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Zhixin Group Holding Limited

智欣集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2187)

SUPPLEMENTAL ANNOUNCEMENT CHANGE OF AUDITOR

Reference is made to the announcement of Zhixin Group Holding Limited (the “**Company**”) dated 17 December 2025 (the “**Announcement**”) in relation to the change of auditor of the Company. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

In addition to the information set out in the Announcement, the Company would like to provide the Shareholders and potential investors of the Company with the following additional information in respect of the change of auditor.

FURTHER INFORMATION ON THE CHANGE OF AUDITOR

Chronology of key 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	Events
19 June 2025	PwC was reappointed as the auditor of the Company for the year ending 31 December 2025 at the annual general meeting of the Company and the Board was authorised to fix their remuneration.
4 July 2025	The Company and PwC entered into an engagement letter for annual audit for the year ending 31 December 2025, which includes a clause stipulating that the audit fee is to be discussed and agreed.

26 November 2025

PwC proposed an increased audit fee for the year ending 31 December 2025, as compared to the audit fee of RMB2.2 million for the year ended 31 December 2024.

27 November to
3 December 2025

The management of the Company considered the proposed audit fee from PwC and expressed concerns regarding the relatively high audit fee proposed by PwC. Having taken into account the followings, the management of the Company decided to obtain fee quotes from other reputable and sizeable audit firms in order to determine the appropriate audit fee and explore the possibility of lowering the audit fee for cost saving purpose:

- (a) current business scale of the Group: The performance of the ready-mixed concrete segment and precast concrete components segment deteriorated over the years and recorded segment losses since the year ended 31 December 2023. Notwithstanding the expansion mentioned in the paragraph “The Group’s business expansion and performance” in this announcement, the Group’s overall business scale contracted during the year ended 31 December 2025. These developments prompted management to reassess the appropriateness of audit resource allocation and related costs.
- (b) the challenges faced by the Group within the industry: The increased price competition in the ready-mixed concrete and precast concrete components markets in Xiamen, in particular competition with manufacturers which are state-owned enterprises, has caused the Group to provide additional price concessions to its customers in order to maintain competitiveness, resulting in substantial shrinking profit margin. The industry continues to face margin pressures, regulatory changes, and increased scrutiny over cost efficiency. The management of the Company is committed to maintaining high standards of governance and audit quality, while ensuring that professional fees are the cost-efficient among the fee quotes from reputable and sizeable audit firms with reference to the Group’s actual risk profile and operational complexity.

(c) financial performance of the Group: The Group has experienced operating losses since the year ended 31 December 2024. In light of this, management has prioritised cost-saving measures across all functions, including professional services, to ensure prudent financial stewardship and preserve shareholder value.

3 to 4 December 2025 The Company formally invited and obtained audit fee quotes from three other qualified auditors, including Crowe.

4 December 2025 The Company counter-proposed an audit fee to PwC.

5 December 2025 PwC rejected the proposed audit fee.

5 to 9 December 2025 The management of the Company considered the fee quotes obtained, the background, experience and qualification of the auditors and the reply from PwC. During the period, Crowe has been very responsive and provided, among others, a detailed audit plan and resource commitment, while other auditors only provided fee quotes and were relatively less responsive.

9 December 2025 A meeting of the audit committee (the “**Audit Committee**”) of the Board was held to consider the change of auditor. In accordance with the terms of reference of the Audit Committee and the Guidelines for Effective Audit Committees — Selection, Appointment and Reappointment of Auditors (the “**Guide**”), in making the assessment on selection of auditor of the Company, the Audit Committee has considered various factors for evaluating a potential auditor from an audit quality perspective including governance and leadership, compliance with relevant ethical requirements, industry knowledge, experience and technical competence, engagement performance, communication and interaction with the Audit Committee and monitoring process, and various factors for assessing the reasonableness of the proposed audit fee including the size and structure of the Group and the nature and complexity of the Group’s business. The Audit Committee resolved to recommend the Board to appoint Crowe as the new auditor.

A Board meeting was held to consider the recommendation from the Audit Committee and the appointment of Crowe as the new auditor. The Board resolved to recommend PwC to resign as the Company and PwC could not reach a consensus on the audit fee.

The Company informed PwC that the Board, with the recommendation of the Audit Committee, has decided to change the auditor to one offering a more competitive audit fee.

10 to 16 December 2025 The Company coordinated with PwC and Crowe for the outgoing and incoming arrangement.

17 December 2025 PwC issued the resignation letter and clearance letter.

A Board meeting was held to approve the appointment of Crowe and entered into the engagement letter with Crowe.

Publication of the Announcement.

Audit fee and plan

The audit fee for the year ended 31 December 2025 proposed by PwC was RMB2.7 million, which was higher than the audit fee of RMB2.2 million for the year ended 31 December 2024, representing an increase of approximately 22.7%.

Crowe's audit fee for the year ended 31 December 2025 is RMB1.5 million, which was prepared based on a risk-based audit strategy consistent with Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) auditing standards. The fee covers all phases of the audit, including planning, fieldwork, substantive testing, review, including Engagement Quality Management (“**EQ**”) where applicable, reporting, and specialist support (e.g. valuation/information technology) as warranted by the risk profile. The Audit Committee reviewed and is satisfied with Crowe's planned timetable and team composition, details of which are as follows:

Basis of the audit fee: The audit fee of RMB1.5 million is determined based on a risk-based audit strategy consistent with HKICPA auditing standards. The approach emphasises clear direction, supervision and review at defined milestones, with EQ applied where applicable. Procedures are designed around the Group's risk profile, focusing on areas such as revenue and trade receivables (including impairment assessments), property, plant and equipment impairment, and goodwill impairment, together with consolidation mechanics, disclosures and going-concern at the group level.

Timetable:

- December 2025 — Planning: joint planning meeting; confirmation of materiality and scoping; risk assessment and audit strategy; agreement of sampling plans; arrangement of component collaboration for PRC procedures and conduct stock-take; set EQ checkpoints.
- January–February 2026 — Fieldwork: execution of controls walkthroughs and tests where appropriate; substantive procedures over high-risk balances (including confirmations, cut-off testing, ageing analyses and impairment models); review of valuation inputs and discount rates as relevant; testing of consolidation entries and eliminations; ongoing issue resolution and partner/EQ interim reviews.
- Mid/Late-February 2026 — Draft financial statements: provision of comments of the draft audited financial statements and key audit findings to management; clearance of disclosure matters and subsequent events.
- March 2026 — Audit Committee/Board meetings/Annual results announcement: presentation of audit results; discussion of significant judgements, unadjusted differences (if any), and internal-control observations; EQ completion. The Company publishes the annual results announcement.
- April 2026 — Annual report issuance: final sign-offs, typographical checks and release of the annual report.

By seniority of staff members:

The audit work will be conducted and delivered by a team of 8 to 10 persons comprising:

- Engagement Partner — overall engagement direction and final review
- EQ Reviewer — independent quality review
- Principal/Manager — planning, supervision, resolution of complex technical matters
- Senior Associate/Associate — execution of substantive procedures, testing, and documentation

- Specialists (valuation/IT) — targeted procedures in areas requiring specialised expertise

This allocation mirrors Crowe’s risk-based approach and the complexity of key audit areas (e.g. trade receivables impairment, property, plant and equipment/goodwill impairment), and the planned partner/EQ oversight to support audit quality.

By geographical locations:

Given the Group’s operating activities are primarily carried out in the PRC, the audit will focus on PRC operating entities for transaction-level testing and site procedures, while Hong Kong will serve as the group management and consolidation for governance, financial reporting and disclosures. This allocation ensures procedures are performed where risks arise and where group level judgments are made.

By business segments:

Audit effort is allocated across the Group’s three main business segments: (i) ready-mixed concrete, focusing on revenue recognition, cost of sales, and impairment; (ii) precast concrete components, focusing on impairment and segment loss; and (iii) iron ore tailings recycling and eco-friendly bricks, focusing on revenue, cost allocation and segment profit.

Sampling and scope highlights:

Sampling plans and the extent of procedures are set in line with the risk assessment, materiality, and control evaluation. The planned December to April schedule and the 8 to 10-person team ensure sufficient time and resources for planning, controls work, substantive testing, partner/EQ reviews, and reporting.

The Audit Committee reviewed the audit plan and personnel resource allocation of Crowe, and compared them with PwC’s past audit plans and personnel resource allocation, and concluded that there were no significant differences between the audit plans or personnel allocation of Crowe and those of PwC.

Audit Committee's assessment on Crowe

The Company would also like to supplement on the Audit Committee's assessment on Crowe. The Audit Committee has considered the followings and the Guide when assessing whether Crowe is independent, competent and capable:

- (a) the quotations of different auditors;
- (b) an analysis prepared by the management of the Company comparing, among others, the size, experience and reputation of PwC, Crowe and other auditors which provided quotations to the Company;
- (c) the recent business development, size, complexity and risk profile of the Group;
- (d) the detailed audit plan provided by Crowe, setting out the coverage and audit procedures and audit timetable, and the transparent fee structure;
- (e) Crowe's experience and industry knowledge, including its track record in auditing over 50 listed issuers in Hong Kong, several of which operate in the same industry as the Group, in particular, one of which conducts business similar to the business segment of the Group in Hainan;
- (f) Crowe has not subjected to any disciplinary actions or penalties by the Accounting and Financial Reporting Council (the "AFRC") in the past five years;
- (g) gained an understanding from Crowe that sufficient resources would be allocated to handle the audit work of the Company so that audit work could be completed within the required timeframe;
- (h) in respect of communication and working arrangements, Crowe has demonstrated a clear commitment to work with the Group and to maintain transparent, candid and effective communication with the Audit Committee and those charged with governance. Regular and ad-hoc interactions will be held throughout the engagement to address audit issues promptly and openly; and
- (i) the terms of engagement of Crowe are similar to the terms of engagement of PwC.

Having considered the above, the Audit Committee is satisfied that Crowe is independent, competent and capable of performing the required audit work. Further, the Audit Committee is of the view that the proposed audit timetable is reasonable and sufficient for Crowe to complete all necessary audit procedures without compromising the audit quality, and that Crowe's committed resources are adequate to achieve the proposed audit timetable.

In addition, the Audit Committee had required fee schedules from Crowe, broken down by staff seniority, geographical locations and business segments, together with clear explanations of sampling plans, specialist use and component auditor involvement. In assessing the major factors behind the fee differences between Crowe and PwC, the Audit Committee noted that Crowe's quotation is anchored in a risk-based audit strategy consistent with HKICPA standards, with defined direction, supervision and review and EQ where applicable. Since the Group's operations are principally in the PRC while Hong Kong functions are management and consolidation, Crowe places transaction level procedures in the PRC and group-level consolidation, governance and disclosures in Hong Kong. Where a component firm in the PRC will work collaboratively with Crowe, Crowe will be the lead and provide direction, supervision and review the collaboratively component works. Differences in sampling sizes for higher-risk areas (such as trade receivables impairment and property, plant and equipment/goodwill impairment), the targeted engagement of valuation/IT, and the planned seniority mix (partner/EQ, principal supervision and staff execution) naturally affect hours and fee profiles, they reflect a quality-focused approach rather than diminished procedures.

Having considered the above and after taking into account the stable business scale, size, complexity and risk profile of the Group, the Audit Committee is satisfied that the fee proposed by Crowe was commensurate with the audit work required and the audit quality would not be compromised due to reduced fees. The lower fee reflects a risk-aligned allocation of effort (transaction level procedures in the PRC and group-level consolidation, governance and disclosures in Hong Kong), combined with the efficient use and oversight of PRC component work, calibrated sampling and targeted specialist involvement, rather than a reduction in required audit. The Audit Committee is satisfied that the appointment is in the best interests of the Company and its shareholders.

Audit Committee's assessment on the component auditor

In assessing the quality of the component auditor, the Audit Committee has considered the followings:

- (a) the identity of the component auditor which is a qualified professional accounting firm in the PRC, subject to regulatory oversight and compliance with PRC Auditing Standards which are substantially aligned with International Standards on Auditing. This provides assurance that the methodologies, audit procedures, documentation requirements and ethical standards adopted by the component auditor are generally consistent with globally recognised audit practices;

- (b) obtained and reviewed the background, qualifications and regulatory standing of the component auditor and noted that the component auditor has substantial experience in auditing PRC entities with similar scale and complexity. It has over 5,000 professionals, including certified public accountants and partners, encompassing expertise in accounting, auditing and financial consulting, and is one of the top 10 accounting firms listed in the 2024 Comprehensive Evaluation Top 100 Accounting Firms (2024年度會計師事務所綜合評估百家排名). The Audit Committee also considered the auditor's demonstrated experience in auditing entities in the PRC of comparable size, operational complexity and industry characteristics. This includes the firm's familiarity with local business practices, relevant statutory reporting requirements, and sector-specific risks, which collectively contribute to the auditor's ability to perform an effective component audit;
- (c) gained an understanding from Crowe that there is a proven track record of effective collaboration between Crowe and the component auditor. This includes coordination of audit planning, sharing of workpapers, resolving technical accounting matters and adherence to agreed reporting timelines. Such prior collaboration reduces the risk of miscommunication or inconsistent audit approaches and supports an integrated audit process that aligns with Crowe's overall audit strategy;
- (d) the component auditor has not subjected to any disciplinary actions or penalties by the relevant regulatory and professional bodies in the PRC in the past five years. This absence of adverse regulatory findings is an important indicator of the component auditor's adherence to ethical requirements, audit quality standards and professional integrity; and
- (e) assessed the component auditor's independence, competence, and capability, including its internal quality management systems, professional staff qualifications, and compliance with relevant PRC and international auditing standards to ensure that the component auditor is free from conflicts of interest, maintains robust independence safeguards.

Having considered the above, the Audit Committee is satisfied that the component auditor is independent, competent and capable of performing the required audit work to the standards expected by the Company and its shareholders.

THE GROUP'S BUSINESS EXPANSION AND PERFORMANCE

As disclosed in the Announcement, PwC proposed an increase in audit fee to reflect the increased audit effort in consideration of the impact of the Group's business expansion in 2025 and the sustained operating losses. The Company would like to provide the Shareholders and potential investors of the Company with the following additional information in respect of the Group's business expansion and performance in 2025.

In 2025, the Group has been undertaking an expansion of the iron ore tailings recycling and eco-friendly bricks segment in Hainan through capital investments aimed at enhancing production line and increasing capacity of the comprehensive utilisation of iron ore tailings. The technological upgrade of the existing production line was completed in early 2025 and the Group has commenced the construction of a new production line for recycling of iron ore tailings in the second half of 2025. Further, the Group has made capital commitment to construct a production factory for processing mineral resources and the production of lightweight and eco-friendly building materials in Longyan. As at the end of 2025, the land for the factory had been secured and land levelling had been completed. As of the date of this announcement, the construction of the new production line in Hainan remains in progress and the construction of the production factory buildings in Longyan has not yet commenced. It is expected that the new production line and production factory will contribute revenue to the Group when they commence operation in 2026. Due to the foregoing, the Group's capital commitments increased to approximately RMB451.8 million for the six months ended 30 June 2025 (31 December 2024: RMB404.3 million). Although the Group's total assets as at 30 June 2025 decreased to approximately RMB1,129.8 million (31 December 2024: RMB1,132.7 million), the Group's non-current assets in the category of property, plant and equipment as at 30 June 2025 increased to approximately RMB456.3 million (31 December 2024: RMB412.3 million). It is expected that the property, plant and equipment will further increase in the second half of 2025, mainly attributable to the construction of the new production line in Hainan and the investments in the factory in Longyan.

The Group recorded a net loss of approximately RMB49.1 million for the six months ended 30 June 2025 (30 June 2024: profit of RMB1.2 million), following a net loss of approximately RMB75.2 million for the year ended 31 December 2024 (31 December 2023: profit of RMB10.1 million). Gross profit for the six months ended 30 June 2025 decreased by approximately 82.6% to approximately RMB7.9 million (30 June 2024: RMB45.5 million), with gross loss from ready-mixed concrete of approximately RMB19.3 million (30 June 2024: gross profit of RMB12.9 million). The Group's gearing ratio increased to 54% as at 30 June 2025 (31 December 2024: 48%), reflecting higher leverage. For the six months ended 30 June 2025, the Group's revenue increased by approximately 6.4% to approximately RMB259.7 million (30 June 2024: RMB244.1 million). This was mainly due to an increase of approximately 14.0% in ready-mixed concrete sales (RMB148.2 million) and an increase of approximately 6.8% in iron ore tailings recycling and eco-friendly bricks segment (RMB110.6 million), partially offset by a decrease of approximately 91.8% in precast concrete components sales (RMB0.87 million). The Group's overall business scale in terms of revenue remained stable in 2025, while the decrease in profitability in ready-mixed concrete and precast concrete components segments may increase operational challenges. As to expansions, most of the aforesaid expansions are still in process and have not yet been put into operation, the Directors are of the view that the nature and complexity of the Group's business did not materially altered in 2025.

Having discussed with the management of the Company, Crowe learnt that (a) the Group has strategically focused its business operation in 2025 on the iron ore tailings recycling and eco-friendly bricks segment in Hainan and made significant capital investments and commitments with an aim to increase the production capacity in Hainan. The Group expects that the aforementioned expansions would contribute revenue to the Group in 2026; and (b) the Group's overall business scale in terms of revenue remained stable in 2025 as most of the aforementioned expansions are still under construction and have not yet commenced operations. Therefore, the nature and complexity of the Group's business did not materially change in 2025. In light of the foregoing, when formulating its audit plan and audit fee, Crowe has prioritized the operations in Hainan by allocating sufficient resources to conduct thorough audit of the business activities and enhancing audit procedures surrounding the new capital investments. For the ready-mixed concrete and precast concrete components segments, Crowe focuses its audit efforts on areas with relatively higher risks, including, but not limited to, the impairment assessment of non-current assets. With such audit arrangements, Crowe is confident that its proposed audit fee is sufficient to ensure the delivery of a high-quality audit while achieving efficiency in the audit process.

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
Zhixin Group Holding Limited
Ye Zhijie
Chairman and Executive Director

Hong Kong, 26 February 2026

As at the date of this announcement, the Board comprises Mr. Ye Zhijie, Mr. Huang Wengui, Mr. Lai Quanshui, Mr. Qiu Limiao, Mr. Ye Dan and Mr. Huang Kaining as executive Directors; and Ms. Wong Tuen Sau, Mr. Cai Huinong and Mr. Jiang Qinjian as independent non-executive Directors.