

Ninestar Corporation

Internal Control Audit System and Statement

Chapter 1 General Provisions

Article 1: In order to further standardize the internal audit work of Ninestar Corporation (hereinafter referred to as the "Company"), improve the quality of internal audit work, protect the legitimate rights and interests of investors, and in accordance with the "Audit Law of the People's Republic of China", "Regulations on Internal Audit Work issued by the National Audit Office", "Corporate Governance Principles", "Rules for the Listing of Shares on the Shenzhen Stock Exchange" (hereinafter referred to as the "Listing Rules"), "Guidelines for the Standardized Operation of Listed Companies on the Shenzhen Stock Exchange" (hereinafter referred to as the "Guidelines for Standardized Operation"), and other relevant laws, regulations, and rules, and in conjunction with the "Articles of Association of Ninestar Corporation" (hereinafter referred to as the "Articles of Association"), these Regulations are formulated.

Article 2: Internal audit, as used in these Regulations, refers to an evaluation activity conducted by the Company's internal audit department, in accordance with relevant national laws, regulations, accounting standards, and the Company's internal management regulations, to assess the effectiveness of internal control and risk management, the accuracy and completeness of financial information, and the efficiency and effectiveness of operations of the Company, its controlled subsidiaries, significant equity joint ventures, and branches.

Article 3: Internal control, as used in these Regulations, refers to a process established by the Company's board of directors, supervisory board, senior management, and other relevant personnel to provide reasonable assurance regarding the achievement of the following objectives:

- (1) Compliance with national laws, regulations, rules, and other relevant provisions;
- (2) Improving the efficiency and effectiveness of the Company's operations;
- (3) Safeguarding the Company's assets;
- (4) Ensuring the truthfulness, accuracy, completeness, and fairness of the Company's information disclosure.

Article 4: For the purposes of these Regulations, the term "audit subject" specifically refers to all departments, domestic and foreign branches, wholly-owned or controlled subsidiaries and their directly affiliated branches (including controlled subsidiaries), and the relevant responsible personnel of the aforementioned entities within the Company.

Article 5: The Company's board of directors is responsible for establishing, improving, and effectively implementing the internal control system. Important internal control systems shall be approved by the board of directors. The board of directors and all of its members shall ensure that the information disclosed related to internal control is true, accurate, complete, and fair.

Chapter 2 General Provisions

Article 6: The Company shall establish an audit committee under the board of directors and formulate rules of procedure for the audit committee. All members of the audit committee shall be directors, of which a majority shall be independent directors, and at least one independent director shall be a qualified accountant. The convener of the audit committee shall be a qualified accountant.

Article 7: The Company shall establish an internal audit department to oversee and monitor the accuracy and completeness of the Company's financial information and the establishment and implementation of internal control systems. The internal audit department shall be responsible to the audit committee and report to the audit committee.

Article 8: The audit department shall be staffed with full-time personnel who possess the professional qualifications necessary to perform audit work. The Company shall strictly adhere to the recruitment standards for internal audit personnel and support and ensure that the internal audit department conducts continuing education through various channels to enhance the professional competence of its personnel. The head of the internal audit department shall have a background in auditing, accounting, economics, law, or management.

Article 9: The head of the internal audit department must be full-time and shall be nominated by the audit committee and appointed by the board of directors. The Company shall disclose to the public the education, professional titles, work experience, and any related relationships with

the Company's controlling shareholder and actual controller of the head of the internal audit department.

Article 10: The internal audit department shall maintain its independence and shall not be under the leadership of the finance department or share office space with the finance department.

Article 11: All internal departments, subsidiaries, and significant equity joint ventures of the Company shall cooperate with the internal audit department in the performance of its duties in accordance with the law and shall not obstruct the work of the internal audit department.

Article 12: Internal audit personnel shall adhere to the principle of seeking truth from facts, be loyal to their duties, independent, objective, fair, honest, and confidential; they shall not abuse their power, engage in malpractices, or neglect their duties. Internal audit personnel who have a vested interest in the audit matters or the audited entities shall recuse themselves.

Chapter 3 Responsibilities and Overall Requirements

Article 13: Audit Committee Responsibilities

When guiding and supervising the internal audit department, the audit committee shall perform the following primary duties:

(1) Guide and supervise the establishment and implementation of the internal audit system.

Hold a meeting at least once a quarter to review the work plans and reports submitted by the internal audit department.

(2) Report to the board of directors at least once a quarter, including but not limited to the progress, quality, and significant issues found in the internal audit work.

(3) Coordinate the relationship between the internal audit department and external audit entities such as accounting firms and national audit institutions.

Article 14: Internal Audit Department Responsibilities

The internal audit department shall perform the following primary duties:

(1) Examine and evaluate the completeness and reasonableness of the internal control systems of the Company's internal departments, subsidiaries, and significant equity joint ventures, and the effectiveness of their implementation.

(2) Audit the accounting records and other relevant economic data of the Company's internal departments, subsidiaries, and significant equity joint ventures, as well as the legality, compliance, authenticity, and completeness of the financial revenues and expenditures and related economic activities reflected therein, including but not limited to financial reports, quick reports, and voluntarily disclosed forward-looking financial information.

(3) Assist in establishing and improving anti-fraud mechanisms, identifying key areas, critical links, and major content of anti-fraud, and paying reasonable attention to and examining potential fraudulent activities during the internal audit process.

Report to the audit committee at least once a quarter, including but not limited to the implementation of the internal audit plan and the problems found in the internal audit work.

Article 15: Internal Audit Work Plans and Reports

The internal audit department shall submit an annual internal audit work plan to the audit committee at least two months before the end of each fiscal year, and an annual internal audit work report to the audit committee at least two months after the end of each fiscal year.

The internal audit department shall include important matters such as external investments, the purchase and sale of assets, external guarantees, related party transactions, the use of raised funds, and information disclosure as essential content of the annual work plan.

Article 16: Audit Scope and Focus

The internal audit department shall conduct audits based on business processes and, based on the actual situation, evaluate the reasonableness of the design and effectiveness of internal controls related to financial reporting and information disclosure matters.

Article 17: Audit Coverage

Internal audits shall cover all business processes related to financial reporting and information disclosure in the Company's operations, including but not limited to: sales and collections, purchasing and payments, inventory management, fixed asset management, fund management, investment and financing management, human resources management, information system management, and information disclosure management. The internal audit department may adjust the above business processes based on the industry and production and operation characteristics of the Company.

Article 18: Audit Evidence

Audit evidence obtained by internal audit personnel shall be sufficient, relevant, and reliable.

Internal audit personnel shall clearly and completely record the name, source, content, and time of obtaining audit evidence in the working papers.

Article 19: Working Papers

Internal audit personnel shall prepare and review audit working papers in accordance with relevant regulations, and shall classify and archive the audit working papers in a timely manner after the completion of the audit project. The internal audit department shall establish a confidentiality system for working papers and an archive management system, and the retention period for internal audit reports, working papers, and related materials shall be no less than 10 years.

Chapter 4: Specific Implementation

Article 20: Internal audit department shall implement appropriate review procedures as per relevant regulations to evaluate the effectiveness of the company's internal control and submit an internal control evaluation report to the audit committee at least annually. The evaluation report shall specify the purpose and scope of the review and evaluation of internal control, as well as the review conclusions and recommendations for improving internal control.

Article 21: The scope of internal control review and evaluation shall include the establishment and implementation of internal control systems related to financial reporting and information disclosure matters. The internal audit department shall focus on the completeness, reasonableness, and effectiveness of the implementation of internal control systems related to

external investments, the purchase and sale of assets, external guarantees, related party transactions, the use of raised funds, and information disclosure matters.

Article 22: For any internal control deficiencies identified during the review process, the internal audit department shall urge the relevant responsible departments to formulate corrective measures and set deadlines for rectification, and conduct follow-up reviews of internal control to monitor the implementation of corrective measures. The head of the internal audit department shall arrange follow-up reviews of internal control in a timely manner and include them in the annual internal audit work plan.

Article 23: If the internal audit department finds any significant deficiencies or significant risks in internal control during the review process, it shall report them to the audit committee in a timely manner. If the board of directors or audit committee believes that there are significant deficiencies or significant risks in the company's internal control, the board of directors shall report to the Shenzhen Stock Exchange and disclose it in a timely manner. The company shall disclose in the announcement the significant deficiencies or significant risks in internal control, the consequences that have already occurred or may occur, and the measures that have been or will be taken.

Article 24: The internal audit department shall conduct audits promptly after significant external investment matters occur. When auditing external investment matters, the following matters shall be focused on:

- (1) Whether the external investment has gone through the approval procedures in accordance with relevant regulations;
- (2) Whether a contract has been signed in accordance with the approved content, and whether the contract is being performed normally;
- (3) Whether a specific person or a special institution has been assigned to study and evaluate the feasibility, investment risks, and investment returns of major investment projects, and to monitor the progress of major investment projects;
- (4) For matters involving entrusted financial management, it should be noted whether the company has authorized individual directors or the management to approve entrusted financial management, whether the trustee has a good credit record, operating condition, and financial condition, and whether a specific person has been assigned to track and monitor the progress of entrusted financial management;
- (5) For matters involving securities investment, it should be noted whether the company has established a special internal control system for securities investment, whether the investment scale affects the normal operation of the company, whether the funds come from its own funds, whether the investment risk exceeds the company's tolerance range, whether other people's accounts are used or funds are provided to others for securities investment, and whether independent directors and sponsors have expressed their opinions.

Article 25: The internal audit department shall conduct audits promptly after significant asset purchase or sale transactions occur. When auditing asset purchase or sale transactions, the following matters shall be focused on:

- (1) Whether the purchase or sale of assets has gone through the approval procedures in accordance with relevant regulations;
- (2) Whether a contract has been signed in accordance with the approved content, and whether the contract is being performed normally;
- (3) Whether the operating condition of the purchased assets is consistent with expectations; Whether there are any guarantees, mortgages, pledges, or other restrictions on the transfer of the purchased assets, and whether there are any lawsuits, arbitrations, or other major disputes involved.

Article 26: The internal audit department shall conduct audits promptly after significant external guarantee matters occur. When auditing external guarantee matters, the following matters shall be focused on:

- (1) Whether the external guarantee has gone through the approval procedures in accordance with relevant regulations;
- (2) Whether the guarantee risk exceeds the company's tolerance range, and whether the guarantor has a good credit record, operating condition, and financial condition;
- (3) Whether the guarantor provides counter-guarantees, and whether the counter-guarantees are feasible;
- (4) Whether independent directors and sponsors have expressed their opinions;
- (5) Whether a specific person has been assigned to continuously monitor the operating condition and financial condition of the guarantor.

Article 27: The internal audit department shall conduct audits promptly after significant related party transactions occur. When auditing related party transactions, the following matters shall be focused on:

- (1) Whether a list of related parties has been determined and updated in a timely manner;
- (2) Whether the related party transactions have gone through the approval procedures in accordance with relevant regulations, and whether related shareholders or directors have abstained from voting when deliberating on related party transactions;
- (3) Whether independent directors have given prior approval and expressed independent opinions, and whether sponsors have expressed their opinions;
- (4) Whether a written agreement has been signed for the related party transaction, and whether the rights, obligations, and legal liabilities of both parties to the transaction are clear; Whether there are any guarantees, mortgages, pledges, or other restrictions on the transfer of the transaction subject matter, and whether there are any lawsuits, arbitrations, or other major disputes involved;
- (5) Whether the counterparty has a good credit record, operating condition, and financial condition;
- (6) Whether the pricing of related party transactions is fair, whether the transaction subject matter has been audited or evaluated in accordance with relevant regulations, and whether the related party transaction will infringe on the interests of the listed company.

Article 28: The internal audit department shall audit the placement and use of raised funds at least once per quarter and express an opinion on the authenticity and compliance of the use of raised funds. When auditing the use of raised funds, the following matters shall be focused on:

- (1) Whether the raised funds are centrally managed in a special account as decided by the board of directors, and whether the company has signed a tripartite supervision agreement with the commercial bank where the raised funds are placed and the sponsor;
- (2) Whether the raised funds are used in accordance with the investment plan for raised funds as promised in the issuance application document, whether the investment progress of the raised funds projects is in line with the planned progress, and whether the investment returns are in line with expectations;
- (3) Whether the raised funds are used for pledging, entrusted loans, or other investments that disguise the use of raised funds, and whether there is any occupation or misappropriation of raised funds;
- (4) In the event of replacing the company's own funds that have been previously invested in raised funds projects with raised funds, temporarily supplementing working capital with idle raised funds, or changing the investment destination of raised funds, whether the approval procedures and information disclosure obligations have been fulfilled in accordance with relevant regulations, and whether independent directors, the supervisory board, and sponsors have expressed their opinions in accordance with relevant regulations.

Article 29: The internal audit department shall audit the quick report before it is disclosed to the public. When auditing the quick report, the following matters shall be focused on:

- (1) Whether the applicable accounting standards and relevant regulations have been complied with;

- (2) Whether the accounting policies and accounting estimates are reasonable and whether there have been any changes;
- (3) Whether there are any significant unusual items;
- (4) Whether the going concern assumption is met;
- (5) Whether there are any significant deficiencies or significant risks in internal controls related to financial reporting.

Article 30: When reviewing and evaluating the establishment and implementation of the information disclosure management system, the internal audit department shall focus on the following matters:

- (1) Whether the company has formulated information disclosure management systems and related systems in accordance with relevant regulations, including information disclosure management and reporting systems for various internal institutions, subsidiaries, and significant equity joint ventures;
- (2) Whether the scope and content of material information, as well as the process of transmitting, reviewing, and disclosing material information, have been clearly defined;
- (3) Whether confidentiality measures have been formulated for undisclosed material information, and whether the scope and confidentiality responsibilities of insiders have been clearly defined;
- (4) Whether the rights and obligations of the company, its directors, supervisors, senior management, shareholders, actual controllers, and other relevant information disclosure obligors in information disclosure matters have been clearly defined;

- (5) If the company, controlling shareholder, and actual controller have made public commitments, whether the company has assigned a specific person to track the fulfillment of the commitments;
- (6) Whether the information disclosure management system and related systems have been effectively implemented.

Chapter 5: Audit Procedures

Article 31: Daily Work Procedures of Internal Audit:

- (1) Preparation of Audit Work Plan: Based on the deployment of the board of directors, an audit work plan is prepared and submitted to the audit committee of the board for approval before formulating the audit plan.
- (2) Determination of Audit Subjects and Methods: The audit subjects and methods are determined.
- (3) Issuance of Audit Notification: Three days prior to the audit, a written audit notification is issued to the audited entity. Special audits approved by the board of directors are not included.
- (4) Audit Procedures: During the audit, auditors conduct careful and detailed investigations and inquiries into the relevant materials of the audited entity, prepare working papers, maintain audit records, and collect valid evidence.
- (5) Feedback on Audit Findings: Any problems found during the audit shall be promptly reported to the audited entity with improvement suggestions. Upon completion of the audit, a written audit report shall be prepared and submitted to the board of directors.

(6) Approval of Major Audit Decisions: The board of directors must approve any major decisions made regarding audit matters. The audited entity must implement the approved decisions.

(7) Appeals: If the audited entity has any objections to the audit decisions, it may submit a written appeal to the chairman within one week of receiving the decision. The chairman shall make a decision or submit the matter to the board of directors for deliberation within fifteen days of receiving the appeal. For inappropriate decisions, the audit department shall review them and, upon confirmation by the audit committee, request the chairman or the board of directors to correct them. The original audit decision shall be implemented during the appeal period. In special circumstances, the chairman may approve a suspension of execution.

(8) Follow-up Audits: Follow-up audits shall be conducted as needed.

Chapter 6: Information Disclosure

Article 32: The audit committee shall, based on the evaluation report and relevant materials issued by the internal audit department, issue an annual self-assessment report on the establishment and implementation of the internal control system related to financial reporting and information disclosure matters. The internal control self-assessment report shall at least include the following:

- (1) A statement by the board of directors on the authenticity of the internal control report;
- (2) The overall situation of the internal control evaluation work;
- (3) The basis, scope, procedures, and methods of the internal control evaluation;
- (4) Internal control deficiencies and their identification;
- (5) The rectification of internal control deficiencies in the previous year;

- (6) Corrective measures to be taken for internal control deficiencies in the current year;
- (7) Conclusions on the effectiveness of internal control. The board of directors shall make a resolution on the internal control self-assessment report when deliberating on the annual report. The supervisory board and independent directors shall express their opinions on the internal control self-assessment report, and the sponsor shall verify the internal control self-assessment report and issue a verification opinion.

Article 33: Concurrently with engaging an accounting firm for annual audits, the company shall, at least once every two years, require the accounting firm to issue an internal control attestation report on the effectiveness of the company's internal control related to financial reporting. Exceptions shall be made for any additional regulations of the Shenzhen Stock Exchange.

Article 34: If the accounting firm issues a non-standard audit report, a qualified opinion, or a negative opinion on the effectiveness of the company's internal control, or points out that there are significant deficiencies in the company's non-financial reporting internal control, the board of directors and the supervisory board shall make a special statement on the matters involved in the attestation conclusion. The special statement shall at least include the following:

- (1) The basic situation of the matters involved in the attestation conclusion;
- (2) The extent to which the matter affects the effectiveness of the company's internal control;
- (3) The opinions of the board of directors and the supervisory board on the matter;
- (4) Specific measures to eliminate the matter and its impact.

Article 35: The company shall disclose the internal control self-assessment report and the internal control attestation report issued by the accounting firm (if any) on the designated website at the same time as the annual report is disclosed.

Chapter 7: Supervision and Management

Article 36: The company shall establish an incentive and restraint mechanism for the internal audit department, supervise and evaluate the work of internal auditors to assess their performance. If any major problems are found in the internal audit work, the company shall, in accordance with relevant regulations, hold the relevant responsible persons accountable, deal with them, and report the matter to the Shenzhen Stock Exchange in a timely manner.

Chapter 8: Supplementary Provisions

Article 37: The Board of Directors shall be responsible for the interpretation and amendment of these regulations.

Article 38: These regulations shall come into force upon approval by the Board of Directors.

Ninestar Corporation

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