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DEXIN CHINA HOLDINGS COMPANY LIMITED

德信中国控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2019)

CHANGE OF AUDITOR

This announcement is made by Dexin China Holdings Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.51(4) and 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”).

(1) CHANGE OF AUDITOR

The Board (the “**Board**”) of Directors (the “**Directors**”) of the Company announces that PricewaterhouseCoopers (“**PricewaterhouseCoopers**”) has resigned as the auditor (the “**Resignation**”) of the Company with effect from 14 April 2022.

PricewaterhouseCoopers stated in its resignation letter, that: (i) in the course of the audit of the Group’s financial statements for the year ended 31 December 2021, PricewaterhouseCoopers obtained bank confirmations in respect of two deposits with subsidiaries of the Company and there existed inconsistency between the relevant bank reply result and the bank confirmation. The two deposits of RMB250 million and RMB300 million were in the margin accounts, subject to freezing, guarantee or other restrictions, because the Company used the margins to provide pledge guarantee for the supplier. The management of the Company shall provide further explanation and information as soon as possible; (ii) the Company is required to provide the requested follow-up information, which was behind schedule due to the impact of the prevention and control of the COVID-19 epidemic (“**COVID-19 outbreak**”) in many provinces and cities in mainland China, such as Hangzhou, and (iii) in view of the above, PricewaterhouseCoopers is unable to reasonably estimate the time required to complete all audit work in relation to the Group’s annual results for the year ended 31 December 2021 due to the tight schedule and PricewaterhouseCoopers having not yet obtained sufficient and appropriate explanations and currently available information and the impact of the COVID-19 epidemic in China (collectively, the “**Resignation Letter Issue**”).

The Group's financial reports and audit procedures were adversely affected due to China's prevention and control policies in response to the recent recurrence of the COVID-19 epidemic in China, because (i) certain management and employees of the Group were quarantined during the latest wave of COVID-19 epidemic; and (ii) there were delays in obtaining certain external confirmation from third parties for the Group's audit. Accordingly, the Group was unable to reach a consensus with PricewaterhouseCoopers on a mutually acceptable timetable to complete the audit of the Group's annual results for the year ended 31 December 2021. The Board is of the view that it is in the best interests of the Company and its Shareholders to continue the work and complete the audit as soon as practicable, accordingly, the Board has resolved to recommend PricewaterhouseCoopers to resign as the auditor so that the Company may engage another qualified external auditor to complete the audit as soon as practicable. After due and careful enquiry, PricewaterhouseCoopers has agreed to resign as the auditor of the Company with effect from 14 April 2022.

PricewaterhouseCoopers has confirmed that, in its view, there is no other matter for the shareholders or creditors of the Company to note, save as disclosed above.

Save as disclosed above, the Board and the Audit Committee of the Company have also confirmed that there is no disagreement between PricewaterhouseCoopers and the Company and there are no other matters relating to its resignation as the auditor of the Company that are required to be brought to the attention of the Shareholders, creditors or potential investors of the Company.

The Company would like to take this opportunity to sincerely thank PricewaterhouseCoopers for the professional and quality services provided to the Company in the past.

Appointment of new auditor

The Board, recommended by the Audit Committee of the Company, resolves to appoint Elite Partners (CPA) Limited ("**Elite Partners**") as the new auditor of the Company, with effect from 14 April 2022, to fill a casual vacancy following PricewaterhouseCoopers' resignation, the term of office will be until the end of the next annual general meeting of the Company (the "**Appointment of New Auditor**"). The Board also warmly welcomes Elite Partners as an auditor of the Company.

Clarification on Resignation Letter Issue

The Company hereby makes further clarification on certain matters related to the above Resignation Letter Issue.

Background

PricewaterhouseCoopers obtained the bank confirmation from a bank (the "**Bank**") for two bank deposits of a wholly-owned subsidiary of the Company (the "**Subsidiary**") at the Bank (the "**Bank Deposits**") during its audit of the Company's consolidated financial statements for the year ended 31 December 2021. According to the bank confirmation, the Bank Deposits have been recognized by the Bank as unrestricted deposits. However, PricewaterhouseCoopers subsequently conducted a telephone inquiry with the bank's confirmation processing department and was informed that the bank confirmation request was not processed by the department, and that the relevant bank accounts belong to restricted deposit type (the "**Inconsistency**").

In fact, the Bank Deposits were the pledge guarantee provided by the Subsidiary for the loan made by a supplier of the Company from the Bank, and the Subsidiary would collect the interest income of the Bank Deposits at the interest rate of 1.67%. In addition, the supplier agreed to pay an additional guarantee fee for such arrangement at the annualized rate of 3%.

Views and clarifications of the Company

We hereby clarify that, as for the inconsistency of the bank's replies to the bank confirmation request, PricewaterhouseCoopers was responsible for the issuance of the bank confirmation request and the collection of the reply letters, and the Company was not involved in this process, except for verifying the relevant information before PricewaterhouseCoopers issued the bank confirmation request. The Company requested clarification from the Bank but has not received any reply by far due to the COVID-19 outbreaks in the Yangtze River Delta region. We cannot explain the Inconsistency until obtaining the further clarification and reply of the Bank.

We hereby emphasize that the Bank Deposits had been classified as restricted funds in the Company's 2021 unaudited annual results announcement dated 29 March 2022. As of 4 January and 6 January 2022, the pledge on the restricted funds had been lifted. Therefore, the guarantee did not have any negative impact on the operation of the Company.

Based on the unaudited consolidated management accounts as at 31 December 2021, the remaining bank deposits represented only approximately 3.13% of the cash and cash equivalents and restricted cash of the Group as at 31 December 2021. The Company has sufficient working capital to carry out its daily and general business operations. From the perspective of cash flow management, placing the Bank Deposits under restrictions has limited impact on the overall liquidity of the Group.

Views of the Audit Committee

We have discussed this with our Audit Committee and the Audit Committee agrees with our view. The delay in the audit on the annual report was not due to the audit problem, but due to the severe epidemic situations in the key cities where the Group operates (Hangzhou, Shanghai, Nanjing, Suzhou, Kunshan, Xuzhou, etc.), especially the new outbreak in the Yangtze River Delta, the quarantine of certain management personnel and employees, the long-time lockdown of the office sites in these areas and the delay in obtaining certain external confirmations from the third parties.

Views of Elite Partners

Our new auditor, Elite Partners, has received the statement and information provided by the management of the Group in respect of the Bank Deposits and will implement the special audit procedure to verify the statement of the management. According to the discussion between our management and the Audit Committee as one side and Elite Partners as the other side, the Company is aware that Elite Partners will carry out appropriate audit procedure to verify the treatment of the Bank Deposits in the unaudited annual results of 2021 announced by the Company on 31 March 2022.

(2) IMPACT OF COVID-19 ON THE ANNUAL AUDIT FOR FY2021

Due to the prevention and control policies implemented by China in response to the recent recurrence of COVID-19 in China, the financial reports and audit procedures of the Group were adversely affected.

In late January 2021, Hangzhou was hit by a sudden outbreak, forcing a number of PricewaterhouseCoopers field auditors and the Group financial staff of the Company to stay at home and stay in hotels for quarantine. As a result, most of the bank confirmation requests that should have been sent before the Spring Festival were delayed to be sent after the Spring Festival, and the audit procedure that should have been completed on site before the Spring Festival was changed to remote mode after the Spring Festival. In early and mid March 2022, Hangzhou, Shanghai, Wenzhou and their surrounding areas suffered another serious outbreak. As a result, express delivery was suspended; many employees of the Company's headquarters in Hangzhou and the subsidiaries around the country were quarantined at home or in a centralized manner; the office site of Wenzhou City Company was subject to long-time sealing and control, several project companies had to suspend business and conducted several rounds of compulsory nucleic acid tests, rendering many staff unable to perform their duties normally. Since late March 2022, another round of epidemic hit the Yangtze River Delta region. Several subsidiaries were locked down, and many management personnel and employees were quarantined or had to work from home. The above matters brought serious limitations to the work of the Company's management, employees and auditors, as well as to the on-site access to paper contracts or meeting minutes or the use of the Company's information systems. Some key financial staff of the Company were quarantined or subject to travel restriction, making it impossible to redeploy additional financial personnel to support the work of the auditors. The efficiency of communication between the Company's financial staff and auditors was greatly affected, and more time was needed for the audit. The delivery and receipt of documents, including the preparation and sending of confirmation requests or the receipt of replies from banks, suppliers and partners were greatly affected. Therefore, the audit work plan and schedule were subject to unexpected delay, thus affecting the progress of the whole audit plan.

In conclusion, the implementation of the audit procedure was severely affected by the COVID-19. Therefore, the delay in the audit on the annual report was not due to the audit problem, but due to the severe epidemic situations in the key cities where the Group operates, the new outbreak in the Yangtze River Delta, the long-time lockdown of the office sites in these areas, the home quarantine of employees, and the sending and receiving of external files being blocked.

Further announcements will be made by the Company in accordance with the Listing Rules and the SFO as and when appropriate, including the disclosure of information in relation to the publication of audited annual results for the year ended 31 December 2021 and despatch of annual report. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

By order of the Board
Dexin China Holdings Company Limited
Hu Yiping
Chairman

Hong Kong, 18 April 2022

As at the date of this announcement, the board of directors of the Company comprises Mr. Hu Yiping, Mr. Fei Zhongmin and Ms. Shan Bei as executive directors, Mr. Hu Shihao as a non-executive director, and Dr. Wong Wing Kuen Albert, Mr. Ding Jiangang and Mr. Chen Hengliu as independent non-executive directors.