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SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE PROPOSED CHANGE OF AUDITOR

Reference is made to the announcement (“**Announcement**”) of China High Speed Transmission Equipment Group Co., Ltd. (“**Company**”) dated 26 February 2026 in relation to, among other matters, the proposed change of auditor. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

This announcement provides further information and clarification in relation to the matters set out in the Announcement. The same information will also be included in the circular for the EGM (“**Circular**”) which will be published on or about the date of this announcement.

FURTHER BACKGROUND INFORMATION ON THE PROPOSED CHANGE OF AUDITOR

At the annual general meeting of the Company held on 27 June 2025, the Shareholders vetoed the re-appointment of Baker Tilly Hong Kong Limited (“**Baker Tilly**”) as auditor of the Company for the Company’s consolidated financial statements for FY2025. After the Company learned that Fullshare intended to appoint Cheng & Cheng Zhongxinghua CPA Limited (“**Zhongxinghua**”) as Fullshare’s auditor, the Company invited Zhongxinghua to submit tender document for the Company’s auditor selection process. However, Zhongxinghua did not do so. Also, Fullshare did not propose any other auditor candidate for the Company to consider.

Accordingly, the Company, continued with its tender process from which HLB Hodgson was selected out of three tender submissions. It published an announcement on 7 September 2025 in relation to the appointment of HLB Hodgson with effect from 6 September 2025 to fill the casual vacancy of the auditor of the Company and to hold the office until the conclusion of the next annual general meeting of the Company. Such appointment was also approved by an independent body of five individuals who were independent from the Board and the Company, in accordance with the articles of association of the Company (the “**Articles**”).

Fullshare, via its wholly-owned subsidiaries, holds approximately 71.08% of the Company’s issued shares as at the date of this announcement, and is the Company’s controlling shareholder (as defined in the Listing Rules). Since the Company published the announcement dated 7 September 2025, it has received strong opposition from Fullshare. On 16 September 2025 and 10 October 2025, Fullshare issued announcements challenging the validity of the appointment of HLB Hodgson as auditor of the Company, contending that such purported appointment was invalid as it was in contravention of the Articles and Cayman Islands law and contravened the spirit of the Listing Rules (including paragraph 17 of Appendix A1 to the Listing Rules), thereby depriving the Shareholders of their fundamental right to approve the appointment of auditor of the Company.

The Company issued an announcement in response on 12 October 2025, setting out its position that the appointment was valid and necessary, and pointing out that (a) Fullshare's assertions regarding the appointment of the Company's auditors were without merit and ignored both the Articles and the applicable regulations, (b) the auditor appointment was necessary to ensure the Company's timely issuance of audited financial statements for FY2025, thereby maintaining compliance with the Articles and the Listing Rules and protecting Shareholders' interests.

Further, Fullshare issued an announcement on 25 August 2025 contending that the Company failed to provide its financial information to Fullshare or its independent accountant on a timely basis, leading to Fullshare's inability to publish its interim results announcement by the end of August 2025 as required under Rule 13.49(6) of the Listing Rules and the subsequent suspension of trading in Fullshare's shares on the Stock Exchange from 1 September 2025 to 31 October 2025 ("**Interim Results Incident**"). Fullshare believes that the most effective way to ensure timely provision of information by the Company for Fullshare's audit of its financial statements for FY2025 is for the Company to appoint Fullshare's own auditor, Prism, as the Company's auditor. When the Company provides information to Prism for audit purpose, the same information can be utilised for Fullshare's own audit. Accordingly, Fullshare clearly indicates that it will approve the appointment of Prism as the Company's auditor and will not support the appointment of HLB Hodgson.

Following the reconstitution of the Board and the appointment of Mr. LI Zubin ("**Mr. Li**"), Mr. LAU Jing Yeung William ("**Mr. Lau**"), Mr. LU Yuanzhu ("**Mr. Lu**") and Mr. TSE Man Kit, Keith as Directors of the Company on 16 January 2026 (collectively, the "**New Directors**"), Fullshare conveyed to Mr. Li (i) its concerns that the Company might not provide sufficient financial information to Fullshare for the purpose of Fullshare's audit for the year ended 31 December 2025; (ii) its view that the Company's appointment of HLB Hodgson in September 2025 was invalid; (iii) Fullshare's firm intention that the Company should convene an EGM (with reference to paragraph 17 of Appendix A1 to the Listing Rules) to approve the appointment of the Company's auditor, i.e. not treating the Company's appointment of HLB Hodgson in September 2025 as valid; and (iv) its strong insistence that the Company should appoint only Fullshare's own auditor (Prism) as the Company's auditor so that information provided by the Company to the auditor can also be utilised for Fullshare's audit for the year ended 31 December 2025.

Mr. Li had considered that, in light of Fullshare's strong opposition, it would not be in the interest of the Company and Shareholders as a whole for the Company to continue the entanglement with Fullshare over the issue of the auditor appointment. Further, if the appointment of HLB Hodgson were found invalid, the whole 2025 audit report issued by it for the Company might also be invalid, exposing the Company and all Shareholders (including minority Shareholders) to significant risk. Such consequence would be very adverse and against the Shareholders' interests. On the other hand, he had taken into account that convening an EGM as required by Fullshare would result in the suspension of trading of the Company's shares ("**Shares**"). The other New Directors shared his concerns. Mr. Lau (one of the New Directors) convened the Board Meeting to discuss on that matter.

Board Meeting

The Board Meeting was attended by all Directors except Mr. YE Xingming. At the Board Meeting, it was resolved, among other things, to approve (a) the convention of the EGM as soon as practicable for approving the appointment of the Company's auditor in respect of the Company's consolidated financial statements for FY2025 and (b) the suspension of the 2025 audit work conducted by HLB Hodgson, and, if necessary, the disengagement of HLB Hodgson. The New Directors voted in favour of the above resolutions, while the other two Directors, namely, Mr. HU Yueming (“**Mr. Hu**”) and Ms. JIANG Jianhua (“**Ms. Jiang**”) opposed such resolutions.

At the Board Meeting, the Directors had taken into account that the convening the EGM to consider the Proposed Change of Auditor would result in the suspension of trading of the Shares.

Mr. Hu and Ms. Jiang stressed their suggestion at the Board Meeting that the Audit Committee should convene a meeting first to consider which firm should be appointed or whether HLB Hodgson should be retained before the Board discussed that matter. The New Directors did not agree with their views and their reasoning is set out below.

Mr. Hu was of the view that, based on the Directors' fiduciary duties, decisions cannot be made solely in accordance with the intention of a single shareholder while disregarding the interests of the Company and all Shareholders as a whole. Therefore, during and after the Board Meeting, he has been strongly expressing his belief that the replacement of the auditor, resulting in the suspension of the Shares would have very serious consequences and would fail to serve the interests of all Shareholders, including minority Shareholders. He also expressed his deep concerns over the adverse consequences that the suspension might bring to the Group.

AC Meeting

Mr. Lau (as the chairman of the Audit Committee and one of the New Directors) sent notice to the other Audit Committee members on 17 February 2026 to convene the AC Meeting on 24 February 2026, as the terms of reference of such committee requires a notice of at least 7 days. The AC Meeting was attended by all members, namely, Mr. Lau, Mr. Lu and Ms. Jiang.

The majority members of the Audit Committee (being Mr. Lau and Mr. Lu) voted in favour of the resolutions to put forward the Proposed Removal (if no agreement was reached with the Company to end HLB Hodgson's audit engagement) and the Proposed Appointment for the Shareholders to consider at the EGM. Ms. Jiang voted against the resolutions as, when the announcement dated 7 September 2025 was published, she was one of the Directors considering that the appointment of HLB Hodgson was valid.

Reasoning of the New Directors

The following sets out the reasoning of the New Directors as to why the Proposed Change of Auditor, which would cause suspension in trading of the Shares, is still the best available course of action to be taken and in the best interest of the Company and its Shareholders (including the minority Shareholders) as a whole:

- (i) Notwithstanding his position as an executive Director, Mr. Li is not responsible for the Group's accounting or operational functions and therefore is not confident that he can procure the Group to provide Fullshare with sufficient financial information in a timely manner for the purposes of its 2025 audit, in view of the historical intense frictions between the Company and/or certain of its current and former Directors on one hand and Fullshare on the other hand. The other three New Directors are not executive Directors and they considered themselves even less capable of ensuring that the Group's current management would furnish Fullshare with adequate financial information on a timely basis for Fullshare's 2025 audit.

Following the reconstitution of the Board on 16 January 2026 (with the New Directors forming the majority), Fullshare took the opportunity to request that the New Directors reconsider the issue of auditor appointment and presented its rationale. Under such circumstances, Fullshare indicated that it is highly unlikely that it would cease challenging the validity of the appointment of HLB Hodgson as the Company's auditor because it has been unable to secure the Company's cooperation for its own 2025 audit given the Interim Results Incident.

- (ii) The objective of the New Directors is to eliminate any doubt over the validity of the 2025 audit report that might be brought about by the doubt over the auditor appointment and therefore to resolve the dispute over this matter between the Company and Fullshare once and for all. Such objective is to serve the interests of all Shareholders as a whole but not only Fullshare.
- (iii) With that objective in mind, they voted in favour of putting forward the appointment of auditor to the EGM at the Board Meeting.
- (iv) Given Fullshare's strong preference for engaging its own auditor (Prism) as the Company's auditor, the New Directors agreed that the next step was for the Audit Committee to consider the eligibility of Prism as Fullshare's proposed candidate (instead of considering HLB Hodgson) before convening the EGM.
- (v) The New Directors considered that, the situation they faced differed from the customary arrangement where the Audit Committee recommends the auditor candidate first, and the Board thereafter grants its approval. Due to Fullshare's strong views and the absence of assurance that the Company will definitely provide information to Fullshare for its 2025 audit, it would not be possible to convince Fullshare to accept HLB Hodgson (which is not Fullshare's auditor) as the Company's auditor. Even if the Audit Committee had held a meeting before convening the EGM, the committee would have had to consider Fullshare's inclination in auditor appointment and its reasons. Therefore, reversing the sequence of the EGM and Audit Committee meetings would ultimately yield the same outcome, i.e. it is only sensible to put forward the appointment of only Prism to the EGM and it would not be necessary or meaningful for the Board or the Audit Committee to put forward the appointment (or ratification of appointment) of HLB Hodgson as the Company's auditor or to compare the capabilities of Prism and HLB Hodgson.

(vi) Mr. Lau and Mr. Lu (members of the Audit Committee) had carefully reviewed Prism's eligibility and audit plan. Following due deliberation, they concluded that Prism meets the required standards and resolved to put forward the Proposed Removal and the Proposed Appointment for Shareholders' consideration at the EGM.

This dispute between the Company and Fullshare over the validity of auditor appointment was not resolved before the New Directors were appointed on 16 January 2026, which is rather close to 31 March 2026, the required time for the Company to publish its Annual Results Announcement pursuant to Rule 13.49 of the Listing Rules.

The New Directors consider that they have already taken appropriate actions to protect the interest of the Company and its Shareholders as a whole. They believe on the above justifiable grounds that the issue about validity of auditor appointment (and therefore validity of audit report) can be resolved once the Shareholders have made decisions at the EGM but, given the timing and prevailing circumstances to be disclosed in the Circular, it is not possible to resolve such issue without causing a suspension of trading in the Shares on the Stock Exchange.

Mr. Hu does not agree to the New Directors' views set out in paragraph (v) above. He believes that (a) the Audit Committee should exercise its own independent judgment and uphold its integrity, rather than merely considering the views of the majority Shareholder and (b) the Directors have fiduciary duties owed to the Company and should take into account the interests of the Company and the other Shareholders. He is of the view that the New Directors had not provided the members of the Audit Committee with the opportunity to discharge their duties. He stresses that procedures are procedures, and it is inappropriate to disregard them simply on the basis that the outcome would be the same.

PROPOSED REMOVAL OF HLB HODGSON

The above-mentioned resolutions made at the Board Meeting and the AC Meeting were conveyed to HLB Hodgson. The Company has requested HLB Hodgson to resign as the Company's auditor. However, HLB Hodgson neither voluntarily tendered its resignation nor expressed any intention to cease serving as the Company's auditor. HLB Hodgson maintains that it remains the auditor of the Company (until being removed).

Under the circumstances, the Proposed Removal is put forward for the Shareholders to consider at the EGM, pursuant to Rule 13.88 of the Listing Rules.

Save as disclosed in the Announcement and the Circular, the Board and the Audit Committee confirm that they are not aware of any disagreement or unresolved matter between the Company and HLB Hodgson in relation to their relationship as client and auditor and that there are no matters in respect of the Proposed Removal that need to be brought to the attention of the Shareholders.

UNRESOLVED AUDIT MATTERS IDENTIFIED BY HLB HODGSON

HLB Hodgson has identified the unresolved audit matters (“**Unresolved Audit Matters**”) relating to the Company’s financial statements for FY2025. The full text of HLB Hodgson’s letter setting out such matters will be included in the Circular. The Company does not disagree with HLB Hodgson in respect of the Unresolved Audit Matters.

HLB Hodgson emphasised that it has not completed all necessary audit procedures nor obtained sufficient appropriate audit evidence, information and explanation required for the 2025 audit. Such situation arose solely because the Board requested it on 13 February 2026 to immediately cease all audit work.

As a result of such limitation imposed by the Board, and without completing the above-mentioned necessary audit procedures, HLB Hodgson stated that it was unable to identify all potential audit matters, issues or irregularities, including but not limited to, non-compliance with: (a) International Financial Reporting Standards issued by the International Accounting Standards Board; (b) the Listing Rules, (c) the Hong Kong Companies Ordinance; and (d) other relevant laws and regulations.

HLB Hodgson pointed out that, as of 27 February 2026, the Unresolved Audit Matters were related to (1) trade receivables and prepayments arising from trading business and related impairment; (2) transaction under the Group’s engineering, procurement and construction project (the “**EPC Project**”); and (3) financial assets at fair value through profit or loss.

HLB Hodgson drew the Company’s attention that the Unresolved Audit Matters were also included in the independent auditor’s report dated 28 March 2025, which the Company’s outgoing auditor issued a qualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2024 (the “**2024 Auditor’s Report**”), and in HLB Hodgson’s communication with the Audit Committee regarding its audit plan during a meeting held in late January 2026.

Based on the audit procedures performed and the related audit evidence obtained up to 13 February 2026, HLB Hodgson has not obtained sufficient appropriate audit evidence, information and explanations for the Unresolved Audit Matters.

The details of the Unresolved Audit Matters provided by HLB Hodgson were as follows:

1. Trade receivables and prepayments arising from trading business and related impairment

As at 31 December 2025 and 2024, the gross carrying amounts of trade receivables and prepayments for purchase of bulk commodities arising from the trading business of the Group amounted to approximately RMB3,188,981,000 and RMB3,450,531,000 respectively (the ‘**Relevant Amounts**’). The Relevant Amounts were fully impaired with loss allowance on trade receivables of approximately RMB3,188,981,000 and provision of impairment on prepayments of approximately RMB3,450,531,000 was recognised in the consolidated financial statements of the Group for the years ended 31 December 2025 and 2024.

In or around 2023, various wholly owned subsidiaries of the Company, namely Nanjing High Accurate Drive Equipment Manufacturing Group Co., Ltd. (“**Nanjing Drive**”), Nanjing Handa Import & Export Trading Co., Ltd. and Nanjing Shengzhuang Supply Chain Co., Ltd. entered into several commodities sales and purchase agreements without obtaining approvals from the Board at that material time (the “**Unapproved Transactions**”). In view of the severity of the Unapproved Transactions, the Board resolved to establish an independent investigation committee and engaged an independent investigation consultant to conduct an independent investigation which aimed at investigating the relevant facts and circumstances regarding the Unapproved Transactions (the “**Independent Investigation**”).

As disclosed in the Company’s announcement dated 24 November 2025, the Independent Investigation was concluded and numerous findings were identified by the independent investigator.

During the 2025 audit, HLB Hodgson repeatedly requested the management of the Group and the legal advisor of the Company to provide a copy of the investigation report and liaised with the investigator to allow HLB Hodgson access to their working papers and related supporting documentation related to the Independent Investigation (the “**Investigation Report and Related Documentation**”). The Investigation Report and Related Documentation are critical information to allow HLB Hodgson to evaluate and assess (1) the impact of the findings on the Group’s consolidated financial statements for the year ended 31 December 2025; (2) whether the findings indicate significant and pervasive risks of material and pervasive fraud; (3) any prior year adjustments on the Group’s consolidated financial statements with financial years ended before 31 December 2025; and (4) appropriateness of the investigator’s work as audit evidence for the purposes of the 2025 audit.

However, as of 27 February 2026, HLB Hodgson has not received the Investigation Report and Related Documentation and HLB Hodgson was unable to evaluate the impact of the findings identified from the Independent Investigation on the Group’s consolidated financial statements for the year ended 31 December 2025 and financial years ended before 31 December 2025. Consequently, up to 27 February 2026, HLB Hodgson did not obtain sufficient appropriate audit evidence regarding the existence, accuracy, valuation and completeness of the Relevant Amounts as at 31 December 2025 and 2024 and HLB Hodgson was also unable to determine the business rationale of the Unapproved Transactions, the appropriateness of the related presentation and disclosure of the Relevant Amounts in the Group’s consolidated financial statements for the years ended 31 December 2025 and 2024.

2. Transaction under the Group’s EPC Project

The Company’s wholly owned subsidiary, Nanjing Drive, acted as the main contractor of the EPC Project in prior years and sub-contracted the project works to several subcontractors. As at 31 December 2025 and 2024, advance receipts from the customer of the EPC Project of approximately RMB467,760,000 were recognised as contract liabilities and the corresponding payments to subcontractors of approximately RMB297,212,000 were recognised as prepayments. As at 31 December 2025 and 2024, subcontractors’ service cost of approximately RMB997,721,000 and RMB994,052,000 was recognised as inventories respectively (collectively the “**EPC Project Transactions**”).

During the 2025 audit, HLB Hodgson requested the management of the Group to provide the related supporting documents for EPC Project Transactions, including but not limited to progress reports and verification reports of the EPC Project. However, the management of the Group informed HLB Hodgson that they were unable to procure the full cooperation of the subcontractors and project owner and therefore unable to provide the supporting documents for EPC Project Transactions. As of 27 February 2026, HLB Hodgson has not received the supporting documents for the EPC Project Transactions. Consequently, up to 27 February 2026, HLB Hodgson has been unable to obtain sufficient appropriate evidence to evaluate the business rationale, commercial substance and the progress of the EPC Project Transactions. HLB Hodgson was also unable to obtain sufficient appropriate audit evidence for the existence, accuracy, valuation and completeness of the contract liabilities and of the gross carrying amounts of the prepayments and inventories in relation to the EPC Project as at 31 December 2025 and 2024. Accordingly, HLB Hodgson was unable to evaluate whether any revenue and sub-contracting costs in relation to the EPC Project should be recognised in the consolidated financial statements of the Group for the years ended 31 December 2025 and 2024.

3. Financial assets at fair value through profit or loss

As at 31 December 2025 and 2024, included in financial assets at fair value through profit or loss were equity investments in three limited partnerships with carrying amounts of Nil and RMB423,300,000 respectively (the “**Investments**”). During the year ended 31 December 2025, the Group recognised loss on fair value change of approximately RMB423,300,000 in relation to the Investments.

The management of the Group informed HLB Hodgson that, despite all reasonable efforts taken by them, they were unable to obtain the necessary financial and relevant information of the Investments to determine their fair value as at 31 December 2025 and 2024. Additionally, the management of the Group is seeking ways to recover the value of the Investments, including but not limited to selling the Investments to third parties or other investment partners. As of 27 February 2026, the Group did not execute any agreement to sell the Investments.

Based on the aforementioned, as of 27 February 2026, HLB Hodgson has been unable to obtain sufficient appropriate audit evidence in relation to the Investments and consequently, HLB Hodgson was unable to assess the business rationale of the Investments, the carrying amounts of the Investments and the impact of the changes in the fair value of the Investments on the consolidated financial statements of the Group for the years ended 31 December 2025 and 2024.

Prism's preliminary views on the Unresolved Audit Matters, views of the Audit Committee, as well as the role and actions of the Audit Committee in solving the Unresolved Audit Matters will be disclosed in the Circular.

By order of the Board
**China High Speed Transmission
Equipment Group Co., Ltd.**
LI Zubin
Executive Director

Hong Kong, 12 March 2026

As at the date of this announcement, the executive Directors are Mr. Hu Yueming and Mr. Li Zubin; the non-executive Director is Mr. Ye Xingming; and the independent non-executive Directors are Ms. Jiang Jianhua, Mr. Lau Jing Yeung William, Mr. Lu Yuanzhu and Mr. Tse Man Kit, Keith.