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**中國恒有源發展集團有限公司**  
**CHYY DEVELOPMENT GROUP LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8128)**

**FURTHER INFORMATION IN RELATION TO PROPOSED  
CHANGE OF AUDITOR;  
UPDATED ON RESULT ANNOUNCEMENT PLAN AND  
CONTINUED SUSPENSION OF TRADING**

This announcement is made by CHYY Development Group Limited (the “Company”, together with its subsidiaries, the “Group”) pursuant to Rules 17.50(4) and 17.10 of the Rules (the “GEM Listing Rules”) governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Inside Information Provisions (as defined in the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference to the Company’s announcements dated 22 March 2023, 3 April 2023, 14 April 2023, 24 May 2023, 28 June 2023, 4 July 2023, 7 July 2023 in relation to (i) Delay in publication of 2022 annual results and dispatch of annual report and possible suspension of trading; (ii) Suspension of trading; (iii) Result announcement plan and continued suspension of trading; (iv) Resumption guidance and continued suspension of trading; (v) Resignation of auditor, quarterly update on status of resumption, and continued suspension of trading; (vi) Proposed appointment of auditor and continued suspension of trading; and (vii) Notice of extraordinary general meeting (the “EGM”) (the “Announcements”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

**FURTHER INFORMATION IN RELATION TO PROPOSED CHANGE OF AUDITOR**

The Company would like to make further disclosure in relation to the resignation of auditor BDO Limited (the “BDO”).

Reference is made to the announcement on 28 June 2023 regarding the resignation of BDO as auditor of the Group with effect from 23 June 2023, citing the following reasons in its letter of resignation:

- (i) The Company indicated that it would not pay the second instalment of the agreed audit fee and did not accept the proposed additional audit fee submitted to the Company; and
- (ii) The Company has not provided BDO with the outstanding information timely in order for BDO to meet the suggested annual results announcement timetable of the Company.

In accordance to the resignation letter of BDO on 23 June 2023, based on BDO's records, the following remain outstanding:

- 1) BDO has not yet been provided with the basis of key assumptions and the related supporting documentation on the cash flow forecasts when the Company prepares its going concern assessment for a period covering not less than 12 months from the financial reporting date.
- 2) BDO has not yet been provided with additional information in relation to the corresponding figures or opening balances as at 1 January 2022, which were not audited by us, including:
  - The analysis and breakdown for significant tax payables which have not been paid for several years, together with an assessment and conclusion on whether the Group has complied with the relevant tax rules and regulations in the applicable jurisdiction.
  - Explanations and legal opinion for transferring the results of a subsidiary for prior years to non-controlling interest in the consolidated statement of changes in equity.
  - Fair value assessment for the Group's unlisted equity investment as at 31 December 2021 (for which the Group entered into an equity transfer agreement on 13 November 2020 and with respect to which the transfer of ownership was not legally completed as at 31 December 2021).
  - Fair value assessment for the Company's investment properties located in Mianyang City, Sichuan Province, the People's Republic of China as at 31 December 2021, together with key assumptions and the related supporting information.
  - A reconciliation that agreed to the corresponding figures, including but not limited to the expected credit losses on its financial assets, ageing analysis of certain receivables and payables balances and financial information of its joint ventures.
- 3) BDO has not yet been provided with the Company's consolidation elimination adjustments on inter-company balances among the Group for its consolidated financial statements for the years ended 31 December 2021 and 2022.
- 4) BDO has not yet been provided with certain outstanding information, supporting documents and explanations from management for purposes of preparing audit confirmations to the Company's debtors, creditors and related parties, including but not limited to, (i) those audit confirmations not yet sent out as management is preparing the mailing information on these debtors, creditors and/or related parties; (ii) explanations for certain direct audit confirmations which were not successfully delivered by the couriers; and (iii) the discrepancies between the mailing addresses on certain audit confirmations received by BDO and the related addresses as available on internet.
- 5) BDO has not yet been provided with the complete list of Group's litigation matters, particularly those in which Group entities were named as defendant(s).

- 6) BDO has not yet been provided with certain outstanding information, including but not limited to (a) expected credit losses assessment on financial assets; (b) management accounts of certain associates; (c) information and/or supporting documents of restricted bank balances, contract revenue and share of results of a joint venture; (d) breakdowns and/or supporting schedules of certain Hong Kong incorporation subsidiaries; (e) bank confirmation, bank statements, credit report and incorporation information of a subsidiary; (f) explanation on assumptions adopted in valuation reports; (g) analysis of deferred tax calculation; (h) list of commitments, contingencies and off balance sheet events (if any); and (i) subsequent events including the update on on-going litigations.

In response to the remaining outstanding mentioned in BDO's resignation letter, the Company has used its best endeavors to providing information to BDO, even for those historical records dated back many years ago. In or around late May 2023, the Company realized that most of the outstanding matters had been resolved except those requiring inquiries from the previous auditor Ernst & Young (the "EY") which was the Company's auditor for the last 5 years. Our CFO has tried to facilitate the communication channel between EY and BDO to resolve the outstanding issues and to request BDO to provide an outstanding list to EY before the meeting which was scheduled to take place on 9 June 2023. Moreover, EY has demonstrated their cooperativeness in assisting the Company to resolve these audit issues.

However, on 8 June 2023, one day before the scheduled meeting with EY, the Company received a letter from BDO in relation to i) informing the Audit Committee that there will be further delay on the suggested annual result announcement date; ii) Proposed additional audit fee of RMB750,000 on top of RMB1,200,000; and iii) Payment request for the second installment of the agreed audit fee of RMB1,200,000, which amounts to 50% of the contracted audit fee.

After taking into consideration the views and opinion from our CFO and legal department, Audit Committee discussed this with our executive directors and with the consent of the board issued a reply letter to BDO declining; i) the additional audit fee of RMB750,000 as the board did not think it is justifiable, since BDO already did their own analysis and assessment on the fee quotation prior to being engaged by the Company; ii) declining the payment of the second instalment as the terms and conditions for payment has not been met; and iii) express our unacceptability of BDO's non-commitment to our timetable. On 23 June 2023, BDO submitted a letter of resignation to the board of the Company.

## **ESTIMATED TIME TO PUBLISH RESULT ANNOUNCEMENT**

In accordance with the announcement on 4 July 2023, the Company proposed to appoint CL Partners CPA Limited (the "CL Partners") to fill the vacancy following the resignation of BDO. The audit committee had discussed with CL Partners the reasons leading to BDO's resignation and provided them with a copy of BDO's resignation letter dated 23 June 2023. On 29 June 2023 and 3 July 2023, the management had a meeting with CL Partners to discuss in-depth the engagement, including but not limited to the disagreement or unresolved issues and the plan and timetable for CL Partners proposed annual audit on the Company.

As the appointment of CL Partners still yet to be approved at an Extraordinary General Meeting (the "EGM") to be held on 31 July 2023 and after detailed discussions between the Company and the newly appointed auditor CL Partners, it is expected that the 2022 audited financial results can be published on or before 30 September 2023.

## CONTINUED SUSPENSION OF TRADING

In accordance with the GEM Listing Rules, trading in securities of the Company is suspended due to delay in publication of 2022 audited results. At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Monday, 3 April 2023 and will continue to be suspended until further notice.

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

By order of the Board  
**CHYY Development Group Limited**  
**Xu Shengheng**  
*Chairman*

Hong Kong, 14 July 2023

*As at the date of this announcement, the Board of Directors of the Company comprises Mr. Xu Shengheng, Ms. Chan Wai Kay, Katherine and Mr. Dai Qi as executive Directors, Mr. Liao Yuan, Mr. Zhang Yiyong and Ms. Liu Ening as non-executive Directors, Mr. Wu Desheng, Mr. Wu Qiang, Mr. Jia Wenzeng and Mr. Guan Chenghua as independent non-executive Directors.*

*This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the GEM website with the domain name of [www.hkexnews.hk](http://www.hkexnews.hk) on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the website of the Company at [www.chyy.com.hk](http://www.chyy.com.hk).*