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**Wenye Group Holdings Limited**

**文業集團控股有限公司**

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

**(Stock Code: 1802)**

## **INSIDE INFORMATION RESIGNATION OF AUDITOR; CONTINUED SUSPENSION OF TRADING**

This announcement is made by Wenye Group Holdings Limited (文業集團控股有限公司) (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09 and 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 under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Reference is made to the announcement of the Company dated 30 March 2022; 31 March 2022; 29 April 2022; 13 May 2022; 17 May 2022; and 19 May 2022 in relation to, among others, (i) the delay in publication of audited annual results announcement for FY2021 (the “**2021 Audited Annual Results**”); (ii) the publication of the unaudited annual results of the Group for the year ended 31 December 2021 (the “**Unaudited Annual Results**”); (iii) further delay in publication of the 2021 Audited Annual Results and delay in publication of 2021 Annual Report; (iv) the halt of trading in the shares of the Company pending the release of an announcement containing inside information of the Company; (v) the entering into a memorandum of understanding; and (vi) the request for resignation of auditor and update on the memorandum of understanding (collectively, the “**Announcements**”). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

## RESIGNATION OF AUDITOR

The auditor, PricewaterhouseCoopers (“PwC” or the “Auditor”) has tendered its letter of resignation (the “Resignation Letter”) as the auditor of the Company with effect from 20 May 2022.

### Reasons for resignation

With reference to the PwC’s resignation letter dated 20 May 2022, the reasons for the resignation of PwC as the Auditor and the matters which PwC believe that should be brought to the attention of the shareholders of the Company (the “Shareholders”) are summarised as follows:

#### *1. Going concern assessment*

The Group had certain bank and other borrowings of approximately RMB32.9 million which were due on or before 31 December 2021 and a bank borrowing of approximately RMB20.0 million which was due on 6 May 2022. As at 12 May 2022, the above borrowings were overdue and not yet repaid. Although the respective lenders have not taken any further action against the Group, the said borrowings of the Group were in default and management has not entered into any extension agreement with or obtained waiver letter from the lenders. At the same time, as at 31 December 2021, there were three other bank loan contracts of the Group contained cross-default clauses, as such, the related bank loans may also be regarded as in default and the banks have the right to demand the Group to repay immediately.

In addition, as at 31 December 2021, the Group had litigations of claims from creditors in which the Group was the defendant, with an aggregate amount of approximately RMB45.4 million. According to the draft legal opinions on these litigations provided by the Group, the Group may be liable to settle the relevant amount claimed for a number of these litigations with an aggregate amount approximately RMB14.4 million.

In response to the above, the Auditor has requested management to provide, but has not yet provided with, (including but not limited to) the following information and explanations:

- the going concern assessment of the Group, including the Group's plans and measures to address the going concern issue, the cash flow forecast for at least the next twelve months, and the key assumptions and relevant information thereof;
- extension agreement and waiver letters in respect to the defaulted loans;
- waiver letters from other banks in respect of the cross-default clauses;
- the Group's assessment of the impact of the above litigations (including the impact on cash flow) and the written legal opinions issued by external lawyers on the above litigations;
- interview with the external lawyers.

## **2. *Audit confirmations of accounts receivable and accounts payable***

As at 12 May 2022, there were outstanding information, supporting documents and explanations from management for the audit confirmations on accounts receivable and accounts payable, including but not limited to, (i) a few audit confirmations not yet send out and pending for the information of relevant suppliers to be provided by management and the explanations on the reason of not being able to provide such information on time; (ii) certain returned audit confirmations to be resent are pending for information and explanations on the reason of return; and (iii) the difference between the addresses of receipt of certain confirmations and the addresses which were obtained from public source by the Auditor, which includes certain replied audit confirmations that are confirmed by the counter parties. According to management's preliminary explanations, the main reasons of the differences in addresses is due to data mismatch caused by manpower shortage and the change of operation addresses of the counter parties. The Auditor has requested management to provide, but has not yet provided with, the detailed reasons and explanations, the information of counter parties and supporting documents, and to arrange site visits and direct contact with counter parties to verify the addresses and content of audit confirmations.

### **3. *Offsetting arrangement of prepayments and accounts payable***

The Group had set off certain prepayments to suppliers against the balances of amounts payable to different suppliers at the end of 2021. The Auditor has requested management to provide, but has not yet provided with, the supporting documents and explanations for these offsetting arrangements and arrange interviews with the relevant suppliers involved in the abovementioned offsetting arrangements.

PwC communicated the abovementioned matters to the Audit Committee and urged the Company's management to follow up on those matters in its letter dated 12 May 2022. On 18 May 2022, PwC was notified by the Company that because no consensus could be reached on the timetable to complete the audit for FY2021, the Company therefore requested PwC to resign as the auditor of the Company. As PwC has not been able to obtain any further information nor satisfactory explanations in connection with the abovementioned matters up to the date hereof, PwC is not able to estimate the time required to finalise the 2021 Audit and the additional time required for any additional audit procedures that is necessary. After due and careful consideration, PwC agreed to resign as the Auditor with effect from 20 May 2022.

#### **Other matters that need to be brought to the attention of the Shareholders**

The Board and the Audit Committee confirm that save as disclosed above in this announcement, 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 Shareholders.

#### **APPOINTMENT OF NEW AUDITOR**

In accordance with Article 29.2 of the Articles of Association of the Company, the Board may fill any casual vacancy in the office of auditor. The Board is currently in the course of seeking a new audit firm to act as the new auditor of the Company.

The Company will make further announcement in relation to the appointment of the new auditor as soon as practicable in accordance with the Listing Rules.

## **CONTINUED SUSPENSION OF TRADING**

As disclosed in the announcement of the Company dated 12 May 2022, the Company would pursuant to the Joint Statement apply to the Stock Exchange for approval for the further delay in despatch of the 2021 Annual Report and waiver of the Company's strict compliance of the relevant requirement under the Listing Rules in relation to the despatch of the 2021 Annual Report (the "**Waiver**"). Since the expected date of publication of the 2021 Annual Report cannot be ascertained as at the date of this announcement due to the resignation of the Auditor, the Board will withdraw the application for the Waiver.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 13 May 2022 until the publication of the 2021 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  
**Wenye Group Holdings Limited**  
**Fan Shaozhou**  
*Chairman and Chief Executive Officer*

Shenzhen, PRC, 23 May 2022

*As at the date of this announcement, the executive directors of the Company are Mr. Fan Shaozhou, Mr. Wan Neng and Mr. Peng Weizhou; the non-executive directors of the Company are Mr. Deng Guanghui and Mr. Chen Li; and the independent non-executive directors of the Company are Ms. Huang Guiqing, Mr. Liu Ziping and Mr. Liu Xiaoyi.*