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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)

**RESIGNATION OF AUDITOR,
QUARTERLY UPDATE ON STATUS OF RESUMPTION,
AND
CONTINUED SUSPENSION OF TRADING**

This announcement is made by CHYY DEVELOPMENT GROUP LIMITED (the “**Company**”) pursuant to Rule 17.50(4), Rule 17.10 and Rule 17.26A of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”) 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).

References are made to the announcement of the Company dated 22 March 2023, 3 April 2023, 14 April 2023 and 24 May 2023 in relation to, inter alia, (i) delay in publication of 2022 annual results and dispatch of annual report and possible suspension of trading; (ii) suspension of trading; (iii) results announcement plan and continued suspension of trading; and (iv) resumption guidance and continued suspension of trading (the “**Announcements**”). Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

(1) RESIGNATION OF AUDITOR

The Board announces that BDO has resigned as the auditor of the Company (the “**Auditor**”) 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 installment of the agreed audit fee and did not accept the proposed additional audit fee submitted to the Company;
- (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.

BDO has confirmed in its letter of resignation, dated 23 June 2023, that, except for the above reasons, there are no other matters from BDO’s perspective that need to be brought to the attention of holders of securities of the Company.

Regarding the resignation reasons of BDO, the Company's perspectives on the issues raised above are as follows:

- (i) Since the audit procedure has not been completed, the Company is of the view that the conditions for the payment of the second installment under the terms and conditions of the engagement letter have not been fulfilled. Under the Engagement Letter, the second installment which accounts for i) 30% of the agreed audit fee is due and payable upon the announcement of the Company's 2022 annual results; and ii) the remaining 20% of the agreed audit fee will be due and payable upon the bulk printing of the Company's annual reports. As the above two conditions have not been met, the board is of the view that payment conditions under the Engagement Letter have not been fulfilled.

For the proposed additional audit fee of 62.5% on top of the agreed audit fee, the Board is of the view that it should be agreed upon by both parties.

- (ii) The Company has always strived to provide outstanding information timely to speed up the audit procedure and tried to get consensus with BDO to commit to our timetable. However, BDO and the Company cannot come to an agreement on the timetable.

The Board is in the process of appointing a new auditor to fill the vacancy following the resignation of BDO, subject to the approval of the Shareholders. Pursuant to Rule 156 of the articles of association of the Company, the Directors shall, as soon as practicable, convene an extraordinary general meeting (the "EGM") to allow the Shareholders to approve the proposed appointment by an ordinary resolution.

The Company will make an announcement when such proposed appointment of a new auditor is made. A circular containing further details of the change of auditor of the Company, together with a notice convening the EGM, will be dispatched to the Shareholders as soon as practicable.

Given the resignation of BDO and the appointment of new auditor requiring more time, it is anticipated that the company would need to postpone further to announce its 2022 audited financial results after 31 July 2023.

(2) QUARTERLY UPDATE ON STATUS OF RESUMPTION

The Stock Exchange has set out the following Resumption Guidance for the Company on 19 May 2023:

- (a) publish all outstanding financial results required under the GEM Listing Rules and address any audit modifications;
- (b) demonstrate the Company's compliance with GEM Rule 17.26; and
- (c) inform the market of all material information for the Company's shareholders and investors to appraise the Company's position.

The Stock Exchange requested the Company must meet all resumption guidance, remedy the issues causing its trading suspension and fully comply with the Rules to the Exchange's satisfaction before trading in its securities is allowed to resume. For this purpose, the Company has the primary responsibility to devise its action plan for resumption. Whilst the Company may seek the Stock Exchange's guidance on its resumption plan, its resumption plan is not subject to the Stock Exchange's prior approval before implementation. To assist the Company, the Stock Exchange has set out the resumption guidance which may be modified or supplemented if the Company's situation changes.

Under GEM Rule 9.14A(1), the Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 12 months. In the case of the Company, the 12-month period expires on 2 April 2024. If the Company fails to remedy the substantive issues causing its trading suspension, fulfill the resumption guidance and fully comply with the Rules to the Exchange's satisfaction and resume trading in its shares by 2 April 2024, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under GEM Rules 9.01 and 9.15, the Exchange also has the right to impose a shorter specific remedial period, where appropriate.

Outstanding Financial Results

As of the date of announcement on 14 April 2023, the Company expected to publish the audited financial result announcement for 2022 on or before 31 July 2023. However, due to the resignation of BDO as the Auditor of the Company as disclosed in this announcement and that the Company will identify a new auditor to fill the vacancy, it is expected that the 2022 financial results would not be released on or before 31 July 2023. Further announcement will be published in relation to the update on the timetable of the announcement for the audited financial result for 2022 after the new auditor has been appointed to keep the shareholders of the Company and potential investors informed.

Business Operations of the Company

The Group is principally engaged in the collection of shallow geothermal energy as an alternative energy source for heating, focusing on the original closed-system single well circulating heat exchange technology, the development and promotion of heat pump usage, and properties investment. To the best knowledge of the Board, as at the date of this announcement, the suspension of trading in the shares of the Company has not resulted in any significant adverse impact on the business operations of the Company and the management of the Company continues to carry on its day-to-day operations normally. The Company will continue to review its existing businesses from time to time. The Board remains fully committed to the Company and will continuously assess the impact on the business operations and financial position of the Company, take appropriate measures and make further announcement(s) as and when appropriate.

Resumption Plan

The Company has been working with its professional advisers to address the Resumption Guidance. The Company will seek to resume trading of its shares on the Stock Exchange as soon as possible. Further announcements will be made by the Company to update the shareholders of the Company and the public on, among others, the resumption progress of the Company as and when appropriate.

(3) 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, 28 June 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. Yang Wei, Mr. Zhang Yiyang 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 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.