Zhongke Group Holdings Limited
中科集團控股有限公司

(formerly known as Wai Hung Group Holdings Limited 偉鴻集團控股有限公司)
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 3321)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CHANGE OF AUDITORS

Reference is made to the announcements of Zhongke Group Holdings Limited (the "Company", together with its subsidiaries, the "Group") regarding the retirement of Global Link (dated 6 February 2026); the proposed appointment of Prism as the auditor of the Company (dated 12 February 2026); the notice of the Extraordinary General Meeting (EGM) (dated 13 February 2026); the poll results of the EGM (dated 9 March 2026); and the supplemental announcement regarding the change of auditor (dated 12 March 2026) (collectively, the "Announcements"), as well as the circular regarding the EGM dated 13 February 2026.

The board of directors (the "Board") wishes to provide further information regarding the change of auditor.

DETAILED CONSIDERATION OF THE AFRC PRESS RELEASE

The Audit Committee were aware of the AFRC Press Release dated 11 September 2025, the AFRC Press Release dated 5 March 2026 and the latest available inspection findings (collectively the "Press Release") and considered the following factors in its suitability assessment:

- **Nature of the Misconduct:** The Audit Committee noted that the sanctions related to administrative contraventions of sections 20D, 20E, and 20V of the AFRCO, where Prism authorized individuals to act as engagement partners or quality control reviewers without the required registrations for seven PIE engagements in 2023.

- **Absence of Dishonesty:** Crucially, the Audit Committee noted that the AFRC's explicit finding that there was no finding of intentional, dishonest, or deliberate misconduct by Prism or the involved individuals. This indicates the failure was an administrative oversight rather than a breach of fundamental ethical integrity.

- **Remediation and Settlement:** The Audit Committee also considered Prism's cooperative attitude, including their admission of misconduct, early settlement with the AFRC, and the subsequent 30% reduction in pecuniary penalties.

- **Institutional Improvement:** The Audit Committee noted that stated in the same Press Release, that Prism has already undertaken remedial actions, such as improving internal policies and procedures and providing training to staff to ensure future compliance with registration requirements.

The Audit Committee is satisfied that Prism is independent, competent, and capable of acting as the Company's auditor based on the following detailed basis:

1. **Professional Integrity:** The finding of "no dishonesty" by the AFRC is the primary basis for the Audit Committee's continued trust in Prism's integrity. As the misconduct was not related to audit quality failures or ethical lapses, the Audit Committee believes Prism maintains the fundamental principle of professional behaviour.

2. **Specific Engagement Safeguards:** The proposed Engagement Partner and Engagement Quality Control Reviewer (EQCR) for the Company are confirmed as properly registered and qualified under current AFRC requirements.

3. **Enhanced Internal Oversight:** Prism has confirmed that the improved internal control procedures and staff training mentioned in the Press Release are now fully operational, providing additional assurance regarding their compliance framework.

4. **Technical Competence:** Based on initial interactions, Prism has demonstrated the technical expertise required to handle the Company's audit in accordance with Hong Kong Standards on Auditing (HKSA) and HKFRS Accounting Standards.

5. **Corroborative Evidence of Improved Audit Quality:** The Audit Committee noted that Prism successfully underwent its recent inspection by the AFRC with no significant findings in its internal firm-wide system of quality management. The Audit Committee considers it pivotal corroborative evidence that confirms the effectiveness of the remedial actions and internal control enhancements undertaken by Prism as stated in the Press Release. This independent validation by the AFRC directly supports the Audit Committee's view that Prism is not only administratively compliant but also technically competent and capable of performing a high-quality audit for the Company. Therefore, the Audit Committee considered that the past administrative non-compliance noted in the Press Release does not impair Prism's suitability as the Company's auditor.

In light of the above, the Audit Committee is satisfied that Prism's past administrative non-compliance does not impair its ability to provide a high-quality, independent audit. The AC believes that Prism's proactive remediation and the absence of any dishonest intent satisfy the requirements for suitability under the Guide.

AUDIT COMMITTEE'S ASSESSMENT ON THE QUALITY, INDEPENDENCE, COMPETENCE AND CAPABILITY OF PRISM

The Audit Committee of the Company has considered the following in assessing the quality of Prism and is satisfied that Prism is independent, competent and capable:

1. Governance and leadership

In assessing Prism's governance and leadership, the Audit Committee considered whether Prism had an appropriate organisational and management structure to support audit quality and engagement oversight.

The Audit Committee noted that Prism is a licensed public interest entity auditor in Hong Kong and is subject to the regulatory oversight of the Accounting and Financial Reporting Council ("AFRC"). The Audit Committee understands from Prism's representations that Prism has an established internal governance structure for audit practice management, including engagement acceptance procedures, engagement supervision, quality review arrangements and internal compliance policies applicable to audit engagements.

The Audit Committee also specifically considered the Press Release referred to in the Exchange's earlier enquiry. In this regard, the Audit Committee noted that the matters referred to in the Press Release related to the use of individuals in certain PIE engagements without the required registrations, which was a regulatory compliance issue of an administrative nature. The Audit Committee further noted from the Press Release that there was no finding of intentional, dishonest or deliberate misconduct, and that Prism had cooperated with the AFRC and undertaken remedial actions.

To assess Prism's leadership and governance response to the incident, the Audit Committee enquired into the remedial measures adopted by Prism. Prism represented to the Audit Committee that it had strengthened its internal policies, procedures and monitoring in relation to engagement staffing and regulatory registration compliance, and had provided additional internal guidance and training to relevant personnel. The Audit Committee considered that the willingness of Prism's management to address the issue, implement remedial measures and subject itself to regulatory oversight was relevant in assessing the tone from the top and the firm's governance responsiveness.

Based on the above, the Audit Committee considered that Prism's governance and leadership framework, together with the remedial measures taken following the AFRC disciplinary action, was adequate for the purpose of undertaking the Group's audit.

2. Compliance with relevant ethical requirements

The Audit Committee assessed whether Prism is able to comply with the applicable independence and ethical requirements in acting as the auditor of the Company.

In this regard, the Audit Committee requested Prism to confirm its independence and compliance with the applicable ethical and professional requirements under the relevant professional standards and regulatory requirements in Hong Kong. Prism confirmed to the Audit Committee that it is independent of the Company and that neither Prism nor the proposed engagement team has any relationship with the Company, its connected persons, directors, senior management or substantial shareholders that would impair independence.

The Audit Committee also considered the Press Release from the perspective of ethical compliance. While the disciplinary action raised concerns regarding Prism's compliance with registration requirements in prior engagements, the Audit Committee noted that the Press Release did not involve findings of dishonesty, fraud, lack of integrity or intentional misconduct. The Audit Committee considered this distinction important in assessing whether the prior incident undermined Prism's ethical standing and independence.

The Audit Committee further obtained confirmation from Prism that, for the proposed audit of the Group, the relevant engagement personnel, including the proposed engagement partner and engagement quality reviewer, are properly qualified and duly registered in accordance with relevant requirements of AFRC. The Audit Committee considered that this specific engagement-level confirmation was an important safeguard to address the concerns arising from the Press Release.

Accordingly, the Audit Committee was satisfied, based on the confirmations received and the absence of any information suggesting an independence impairment in relation to the Company's audit, that Prism is capable of complying with the relevant ethical and independence requirements.

3. Industry knowledge and technical competence

The Audit Committee assessed Prism's industry knowledge and technical competence by reference to the nature, scale and complexity of the Group's business and reporting obligations. The Group is principally engaged in foundation and site formation works and other construction-related works in Hong Kong. In assessing Prism's suitability, the Audit Committee considered whether Prism has personnel with relevant experience in auditing companies engaged in construction or project-based businesses and whether Prism has adequate knowledge of the applicable accounting and auditing standards, including Hong Kong Financial Reporting Standards and Hong Kong Standards on Auditing, as well as the requirements applicable to a company listed on the Main Board of the Exchange.

Prism represented to the Audit Committee that it has experience in handling audit engagements for companies listed in Hong Kong and companies operating in sectors involving project accounting, subcontracting arrangements, revenue recognition by reference to contract performance and other accounting areas commonly arising in the construction industry. The Audit Committee discussed with Prism its preliminary understanding of the Group's operations, internal controls, major audit areas and proposed audit approach. Through such discussion, the Audit Committee formed the view that Prism demonstrated a sufficient understanding of the Group's business model and the principal accounting and audit issues likely to arise in the audit.

The Audit Committee also took into account the professional qualifications and experience of the proposed engagement personnel as presented by Prism during the appointment process. In particular, Prism confirmed that the proposed engagement team would be staffed by personnel with appropriate audit experience and technical support.

Based on the above, the Audit Committee was satisfied that Prism possesses the industry knowledge and technical competence necessary to perform the Group's audit.

4. Engagement performance

In assessing engagement performance, the Audit Committee considered whether Prism appears capable of planning and executing the audit in an effective manner and delivering an audit of appropriate quality.

The Audit Committee discussed with Prism its proposed audit timetable, staffing plan, scope of work and key audit focus areas for the Group. Prism explained its preliminary audit planning, including the allocation of engagement personnel, the involvement of the engagement partner and engagement quality reviewer, risk assessment procedures, materiality considerations, review procedures and communication arrangements with management and the Audit Committee.

The Audit Committee also considered whether Prism has sufficient manpower and resources to complete the audit within the reporting timetable applicable to the Company as a listed issuer. Prism confirmed that it had assessed its internal resource availability before accepting the engagement and that it had sufficient manpower, time and technical resources to undertake the audit. The Audit Committee considered this against the Group's size and operational footprint and did not identify any apparent mismatch between the Group's audit needs and Prism's proposed engagement resources.

In addition, the Audit Committee considered that the issue referred to in the Press Release did not concern findings that Prism had failed to perform audit procedures properly or had delivered substandard audit work in the specific sense of audit execution quality. Rather, the issue related to prior non-compliance with registration requirements. While such non-compliance was a serious matter and was taken into account by the Audit Committee, the Audit Committee did not consider that it, by itself, demonstrated that Prism was incapable of performing the Company's audit, particularly in light of Prism's representations as to remedial actions and engagement-specific safeguards.

Accordingly, the Audit Committee was satisfied that Prism appears capable of performing the engagement to an appropriate standard.

5. Communication and interaction with the Audit Committee

The Audit Committee considered its direct communications and interactions with Prism during the appointment process.

Prism attended discussions with the Audit Committee and responded to the Audit Committee's questions regarding its qualifications, relevant experience, independence, staffing arrangements, audit approach and the matters raised in the Press Release. The Audit Committee considered Prism to be responsive and forthcoming in addressing the Audit Committee's enquiries and in providing the confirmations and background information requested.

The Audit Committee also considered whether Prism demonstrated an appropriate degree of professional scepticism, understanding of the Audit Committee's oversight role and willingness to maintain open communication throughout the audit process. Based on the interactions, the Audit Committee was of the view that Prism understood the expectations of a listed issuer's audit committee in relation to auditor reporting, communication of audit findings, discussion of key risks and timely escalation of significant matters.

The Audit Committee therefore considered that Prism would be able to maintain an effective working relationship and appropriate communication with the Audit Committee.

6. Monitoring process

The Audit Committee assessed Prism's monitoring process by considering whether Prism has internal quality control or quality management arrangements for overseeing audit quality and compliance.

Prism represented to the Audit Committee that it maintains internal policies and procedures for engagement quality control, supervision and review, engagement acceptance and continuance, and compliance monitoring. Following the matters referred to in the Press Release, Prism further represented that it had enhanced its internal monitoring over regulatory registration status and engagement assignment procedures, with a view to preventing recurrence of similar issues.

The Audit Committee considered that, while it is not in a position to independently audit Prism's internal systems, it is appropriate for the Audit Committee to assess whether sufficient explanations and confirmations have been obtained to allow it to make an informed judgment for appointment purposes. Having considered Prism's explanations, the regulatory context and the remedial actions described to the Audit Committee, the Audit Committee was satisfied that Prism has in place monitoring processes that are, for the purpose of the Company's appointment decision, adequate and relevant.

The Audit Committee also understood from Prism that it had successfully underwent its annual inspection by the AFRC, of which Prism did not receive any significant finding from the AFRC on its firm-wide system of quality management. The Audit Committee considered this substantiated Prism's recent improvement is solid.

The Audit Committee notes that it will continue to monitor Prism's performance during the audit engagement through the usual reporting and oversight mechanisms, including reviewing the audit plan, discussing significant audit issues, evaluating Prism's performance during and after completion of the audit, and considering whether re-appointment remains appropriate in the future.

FURTHER ASSESSMENT ON GOVERNANCE AND LEADERSHIP

The Audit Committee has carefully evaluated Prism's governance and leadership in accordance with Section 2 (specifically paragraphs 2.2.5 to 2.2.6 and the related key questions) of the AFRC's Guidelines for Effective Audit Committees. The Audit Committee is satisfied that Prism's leadership is fully committed to audit quality and safeguarding the public interest. The detailed basis for the Audit Committee's assessment is set out below:

1. "Tone at the Top" and Commitment to Quality

The Audit Committee noted that Prism's internal policies regarding leadership responsibilities and has explicitly incorporated the Accounting and Financial Reporting Council's (AFRC) guidance on "Tone at the Top" into its quality management manual. Prism's leadership actively promotes a culture that prioritizes ethics, integrity, professional skepticism, and audit quality over commercial considerations. The firm encourages effective, open communication and empowers audit team members to actively challenge management representations without fear of reprisal. Furthermore, Prism ensures that the remuneration and performance evaluations of its partners and staff are closely linked to their performance in maintaining audit quality.

2. Accountability and System of Quality Management (HKSQM 1)

In assessing who is ultimately responsible and accountable for the firm's system of quality management, the Audit Committee noted that Prism fully complies with the new Hong Kong Standard on Quality Management (HKSQM) 1 and 2, as well as HKSA 220 (Revised). Prism has established a dedicated task force comprising members from various departments to design, implement, and operate a robust, risk-based quality management system. The firm has designated specific senior leadership roles, including a Technical/Quality Control Partner (Mr. Evan Chin) and a Director of Professional Practice/Audit Quality (Ms. Selina Ngai), who possess extensive regulatory and quality assurance experience to oversee the firm's quality control framework and ensure strict compliance with professional standards.

3. Robust Governance Arrangements and Review Mechanisms

To safeguard the public interest and ensure consistent engagement performance, Prism's leadership has implemented a stringent "Four-Level Review System" across its audit engagements. This system mandates sequential reviews by the Preparer, Manager, Engagement Partner, and finally an independent Engagement Quality Control Reviewer (EQCR). For this specific engagement, Mr. Eugene Cho, a highly experienced fellow member of the HKICPA, has been assigned as the EQCR to provide objective oversight. Additionally, Prism's leadership has established a specialized technical support group to provide authoritative guidance on complex accounting and auditing matters, ensuring that engagement teams are well-supported by the firm's broader governance structure.

4. Continuous Monitoring and Remediation

The Audit Committee noted that Prism's leadership takes a proactive approach to monitoring audit quality. Under their HKSQM 1 framework, quality objectives, quality risks, and responses are formalized and integrated into a systematic platform. The firm conducts at least annual evaluations of its quality management system, adjusting its risk assessments and remediation processes promptly in response to changes in the operating or regulatory environment.

Based on the above assessment, the Audit Committee is satisfied that Prism possesses the appropriate governance arrangements, leadership accountability, and structural mechanisms to safeguard the public interest. The Audit Committee concludes that Prism's leadership demonstrates a strong, actionable commitment to delivering high-quality audits, fully satisfying the criteria set out in Section 2 of the AFRC Guidelines.

AUDIT ENGAGEMENT TEAM COMPOSITION

The Audit Committee has verified that the appointed audit team is highly qualified, technically competent, and well-equipped to handle the Company's audit. The team is structured with strong leadership and experienced support staff:

- **Senior Leadership:** The Engagement Partner, Key Audit Partner, and Engagement Quality Control Reviewer (EQCR) each bring over a decade of cross-border professional experience in Hong Kong and the PRC. All three are Fellow members of the HKICPA and possess extensive expertise in complex Group and company-level audits.

- **Managerial Staff:** The fieldwork is overseen by two Managers, each with 7 to 8 years of relevant HK and PRC audit experience, holding Fellow memberships with the HKICPA and CICPA, respectively.

- **Execution Team:** The core fieldwork is supported by a dedicated team comprising one Senior and two Associates, all of whom have proven, hands-on experience in executing Group and company-level audits.

After reviewing Prism's audit plan, the Audit Committee confirms it is comprehensive and robust enough to ensure the Company meets its FY2026 reporting timeline. Considering that Prism's audit plan aligns closely with the agreed audit timeline and reporting obligations, and Prism keeps proactive reporting of key issues mitigates timing risks, the Company noted that Early June 2026 is the deadline for resolving significant issues provides a buffer before late June conclusions, preventing impact on reporting. As well as phased KAM communication (preliminary in March, updates during fieldwork, final at completion) ensures transparency and reduces last-minute adjustments.

Besides, the audit engagement team comprises professionals with extensive and proven audit experience across relevant industries. Most team member possesses recognized professional qualifications and maintains rigorous technical competence, ensuring they are fully qualified and well-positioned to discharge the audit engagement competently and diligently. Therefore, the Audit Committee is of the view that the audit team of Prism is competent to perform the audit of the Company.

AUDIT TIMETABLE AND RESOURCE ALLOCATION

Prism has established a structured and proactive communication plan to ensure timely, transparent, and effective communication with the Audit Committee throughout the entire audit engagement for FY2026, covering key audit milestones and critical issues. The details are as follows:

1. Audit Timeline (the "Timetable")

Expected Date	Milestone
Early March 2026	Presentation of audit plan to the Audit Committee
End of April 2026	Pre-audit fieldwork
May – June 2026	Annual audit fieldwork
Early June 2026	Draft consolidated financial statements
Early June 2026	Deadline for resolving significant audit issues or providing additional information
Late June 2026	Presentation of audit conclusions to the Audit Committee
End of June 2026	2026 annual results announcement
End of June 2026	Publication and printing of the 2026 Annual Report
Throughout the audit period	Collection of audit service feedback and continuous improvement

Reasonableness and Sufficiency of the Proposed Audit Timetable

The Audit Committee confirms the proposed Timetable is reasonable and sufficient to ensure high-quality audit completion. The detailed basis is set out in the following:

- **Alignment with the Group's Business and Financial Reporting Cycle:** The Timetable is closely aligned with the Group's financial reporting rhythm to ensure timely and adequate audit evidence collection. Pre-audit fieldwork (Early May 2026) coincides with the Group's preliminary financial collation, enabling Prism to conduct initial procedures (e.g., internal control understanding, preliminary balance testing) and identify potential issues in advance, avoiding last-minute rushes. Annual audit fieldwork (May – June 2026, approximately two months) fully covers all key focus areas (renovation contract revenue, ECL assessment, going concern, opening balances), which is commensurate with the Group's size, business complexity, and group-wide audit scope.

- **Sufficiency of Time Allocated to Key Audit Procedures:** Adequate time is allocated to all core audit procedures, especially high-risk areas. The two-month annual fieldwork period allows Prism to perform detailed procedures for Key Audit Matters (KAMs), including engaging specialists if needed to ensure thoroughness. Early March 2026 audit plan presentation allows the Audit Committee to conduct timely oversight, preventing rework and delays caused by inadequate planning.

2. Adequacy of Prism's Committed Audit Resources

The Audit Committee confirms that Prism's committed resources are adequate to support the audit work and ensure audit quality. The detailed basis is set out as follows:

- **Structured Audit Methodology and Resource Allocation:** Prism adopts a structured audit methodology with clear resource allocation. Specialists are engaged for high-complexity areas (e.g., external valuer reviews, ECL testing) to provide professional technical support, ensuring accurate handling of complex estimates and reducing audit risks. For component audits (where applicable), Prism implements strict oversight mechanisms (e.g., issuing audit instructions, regular coordination meetings, working paper reviews) to ensure alignment with the overall audit plan, avoiding quality issues caused by inadequate coordination.

- **Proactive Risk Mitigation and Flexibility:** Prism's resource plan includes proactive risk mitigation measures. It maintains close communication with the Group's management to promptly adjust the audit plan in response to unforeseen changes, ensuring resource reallocation to stay on track. Prism's team has rich experience in auditing similar entities and proficiently handles the Group's key risks (e.g., renovation revenue, ECL assessment), ensuring resources are effectively utilized to meet the Timetable requirements without compromising quality.

AUDIT METHODOLOGY, KEY AUDIT MATTERS, AND FRAUD CONSIDERATIONS

Prism adopts a professional audit methodology and the personnel in charge possess extensive audit experience in the relevant industries. Below are details of Prism's proposed audit plan.

1. Audit Methodology

A. Understanding the Entity's Internal Control System

Prism's audit methodology is to obtain a thorough understanding and assessment of the entity's internal control system. They identify controls at the assertion level within control activities that address risks of material misstatement. Through performing procedures, they understand the design of internal controls relevant to the financial statement audit and determine whether such controls have been implemented in daily operations to plan the overall audit approach. This enables them to evaluate the appropriateness of relying on internal control activities to provide partial audit assurance for the overall audit engagement.

Where required by Hong Kong Standard on Auditing (HKSA) 315 (Revised 2019), or where reliance on the entity's internal controls allows them to perform audit procedures efficiently and the results of testing the operating effectiveness of internal controls throughout the year are satisfactory, they assess control risk and rely on certain internal controls of the entity to obtain audit assurance.

B. Scope of Work for the Group

They will perform a full audit of the financial information of identified significant components. They will audit or perform specified audit procedures on one or more account balances, classes of transactions, or disclosures of certain significant components identified. They will perform specified procedures on the remaining components not listed above. For certain components, the above audit procedures will be performed by component auditors.

C. Involvement of Group Auditor in Component Auditors' Work (Significant Components)

They will issue audit instructions to guide component auditors of significant components to complete their audit work. They will hold regular meetings to discuss audit matters with component auditors of significant components. They will review audit working papers for key areas and matters of certain significant components at both the planning and final stages. If necessary, they will conduct on-site visits to certain significant components.

D. Involvement of Audit Specialists

Prism planned to involve audit specialists in the following areas:

- Review by external valuers; and

- Expected credit loss ("ECL") impairment testing of trade and other receivables.

E. Use of Internal Auditors' Work

Based on their preliminary understanding of the internal audit function, their preliminary plan does not intend to rely on the work of the Group's internal audit function.

2. Key Audit Focus Areas

Prism has identified three key audit focus areas:

- **Renovation contract revenue recognition and cost estimation:** Identified as a significant risk. Tentatively determined as Key Audit Matter 1. Involves significant management judgment. Revenue as of 31 March 2026 may not be reasonably estimated.

- **ECL assessment of trade and other receivables:** Identified as a significant risk. Tentatively determined as Key Audit Matter 2. Involves significant accounting estimates. ECL assessment of trade receivables as of 31 March 2026 may not be reasonably estimated.

- **Going concern assumption:** Identified as a significant risk. Involves significant management judgment. Material uncertainty exists regarding the Group's going concern assumption.

Other audit focus areas:

- **Investigations involving Group Directors:** Relevant progress may impact the Group's financial position.

- **Opening balances:** As this is the initial audit year, Prism will perform audit procedures on items and matters with significant opening balance risks.

3. Key Audit Matters

In accordance with HKSA 701 (paragraph 8) – Communicating Key Audit Matters in the Independent Auditor's Report, key audit matters are those matters that, in Prism's professional judgment, were of most significance in the audit of the Group's financial statements for the year. Key audit matters are selected from matters communicated with those charged with governance.

Determination of Key Audit Matters:

- Areas of higher risk of material misstatement;

- Areas involving significant management judgment and estimation uncertainty; and

- Significant events or transactions during the year.

Process for Key Audit Matters:

- Planning stage: Communicate preliminary key audit matters and descriptions to the Audit Committee;

- Execution stage: Report material changes to key audit matters to the Audit Committee on a timely basis;

- Completion stage: Summarize and report final descriptions and audit responses for key audit matters;

- In the audit report, Prism will describe each key audit matter, including:

    - Reasons why the matter is of most significance

    - How the key audit matter was addressed in the audit

    - Reference to related disclosures in the financial statements

4. Detailed Key Audit Matters

Key Audit Matter 1: Renovation Contract Revenue Recognition and Cost Estimation

- *Description:* As of 31 December 2024, the Group's renovation service revenue was approximately MOP8,595,000, representing a decrease of approximately MOP 90,861,000 (or 90.5%) compared with 31 December 2023. Revenue recognition is highly dependent on estimated total costs and percentage of completion. Management may have the risk of manipulating profit by adjusting budgeted costs, including risks of management override or bias. For large or complex projects, variations in subcontractor quotations, construction delays, or material price fluctuations may cause significant differences between actual and budgeted costs. Accordingly, Prism identify ECL assessment of trade receivables as a key audit matter.

- *Main Audit Procedures Planned:*

  - o Perform retrospective tests to compare prior year budgeted costs with current-year actual costs to evaluate the historical accuracy of management's budgets;

  - o Selectively inspect subcontract agreements, latest quotations, and cost estimates from the procurement department supporting budgeted costs;

  - o Discuss project progress with project managers to confirm whether on site conditions are consistent with the stage of completion reflected in the books; and

  - o Inspect actual cost expenditures after the reporting period to verify the completeness of period end estimates.

Key Audit Matter 2: Expected Credit Loss Assessment of Trade Receivables

- *Description:* As of 31 December 2024, the net carrying amount of the Group's trade receivables was approximately MOP 78,850,000 (net of ECL provisions of approximately MOP 86,228,000). ECL assessment of trade receivables involves significant management judgment and estimation in determining recoverability. ECL provisions are estimated based on historical observed default rates within the expected tenure of debtors and data from international credit rating agencies, adjusted for forward looking information reasonably available without undue cost or effort. Due to significant management judgment involved, Prism identify ECL assessment of trade receivables as a key audit matter.

- *Main Audit Procedures Planned:*

  - o Understand relevant procedures and key controls for monitoring trade receivables, including procedures for determining whether a debtor is credit impaired;

  - o Evaluate the reasonableness of management's criteria and judgments in identifying and classifying trade receivables by credit rating, and between credit impaired and non credit impaired categories, including selective testing of data used by management based on supporting documents;

- Evaluate the reasonableness of assumptions used by management in determining ECL for credit impaired trade receivables by considering debtor specific circumstances and risks;
- Perform selective testing of post period end cash receipts; and
- Engage audit specialists to discuss and evaluate whether the economic models and statistical correlations used by management are sufficient to reflect changes in credit risk.

Key Audit Matter 3: Going Concern Assumption

- *Description:* For the year ended 31 December 2024, the Group incurred a net loss of approximately MOP48,923,000. As of that date, the Group's total current borrowings amounted to approximately MOP57,646,000, with net liabilities standing at approximately MOP64,457,000.

- *Main Audit Procedures Planned:*

  - Evaluating the Group's assessment of its ability to continue as a going concern, including reviewing the management's fifteen-month cash flow forecast from the date of approval of the financial statements;
  - Assessing the reasonableness of key assumptions underlying the cash flow forecast, including those relating to sales revenue, and financing activities;
  - Examining relevant supporting documentation, including legal documents of placing and issue rights, and analyze the ongoing impact of the equity financing activity on the group's cash flow, capital structure, and future debt repayment capacity;
  - Evaluating the feasibility of management's plans to improve liquidity, including cost reduction measures, renewal and extension of repayment of existing borrowings, and obtaining additional financing;
  - Reviewing post period-end events, including debt repayments, placing and issue rights and significant transactions;
  - Obtaining written representations from management regarding their assessment of the going concern assumption and the completeness of related disclosures;
  - Assessing the adequacy of the Group's disclosures of implemented or to be implemented measures in the financial statements relating to the going concern uncertainty.

5. Fraud Considerations and Risks of Management Override of Controls

Audit Strategy to Address Fraud:

Consideration and assessment of fraud risks are critical to Prism's audit process. The key strategies include:

- Enhance understanding of the Company's business and control environment to support fraud identification and risk assessment, including business model, internal and external factors, and corporate governance structure;

- Identify significant misstatement risks related to fraud, focusing on fraud risk factors set out in HKSA 240;

- Design appropriate audit procedures to address identified fraud related risks;

- Report identified fraud related risks and responses to the Audit Committee on a timely basis and communicate material changes throughout the audit; and

- Enquire about identified or suspected fraud in accordance with auditing and ethical standards and report any fraud matters noted to the Audit Committee.

Key Fraud Related Audit Areas:

- Financial statement fraud;

- Misappropriation of assets;

- Management override of controls;

- Other risks of management override of internal controls; and

- Fraud risk in revenue recognition.

6. Responses to Significant Misstatement Risks Related to Fraud

Management override of controls

To address the significant misstatement risk related to management override of controls, Prism will implement a comprehensive set of procedures. The audit team will enquire with personnel involved in the financial reporting process regarding any inappropriate or unusual activities relating to the processing of journal entries and other adjustments. Furthermore, Prism will obtain the ledgers for each entity to document and evaluate the financial reporting process, including the timing, scope, and approval workflows from source documents to the financial statements. To ensure the completeness and accuracy of journal entries, the team will verify that ledgers balance, reconcile ledgers to trial balances, and ensure consistency with the final financial statements. Prism will also define and justify criteria for high-risk entries, subsequently performing detailed testing on these entries by inspecting supporting documents, evaluating commercial substance, and assessing their impact on the consolidated financial statements. Finally, the auditors will evaluate whether management's judgments in accounting estimates indicate potential bias and perform a retrospective review of management judgments and assumptions related to significant accounting estimates in prior-year financial statements.

Fraud risk in revenue recognition

To mitigate the significant misstatement risk related to fraud in revenue recognition, Prism will execute targeted audit responses. The team will perform substantive analytical procedures on revenue and meticulously inspect revenue contracts and terms, confirming key terms directly with customers to evaluate compliance with relevant revenue standards. Additionally, Prism will evaluate the design and operating effectiveness of internal controls over revenue, including specific controls testing over high-risk areas. For significant new customers or large transactions occurring near the period-end, extended procedures such as background checks and on-site visits will be conducted to verify commercial substance and identify any undisclosed related party relationships. The audit plan also incorporates rigorous revenue cut-off testing, detailed testing of material revenue items, and the dispatch of customer confirmations, with alternative procedures planned where confirmations are not received. Post-period end cash receipt testing will also be performed to conclusively verify the existence and accuracy of recognized revenue.

AUDIT FEES

The agreed fee with Prism is HK$1,000,000, exclusive of travel, specialist, and other out-of-pocket expenses (reimbursed based on actual receipts), which is based on the audit scope and complexity, resources allocation, workload, market benchmark and regulatory compliance.

Audit fee breakdown is as follows:

Partner	**Position**	**Hourly Rate (HKD)**	**Hours**	**Fee (HKD)**
HKD327,600.00	Engagement Partner	4,200	35	147,000
	Key Audit Partner	4,200	23	96,600
	EQCR	4,200	20	84,000
Manager	**Position**			**327,600**
HKD301,500.00	Manager in charge	900	335	301,500
Senior	**Position**			**301,500**
HKD237,600.00	Audit in charge	600	396	237,600
Audit staff/assistants	**Position**			**237,600**
HKD133,300.00	Team member	320	335	107,200
	Team member	210	124	26,100
Accounts are rounded to the nearest thousand.				**133,300**
Total fee: HKD1,000,000			**1,000,000**	

The Audit Committee has fully discharged its duty to ensure audit quality is not compromised by reduced fees, as detailed in the following:

The audit fee quoted by Prism is marginally lower than that proposed by Global Link. The reduction in fees is primarily driven by Prism's optimized operational structure, efficient workflow management, effective internal resource deployment and streamlined overhead arrangements, which enable reasonable cost control without curtailing essential audit work. Notwithstanding the comparatively lower fee level, Prism shall maintain the full scope of statutory audit procedures, deploy sufficient qualified and experienced audit personnel, and engage relevant professional specialists in addressing high-risk and complex accounting matters. The Audit Committee has duly assessed the fee disparity and confirmed that the downward adjustment of audit fees stems from operational efficiency enhancements, rather than any reduction in audit scope, substantive testing, professional resources or oversight arrangements. Accordingly, the lower audit fee will not in any way compromise the independence, professional skepticisms or overall quality of the audit engagement, and all applicable Hong Kong auditing standards and regulatory requirements will be fully complied with throughout the audit process.

By order of the Board
Zhongke Group Holdings Limited
Mr. Li Chun Ho
Chairman

Hong Kong, 10 July 2026

As at the date of this announcement, the Board comprises Mr. Li Kam Hung, Mr. Yu Ming Ho, Mr. Yau Yik Ming Leao, Ms. Chen Jianyu, Mr. Song Yanyang and Mr. Kwan Hung Chun Curtus as executive Directors; Mr. Li Chun Ho as non-executive Director; and Mr. Tam Tsz Hin, Mr. Yu Kwan Tseung, Alvin, Mr. Yuan Fangjun and Mr. Zhou Zhengcheng as independent non-executive Directors.