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(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2402)

FURTHER INFORMATION IN RELATION TO CHANGE OF AUDITORS

References are made to the announcement of Beijing SinoHytec Co., Ltd. (the “**Company**”) dated December 3, 2025 and the circular (the “**Circular**”) of the Company dated December 8, 2025 in relation to the change of auditors. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

The Board would like to provide the following further information in relation to the change of auditors.

BACKGROUND OF THE CHANGE OF AUDITORS

The Company discussed with BDO in October and early November 2025 the audit quotation for the annual audit of the Group for the year ended December 31, 2025 (the “**2025 Audit**”), in particular (i) the wider audit scope with twelve additional subsidiaries compared to FY2024, (ii) the expected compressed audit timeline; and (iii) the expected audit fees without adjustment despite the expanded scope and tighter timeline. BDO verbally indicated that a higher audit fee for the 2025 Audit would be proposed, citing the need for additional manpower and resources to accommodate both the wider audit scope and the tighter timetable. The Company subsequently did not pursue further discussions with BDO regarding the 2025 Audit in mid-November 2025. In compliance with the Administrative Measures for the Selection and Appointment of Accounting Firms by State-Owned Enterprises and Listed Companies* (國有企業、上市公司選聘會計師事務所管理辦法) of the PRC, the Company conducted a public tender process to identify qualified audit firms for completing the 2025 Audit and received proposals from other potential audit firms in November 2025. As no consensus could be reached on the final audit fee, BDO resigned as the Auditors on November 27, 2025.

In November 2025, the Audit Committee held a meeting with Beijing Xinghua and Beijing Xinghua Caplegend in order to assess (i) their experience, knowledge and technical competence in providing audit services to listed companies; (ii) their independence and objectivity; and (iii) their resources and capabilities. Given that (i) the audit proposals from Beijing Xinghua and Beijing Xinghua Caplegend offered more favorable terms in view of the audit fee (i.e. HK\$1,550,000) and resource commitment; (ii) the financial year end was approaching; and (iii) the Company is required to publish its audited financial statements in a timely manner in compliance with the Listing Rules, as well as the key considerations of the Audit Committee as set out below, the Audit Committee and the Board approved the change of Auditors.

KEY CONSIDERATIONS OF THE AUDIT COMMITTEE

In evaluating the appointments of Beijing Xinghua and Beijing Xinghua Caplegend, the Audit Committee has considered section 2 of the Guidelines for Effective Audit Committees – Selection, Appointment and Reappointment of Auditors issued by the Accounting and Financial Reporting Council. Details of its evaluation are summarized as follows:

- (1) **Governance and Leadership:** Beijing Xinghua and Beijing Xinghua Caplegend maintain a hierarchical structure of partners, managers and junior staff to ensure the allocation of roles, responsibilities and authority. The audit engagement team is led by audit partners with more than 15 years of experience who oversee audit quality. Dedicated quality assurance partners with at least 10 years of audit experience are appointed to each audit engagement team and are responsible for providing an objective evaluation of the significant judgements and the conclusions reached. The Audit Committee has reviewed Beijing Xinghua’s and Beijing Xinghua Caplegend’s organizational structures and their internal quality management policies, and is satisfied that they maintain clear reporting lines and delegation of authority, as well as responsibility and accountability arrangements, which safeguard the public interest in the performance of their audit function.
- (2) **Ethical Compliance:** Beijing Xinghua and Beijing Xinghua Caplegend are required to comply with the provisions of the Code of Ethics for Chinese Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants (HKICPA) Code of Ethics for Professional Accountants (Code of Ethics), respectively. Prior to their appointments as the Auditors, Beijing Xinghua and Beijing Xinghua Caplegend confirmed to the Audit Committee that there were no proposed non-audit services, financial or business relationships between the Company and Beijing Xinghua and Beijing Xinghua Caplegend, nor any personal relationships between the audit engagement team members and the Company that might impair the independence in performing the 2025 Audit for the Company. They further confirmed that they had completed a conflict check on the Company to ensure that no prior or current non-audit services would give rise to any potential conflicts of interest in relation to their appointments as the Auditors.

- (3) **Industry Knowledge and Technical Competence:** Beijing Xinghua and Beijing Xinghua Caplegend have sufficient experience in auditing over 50 listed companies on the PRC Stock Exchange and the Stock Exchange in different industries. The audit engagement team's managers and partners are all certified accountants, with the lead audit partners each bringing 7 to 15 years of experience auditing listed companies of similar size and/or industry with the Company. In addition, practising certified auditors in Hong Kong and the PRC are required to complete at least 40 continuing professional development units (CPDUs) in various competence areas each year.
- (4) **Engagement Performance:** Partners and managers of the audit engagement team will address significant matters and judgements, while junior staff perform fundamental audit procedures under their direct supervision. The Audit Committee has also reviewed the proposed audit timeline, setting out the key audit phases and corresponding procedures for each stage of the 2025 Audit. The proposed audit timeline clearly defined the planning, verification, review and confirmation phases, together with the audit methodologies to be applied at each stage. Having considered the audit engagement team structure, the Audit Committee is satisfied that Beijing Xinghua and Beijing Xinghua Caplegend have allocated sufficient staff of different seniority levels, technical expertise and management oversight to ensure audit quality.
- (5) **Communication and Interaction with the Audit Committee:** Beijing Xinghua and Beijing Xinghua Caplegend and the Audit Committee maintain effective two-way communication during each phase of the audit, including regular meetings and prompt discussion of any issues that arise.
- (6) **Monitoring Process:** In the past three years, neither Beijing Xinghua and Beijing Xinghua Caplegend nor their practitioners have been subject to any criminal penalties or any disciplinary actions from securities exchanges and self-regulatory organizations such as industry associations due to their professional conduct. Based on the foregoing, the Audit Committee is satisfied that Beijing Xinghua and Beijing Xinghua Caplegend are independent, competent and capable to perform a high-quality audit for the Group.

MAJOR FACTORS UNDERLYING THE DIFFERENT AUDIT FEE

The Audit Committee was aware that the quotation from Beijing Xinghua and Beijing Xinghua Caplegend was slightly lower than that from BDO for FY2024 but, having given thorough consideration to their credentials, including but not limited to their network, resources, audit plan, scope of audit, and other factors, is of the view that the reduced audit fee does not compromise audit quality. This will be achieved through:

- (1) Scope of audit services: the scope of audit services covered in the audit fee proposals of Beijing Xinghua and Beijing Xinghua Caplegend is substantially the same as that of BDO, in addition to the Company's twelve newly established subsidiaries;
- (2) Lower fees due to lower time cost: Beijing Xinghua and Beijing Xinghua Caplegend have established 30 offices across the PRC, including but not limited to Hubei, Xi'an, Guangdong, Shenzhen, Shandong, Shanghai, Hangzhou, Tianjin, Chongqing, Jiangsu and Inner Mongolia. As a result of their PRC offices being close to the Company's headquarters, travel time and related costs can be reduced, which may lead to a lower audit fee;
- (3) Audit process: As it is necessary to prepare audit plans in accordance with the applicable accounting and auditing standards, audit plans prepared by different accounting firms shall be the same in principle, and therefore the audit plan of Beijing Xinghua and Beijing Xinghua Caplegend shall be similar to the one previously done by BDO; and
- (4) Composition and structure of auditors: The audit engagement team comprises 15 members consisting of certified auditors and professional staff, which is slightly larger than that of BDO.

AUDIT APPROACH AND AUDIT PLAN

The overall audit approach is as follows:

- (1) Revenue Recognition: The audit assesses the risk of improper revenue recognition due to its significance in performance metrics. Key responses include evaluating internal controls, reviewing major contracts and management interviews, analyzing revenue fluctuations, sampling supporting documents, confirming accounts receivable and conducting cutoff testing to ensure revenue is recognized.
- (2) Accounts Receivable Impairment: The audit focuses on evaluating internal controls, confirming major accounts, reviewing cash flow forecasts and assessing the rationale behind grouping accounts based on credit risk. The audit also checks post-balance sheet repayments and ensures accurate reporting of impairment within financial statements.

- (3) **Research and Development Expenses:** The audit addresses the uncertainty in classifying R&D costs as expenses or capitalized assets, focusing on evaluating internal controls, ensuring consistent accounting policies, and verifying the completeness of recorded expenditures. Additionally, it checks compliance with government funding requirements and assesses the economic benefits of R&D-generated assets.

The audit will follow a three-phase timeline designed to ensure reasonable assurance and timely public reporting. The first phase has been commenced, focusing on planning, audit planning and asset physical verification. The second phase, from early January through early March 2026, is dedicated to the final audit, emphasizing all substantive procedures and completing the testing of the year-end financial statements. The third phase has commenced in mid-March 2026, during which the audit result is in the course of being finalized in preparation for the results announcement and annual report. The opening balance procedures will be conducted as part of this first-year audit.

The Audit Committee has evaluated all factors mentioned above, and having taken into account the resources committed by Beijing Xinghua and Beijing Xinghua Caplegend to prepare the Group's audit work, the Audit Committee is of the view that the audit approach and timetable are reasonable and sufficient to complete all necessary audit procedures for 2025 Audit without compromising audit quality.

By order of the Board
Beijing SinoHytec Co., Ltd.
ZHANG Guoqiang
Chairman of the Board

Beijing, the PRC
March 27, 2026

As of the date of this announcement, the Board comprises Mr. Zhang Guoqiang, Ms. Song Haiying and Ms. Dai Dongzhe as executive Directors; Mr. Song Feng as non-executive Director; Mr. Ji Xuehong, Mr. Chan So Kuen and Mr. Li Zhijie as independent non-executive Directors; and Ms. Zhang Hongli as employee representative Director.

* *For identification purposes only*