Ningbo Shanshan Co., Ltd.
2023 Annual Internal Control Evaluation Report

Dear all shareholders of Ningbo Shanshan Co., Ltd.,

We have evaluated the effectiveness of the Company's internal controls as of 31 December 2023, the base date for the internal control evaluation report, in accordance with the provisions of the Basic Norms for Internal Control of Enterprises and its supporting guidelines and other internal control supervision requirements (the "Enterprise Internal Control Standard System"), as well as the internal control system and evaluation methods of the Company (the "Company"), on the basis of daily and special supervision of internal control.

I. Disclaimer

It is the responsibility of the Board of Directors to establish, improve and effectively implement the internal control, evaluate its effectiveness, and truthfully disclose the internal control evaluation report according to the provisions of the Enterprise Internal Control Standard System. The Board of Supervisors shall supervise the establishment and implementation of

changes in circumstances may result in internal controls becoming inappropriate or a reduced degree of adherence to control policies and procedures.

II. Conclusion of evaluation on internal control

1. Whether the Company had any material defects in the internal control over financial reporting as at the base date of the internal control evaluation report

2. Conclusion of evaluation on internal control over financial reporting

between the base date of internal control evaluation report and the publishing date of internal control evaluation report.

5. Whether the internal control audit opinion is consistent with the Company's evaluation conclusions on the effectiveness of internal control over financial reporting

6. Whether the disclosure of material defects of internal control over non-financial reporting in the internal control audit report is consistent with the disclosure in the Company's internal control evaluation report

III. Internal control evaluation performance

(I). Scope of evaluation on internal control

The Company determined the main entities, businesses and matters to be included in the scope of evaluation as well as high-risk areas in accordance with the risk-oriented principle.

1. **Entities incorporated in the scope of evaluation include:** Ningbo Shanshan Co., Ltd.; key players of polarizer business, such as Shanjin Optoelectronics (Suzhou) Co., Ltd., Shanjin Optoelectronics (Nanjing) Co., Ltd., Shanjin Optoelectronics (Guangzhou) Co., Ltd., Shanjin Optoelectronics Technology (Zhangjiagang) Co., Ltd., Shanjin Optoelectronics

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(II) Internal control management: including internal control management, audit and audit opinion tracking, conflict of interest investigation, risk assessment management and other matters;

(III) Financial management: including capital management, budget management, current accounts management, accounting, tax management, cost accounting, financial reports and analysis, related transactions and other matters;

(IV) Procurement management: including raw material procurement, equipment procurement, equipment and materials procurement, supplier management, order management, acceptance management, service outsourcing, outsourced processing and other matters;

(V) Credit management: including customer credit investigation management, customer

matters;

(XIII) Other matters related to the Company's development and daily operation.

4. High risk areas of focus include:

Financial management: For the purpose of standardizing financial management and ensuring the authenticity and accuracy of financial reports, the Company has developed a series of financial systems, including basic financial accounting system, financial information management system, capital and bank account management system, guarantee management system, financial reporting system, budget management system, online banking management system, cost management system, receivables/payables management system, and inventory management system, so as to ensure that the accounting information is true, legal and complete, the accounts are set reasonably, and able to provide the information needed for operation and management activities and the financial information in line with the national requirements in a timely and accurate manner, improve the level of capital management, reduce the risk of financial information management, and standardize the financial management.

Investment management: For the purpose of reducing the risk of investment and improving the return on investment, the Company has strictly standardized the requirements of investment management and improved the investment management system. To strengthen the management of major investment, the Company conducts special management of major investment projects, implements control measures before, during and after investment projects, so as to ensure the compliance and rationality of investment decisions and implementation. We have further strengthened budget management for major projects and investment in fixed assets, and ensured the proper implementation of budget control.

Accounts receivable management: In order to strengthen the management of receivables, the Company has constantly enhanced the management of customer credit and determined the accounts receivable management measures for risky customers. Through the accounts receivable risk early warning system and risky customer analysis, we take guarantee, mortgage and other corresponding control measures for risky customers in a timely manner, and carry out legal proceedings if necessary, so as to effectively prevent risks in receivables.

Project management: To strengthen the management of investment projects, the Company

6. Whether there is any statutory exemption

7. Other matters for explanation

Nil

(II). Internal control evaluation work basis and internal control defect identification standard

The Company shall organize and carry out the internal control evaluation according to the provisions and requirements of the Enterprise Internal Control Standard System and its supporting guidelines, as well as the Company's system process, internal control manual,

	net assets	misstatement 2% of consolidated net assets	net assets

Explanations:

Nil

The qualitative standards for evaluating defects in internal control over financial reporting determined by the Company are as follows:

Defect nature	Qualitative standards
Material defects	In any of the following circumstances, it can be determined that there is a material defect in the internal control over financial reporting: (1) Major malpractices of directors, supervisors and senior officers are found; (2) The Company corrects its published financial statements due to material misstatement; (3) Material misstatement is found in the financial statements of the current period, but the internal control fails to detect the misstatement in the course of operation; (4) The supervision of internal control by the audit committee and internal audit institution is ineffective; (5) The control environment is deemed invalid by the regulatory authority; (6) Penalties are imposed by regulatory bodies due to accounting errors; (7) Other defects that may affect the correct judgment of report users.
Important defects	In any of the following circumstances, it can be determined that there is an important defect in the internal control over financial reporting: 1) Failure to select and apply accounting policies in accordance with GAAP; 2) No anti-fraud procedures and control measures have been established; 3) No corresponding control mechanism has been established or implemented for accounting treatment of unconventional or special transactions, and there is no corresponding compensatory control; 4) There is one or more defects in the control of the period-end financial reporting process and the truth and accuracy of the financial statements cannot be reasonably guaranteed.
General defects	Other financial internal control defects that do not constitute material or important defects.

	(2) Violating national laws and regulations, such as environmental pollution; (3) Continuous turnover of managerial or technical personnel; (4) The defects found in internal control evaluation, especially the material or important defects, are not rectified; (5) Lack of system control or systematic failure of system for important business.
General defects	Other non-financial internal control defects that do not constitute material or important defects.

Notes:

Nil

(III). Determination and rectification of defects in internal control

1. Determination and rectification of defects in internal control of financial reporting

1.1. Material defects

Whether the Company had any material defects in the internal control of financial reporting during the Reporting Period

1.2. Important defects

Whether the Company had any important defects in the internal control of financial reporting during the Reporting Period

1.3. General defects

All the general defects in financial reporting found in the internal control self-evaluation in 2023 have been rectified as of the date of report.

1.4. Whether the Company had any material defects in the internal control of financial reporting that have not been rectified as at the base date of the internal control evaluation report after the above rectifications

1.5. Whether the

	2023 and the period from January to March, 2024, the Company had defect in approval of large contracts and large prepayments, which caused the appropriation of funds by related party.		as the interest accrued during the period of occupation. 2. Refine and stratify the process of contract formation and payment, and strictly enforce the approval process for large value contracts and advance payment contracts. 3. Strengthen the supervision of large fund payments by increasing the participation of independent risk control officer in approval.4. To organize the senior officers and relevant personnel of the Company to study the standardized operation systems and self-regulatory guidelines for listed companies, such as the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange, the Regulatory Guidelines for Listed Companies No. 8 – Regulatory Requirements for Capital Transaction and External Security, the Measures for the Administration of Information Disclosure of Listed Companies.		
Failure to identify and disclose	Through the self-inspection of the	Others			

connected parties and connected transactions in time	Company, it was found that the Company failed to identify and disclose connected parties and connected transactions in time, which caused the appropriation of funds by related party.		work requirements for collecting information on connected transactions, and make public disclosure at the first time when the conditions for disclosure are met. 2. Strengthen the establishment of related party contracts and approval of related party transaction payments, establish independent risk control officer to participate in the approval process, and strictly supervise. 3. Strictly manage the admission review of related party partners during the admission process.		

2.3. General defects

Some companies have the following general defects in non-financial reporting, which need to be further improved and perfected, including: some subsidiaries should strengthen the implementation of the system, enhance the awareness of leaving written traces, and prevent possible risks.

2.4. Whether the Company had any material defects in the internal control over non-financial reporting that have not been rectified as at the base date of the internal control evaluation report after the above rectifications

2.5. Whether the Company had any important defects in the internal control of non-financial reporting that have not been rectified as at the base date of the internal control evaluation report after the above rectifications

It was found that there were 2 important defects in the internal control over non-financial reporting that have not been rectified.

IV. Explanation for other important matters related to internal control

1. Rectification of defects in internal control for the last year

2. Operation of internal control in the current year and improvement direction for the next year

During the Reporting Period, the Company maintained effective internal control over financial reporting in all material respects in accordance with the Basic Standard for Internal Control of Enterprises and other relevant regulations. With regard to the deficiencies in approval of large amount contracts and large prepayments and deficiencies in the identification of a conI

Ningbo Shanshan Co., Ltd.

Chairman (authorized by the Board): Zheng Ju

24 April 2024