

# **Ningbo Shanshan Co., Ltd.**

## **Announcement on Re-engagement of the Accounting Firm**

### **Important Content Notice:**

- Name of the accounting firm to be engaged: BDO China Shu Lun Pan Certified Public Accountants LLP

### **I. BASIC INFORMATION ON THE ACCOUNTING FIRM TO BE ENGAGED**

#### **(I) Information about the Institution**

##### **1. Basic information**

Founded by Dr. ShuLun Pan in Shanghai in 1927, BDO China Shu Lun Pan Certified Public Accountants LLP (hereinafter referred to as “**Shu Lun Pan CPAs**”) was re-established in 1986 and became the first special general partnership accounting firm in China to be restructured in 2010 with the registration address in Shanghai. The chief partner is Mr. Zhu Jiandi. Shu Lun Pan CPAs is a member firm of the international accounting network of BDO, it has been engaged in securities service business for a long time and held securities and futures business licenses before the implementation of the New Securities Law. It has auditing qualification for H-shares, and has been registered with the American Public Company Accounting Oversight Board (PCAOB).

As of the end of 2022, Shu Lun Pan CPAs had 267 partners, 2,392 certified public accountants and a total of 10,620 practitioners, including 674 certified public accountants who had signed audit reports on securities service business.

Shu Lun Pan CPAs’s business income in 2022 (unaudited) was RMB4.523 billion, of which income from audit business was RMB3.429 billion and income from securities business was RMB1.565 billion.

In 2022, Shu Lun Pan CPAs has provided annual report audit services to 646 listed companies for total audit fees amounting to RMB719 million. Shu Lun Pan CPAs has 57 audit clients of listed companies in the same industry of the Company.

##### **2. Investor protection capability**

As of the end of 2022, Shu Lun Pan CPAs had drawn down an occupational risk fund of RMB161 million and purchased occupational insurance with an accumulated limit of RMB1.25 billion, and the relevant occupational insurance is able to cover civil liability for compensation arising from audit failures.

Details that Shu Lun Pan CPAs has been required to bear any civil liabilities due to civil litigation related to its practice in the past three years are as follows:

Plaintiff / claimant	Defendant / respondent	Litigation / arbitration	Amount involved	Outcome
Investors	Geeya Technology, Zhou Xuhui and Shu Lun Pan CPAs	2014 Annual Report	RMB45 million (estimated)	Joint liability. The occupational insurance purchased by Shu Lun Pan CPAs is sufficient to cover the compensation amount and the obligations stipulated in the effective judgments have been fulfilled.
Investors	Protruly, Northeast Securities, Yinxin Appraisal, Shu Lun Pan CPAs, etc.	2015 Reorganization, 2015 Annual Report and 2016 Annual Report	RMB0.8 million	The first instance judgment ruled that Shu Lun Pan CPAs should assume the supplementary compensation liability for 15% of the debts owed by Protruly to investors due to misrepresentation of securities during the period from 30 December 2016 to 14 December 2017. The occupational insurance purchased by Shu Lun Pan CPAs is sufficient to cover the compensation amount.
Investors	Xinyi Shares (新亿股份), Shu Lun Pan CPAs, etc.	Annual Report	RMB174,300	Having been heard by the court, pending judgement. The occupational insurance purchased by Shu Lun Pan CPAs is sufficient to cover the compensation amount.
Investors	Bobaolon, Shu Lun Pan CPAs, Guosen Securities, Zhongxingcai Guanghua, Shu Jin Law Firm, etc.	IPO and Annual Report	no statistics	Pending hearing. The occupational insurance purchased by Shu Lun Pan CPAs is sufficient to cover the compensation amount.
Investors	Longlive Bio, Hua Ying Securities, Shu Lun Pan CPAs, etc.	Annual Report	no statistics	Pending hearing. The occupational insurance purchased by Shu Lun Pan CPAs is sufficient to cover the compensation amount.
Investors	Sino Great	Annual Report	no statistics	Pending judgement. The

Plaintiff / claimant	Defendant / respondent	Litigation / arbitration	Amount involved	Outcome
	Wall, Chen Lue, Li Erlong, Shu Lun Pan CPAs, etc.			occupational insurance purchased by Shu Lun Pan CPAs is sufficient to cover the compensation amount.

### 3. Integrity record

In the past three years, Shu Lun Pan CPAs was subject to 0 criminal penalties, 2 administrative penalties, 30 supervision and administration measures, 0 self-regulatory measures, and 2 disciplinary sanctions due to its practice, involving 82 practitioners.

#### (II) Project Information

##### 1. Basic information

Project	Name	CPA practice time	Commencement of auditing listed companies	Commencement of practice with this firm	Commencement of providing audit service for the Company
Project partner	Qiao Qi	1999	1999	2002	2022
Signing CPA	Yu Chunyi	2015	2015	2015	2023
Quality control reviewer	Wang Xu	2005	2005	2005	2023

(1) Project partners' practice in the past three years:

Name: Qiao Qi

Time	Name of the listed company	Position
2022	Bestechnic (Shanghai) Co., Ltd.	Project partner
2022	Beijing Ultrapower Software Co., Ltd.	Project partner
2022	Maxscend Microelectronics Company Limited	Project partner
2022	Motorcomm Electronic Technology Co., Ltd.	Project partner
2022	Ningbo Shanshan Co., Ltd.	Project partner
2022	Shanghai Anlu Information	Project partner

<b>Time</b>	<b>Name of the listed company</b>	<b>Position</b>
	Technology Co., Ltd.	

(2) Signing CPA's practice in the past three years:

Name: Yu Chunyi

<b>Time</b>	<b>Name of the listed company</b>	<b>Position</b>
2020-2022	Hunan Shanshan Energy Technology Co., Ltd.	Signing CPA

(3) Quality control reviewer's practice in the past three years:

Name: Wang Xu

<b>Time</b>	<b>Name of the listed company</b>	<b>Position</b>
2020-2021	Longyuan Construction Group Co. Ltd.	Project partner
2020	Shanghai Medicilon Inc.	Project partner
2020-2021	Jiangsu Hanvo Safety Product Co., Ltd.	Project partner
2020-2022	Shanghai HYP-ARCH Architectural Design Consultant Co., Ltd.	Project partner
2020-2022	Jiangsu Haili Wind Power Equipment Technology Co., Ltd.	Project partner
2020-2022	Jiangsu Times Textile Technology Co., Ltd.	Project partner
2020-2021	Jiangsu Canopus Wisdom Medical Technology Co., Ltd.	Project partner
2020	Jiangxi Synergy Pharmaceutical Co., Ltd.	Project partner
2020-2022	Shanghai Huide Science & Technology Co., Ltd.	Project partner
2022	Anxin Trust Co., Ltd.	Project partner
2020-2021	Inner Mongolia M-Grass Ecology and Environment (Group) Co., Ltd.	Quality control reviewer
2020	Sino Prima Gas Technology Co., Ltd.	Quality control reviewer

<b>Time</b>	<b>Name of the listed company</b>	<b>Position</b>
2020-2021	Shanghai Sanyou Medical Co., Ltd.	Quality control reviewer
2020-2022	Sichuan Hezong Medicine Easy-to-buy Pharmaceutical Co., Ltd.	Quality control reviewer
2020-2022	Sichuan Goldstone Asia Pharmaceutical Inc.	Quality control reviewer
2020-2022	Shanghai Xinnanyang Only Education & Technology Co., Ltd.	Quality control reviewer
2020-2022	Shenzhen Hongfuhan Technology Co. Ltd.	Quality control reviewer
2022	Sichuan Huiyuan Optical Communications Co.,Ltd.	Quality control reviewer

## **2. Independence and integrity record of project team members**

There is no breach of the independence requirement under the Code of Ethics for Certified Public Accountants of PRC by the project partner, signing CPA and quality control reviewer.

The above personnel had no adverse record in the past three years.

## **3. Audit fees**

Accounting audit fees and internal control audit fees for the year 2022 are RMB3 million and RMB1 million respectively, as compared to RMB3 million and RMB1 million for the year 2021.

Audit fees of the accounting firm are based primarily on the responsibilities and expertise required of the professional service providers, taking into account the experience and the level of fee-earners involved, as well as the amount of time invested in the work. Proposals will be proposed by the Company at the General Meeting to authorize the Board of Directors to determine accounting audit fees and internal control audit fees for the year 2023 in accordance with the audit work carried out by Shu Lun Pan CPAs in 2023 and the relevant market rates.

## **II. PROCEDURES TO BE FULFILLED BY THE PROPOSED RE-ENGAGEMENT OF ACCOUNTING FIRM**

### **(I) Performance of the Audit Committee**

Having carefully reviewed the relevant qualifications of Shu Lun Pan CPAs and information about the institution and project members, tracked and summarized the audit work carried out by Shu Lun Pan CPAs for the year 2022, the Audit Committee of the Board

of Directors of the Company considered that: Shu Lun Pan CPAs has sufficient independence, integrity and investor protection capability to provide audit services to the Company. In the process of providing audit services for the Company in 2022, Shu Lun Pan CPAs performed its duties and strictly complied with auditing standards of independence, objectivity and impartiality and ethical requirements, and completed the audit of 2022 financial accounting report and other work assigned by the Company. As Shu Lun Pan CPAs has professional capacity to satisfy the Company's auditing needs, it is proposed to re-engage Shu Lun Pan CPAs as the auditor of the Company for the year 2023.

**(II) Prior Approval and Independent Opinions of the Independent Directors**

Mr. Zhang Chunyi, Mr. Xu Yanxiu, Mr. Qiu Bin and Mr. Zhu Jingtao, the independent directors of the Company, expressed prior approval and independent opinions on the re-engagement of accounting firm as follows:

1. Shu Lun Pan CPAs holds audit qualifications in securities and futures related business. In the process of providing audit services for the Company in 2022, Shu Lun Pan CPAs performed its duties and strictly complied with auditing standards of independence, objectivity and impartiality and ethical requirements, and completed the audit of 2022 financial accounting report and other work assigned by the Company. We believe that Shu Lun Pan CPAs has the professional qualifications, experience and competence to provide audit services for listed companies and can satisfy the quality demand for the Company's audit in 2023;

2. It is agreed to the "Proposal in relation to the re-engagement of BDO China SHU LUN PAN Certified Public Accountants LLP as the accounting auditor of the Company for 2023" and the "Proposal in relation to the re-engagement of BDO China SHU LUN PAN Certified Public Accountants LLP as the internal control auditor of the Company for 2023" by the Board of Directors, and agree to submit to the General Meeting of the Company for consideration.

**(III) Consideration and Voting of the Board of Directors**

The 41st meeting of the tenth session of the Board of Directors of the Company considered and approved the "Proposal in relation to the re-engagement of BDO China SHU LUN PAN Certified Public Accountants LLP as the accounting auditor of the Company for 2023" and the "Proposal in relation to the re-engagement of BDO China SHU LUN PAN Certified Public Accountants LLP as the internal control auditor of the Company for 2023" with 11 affirmative votes, 0 dissenting vote, 0 abstaining vote and 0 avoiding vote.

**(IV) Effective Date**

The re-engagement of accounting firm is subject to be submitted to the 2022 Annual General Meeting of the Company for consideration, and will be effective from the date of approval by the 2022 Annual General Meeting of the Company.

It is hereby announced.

The Board of Directors of Ningbo Shanshan Co., Ltd.

19 April 2023