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China Hongguang Holdings Limited

中國宏光控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8646)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CHANGE OF AUDITOR

References are made to the announcement of China Hongguang Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 23 December 2025 in relation to, among other things, the resignation of CCTH CPA Limited (“**CCTH**”) as the auditor of the Company and the appointment of Prism Hong Kong Limited (“**Prism**”) as the new auditor of the Company (the “**Announcement**”).

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of the Company to provide the shareholders of the Company and potential investors with further information disclosed by the Company to The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in its submissions dated 31 December 2025, 2 March 2026 and 13 April 2026 in relation to the change of auditor, including the Company’s replies to the Stock Exchange’s post-vetting comments.

DETAILED CHRONOLOGY AND REASONS FOR THE CHANGE OF AUDITOR

On 4 November 2025, the Company, through its management, initiated a review of its external audit arrangements and requested the audit committee of the Company (the “**Audit Committee**”) to assess the audit fee level and resources proposed by CCTH for the audit of the consolidated financial statements of the Group for the year ending 31 December 2025.

On 5 November 2025, the Audit Committee and management discussed with CCTH the proposed audit fee, the anticipated audit scope and the level of resources to be deployed by CCTH. After these discussions, and having considered the Group’s financial position and cost structure as well as CCTH’s internal resource planning and fee expectations, the parties were unable to reach agreement on the audit fee and related engagement terms.

On 24 November 2025, the Audit Committee resolved that the Company should invite proposals from alternative audit firms with sufficient capabilities and resources to perform a high-quality audit of the Group within the required timetable. On the same date, the Company invited a number of audit firms, including Prism, to submit proposals.

On 1 December 2025, Prism submitted its written proposal setting out, among other things, its proposed audit approach, timetable and engagement team composition.

On 19 December 2025, the Audit Committee evaluated the proposals received together with management and, after considering factors including independence, competence, available resources, audit approach, proposed timetable and fee structure, resolved to recommend Prism to the Board for appointment as the new auditor of the Company. The Board approved that recommendation on the same date.

Following the Board's approval, the Company informed Prism on 19 December 2025 that it had been selected as the proposed incoming auditor, subject to completion of Prism's internal acceptance procedures. Prism then carried out its internal acceptance process, which included independence and conflict checks and professional clearance procedures with CCTH.

On 23 December 2025, the Company received CCTH's resignation letter stating that, after considering various factors including the proposed audit fee level and its available internal resources in light of current workflows, it decided to resign as the auditor of the Company with effect from that date. The Board wishes to clarify that the principal reason for the change of auditor was the failure to reach agreement on the audit fee for the year ending 31 December 2025.

Also on 23 December 2025, after considering CCTH's resignation, the completion of Prism's internal acceptance procedures and the information obtained from CCTH, the Board, with the recommendation of the Audit Committee, formally resolved to appoint Prism as the new auditor of the Company to fill the casual vacancy following the resignation of CCTH. As disclosed in the Announcement, CCTH had not commenced any audit work on the consolidated financial statements of the Group for the year ending 31 December 2025 prior to its resignation.

AUDIT FEES AND DETAILED BASIS OF THE FEE QUOTED BY PRISM

The audit fee under discussion with CCTH for the year ending 31 December 2025 was RMB980,000. The audit fee agreed with Prism is RMB930,000. The proposed fee level by CCTH represented an increase of approximately 5.38% compared with the audit fee for the year ended 31 December 2024 of RMB930,000, which the Company understands was stated by CCTH to reflect inflation over the relevant period.

The Audit Committee assessed the reasonableness of Prism's proposed fee with reference to the size and structure of the Group, the nature and complexity of the Group's business, the proposed audit approach, the estimated time commitment of the engagement team, the seniority and number of staff to be assigned, the involvement of a component auditor for PRC bank confirmation procedures, and the expected timetable for completion of the audit.

Grade of audit staff	Estimated audit hours	Hourly rate (RMB)	Total (RMB)
Partner-in-charge	46	3,100	142,600
Engagement quality control reviewer	25	3,100	77,500
Senior manager	40	1,700	68,000
Audit manager	352	1,300	457,600
Senior associate	214	300	64,200
Associate	426	204	120,100
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Total	<u>1,103</u>		<u>930,000</u>

The above fee analysis was supplemented by the engagement team structure proposed by Prism, which the Audit Committee considered appropriate for the audit of the Group:

Role	Headcount	Principal roles and responsibilities
Partner-in-charge	1	Overall responsibility for the engagement and audit quality; approval of acceptance and continuance; oversight of audit strategy and key judgments; allocation of resources; and signing of the audit report.
Engagement quality control reviewer	1	Objective review of significant judgments, key risk areas, consultations, independence compliance and the appropriateness of the audit report before issuance.
Senior manager and manager	2	Assisting in audit planning; supervising seniors and associates; reviewing working papers; managing the audit budget and timetable; communicating with the Company; and providing technical support.
Senior-in-charge	1	Supervising associates; performing audit procedures under the audit plan; preparing audit documentation; testing controls and substantive procedures; and reporting findings to managers.
Associates	2	Performing audit procedures, preparing working papers and assisting with testing and substantive procedures under supervision.

The Audit Committee considered that the agreed audit fee with Prism is appropriate and commensurate with the level of resources required for the engagement.

Prism's proposed audit plan provides a comprehensive framework for conducting a high-quality audit, and the audit committee has carefully considered its suitability for the Company.

(A) Audit standards and overall approach

- Prism will conduct the audit in accordance with Hong Kong Standards on Auditing (HKSA) and applicable requirements.
- The audit will adopt a risk-based approach (planning → risk assessment → responses to assessed risks → completion).
- As this is a consolidated audit, Prism will perform the engagement as a group audit under HKSA 600 (Revised), including identifying components, determining the nature/extent of work at components, and taking responsibility for the group audit opinion.
- As incoming auditor, Prism will perform first-year audit procedures required under relevant HKSA (e.g., opening balances/comparatives).

(B) Proposed timetable with expected dates

1. Engagement acceptance/independence confirmation: Mid to late of December 2025
2. Kick-off meeting with management & Audit Committee: Early of January 2026
3. Planning & risk assessment/walkthroughs: Late of December 2025 to mid of January 2026
4. Year-end fieldwork (onsite/remote): Mid of January 2026 to early of February 2026.
5. Consolidation review: Mid of February 2026 to early of March 2026
6. Audit Committee meeting to discuss key matters & proposed auditor's report: Early of March 2026
7. Expected report signing date: Late of March 2026

(C) Detailed audit procedures/steps

1. *Planning & risk assessment*

- Understand the Group and its environment; fraud risk discussion; materiality.
- Identify significant risks/key audit areas and planned responses.
- Group audit scoping (HKSA 600 (Revised)): identify significant components; determine component work (full-scope/specific procedures/analytical).

2. *Controls (where applicable for audit strategy)*

- Process walkthroughs (revenue, purchasing, inventory, treasury, closing/consolidation).
- Evaluate design/implementation of key controls relevant to the audit (and test operating effectiveness if Prism plans to rely on controls).

3. *Substantive procedures (typical areas – tailor to the Group)*

- Revenue (major procedure including perform cut off test, overstatement test and understatement test and gross profit analysis).
- Cost of sales (major procedure including perform cut off test, understatement test and test on cost allocation).
- Property, plant and equipment and ROU assets (major procedure including perform testing on addition and disposal, reasonableness test on depreciation, understand and review the impairment assumption and approach and challenge and evaluated the assumption used in future cash flow forecast).
- Inventory (major procedure including perform stocktake, ageing analysis, design and implementation of key internal controls relating to valuation of inventories, compared, on a sample basis, the purchase prices and quantities of inventories recorded by the Group with supplier invoices, enquiry with management of the Group regarding the key assumptions concerning the absorption of overheads into the cost of production, tested and evaluated the appropriateness of overhead costs included in the overhead absorption calculations, assessed, on a sample basis, the accuracy of the ageing profile of raw materials and finished goods included in inventories at the financial year end by checking the goods receipt notes and the finished goods records respectively and on a sample basis, the selling price of the finished goods subsequent to the reporting date to costs of these inventories as at the financial year end).

- Trade receivables/ECL (major procedure including perform audit confirmation procedures for opening balance and year ended balance, understanding of the design and implementation of key internal controls relating to credit control, debt collection and estimating the credit loss allowance, obtain an understanding of the key parameters and assumptions of the expected credit losses model adopted by the management, including the basis of segmentation of the trade receivable based on credit risk characteristics of customers, the historical default data in management's estimated loss rates, and related forward-looking information, assessed whether items were correctly categorised in the trade receivables ageing report by comparing individual items therein with sales invoices and other relevant underlying documentation, on a sample basis, assessed the appropriateness of management's estimates of loss allowance by examining the information used by management to derive such estimates, including assessing the reasonableness of management's use of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current market conditions and forward-looking information and re-performed the calculation of the loss allowance as at based on the Group's credit loss allowance policies).
- Equity instruments at fair value through other comprehensive income (major procedures including perform audit confirmation procedure for opening and year ended balance, obtaining the valuation report and challenge assumption use by the valuer).
- Cash and cash equivalents (major procedure including perform bank confirmation procedures the opening balance and year ended balance and bank transaction test).
- Trade payables and other payables and accruals (major procedure including perform audit confirmation procedures for opening balance and year ended balance and ageing analysis).
- Bank borrowings (major procedure including perform bank confirmation procedures for opening balance and year ended balance, obtain and check the loan contracts and obtain banking facility letters).
- Related party transactions (major procedures including identification of related parties and perform audit confirmation procedures and proper disclosure in financial statement).
- Going concern (major procedure including evaluate management assessment, forecasts, covenant compliance).
- Consolidation & reporting (major procedure including review consolidated adjustments and disclosure checklist).

4. Completion

- Subsequent events review; representation letter; final analytics.
- Evaluate misstatements; communicate audit findings to Audit Committee.
- Finalisation of auditor's report and communications required under HKSAAs.

(D) Human resources/engagement governance

Other than the engagement partner and EQCR, Prism expected to involve:

1 senior manager, 1 manager, 1 senior and 2 associates form an engagement team.

The Audit Committee is confident that Prism's audit plan, timetable, and resources will ensure a high-quality audit that meets all applicable standards. The audit committee also considered the importance of leadership in setting the right tone, ethical behavior, and commitment to audit quality when assessing Prism, and is satisfied that the agreed fee would not compromise audit quality.

In assessing whether audit quality would be maintained notwithstanding the lower agreed fee, the Audit Committee considered, among other things, Prism's competence, independence, resource commitment, proposed audit plan and the continuing oversight to be exercised by the Audit Committee throughout the audit process.

The Audit Committee considered the audit fee agreed with Prism to be appropriate, having taken into account the size and structure of the Group, the nature and complexity of its business, Prism's proposed audit approach, the seniority and number of staff to be assigned, and the expected time commitment for the engagement.

ASSESSMENT OF PRISM'S INDEPENDENCE, COMPETENCE AND CAPABILITY

The Audit Committee assessed Prism's independence, competence and capability and considered that Prism is suitable to act as the auditor of the Company.

In assessing independence, the Audit Committee confirmed with Prism its compliance with applicable independence and ethical requirements and that neither Prism nor the relevant engagement personnel had any relationship or interest that would impair independence.

In assessing competence, the Audit Committee considered Prism's experience in auditing Hong Kong listed companies, including companies in the manufacturing sector, the qualifications and experience of the proposed engagement partner and key team members, Prism's internal quality control procedures, and Prism's experience as auditor for public interest entity engagements.

In assessing capability, the Audit Committee considered Prism’s staffing structure, manpower commitment, proposed audit timetable and availability of resources, including support for PRC bank confirmation procedures. The Audit Committee also noted that Prism proposed to deploy more staff for the engagement than those deployed by CCTH in the prior year audit.

PROPOSED AUDIT PLAN, PROCEDURES AND TIMETABLE

Prism proposed to conduct the audit in accordance with Hong Kong Standards on Auditing using a risk-based approach, including planning, risk assessment, responses to assessed risks and completion procedures. As this is a group audit, Prism will perform the engagement as a consolidated audit and will also carry out first-year audit procedures applicable to an incoming auditor, including procedures relating to opening balances and comparatives.

The principal stages of the proposed timetable are summarised below:

Stage	Expected timing
Engagement acceptance and independence confirmation	Mid to late December 2025
Kick-off meeting with management and the Audit Committee	Early January 2026
Planning, risk assessment and walkthroughs	Late December 2025 to mid-January 2026
Year-end fieldwork (on-site/remote)	Mid-January 2026 to early February 2026
Consolidation review	Mid-February 2026 to early March 2026
Audit Committee meeting to discuss key matters and the proposed auditor’s report	Early March 2026
Expected report signing date	Late March 2026

The principal audit areas and procedures include, among other things, revenue, cost of sales, property, plant and equipment, right-of-use assets, inventory, trade receivables and expected credit loss assessment, cash and bank balances, payables, borrowings, related party transactions, going concern and consolidation. Prism’s proposed procedures include process walkthroughs, control evaluation where relevant to the audit strategy, stock-take procedures, confirmations, cut-off testing, analytical procedures, testing of additions and disposals, review of estimates and assumptions, subsequent events review and final reporting procedures.

BASIS FOR THE AUDIT COMMITTEE’S VIEW ON THE AUDIT TIMETABLE AND RESOURCES

The Audit Committee considers the proposed audit timetable to be reasonable and sufficient for Prism to complete all necessary audit procedures without compromising audit quality, and that Prism’s committed resources are adequate to achieve the proposed timetable.

In reaching this view, the Audit Committee took into account, among other matters, that the Group’s principal activities are the manufacture and sale of glass products in the PRC, the Group does not have a complicated group structure, and the principal operating business was carried out through one main operating subsidiary.

The Audit Committee also took into account that the Company’s previous auditor historically commenced fieldwork around January each year, without dedicated pre-audit planning work, and was still able to meet the relevant reporting deadlines. Although Prism, as an incoming auditor, would be required to devote additional time to understanding the Group’s business model and internal controls and to carrying out first-year audit procedures, Prism proposed a structured audit plan together with increased manpower and broader resource commitment across multiple grades of staff. Prism committed four experienced staff for on-site audit work, whereas only two staff were allocated by CCTH during audit work in previous years.

On that basis, the Audit Committee considered Prism’s committed resources to be adequate to achieve the proposed timetable.

REGULATORY MATTERS RELATING TO PRISM

The Audit Committee also considered relevant public regulatory information concerning Prism in its assessment of Prism’s suitability. In doing so, the Audit Committee considered the nature of the matters concerned, including that the relevant findings related to registration and administrative contraventions rather than any finding of dishonest or deliberate misconduct, Prism’s cooperation with the regulator, and the remedial actions and internal control enhancements implemented by Prism.

The Audit Committee further confirmed that the proposed engagement partner and engagement quality control reviewer for the Company’s audit are properly registered and qualified, and remains satisfied that Prism is independent, competent and capable of acting as the auditor of the Company.

Save as disclosed above, all other information contained in the Announcement remains unchanged. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
China Hongguang Holdings Limited
LIN Weishan
Chairwoman and Executive Director

Hong Kong, 21 April 2026

As at the date of this announcement, the Executive Directors are Mr. WEI Jiakun, Ms. LIN Weishan and Ms. LI Wanna; and the Independent Non-Executive Directors are Ms. MAO Shue, Mr. JIA Xiaogang and Mr. WU Yong.

This announcement, for which the directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the day of its posting. This announcement will also be published on the website of the Company at www.hongguang.hk.