

Stock code: 000301 Stock abbreviation: Eastern Shenghong Announcement number: 2023-034

Bond code: 127030 Bond abbreviation: Shenghong Convertible Bond

**Jiangsu Eastern Shenghong Co., Ltd.**  
**Announcement on Provision for Asset Impairment in 2022**

The Company and all members of the Board of Directors warrant that the content of the information disclosure is true, accurate and complete, and there are no false records, misleading statements or material omissions.

Jiangsu Eastern Shenghong Co., Ltd. (hereinafter referred to as “the Company”) held the 2nd meeting of the 9th Board of Directors and the 2nd meeting of the 9th Board of Supervisors on April 16, 2023, which approved the Proposal of Provision for Asset Impairment in 2022. Based on the provisions of the Shenzhen Stock Exchange's Guidelines for Self-Discipline Regulation of Listed Companies No.1 - Business Processing, the Company's Articles of Association, and the Internal Control System for Provision for Asset Impairment and Loss Treatment, this proposal does not require submission to the General Meeting for consideration. The details are announced as follows:

**I. Overview of the Provision for Asset Impairment**

To provide a true and accurate reflection of the Company's asset condition and financial position as of December 31, 2022, the Company and its subsidiaries conducted impairment tests on various assets based on the principle of prudence and made provisions for the possible asset impairment as of December 31, 2022. The details are set out as below:

**Schedule of Provision for Asset Impairment**

Unit: RMB10,000

Item	Beginning balance	Provision	Reverse/Write-off	Foreign exchange rate fluctuation	Ending balance
Bad debt provision	4,179.67	1,107.23	355.66	19.23	4,950.46
Provision for inventory impairment	12,732.33	100,066.31	70,707.35		42,091.29
Provision for fixed asset	34,096.87		0.10		34,096.77

impairment					
Provision for goodwill impairment	59,861.11		28,197.34		31,663.77
Total	110,869.98	101,173.54	99,260.45	19.23	112,802.29

Note: The provision for asset impairment pertains to the reporting period from January 1, 2022, to December 31, 2022.

## **II. Specific Information of the Provision for Asset Impairment**

### **1. Account receivable**

In accordance with the Accounting Standard for Business Enterprise (the “ASBE”) and the Company's relevant accounting policies, the Company assessed the expected credit losses on account receivables as of December 31, 2022 and established a bad debt provision of RMB11.0723 million in 2022.

### **2. Inventory**

As of the balance sheet date, inventories are valued at the lower of cost or net realizable value. A provision for decline in the value of inventories is made if the cost is higher than the net realizable value.

The Company conducted impairment tests on its inventories as of December 31, 2022, and provided a provision for inventory impairment of RMB1,000.66 million. The Company reversed a provision for inventory impairment of RMB707.07 million in FY2022, resulting in a total profit and loss impact of RMB293.59 million.

## **III. Impact of the Provision for Asset Impairment on the Financial Position of the Company**

The provision for impairment of assets in FY2022 decreased the total profit of the Company's consolidated financial statement in FY2022 by RMB304.85 million. The provision for asset impairment is in compliance with the ASBE and the Company's relevant accounting policies. The amount of asset impairment provision has been audited by BDO China Shu Lun Pan Certified Public Accountants LLP.

#### **IV. Opinions of the Board of Directors**

The Company's provision for asset impairment is in compliance with the ASBE and other relevant regulations, reflecting the principle of prudence in accounting. The basis for the provision is adequate and in line with the actual situation of the Company. After the provision for impairment is made, the Company's financial condition and asset value can be more accurately reflected, resulting in more reasonable accounting information of the Company. The Board of Directors agreed that the Company should make provision for the impairment of assets.

#### **V. Special Review Opinions of the Board of Supervisors**

After review, the Board of Supervisors believes that the procedures of the Board of Directors in considering the provision for asset impairment comply with the laws, regulations and the Company's Articles of Association; the provision complies with relevant requirements of the Accounting Standard for Business Enterprise and other related regulations, and is in line with the actual situation of the Company. After the provision for impairment is made, the Company's asset status and operating results are more fairly reflected.

#### **VI. Documents Available for Inspection**

1. Resolutions of the 2nd Meeting of the 9th Board of Directors;
2. Resolutions of the 2nd Meeting of the 9th Board of Supervisions.

This is hereby announced.

**Jiangsu Eastern Shenghong Co., Ltd.**  
**Board of Directors**  
**April 17, 2023**