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Grand Pharmaceutical Group Limited

遠大醫藥集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00512)

PROPOSED CHANGE OF AUDITORS

This announcement is made by the board of directors (the “**Board**”) of Grand Pharmaceutical Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Proposed Change of Auditors

The Board announces that, to support the Group’s overseas expansion strategy, the Board considers this an opportune time to rotate the Company’s external auditors. The Company, upon the recommendation from the audit committee of the Board (the “**Audit Committee**”), proposes to terminate the appointment of the Company’s current auditor, HLB Hodgson Impey Cheng Limited (“**HLB**”) as the auditor of the Company for the year ending 31 December 2026 (the “**Proposed Termination**”) and to appoint Deloitte Touche Tohmatsu (“**Deloitte**”) as the new auditor of the Company for the year ending 31 December 2026 to fill the casual vacancy following the Proposed Termination and to hold office until the conclusion of the next annual general meeting of the Company (the “**Proposed Appointment**”, together with the Proposed Termination, the “**Proposed Change of Auditors**”). The Proposed Change of Auditors is subject to, among other things, the passing of the relevant resolutions at a special general meeting to be convened by the Company (the “**SGM**”).

HLB has confirmed that there are no circumstances regarding the Proposed Termination that require bringing to the attention of the Company’s shareholders (“**Shareholders**”). Neither the Board nor the Audit Committee is aware of any disagreements or unresolved audit matters between the Company and HLB or any other matters relating to the Proposed Termination that should be brought to the attention of the Shareholders. The Board further confirms that, as of the date of this announcement, HLB has not yet commenced the audit of the Group’s consolidated financial statements for the fiscal year ending 31 December 2026. It is expected that the Proposed Change of Auditors will not have any material impact on the annual audit and the release of the annual results of the Group for the fiscal year ending 31 December 2026.

The Board would like to take this opportunity to thank HLB for the services it has provided to the Company over the past years.

Background Information on the Proposed Change of Auditors

At the Company's last annual general meeting held on 5 June 2026, HLB was re-appointed as the Company's auditor for a term ending at the conclusion of the Company's next annual general meeting.

From August to September 2026, while preparing for the annual audit for the year ending 31 December 2026, the Company had discussions with HLB regarding the Group's audit (including the audit arrangements for the fiscal year ending 31 December 2026). In light of the Group's overseas expansion strategy, the Board believes that it is now an appropriate time for the Company to rotate its external auditor. Appointing a larger-scale external auditor with more international networks will enhance audit efficiency and coverage, better meet the Company's future development needs, and help maintain the independence and objectivity of the Company's auditor. Therefore, the Audit Committee believes that the Company may consider other audit firms that better align with the Group's future development needs.

In this regard, the Company has requested an indicative fee proposal and audit timeline from Deloitte. On 20 October 2026, the Audit Committee held a meeting with Deloitte to evaluate its proposed audit plan, qualifications and experience as an auditor for listed companies, its fee proposal, and the projected timeline. Compared to HLB's fee proposal and timeline, Deloitte not only offers comparable audit fees but also provides a more comprehensive scope of financial reporting work, more ample staffing, and more robust support for the audit of overseas operations. This enables the Group to fulfill the required financial reporting and audit procedures in a more cost-effective manner and ahead of the projected timeline. The Audit Committee recognises Deloitte's qualifications to serve as the Company's auditor (including professional expertise, industry knowledge, track record, personnel, and other resources).

After considering the audit fee proposal, estimated team size, and proposed timeline provided by HLB, as well as the Group's financial discipline objectives, and following a careful assessment of, among others, the matters as more particularly set out in the section headed "Evaluation of the Proposed Appointment of Deloitte as the New Auditor" below, the Audit Committee resolved on 20 October 2026, and recommended that the Board approve the Proposed Termination and the Proposed Appointment. Based on the above, the Board held a board meeting on 22 October 2026 to consider the Proposed Change of Auditors to be in the best interest of the Company and its Shareholders as a whole, and resolved to preliminarily approve the Proposed Termination and the Proposed Appointment on the same day.

On 20 October 2026, the Company notified Deloitte that it had been selected as the proposed new auditor, subject to the completion of Deloitte's internal acceptance procedures and the Board's approval. Deloitte promptly commenced its internal acceptance procedures, including independence and conflict-of-interest checks, as well as professional handover procedures with HLB. On 22 October 2026, the Company notified Deloitte that their appointment was approved by the Board, and Deloitte confirmed on the same day that they formally accepted the Proposed Appointment, subject to the approval of the shareholders at the SGM.

On 22 October 2026, the Company notified HLB of the decisions made by the Audit Committee and the Board that the appointment of HLB as the Company's auditor would be terminated, subject to the approval of the Shareholders at the SGM, and HLB provided a tentative timeline for the professional handover.

The Board resolved on 22 October 2026, pursuant to Rule 13.88 of the Listing Rules, to propose resolutions regarding the Proposed Termination and the Proposed Appointment for consideration by the Shareholders at the SGM.

Proposed Audit Fees and Basis for Fees Quoted by Deloitte

The proposed audit fees payable to Deloitte for auditing the Group's consolidated financial statements for the year ending 31 December 2026 are estimated to be approximately HK\$4.38 million. This amount was determined following arm's length negotiations between the Company and Deloitte, taking into account the scale and complexity of the Group's business and operations, the scope of the audit, the anticipated timeline, and the time and resources expected to be devoted by Deloitte's engagement team. For reference, the audit fees paid to HLB for the year ended 31 December 2025 were HK\$4.35 million. The Board considers the proposed audit fees to be fair and reasonable, having taken into account the expected scope of work and the overall interests of the Company and its Shareholders.

Evaluation of the Proposed Appointment of Deloitte as the New Auditor

In considering the proposed appointment of Deloitte, the Audit Committee has taken into account, among other things:

1. Deloitte's audit proposal, including its proposed scope and methodology;
2. Deloitte's experience, industry knowledge, and technical capabilities in providing audit services to companies listed on Stock Exchange;
3. Deloitte's market reputation, professional standing, resources, and capabilities;
4. The background, qualifications, and composition of the team Deloitte proposes to assign;
5. Deloitte's understanding of the Group's business operations, reporting requirements, and strategic direction;
6. the proposed audit fees and the basis for their determination; and
7. And the guidelines issued by the Accounting and Financial Reporting Council ("AFRC") regarding the selection, appointment, and replacement of auditors.

In evaluating the appointment of Deloitte, the Audit Committee has considered Section 2 of the "Guidelines for Effective Audit Committees—Selection, Appointment, and Reappointment of Auditors" issued by the AFRC. The details of its evaluation are summarized as follows:

- (i) **Governance and Leadership**—The Audit Committee has reviewed Deloitte's leadership team profiles, organizational structure, and quality management policies regarding governance and leadership, and is satisfied that Deloitte has clear reporting lines and a clear division of responsibilities, as well as sound accountability arrangements, enabling it to effectively safeguard the public interest in the performance of its audit functions. The audit team for fiscal year ending 31 December 2026 will be coordinated and led by a project partner with 23 years of professional experience, assisted by a project partner with 15 years of professional experience; together, they will be responsible for overseeing audit quality. Accordingly, the Audit Committee believes that Deloitte possesses sufficient governance and leadership capabilities to support audit quality.
- (ii) **Compliance with Relevant Ethical Requirements** — According to information provided by Deloitte, it strictly adheres to the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants, maintains independence and objectivity, and complies with the ethical standards prescribed by the AFRC. Deloitte has also confirmed that there are no proposed non-audit services, financial, or business relationships between the Company and Deloitte, nor are there any personal relationships between members of the audit team and the Company that could affect their independence in connection with the 2026 audit.

- (iii) **Industry Knowledge and Technical Capabilities**—The Audit Committee has reviewed Deloitte’s company profile, the proposed composition of the audit engagement team, and the qualifications of the audit engagement partners, including their extensive experience in auditing companies listed on the Stock Exchange. The Audit Committee is satisfied that Deloitte possesses the industry knowledge and technical capabilities required to audit the Company.
- (iv) **Audit Engagement Execution** — The Audit Committee has reviewed Deloitte’s proposed audit timeline, which sets out the key phases of the 2026 audit, the corresponding procedures, and the composition of the proposed audit team. The Audit Committee notes that no fewer than 20 personnel will be assigned to the Company’s audit engagement. Having considered the structure of the audit team, the scale of the Group’s operations, and the number of Group entities, the Audit Committee is satisfied that sufficient personnel with appropriate levels of qualifications, technical expertise, and managerial oversight capabilities will be assigned to ensure audit quality.
- (v) **Communication and Interaction with the Audit Committee** — The Audit Committee has reached a consensus with Deloitte that they will maintain effective and ongoing communication throughout all stages of the audit process, including regular meetings and timely discussions of any issues arising during the audit.
- (vi) **Monitoring Procedures** — The Audit Committee has evaluated its monitoring procedures through Deloitte’s quality management framework, which was established in accordance with the applicable standards issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has also conducted public inquiries on the websites of relevant regulatory authorities and found no record of any disciplinary actions taken against Deloitte or the lead auditor.

Based on the foregoing, the Audit Committee has assessed and determined that Deloitte possesses the appropriate professional qualifications, experience, resources, and capabilities to serve as the Company’s new auditor and to conduct the audit of the Company’s consolidated financial information for the fiscal year ending 31 December 2026, and has recommended the Proposed Appointment of Deloitte to the Board for its consideration and approval.

SGM

The Board and the Audit Committee believe that the Proposed Change of Auditors will enhance audit quality and efficiency to better support its future business development, which is in the best overall interests of the Company and its Shareholders. Therefore, they recommend that Shareholders vote in favor of the resolutions regarding the Proposed Appointment at the SGM.

The SGM will be convened shortly, at which resolutions for the Proposed Change of Auditors will be put forward for Shareholders’ consideration. To the best of the Directors’ knowledge, belief, and information, no Shareholder has a material interest in such resolutions and therefore no Shareholder is required to abstain from voting at the SGM.

A circular containing, among other matters, details of the Proposed Change of Auditors, together with a notice of the SGM, will be published and/or despatched to the Shareholders in due course.

By order of the Board
Grand Pharmaceutical Group Limited
Chairman
Dr. Tang Weikun

Hong Kong, 22 October 2026

As at the date of this announcement, the Board comprises four executive directors, namely, Dr. Tang Weikun, Mr. Zhou Chao, Mr. Yang Guang and Ms. Lam Chit Yee Jessica, and four independent non-executive directors, namely, Ms. So Tosi Wan, Winnie, Dr. Xing Li Na, Dr. Pei Geng and Mr. Hu Yebi.

** For identification purpose only*