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Fusen Pharmaceutical Company Limited

福森藥業有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1652)

SUPPLEMENTAL ANNOUNCEMENT CHANGE OF AUDITOR

Reference is made to the announcement of Fusen Pharmaceutical Company Limited (the “**Company**”, and its subsidiaries, the “**Group**”) dated 24 December 2025 in relation to the change of auditor of the Company (the “**Announcement**”). Unless otherwise specified, capitalised terms herein shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, as the Board and KPMG could not reach a consensus on the proposed audit fee of the consolidated financial statements of the Group for the financial year ending 31 December 2025 (“**FY2025**”), the Board resolved, with the recommendation of the Audit Committee, to appoint CCTH as the auditor of the Company with effect from 24 December 2025, to fill the casual vacancy following the resignation of KPMG and to hold office until the conclusion of the next annual general meeting of the Company. The Company wishes to provide the Shareholders and potential investors of the Company with supplemental information in relation to the Announcement.

CHRONOLOGY OF EVENTS LEADING TO THE CHANGE OF AUDITOR

The chronology of key events leading to the change of auditor of the Company is as follows:

Date/Period	Events
July 2025	Discussions in relation to audit planning, audit scope and audit fee with KPMG for FY2025 commenced, during which KPMG initiated discussions on a proposed increase in the audit fee, outlining the qualitative bases for the proposed increase (as detailed below).

Date/Period	Events
3 December 2025	Based on the aforementioned discussions between the Company and KPMG, KPMG proposed a verbal fee quote to the Company for consideration, to which the Company verbally indicated to KPMG that such fee quote was not acceptable.
14 December 2025	KPMG sent the Company a written fee proposal by email, setting out the same proposed audit fee of RMB4,500,000 and the qualitative bases for the proposed audit fee. The Company again indicated that such fee quote was not acceptable.
3–16 December 2025	<p data-bbox="523 606 1449 819">(i) Given the timing and the need to ensure completion of the Company’s audit for FY2025 (the “FY2025 Audit”) in accordance with the applicable reporting timetable, the management of the Company (the “Management”) approached three audit firms (including KPMG) and obtained their respective audit proposals and fee quotations.</p> <p data-bbox="523 861 1449 961">(ii) Management collated such audit proposals and supporting materials, and provided them to the Audit Committee on 16 December 2025 for consideration and follow-up actions.</p>
16 December 2025	<p data-bbox="523 1004 1449 1330">The Chairman of the Audit Committee, Mr. Lee Kwok Tung Louis, discussed with KPMG (without the Management present) their proposed audit fee and intention to resign if no consensus could be reached on the audit fee, so as to understand the circumstances leading to the potential resignation and to confirm whether there were any unresolved audit issues or disagreements beyond the audit fee matter. KPMG confirmed that there were no other reasons for the proposed resignation other than the audit fee matter.</p> <p data-bbox="523 1372 1449 1508">The Audit Committee considered and discussed the audit proposals from the other audit firms, including their proposed audit plan, timetable, staffing arrangement, independence and competence.</p>

Date/Period	Events
24 December 2025	<p>(i) Having assessed CCTH’s suitability, timetable and proposed resources, the Audit Committee recommended the appointment of CCTH as the auditors of the Company.</p> <p>(ii) KPMG tendered its resignation letter to the Company and provided its clearance letter addressed to CCTH. Management forwarded the relevant documents to the Audit Committee.</p> <p>(iii) The Board approved the appointment of CCTH as the Company’s auditor (following the Audit Committee’s recommendation).</p> <p>(iv) The Company published the announcement regarding the resignation of KPMG and the appointment of CCTH on 24 December 2025.</p>

AUDIT FEE AND PLAN

The audit fee for FY2025 proposed by KPMG was RMB4.5 million (“**KPMG Audit Fees**”), and the audit fee for FY2025 agreed with CCTH was HK\$3 million (“**CCTH Audit Fees**”).

Details and basis of KPMG Audit Fees

Based on the above chronology of events, while the framework of KPMG Audit Fees was prepared based its historical audit approach consistent with Hong Kong Standards on Auditing (“**HKSAs**”) as issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) in its previous audits, KPMG had raised certain qualitative factors as bases of its increase in audit fees for the FY2025 Audit, details of which are as follows:

Basis of the KPMG Audit Fees proposed:	<p>Supply of professional resources and staff costs: The proposed increase in KPMG Audit Fees was due to their tighter supply of professional resources and increased staff costs. In addition, as a response to the tighter regulatory requirements and complexity of the Group’s business operations (as outlined below), KPMG would need to allocate more senior staff, provide more senior staff involvement and internal review layers, and to devote more audit hours from all staff to ensure the audit work is planned, executed and documented to the requisite expected standard.</p> <p>Stringent regulatory requirements: with reference to a more stringent regulatory environment, listed issuer audits are subject to increased regulatory scrutiny, leading to more enhanced review processes in response. This in turn affects the extent of work, the review process and the time required in order for KPMG to complete listed issuer audits to the expected standard.</p>
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Complexity in the Group’s business operations: In relation to the Company, KPMG further explained that, for the FY2025 Audit, the perceived increase in audit workload and complexity was driven primarily by the need to devote additional effort to audit planning and procedures in areas affected by the Company’s business developments during 2025, including:

- (i) Revenue and sales arrangements: increased work to understand and test revenue recognition and cut-off in light of the expanded distribution network, increased transaction volume, wider geographic coverage and more complex sales/distribution arrangements;
- (ii) Trade receivables and collection patterns: increased confirmation and alternative procedures, and assessment of impairment provisioning, given the increased number of customers and the broader spread of receivable balances; and
- (iii) Disposal Transaction: additional procedures to audit the transactions contemplated under the discloseable transaction in relation to the disposal of the entire equity interest in Henan Fusen Intelligent Energy Conservation Technology Company Limited (the details of which are outlined in the Company’s announcement dated 22 September 2025), including verifying key terms and commercial substance, assessing the accounting treatment and disclosure, and the impact on the consolidation scope and related financial statement presentation.

Timetable:

The audit timetable proposed by KPMG will draw reference to their previous audit work for the Company, which typically commenced around mid-December of the relevant calendar year until end of March of the following calendar year.

Staff allocation and seniority:

The audit team composition will draw reference to KPMG’s previous audit work conducted for the Company, which comprised:

- two Partners who determine the overall engagement direction and final review
- two Managers who are responsible for planning, supervision and resolving complex technical matters in relation to the audit
- around five to seven Associates who are responsible for the execution of substantive procedures, testing and audit documentation

Details and basis of CCTH Audit Fees

The CCTH Audit Fees were prepared based on a risk-based audit approach consistent with HKSAAs as issued by the HKICPA, as well as the Hong Kong Quality Management Standards.

Such audit fee covers all phases of the audit, including pre-year-end planning, fieldwork, substantive testing, review, and completion and reporting procedures. The Audit Committee has reviewed and is satisfied with CCTH's planned timetable and team composition, details of which are as follows:

- Basis of the CCTH Audit Fees:
- The audit fee of HK\$3 million is determined by CCTH's risk-based audit approach consistent with HKSAAs, with a focus on the following:
- **Materiality:** audit materiality to be applied in planning and performing the Company's audit, having regard to the HKSA 320;
 - **Internal Control:** to observe and understand the Company's business and operating environment, as well as its internal control measures, to identify and assess risks of material misstatements in its audit, having regard to the HKSA 315;
 - **Analytical Procedures:** to conduct analytical review procedures of the consolidated financial statements of the Group, and to identify key risk areas requiring special audit attention, having regard to the HKSA 520;
 - **Initial Audit:** to conduct initial audit engagement with respect to opening balances in accordance with the HKSA 510, whereby sufficient audit evidence shall be obtained in determining whether opening balances contain misstatements that materially affect the current financial statements. Such initial audit shall include (i) conducting current inventory count and the relevant reconciliation procedures; (ii) obtaining third-party confirmations; (iii) verification of receipts on account receivables/payables subsequent to opening balances; (iv) reviewing on fair value; and (v) reviewing consistency of the Company's accounting policies; and
 - **Inventory Count:** inventory count to cover the Group's plants and machinery, cash, inventories and other fixed assets to be conducted.

The audit procedures are designed around the Group's risk profile based on the above audit approach, focusing on key audit matters such as revenue and trade receivables (including impairment assessments), impairment assessment of interest in associate of the Group, and research and development expense recognition, together with consolidation mechanics, disclosures and going-concern at a Group level.

Timetable:

- Late December 2025–early January 2026: conduct physical counts of inventory, fixed assets, and cash.
- Early January 2026–late February 2026: obtain consolidated financial statements from the Company, conduct on-site audit fieldwork, perform substantive audit procedures and the audit of opening balances, and to arrange for bank and third-party confirmations.
- Early–mid March 2026: finalise audit adjustments, review audit results, conduct financial analytical review analysis, and review the consolidated financial statements, draft audit opinion and reports.
- Mid–late March 2026: complete draft financial statements, and conduct Technical and EQCR review of the consolidated financial statements.
- 31 March 2026: report audit results, findings and audit opinions to the Audit Committee during the audit completion meeting; the Company issues the annual results announcement for the year ended 31 December 2025.

Staff allocation and seniority:

The audit work will be conducted and delivered by a team of 11 members, comprising:

- One Engagement Partner who determines overall engagement direction and final review
- One Engagement Quality Control Reviewer who is responsible for conducting independent quality review
- One Technical Reviewer, one Senior Manager and one Manager who are responsible for planning, supervision and resolving complex technical matters in relation to the audit
- Two Senior Associates and four Associates who are responsible for the execution of substantive procedures, testing and audit documentation

By geographical location:

Given the Group only has one reportable business segment and its operating activities are primarily carried out in the PRC, the audit focuses on PRC operating entities for transaction-level testing and conducting on-site procedures, while Hong Kong will serve as the focal point for information management and consolidation for governance, financial reporting and the relevant disclosures.

FACTORS CONSIDERED ON THE CHANGE OF AUDITOR

The Audit Committee is primarily responsible for recommending to the Board on the appointment and removal of auditors, having regard to code provision D.3.3(a) of the Corporate Governance Code, Appendix C1 to the Listing Rules (“**Corporate Governance Code**”). To this end, the Audit Committee has (i) considered major factors underlying the difference between KPMG and CCTH Audit Fees; and (ii) assessed the independence, competence and capability of CCTH to perform high quality audits of the Company, with regard to section 2 of the Guidelines for Effective Audit Committee — Selection, Appointment and Reappointment of Auditors (the “**Guide**”) issued by the Accounting and Financial Reporting Council (“**AFRC**”).

Major factors underlying differences between KPMG and CCTH Audit Fees

In assessing the KPMG Audit Fees and CCTH Audit Fees, the Audit Committee identified that the difference in their audit fees arose mainly from how each firm planned to allocate staff and deliver the FY2025 Audit, and the related assumptions on time, senior staff involvement and internal review needed for the engagement, having regard to the audit scope and execution requirements. In this regard, the KPMG Audit Fees was framed by reference to their internal cost and delivery considerations (including the level of senior staff involvement and quality review expected for the engagement), while the CCTH Audit Fees was determined by reference to the allocated resources, team structure and timetable described in its audit plan.

Audit Committee’s assessment on CCTH

In discharging its duty under the Corporate Governance Code, the Audit Committee treated audit quality as the overriding consideration and considered the audit fee level alongside the proposed audit scope, timetable and resources. In particular, the Audit Committee reviewed and discussed with CCTH its audit proposal and engagement terms, including the proposed audit approach, timetable and staffing arrangement, and formed the view that the proposed audit team (including adequate senior staff supervision) has sufficient capacity to complete the FY2025 Audit within the required reporting timetable.

The Audit Committee has considered the following as part of its assessment of CCTH's independence, competence and capability to perform high quality audits as set out in paragraph 2.2.4 of the Guide:

- (a) Governance and leadership — CCTH has an established presence in the relevant industry, with more than 10 partners and is registered with the AFRC as a public interest entity auditor;
- (b) Compliance and relevant ethical requirements — CCTH is responsible for ensuring compliance with the relevant ethical requirements in accordance with the Code of Ethics for Professional Accountants issued by the HKICPA, in particular provisions related to audits of financial statements of public interest entities;
- (c) Industry knowledge and technical competence — CCTH has demonstrated its technical competence with its credentials as a public interest entity auditor, along with its track record in auditing over 40 listed issuers in Hong Kong, one of which operates in comparable industry as the Group. CCTH has also provided a detailed outline for the Company as part of its submitted audit proposal, demonstrating its comprehensive knowledge of the recent business development, size, complexity and risk profile of the Group. The Audit Committee has also reviewed and discussed with CCTH its proposed audit plan, which sets out the audit coverage, procedures and timetable that is sufficient to perform high-quality audits;
- (d) Engagement performance — CCTH's overall audit approach sets out a clear scope and tailored direction for the FY2025 Audit. Having reviewed its audit approach and profiles of the engagement partner and allocated team members, the Audit Committee is satisfied that the audit engagement team has sufficient resources, expertise and time to perform high-quality audits;
- (e) Communication and interaction with the Audit Committee — the Audit Committee is satisfied with the communication plan between CCTH and the Audit Committee, which takes into account the requirements as set out under HKSA 260 (Revised). The Audit Committee believes that such communication plan will facilitate and maintain effective two-way communication between the Audit Committee and CCTH on audit matters, and to host meetings in compliance with the Corporate Governance Code;
- (f) Monitoring process — to the best knowledge of the Audit Committee, the Audit Committee is not aware of any behavior or activities from CCTH that would threaten the integrity, objectivity and independence, or adversely affect its quality of audit, to the Company; and

- (g) Audit fee proposals — as disclosed above, the Company contacted three audit firms for audit proposals and the Audit Committee considered these proposed audit fees together with their respective audit approaches, scope of work and allocation of audit resources. Having considered the KPMG and CCTH Audit Fees (being RMB4.5 million and HK\$3 million respectively), the background and audit proposal of CCTH, along with the other factors under paragraph 2.2.4 of the Guide, the Audit Committee is satisfied that the CCTH Audit Fees would commensurate with the size of the Group and the complexity of the Group's business, and that CCTH's audit quality will not be compromised by virtue of reduced audit fees.

Accordingly, the Audit Committee is satisfied that CCTH is independent, competent and capable of performing high quality audits as required under paragraph 2.2.4 of the Guide. Further, the Audit Committee is of the view that the proposed audit timetable is reasonable and sufficient for CCTH to complete all necessary audit procedures without compromising audit quality, and that CCTH's committed resources are adequate to achieve the proposed audit timetable.

All other information contained in the Announcement remains unchanged and continues to be valid for all purposes. This announcement is a supplement to and should be read in conjunction with the Announcement.

By Order of the Board
Fusen Pharmaceutical Company Limited
Mr. Cao Zhiming
*Chairman, Chief Executive Officer and
Executive Director*

Hong Kong, 10 April 2026

As at the date of this announcement, the Board of the Company comprises Mr. Cao Zhiming (Chairman), Mr. Hou Taisheng, Mr. Chi Yongsheng and Ms. Meng Qingfen as executive Directors, and Mr. Lee Kwok Tung, Louis, Mr. Yu Ho Ming and Dr. To Kit Wa as independent non-executive Directors.