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CHINA HUIYUAN JUICE GROUP LIMITED

中國滙源果汁集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1886)

(Debt Securities Stock Code: 5259)

CHANGE OF AUDITOR

This announcement is made by the board of directors (the “**Board**”) of China Huiyuan Juice Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Reference is made to the announcements of the Company dated 29 March 2018 in respect of the loans provided by the Company to Beijing Huiyuan Beverage & Food Group Co., Ltd in the aggregate amount of approximately RMB4,282 million, 3 April 2018 in respect of the suspension of shares of the Company, 11 June 2018 in respect of the (i) conditions of resumption, (ii) establishment of an independent board committee, (iii) independent forensic investigation, and (iv) internal control review, 24 October 2018 in respect of additional transactions identified during the independent forensic investigation, 31 January 2020 in respect of the key findings of the independent forensic investigation, 28 February 2020 in respect of the key findings of the internal control review, 14 April 2020 in respect of the key findings of the additional procedures and various announcements of the Company containing updates on progress of fulfilment of resumption conditions respectively dated 1 August 2018, 31 August 2018, 28 September 2018, 6 November 2018, 1 February 2019, 7 May 2019, 6 August 2019, 8 November 2019, 31 January 2020 and 14 May 2020 (the “**Prior Announcements**”). Capitalised terms used but not otherwise defined herein shall have the same meanings as those used in the Prior Announcements.

RESIGNATION OF AUDITOR

PricewaterhouseCoopers (the “**Auditor**”), has tendered its resignation as the auditor of the Company for the year ended 31 December 2017 with effect from 15 May 2020 in a resignation letter dated 15 May 2020 to the Board and the financial management and audit committee of the Board (the “**Resignation Letter**”).

Reasons for and circumstances leading to the resignation

During the course of the audit of the consolidated financial statements of the Group for the year ended 31 December 2017 (the “**2017 Audit**”), the Auditor noted that the Company provided certain loans to (i) certain companies controlled or considered by management to be controlled by the Company’s controlling shareholder and former chairman; and (ii) companies that fall under the definition of related parties pursuant to the relevant accounting standard. As disclosed in the Prior Announcements, the Company established an independent board committee, which appointed (i) the Independent Forensic Accountant to conduct the Independent Investigation and (ii) the Independent Internal Control Consultant to conduct the Independent Internal Control Review.

The Independent Investigation and the Independent Internal Control Review have been completed, and the key findings of the Independent Investigation and the Independent Internal Control Review were also disclosed by the Company. As disclosed in the Prior Announcements, the Board had endorsed the findings of the Independent Investigation and the Independent Internal Control Review.

The Company took all appropriate actions to accommodate the Auditor’s requests to the extent that they were reasonable, appropriate and possible. Following the completion of the Independent Investigation and the Independent Internal Control Review, the Company requested the Auditor to commit to a timetable for completion of the 2017 Audit. The Auditor, however, remained unable to provide any tentative timetable as to completion of the 2017 Audit. The Company understands the importance to complete the 2017 Audit and publish the outstanding annual results to its holders of securities and the market as soon as possible. Hence, the Company explored alternative means, including requesting the Auditor to consider resigning as the auditor of the Company and finding a replacement auditor.

As stated in the Resignation Letter, the Company has requested the Auditor to resign as the auditor of the Company on 1 May 2020 on the basis that the Auditor was unable to commit to a definitive timetable for completion of the 2017 Audit, and due to the lack of satisfactory sufficient appropriate audit evidence allowing the Auditor to complete the 2017 Audit and the Auditor’s inability to come to a consensus with the Company on the timetable for completion of the 2017 Audit, the Auditor agreed to resign as the auditor of the Company with effect from 15 May 2020.

Summary to the relevant extracts of the Resignation Letter

The Company sets out below a summary to the relevant extracts of the Resignation Letter which provides more information about the lack of satisfactory sufficient appropriate audit evidence and the Auditor’s inability to come to a consensus with the Company on the timetable for completion of the 2017 Audit.

In the Resignation Letter, the Auditor stated that there had been significant delays by the Company during 2018 and 2019 in providing the critical audit information and evidence as well as the necessary management involvement required to conduct the audit work, which significantly affected the progress of the 2017 Audit.

The Auditor further stated that, since February 2020, it had been repeatedly discussing the following with the Company, including requesting for supporting information and evidence:

- (1) The Auditor has raised a number of comments on the scope, approach and findings of both phases of the Independent Investigation, and requested for a review of the relevant working papers of the Independent Forensic Accountant. As of the date of the Resignation Letter, many of the suggestions of the Auditor had not been taken up by the Independent Forensic Accountant and the Auditor had not been provided with access to their working papers.
- (2) The Auditor has not received satisfactory explanations, responses or evidence from the Company's management to address the various findings in the reports prepared by the Independent Forensic Accountant and the Independent Internal Control Consultant.
- (3) Other important audit information and evidence that are critical for completion of the 2017 Audit remain outstanding, including but not limited to: (i) management's impairment and recoverability assessments of certain assets, such as goodwill, and trade and other receivables; (ii) transactions and balances with related parties to address the accuracy and completeness of such items; (iii) information, documents and management assistance necessary for the Auditor to conduct additional substantive audit procedures required as a result of the Auditor's assessment of the adequacy of the Independent Investigation scope and its findings; and (iv) information, documents and management assistance necessary for the Auditor to conduct audit procedures on subsequent events post 31 December 2017 to date.
- (4) Various conditions including (i) the Company's breaches of certain loan covenants and defaults on payment of principal and interest on certain notes and bonds; (ii) consequential and potential (being assessed by the Company) cross defaults of certain other borrowings; and (iii) the winding up petition by a convertible bond holder due to the default on payment by the Company, indicate the existence of material uncertainties which may cast significant doubt regarding the Company's ability to continue as a going concern. The Auditor has therefore been requesting management's assessment and supporting information in relation to the appropriateness of the going concern basis in the preparation of the consolidated financial statements.

Furthermore, the Auditor stated that the above are outstanding information and documents that are important and critical for the Auditor to complete the 2017 Audit, and that they have not been provided with such information despite repeated requests, nor did management commit a definitive timeline to provide such information. The Auditor stated that the inability to obtain such information and evidence has prevented the Auditor from completing the 2017 Audit and issuing its audit report, and accordingly, the Auditor was not in a position to respond to the request by the Board to commit to a timetable for completion of the 2017 Audit.

Other matters that need to be brought to the attention of the holders of securities

The Company is incorporated under the laws of the Cayman Islands and to the knowledge of the Board, there is no requirement under the laws of the Cayman Islands for the outgoing auditor to confirm whether or not there is any circumstance in connection with its resignation which it considers should be brought to the attention of the holders of securities of the Company. The Auditor has not issued any such confirmation under Rule 13.51(4) of the Listing Rules. The Board confirms that there are no other matters or circumstances in connection with the resignation of the Auditor that need to be brought to the attention of the holders of securities of the Company.

APPOINTMENT OF AUDITOR

The Board further announces that, with the recommendation from the financial management and audit committee of the Board, the Board has resolved on 23 May 2020 to appoint ZHONGHUI ANDA CPA Limited as the new auditor of the Company with effect from 25 May 2020 to fill the casual vacancy following the resignation of the Auditor and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares and debt securities of the Company on the Stock Exchange has been halted since 9:00 a.m. on 3 April 2018 (and automatically converted to suspension thereafter) and will remain suspended until further notice.

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

By Order of the Board
China Huiyuan Juice Group Limited
Ju Xinyan
Chairman

Beijing, 25 May 2020

As at the date of this announcement, the directors of the Company are Ms. JU Xinyan and Mr. WANG Xinnong as executive directors and Mr. SONG Quanhou, Mr. PAK Wai Keung Martin and Mr. LEE Wen-Chieh as independent non-executive directors.

* *For identification purposes only*