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雲能國際
YUNNAN ENERGY INTERNATIONAL

# Yunnan Energy International Co. Limited
# 雲能國際股份有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Hong Kong Stock Code: 1298)**

**(Singapore Stock Code: T43)**

## PROPOSED CHANGE OF AUDITOR

This announcement is made by Yunnan Energy International Co. 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 AUDITOR

The Company has been taking proactive measures to improve operating cashflows by, among other things, controlling administrative costs in order to improve the Group's liquidity and financial position (the "**Cost Control Measures**"). The management of the Company (the "**Management**") considers that the auditor's remuneration, being one of the major operating expenses of the Group, should be carefully monitored, balanced and assessed.

In April 2026, the Company requested ZHONGHUI ANDA CPA Limited ("**Zhonghui Anda**") to provide an estimated audit fee for the audit of the consolidated financial statements of the Company for the financial year ending 31 December 2026 (the "**2026 Audit Fee**") for the purpose of disclosure in its supplemental announcement dated 30 April 2026 in relation to the annual general meeting (the "**AGM**") circular of the Company (the "**AGM Circular**"), to comply with newly promulgated disclosure requirements issued shortly prior to the sign off and finalisation of the AGM Circular. Zhonghui Anda indicated that the estimated 2026 Audit Fee would be in range of HK$1,700,000 to HK$2,000,000 (exclusive of out-of-pocket expenses).

The Management expected that the 2026 Audit Fee would be lower than that of the previous year. Nonetheless, given the tight timetable for signing off the AGM Circular, and the Company believed that a consensus with Zhonghui Anda on the 2026 Audit Fee might still be reached eventually, the proposal to re-appoint Zhonghui Anda as the auditor of the Company proceeded and was put forward for the Company's shareholders' approval at the AGM held on 5 June 2026.

The Company, in line with its Cost Control Measures, conducted a competitive public tender process to identify qualified audit firms to act as the Company's independent auditor for the financial year of 2026 based on various factors such as independence, capabilities, service quality, risk management, regulatory compliance, practice records, information systems and security, audit plan and audit fee quotations.

Based on the results of the tender in mid of October 2026, the Management considered that ZSZH (HK) Fuson CPA Limited ("**ZSZH Hong Kong**") has relevant audit experience and technical resources to provide audit services for the Company's consolidated financial statements for the year ending 31 December 2026 (the "**2026 Annual Audit**") at a more competitive fee and having its branch office in Yunnan (the region in which the Group primarily operates), the existence of which is expected to facilitate communication with the Company's management and finance teams, thus enhancing the efficiency of audit coordination. Accordingly, the Management proposed to the Audit Committee that the Company to change its auditor from Zhonghui Anda to ZSZH Hong Kong.

After a careful assessment of, among others, the results of the tender, audit fee proposal provided by ZSZH Hong Kong and the matters as more particularly set out in the section headed "ASSESSMENT OF THE PROPOSED APPOINTMENT OF ZSZH HONG KONG AS THE INCOMING AUDITOR" below, the Audit Committee is satisfied that ZSZH Hong Kong possesses the professional qualifications and experience necessary to provide high-quality audit services with a competitive audit fee.

The Audit Committee also reviewed ZSZH Hong Kong's proposed audit approach and scope and is satisfied that they are commensurate with the Group's business size, profile and operational complexity. Given that the Group's operations are not geographically dispersed and remain relatively straightforward, the Audit Committee considers a risk-based and materiality-focused audit approach to be appropriate and sufficient.

ZSZH Hong Kong has not been subjected to any disciplinary actions by the relevant authorities. The Audit Committee has taken this factor into account in assessing the audit quality to be delivered by ZSZH Hong Kong.

## PROPOSED AUDIT PLAN

### Audit Approach and Strategy

- Risk-Based Audit: ZSZH Hong Kong will adopt a risk-based audit approach, focusing on significant risk areas and Key Audit Matters ("**KAMs**") (KAMs including, but not limited to, revenue recognition, valuation of unlisted equity interests and impairment assessments for trade and other receivables.

- Interim Audit Work: The auditor plans to commence pre-year-end interim audit work in December 2026 to identify potential accounting issues early and communicate them with management to enhance overall audit effectiveness and efficiency.

### Proposed Timetable and Detailed Procedures

- December 2026: Conduct preliminary planning, internal control walkthroughs, risk assessments and administration work for change of auditor, execute pre-year-end interim audit substantive testing, including opening balance verification, detail transaction testing for interim period, properties physical verification, inventory count preparation and observations, and preparation of external bank/legal/shares confirmations.

- January – March 2027: Execute year-end audit work, including reviewing significant accounting estimates, communicating with valuer to understand the use of estimates, assumption and methodologies in assets and receivables valuation, sending external bank/trade confirmations and following up on non-replied confirmation.

- March 2027: Formulate and discuss audit adjustments with management and hold a closed-door meeting with the Audit Committee.

- 31 March 2027 or before: Complete all internal quality control review procedures; the annual results announcement is expected to be published by this date.

- 30 April 2027 or before: The annual report is expected to be published by this date.

**Human Resources Committed**

- The dedicated engagement team will comprise seasoned professionals with extensive experience in auditing listed companies.

- The core team structure consists of Engagement Partner, Engagement Quality Control Reviewer, Audit Manager, and a fieldwork team of senior and associate auditors.

The Audit Committee has critically reviewed the aforementioned audit plan and considers that the proposed timetable is reasonable and sufficient, and the resources committed are adequate to ensure audit quality, based on the following reasons:

- Workload Mitigation via Interim Audit: By introducing substantial interim audit procedures, a significant portion of transaction testing will be completed before the year-end closing. This effectively mitigates the pressure and time constraints during the peak year-end field audit period and provides flexibility to address unexpected issues with management.

- Competence and Sufficiency of Resources: The Audit Committee evaluated the profiles of the proposed engagement team members. The core members possess relevant expertise in handling the accounting structures of the distribution and supply chain business. Furthermore, the total budgeted man-days are proportionate to the scale and complexity of the Group's operations.

Based on the above, the Audit Committee is confident that ZSZH Hong Kong is capable of completing all necessary audit procedures in strict accordance with the proposed timetable without compromising audit quality. Following further communications with Zhonghui Anda in relation to the 2026 Annual Audit and the results of the tender, Zhonghui Anda decided to tender its resignation as the auditor of the Company for the year ending 31 December 2026 (the "**Resignation**"). Upon the recommendation from the Audit Committee, the Board resolved to seek the approval of the shareholders of the Company (the "**Shareholders**") to appoint ZSZH Hong Kong as the new auditor of the Company for the year ending 31 December 2026 to fill the casual vacancy following the Resignation and to hold office until the conclusion of the next annual general meeting of the Company (the "**Proposed Appointment**", together with the Resignation, the "**Proposed Change of Auditor**"). The Proposed Change of Auditor, which is subject to, among others, the passing of the relevant resolution(s) at the forthcoming special general meeting of the Company ("**SGM**").

The Board is of the view that the Proposed Change of Auditor will facilitate more effective cost control and reduce operating expenses for the Company. The Board accordingly considers the Proposed Change of Auditor to be in the best interest of the Company and its Shareholders as a whole. The Board would like to take this opportunity to thank Zhonghui Anda for its professional services and support in the past years.

Save as disclosed above, there is no disagreement between the Company and Zhonghui Anda and there is no matter in connection with the resignation of Zhonghui Anda as the auditor of the Company that needs to be brought to the attention of the Shareholders.

The Board further confirmed that, as at the date of this announcement, Zhonghui Anda has not yet commenced any review or audit work for the 2026 Annual Audit. The Proposed Change of Auditor is not expected to have any significant impacts on the 2026 Annual Audit or the release of the Group's annual results for the financial year ending 31 December 2026.

## ASSESSMENT OF THE PROPOSED APPOINTMENT OF ZSZH HONG KONG AS THE INCOMING AUDITOR

The Board and the Audit Committee have considered a number of factors regarding the proposed appointment of ZSZH Hong Kong as the new independent auditor of the Company. In particular, the Audit Committee has considered and is satisfied that the ZSZH Hong Kong is independent, competent and capable to perform high-quality audits upon the consideration.

### (i) Governance and leadership

ZSZH Hong Kong is registered with the Accounting and Financial Reporting Council (the "**AFRC**") as a public interest entity auditor. The Audit Committee has reviewed profiles of ZSZH Hong Kong's leadership team, organizational structure and quality management policies on governance and leadership. ZSZH Hong Kong assesses the compliance to the requirements of Hong Kong Standard on Quality Management 1 ("**HKSQM 1**") issued by the Hong Kong Institute of Certified Public Accountants on an annual basis as part of its internal quality review program. The Audit Committee is satisfied that ZSZH Hong Kong has established a sound audit quality management system and rigorous audit methodologies and is committed to conducting audit work in the interests of the Company's Shareholders and the wider public.

### (ii) Independence and compliance with relevant ethical requirements

The Audit Committee has held discussions with the proposed engagement partner and noted that ZSZH Hong Kong complies with the Code of Ethics for Professional Accountants (including the independence provisions) issued by the Hong Kong Institute of Certified Public Accountant s and applicable quality management standards. There are no non-audit services, financial or commercial relationships between the Company and ZSZH Hong Kong that may impair ZSZH Hong Kong's independence, nor any other relationships (whether financial, employment, familial or otherwise) between members of the proposed audit engagement team (and their respective immediate family members) and the Company that could compromise ZSZH Hong Kong's independence when conducting audits for the Company.

**(iii) Industry knowledge and technical competence**

ZSZH Hong Kong has a team of staff with professional qualification s and extensive audit experience, and possesses experience in providing audit services to companies listed on the Stock Exchange and clients across various industries. In addition, ZSZH Hong Kong is able to leverage its international service network and professional resources to provide cross- border audit support for enterprises with domestic and overseas operations. The Audit Committee has reviewed and discussed with ZSZH Hong Kong its proposed audit plan, which sets out the audit coverage, procedures, the proposed audit team and timetable, and confirmed that it has sufficient qualified staff and professional resources to deliver high- quality audit services.

**(iv) Engagement performance**

The Audit Committee has discussed with ZSZH Hong Kong in respect of its overall audit strategy, which covers clear audit scope, audit focus and key work arrangements. After reviewing ZSZH Hong Kong's audit methodology proposed to be adopted and the background of the engagement partner and team members, the Audit Committee is satisfied that the proposed audit team possesses sufficient professional expertise, human resources and time commitment to effectively carry out the audit work of the Company.

**(v) Communication and interaction with the Audit Committee**

The Audit Committee considers that ZSZH Hong Kong has established communication arrangements with the management and the Audit Committee to ensure that audit progress, significant audit matters and other key issues can be timely reported to the Audit Committee and properly addressed.

**(vi) Monitoring procedures**

The Audit Committee has noted that ZSZH Hong Kong shall conduct an internal quality review program on an annual basis, which assesses the compliance of HKSQM 1 covering areas such as risk assessment process, governance and leadership, ethical requirements and engagement performance. In addition, ZSZH Hong Kong is subject to AFRC inspection covering system of quality management and audit engagement files. To the best of its knowledge, the Audit Committee is not aware of any matters that may affect ZSZH Hong Kong's integrity, objectivity and independence, or that may adversely affect the quality of its audit.

The Audit Committee acknowledge s its ongoing responsibility to monitor the performance and effectiveness of the auditor and will maintain appropriate oversight through regular communication, review of significant audit matters and evaluation of the auditor's performance to ensure compliance with applicable professional standards and the maintenance of audit quality.

**Comparison of Audit Fee Proposals**

During the tender process, the Company invited Zhonghui Anda, ZSZH Hong Kong and certain professional audit firms (the "**Potential Auditor**") to submit audit fee proposals for the Group's 2026 Annual Audit. Three independent fee proposals from Zhonghui Anda, ZSZH Hong Kong and the Potential Auditor were received and are compared below:

| Candidate | 2026 Annual Audit Fee Quotation | Scope of Services |
|---|---|---|
| Zhonghui Anda | HK$1,730,000 | Annual audit for the year ending 31 December 2026 and other agreed upon procedures |
| Potential Auditor | HK$1,750,000 | Annual audit for the year ending 31 December 2026 and other agreed upon procedures |
| ZSZH Hong Kong | HK$1,520,000 | Annual audit for the year ending 31 December 2026 and other agreed upon procedures |

The Audit Committee has reviewed the audit fee proposals provided by Zhonghui Anda and other professional accounting firms (including ZSZH Hong Kong). The audit fee proposal submitted by ZSZH HongKong is more competitive than that provided by Zhonghui Anda and the Potential Auditor. After careful assessment, the Audit Committee is of the view that the audit proposals submitted by Zhonghui Anda and other professional accounting firms (including ZSZH Hong Kong) are broadly comparable, and that ZSZH Hong Kong possesses the professional qualifications and experience necessary to provide audit services that meet the relevant quality standards at a competitive audit fee.

The Audit Committee has considered whether the lower fee would affect audit quality and concluded that it would not, for the following reasons:

(a) ZSZH Hong Kong's quotation is not abnormally low. The quotations of the three proposals range from HK$1,520,000 to HK$1,750,000. ZSZH Hong Kong's quotation is within a reasonable range, close to the quotation of the Zhonghui Anda (HK$1,730,000), and not substantially different from the audit fees charged by Zhonghui Anda for the Company's 2024 and 2025 audits (HK$1,800,000 and HK$1,780,000 respectively).

(b) No reduction in audit scope. ZSZH Hong Kong's proposal provides for an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing on the same basis as the 2025 audit, with no reduction in audit scope, audit coverage or applicable auditing standards.

(c) Fee differences arise from firm-specific commercial factors. The differences in audit fees mainly arise from ZSZH Hong Kong's cost structure and staffing mix, and the efficiencies expected from the continued involvement of the component auditor team which is familiar with the Group's operations.

(d) Not selected solely on the basis of the lowest fee. The Audit Committee did not use the lowest fee as its sole selection criterion. In its assessment, the Audit Committee comprehensively considered factors including audit scope, risk assessment methodology, team qualifications and experience, independence, timetable, senior personnel involvement and understanding of the Group's business. The Audit Committee ultimately recommended ZSZH Hong Kong mainly because ZSZH Hong Kong has an in-depth understanding of the Group's business model, financial reporting processes and internal controls, which is expected to facilitate a smooth transition. In addition, the engagement partner has around 20 years of experience auditing Hong Kong listed companies, and the engagement team's overall qualifications are appropriate for the Group's size and complexity.

## IMPLICATIONS UNDER THE LISTING RULES AND THE BYE-LAWS

In compliance with the Company's Bye-laws and the Listing Rules, the Proposed Change of Auditor will be proposed at the SGM as an ordinary resolution.

## THE SGM

The SGM will be convened and held for the purposes of considering and, if thought fit, approving the Proposed Change of Auditor. Accordingly, the Company will despatch a circular to the Shareholders, containing, among other things, further information on the Proposed Change of Auditor together with the notice of SGM as soon as practicable.

By order of the Board
**Yunnan Energy International Co. Limited**
**Zhu Yingxue**
*Chairperson and Executive Director*

Hong Kong, 12 November 2026

*As of the date of this announcement, the Board comprises Ms. ZHU Yingxue, Mr. WANG Jin, Mr. YANG Jie and Mr. SONG Henan as the executive Directors; and Mr. SHI Fazhen, Mr. LIU Zong liu and Ms. JING Pilin as the independent non-executive Directors.*

* *For identification purpose only*