

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Dexin Services Group Limited

德信服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2215)

CHANGE OF AUDITOR

This announcement is made by Dexin Services Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

(1) CHANGE OF AUDITOR

The board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces that PricewaterhouseCoopers (“**PwC**”) has resigned as the auditor of the Company with effect from 25 April 2022 (the “**Resignation**”).

PwC states in its resignation letter that: (i) during the auditing process of the financial statements of the Group for the year ended 31 December 2021, it obtained the pledges and guarantees from the Company’s subsidiaries for loans and acceptance bills of third parties amounting to approximately RMB500 million in total. Given the significant amount involved in the pledged guarantee, PwC requires the management to provide further explanations and information; and (ii) as PwC has yet to obtain adequate explanations and information due to the tight schedule as well as affected by the COVID-19 epidemic situation in China, hence it is unable to reasonably estimate the time required to complete all the auditing works regarding the annual results of the Group for the year ended 31 December 2021 (collectively, the “**Resignation Letter Issues**”).

Owing to the prevention and control policies in response to the recent resurgence of COVID-19 epidemic in China, the Group's financial reporting and auditing procedures were adversely affected. The reasons are (i) some management staff and employees of the Group were in quarantine during the recent COVID-19 outbreak; and (ii) there were delays in obtaining certain external confirmations from third parties for the Group's audit. Therefore, the Group failed to reach a consensus with PwC on the timetable accepted by both parties to complete the audit of the Group's annual results for the year ended 31 December 2021. The Board considers 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. Therefore, the Board resolved to recommend PwC to resign as the auditor, so that the Company can appoint another qualified external auditor to complete the audit as soon as practicable. After due and careful consideration, PwC agreed to tender its resignation as the auditor of the Company with effect from 25 April 2022.

Save as the above, the Board and the audit committee of the Company have confirmed that there is no disagreement between PwC and the Company, nor are there any other matters in respect of the resignation as the auditor of the Company that need to be brought to the attention of shareholders, creditors or potential investors of the Company.

The Company would like to take this opportunity to express its sincere gratitude to PwC for its professional and quality services rendered to the Company in the past.

Appointment of a new auditor

With the recommendation from the audit committee of the Company, the Board resolved to appoint Zhonghui Anda CPA Limited ("**Zhonghui Anda**") as the new auditor of the Company with effect from 26 April 2022, to fill the casual vacancy of PwC following its resignation and to hold office until the conclusion of the next annual general meeting of the Company ("**Appointment of a New Auditor**").

The Board would also like to extend its warmest welcome to Zhonghui Anda on its appointment as the auditor of the Company.

Clarification on the resignation letter

With regard to the resignation letter mentioned above, the Company would like to further clarify certain matters.

Background

During the period of preparing the Company's audited consolidated financial statements for the year, PwC noted pledges and guarantees of a subsidiary exist during the course of auditing the Company's guarantee agreements and pledge contracts.

On 29 December 2021, Shanghai Xuquan, the Company's indirect wholly subsidiary, and Hangzhou Ruiyang, the Company's business partner and independent third party, entered into a guarantee agreement, pursuant to which, Shanghai Xuquan is required to provide guarantees in respect of RMB496 million, which is borrowed from Ping An Bank by Hangzhou Ruiyang, and charged 8% guarantee fee to Hangzhou Ruiyang in relation to such guarantee. On 29 December 2021 and 6 January 2022, Shanghai Yuquan and Ping An Bank entered into the pledge contracts, pursuant to which, Shanghai Yuquan agreed to pledge a certificate of deposit with an aggregated value of RMB504.5 million to Ping An Bank in order to provide a guarantee of an amount of RMB496 million as a security for Hangzhou Ruiyang. Shanghai Yuquan shall receive a total of 10.1% of gross amount of the pledge contracts as a revenue (including interest income of 2.1% per annum incurred from the pledge contracts and guarantee fee of 8% per annum incurred from guarantee agreement).

Opinion of and clarification by the Company

The Company clarified that, the Group is a property services provider with a strong presence in the Yangtze River Delta region, the outbreak of a more serious epidemic in Shanghai, Hangzhou, Jiangsu and the surrounding areas continued in mid to early March 2022, which resulted in home isolation or centralised isolation of more employees of the Company's headquarters in Hangzhou and its subsidiaries in various places, leading to many employees being unable to perform their normal duties. Interviews with on-site personnel and other work were affected to a greater extent, resulting in an unexpected delay in the audit plan and schedule for the pledged guarantee. Therefore, there was an unexpected delay in the original audit plan and schedule, which affected the progress of the entire audit plan.

Opinions of the audit committee

The Company has discussed with the audit committee of the Company, and the audit committee agrees with the Company's opinions. The delay in the audit of this annual report is not an audit problem, but is due to the fact that the major cities of the Group's mainland operations (Shanghai, Hangzhou, Jiangsu, etc.) were severely affected by the COVID-19 epidemic, especially the new epidemic development in the Yangtze River Delta region, which resulted in quarantine of some of the Company management staff and employees, the long-term lockdown of some offices, and the delay in obtaining some external confirmations from third parties.

Opinions of Zhonghui Anda

Zhonghui Anda, the new auditor of the Company, has received the relevant explanations and materials provided by the Group's management, and will conduct the designated audit procedures. According to the discussion between the Company's management and the audit committee with Zhonghui Anda, the Company understands that Zhonghui Anda will implement appropriate audit procedures to verify the processing of these pledged guarantees in the 2021 unaudited annual results announced by the Company on 31 March 2022.

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

Owing to China's prevention and control policies in response to the recent resurgence of COVID-19 epidemic in China, the Group's financial reporting and auditing procedures were adversely affected.

In late January 2022, an epidemic outbreak occurred in Hangzhou, and some on-site PwC auditors and finance staff of the Company were forced to quarantine in their homes and hotels. As a result, most of the bank audit confirmations that should have been despatched before Chinese New Year were delayed and were despatched after Chinese New Year. Hence, the audit procedures that should have been carried out on site before Chinese New Year were forced to be conducted remotely after Chinese New Year. In mid-to-early March 2022, there were serious epidemic outbreak in Hangzhou, Shanghai, Jiangsu, etc. and its surrounding areas, and express delivery services came to a halt. A lot of our employees in Hangzhou, the headquarters of the Company, and its subsidiaries in various regions were either need to quarantine at home or under centralised isolation. The Group is a property management service provider with a strong presence in Zhejiang and Yangtze River Delta region. Our project companies in various regions have suspended their business and conducted several rounds of compulsory nucleic acid testing, resulting in many employees being unable to perform their duties normally. Since late March of 2022, another epidemic outbreak occurred in the Yangtze River Delta region. The offices of several subsidiaries were locked down, and some management staff and employees were either in quarantine or needed to work from home. The above matters have brought serious limitations to the works of management staff, employees and auditors of the Company, and caused limitations to the on-site access to paper contracts or minutes of meetings or the use of the Company's information system. The quarantine or travel restrictions of some key financial personnel of the Company make it impossible to reassign additional financial personnel to support and cooperate with the auditors. The communication efficiency between the financial staff of the Company and the auditor has been greatly affected and hence more audit time is needed. The collection of documents, including the preparation and sending of audit confirmations or obtaining replies from banks, suppliers and partners, have been greatly affected. Therefore, the original audit work plan and schedule were unexpectedly delayed, in which it affected the progress of the entire audit plan.

To sum up, the implementation of audit procedures is greatly affected by the COVID-19 epidemic. Therefore, the audit delay of this annual report is not due to audit problem, but as a result of the serious impact of the COVID-19 epidemic on major cities in Mainland China where the Group is operating, the new epidemic development in the Yangtze River Delta region, the long-term lockdown of office sites in various regions and quarantined employees at home, as well as the serious hindrance of sending and receiving external documents.

Further announcements will be made by the Company in accordance with the Listing Rules in due course, in respect of those matters related to the publication of the audited annual results for the year ended 31 December 2021 and the despatch of the annual report. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Dexin Services Group Limited
Hu Yiping
Chairman

Hong Kong, 26 April 2022

As at the date of this announcement, the Board of Directors comprises Mr. Hu Yiping, Mr. Tang Junjie and Ms. Zhu Xiaoli as executive Directors; and Mr. Jia Shenghua, Mr. Rui Meng and Mr. Yang Xi as independent non-executive Directors.