotal	386,967,218.14	—	386,967,218.14
Provision for credit impairment	Provision for bad debts of notes receivable	1,164,908.61	—	1,164,908.61
	Provision for bad debts of accounts receivable	716,118,162.55	685,289,832.79	30,828,329.76
	Provision for bad debts of other receivables	29,986,591.77	6,522,711.49	23,463,880.28
	Provision for impairment of long-term receivables due within one year	-	819,024.19	-819,024.19
	Subtotal	747,269,662.93	692,631,568.47	54,638,094.46
Total		1,134,236,881.07	692,631,568.47	441,605,312.60

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 RMB1,134,236,881.07 and collected or reversed RMB692,631,568.47, which would in total reduce the Company's total profit for 2023 by RMB441,605,312.60.

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 the 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 of RMB211,046,014.53 for decline in value of inventories was made for the current period, which would reduce the Company's total profit under the consolidated statement for 2023 by RMB211,046,014.53.

2. Provision for impairment of fixed assets

In accordance with the Accounting Standards for Business Enterprises No. 8 - Impairment of Assets, after the centralized inventory of assets at the end of the year, primarily due to the aging of the machinery and equipment, an impairment provision of RMB11,595,336.14 was made for the current period, which would reduce the Company's total profit under the consolidated statement for 2023 by RMB11,595,336.14.

3. Provision for impairment of intangible assets

In accordance with the Accounting Standards for Business Enterprises No. 8 - Impairment of Assets, due to the book value of the Company's financial software being less than its recoverable amount, an impairment provision of RMB42,800.00 was made for the current period, which would reduce the Company's total profit under the consolidated statement for 2023 by RMB42,800.00.

4. Provision for impairment of long-term equity investments

At the end of the year, the Company held a 31.25% equity interest in Shanshan Advanced Materials (Quzhou) Co., Ltd (新亚杉杉新材料科技(衢州)有限公司). At the end of the period, upon impairment testing, a provision for impairment of long-term equity investments was made for the difference between the recoverable amount and the book value. An impairment provision of RMB30,575,111.39 was made for the current period, which would reduce the Company's total profit under the consolidated statement for 2023 by RMB30,575,111.39.

5 Provision for impairment of goodwill

In accordance with the Accounting Standards for Business Enterprises No. 8 - Impairment of Assets, the Company's subsidiary Huzhou Shanshan New Energy Technology Co., Ltd (湖州杉杉新能源科技有限公司). intends to initiate shutdown procedures. The management conducted an impairment testing on the asset group including goodwill, and recognized goodwill impairment losses for the difference between the recoverable amount and the book value. An impairment provision of RMB128,044,702.20 was made for the current period, which would reduce the Company's total profit under the consolidated statement for 2023 by RMB128,044,702.20.

6. Provision for impairment of held-for-sale assets

With the consent of all shareholders of Ningbo Ulica SOLAR Co., Ltd (宁波尤利卡太阳能股份有限公司). to transfer all of equity interests in the Company to an external party, a share transfer agreement with the transferee for a total consideration of RMB77 million was signed in December 2023, and the consideration for the 90.035% equity interest held by Shanshan was RMB69.327 million. As of 31 December 2023, the Company has received RMB20 million in share transfer proceeds. The relevant legal procedures for share transfer have not yet been completed, and the transfer was completed after the period. At the end of the period, the assets and liabilities of Ningbo Ulica Solar Co., Ltd. and its subsidiaries were all transferred to held-for-sale assets and held-for-sale liabilities. Based on the share transfer price finally confirmed by both parties, the Company made a provision of RMB5,663,253.88 for the impairment of the held-for-sale assets at the end of the period, which would reduce the Company's total profit under the consolidated statement for 2023 by RMB5,663,253.88.

(II) Provision for credit impairment

1. Provision for bad debts of notes receivable

In accordance with the Accounting Standards for Business Enterprises No. 22 - Financial Instruments, after accounting, the Company calculated the expected credit loss with reference to historical credit loss experience in respect of its commercial acceptance bills receivable, in consideration of 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. A provision of RMB1,164,908.61 for bad debts of notes receivable was made, which would reduce the Company's total profit under the consolidated statement for 2023 by RMB1,164,908.61.

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

In accordance with the 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 RMB746,104,754.32 for the current period, and collected or reversed RMB691,812,544.28, of which: provision for bad debts of accounts receivable was RMB716,118,162.55, with RMB685,289,832.79 collected or reversed, and provision for bad debts of other receivables was RMB29,986,591.77, with RMB6,522,711.49 reversed or recovered, which would reduce the Company's total profit under consolidated statement for 2023 by RMB54,292,210.04.

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

The subsidiary Inner Mongolia Qingshan Automobile Co., Ltd (内蒙古青杉汽车有限公司). has recovered vehicle receivables in installments. Bad debt provision of RMB819,024.19 was reversed for the current period, which would increase the Company's total profit under consolidated statement for 2023 by RMB819,024.19.

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 perform its information disclosure obligations in a timely manner in accordance with the relevant laws and regulations and the assessment results. Investors are hereby reminded of the investment risks.

Announcement is hereby made.

Board of Directors of Ningbo Shanshan Co., Ltd.

25 April 2024