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Steering Holdings Limited

旭通控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1826)

**FURTHER SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
THE 2020 ANNUAL RESULTS ANNOUNCEMENT,
SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
THE DISCLOSEABLE TRANSACTION CONCERNING
THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN A SUBSIDIARY
AND
CONTINUED SUSPENSION OF TRADING**

Reference is made to the annual results announcement of Steering Holdings Limited (the “**Company**”) dated 30 March 2021 and the supplemental announcement of the Company dated 31 March 2021 (collectively, the “**2020 Annual Results Announcement**”), the announcement of the Company dated 30 March 2021 in relation to the disposal of the entire equity interest in a subsidiary (the “**Disposal Announcement**”) and the trading halt announcement of the Company dated 31 March 2021 (the “**Trading Halt Announcement**”). Capitalised terms used in this announcement shall have the same meanings as those defined in the 2020 Annual Results Announcement and the Disposal Announcement unless otherwise stated.

BACKGROUND OF THE DISCLAIMER OPINION

As disclosed in the 2020 Annual Results Announcement, the auditors of the Company (the “**Auditors**”) expressed a disclaimer of opinion on consolidated financial statements of the Group for the year ended 31 December 2020 (the “**Disclaimer Opinion**”), while the basis for the Disclaimer Opinion were in relation to (a) other receivables, deposits and prepayments (the “**Receivables Disclaimer**”); (b) income tax expenses and tax payable (the “**Tax Payable Disclaimer**”); and (c) multiple uncertainties relating to going concern (the “**Going Concern Disclaimer**”).

The issues giving rise to the Disclaimer Opinion (other than the Going Concern Disclaimer) are that the Auditors are unable to obtain sufficient appropriate audit evidence to satisfy themselves about (a) the net carrying amounts of the Receivables (as referred to in pages 43 and 44 of the 2020 Annual Results Announcement) as at 31 December 2020 and 2019 and the impairment loss on the Receivables recognised in consolidated profit or loss for the years then ended (being the issues giving rise to the Receivables Disclaimer); and (b) the provision for late penalty or surcharge that should be recorded by the Group as at 31 December 2020 and 2019 and the carrying amounts of the tax payable as at 31 December 2020 and 2019 and the tax and related expenses recognised in consolidated profits or loss for the year then ended (as referred to in pages 44 and 45 of the 2020 Annual Results Announcement, being the issues giving rise to the Tax Payable Disclaimer). Details of the Disclaimer Opinion are set out on pages 43 to 46 of the 2020 Annual Results Announcement.

Under Rule 13.50A, the Stock Exchange will normally require suspension of trading in an issuer's securities if it publishes a preliminary results announcement for a financial year as required under Rules 13.49(1) and (2) and the auditor has issued, or has indicated that it will issue, a disclaimer of opinion or an adverse opinion on the issuer's financial statements (unless relating to the going concern issue only). The suspension will normally remain in force until the issuer has addressed the issues giving rise to the disclaimer or adverse opinion, provided comfort that a disclaimer or adverse opinion in respect of such issues would no longer be required, and disclosed sufficient information to enable investors to make an informed assessment of its financial positions. As a result of the Disclaimer Opinion (other than the Going Concern Disclaimer), trading of the shares of the Company (the "Shares") on the Stock Exchange has been suspended with effect from 9:00 a.m. on 31 March 2021.

SUPPLEMENTAL INFORMATION ON THE DISPOSAL

The Disposal and the Disclaimer Opinion

The Board wishes to emphasize (to which the Auditors have agreed) that the issues giving rise to the Receivables Disclaimer and the Tax Payable Disclaimer are relating to the Disposal Group only. The Auditors have not issued a disclaimer of opinion on other part of the consolidated financial statements of the Group for the year ended 31 December 2020 (other than the Going Concern Disclaimer).

Based on the foregoing and as disclosed in the 2020 Annual Results Announcement and the Disposal Announcement, the Directors are of the view that the Disposal is a solution to address the issues giving rise to the Disclaimer Opinion (other than the Going Concern Disclaimer).

The Audit Committee's views

The audit committee of the Company (the “**Audit Committee**”), comprising of all independent non-executive Directors, had reviewed and discussed the details, reasons and benefits of the Disposal and the Audit Committee was satisfied that the Disposal was, given the circumstances, appropriate and in the best interest of the shareholders of the Company (the “**Shareholders**”) as a whole. In reaching such conclusion, the Audit Committee had considered the following factors, including but not limited to:

- (i) the disclosure of the Company made in its announcement dated 30 December 2020 which had led to the cessation of business of all operating platform for China's internet financial peer-to-peer lending (P2P) sector, the Audit Committee is of the view that the business of the Disposal Group is unlikely to prosper and the continued holding of which by the Company would cause a continued financial burden to the Company;
- (ii) the Disposal is in line with the Company's strategy in streamlining its line of business and the structure of the Group, after which the Group would be able to concentrate on its construction segment which would be able to generate stable income to the Group while at the same time exploring other business opportunities such as consumer debt management;
- (iii) the Disposal Group had recorded a net loss of approximately HK\$321 million for the year ended 31 December 2020 and the net liabilities of the Disposal Group as at 31 December 2020 is approximately HK\$109 million. Having considered the same and the uncertain business prospect of the Disposal Group, the Audit Committee is of the view that there is a high likelihood of the Disposal Group going into liquidation and the Disposal would avoid such negative impact on the Group;
- (iv) there are protective clauses in place in the Share Transfer Agreement which would discharge the Company from all liabilities including potential tax penalty and surcharges, of the Disposal Group upon completion of the Disposal (the “**Completion**”);
- (v) the long suspension of trading of the Shares may result in the Shares of the Company being delisted and would severely prejudice the Shareholders' interest; and
- (vi) the Disposal would result in a gain in disposal of subsidiary on the consolidated financial statement of the Company despite the consideration of the Disposal is RMB1.0.

The Board has considered and concurred with the Audit Committee's views as set out above.

Completion of the Disposal

As disclosed in the Disposal Announcement, the Completion took place on 30 March 2021 immediately upon signing of the Share Transfer Agreement in accordance with the terms and conditions therein. After Completion, the Group ceases to have any equity interests in the Disposal Group. Accordingly, the Disposal Group ceases to be the subsidiaries of the Company and their financial results, assets and liabilities will no longer be consolidated into the Group's financial statements.

SUPPLEMENTAL INFORMATION ON THE DISCLAIMER OPINION

Internal Control Review

The Audit Committee had reviewed and discussed the details and the basis of the Disclaimer Opinion with the Auditors and was informed by the Auditors that the issues giving rise to the Receivables Disclaimer and the Tax Payable Disclaimer were mainly in relation to insufficient audit evidence obtained. The Audit Committee has agreed with the Auditor's views above.

In order to protect the interests of the Shareholders, the Company will engage an independent internal control expert as soon as practicable to review and make recommendations on the Company's business processes in order to strengthen the Company's internal control procedures especially those that are related to project investment and material advance payments so as to prevent the recurrence of similar events in future (the "**Reinforcement Measures**"). The Company is in the course of selecting appropriate internal control expert to carry out the Reinforcement Measures and further announcement(s) will be made if and when appropriate.

No continuing effect on the Group's financial statements

As disclosed above, Completion has taken place and the financial results, assets and liabilities of the Disposal Group will no longer be consolidated into the Group's consolidated financial statements. Based on the foregoing, the Directors are of the view that:

- (i) the Receivables Disclaimer and the Tax Payable Disclaimer have been satisfactorily addressed;
- (ii) any modified opinion in the forthcoming year in respect of the Receivable Disclaimer and Tax Payable Disclaimer should only relate to (a) the impairment loss of other receivables, deposits and prepayments and income tax and related expenses from 1 January 2021 to the date of Completion; (b) the net carrying amounts of the net assets of the Disposal Group at the date of disposal and hence the amount on the gain (or loss) on disposal of the Disposal Group; and (c) the comparability of the 2020/2021 figures and the 2021/2022 figures to be presented in the consolidated financial statements for the years ending 31 December 2021 and 31 December 2022 respectively (the "**Continued Modified Opinion**").
- (iii) accordingly, the Receivables Disclaimer and Tax Payable Disclaimer should not have any continuing effect on the Group's consolidated financial statements after the financial year ending 31 December 2022; and

The Audit Committee's views

The Audit Committee is of the view that notwithstanding the Receivables Disclaimer and the Tax Payable Disclaimer, there was no indication of fraud in relation thereto and the Receivables Disclaimer and the Tax Payable Disclaimer were mainly in relation to insufficient audit evidence obtained.

The Audit Committee agrees with the implementation of the Reinforcement Measures and concurs with the Board's views that with the Disposal, the Receivables Disclaimer and the Tax Payable Disclaimer should not have any continuing effect on the Group's consolidated financial statements in the coming financial years save for the Continued Modified Opinion.

The Auditors' views

Saved as disclosed in the Disclaimer Opinion, the Auditors are unable to obtain sufficient audit evidence in relation to the matters on the Receivables Disclaimer and Tax Payable Disclaimer. Based on the information provided by the Company during the audit of the Group's consolidated financial statements for the year ended 31 December 2020, the Auditors were not aware that there was indication of fraud.

The Board has obtained the understanding with the Auditors that upon provision of (i) documentary evidence showing the Completion such that the financial results and assets and liabilities of the Disposal Group would be deconsolidated from the consolidated financial statements of the Company upon Completion; and (ii) legal opinion showing the Group is not liable to the tax and other related liabilities of the Disposal Group after the Completion (collectively, the "**Audit Evidence**"), the Company would have addressed the issues giving rise to the Receivables Disclaimer and the Tax Payable Disclaimer.

The Company has provided the Audit Evidence to the Auditors and as confirmed by the Company's PRC legal advisors in the said legal opinion, the Group is not liable to the tax and other related liabilities of the Disposal Group after Completion.

Based on the foregoing, the Auditors shall consider satisfactory when the issues giving rise to the Receivables Disclaimer and the Tax Payable Disclaimer are satisfactorily resolved. Assuming the Receivables Disclaimer and the Tax Payable Disclaimer are satisfactorily resolved, the Receivables Disclaimer and the Tax Payable Disclaimer (other than the Continued Modified Opinion and the Going Concern Disclaimer) will not have continuing effect on the Group's consolidated financial statements for the coming financial years.

CONTINUED SUSPENSION OF TRADING

The Board would like to further announce that although the Company has addressed all issues giving rise to the Disclaimer Opinion (other than the Going Concern Disclaimer of which suspension in trading is not required), at the request of the Company, trading in the Shares on the Stock Exchange has been further suspended pending the release of announcement pursuant to the Hong Kong Code on Takeovers and Mergers and in relation to inside information of the Company.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

By order of the Board
Steering Holdings Limited
Feng Xuelian
Executive Director

Hong Kong, 29 April 2021

As at the date of this announcement, the executive Directors are Ms. Feng Xuelian and Mr. Ng Kin Siu (chief executive officer); the non-executive Director is Mr. Gao Yunhong; and the independent non-executive Directors are Mr. Chan Yuk Sang, Mr. Wan Chi Wai Anthony and Mr. Lau Kwok Fai Patrick.