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CHINA SAITE GROUP COMPANY LIMITED

中國賽特集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 153)

RESIGNATION OF AUDITOR; FURTHER DELAY IN PUBLICATION OF THE 2019 AUDITED ANNUAL RESULTS AND DESPATCH OF THE 2019 ANNUAL REPORT; FURTHER POSTPONEMENT OF BOARD MEETING; AND INSIDE INFORMATION

This announcement is made by China Saite Group Company 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**”) 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 announcement of the Company dated 15 May 2020 relating to, among others, the further delay in publication of the 2019 Audited Annual Results (the “**Announcement**”). Unless otherwise defined, terms used in this announcement shall have the same meanings as those defined in the Announcement.

RESIGNATION OF AUDITOR

The board of directors of the Company (the “**Board**”) hereby announces that Crowe (HK) CPA Limited (the “**Auditor**”), has tendered its resignation as the auditor of the Company with effect from 19 June 2020. As stated in its resignation letter dated 19 June 2020 (the “**Resignation Letter**”), the Auditor has not completed certain audit procedures in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Audit**”), and therefore decided to tender its resignation as auditor of the Company after taking into account factors including the professional risk associated with the audit, the level of audit fees and its available internal resources in the light of current work flows.

During the course of the 2019 Audit, the following major litigations, against, among others, certain subsidiaries of the Company in the People’s Republic of China (the “**PRC**”) which may have a material impact on the 2019 Audit are summarised as follow:-

(I) *Litigations in relation to two overdue loans granted to Jiangsu Saite Steel Structure Co., Ltd. (“**Jiangsu Saite**”) by two individuals*

Jiangsu Saite, an indirect wholly-owned subsidiary of the Company, was involved in two litigations relating to two overdue loans obtained from two respective individuals under the name of Jiangsu Saite with guarantee provided by Mr. Jiang Jianqiang (“**Mr. Jiang**”), the Chairman of the Board and legal representative of Jiangsu Saite, and the funds obtained from the two overdue loans were directly deposited to Mr. Jiang’s bank account. Mr. Jiang has fully settled the relevant amounts under the two loans subsequent to 31 December 2019. During the course of audit, the overdue loans had not been recorded in the consolidated statements of financial position as at 31 December 2018 and 2019.

(II) *Litigation in relation to guarantee provided to a bank in the PRC (“**Bank A**”)*

In 2019, Jiangsu Saite and Mr. Jiang provided a guarantee (the “**Guarantee**”) for a bank loan amounting to RMB35,000,000 granted by Bank A to an entity outside the Group (the “**Outside Entity**”), whose ultimate beneficial owners were independent third parties of the Company and its connected persons, by signing a guarantee agreement for such loan to Bank A on 5 January 2019. Subsequently, the Outside Entity was unable to repay the loan and the bank filed a litigation against Jiangsu Saite for demanding the repayment of loan in November 2019. According to the letter signed by Bank A on 27 April 2020, it is confirmed that Bank A agreed to release the Guarantee and the guarantors, Jiangsu Saite and Mr. Jiang, were replaced by another entity outside the Group. The Auditor has not yet obtained the necessary information to ascertain the fair value of the Guarantee and to perform the relevant assessments according to accounting standards.

(III) *Litigation in relation to bank loans undertaken by Jiangsu Saite and Jiangsu Qifeng New Building Materials Co. Ltd. (“Jiangsu Qifeng”)*

Jiangsu Saite and Jiangsu Qifeng, each an indirect wholly-owned subsidiary of the Company, undertook certain non-performing loans granted by a bank in the PRC (“**Bank B**”) to certain entities outside the Group whose ultimate beneficial owners, were independent third parties of the Company and its connected persons, by signing eight separate loan agreements to Bank B in 2015 with a total amount of RMB92,000,000 (the “**Non-Performing Loans**”). During 2018, Bank B transferred the Non-Performing Loans to an asset management company (“**Asset Management Company A**”) and in the same year, litigation was filed against Jiangsu Saite and Jiangsu Qifeng and a judgment was issued by a PRC court stating Jiangsu Saite and Jiangsu Qifeng be responsible for the Non-Performing Loans. In 2019, Jiangsu Saite agreed with Asset Management Company A to acquire the Non-Performing Loans at a consideration of RMB24,000,000 (“**Consideration**”). The Non-Performing Loans were subsequently transferred from Asset Management Company A to another asset management company (“**Asset Management Company B**”). Subsequently, Asset Management Company B entered into a settlement agreement with the Company, Jiangsu Saite, Jiangsu Qifeng, Mr. Jiang and other four parties relating to the Non-Performing Loans in March 2019, in which an independent third party of the Company and its connected persons agreed to take up the responsibility to settle the Consideration. The Auditor, during the course of audit found that the Non-Performing Loans had not been recorded in the consolidated statements of financial position as at 31 December 2018 and 2019.

As at the date of the Resignation Letter, the Auditor did not receive any written response and assessment from the Company in relation to the possible impact on the consolidated financial statements and related disclosures for the years ended 31 December 2018 and 2019 arising from the above litigations.

In addition to the above, several major audit procedures remained outstanding up to the date of the Resignation Letter, including but not limited to (i) site visits for certain construction in-progress projects in the PRC; (ii) conducting interviews with major customers; and (iii) collecting and verifying certain confirmations from major customers.

Due to unexpected amount of additional work, arising from the above litigations which significantly increased the costs of performing the 2019 Audit, the Company and the Auditor also could not reach a consensus on the audit fee for the year ended 31 December 2019.

The Board confirms that other than the matters mentioned above, there are no other circumstances in respect of the resignation of the Auditor that need to be brought to the attention of the shareholders of the Company (the “**Shareholders**”).

The Board is in the process of finalising the engagement of the new auditor of the Company to fill the casual vacancy following the resignation of the Auditor and to hold office until the conclusion of the next AGM.

FURTHER DELAY IN PUBLICATION OF THE 2019 AUDITED ANNUAL RESULTS AND DESPATCH OF THE 2019 ANNUAL REPORT

Due to the resignation of the Auditor, the Board expects the completion of the audit procedures will be further delayed. As such, the Company expects that the publication of the 2019 Audited Annual Results and despatch of the 2019 Annual Report will be further delayed.

Meanwhile, the Company understands the necessity and intends to publish the 2019 Audited Annual Results to its Shareholders and the market as soon as possible. As such, the Company will find a replacement of the Auditor and to resume and complete the audit works for the 2019 Audited Annual Results as soon as possible.

FURTHER POSTPONEMENT OF BOARD MEETING

In light of the further delay in the publication of the 2019 Audited Annual Results, the Board Meeting which was expected to be held on or before 22 June 2020 for approving the 2019 Audited Annual Results Announcement will therefore be further postponed.

The Company will make further announcement(s), to inform the Shareholders of (i) the date of the Board Meeting to consider and approve the 2019 Audited Annual Results, (ii) the date of the publication of the 2019 Audited Annual Results, (iii) the date of despatch of the 2019 Annual Report, and (iv) the date of AGM, or any update information as and when appropriate.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

By order of the Board
China Saite Group Company Limited
Jiang Jianqiang
Chairman

Hong Kong, 21 June 2020

As at the date of this announcement, the executive directors of the Company are Mr. Jiang Jianqiang, Mr. Shao Xiaoqiang, Mr. Xu Fanghua, Mr. Liu Zhibo and Mr. Hua Gang; and the independent non-executive directors are Mr. Xu Jiaming, Mr. Yan Hualin and Mr. Wu Zhongxian.