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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

Reference are made to the announcements of China Saite Group Company Limited (the "**Company**") dated 30 March 2020, 29 April 2020 and 15 May 2020, in relation to the unaudited financial information for the year ended 31 December 2019 of the Company and its subsidiaries (the "**Group**") (the "**Unaudited Results**") and delay in publication of annual audited results for the year ended 31 December 2019 (collectively, the "**Announcements**"). Unless otherwise stated, capitalised terms used herein shall have the same meanings as those defined in the Announcements. Further to the publication of the Unaudited Results, the board (the "**Board**") of directors (the "**Directors**") of the Company hereby announces that the Company's auditors, BDO Limited (the "**Auditors**"), have completed the audit of the consolidated financial information of the Group (the "**Audited Results**") for the year ended 31 December 2019 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as follows. As for the consolidated financial statements of the Group for the year ended 31 December 2019, they were audited with a disclaimer opinion expressed by the Auditors.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	4	**515,447**	1,501,311
Cost of sales		**(425,033)**	(1,147,488)
Gross profit		**90,414**	353,823
Other income	5	**1,953**	12,890
Other gains and losses	5	**(76,433)**	(24,708)
Impairment losses on financial and contract assets	7	**(5,933,528)**	(28,519)
Selling and marketing expenses		**(8,411)**	(4,027)
Administrative expenses		**(55,975)**	(57,744)
Finance costs	6	**(99,642)**	(36,744)
Share of (loss)/profit of a joint venture		**(1,351)**	332
Share of loss of associates		**(6,781)**	(1,113)
Remeasurement of financial guarantee contracts	19	**(53,045)**	1,200
(Loss)/profit before taxation		**(6,142,799)**	215,390
Income tax credit/(expense)	8	**51,254**	(76,378)
(Loss)/profit for the year	9	**(6,091,545)**	139,012
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income		**–**	(29,698)
Total comprehensive (expense)/income for the year		**(6,091,545)**	109,314
(Losses)/earnings per share			
- Basic and diluted (RMB cents)	11	**(224.58)**	5.96

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment		**98,068**	261,236
Prepaid lease payments		**–**	56,422
Right-of-use assets		**33,755**	–
Interest in a joint venture		**152,892**	154,243
Interests in associates		**2,256**	7,637
Equity instruments at fair value through other comprehensive income		**26,230**	22,230
Deferred tax asset		**–**	40,733
		313,201	542,501
Current assets			
Inventories		**47,126**	10,642
Prepaid lease payments		**–**	1,329
Trade receivables	*12*	**194,909**	1,265,749
Contract assets	*13*	**56,204**	542,105
Other receivables, deposits and prepayments		**888,519**	94,061
Restricted bank balances	*14*	**431**	–
Bank balances and cash	*14*	**40,233**	856,924
		1,227,422	2,770,810
Current liabilities			
Trade payables	*15*	**587,272**	91,546
Other payables and accruals		**2,480,653**	104,584
Contract liabilities	*16*	**13,022**	–
Amount due to the ultimate holding company		**229,568**	–
Amounts due to associates		**2,477**	3,194
Amount due to a director		**446,232**	–
Lease liabilities-current portion		**1,512**	–
Corporate bonds-due within one year	*17*	**244,894**	196,069
Short-term borrowings		**199,280**	4,500
Problematic loans	*18*	**204,617**	–
Financial guarantee contracts	*19*	**53,045**	–
Tax liabilities		**26,668**	26,668
		4,489,240	426,561

	Notes	2019 RMB'000	2018 RMB'000
Net current (liabilities)/assets		**(3,261,818)**	2,344,249
Total assets less current liabilities		**(2,948,617)**	2,886,750
Non-current liabilities			
Deferred tax liabilities		**–**	92,116
Lease liabilities-non-current portion		**1,237**	–
Corporate bonds-due after one year	*17*	**246,960**	162,163
		248,197	254,279
Net (liabilities)/assets		**(3,196,814)**	2,632,471
Capital and reserves			
Share capital	*20*	**249,103**	187,410
Reserves		**(3,445,917)**	2,445,061
Total (deficit)/equity		**(3,196,814)**	2,632,471

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

The Company is a limited liability company incorporated in Cayman Islands as an exempted company with limited liability. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is 22nd Floor of The Toy House, No. 100 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company acts as an investment holding company. The principal activities of its subsidiaries are investment holding and construction of steel structure and prefabricated construction projects.

The Company's parent is Keen Luck Group Limited (incorporated in the British Virgin Islands) and the directors consider its ultimate parent is Champ Origin Limited (incorporated in the British Virgin Islands).

2. BASIS OF PREPARATION

The consolidated financial statements as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (collectively referred to as the "**Group**").

Since the mid of 2019, certain legal claims were filed against the Group in the PRC. It came to the attention of the directors of the Company ("**Directors**") that part of the claims related to certain loans borrowed by or guarantees provided by the Group, with the involvement of two major operating subsidiaries, namely Jiangsu Saite Steel Structure Co., Ltd. ("**Jiangsu Saite**"), Jiangsu Qifeng New Building Materials Company Limited ("**Jiangsu Qifeng**"), and the Company, allegedly originated prior to 2019 that were not recorded in the books and records of the Group (the "**Problematic Loans and Guarantee Contracts**"). In addition, legal claims were noted by business partners, which resulted in loss of business opportunities.

Besides, the Group encountered financial difficulties, resulted in (1) departure without suitable replacement of key staffs, including senior management, operating staff of different departments, and qualified accounting staffs and led to breakdown of administrative and accounting functions of the Group; and (2) downsize of business (collectively referred to as "**Business Disruption**").

The departure of senior management, operating staff and accounting staffs resulted in malfunction of various departments of the Group, resulting in mishandling and loss of source documents and transaction records.

Despite the Business Disruption, the Group strived to retrieve the information and documents necessary for the maintenance of proper books and records and the preparation of 2019 consolidated financial statements, including contacting counterparties outside the Group such as customers, suppliers, but the Group's effort has been in vain. The Group has also tried to obtain bank statements for the period from the bank and contact bond holders through lawyers.

During the audit of the 2019 consolidated financial statements, the ex-auditors of the Company also raised concerns in their resignation letters to the Company over litigations in relation to the Problematic Loans and Guarantee Contracts that the Group has been involved. In the interest of the Company, its shareholders and bonds holders as a whole, on 22 June 2020, the Company has applied for suspension of trading in the shares on The Stock Exchange.

An independent board committee ("**Independent Committee**") comprising the independent non-executive directors of the Company was established on 15 July 2020 to conduct an investigation with the primary scope to fact-finding in respect of the Problematic Loans and Guarantee Contracts . For the purpose of the investigation, the Independent Committee, through its legal adviser ("**Independent Legal Adviser**"), commissioned a professional firm as the forensic accountant ("**Independent Adviser**") on 5 March 2021 to assist on the investigation.

During the investigation, there were two sets of explanations and documents were obtained by the Independent Adviser, with one set provided by the a former director of the Company and certain key finance personnel of Jiangsu Saite and Jiangsu Qifeng who already left the Group. The sources of those documents were unidentified. Another set of explanations and documents were based on information obtained from the courts in the PRC. Based on the investigation, there are significant differences identified between the two sets of explanations and documents the Independent Adviser were unable to resolve the differences due to the limitations as set out below.

As included in the main findings of the Independent Adviser which summarised in the announcement dated 23 February 2022 (the "**Main Findings Announcement**"), the below limitations were noted by the Independent Adviser and agreed by the Directors when conducting the investigation into the Problematic Loans and Guarantee Contracts:

1. The Company failed to provide sufficient and credible explanations and evidence;

2. Unavailability of information and documents in relation to some relevant transactions due to long history; and

3. Lack of cooperation from third-party institutions.

The findings revealed in the investigation gave rise to the doubt about the reliability of books and records of the Group of the current and past years. In respect of the Problematic Loans and Guarantee Contracts, the Directors determined to recognise the Problematic Loans amounting to RMB204.6 million and Guarantees Contracts amounting to RMB53.0 million as transactions occurred on 31 December 2019.

As of the date of this report, the management has used its best effort, to the extent commercially practicable, to ensure the complete books and records of the Group for the year ended 31 December 2019, applying their best estimates and judgement based on the information of the Group that are available to the management. However, in light of the Business Disruption and findings as revealed in the investigation, the Directors believed that, as at the date of the report, it is almost impossible, and not practical, to ascertain the correct consolidated profit and loss and other comprehensive income and consolidated statement of financial position for the current year for inclusion in the consolidated financial statements of the Group. The Directors believed that it is almost impossible, and not practical, to verify the financial information as reported in the consolidated financial statements of the Group for past years. Accordingly, the comparative financial information disclosed in the consolidated financial statements only represents such information as reported in the published consolidated 2018 financial statements and therefore may not be comparable with the figures for the current year.

As the consolidated financial statements have been prepared based on the incomplete books and records available to the Group, the Directors are unable to represent that all transactions entered into by the Group for the year ended 31 December 2019 have been properly reflected in the consolidated financial statements.

In this connection, the Directors of the Company are also unable to represent as to the completeness, existence and accuracy of identification and the disclosure of revenue, segment information, other income and other gains or losses, finance costs, impairment loss on financial and contract assets, income tax, (loss)/profit for the year, directors and chief executive's emoluments, five highest paid employees, (losses)/earnings per share, property, plant and equipment, right-of-use assets, interest in a joint venture, interests in associates, equity instruments at fair value through other comprehensive income, deferred tax assets and liabilities, inventories, trade receivables, contract assets, other receivables, deposits and prepayments, amount due to a director, bank balances and cash and restricted bank balances, trade payables, other payables and accruals, contract liabilities, amount due to the ultimate holding company, amounts due to associates, lease liability, corporate bonds, short-term borrowings, problematic loans, financial guarantee contracts, notes supporting the consolidated statement of cash flows, capital risk management, financial instruments, and related party disclosures.

Any adjustments arising from the matters described above would have a consequential significant effect on the net loss of the Group for the year ended 31 December 2019 and net liabilities of the Group as at 31 December 2019.

(a) Statement of compliance

The directors have presented in these consolidated financial statements the financial information prepared based on all available information to the extent provided to them in their capacity. Except for the matters disclosed above, these financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKAS**") and Interpretations (hereinafter collectively referred to as the "**HKFRSs**") issued by HKICPA, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange.

(b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair values as explained in the accounting policies set out below.

During the year, the Group has incurred a loss of RMB6,091.5 million and as at 31 December 2019, its current liabilities exceeded its current assets by RMB3,261.8 million. As at the same date, the Group only had cash and cash equivalents amounted to RMB40.2 million only.

In addition, winding-up petitions were lodged with the High Court of Hong Kong (the "**Court**") against the Company by various creditors in pursuit of the settlement of the outstanding debts owed to them. To deal with this situation, the Company proposed a debt restructuring arrangement ("**Scheme of Arrangement**") as detailed below. These events or conditions, together with the Business Disruption as described in note 2, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In assessing the appropriateness of the use of the going concern basis in the preparation of these consolidated financial statements, the Directors prepared a cash flow forecast covering a period of 12 months from the date of approval for issue of these consolidated financial statements. In preparing the cash flow forecast, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. For this purpose, the following plans and measures have been implemented:

(i) Group Reorganisation — The Company proceeded a carve out of Jiangsu Saite and Jiangsu Qifeng through the a shareholders' voluntary winding up of its parent, Modern Day Holdings Limited. On 24 December 2021, a special resolution was duly passed to wind up Modern Day Holdings Limited. Upon the completion of the reorganisation, Jiangsu Saite and Jiangsu Qifeng are no longer the subsidiaries of the Company;

(ii) Capital Injection — the Group entered into agreements with the investors on 13 September 2021 and 10 December 2021, that the Company to issue the Senior Notes in an aggregate principal amount of HK$160.0 million and to issue an aggregate of 3,120.0 million Subscription Shares at the Subscription Price of HK$0.10 per Subscription Share, amounted to HK$312.0 million. The capital injection is subject to, *inter alia*, the resumption of the trading of the Company's shares before 30 June 2022; and

(iii) Scheme of Arrangement — Under the Scheme of Arrangement, each creditor of the Company are entitled to elect settlement in cash, to be satisfied by the issue of senior notes totalling HK$160 million, or by allotment and issue of new shares of the Company for settlement of all its claims against the Company and its subsidiaries under the Scheme of Arrangement. The Scheme has been approved by the requisite majority of creditors of the Company at the Scheme meeting on 25 February 2022, and has been sanctioned by the High Court of Hong Kong on 11 April 2022.

    Despite the restructuring effort of the Group thus far, on 14 January 2022, the Company received a letter from the Stock Exchange stating that the Listing Committee of the Stock Exchange has decided to cancel the Company's listing under Rule 6.01A(1) of the Listing Rules as the Company failed to satisfy all the Resumption Guidance by 21 December 2021 (the "**Delisting Decision**"). On 21 January 2022, the Company submitted an application requesting the Delisting Decision be referred to the listing review committee of the Stock Exchange for review pursuant to Chapter 2B of the Listing Rules. The review hearing is scheduled to be held on 19 April 2022.

    The issue of shares under the Scheme of Arrangement is subject to the resumption of trading of shares of the Company and the outcome of the review hearing is unknown as at the date of this announcement. Nevertheless, the Directors considered that the Scheme of Arrangement would be successful.

Other than the above restructuring plan, certain measures are being contemplated to mitigate the liquidity pressure and to improve its financial position and performance which include, but not limited to the following:

(i) introducing new investors in order to ensure sufficient working capital and new business to generate revenue; and

(ii) The Group continues to develop its construction service business to improve its cash flow from operations.

Assuming the successful implementation of the above Group's restructuring plan, the Directors are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of authorisation for issue of these consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

(i) successful to obtain funding as capital injection from the potential investors; and

(ii) fulfilment of resumption guidance which would affect the Scheme of Arrangement and the Capital Injection.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the Company's functional currency.

Amounts are rounded to the nearest thousand, unless otherwise stated.

3. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs

In the current year, the Group has applied the following amendments to HKFRSs issued by HKICPA for the first time which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the consolidated financial statements.

HKFRS 16	Leases
HK(IFRIC) — Interpretation 23	Uncertainty over Income Tax Treatments
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

The impact of the adoption of HKFRS 16 Leases has been summarised below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

The following table presents the impact of adopting HKFRS 16 on the consolidated statement of financial position as at 1 January 2019:

	At 31 December 2018 under HKAS 17	**Effect of adoption of HKFRS 16**	**At 1 January 2019 under HKFRS 16**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Right-of-use assets	–	62,470	62,470
Prepaid lease payment — non-current portion	56,422	(56,422)	–
Prepaid lease payment — current portion	1,329	(1,329)	–
Liabilities			
Lease liabilities	–	(4,719)	(4,719)
Equity			
Retained profits	1,586,961	–	1,586,961

As at 1 January 2019, the Group recognised lease liabilities and right-of-use assets at amounts equal to the related lease liabilities, and adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB1,329,000 and RMB56,422,000 respectively were reclassified to right-of-use assets.

Except as described above regarding the impact of HKFRS 16, the adoption of the above new/revised HKFRSs has no material impact on the Group's financial statements.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[8]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[7]
Amendments to HKAS 16	Proceeds before Intended Use[5]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[7]
Amendments to HKAS 8	Definition of Accounting Estimate[7]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[7]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[5]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[2]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 2021[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[6]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to HKFRS 1[5]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to HKFRS 9, Financial Instruments[5]
Annual Improvements to HKFRSs 2018–2020 Cycle	Amendment to illustrative examples accompanying HKFRS 16, Leases[5]

1 Effective for annual periods beginning on or after 1 January 2020.
2 Effective for annual periods beginning on or after 1 June 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after 1 April 2021.
5 Effective for annual periods beginning on or after 1 January 2022.
6 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
7 Effective for annual periods beginning on or after 1 January 2023.
8 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

4. SEGMENT INFORMATION

The Group's operating activities are attributable to the operating segments focusing on the construction of steel structure and prefabricated construction projects. These operating segments have been identified on the basis of internal management reports that are regularly reviewed by the executive directors of the Company who are the chief operating decision makers of the Group (the "**CODM**"). The executive directors review revenue and gross margin analysis by each construction contract for the purpose of resource allocation and performance assessment.

For segment reporting under HKFRS 8 Operating Segments, the revenue and gross margin of each construction contract with similar economic characteristics has been aggregated into a single reportable and operating segment. The accounting policies of the operating segments are the same as the Group's accounting policies. The segment revenue and segment result (i.e. gross margin) reviewed by the CODM is the same as the Group's revenue and gross profit.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Entity-wide information

An analysis of the Group's revenue by major types of construction contracts is as follows:

	2019	2018
	RMB'000	*RMB'000*
Construction of		
- Steel structure projects	**462,750**	968,313
- Prefabricated construction projects	**52,697**	532,998
	515,447	1,501,311

Geographical information

No geographical segment information is presented as all the Group's revenue is derived from operations in the PRC and over 99% of the Group's non-current assets are located in the PRC.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2019	2018
	RMB'000	*RMB'000*
Customer A[1]	**–***	184,218
Customer B[2]	**146,247**	–*
Customer C[2]	**64,945**	–*
	211,192	184,218

1 Revenue from construction of prefabricated construction projects.
2 Revenue from construction of steel structure projects and prefabricated construction projects.
* The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year.

5. OTHER INCOME AND OTHER GAINS AND LOSSES

Other income

	2019	2018
	RMB'000	*RMB'000*
Sales of scrapped materials	**591**	4,857
Interest income on bank deposits	**42**	4,058
Rental income	**118**	2,166
Government grants	**1,202**	1,809
	1,953	12,890

Other gains and losses

	2019	2018
	RMB'000	*RMB'000*
Net exchange loss	**(4,011)**	(24,683)
Write-off of property, plant and equipment	**(75,574)**	–
Effect on modification of corporate bonds	**3,152**	–
Loss on disposal of property, plant and equipment	**–**	(25)
	(76,433)	(24,708)

6. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interests on short-term borrowings	**61,736**	1,355
Interests on corporate bonds	**23,251**	35,389
Interest on lease liabilities	**71**	–
Commission	**14,584**	–
	99,642	36,744

7. IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

	2019	2018
	RMB'000	*RMB'000*
Impairment losses/(reversal of impairment losses) on:		
- Trade receivables	**1,654,571**	12,025
- Other receivables	**4,344,686**	–
- Contract assets	**(47,083)**	6,268
- Bank balances	**(18,646)**	10,226
	5,933,528	28,519

8. INCOME TAX (CREDIT)/EXPENSE

	2019	2018
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax	**129**	83,508
Deferred tax credit	**(51,383)**	(7,130)
	(51,254)	76,378

Provision for the PRC Enterprise Income Tax was made based on the estimated taxable profits calculated in accordance with the relevant income tax laws and regulations applicable to the Company's PRC subsidiaries.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of the Company's PRC subsidiaries is 25%.

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for both years.

The income tax (credit)/expense for the year can be reconciled to the (loss)/profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019	2018
	RMB'000	*RMB'000*
(Loss)/profit before taxation	**(6,142,799)**	215,390
Tax at the PRC Enterprise Income Tax rate of 25% (2018: 25%)	**(1,535,700)**	53,848
Tax effect of expenses not deductible for tax purpose	**1,531,157**	22,324
Tax effect of tax losses not recognised	**4,067**	206
Tax effect of loss utilised	**–**	(50)
Tax effect of income not taxable for tax purpose	**(1,428)**	(392)
Tax effect of share of (loss)/profit of a joint venture	**338**	(83)
Tax effect of share of loss of associates	**1,695**	278
Write-down of deferred tax assets	**40,733**	–
Reversal of temporary differences	**(92,116)**	–
Others	**–**	247
Income tax (credit)/expense for the year	**(51,254)**	76,378

9. (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year has been arrived at after charging/(crediting):

	2019	2018
	RMB'000	*RMB'000*
Auditor's remuneration — audit services	**8,574**	2,742
Depreciation of property, plant and equipment	**6,995**	16,830
Amortisation of prepaid lease payments	**–**	1,414
Depreciation of right-of-use assets	**1,817**	–
Staff costs (including directors' emoluments)		
Salaries and other benefits	**23,798**	54,368
Retirement benefit scheme contributions	**1,758**	6,010
	25,556	60,378
Operating lease rentals in respect of premises	**–**	4,990
Short-term lease-office or container	**2,882**	–
Remeasurement of financial guarantee contracts	**53,045**	(1,200)

10. DIVIDENDS

No dividend was paid or proposed for ordinary shares of the Company during 2019 and 2018, nor has any dividend been proposed since the end of the reporting periods for both 2019 and 2018.

11. (LOSSES)/EARNINGS PER SHARE

The calculation of basic (losses)/earnings per share is based on the following data:

(Losses)/earnings	**2019**	2018
	RMB'000	*RMB'000*
(Losses)/earnings for the purpose of basic and diluted (losses)/earnings per share		
(Loss)/profit for the year	**(6,091,545)**	139,012

Number of shares	**2019**	2018
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic (losses)/earning per share	**2,712,415**	2,330,748

Diluted (losses)/earnings per share for both 2019 and 2018 were same as the basic (losses)/earnings per share as there were no potential ordinary share in issue for 2019 and 2018.

12. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables		
- construction contracts	**517,270**	1,362,194
Less: Impairment losses	**(322,361)**	(96,445)
Total trade receivables	**194,909**	1,265,749

The following is an aged analysis of trade receivables, presented based on the date of progress billing at the end of the year.

	2019	2018
	RMB'000	*RMB'000*
0 to 30 days	**38,759**	143,459
31 to 90 days	**54,187**	231,849
91 to 180 days	**69,937**	150,519
181 days to 1 year	**45,110**	373,902
Over 1 year	**309,277**	462,465
	517,270	1,362,194
Less: Impairment losses	**(322,361)**	(96,445)
	194,909	1,265,749

13. CONTRACT ASSETS

	2019	2018
	RMB'000	*RMB'000*
Analysed as current:		
Retention receivables of construction contracts *(note)*	**56,883**	589,867
Less: Impairment losses	**(679)**	(47,762)
	56,204	542,105

Note: Retention receivables included in contract assets represent the Group's right to receive consideration for work performed and not yet billed because the rights are conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts. The contract assets are transferred to the trade receivables when the rights become unconditional, which is typically at the expiry date of the period for the provision of assurance by the Group on the service quality of the construction work performed by the Group. The due dates for retention receivables are usually one year after the completion of construction work.

Contract assets, that are expected to be settled within the Group's normal operating cycle, are classified as current based on expected settlement dates, which is within one year.

14. BANK BALANCES AND CASH AND RESTRICTED BANK BALANCES

At 31 December 2019, bank balances carry interest at prevailing market rates ranged from 0.01% to 0.35% (2018: 0.01% to 0.35%) per annum.

	2019	2018
	RMB'000	*RMB'000*
Bank balances and cash	**40,310**	875,647
Less: Impairment losses	**(77)**	(18,723)
	40,233	856,924
Restricted bank balances	**431**	–

As at 31 December 2019, restricted bank balances of RMB431,000 (2018: Nil) represented balances held in bank accounts frozen by the court due to litigation claims against the Group. The frozen bank balances cannot be used by the Group until the litigations are resolved.

15. TRADE PAYABLES

Trade payables are settled in accordance with the relevant agreements. An aged analysis of the Group's trade payables (by invoice date) at the end of the reporting period is as follows:

	2019	2018
	RMB'000	*RMB'000*
0 to 30 days	**65,176**	53,320
31 to 90 days	**66,936**	953
91 to 180 days	**120,203**	86
181 to 1 year	**109,201**	258
Over 1 year	**225,756**	171
	587,272	54,788
Retention payables	**–**	36,758
	587,272	91,546
Retention payables		
Due within 1 year	**–**	34,009
Due after 1 year	**–**	2,749
	–	36,758

16. CONTRACT LIABILITIES

The Group has recognised the following revenue-related contract liabilities:

	2019	2018
	RMB'000	*RMB'000*
Contract liabilities	**13,022**	–

Where discrepancies arise between the milestone payments and the Group's assessment of the stage of completion, contract liabilities can arise.

Movements in contract liabilities

	2019	2018
	RMB'000	*HK$'000*
Balance at 1 January	**–**	–
Increase in contract liabilities as a result of advanced consideration received from customers	**13,022**	–
Balance at 31 December	**13,022**	–

17. CORPORATE BONDS

	2019	2018
	RMB'000	*RMB'000*
Carrying amount as at 1 January	**358,232**	106,634
Net proceeds from issue of corporate bonds	**630,430**	305,505
Redemption	**(512,001)**	(85,011)
Effect of modification *(note 5)*	**(3,152)**	–
Exchange differences	**308**	26,315
Interest expense *(note 6)*	**23,251**	35,389
Interest paid	**(5,214)**	(30,600)
Carrying amount as at 31 December	**491,854**	358,232
Less: amounts due within one year shown under current liabilities	**(244,894)**	(196,069)
Amounts due after one year shown under non-current liabilities	**246,960**	162,163

(i) In 2018, the Company issued three corporate bonds with principal amount of HK$10,000,000 each ("**2035 due HK$ Bonds**") at a discounted amount of HK$1,290,000, HK$1,294,000 and HK$1,297,000, respectively. The first two and third 2035 due HK$ Bonds were issued in November 2018 and December 2018, respectively. The 2035 due HK$ Bonds will mature in November 2035 and December 2035 respectively, unless the holders or the Company exercise the option rights which entitled the holders to sell back the bonds to the Company in October 2027 at 40% of the par value of the initial bonds and the Company to redeem the bonds at 40% of par value of the initial bonds in October 2027.

In the opinion of directors, the fair values of the early redemption options related to the 2035 due HK$ Bonds are insignificant at initial recognition and the end of the reporting period.

(ii) Except for the 2035 due HK$ Bonds with option rights, other corporate bonds are redeemable at any time before maturity at the Company's option at a redemption price equal to 100% of the principal amount of the corporate bonds plus accrued and unpaid interest, if any, to the redemption date.

(iii) Interest are charged at fixed/floating effective interest rates ranging from 0% to 11.66% per annum ("**p.a.**") (2018: 1.61% to 13.16% p.a.).

18. PROBLEMATIC LOANS

The recognition of problematic loans during the year ended 31 December 2019 was originated from the investigation findings of the Independent Advisor as disclosed in note 2, which are related to following part in the Main Findings Announcement:

(i) Section 1 "Litigations in relation to two overdue loans granted to Jiangsu Saite by two Individuals"

(ii) Section 2 "Litigation in relation to guarantee provided to Bank A"

(iii) Section 3 "Litigation in relation to bank loans undertaken by Jiangsu Saite and Jiangsu Qifeng"

(iv) Section 4 "Other Identified Matters". "Background" (a) borrowings of RMB39.5 million

(v) Section 4 "Other Identified Matters". "Background" (b) borrowings of RMB7.4 million

19. FINANCIAL GUARANTEE CONTRACTS

	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**–**	1,200
Remeasurement	**53,045**	(1,200)
At the end of the year	**53,045**	–

(i) The recognition of financial guarantee contracts during the year ended 31 December 2019 was based on the investigation result of the Independent Adviser as disclosed in note 2, which are related to the following parts in the Main Findings Announcement:

(1) Guarantee of RMB88.8 million provided by Jiangsu Qifeng as described in point (c) under "Background" of Section 4 "Other Identified Matters"

(2) Guarantee of RMB48.83 million provided by Jiangsu Qifeng and RMB12 million provided by the Company as described in point (d) under "Background" of Section 4 "Other Identified Matters"

(3) Guarantee of RMB3.2 million provided by Jiangsu Saite as described in point (e) under "Background" of Section 4 "Other Identified Matters"

The financial guarantee contracts recognition made was based on the valuation on the probabilities of default prepared by independent valuer engaged by the Company for the year ended 31 December 2019.

During the course of the preparation of the consolidated financial statements for the year ended 31 December 2019, the directors considered the expected payments to reimburse the holder of the guarantees were no longer recoverable from the borrowers and therefore recorded a loss of RMB53.0 million in the consolidated statement of profit or loss and other comprehensive income.

(ii) For the balance as at 1 January 2018, Jiangsu Saite Steel Structure Co., Ltd. ("**Saite Steel (Jiangsu)**"), a subsidiary of the Group, and Mr. Jiang Jianqiang, a director of the Company, provided jointly and severally financial guarantees to a micro credit entity 宜興市聯豐農村小額貸款有限公司 in Jiangsu, the PRC, in respect of a loan with an amount of approximately RMB3,000,000 granted to an individual, namely, 梅秀芳. Besides, Saite Steel (Jiangsu) and Mr. Jiang Jianqiang and two other individuals, namely, 梅正芳 and 梅秀芳, provided jointly and severally financial guarantees to the same micro credit entity in respect of a loan of approximately RMB2,000,000 granted to another individual, namely, 田麗 . 梅正芳 and 梅秀芳 have beneficial interest of an entity established in the PRC, namely, 江蘇百納環境工程有限公司 ("**JSBN**"). 梅正芳, 梅秀芳, 田麗 and JSBN are independent third parties. The loans were past due and no settlement was made as at 31 December 2015. The debtors and guarantors were then sued collectively by the creditor for the default of payment and requested to settle the outstanding balance with interest. A settlement agreement is subsequently agreed among 梅秀芳, 田麗 and the micro credit entity on the repayment schedule which 梅秀芳 would repay a total amount of RMB3,500,000, of which RMB2,100,000 by the end of December 2016, RMB700,000 by the end of December 2017 and RMB700,000 by the end of December 2018; and 田麗 would repay a total amount of RMB1,300,000 by the end of 31 December 2016, RMB500,000 by the end of 31 December 2017 and RMB500,000 before 31 December 2018. A reversal of provision of RMB1,200,000 was made in respect of the amount settled during the year ended 31 December 2018.

20. SHARE CAPITAL

	Number of shares at HK$0.1 per share	Amount *HK$'000*	Shown in the consolidated financial statements *RMB'000*
Authorised:			
At 1 January 2018, 31 December 2018 and 2019	50,000,000,000	5,000,000	
Issued and fully paid:			
At 1 January 2018 and 31 December 2018	2,330,747,935	233,075	187,410
Issue of shares	690,000,000	69,000	61,693
At 31 December 2019	3,020,747,935	302,075	249,103

(i) On 13 March 2019, the Company issued 260,000,000 new shares to an independent third party at the issue price of HK$0.50 per share on the completion date, with corresponding increase of share capital at RMB22,204,000 and an increase of share premium at RMB88,816,000. These new shares rank pari passu in all respects with the existing shares of the Company.

(ii) On 15 August 2019, the Company issued an aggregate of 430,000,000 new shares to two independent third parties at the issue price of HK$0.38 per share on the completion date, with corresponding increase of share capital at RMB39,489,000 and an increase of share premium at RMB111,751,000. These new shares rank pari passu in all respects with the existing shares of the Company.

(iii) No ordinary new shares were issued during the year ended 31 December 2018.

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 20 April 2020, the Company entered into a subscription agreement with a subscriber, pursuant to which the subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 700,000,000 subscription shares at the subscription price of HK$0.10 per subscription share (the "**Subscription**"). Details of the Subscription are set out in the announcement of the Company dated 20 April 2020.

The Subscription was approved at the extraordinary general meeting held on 22 July 2020. Due to the suspension of trading in shares of the Company on the Stock Exchange in June 2020, the transaction was subsequently cancelled.

(b) Trading in the shares of the Company on the Stock Exchange has been suspended since 22 June 2020, and remains suspended as at the date of this announcement.

(c) On 13 September 2021, the Company entered into the note purchase agreements with certain investors, pursuant to which the Company agreed to issue, and the investors agreed to purchase senior notes in an aggregate principal amount of HK$160 million (the "**Note Purchase Agreements**"). Details of the Note Purchase Agreements are set out in the announcements of the Company dated 5 October 2021 and 11 October 2021. As at the date of this announcement, the transaction was not yet completed.

(d) On 10 December 2021, the Company entered into the subscription agreements with certain subscribers, pursuant to which the subscribers agreed to subscribe for, and the Company agreed to allot and issue, an aggregate of 3,120,000,000 subscription shares at the subscription price of HK$0.10 per subscription share (the "**2021 Subscription**"). Subscriber I agreed to subscribe for 300,000,000 subscription shares, whereas subscriber II and subscriber III agreed to subscribe for 1,360,000,000 subscription shares and 1,460,000,000 subscription shares, respectively. Details of the 2021 Subscription are set out in the announcement of the Company dated 10 December 2021. As at the date of this announcement, the 2021 Subscription was not yet completed.

(e) As described in details in the announcement of the Company dated 24 December 2021, Modern Day Holdings Limited, a wholly-owned subsidiary of the Company resolved that it be wound up voluntarily as part of the reorganisation of the Group structure.

(f) On 14 January 2022, the Company received a letter from the Stock Exchange stating that the Listing Committee of the Stock Exchange has decided to cancel the Company's listing under Rule 6.01A(1) of the Listing Rules as the Company failed to satisfy all the resumption guidance and additional resumption guidance issued by the Stock Exchange (the "**Resumption Guidance**") by 21 December 2021.

(g) The Scheme of Arrangement as described in note 2 was sanctioned by the Court at the sanction hearing on 11 April 2022. The Scheme of Arrangement shall become effective when an office copy of the order of the Court sanctioning the Scheme of Arrangement is registered by the Registrar of Companies in Hong Kong under Part 2 of the Companies Ordinance and the other conditions precedent set out in the Scheme of Arrangement are duly fulfilled. As of the date of this announcement, there is one outstanding petition that has yet to be withdrawn or dismissed. The Court has adjourned the winding-up hearing against the Company to 16 May 2022. No winding-up order has been made against the Company.

    Upon the date of this announcement, the hearing of Petition did not reach the conclusion yet and the Company was unable to assess the effect towards the consolidated financial statements.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The below paragraphs set out an extract of the independent auditors' report by BDO Limited, the independent auditors of the Company, regarding the consolidated financial statements of the Group for the year ended 31 December 2019.

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of China Saite Group Company Limited (the "**Company**") and its subsidiaries (together the "**Group**") set out on pages 10 to 104, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the "Basis for Disclaimer of Opinion" section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

(a) Authenticity of problematic loans and guarantee contracts and related documentation

As disclosed in Note 3 to the consolidated financial statements, certain legal claims were filed against the Group in relation to the Problematic Loans and Guarantee Contracts. During the audit of the 2019 consolidated financial statements, the ex-auditors of the Company also raised concerns in their resignation letters to the Company over these litigations. In response, the Board established the Independent Committee which had engaged the Independent Adviser to conduct an independent investigation on these Problematic Loans and Guarantee Contracts.

As further disclosed in Note 3 to the consolidated financial statement, during the investigation, there were two sets of explanations and documents were obtained by the Independent Adviser, with one set provided by a former director of the Company and certain key finance personnel of Jiangsu Saite Steel Structure Co., Ltd. and Jiangsu Qifeng New Building Materials Company Limited who already left the Group. The sources of those documents were unidentified. Another set of explanations and documents were based on information obtained from the courts in the PRC. Based on the investigation, there are significant differences identified between the two sets of explanations and documents.

During our audit, we planned our procedures to obtain audit evidence in respect of these Problematic Loans and Guarantee Contracts, including those related to resolving the significant differences identified between the two sets of explanations and documents. However, we were unable to obtain explanations and documents from the Directors that we considered necessary to satisfy ourselves as the completeness and accuracy of the information and documents related to Problematic Loans and Guarantee Contracts presented to us for the purpose of our audit; and the accuracy and completeness of the disclosures in the Group's consolidated financial statements in respect of contingent liabilities, transactions and/or balances with related parties, if any, in relation to the transactions, arrangements, and/or the relevant counterparties identified in the investigation.

(b) *Incomplete books and records*

As disclosed in Note 3 to the consolidated financial statements, the Group encountered financial difficulties and suffered from insufficient funding in various aspects, resulted in (1) departure without suitable replacement of key staffs, including senior management, operating staff of different departments, and qualified accounting staffs and led to breakdown of administrative and accounting functions of the Group; and (2) downsizing of business (collectively referred to as "Business Disruption"). The departure of senior management, operating staff and accounting staffs resulted in malfunction of various departments of the Group, resulting in mishandling and loss of source documents. As further disclosed in Note 3 to the consolidated financial statements, the findings revealed in the investigation gave rise to the doubt about the reliability of books and records of the Group of the current and past years.

The Directors represented, as also disclosed in Note 3 that, the consolidated financial statements have been prepared based on incomplete books and records available to the Group. The incomplete books and records limited our ability to carry out the audit. We also performed our procedures to obtain audit evidence outside the Group but the results were not satisfactory and there were no alternative audit procedures that we could perform to satisfy ourselves on the above concern. As a result, we were unable to conclude whether the existence, completeness, accuracy, valuation and disclosure of the assets and liabilities, as disclosed in Note 3(b) to the consolidated financial statements, and therefore whether the consolidated financial statements for the year ended 31 December 2019 have been properly prepared in accordance with HKFRS.

(c) Scope limitation on interests in a joint venture and associates

As stated in Notes 20 and 21 to the consolidated financial statements, the Group has applied the equity method to account for its investment in a joint venture in the PRC, 江蘇華晨賽特投資發展有限公司 and associates, 沃通停車科技有限公司 and 眾停智慧交通江蘇有限公司. In applying the equity method to prepare the consolidated financial statements, the management obtained the financial information of these joint venture and associates for the year ended 31 December 2019. The Group's share of the profit and loss and net assets of these joint venture and associates for the year ended 31 December 2019 and as at that date included in the Group's consolidated financial statements for the year ended 31 December 2019 are set out in Notes 20 and 21 to the consolidated financial statements.

In accordance with Hong Kong Standard on Auditing 600 ("HKSA 600") Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors), the joint venture is identified as a significant component of the Group due to its individual financial significance to the Group. Accordingly, as part of our audit, we shall perform an audit on the financial information of the joint venture which is included in the consolidated financial statements. In respect of the associates, we planned our procedures to perform analytical procedures on these associates in accordance with HKSA 600.

However, we were denied access to the books and records by the joint venture and we did not receive from the associates the requested information that we considered necessary to perform the analytical procedures. As a result, the requirements of HKSA 600 have not been fulfilled. There were no other satisfactory audit procedures that we could adopt and therefore we were unable to obtain sufficient appropriate audit evidence as to whether the carrying amount of the Group's interests in a joint venture and associates and the Group's share of their results for the year as included in the Group's consolidated financial statements as at 31 December 2019 and for the year ended were fairly stated. Consequently, we were unable to determine whether any adjustments to these amounts were necessary and to apply the requirements of all of the applicable auditing standards.

(d) Opening balances and corresponding figures

The corresponding figures disclosed in the consolidated financial statements are based on the audited consolidated financial statements of the Group for the year ended 31 December 2018, which were not audited by us.

During our audit, we were unable to obtain sufficient appropriate audit evidence in respect of the opening balances as at 1 January 2019 and corresponding figures due to the limitations mentioned in matters (a) and (b) above. In addition, we were unable to review the work papers of the predecessor auditor of the Group's consolidated financial statements for the year ended 31 December 2018. As a result, we were unable to determine whether the opening balances contain misstatements that materially affect the current period's financial statements and whether the corresponding figures included in the current period's consolidated financial statements have been presented, in all material respects, in accordance with the HKFRSs.

Any adjustments to the opening balances as at 1 January 2019 that would be required might have a consequential significant effects on the Group's assets and liabilities as at 1 January 2019 and 31 December 2019 and its results and cash flows for the years ended 31 December 2018 and 2019, and the presentation and disclosure thereof in the consolidated financial statements of the Group.

(e) Appropriateness of the use of the going concern basis of accounting

As explained in Note 3(b) to the consolidated financial statements, during the year, the Group has incurred a loss of RMB6,091,545,000 and as at 31 December 2019, its current liabilities exceeded its current assets by RMB3,261,818,000. As at the same date, the Group had cash and cash equivalents amounted to RMB40,233,000 only. In addition, winding-up petitions were lodged with the High Court of Hong Kong (the "**Court**") against the Company by various creditors in pursuit of the settlement of the outstanding debts owed to them. To deal with this situation, the Company proposed a debt restructuring arrangement ("**Scheme of Arrangement**"). These events or conditions, together with the Business Disruption as described in Note 3 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern, and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In assessing the appropriateness of the use of the going concern basis in the preparation of these consolidated financial statements, the directors of the Company ("**Directors**") have prepared a cash flow forecast (the "**Cash Flow Forecast**") covering a period exceeding 12 months from the date of approval of the consolidated financial statements which takes into account of the plans as set out in Note 3(b) to the consolidated financial statements. Based on the assessment made by the Directors, assuming the plans and measures can be successfully implemented as scheduled, the Group is able to continue as a going concern and it is appropriate to prepare the consolidated financial statements on a going concern basis.

The appropriateness of the consolidated financial statements prepared on a going concern basis largely depends on whether those plans and measures as detailed in Note 3(b) can be successfully implemented as scheduled.

In respect of the plans that the Group would implement including (1) Capital Injection through the issue of new shares of the Company, and (2) the Scheme of Arrangement. The Scheme has been approved by the requisite majority of creditors of the Company at the Scheme meeting on 25 February 2022, and has been sanctioned by the High Court of Hong Kong on 11 April 2022.

Despite the restructuring effort of the Group thus far, on 14 January 2022, the Company received a letter from the Stock Exchange stating that the Listing Committee of the Stock Exchange has decided to cancel the Company's listing under Rule 6.01A(1) of the Listing Rules as the Company failed to satisfy all the Resumption Guidance by 21 December 2021 (the "**Delisting Decision**"). On 21 January 2022, the Company submitted an application requesting the Delisting Decision be referred to the listing review committee of the Stock Exchange for review pursuant to Chapter 2B of the Listing Rules. The review hearing is scheduled to be held on 19 April 2022. As the outcome of the review hearing is unknown as at the date of this report, there is no sufficient supportable evidence that explains the validity of the assumption in relation to the resumption of trading of the shares of the Company.

There are limitations on our scope of work as stated above and there are no alternative audit procedures that we can perform to obtain sufficient appropriate audit evidence to support the above plans can be successfully implemented, As a result, we were unable to obtain sufficient appropriate evidence to conclude whether the Directors' use of the going concern basis of accounting to prepare the consolidated financial statements is appropriate.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements in making their assessment of the Company's ability to continue as a going concern, the directors have considered the Group's ability to pay off all existing loans and payables and carry on its operations for the foreseeable future.

However, the directors have been unable to predict the action that may be taken by the creditors, lenders and bond holders caused by the matters disclosed in Note 3(b), or the consequential impact to the Group. In addition, as a result of the matters disclosed in Note 3, the directors are unable to represent that all present and contingent liabilities or assets of the Group have been completely identified, or that all assets recorded in the consolidated statement of financial position are recoverable or fairly stated. Given these circumstances, which are more fully described in Note 3 and in the paragraphs above, there were no practicable audit procedures that we could perform to form an opinion on whether management's assessment of its ability to continue as a going concern considers all events and conditions which may be relevant.

Non-compliance with HKFRSs and omission of documents

As explained in Note 3 to the consolidated financial statements, as the consolidated financial statements of the Group have been prepared by the Directors based on incomplete books and records and the Board believes it is almost impossible and not practical to ascertain the correct amounts. Consequently, the Directors of the Company were unable to represent that the consolidated financial statements comply with HKFRSs, or that the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited have been complied with. Given these circumstances, which are more fully described in Note 3 to the consolidated financial statements, there were no practicable audit procedures that we could perform to quantify the extent of adjustments that might be necessary in respect of the Group's consolidated financial statements.

Disagreement on the Recognition of Problematic Loans and Guarantee Contracts

As further explained in Note 3 to the consolidated financial statements, since the mid of 2019, certain legal claims were filed against the Group in the PRC. It came to the attention of the directors of the Company ("**Directors**") that it came to the attention of the Directors that part of the claims related to certain loans borrowed by or guarantees provided by the Group, with the involvement of two major operating subsidiaries, namely Jiangsu Saite Steel Structure Co., Ltd. ("**Jiangsu Saite**"), Jiangsu Qifeng New Building Materials Company Limited ("**Jiangsu Qifeng**"), and the Company, allegedly originated prior to 2019 that were not recorded in the books and records of the Group (the "**Problematic Loans and Guarantee Contracts**"). The Directors determined to recognise the Problematic Loans amounting to RMB204,617,000 (Note 38) and Guarantee Contracts amounting to RMB53,045,000 (Note 39) as transactions occurred on 31 December 2019. However, based on the information available to us, the Problematic Loans and Guarantee Contracts should have been originated in periods prior to 2019 and been recognised in reporting periods prior to 2019. We were unable to quantify the effects to the current and prior periods due to the matter as stated in (b) above.

MANAGEMENT DISCUSSION AND ANALYSIS

As an integrated steel structure and fully assembled prefabricated structure construction solution service provider, the Group offers integrated construction solutions to customers according to the technical specifications and requirements of different projects as well as the needs of customers. The services include design, secondary detailed design, production, installation, and after-sale services for customers.

The Group's steel structure solutions mainly focus on construction of large-scale public structures (such as sports stadiums, convention and exhibition centers, airports, and railway stations), bridges (such as railway bridges, highway bridges, landscape bridges, river-crossing bridges and sea-crossing bridges), large-scale factory premises, industrial park zones, logistics park zones, etc. The Group's prefabricated construction solutions are mainly used in construction of low-income housing and public utilities during the process of urbanisation initiated by the PRC government.

BUSINESS REVIEW

Due to the worldwide economic downturn during the year, the Group's revenue and gross profit for the year ended 31 December 2019 ("**Year 2019**") dipped notably compared to the corresponding period of 2018 ("**Year 2018**"). The downward pressure on China's economy increased in Year 2019. In particular, the downward pressure on the Chinese economy has increased in Year 2019 against the backdrop of Sino-US economic and trade frictions.

As industrial enterprises profit growth declined as well as the manufacturing investment fell sharply, the growth of total investment slowed down. There is an impact on the demand for building materials and related services on the overall macroeconomic environment. The management of the Group will adjust its business strategy to deal with the challenges faced by the Group under any circumstances.

The Group's revenue for Year 2019 amounted to approximately RMB515.4 million (2018: RMB1,501.3 million). Gross profit for Year 2019 amounted to approximately RMB90.4 million (2018: RMB353.8 million), and the average gross profit margin ("**GP margin**") was approximately 17.5% (2018: 23.6%). Loss attributable to the owners of the Company amounted to approximately RMB6,091.5 million (2018: Profit attributable to the owners of the Company amounted to RMB139.0 million). Basic losses per share amounted to approximately RMB224.6 cents (2018: basic earnings per share of RMB6.0 cents).

Steel structure

For Year 2019, the Group's revenue generated from the steel structure business amounted to RMB462.8 million, decreased by 52.2% from RMB968.3 million for Year 2018. The GP margin for the steel structure business was 17.3%, decreased by 0.3 percentage point from 17.6% in Year 2018, mainly due to corresponding adjustments on industry profits.

During Year 2019, the Group's steel structure business were mainly located in Jiangsu Province, Anhui Province, Shanghai, Zhejiang Province and Jiangxi Province in the PRC for construction of factories, highways, bridges and other private/public structures.

Prefabricated construction

During Year 2019, revenue from the Group's prefabricated construction business amounted to approximately RMB52.7 million, representing a decrease of approximately 90.1% from RMB533.0 million in Year 2018. During Year 2019, revenue from the Group's prefabricated construction business plummeted remarkably as compared with that of Year 2018 due to the impact of the restrictions on the development of the real estate industry. GP margin was approximately 19.9%, representing a shrinkage of approximately 14.4 percentage points from approximately 34.3% in Year 2018, as a result of higher costs of production of prefabricated parts. The revenue from the prefabricated construction business declined from Year 2018 due to the lack of major low-income residential projects in Jiangsu Province while the competition for projects by private developers was intensifying. The Group will adopt various measures to expand its clientele and business scale.

FUTURE PROSPECTS

In 2021, the business environment in Mainland China, Hong Kong and Macau improved gradually throughout the year until the recent COVID-19 Omicron outbreak in certain regions. However, the erratic global COVID-19 pandemic development and mutant variants continues to impact market development and economic recovery in general, so we expect the road to recovery to be unpredictable and will depend on extent of social distancing restrictions and effectiveness of measures relating to the containment of COVID-19 pandemic.

Looking ahead, the Group will stay vigilant amidst these uncertainties on the road to recovery and will strive to manage its businesses with efficient senior management, disciplined cost control and prudent risk management in 2022. The Group will continue to focus on its steel structure business and prefabricated construction by strengthening cooperation with state enterprises, central government enterprises and multinational corporations as well as consolidating its resources and improve internal management to achieve better business performance. With the goal of obtaining higher returns for its shareholders, the Group will also pay additional attention to the development and opportunities in the market, and devote to the exploration of new revenue streams.

FINANCIAL REVIEW

Revenue

For Year 2019, the Group's revenue amounted to approximately RMB515.4 million, representing a decrease of approximately RMB985.9 million or 65.7% as compared with Year 2018.

The following table sets out a breakdown of the Group's revenue in terms of steel structure projects and prefabricated construction projects for each of the periods indicated:

	2019		2018	
		Revenue percentage		Revenue percentage
	RMB'000	***(%)***	*RMB'000*	*(%)*
Construction of				
– Steel structure projects	**462,750**	**89.8**	968,313	64.5
– Prefabricated construction projects	**52,697**	**10.2**	532,998	35.5
Total	**515,447**	**100.0**	1,501,311	100.0

For Year 2019, revenue from steel structure projects represented approximately 89.8% of the Group's total revenue, while revenue from prefabricated construction projects represented approximately 10.2% of the Group's total revenue.

Revenue from steel structure projects decreased by approximately 52.2% from approximately RMB968.3 million for Year 2018 to approximately RMB462.8 million for Year 2019. On the other hand, revenue from prefabricated construction projects decreased by approximately 90.1% from approximately RMB533.0 million for Year 2018 to approximately RMB52.7 million for Year 2019.

Gross profit and GP margin

The following table sets out a breakdown of the Group's gross profit and GP margin in terms of steel structure projects and prefabricated construction projects for Year 2019 and Year 2018:

	2019		2018	
	Gross profit *RMB'000*	**GP margin** *(%)*	Gross profit *RMB'000*	GP margin *(%)*
Construction of				
– Steel structure projects	**79,920**	**17.3**	170,812	17.6
– Prefabricated construction project	**10,494**	**19.9**	183,011	34.3
Total	**90,414**	**17.5**	353,823	23.6

For Year 2019, overall GP margin of the Group was approximately 17.5%, representing a decrease of 6.1 percentage points as compared to approximately 23.6% for Year 2018.

GP margin for steel structure projects decreased approximately 0.3 percentage point from approximately 17.6% for Year 2018 to 17.3% for Year 2019. The decrease was mainly due to corresponding adjustment on industry profits, which in turn resulted in the decrease of GP margin for the Group's steel structure business.

GP margin for prefabricated construction projects decreased by approximately 14.4 percentage points from approximately 34.3% for Year 2018 to 19.9% for Year 2019. The decrease was mainly due to the increase in the production cost of prefabricated parts when compared with Year 2018.

Other income and other losses

The other income of the Group for Year 2019 was approximately RMB2.0 million (2018: RMB12.9 million), derived mainly from sales of scrapped materials, interest income on bank deposits, government grants and rental income.

The net other losses of the Group for Year 2019 was approximately RMB76.4 million (2018: RMB24.7 million), derived mainly from write-off of property, plant and equipment and net exchange loss.

Selling and marketing expenses and administrative expenses

The total selling, marketing expenses and administrative expenses for Year 2019 were approximately RMB64.4 million (2018: RMB61.8 million), represented an increase of approximately RMB2.6 million. The increase was mainly attributable to the transportation costs incurred for delivery of finished goods from warehouse to site for installation, depreciation derived from newly acquired property, plant and equipment and the audit fee, the effect was offset by the decrease in commission and legal fee paid for issuance of bonds.

Finance costs

The Group's finance costs for Year 2019 was approximately RMB99.6 million (2018: RMB36.7 million), mainly contributed from interests on short-term borrowings, interests on corporate bonds and commission. The creditors regarding the corporate bonds and the short-term borrowings are independent third parties to the Group.

Impairment losses on financial and contract assets

The impairment losses on financial and contract assets for Year 2019 were approximately RMB5,933.5 million (2018: RMB28.5 million), represented an increase of approximately RMB5,905.0 million. The increase was mainly attributable to increase in impairment losses on trade and other receivables.

Remeasurement of financial guarantee contracts

The recognition of financial guarantee contracts during Year 2019 was based on the investigation result of the Independent Adviser as disclosed in note 2. The financial guarantee contracts were recognised based on the valuation prepared by an independent valuer engaged by the Company for Year 2019. The directors considered the expected payments to reimburse the holder of the guarantees were no longer recoverable from the borrowers and therefore recorded a loss of RMB53.0 million in Year 2019 (2018: reversal of loss of RMB1.2 million).

Total comprehensive (expenses)/income for the year

Total comprehensive expenses attributed to the owners of the Company for Year 2019 amounted to RMB6,183.7 million (2018: comprehensive income of RMB109.3 million). The decrease in total comprehensive income was mainly attributable to (i) the declines in revenue and gross profit; (ii) increases in impairment losses on trade receivables and other receivables; (iii) increases in other losses; (iv) increases in finance costs; and (v) increases in remeasurement of financial guarantee contracts.

Capital structure, liquidity and financial resources

The Group's cash and cash equivalents as at 31 December 2019 was approximately RMB40.2 million (2018: RMB856.9 million). As at 31 December 2019, the Group had current assets of approximately RMB1,227.4 million (2018: RMB2,770.8 million) and current liabilities of approximately RMB4,489.2 million (2018: RMB426.6 million). The current ratio (which is calculated on the basis of current assets over current liabilities) was 0.3 as at 31 December 2019 (2018: 6.5). Total deficit of the Group as at 31 December 2019 was approximately RMB3,196.8 million (2018: a surplus of RMB2,632.5 million). As at 31 December 2019, the issued share capital of the Company was approximately HK$302.1 million (2018: HK$233.1 million) with approximately 3,020.7 million (2018: 2,330.7 million) shares in issue. Total borrowings (including corporate bonds, short-term borrowings, problematic loans and financial guarantee contracts) were approximately RMB948.8 million as at 31 December 2019 (2018: RMB362.7 million).

Pledge of assets

As at 31 December 2019, the Group had pledged property, plant and equipment with a carrying amount of RMB63.4 million and leasehold land under right-of-use assets with a carrying amount of RMB31.2 million to secure bank borrowings of the Group. The Group had pledged property, plant and equipment with a carrying amount of RMB22.2 million as at 31 December 2018 to secure bank borrowings of the Group.

Treasury policies

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the year. The Group strives to reduce credit risk by conducting ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Gearing ratio

As at 31 December 2019, the Group had a deficit of approximately RMB3,196.8 million. Calculation of gearing ratio of the Group for Year 2019 is therefore not applicable. The gearing ratio for Year 2018 was 13.8%.

Foreign exchange exposure

The Group's businesses are principally operated in the PRC and substantially all of its transactions are conducted in RMB and most of the Group's assets and liabilities are also denominated in RMB. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in currencies other than RMB. During the year under review, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk and did not adopt any foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Capital expenditures

During Year 2019, the Group's capital expenditure consisted of additions to properties, plant and equipment amounting to approximately RMB55.8million (2018: RMB58.0 million).

Employees

As at 31 December 2019, the Group had approximately 258 employees (2018: 591). The related staff cost (including remuneration of Directors in the form of salaries and other benefits) for Year 2019 was approximately RMB25.6 million (2018: RMB60.4 million). The Group remunerates its employees based on their performance, experience and prevailing industry practice. Competitive remuneration package is offered to retain elite employees. Our package includes salaries, medical insurance, discretionary bonuses, on-the-job training, other benefits as well as mandatory provident fund schemes for employees in Hong Kong and state managed retirement benefit schemes for employees in the PRC.

Contingent liabilities

There were no contingent liabilities as at 31 December 2019 (2018: nil).

Final dividends

The Board does not recommend any final dividend payment for Year 2019 to the Shareholders (2018: nil).

Events after the end of the reporting period

Details of events after the end of reporting period are set out in note 21 to the consolidated financial statements in this announcement.

Saved as otherwise disclosed, the Group does not have any material subsequent events after the end of reporting period and up to the date of this announcement.

UPDATE ON USE OF PROCEED IN RELATION TO FUND RAISING ACTIVITIES

The Company would like to provide an update in respect of the use of the net proceeds in relation to the past fund raising activities as at 31 December 2019:

Date	Fund raising activities	Net proceeds	Intended use of proceeds	Actual use of proceeds
13 March 2019	Issue of 260,000,000 new Shares at the subscription price of HK$0.5 per Share under general mandate	Approximately HK$129,950,000	For general working capital purposes and for future development of the Group's business.	The fund was utilized for development of the Group's business.
15 August 2019	Issue of 430,000,000 new Shares at the subscription price of HK$0.38 per Share under general mandate	Approximately HK$163,360,000	For repayment of certain outstanding financial indebtedness of the Group.	The fund was utilized for repayment of certain outstanding financial indebtedness of the Group.

Saved as disclosed above and the events after the end of the reporting period as disclosed in note 21 to the consolidated financial statements, the Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

UPDATE ON WINDING-UP PETITION

As of the date of this announcement, there is one outstanding petition that has yet to be withdrawn or dismissed. In light of its direction for convening the meeting (the "**Scheme Meeting**") of the scheme creditors be convened for the purpose of considering, and if thought fit, approving the Scheme of Arrangement (with or without modification), the Court has adjourned the winding-up hearing against the Company to 16 May 2022. No winding-up order has been made against the Company and the winding-up petition has no material adverse impact on the daily operation of the Company.

The Company is actively dealing with the remaining petitioners and supporting creditors and targets to procure the withdrawal or dismissal of the petition subject to the completion of the proposed restructuring.

PROPOSED RESTRUCTURING

The Group is currently implementing a proposed restructuring (the "**Proposed Restructuring**") which comprises:

(i) the reorganisation of the Group structure (the "**Group Reorganization**") whereby, among other things, non-performing and/or non-core assets of the Group would be carved out by way of creditors' voluntary winding up of the relevant subsidiary(ies). The Group Reorganization is aimed at, among others, carving out a majority of the PRC-based indebtedness of the Group;

(ii) the capital injection (the "**Capital Injection**") comprising (a) the issue of the Senior Notes in the aggregate principal amount of HK$160 million to investors; and (b) the allotment and issue of the Subscription Shares at the aggregate subscription price of HK$312 million to investors. The aggregate gross proceeds of approximately HK$472 million would enable the Group to, among other things, effecting the Proposed Restructuring as well as funding its general working capital need, hence enabling the Group to continue sustaining its normal business operations; and

(iii) the Scheme of Arrangement to be made between the Company and its creditors in accordance with sections 670 and 673 of the Companies Ordinance of Hong Kong (Chapter 622 of the Laws of Hong Kong), pursuant to which all claims of the creditors against the Company will be fully and finally discharged by virtue of the Scheme of Arrangement in exchange for cash and/or new shares in the Company.

    The Scheme of Arrangement was sanctioned by the Court at the sanction hearing on 11 April 2022. The Scheme of Arrangement shall become effective when an office copy of the order of the Court sanctioning the Scheme of Arrangement is registered by the Registrar of Companies in Hong Kong under Part 2 of the Companies Ordinance and the other conditions precedent set out in the Scheme of Arrangement are duly fulfilled.

    Further announcement(s) regarding the Scheme of Arrangement will be made by the Company as and when appropriate.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2019.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2019, the Company has applied and complied with the applicable provisions as set out in the Corporate Governance Code contained in Appendix 14 (the "**CG Code**") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except the deviation disclosed below.

Code Provision		Deviation	Considered Reason for deviation
A.7.1	For regular Board meetings, an agenda and accompanying Board papers should be sent to all Directors. These should be sent in a timely manner and at least 3 days before the intended date of a Board committee meeting.	During the year, certain ad hoc Board meetings were held and the relevant Board meeting papers were sent to all Directors less than 3 days before the date of the Board meeting.	The Board members of the Company were informed by the management of the Company by email, by WeChat or by phone on the updated information of proposed ad hoc projects/transaction(s) to be entered by the Company from time to time. Although the meeting papers could not be sent to the Directors at least 3 days before the meeting, the Board members still have sufficient information to discuss the matters on proposed projects or transactions of the Company. The Board will use its best efforts to meet the CG Code requirements.
C.1.2	Management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under the Listing Rules.	During the year, management failed to provide to the Directors the management account of major subsidiary companies each month.	All the executive Directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company, and the management has provided to all Directors (including independent non-executive Directors) half-yearly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail prior to the regular Board meetings of the Company. Further, the management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board. Therefore, the Company considered that all members of the Board had been given a balanced and understandable assessment on the Company's performance, position and prospects in sufficient detail.

Code Provision		Deviation	Considered Reason for deviation
C.2.1	The Board should oversee the Company's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the Group risk management and internal control systems has been conducted at least annually and report to Shareholders that it has done so in its Corporate Governance Report. The review should over all material controls, including financial , operational and compliance controls.	During the year, the Company failed to have effective risk management and internal control systems within the Group, i.e. deficiencies in internal control over compliance matters.	Due to the inadvertent oversight, there was deficiency in internal control system of the Group. The Company had engaged RSM Consulting (Hong Kong) Limited as internal control consultant to review its certain existing internal control measures on the areas agreed by the Board and provide suggestions and recommendation to improve its internal control systems and risk management system to the Group. In order to fulfill the Resumption Guidance stipulated by the Stock Exchange (details of which are set out in the announcement of the Company dated 22 July 2020) that the Company should conduct an independent internal control review and demonstrate that it has put in place adequate internal control and procedures to comply with the Listing Rules (the "**IC Guidance**"), the Company has engaged Azzura Corporate Advisory Limited in July 2020 to conduct the Internal Control Review and prepare the Internal Control Report, the findings of which were disclosed in the announcement of the Company dated 7 May 2021. As disclosed in the announcement of the Company dated 13 September 2021, having considered the significance of maintaining an appropriate and effective internal control systems and in order to provide further assurance to the public that the Company is committed to fulfill the IC Guidance, the Board has engaged SHINEWING Risk Services Limited ("**Shinewing**") on 31 August 2021 as its internal control consultant to conduct a second round of independent review of the internal control systems and procedures of the Group ("**2nd IC Review**").

Code Provision	Deviation	Considered Reason for deviation
		The 2nd IC Review and follow-up review have been conducted from October 2021 to January 2022 as part of the Company's efforts to meet the Resumption Guidance of the Stock Exchange, in particular the IC Guidance. Shinewing has issued an internal control review report dated 22 February 2022 (the "**2nd Internal Control Review Report**"), which sets out (i) the deficiencies identified in the 2nd IC Review; (ii) the recommendations to the Company; and (iii) the result of follow-up review of the remedial measures taken by the Company and Anhui Dayu Construction Engineering Co., Ltd.* （安徽大禹建設工程有限公司） as at 29 January 2022. The key findings of the 2nd Internal Control Review Report prepared by Shinewing have been published in the announcement of the Company dated 23 February 2022.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct (the "**Code of Conduct**") regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, all Directors have confirmed that they had complied with the required standard set out in the Code of Conduct during the year ended 31 December 2019.

Relevant employees who are likely to be in possession of unpublished price-sensitive information regarding the Group are subject to compliance with the Company's Code for Securities Transactions by Relevant Employees (the "**RE Code**") in respect of their dealings in the securities of the Company. The terms of the RE Code are likewise no less exacting than the required standards set out in the Model Code.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities.

REVIEW OF ANNUAL RESULTS

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting system, risk management and internal control systems of the Group. The Audit Committee currently comprises Mr. Yan Hualin (appointed as chairman of the Audit Committee on 8 July 2019), Mr. Xu Jiaming, Mr. Choi Ho Yan and Mr. Siu Siu Ling, Robert. The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2019 which have been agreed by the Auditors, and is of the view that the Group's audited consolidated financial statements for the year ended 31 December 2019 are prepared in accordance with the applicable accounting standards, laws and regulations, and appropriate disclosures have already been made.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the consolidated financial statements for the year ended 31 December 2019.

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

Since the financial information contained in the Company's Unaudited Annual Results Announcement was neither audited nor agreed with the auditors of the Company (the "**Auditors**") as at the date of their publication, subsequent adjustments have been made to such information. Shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the unaudited and audited annual results of the Group. Set forth below are details for the material differences in such financial information in accordance with Rule13.49(3)(ii)(b) of the Listing Rules.

	Disclosure in this announcement *RMB'000*	Disclosure in the Unaudited Annual Results Announcement *RMB'000*	Difference *RMB'000*
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
Revenue	515,447	1,310,902	(795,455)
Cost of sales	(425,033)	(1,052,365)	627,332
Gross profit	90,414	258,537	(168,123)
Other gains and losses	(76,433)	4,921	(81,354)
Impairment losses on financial and contract assets	(5,933,528)	(40,673)	(5,892,855)
Finance costs	(99,642)	(27,104)	(72,538)
Remeasurement of financial guarantee contracts	(53,045)	–	(53,045)
(Loss)/profit before taxation	(6,142,799)	155,997	(6,298,796)
Income tax credit/(expense)	51,254	(47,758)	99,012
Total comprehensive (expense)/income for the year	(6,091,545)	108,239	(6,199,784)
(Losses)/earnings per share			
— Basic and diluted (RMB cents)	(224.58)	4.00	(228.58)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
Non-current assets			
Property, plant and equipment	98,068	237,606	(139,538)
Right-of-use assets	33,755	64,722	(30,967)
Deferred tax asset	–	50,901	(50,901)
Current assets			
Trade receivables	194,909	1,527,683	(1,332,774)
Contract assets	56,204	787,328	(731,124)
Other receivables, deposits and prepayments	888,519	115,779	772,740
Bank balances and cash	40,233	613,406	(573,173)

	Disclosure in this announcement	Disclosure in the Unaudited Annual Results Announcement	Difference
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Trade payables	587,272	62,020	525,252
Other payables and accruals	2,480,653	149,975	2,330,678
Amount due to the ultimate holding company	229,568	–	229,568
Amount due to a director	446,232	46,195	400,037
Corporate bonds-due within one year	244,894	68,718	176,176
Short-term borrowings	199,280	79,498	119,782
Problematic loans	204,617	–	204,617
Financial guarantee contracts	53,045	–	53,045
Tax liabilities	26,668	7,504	19,164
Non-current liabilities			
Corporate bonds-due after one year	246,960	120,839	126,121
Deferred tax liabilities	–	92,116	(92,116)
Capital and reserves			
Reserves	(3,445,917)	2,749,902	(6,195,819)

The Business Disruption as disclosed in note 2 has resulted malfunction of various departments of the Group, resulting in mishandling and loss of source documents and transaction records. Therefore, the reliability of the accounting books and records remains in doubt, and the absence of key staff makes it hard to explain and validate the true state of affairs of the accounting period ended 31 December 2019 for the Group.

Given the circumstances states above, the Board believes that it is not practical to reconcile and explain the differences between the financial information of the unaudited and audited annual results for the year ended 31 December 2019 of the Group.

CONFIRMATION OF INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirmed that it had received the annual confirmation of independence from each of the Independent Non-executive Directors in compliance with Rule 3.13 of the Listing Rules. The Company is of the view that the independent non-executive Directors remain independent in accordance with the relevant requirements of Rule 3.13 of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive right under the Company's articles of association and the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SCOPE OF WORK OF THE AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Auditors to the amounts set out in the Group's audited consolidated financial statements for the year as approved by the Board of Directors on 18 April 2022. The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditors on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This audited annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinasaite.com.cn). The annual report of the Company containing all the information required by the Rules Governing the Listing of Securities on the Stock Exchange will be published on the above websites of the Company and the Stock Exchange, and will be dispatched to the Shareholders in due course.

UPDATE ON RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect since 22 June 2020. The Stock Exchange imposed, firstly on 21 July 2020 and subsequently on 29 September 2020 and 1 December 2020, seven resumption guidance to the Company (the "**Resumption Guidance**"), details of which are as follows:

(i) conduct an appropriate independent investigation (the "**Independent Investigation**") into the issues identified in the resignation letter of Crowe (HK) CPA Limited, announce the findings and take appropriate remedial actions;

(ii) publish all outstanding financial results and address any audit modifications;

(iii) conduct an independent internal control review (the "**IC Review**") and demonstrate that the Company has in place adequate internal control and procedures to comply with the Listing Rules;

(iv) demonstrate that there is no reasonable regulatory concern on management integrity and/or the integrity of any persons with substantial influence over the company's management and operations;

(v) demonstrate compliance with Rule 13.24 of the Listing Rules;

(vi) have the winding-up petition(s) or winding-up order(s) (if made) against the Company withdrawn or dismissed; and

(vii) announce all material information for the Company's shareholders and other investors to appraise the Company's positions.

Fulfillment of Resumption Guidance

The Independent Investigation and the IC Review have been completed in January 2022, and appropriate announcements with regard to the Independent Investigation and the IC Review have been published by the Company on 23 February 2022.

There is no reasonable regulatory concern about the integrity and competence of the current management of the Company which may pose a risk to investors and damage market confidence as, among others, the Board has been reconstituted and the key personnel responsible for the issues identified in the Independent Investigation report (including Mr. Jiang Jianqiang) had resigned from the Board.

The Company has successfully revived its primary business of providing integrated construction solutions that employs steel structures and prefabricated components in the PRC, and believe that it has sufficient profit and assets to meet the requirement under Rule 13.24 of the Listing Rules.

The Company is in the course of implementing a proposed restructuring, which comprises, among others, the Scheme of Arrangement by the Company with its creditors' to discharge and compromise all claims against, and liabilities of, the Company in full. The Scheme of Arrangement has been approved by the requisite majority of creditors of the Company at the Scheme meeting on 25 February 2022, and has been sanctioned by the Court of Hong Kong on 11 April 2022. The Scheme of Arrangement shall become effective when an office copy of the order of the Court of Hong Kong sanctioning the Scheme of Arrangement is registered by the Registrar of Companies in Hong Kong and the other conditions precedent set out in the Scheme of Arrangement are duly fulfilled. Upon the Scheme of Arrangement becoming effective, it is expected that the existing winding-up petition(s) against the Company will be discharged.

The Company has also endeavoured to update the Shareholders on a regular basis and published all material information (including status of the legal proceedings against the Group, latest business development, details of potential and actual investments in the Company, and other inside information) on a timely basis.

Review hearing of the Listing Review Committee

On 14 January 2022, the Company received a letter from the Stock Exchange stating that the Listing Committee of the Stock Exchange has decided to cancel the Company's listing under Rule 6.01A(1) of the Listing Rules as the Company failed to satisfy all the Resumption Guidance by 21 December 2021 (the "**Delisting Decision**"). On 21 January 2022, the Company submitted an application requesting the Delisting Decision be referred to the listing review committee of the Stock Exchange for review pursuant to Chapter 2B of the Listing Rules. The review hearing is scheduled to be held at 10:30 a.m. on 19 April 2022.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect since 22 June 2020. Under Rule 13.50A of the Listing Rules, 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) of the Listing Rules 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.

The Company will issue announcement to update the Shareholders regarding the disclaimer of opinion issued by the Auditors (other than going concern disclaimer) in due course.

Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the shares of the Company.

By order of the Board
China Saite Group Company Limited
Li Xulin
Chairman

Hong Kong, 18 April 2022

As at the date of this announcement, the executive Directors are Mr. Li Xulin, Mr. Xu Fanghua, Mr. Liu Zhibo, Mr. Hua Gang, Mr. Shan Hu and Mr. Zhang Tianbo; and the independent non-executive Directors are Mr. Xu Jiaming, Mr. Yan Hualin, Mr. Choi Ho Yan and Mr. Siu Siu Ling, Robert.

For the purpose of this announcement, "" denotes an unofficial English translation.*