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XIN YUAN ENTERPRISES GROUP LIMITED

信源企業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1748)

SUPPLEMENTAL ANNOUNCEMENT CHANGE IN AUDITOR

Reference is made to the announcement (the “**Announcement**”) of Xin Yuan Enterprises Group Limited (the “**Company**”) dated 31 March 2026 in relation to, among other things, the proposed change in auditor of the Company. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

As disclosed in the Announcement, RSM resigned as the auditor of the Company with effect from 31 March 2026 and the Board, having considered the recommendation of the Audit Committee, proposed to appoint Prism Hong Kong as the new auditor of the Company.

In addition to the information disclosed in the Announcement, the Board would like to provide the following supplementary information in relation to the Resignation and the Proposed Appointment to the Shareholders and potential investors of the Company.

BACKGROUND OF THE RESIGNATION

As disclosed in the Company’s announcement dated 26 March 2025, RSM requested the Company to provide (i) the independent investigation report provided by an independent investigative agency concerning the allegations as set out in the Company’s announcement dated 21 February 2025 (the “**Allegations**”); and (ii) an understanding of the impact of the Allegations on the financial statements, in order to complete the audit procedures of the Group’s consolidated financial statements for the year ended 31 December 2024. In late December 2025, the Company provided RSM with a draft investigation report in relation to the Allegations (the “**Draft Investigation Report**”).

In mid-March 2026, RSM informed the Audit Committee that it has concerns regarding the Draft Investigation Report as to whether the methodology and scope adopted in the investigation are sufficient to identify, assess and remediate all relevant issues arising from the Allegations (the “**RSM Concerns**”). Subsequently between 24 and 25 March 2026, the Company and RSM tried to reach an agreement on the proposed audit timetable to complete the audit of the Company’s consolidated financial statements for the years ended 31

December 2024 and 2025 (the “**FY2024 and FY2025 Audit**”) but in vain. On 31 March 2026, RSM tendered the Resignation Letter to the Company and resigned as the auditor of the Company.

The Audit Committee is satisfied that all the underlying reasons leading to the Resignation have been disclosed in the Announcement.

FACTORS CONSIDERED BY THE AUDIT COMMITTEE REGARDING THE PROPOSED APPOINTMENT

The Audit Committee has considered section 2, particularly paragraph 2.2.4, of the “Guidelines for Effective Audit Committee — Selection, Appointment and Reappointment of Auditors” (the “**Guide**”) published by the AFRC, and is of the view that, subject to (i) the approval of the Shareholders at the EGM; and (ii) satisfactory completion of Prism Hong Kong’s acceptance procedures, including applicable independence and conflict checks, and Prism Hong Kong being satisfied that it is able to accept the engagement in compliance with applicable professional and ethical requirements, Prism Hong Kong is considered by the Audit Committee to (a) be independent, competent and capable to perform the FY2024 and FY2025 Audit; and (b) have sufficient and appropriate manpower, expertise, time and resources to carry out the necessary audit procedures to achieve the proposed audit timetable without compromising the audit quality.

Set out below are the specific factors considered by the Audit Committee regarding the Proposed Appointment:

- (a) *Governance and leadership* — Prism Hong Kong has been established in Hong Kong for more than 10 years and is a registered Public Interest Entity auditor under the Accounting and Financial Reporting Council Ordinance (Cap. 588 of the Laws of Hong Kong). Prism Hong Kong has 3 branches across Hong Kong and Mainland China with more than 50 qualified accountants. Prism Hong Kong has implemented and maintains a quality management system which is in full compliant with the Hong Kong Standard on Quality Management 1 Quality Management for Firms that Perform Audits or Reviews on Financial Statements, or Other Assurance or Related Services Engagements. This framework enables Prism Hong Kong to identify, assess and respond to quality risks in a systematic and proactive manner.
- (b) *Compliance with relevant ethical requirements* — Based on the information provided by Prism Hong Kong, it maintains strict independence and objectivity in accordance with the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants. Prism Hong Kong is in the process of conducting a thorough set of acceptance procedures, including applicable independence and conflict checks to confirm that there are no financial, business, employment or personal relationships between Prism Hong Kong (including its partners and audit team members) and the Company, the Directors or the Company’s substantial shareholders that may impair Prism Hong Kong’s independence. The Audit Committee also noted that Prism Hong Kong has put in place rigorous internal quality control procedures, including mandatory audit partner rotation every seven years and an independent engagement quality control review process to ensure that all audit work remains objective, impartial and free from any conflicts of interest.

- (c) *Industry knowledge and technical competence* — Prism Hong Kong has a solid track record of providing audit and assurance services to over 70 companies listed in Hong Kong. The engagement partner and the engagement quality control reviewer partner has more than 20 and 10 years of experience in providing auditing services to companies listed in Hong Kong, respectively. In particular, the engagement partner has performed audits for more than 10 companies in their resumption process. The Audit Committee also understands from Prism Hong Kong that in addition to the engagement partner and the engagement quality control reviewer partner, the audit engagement team will also comprise one senior audit manager, one audit manager, two senior associates and four audit associates. Each of the engagement partner, the engagement quality control reviewer partner, the senior audit manager and the audit manager is a Hong Kong Certified Public Accountant who has extensive audit experience to complete audit engagements for companies listed in Hong Kong.
- (d) *Engagement performance* — The Audit Committee has discussed with Prism Hong Kong on its preliminary audit plan (the “**Audit Plan**”) which sets out the proposed audit methodology, indicative composition of the audit engagement team, proposed audit timetable, etc. for the purpose of assessing whether Prism Hong Kong would have the resources and capability to undertake the audits if appointed. Having reviewed the Audit Plan and the profiles of the audit engagement team, the Audit Committee is satisfied that the audit engagement team would have sufficient resources, including expertise and time to perform high quality audits.
- (e) *Communication and interaction with the Audit Committee* — Subject to its formal appointment and completion of its acceptance procedures, Prism Hong Kong intends to maintain communication with the Audit Committee and the Company’s management (the “**Management**”) on the audit progress from time to time to ensure key audit matters will be properly addressed in a timely manner.
- (f) *Monitoring process* — To the best knowledge of the Audit Committee, it is not aware of any behavior or activities from Prism Hong Kong that will threaten its integrity, objectivity and independence or adversely affect its audit quality.
- (g) *Proposed audit fees* — The Company obtained audit fee proposals from three audit firms (including Prism Hong Kong) and the Audit Committee considered these proposed fees together with the respective manpower, reputation and experience in performing audits for companies during the resumption process, etc. Having considered the nature and complexity of the FY2024 and FY2025 Audit, the Audit Committee is of the view that Prism Hong Kong’s proposed audit fee is fair and reasonable.

(h) *Proposed audit plan and timetable* — Prism Hong Kong will adopt a risk-based audit approach whereby Prism Hong Kong will obtain an understanding of the Company’s internal controls and focus its auditing efforts on areas with the highest risk of material misstatement. Set out below is Prism Hong Kong’s proposed audit timetable:

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| Early to mid–April 2026 | ● Audit planning meeting with the Audit Committee and the Management |
| Late April to mid–June 2026 | ● Performing audit field work |
| June 2026 | ● Communicate audit findings with the Audit Committee and the Management
● Resolution of any identified audit matters
● Finalize the annual results announcements for the financial years ended 31 December 2024 and 2025 |

The Audit Committee has discussed with Prism Hong Kong regarding the Allegations and provided them with a copy of the Draft Investigation Report. Pursuant to the discussions between the Audit Committee and Prism Hong Kong, it is noted that Prism Hong Kong is fully aware of the RSM Concerns. While the special investigation committee has been working closely with the independent forensic investigator to address the limitations identified in the RSM Concerns (the “**Limitations**”), Prism Hong Kong is of the view that the RSM Concerns had to be addressed by extending the scope of work by the independent forensic investigator. In the event when some of the Limitations could not be fully addressed, Prism Hong Kong would assess the feasibility of alternative procedures to complete the FY2024 and FY2025 Audit, depending on the nature of the remaining Limitations.

Having reviewed and considered the Audit Plan, including the audit methodology, composition of the audit engagement team, proposed audit timetable, and taking into account the deadline for the Company to fulfil the resumption guidance, the Audit Committee is of the view that the Audit Plan and the proposed audit timetable is reasonable and sufficient for Prism Hong Kong to carry out necessary audit procedures without compromising the audit quality, and that Prism Hong Kong’s resources are adequate to achieve the proposed audit timetable which would enable the Company to complete the FY2024 and FY2025 Audit as soon as possible to meet the resumption deadline.

Accordingly, the Audit Committee is of the view that Prism Hong Kong is eligible and suitable to be considered for appointment as the new auditor of the Company, and would have the competence, capability and resources to perform high quality audit and enable the Company to complete the FY2024 and FY2025 Audit as soon as practicable.

All other information contained in the Announcement remains unchanged and continues to be valid for all purposes. This announcement is supplemental to and should be read in conjunction with the Announcement.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 21 February 2025 and will remain suspended until the Company fulfils the resumption guidance.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
XIN YUAN ENTERPRISES GROUP LIMITED
Chen Jiagan
Chairman & Executive Director

Hong Kong, 16 April 2026

As at the date of this announcement, Mr. Chen Jiagan, Mr. Xu Wenjun, Mr. Chen Ming, Mr. Lin Shifeng, Mr. Chen Yanbiao, Ms. Liu Weipeng and Mr. Liu Dunyu are the executive Directors, and Mr. Xu Jie, Mr. Wei Shusong, Dr. Chen Siru, Mr. Yeung Chi Tat and Ms. Liu Xueying are the independent non-executive Directors.